CERTIFICATION

June 26, 2015

I, Bruce R. Ramge, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the

Financial Examination Report of

ASSURITY LIFE INSURANCE COMPANY

as of

December 31, 2013

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.

STATE OF NEBRSKA
DEPARTMENT OF INSURANCE

JUN 26 2015

FILED

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

Bruce R. Ramge

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Take notice that the proposed report of the financial examination of

ASSURITY LIFE INSURANCE COMPANY

dated as of December 31, 2013, verified under oath by the examiner-in-charge on June 5, 2015, and received by the company on June 8, 2015, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 23 day of June, 2015.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

Justin Schrader
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

ASSURITY LIFE INSURANCE COMPANY

as of

December 31, 2013

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Lincoln, Nebraska
May 13, 2015

Honorable Bruce R. Ramge
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 400
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

ASSURITY LIFE INSURANCE COMPANY
2000 Q Street
Lincoln, Nebraska 68503-3608

(hereinafter also referred to as the "Company") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2008 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2013, and includes such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the shareholder, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by KPMG, LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2013. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company can trace it roots back to three Nebraska insurance companies, Woodmen Accident and Life Company (Woodmen), Security Mutual Life Insurance Company, and Lincoln Mutual Life Insurance Company. These three companies, including their respective mutual holding companies and related subsidiaries, are the underpinnings of Assurity Life Insurance Company.

Grand Insurance Company was organized and commenced business March 20, 1964 as a Michigan insurance company specializing in credit insurance. Grand's Articles of Incorporation were amended to that of a life and disability insurance company effective January 1, 1969. Foremost Life Insurance Company, an Arizona company, was merged into the Company during 1969. On the effective date of the merger, Grand Insurance Company changed its name to Foremost Life Insurance Company.

On June 11, 1996, one hundred percent of the Company's outstanding capital stock was acquired by Woodmen. Effective August 12, 1996 the name of the Company was changed to Assurity Life Insurance Company. The Company was redomesticated to the State of Nebraska on April 1, 1998.

On August 26, 1999, Woodmen filed a Plan of Reorganization with the Nebraska Department of Insurance. The Plan, which was approved by eligible policyholders and the Nebraska Department of Insurance, became effective on December 31, 1999. Under the Plan, Woodmen was reorganized from a mutual life insurance company to a stock life insurance company. Further, a mutual insurance holding company, WFR Mutual Insurance Holding Company (WFR), and an intermediate stock holding company, Woodmen Financial Resources, Inc., were formed. On the effective date, Woodmen issued ten million shares of common stock to WFR. Immediately upon this issuance, WFR exchanged the shares of the Company for one hundred million shares of the capital stock of Woodmen Financial Resources, Inc.

On March 1, 2001, with the approval of the Nebraska Department of Insurance, Lincoln Mutual Holding Company (LML) was merged into WFR. Similarly, LML was merged into the intermediate stock holding company of WFR, Woodmen Financial Resources, Inc. The mutual holding company changed its name to Lincoln Insurance Group. The intermediate stock holding company changed its name to LIG, Inc. All policyholders became members of Lincoln Insurance Group. All policy obligations were unaffected by the consolidation.

Effective October 1, 2003, Woodmen merged with and into the Company. For purposes of voting rights under the Nebraska Mutual Holding Company Act, policy owners/members of Woodmen on the effective date and those persons who become policy owners of the Company after the effective date will be voting members of the Mutual Holding Company. The owners of policies issued by the Company prior to the effective date are not members of the Mutual Holding Company and will not be granted membership rights as a result of the merger.

On September 1, 2004, the Nebraska Department of Insurance approved the merger of Security Mutual Life Nebraska Holding Co. into Lincoln Insurance Group, Inc. with the surviving mutual holding company changing its name to Assurity Security Group, Inc. Also merging were SML Holding Co into LIG, Inc. LIG, Inc. then changed its name to ASG, Inc. The mergers were effective January 1, 2005.

Effective January 1, 2005, Lincoln Direct Life Insurance Company, an affiliate since the March 1, 2001 holding company mergers, was merged with and into the Company.

Effective January 1, 2007, Security Financial Life Insurance Company, an affiliate since the September 1, 2004 merger of mutual holding companies, was merged with and into Assurity Life Insurance Company. Also effective January 1, 2007, the intermediate stock holding company's name was changed from ASG Inc. to Security Financial Inc.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the 'Ultimate Controlling Person", as reported in the 2013 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- Assurity Security Group, Inc.
  - Security Financial Inc.
    - Assurity Life Insurance Company

Shareholder

The Company's Articles of Incorporation provide that the annual meeting shall be held, "not later than June 30 of each year, the Shareholder of the Corporation will elect or designate the members of the Board of Directors of the Corporation and transact such other business as is necessary or appropriate."

The Company's Articles of Incorporation further provide that, "the aggregate number of shares with the Corporation shall have authority to issue is Fifty Thousand (50,000) shares of capital stock having a par value of Fifty Dollars ($50) per share." Company records indicate that 50,000 shares were issued and outstanding at year-end 2013. All of the issued capital stock of the Company is held by Security Financial, Inc., an intermediate stock holding company in the Assurity Security Group, Inc. mutual holding company structure.

No dividends were paid to the Shareholder during the current examination period.

Surplus Note

The Company issued a fixed/floating surplus note on October 29, 2003 in the amount of $10,000,000. The holder of the note is 1-Preferred Term Securities III, Ltd. The surplus note is due on October 29, 2033 and bears interest at 7.7% annum during the period beginning on October 29, 2003 and ending on October 28, 2008. For periods following, the note will accrue interest at the rate equal to the 3-month LIBOR plus 3.85%. Interest is payable quarterly on the 29th day of January, April, July, and October. The note is callable at 107.5% of par through October 29, 2008, at which time the note becomes callable at par.

During 2012, the Company obtained approval from the Nebraska Department of Insurance to redeem a floating rate surplus also issued October 29, 2003 to the same holder as the first note, I-Preferred Term Securities III, Ltd., at par in the amount of $10,000,000. Payment to redeem the note in this amount was made on October 29, 2012

Under the Nebraska Department of Insurance law, interest payments and note repayments are subject to the prior approval of the Director of the Nebraska Department of Insurance and can only be made out of the unassigned surplus of the Company and only to the extent that any such payment is permitted under applicable laws and regulations of the state of Nebraska. The Company incurred interest expense of $418,731, with actual payments of interest on the surplus notes were $419,573 during 2013.

Board of Directors

The Articles of Incorporation, and reiterated in the Company's By-Laws, provide that, "the business and affairs of the Corporation shall be managed by the Board, which shall consist of not less than five (5) Directors."

The following persons were serving as Directors at December 31, 2013:

Name and Residence	Principal Occupation
William R. Cintani Lincoln, Nebraska	President & Chief Executive Officer Mapes Industries
Steven D. Erwin Lincoln, Nebraska	President, Nebraska/Western Iowa U.S. Bank National Association
Kathleen A. Farrell, Ph.D. Lincoln, Nebraska	Senior Associate Dean and Professor of Finance University of Nebraska
Caren L. Hamilton Omaha, Nebraska	Auto Dealership Executive
Thomas E. Henning Lincoln, Nebraska	Chairman, President, Chief Executive Officer Assurity Life Insurance Company
Frank H. Hilsabeck Lincoln, Nebraska	Retired Executive Vice President Windstream Communications
Marc E. LeBaron Lincoln, Nebraska	Chairman, Chief Executive Officer Lincoln Industries
James E. McClurg Lincoln, Nebraska	President Technical Development Resources Company
Angela L. Muhleisen Lincoln, Nebraska	President and Chief Executive Officer Union Bank
Paul M. Schudel Lincoln, Nebraska	Partner, Woods & Aitken LLP
Lyn W. Ziegenbein Omaha, Nebraska	Executive Director Peter Kiewit Foundation

The Company's By-Laws state, "the non-employee Directors of the Corporation may be paid their expenses, if any, of attendance at each meeting of the Board, and may be paid a fixed sum for attendance at each meeting of the Board or a stated retainer as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefore."

Officers

The Company's By-Laws provide that, "the Officers of the Corporation may include a Chairman of the Board of Directors and shall include a Chief Executive Officer, President, one or more Executive or Senior Vice Presidents, a Chief Financial Officer, a Chief Investment Officer, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Such other Officers and Assistant Officers as may be deemed necessary may be elected or appointed by the Board of Directors or Chief Executive Officer. Any two or more offices may be held by the same person, except that the Chairman or President may only additionally hold the office of Chief Executive Officer. The Officers shall be elected by the Board of Directors annually. The Board of Directors, in its discretion, may elect or appoint a Chairman. The term of office for each Officer shall be for one year or until the due election and qualification of his or her successor."

The following is a listing of Officers elected and serving the Company at December 31, 2013:

Name and Residence	Office
Thomas E. Henning	Chairman, President, and Chief Executive Office
Susan L. Keisler-Munro	Senior Vice President, Chief of Operations
Todd W. Reimers	Senior Vice President, Chief Marketing Officer
David T. Wallman	Senior Vice President, Chief Actuary, Assistant to the President
Marvin P. Ehly	Vice President, Chief Financial Officer, Treasurer
William R. Schmeeckle	Vice President, Chief Investment Officer
Carol S. Watson	Vice President, General Counsel, Secretary

Committees

Article IV, Section 4.1 of the Company's By-Laws states that, "each year, the Board shall elect not less three (3) of its members to serve with the Chief Executive Officer as the Executive

Committee. The Committee shall exercise all of the powers of the Board between meetings of the Board, except as prohibited by law ."

The following persons were serving on the Executive Committee at December 31, 2013:

William Cintani	Steven Erwin
Caren Hamilton	Thomas Henning
Frank Hilsabeck	Angela Muhleisen

Article IV, Section 4.2 of the Company's By-Laws states that, "each year, the Board shall elect not less three (3) of its members, each of whom shall be independent Directors, as defined by the Corporation's Board Policies and all applicable laws or regulations, to serve as the Audit Committee. The Committee shall be responsible for assisting the Board of Directors in fulfilling its oversight responsibilities related to the financial reporting process, internal controls and risk management, the internal and external audit functions, and significant regulatory and compliance activities."

The following persons were serving on the Audit Committee at December 31, 2013:

William Cintani	Steven Erwin
Marc LeBaron	Angela Muhleisen
Lyn Ziegenbein	

Article IV, Section 4.3 of the Company's By-Laws states that, "each year, the Board shall elect not less three (3) of its members to serve as the Investment and Finance Committee. A majority of the Directors shall be independent Directors as defined by the Corporation's Board Policies. The Investment and Finance Committee's role is to oversee the Corporation's investment and corporate finance transactions, management, policies and guidelines."

The following persons were serving on the Investment and Finance Committee at December 31, 2013:

William Cintani	Steven Erwin
Caren Hamilton	Thomas Henning

Frank Hilsabeck Angela Muhleisen

Article IV, Section 4.4 of the Company's By-Laws states that, "each year, the Board shall elect not less three (3) of its members, each of whom shall be independent Directors, as the Corporate Governance Committee. The Corporate Governance Committee's role is to assist the Board of Directors in implementing and monitoring corporate governance policies and practices of the Corporation."

The following persons were serving on the Corporate Governance Committee at December 31, 2013:

Kathleen Farrell Marc LeBaron
James McClurg Paul Schudel
Lyn Ziegenbein

Article IV, Section 4.5 of the Company's By-Laws states that, "each year, the Board shall elect not less three (3) of its members, each of whom shall be independent Directors, as the Compensation Committee. The Compensation Committee's role is to assist the Board of Directors in the discharge of responsibilities relating to compensation of the Corporation's employees and executive officers."

The following persons were serving on the Corporate Compensation Committee at December 31, 2013:

Kathleen Farrell Caren Hamilton
Frank Hilsabeck James McClurg
Paul Schudel

A review of Board of Directors meeting minutes over the examination period revealed that Article IV of the Company's By-Laws was not being complied with. Article IV stipulates that, "each year, the Board shall elect not less than three (3) of its members..." to serve in the various Board of Directors subsidiary committees, as outlined in Article IV. The Board of

Directors meeting minutes did not reflect the election of these subsidiary committees, as required by Article IV. It is recommended that the Company's Board of Directors formally elect subsidiary committees, as outlined in Article IV of its By-Laws, or the By-Laws be amended to reflect current practice.

TRANSACTIONS WITH AFFILATES

Tax Allocation Agreement

The Company entered in to a Tax Allocation Agreement with Assurity Security Group Inc., and Security Financial Inc., effective January 1, 2013. According to the terms of the agreement, the Company, on behalf of the parties, will file a consolidated federal income tax return for each tax for which it is eligible to do so. The Company shall also compute and accrue the separate liabilities or benefits, if applicable, for federal and state income taxes of each party. The computation shall take into account all taxable income and tax deductible expense items of each party on and individual basis and shall be performed so as to compute the separate tax liability or tax benefit of each party, independent of any other members of the consolidated group. Each party's liability may be paid to the Company annually, at the Company's option, or quarterly at or around the 15^{th} of April, June, September and December, when the Company is lawfully obligated to make estimated federal income tax payments. The parties shall make final settlement of prior year's tax liability not later than 10 days after filing the Federal and State consolidated income tax returns. This agreement shall not be modified or terminated except by writing duly signed by each of the parties, and may be terminated by any party by giving 30 days written notice to the other parties.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact the business of insurance in the District of Columbia, and all states except New York. Business is produced primarily through two divisions, Individual and Worksite Sales, and is based on a regional team structure. All sales are under the direction of the Senior Vice President and Chief Marketing Officer. Assurity has two distinct sales channels – an individual sales channel and a business sales channel. Both are independent, general brokerage system operations. The individual sales channel is focused on recruiting national marketing organizations and smaller managing general agents who provide a varying degree of services to their downline hierarchy and bring their network of producers to Assurity, usually for selected product offerings. The business sales channel is primarily focused on developing a network of worksite brokers to work with directly versus through a hierarchy of other management. Between the two sales channels, Assurity has about 35,000 brokers appointed across the country.

Individual Sales

The Individual Sales area is segmented into three distinct product lines: individual life, annuities, and individual accident and health.

The individual life portfolio is made up of traditional whole life, term and universal life products. In addition, single premium whole life sales come from two main products, one is a traditional participating product called LifeScape Single Premium Life and made up approximately 25% of the total, while the other product is a non-dividend paying product, targeting the wealth transfer market which is called Legacy SPWL. This product makes up the majority, 75%, of the single premium life sales.

The Company currently markets two deferred annuity products, both single premium deferred annuities and single premium immediate annuities. New annuity premiums have been down significantly with Company producers returning to the safety and stability of fixed annuities after the huge equity market declines experienced in 2008. The extremely low interest rate environment that has ensued has dampened sales over the past three years.

The products in the individual A&H lines are disability income and critical illness. In recent years the Company has eliminated sales of two products, long term care and Defined Med, from their product portfolio.

Business Sales

The major focus of the Business Sales division is to rebuild worksite distribution by recruiting quality worksite producers, and work to improve the profitability of the inforce block of business through rate increases where appropriate. The Company's portfolio of accident and health products include, short-term disability income, hospital indemnity, cancer expense, accident expense and critical illness products. On the life side the Company offers a worksite whole life policy with a number of riders, and a worksite term and universal life product.

The Company's revised worksite distribution strategy targets benefit brokers, ones that service private employers, targeting 50 to 2,500 lives groups, the small end of which the Company believes to be underserved within the voluntary worksite products market.

Geographically, the Company's distribution focus is on an area within approximately 500 miles of the Company's home city location in of Lincoln, Nebraska. Initial targeted geographic area include Lincoln, Omaha, Kansas City, Wichita, Oklahoma City, St. Louis, Des Moines, Chicago, Minneapolis, Sioux Falls and the front range of Colorado.

REINSURANCE

Assumed – Disability Income

Effective July 1, 2003, the Company assumed under a coinsurance and assumption agreement 100% of the reserves and liabilities of Nationwide Life Insurance Company's individual disability income business in force. The policies were coinsured until needed state approvals were received. Nationwide initially administered the business during the transition period.

A Trust Agreement is in place requiring funds equal to the aggregate coinsurance reserves to be maintained with a trustee to indemnify Nationwide against any loss under this reinsurance agreement. At year-end 2013, the fair value of funds held in trust totaled $10,207,500.

Commencing September 1, 2000, the Company assumed the individual disability income business in force of Farm Bureau Life of West Des Moines, Iowa on a 100% coinsurance basis.

Beginning September 1, 2001 the Company entered into a treaty with Farm Bureau Life. Under this agreement, the Company again assumed the individual disability business acquired by Farm Bureau Life from the Kansas Farm Bureau Life of Manhattan, Kansas on a 100% coinsurance basis.

Ceded – Individual Life

Whole Life products are reinsured on a yearly renewable term basis. The Company retains the first $275,000, all ages, standard and substandard risks with a minimum cession of $25,001. The reinsurer will automatically bind the Company to a maximum of $1,500,000 ages Zero to Seventy, Standard to Table 16. The Waiver of Premium benefit is proportionally reinsured and the Company retains the first $75,000 of Accidental Death Benefit. Accelerated Benefits Rider is also proportionally reinsured.

Universal Life products are reinsured on a yearly renewable term basis. The Company retains the first $275,000, all ages, standard and substandard risks with a minimum cession of $25,000. The reinsurer will automatically bind the Company to a maximum $2,500,000 for ages 0-85, mortality up to Table 16 or 500%. The Waiver of Premium benefit is proportionally reinsured. Accelerated Benefits Rider is also proportionally reinsured.

GEAR and LP 85 conversion products are reinsured on a yearly renewable term basis. The Company retains the first $275,000, all ages, standard and substandard risks with a minimum cession of $25,001. The reinsurer will automatically bind the Company to a maximum of eight times the retention for all ages, all mortality tables. The Waiver of Premium benefit is retained up to $7,500 annual premium with a minimum cession of $1,000. Accelerated Benefits Rider is also proportionally reinsured.

Two first dollar quota share and excess treaties effective May 1, 2008 reinsure the Company's newer term products and riders. Under one agreement, covering 10, 15, 20 and 30 Year Term (less than or equal to $350,000), Other Insured Rider, Return of Premium Rider and Accelerated Death Benefit, the Company retains 10% of the risk until its maximum retention of $275,000 is reached at which time the reinsurer accepts 100% of the remaining risk. The minimum amount of reinsurance accepted on an individual life under this agreement is $45,000 with an automatic binding limit of $315,000. However, if the Company is fully retained, reinsurer will accept an additional amount up to $350,000. The Company retains 50% of the Critical Illness Rider.

The second dollar quota share reinsures 10, 15, 20 and 30 Year Term (greater than $350,001 for all ages and greater than $100,001 for ages 66-74), Other Insured Rider, Return of Premium Rider, Critical Illness Rider and Accelerated Death Benefit, the Company retains 10%

of the risk until its maximum retention of $275,000 is reached at which time the reinsurer accepts 100% of the remaining risk. The minimum amount of reinsurance accepted on an individual life under this agreement is $315,001 ($90,001 for ages 66-74) with an automatic binding limit of $2,250,000. The Company retains 50% of the Critical Illness Rider.

For individual accidental death benefit riders, a bulk agreement exists which provides 100% reinsurance for those riders.

For business not currently being sold, various treaties remain to provide combination automatic and facultative reinsurance for amounts in excess of the Company's retention or on a first dollar quota share basis for individual ordinary business.

Individual monthly indemnity policies are reinsured under various automatic/facultative agreements.

Ceded – Disability Income

Disability income business acquired from Farm Bureau Life Insurance Company effective September 1, 2000 is ceded to two reinsurers on a split alphabet basis effective January 1, 2001. The Company retains $3,000 of monthly benefit for benefit periods of five years or less and $1,500 of monthly benefit on to age 65 policies. Automatic issue limits for reinstatements are the difference between the Company's retention and $5,000 of monthly indemnity benefit. Issue and participation limits vary by reinsurer, occupational class and product from $2,000 to $6,000.

Recaptured disability income policies are also reinsured on a split alphabet basis effective January 1, 2002. The Company retains $3,000 of monthly benefit for benefit periods of five years or less and $1,500 of monthly benefit on to age 65 policies. Automatic issue limits for reinstatements are the difference between the Company's retention and $5,000 of monthly indemnity benefit. Issue and participation limits vary by reinsurer, occupational class and product from $2,000 to $6,000.

Disability income business acquired from Farm Bureau Life Insurance Company effective September 1, 2001 and identified as the business of the Manhattan Kansas Regional Office is ceded to two reinsurers on a split alphabet basis effective April 1, 2002. The Company retains $2,500 of monthly benefit for benefit periods of five years or less and $1,500 of monthly benefit for the benefit period to age 65 policies. Automatic issue limits for reinstatements are the difference between the Company's retention and $4,000 of monthly indemnity benefit. Issue and participation vary by reinsurer, occupational class and product from $3,000 to $10,000.

Disability income business acquired from Nationwide is ceded effective January 1, 2007. The Company retains $3,000 of monthly benefit for benefit periods of five years or less and $1,500 of monthly benefit for the benefit period to age 65 policies.

For new business the reinsurance consists of excess of loss coverage on a coinsurance basis. Benefit periods of ten years or less have a retention of $3,000. To age sixty-five or sixty-seven benefit periods have a retention of $1,500. Overhead expense benefits all benefit periods have a retention of $3,000. The reinsurer will automatically accept 100% of the excess over the Company's retention to the issue limit of $4,000 (provided that total amount applied for on the same risk with all insurance companies does not exceed $4,000 of monthly indemnity benefit). Maximum participation limits range from $8,000 to $15,000 based on Occupation class.

Graded benefit disability income policies and approved riders produced through Inn Re Underwriters, Inc. are ceded on a coinsurance basis under an agreement effective November 1, 2003. The Company has authorized Inn Re Underwriters, Inc. to underwrite said business as its underwriting manager pursuant to an administrative services agreement. The Company will retain a 20% quota share to its maximum retention of $2,200. The reinsurer will accept 80% up to $6,000 per life. The automatic issue limit is $7,500 per life. Issue and participation limits by occupational class range from $6,000 to $11,000.

The Company reinsurers Specified Illness Living Benefit products under a coinsurance agreement effective January 1, 2003. The Company retains 20% of the risk to its maximum retention of $50,000. The reinsurer automatically accepts up to five times the Company's retention to a maximum of $100,000. Risks may be facultatively reinsured to a maximum of $250,000. The minimum cession is $5,000 per insured.

Effective October 1, 2004, the Company reinsured the Specified Illness Living Benefit products under a different agreement. The Company retains 15% to a maximum of $100,000 on Simplified Issue Critical Illness policies and 20% to a maximum of $100,000 on regular Critical Illness policies. The reinsurer automatically accepts $50,000 for the simplified issues and $0 for the regular issues. Risks may be facultatively reinsured to a maximum of $50,000 for the simplified issues and $500,000 for the regular issues. The minimum cession is $1,000 for the simplified issues and $5,000 for the regular issues.

Effective January 1, 2007, the Company reinsures the Specified Illness Living Benefit product marketed through worksite under yet another treaty. The Company retains 50%. The maximum policy issued is $100,000.

Ceded – Group Life and Group Accident and Health

Effective July 1, 2000 the Company entered into a Master Agreement and a Reinsurance Contract with GMS. Under these agreements the Company cedes 100% of its Group Life, Group Health and Group Disability coverage issued to, by or through The Great Lakes Employers Association, Inc., to GMS. The Great Lakes Employers Association, Inc. is an affiliate of GMS.

A separate Administrative Services Agreement between the Company and Group Marketing Services, Inc. provides for underwriting and marketing services and claims processing. Monthly fees under this agreement equal 10% of processed claims plus $2,500 for the precertification/recertification services. In addition to expenses and other amounts that are the Company's responsibility, taxes, charges or fees assessed against GMS are also reimbursed. This business is considered monthly renewable term and as such there are no unearned premiums. GMS is considered an unauthorized reinsurer and as such, its liabilities are secured by a letter of credit.

Group Life business is ceded under an automatic treaty, with facultative option, as follows:

Basic and optional life	excess of $80,000 up to $920,000
TPA and Self-Billed Dependent Life	100% up to $25,000 per person
TPA and Self-billed life	50% of the first $160,000 and 100% of excess up to $840,000 to a max of $1,000,000 per person
Voluntary Term Life	100% up to $160,000 less the Company's retention of the lesser of 50% of the first $160,000 or $80,000 and 100% of the excess up to $840,000 with maximum of $1,000,000
Voluntary Term life – Spouse rider	50% of $160,000
Accidental Death and Dismemberment for all plans	100% up to $1,000,000 per person
Critical Illness Accelerated Benefit rider	50% up to $50,000 per person

Reinsurance ceded under this agreement is eligible for an experience refund.

Ceded – Qualified Corporate Pension

The Company's decision to exit the qualified corporate pension market was accomplished with the execution of an agreement providing 100% coinsurance and assumption reinsurance through North American Life. Corporate pension policies and corporate tax sheltered annuities issued prior to September 1, 1997, excluding certificates for and related to the Company's 401(k), were coinsured. The reinsurer assumed the Company's reserves and liabilities. As the terms and conditions of each state were satisfied, including notice to policyholders, assumption reinsurance became effective with all of the Company's obligations, liabilities, rights and benefits ceded, assigned and transferred to the reinsurer. Any previous reinsurance in effect at the date of this agreement was recaptured or assigned by the Company. A trust account is maintained by the reinsurer indemnifying the Company against any loss resulting from failure or refusal by the reinsurer to discharge its obligations under the reinsurance agreement and/or an Administrative Service Agreement. A Trustee holds authorized investments having a market value equal to 102% of the coinsurance reserves. The reinsurer without compensation provides required services in connection with the policies in this program. Effective December 1, 2014, the North American Life reinsured business was recaptured by the Company and assets equal to reserves were transferred from the trust to the Company.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	2009	2010	2011	2012	2013
Bonds	$1,646,799,313	$1,712,132,802	$1,774,582,180	$1,765,017,472	$1,758,569,028
Admitted assets	2,237,618,619	2,326,324,504	2,403,180,678	2,419,235,295	2,449,282,457
Aggregate reserves for life and accident & health contracts	1,667,229,717	1,730,323,926	1,790,140,626	1,806,024,677	1,812,176,627
Total liabilities	1,988,940,927	2,069,441,015	2,145,364,225	2,156,533,706	2,142,856,435
Capital and surplus	248,677,693	256,883,486	257,816,444	262,701,592	306,426,022
Premium & annuity considerations	266,877,131	254,426,229	240,567,593	225,043,008	191,152,699
Net investment income	119,873,153	120,455,711	118,734,919	119,928,401	114,825,149
Death, annuity, and disability benefits	119,384,254	109,211,266	89,898,143	100,816,378	105,775,476
Net income	(5,841,926)	14,972,626	22,952,929	21,921,611	14,640,631
Life insurance in-force (in thousands)	10,922,738	12,308,496	12,840,784	13,720,762	14,320,145

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Company at December 31, 2013 and its transactions during the year 2014 as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2013

Assets

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$1,758,569,028		$1,758,569,028
Common stock	55,510,696		55,510,696
Mortgage loans on real estate	311,920,017		311,920,017
Real estate occupied by the company	52,898,779		52,898,779
Real estate held for production of income	4,167,809		4,167,809
Real estate held for sale	9,958,678		9,958,678
Cash and short-term investments	24,225,383		24,225,383
Contract loans	111,264,103	$ 88,659	111,175,444
Other invested assets	25,360,393	69,500	25,290,893
Subtotal, cash and invested assets	$2,353,874,886	$ 158,159	$2,353,716,726
Investment income due and accrued	20,952,891	187,026	20,765,865
Uncollected premiums and agents' balances in the course of collection	11,012,901	19,688	10,993,213
Deferred premiums and agents' balances not yet due	25,110,088		25,110,088
Reinsurance amounts recoverable	1,665,542		1,665,542
Other reinsurance amounts receivable	1,690,453		1,690,453
Current federal income tax	5,299,027		5,299,027
Net deferred tax asset	38,056,306	10,231,214	27,825,092
Guaranty funds receivable or on deposit	359,182		359,182
Electronic data processing equipment	4,474,282	3,290,070	1,184,212
Furniture and equipment	5,016,588	5,016,588	
Other non-admitted assets	2,652,541	2,652,541	
GMS receivable	673,057		673,057
Prepaid financing –TIF	298,501	298,501	
Miscellaneous receivable	141	141	
Total	$2,471,136,386	$21,853,929	$2,449,282,457

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	$1,618,325,835
Aggregate reserve for accident and health contracts	193,850,792
Liability for deposit-type contracts	187,465,151
Life contract claims	9,560,723
Accident and health contract claims	11,724,037
Provision for policyholders' dividends	17,205,280
Premiums and annuity considerations	745,632
Provision for experience rating refunds	464,500
Other amounts payable on reinsurance	6,776,190
Interest maintenance reserve	16,372,578
Commissions to agents due or accrued	449,681
General expenses due or accrued	19,802,586
Taxes, licenses and fees due or accrued	1,853,716
Amounts withheld or retained by company	316,914
Amounts held for agents' account	46,704
Remittances and items not allocated	4,516,969
Asset valuation reserve	30,373,347
Payable for securities	7,425,808
Liability for pension plans	10,156,284
TIF financing obligation	3,127,174
Liability for other post retirement benefits	1,995,483
Payable for capitalized items	123,618
Interest accrued on unpaid life and annuity claims	107,347
Interest accrued on surplus notes	70,929
Total liabilities	$2,142,856,435
Common capital stock	$ 2,500,000
Surplus notes	10,000,000
Unassigned funds (surplus)	293,926,022
Total capital and surplus	$ 306,426,022
Total	$2,449,282,457

SUMMARY OF OPERATIONS – 2013

Premium and annuity considerations	$191,152,699
Considerations for supplementary contracts	2,899,277
Net investment income	114,825,149
Amortization of interest maintenance reserve	3,482,511
Commissions and expense allowance on reinsurance ceded	21,232,620
Miscellaneous income	716,119
Totals	$334,308,375
Death benefits	$ 59,712,954
Matured endowments	469,874
Annuity benefits	12,363,102
Disability benefits	33,699,420
Surrender benefits and withdrawals for life contracts	68,435,198
Interest and adjustments on contract or deposit-type contracts	4,331,226
Payments on supplementary contracts	2,495,398
Increase in aggregate reserves	5,606,785
Totals	$187,113,957
Commissions on premiums, annuity considerations, and deposit-type contracts	$ 46,199,006
Commissions and expense allowances on reinsurance assumed	715,981
General insurance expenses	58,402,397
Insurance taxes, licenses and fees	6,791,022
Increase in loading on deferred and uncollected premiums	(393,681)
Fund deposit fees	16,653
Totals	$298,845,337
Net gain from operations before dividends, federal income taxes and net realized capital gains	$ 35,463,039
Dividends to policyholders	17,153,354
Federal income taxes incurred	2,658,044
Net realized capital losses	(1,011,010)
Net income	$ 14,640,631

CAPITAL AND SURPLUS ACCOUNT

	2009	2010	2011	2012	2013
Capital and surplus, beginning	$223,151,402	$248,677,694	$256,883,489	$257,816,448	$262,701,592
Net income	$ (5,841,926)	$ 14,972,626	$ 22,952,929	$ 21,921,611	$ 14,640,631
Change in net unrealized capital gains (losses)	11,739,682	4,080,459	(2,026,921)	4,942,544	5,616,523
Change in net deferred income tax	5,654,322	(1,774,118)	(5,833,524)	(527,589)	561,501
Change in nonadmitted assets	4,347,613	4,637,909	(2,041,882)	5,635,272	14,603,244
Change in asset valuation reserve	(7,594,983)	(4,971,686)	(1,791,539)	(10,896,541)	11,547,989
Change in surplus notes				(10,000,000)	
Surplus from application of SSAP 10R paragraph 10e	8,630,435				
Pension plan surplus adjustment	6,161,872	(1,067,911)	(12,973,755)	(769,039)	18,409,307
Other changes in pension plans					(21,439,180)
Waiver of premium overstatement	2,245,485				
Net reserve correction		(7,671,484)	2,889,650	1,327,757	(215,584)
AVR understatement correction				(6,565,235)	
GMS accrual correction			(241,999)		
Other surplus changes prior year	183,793			(183,635)	
Net change for the year	$ 25,526,292	$ 8,205,796	$ 932,958	$ 4,885,144	$ 43,724,431
Capital and surplus, ending	$248,677,694	$256,883,489	$257,816,448	$262,701,592	$306,426,022

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of $293,926,022, as reported in the Company's 2013 Annual Statement has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Business Contingency Plan – It is recommend that the Company test its business continuity/disaster recovery plan on no less than an annual basis, or when significant changes occur to the Company's information technology infrastructure or financially significant information systems.

Action: The recommendation is no longer warranted in the Report of Examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Quarterly Approval of Investment Activity

The Company's practice is to alternate quarterly approval of investment transactions between the Investment and Finance Committee and the full Board of Directors. It was noted during the last quarter of 2013 that appropriate approval of quarterly investment transactions was not included in the Board's meeting minutes. It is therefore recommended that the Company ensure its Board of Directors, or subsidiary Investment and Finance Committee approves quarterly investment activity, and this approval is documented in meeting minutes.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Election of Board of Directors Subsidiary Committees – It is recommended that the Company's Board of Directors formally elect subsidiary committees, as outlined in Article IV of its By-Laws, or the By-Laws be amended to reflect current practice.

Quarterly Approval of Investment Activity – It is recommended that the Company ensure that its Board of Directors, or subsidiary Investment and Finance Committee, approves quarterly investment activity, and this approval is documented in meeting minutes.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Joe Hofmeister, CFE, Skyler Lawyer, CFE, and Brian Davis, Financial Examiners; Linda Scholl, CISA, CFE, Information Systems Specialist; and Rhonda Ahrens, FSA, Life and Health Actuarial Examiner; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

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Tadd Wegner, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

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Respectfully submitted,

Todd K Wegner

Tadd Wegner, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Assurity Life Insurance Company. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report, and the examination of Assurity Life Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Tadd K. Wegner

Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd Wegner on this 5th day of June, 2015.

GENERAL NOTARY - State of Nebraska
TERRI A. KELLER
My Comm. Exp. Dec. 24, 2017

(SEAL)

Terri A Keller

Notary Public

My commission expires 12-24-2017 [date].