

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

IN THE MATTER OF:)

Washington National Insurance Company)
11825 North 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.

May 28, 2015
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0058 2082 70

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

IN THE MATTER OF:)
)
Washington National Insurance Company)
11825 North 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, 2010 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 30, 2015.

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 April 13, 2015 and was received by the Company on April 17, 2015.

On May 11, 2015, 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, 2013.
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 and Sealed this 28th day of May, 2015.


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.

[Handwritten signature]

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, 2013

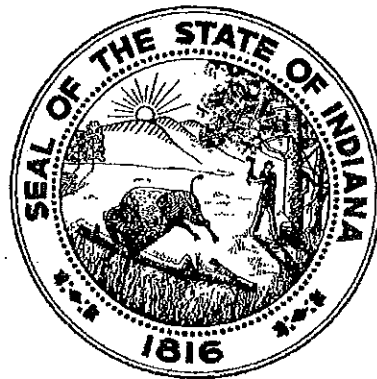


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance

311 W. Washington Street, Suite 300

Indianapolis, Indiana 46204-2787

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Stephen W. Robertson, Commissioner

March 30, 2015

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 3791, 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 stock, life 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, 2013, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES/COMPANY RECORDS
(317) 232-1991

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2013, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

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 New York Department of Financial Services, Pennsylvania Insurance Department, and Texas Department of Insurance (TDI) served as participants.

Jeff Beckley, FSA, MAAA, of Actuarial Options, LLC., a consulting actuary appointed by the INDOI, conducted a review of the Company's statutory reserves as of December 31, 2013.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

CNO is a holding company for a group of insurance companies operating throughout the United States that develop, market, and administer annuity, health insurance, individual life insurance, and other insurance products, focused on serving the middle-income, pre-retiree, and retired Americans. CNO and its wholly owned holding company, CDOC, Inc., (CDOC) are located in Carmel, Indiana. The six (6) insurance subsidiaries of CDOC are Bankers Conesco Life Insurance Company of New York (BCLIC), Bankers Life and Casualty Company (BLC), Conesco Life Insurance Company (CLIC), Conesco Life Insurance Company of Texas (CLTX), Colonial Penn Life Insurance Company (CPL), and the Company.

The Company was formed in 1923 and since organization it has acquired, through reinsurance or merger, all or part of the outstanding life and/or accident and health business of twenty-seven (27) insurance companies. WNIC became part of the CNO holding company system on December 5, 1997, when CNO acquired all of the issued and outstanding capital stock of Washington National Corporation, a publicly traded holding company that owned WNIC. On June 30, 1999, Washington National Corporation was dissolved and WNIC became a wholly-owned subsidiary of CLTX. On July 23, 2008, CLTX paid a dividend in the form of 100% of the common stock of WNIC to CDOC. The Company redomesticated to become an Indiana domiciled insurance company as of September 30, 2010.

CAPITAL AND SURPLUS

As of December 31, 2013, the Company had 5,250,000 shares of common stock authorized with a par value of \$5 per share, of which 5,007,370 shares were issued and outstanding. The Company has no preferred stock.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to CDOC during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends
2013	\$ 80,000	\$ -	\$ 80,000
2012	60,000	30,000	30,000
2011	30,000	-	30,000
2010	104,630	-	104,630
Total	<u>\$ 274,630</u>	<u>\$ 30,000</u>	<u>\$ 244,630</u>

In accordance with Indiana Code (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 operations of such insurer of the prior year. The Company paid six (6) extraordinary dividends during the examination period with the prior approval of the INDOI. The dividend in 2010 was paid in the form of all the outstanding shares of CLIC. One (1) dividend paid during the examination period was ordinary in nature but required INDOI approval in accordance with IC 27-1-3-24. 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.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, CNO managed its business through the following operating segments: Bankers Life, Washington National, and Colonial Penn, which are defined on the basis of product distribution, Other CNO Business, comprised of business no longer sold, and Corporate Operations. The Company is licensed to write in every state, except New York, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

The Washington National segment markets and distributes supplemental health products including specified disease, accident and hospital indemnity insurance, and life insurance to middle-income consumers at home and at the worksite. These products are marketed through Performance Matters Associates of Texas, Inc., a wholly owned subsidiary of CNO and an affiliate of the Company, and through independent marketing organizations and insurance agencies including worksite marketing. These products are underwritten by the Company, which also has a closed-block of insurance business which consists of business no longer actively marketed.

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	Premiums and Annuity Considerations	Net Income
2013	\$5,286,072	\$4,854,173	\$406,862	\$540,742	\$59,586
2012	5,247,572	4,778,192	444,344	522,385	58,588
2011	5,335,854	4,834,972	475,845	523,884	71,289
2010	4,911,662	4,419,863	466,763	637,438	(606,735)

The Company's net income increased from a loss of approximately \$606 million to income of approximately \$71 million in 2011, primarily due to the recognition of a realized loss of approximately \$618 million in 2010, resulting from the reversal of related cumulative unrealized capital losses upon the dividend of a former subsidiary, CLIC, to CDOC. Also, the Company incurred net realized capital losses, net of tax and IMR (excluding the loss on the CLIC dividend), of approximately \$54 million in 2010 compared to net realized capital gains, net of tax and IMR, of approximately \$.6 million in 2011. The net realized capital losses in 2010 were primarily the result of impairments related to an investment in unaffiliated preferred stock.

The Company's premiums and annuity considerations decreased from approximately \$637 million in 2010, to approximately \$524 million in 2011, primarily due to a decrease in assumed premiums resulting from the recapture of a modified coinsurance agreement in the fourth quarter of 2010. Under this agreement, the Company had assumed premiums of approximately \$121 million in the first three quarters of 2010.

The Company's net income decreased from approximately \$71 million in 2011, to approximately \$58 million in 2012, primarily due to a higher benefit ratio on the Company's long-term care block, including a \$4 million increase in premium deficiency reserves in 2012. This block of business was ceded to an unaffiliated reinsurer in the fourth quarter of 2013, which had a favorable impact on net income of approximately \$18 million. Also in 2013, the Company executed an investment trading strategy that increased capital gains tax and decreased net income by approximately \$22 million.

MANAGEMENT AND CONTROL

Directors

The Company is managed by a Board of Directors (Board). The Bylaws state that the Board shall consist of not less than five (5) nor more than nine (9) directors who are at least twenty-one (21) years of age and who shall be elected by the shareholders at the annual shareholders meeting. For each year under review, there have been between five (5) and nine (9) directors, whom were elected by the shareholders at the annual shareholders meeting.

IC 27-1-7-11 states that at least one (1) of the directors must be a resident of Indiana. Upon review, it is confirmed that at least one (1) director is a resident of Indiana.

The following is a listing of persons serving as directors for the Company and their principal occupations as of December 31, 2013:

<u>Name and Address</u>	<u>Principal Occupation</u>
Thomas D. Barta Carmel, Indiana	Senior Vice President, Finance and Business Development CNO Services, LLC
John R. Kline Indianapolis, Indiana	Senior Vice President and Chief Accounting Officer CNO Services, LLC
Christopher J. Nickele Arlington Heights, Illinois	President, Other CNO Business CNO Services, LLC
Scott R. Perry Chicago, Illinois	Chief Business Officer CNO Services, LLC
Barbara S. Stewart Carmel, Indiana	President, WNIC CNO Services, LLC

Officers

The Bylaws state that the officers of the Company, who shall be chosen by the Board, shall be the Chairman of the Board, the President, one (1) or more Vice Presidents, a Secretary, and a Treasurer. All elected officers shall be elected by the Board of Directors at their regular annual meeting for the term of one (1) year and until their successors are elected and qualified. Any vacancy in any office may be filled by the Board of Directors at any meeting. Any two (2) offices may be held by one person.

The following is a list of the officers and their respective titles as of December 31, 2013:

<u>Name</u>	<u>Principal Occupation</u>
Barbara S. Stewart	President
Erik M. Holding	Treasurer
Karl W. Kindig	Secretary
Jeremy D. Williams	Actuary
Bruce K. Baude	Executive Vice President
Eric R. Johnson	Executive Vice President
Matthew J. Zimpfer	Executive Vice President
Thomas D. Barta	Senior Vice President
Mark E. Billingsley	Senior Vice President
William D. Fritts, Jr.	Senior Vice President
Richard W. Garner	Senior Vice President
John R. Kline	Senior Vice President

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, 2013.

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, 2013.

CORPORATE RECORDS

Articles of Incorporation

The Articles of Incorporation were amended as of September 2010 to reflect the redomestication of the Company to Indiana.

Bylaws

The Bylaws were amended as of June 2010 to reflect the redomestication of the Company to Indiana.

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 Bylaws state the annual meeting of shareholders is to be held the first Tuesday of May. For each year the Company was an Indiana domestic, the annual meeting was held on the first Tuesday of May or such other date within five (5) months following the close of each fiscal year.

The Bylaws do not require any specific committees to be in place. The Company's Investment Committee meeting minutes were reviewed for the examination period and through the fieldwork date. The CNO committee meeting minutes for the examination period and through the fieldwork date, were reviewed at the holding company level for the following committees: Audit and Enterprise Risk Management Committee, Executive Committee, Governance and Nominating Committee, and Human Resources and Compensation Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's upstream affiliates as of December 31, 2013:

	NAIC Co. Code	Domiciliary State
CNO Financial Group, Inc.		DE
CDOC, Inc.		DE
Conseco Life Insurance Company	65900	IN
Conseco Life Insurance Company of Texas	11804	TX
Bankers Conseco Life Insurance Company	68560	NY
Bankers Life and Casualty Company	61263	IL
Colonial Penn Life Insurance Company	62065	PA
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 Agreement

Effective December 5, 1997, the Company entered into an Investment Advisory Agreement with 40/86 Advisors, Inc., (40/86 Advisors) to provide management of the Company's investments and investment accounting services. Effective October 1, 2010, related to the redomestication, the agreement was amended at the request of the INDOI and was non-disapproved on December 13, 2010. The agreement states that 40/86 Advisors will direct, purchase, retain, and dispose of the invested assets for a quarterly fee of 0.05% of total market value of said assets. 40/86 Advisors also provides all investment accounting services, for a quarterly fee equal to the lesser of 0.0125% of the total market value of the Company's invested assets or all direct and directly allocable expenses for the investment accounting services, plus a charge for overhead. During 2013, the Company incurred \$12,166,030 for services provided pursuant to this agreement.

Loan Servicing and Origination Agreement

Effective December 5, 1997, the Company entered into an Agreement with 40/86 Mortgage Capital, Inc., (40/86 Mortgage Capital) to provide origination and servicing services for the Company's mortgage loans. Effective October 1, 2010, related to the redomestication, the agreement was amended at the request of the INDOI and was non-disapproved on December 13, 2010. Pursuant to the agreement, the Company pays 40/86 Mortgage Capital a monthly servicing fee equal to the beginning unpaid principle balance of each loan as of the payment date multiplied by .002/12. During 2013, the Company incurred \$788,531 for services provided pursuant to this agreement.

Insurance Services Agreement

Effective December 5, 1997, the Company entered into an Insurance Services Agreement with CNO Services, LLC (CNO Services). CNO Services provides certain administrative and special services. Effective October 1, 2010, related to the redomestication, the agreement was amended at the request of the INDOI and was non-disapproved on December 13, 2010. During 2013, the Company incurred \$111,716,540 for services provided pursuant to this agreement.

Consolidated Federal Income Tax Agreement

Effective January 1, 2003, the Company joined the CNO and Subsidiaries Amended and Restated Consolidated Federal Income Tax Agreement, dated February 4, 1989, as amended and restated, and files a life-nonlife consolidated federal income tax return with CNO and its subsidiaries. Pursuant to this agreement, CLTX receives and disburses tax-sharing payments to/from CNO's insurance subsidiaries participating in this agreement. Effective January 1, 2004, after receiving acceptance from the Illinois Department of Insurance (ILDOI) on March 12, 2004, the agreement was amended to include various provisions at the request of the TDI. Related to the Company's redomestication, the agreement was non-disapproved by the INDOI on November 23, 2010. During 2013, the Company paid \$29,931,075 and \$114,698 in federal and state income taxes, respectively, to CLTX pursuant to the agreement.

Lease Agreements

Effective January 1, 1996, Bankers National Life Insurance Company (Bankers National) entered into a Lease Agreement with CNO Services to lease square footage. CNO Services leases square footage from the Company at its home offices located in Carmel, Indiana. Through the merger of Bankers National into the Company, effective October 1, 2004, the Company became a party to the agreement.

Effective May 18, 2010, and after acceptance by the ILDOI on May 11, 2010, the agreement was amended to document the current square footage and include the appropriate survey and legal description of the property. In addition, on October 8, 2010, the lease term was extended for an additional five (5) years until December 31, 2015. Related to the Company's redomestication, the agreement was non-disapproved by the INDOI on November 23, 2010. During 2013, the Company received \$6,596,111 for services provided pursuant to this agreement.

Effective April 1, 2011, the Company is also a party to a Lease Agreement with BLC whereby BLC leases 3,235 square feet from the Company at its home office located in Carmel, Indiana. The agreement was non-disapproved by INDOI on April 20, 2011. During 2013, the Company received \$46,908 for services pursuant to this agreement.

Service Agreement

Effective November 1, 2011, the Company entered into a Service Agreement with K.F. Agency, Inc. (K.F. Agency) after non-disapproval by INDOI on October 25, 2011. Under the Service Agreement, compensation owed to K.F. Agency's agents will be paid by the Company through its existing commission system, and all amounts paid by the Company will be reimbursed by K.F. Agency. During 2013, the Company had no activity pursuant to this agreement and reported no reimbursements.

Sales Representative Agreement

Effective November 1, 2011, the Company entered into a Sales Representative Agreement with K.F. Agency, in which K.F. Agency functions as an in-house independent marketing organization with a direct relationship with producing agents with commissions being paid to K.F. Agency in the same amounts that would be paid to CNO's top level Insurance Marketing Organizations. During 2013, the Company paid \$15,613 in override commissions to K.F. Agency pursuant to this agreement.

National Distribution Agreement And National Marketing Agreement

Effective September 22, 2005, CNO Services entered into a National Distribution Agreement (Distribution Agreement) with Coventry Health and Life Insurance Company and certain of its affiliates (collectively Coventry) to distribute Medicare Part D stand alone Prescription Drug Plans through duly appointed agents of Conseco Insurance Company (CIC), which merged into the Company on October 1, 2010, and other of its affiliates.

Effective January 1, 2006, CIC, prior to merging into the Company, and other affiliates entered into a National Marketing Agreement (Marketing Agreement) with CNO Services whereby CIC and other of its affiliates receive compensation from either CNO Services or directly from Coventry as assigned by CNO Services, equal to and under the same terms and conditions of the compensation received by CNO Services under the Distribution Agreement, except for a quarterly licensing fee retained by CNO Services. Related to the Company's redomestication and effective October 1, 2010, the Marketing Agreement along with Amendment No. 1 to this agreement were non-disapproved by the INDOI on May 27, 2011. Effective October 1, 2011, the Distribution Agreement was amended to substitute K.F. Agency an affiliate, in place of CNO Services. During 2013, the Company reported fee income totaling \$355,871 and expenses of \$41,160 relating to the distribution of these plans.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employee through a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, Pennsylvania. The bond covers CNO and all its subsidiaries and financially controlled entities for loss resulting from dishonest or fraudulent acts committed by any employee acting alone or in collusion with others, forgery and alteration, securities alteration or theft, and computer systems fraud and has a single loss liability limit of \$10,000,000 with a \$500,000 deductible. The fidelity bond exceeds the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force at December 31, 2013, including, but not limited to auto liability, business income, commercial automobile, employer's liability, foreign employee benefits, general liability, property, workers' compensation, and international liabilities including auto liability, business income, general liability, property, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Defined Benefit Plan

The Company provides certain health care and life insurance benefits under a postretirement plan for certain former employees. The unfunded plans are closed to new participants. The liabilities were \$2,528,253 at December 31, 2013, and were included in general expenses due and accrued. The Company recorded expenses of \$181,892 on the plan in 2013.

Defined Contribution Plans

The Company provides payments under two (2) different deferred compensation plans with two (2) agents. The plans are closed and are in payout status. The liability for these plans was \$2,168,377 at December 31, 2013 and was included in the liability for amounts held for agents' accounts. The Company recorded expenses of \$164,575 on the plan in 2013.

Consolidated/Holding Company Plans

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 2013 totaled \$888,484.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2013:

State	Book Value	Fair Value
For all Policyholders:		
Arkansas	\$ 107,359	\$ 127,359
Florida	7,640,238	8,004,919
Georgia	171,016	200,691
Indiana	5,024,659	5,101,560
Massachusetts	107,569	127,697
Michigan	299,423	312,727
Missouri	648,749	677,574
New Hampshire	1,051,365	1,126,207
New Jersey	307,277	416,719
New Mexico	368,561	421,426
North Carolina	1,279,054	1,546,941
Texas	1,180,961	1,278,915
Virginia	501,540	595,781
Guam	50,000	50,075
Puerto Rico	1,287,749	1,195,785
U.S. Virgin Islands	502,666	536,289
Total Deposits	\$ 20,528,186	\$ 21,720,665

REINSURANCE

The following describes significant terms of the Company's reinsurance assumed and reinsurance ceded programs for the examination period ended December 31, 2013.

Reinsurance assumed

The Company reported a moderate amount of assumed reinsurance, consisting primarily of legacy contracts. In 2013, no individual account generated financially significant assumed premiums and at December 31, 2013, aggregate assumed reserves totaled \$97 million.

Reinsurance ceded

The Company maintains a net retention of up to \$750,000 per life. Limits in excess of retention are ceded to various reinsurers through a series of contracts covering the excess over retention limits. None of these treaties individually are considered to involve financially significant balances.

In 2007, the Company, together with several affiliates, sold most of its older inforce fixed annuity business through a coinsurance agreement with Jackson National Life Insurance Company (JNLIC). Under the terms of the coinsurance agreement, administration of this business was also transferred to a third party administrator. All future policy activity relating to this block business will be ceded to JNLIC. At December 31, 2013, this transaction accounted for ceded policy reserves totaling \$1.4 billion.

In 2009, the Company sold its inforce life business maintained on its Cyberlife system to Wilton Re in a similar transaction. Under the terms of this coinsurance agreement, administration of this business was also transferred to a third party administrator. All future policy activity relating to this block of business will be ceded to Wilton Re. At December 31, 2013, this transaction accounted for ceded policy reserves totaling \$353 million.

The Company's most significant transaction during the current examination period involves the reinsurance of a large block of long-term care business to Beechwood Re in October 2013. As Beechwood Re is an unauthorized reinsurer, the transaction is collateralized through a Trust arrangement whereby assets equal to 107% of ceded reserves are to be held as reinsurance collateral. At December 31, 2013, this transaction accounted for ceded policy reserves totaling \$346 million.

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, 2012 and 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2013, 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, 2013
(in 000s)

	Per Examination*
Bonds	\$ 4,258,776
Stocks:	
Preferred stocks	47,805
Common stocks	28,413
Mortgage loans on real estate:	
First liens	337,093
Real estate:	
Properties occupied by the company	37,540
Properties held for the production of income	7,931
Properties held for sale	8,042
Cash, cash equivalents and short-term investments	246,537
Contract loans	41,064
Derivatives	14,819
Other invested assets	40,280
Receivables for securities	4
Subtotals, cash and invested assets	5,068,304
Investment income due and accrued	51,774
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	9,333
Deferred premiums and agents' balances and installments booked but deferred and not yet due	5,688
Reinsurance:	
Amounts recoverable from reinsurers	439
Other amounts receivable under reinsurance contracts	36,644
Current federal and foreign income tax recoverable and interest thereon	26,203
Net deferred tax asset	54,610
Guaranty funds receivable or on deposit	7,179
Electronic data processing equipment and software	10,446
Receivables from parent, subsidiaries and affiliates	4,675
Health care and other amounts receivable	449
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	5,275,745
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	10,327
Total	\$ 5,268,072

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

WASHINGTON NATIONAL INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2013
 (in 000s)

	Per Examination*
Aggregate reserve for life contracts	\$ 1,103,341
Aggregate reserve for accident and health contracts	2,264,468
Liability for deposit-type contracts	701,584
Contract claims:	
Life	11,787
Accident and health	95,650
Provision for policyholders' dividends and coupons payable in following calendar year -- estimated amounts:	
Dividends apportioned for payment	636
Premiums and annuity considerations for life and accident and health contracts received in advance	20,092
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance including assumed and ceded	396,809
Interest maintenance reserve	142,957
Commissions to agents due or accrued-life and annuity contracts accident and health and deposit-type contract funds	2,550
General expenses due or accrued	14,392
Transfers to Separate Accounts due or accrued (net)	(3)
Taxes, licenses and fees due or accrued, excluding federal income taxes	6,112
Unearned investment income	848
Amounts withheld or retained by company as agent or trustee	261
Amounts held for agents' account, including agents' credit balances	2,370
Remittances and items not allocated	11,921
Miscellaneous liabilities:	
Asset valuation reserve	49,788
Payable to parent, subsidiaries and affiliates	1,868
Aggregate write-ins for liabilities	16,415
Total Liabilities excluding Separate Accounts business	4,843,846
From Separate Accounts Statement	10,327
Total Liabilities	4,854,173
Common capital stock	25,037
Gross paid in and contributed surplus	1,513,376
Unassigned funds (surplus)	(1,106,514)
Surplus	406,862
Total surplus and other funds	431,899
Total liabilities, surplus and other funds	\$ 5,286,072

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

WASHINGTON NATIONAL INSURANCE COMPANY
Statement of Operations
For the Year Ended December 31, 2013
(in 000s)

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 540,742
Considerations for supplementary contracts with life contingencies	5,918
Net investment income	302,313
Amortization of interest maintenance reserve	4,526
Commissions and expense allowances on reinsurance ceded	24,370
Reserve adjustments on reinsurance ceded	(77,660)
Miscellaneous Income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	94
Charges and fees for deposit-type contracts	1
Aggregate write-ins for miscellaneous income	396
Total	<u>800,700</u>
Death benefits	28,824
Matured endowments (excluding guaranteed annual pure endowments)	856
Annuity benefits	40,621
Disability benefits and benefits under accident and health contracts	309,355
Surrender benefits and withdrawals for life contracts	84,188
Interest and adjustments on contract or deposit-type contract funds	6,058
Payments on supplementary contracts with life contingencies	7,881
Increase in aggregate reserves for life and accident and health contracts	(328,382)
Totals	<u>149,401</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	113,741
Commissions and expenses allowances on reinsurance assumed	1,112
General insurance expenses	132,147
Insurance taxes, licenses and fees, excluding federal income taxes	15,082
Increase in loading on deferred and uncollected premiums	(132)
Net transfers to or (from) Separate Accounts net of reinsurance	(6,495)
Aggregate write-ins for deductions	343,597
Totals	<u>748,454</u>
Net gain from operations before dividends to policyholders and federal income taxes	52,247
Dividends to policyholders	529
Net gain from operations after dividends to policyholders and before federal income taxes	<u>51,718</u>
Federal and foreign income taxes incurred (excluding tax on capital gains)	(29,727)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	81,445
Net realized capital gains (losses)	(21,859)
Net income	<u>\$ 59,586</u>

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

WASHINGTON NATIONAL INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2013	2012	2011	2010
Capital and surplus, December 31 prior year	\$ 469,380	\$ 500,882	\$ 491,800	\$ 575,058
Net Income	59,586	58,588	71,289	(606,735)
Change in net unrealized capital gains (losses) less capital gains tax	(3,004)	(326)	6,105	617,131
Change in net deferred income tax	(11,712)	1,905	(29,661)	(4,191)
Change in nonadmitted assets	5,353	(7,608)	33,627	35,832
Change in liability for reinsurance in unauthorized and certified companies	-	-	2	40
Change in asset valuation reserve	(2,768)	(16,155)	(26,945)	2,385
Surplus adjustment				
Paid in	(80,000)	(60,000)	(30,000)	-
Change in surplus as a result of reinsurance	(4,937)	(7,906)	(15,122)	(13,264)
Dividends to stockholders	-	-	-	(104,630)
Aggregate write-ins for gains and losses in surplus	-	-	(213)	(9,826)
Net change in capital and surplus for the year	<u>(37,481)</u>	<u>(31,502)</u>	<u>9,082</u>	<u>(83,258)</u>
Capital and surplus, December 31, current year	<u>\$ 431,899</u>	<u>\$ 469,380</u>	<u>\$ 500,882</u>	<u>\$ 491,800</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues requiring disclosure in this report of examination.

SUBSEQUENT EVENTS

In 2014, as a result of the sale of CLIC on July 1, 2014, and coinsurance agreements to cede certain long-term care business effective December 31, 2013, CNO eliminated the Other CNO Business segment. As a result, any remaining lines of business of the Company that were previously reported in Other CNO Business, are now included in the Washington National segment.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Actuarial Options, LLC., hereinafter collectively referred to as the "Examiners", performed an examination of Washington National Insurance Company, as of December 31, 2013.

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, 2013, as determined by the undersigned.

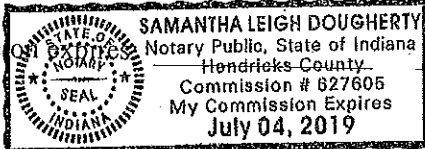
Nadine Treon

Nadine Treon, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 30 day of March, 2015, before me personally appeared, Nadine Treon, 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 of  *Samantha Leigh Dougherty* Notary Public

