

ILHIGA

2015 Annual Report

**Illinois Life and Health Insurance
Guaranty Association**



**1520 Kensington Road, Suite 112
Oak Brook, Illinois 60523-2140
773-714-8050**

ILLINOIS ASSOCIATION STAFF

Janis D. Potter, CPA, MBA
Executive Director

Barbara A. Adams, CPA, MBA
Chief Accounting Officer

Linda C. Ignoffo
Deputy Administrator

Michelle S. O'Leary
Insolvency Analyst

OUR MISSION

**TO PROTECT POLICYHOLDERS
AND THEIR BENEFICIARIES IN
THE PAYMENT OF COVERED
CLAIMS OR CONTINUATION OF
COVERAGE BENEFITS OF AN
INSOLVENT LIFE, HEALTH AND
ANNUITY INSURANCE COMPANY,
TO EDUCATE THE GENERAL
PUBLIC, AND TO AID THE
DEPARTMENT OF INSURANCE IN
ITS DETECTION AND PREVENTION
OF INSURER INSOLVENCIES.**

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BOARD OF DIRECTORS

The business and affairs of the Illinois Life and Health Insurance Guaranty Association (“Association”) are under the direction of its Board of Directors. Currently, there are eleven directors (per the Plan of Operation, there may be from nine to eleven directors). Each Member Insurer Director holds office until the next annual meeting of Member Insurers at which the class of Directors to which such Director belongs is elected and until such Director’s successor is elected and qualified, or until such Director’s earlier resignation or removal. The Illinois Director of Insurance has the authority to appoint two Public Member Directors.

The Directors are divided into four classes. The term of office of each Member Insurer Director and of each class thereof is for three years, and the terms of office of such classes are staggered so that the term of office of only one class of Member Insurer Directors expires in any year. The fourth class of Directors is the Public Member Directors, and they are appointed for a term of three years. Directors receive no compensation but are entitled to reimbursement of their expenses related to Association activities.

Any Director may resign at any time upon written notice to the Board of Directors, its Chairman, or to the Secretary of the Association.

Association Chairman of the Board

John R. Mathews, Esquire
Counsel, Government Relations
Allstate Life Insurance Company

Association Vice Chair

Thomas C. Lubben, Esquire
Senior Vice President of CASSIP
Health Care Service Corporation

Association Secretary-Treasurer

Kelvin Schill
Senior Vice President/Financial Services Operations
Country Life Insurance Company

Immediate Past Chair

Deena H. Wheeler, Esquire
Counsel
State Farm Life Insurance Company

Arthur G. Fess, Vice President
Guarantee Trust Life Insurance Co.

Merle T. Pederson, Esquire
Vice President and Counsel-Government Relations
Principal Life Insurance Company

Frederick P. McGarvey, Esquire
Vice President, Government Affairs
Prudential Insurance Co. of America

Catherine Bresler, Esquire
VP, Counsel - Government Relations
Trustmark Insurance Company

Brian K. Lee
Senior Vice President and
Chief Operating Officer
Pekin Life Insurance Company

Ellen Robinson, Esquire
Public Member Director

Kenneth Ulrich, Esquire
Public Member Director

Executive Director

Janis D. Potter, CPA, MBA

BOARD COMMITTEES

Executive Committee

John R. Mathews, Chair
Thomas C. Lubben, Vice Chair
Deena H. Wheeler, Immediate Past Chair
Kelvin Schill, Secretary-Treasurer

Claims Committee

Ellen Robinson, Chair
Thomas C. Lubben
Fred McGarvey

Finance/Investment Committee

Merle T. Pederson, Chair
Fred P. McGarvey
Kelvin Schill

Nominating Committee

Deena H. Wheeler, Chair
Merle T. Pederson
Kelvin Schill

Compensation Committee

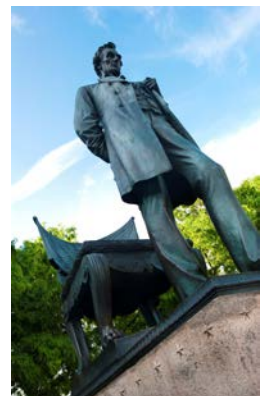
Deena H. Wheeler, Chair
Thomas C. Lubben
Merle T. Pederson

Legal Committee

Kenneth Ulrich, Chair
Arthur G. Fess
Catherine Bresler

Audit Committee

John R. Mathews, Acting Chair
Arthur G. Fess
Ellen Robinson
Catherine Bresler



Illinois Life and Health Insurance Guaranty Association

1520 Kensington Road, Suite 112
Oak Brook, Illinois 60523

Anne Melissa Dowling, Acting Director of Insurance
Illinois Department of Insurance
122 South Michigan Avenue, 19th Floor
Chicago, Illinois 60603

Dear Acting Director Dowling:

On behalf of the Illinois Life and Health Insurance Guaranty Association (the “Association”), it is a pleasure to submit the Association’s Annual Report through December 31, 2015. This report has been prepared in accordance with the provisions of the Illinois Statute Section 215 ILCS 5/531.15, and reflects a healthy, engaged and active Association. It is our pleasure to work with you and the staff of the Illinois Department of Insurance, including the Office of Special Deputy Receiver, and we look forward to continued collaboration with you and the Department.

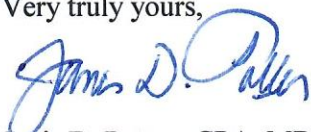
Since our last report, the Association was activated by an entry of final order of liquidation for one new insolvency—SeeChange Health Insurance Company on January 28, 2015. Eight insolvencies were closed during the year, and at the end of 2015, there were eight open insolvencies. Since the Association was created, it has made total disbursements of \$609.2 million related to insolvent Member Insurers. The Association’s aggregate future cost to provide protection to Illinois policyholders for policy obligations on the eight open insolvencies is estimated to be approximately \$32.0 million.

The Annual Meeting of Members was held on April 21, 2015 where three member insurers were re-elected to serve another three year term. We thank Board representatives from Allstate Life Insurance Company, Health Care Service Corporation and Principal Life Insurance Company for their involvement and continued service through 2018. Additionally, we thank the Department for re-appointing our public representatives, Ellen Robinson and Kenneth Ulrich, to serve another three year term.

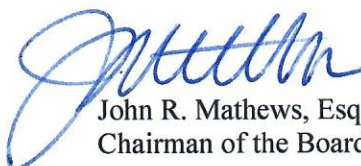
This year, the Association continued its high level of participation in the National Organization of Life and Health Insurance Guaranty Associations (“NOLHGA”) by serving on several insolvency task forces and various committees. Through NOLHGA, the full expertise of the individual guaranty associations are leveraged to meet the challenges of multi-state insolvencies.

The Association is served by board member insurer representatives and public representatives who are committed, thoughtful, astute and focused on protecting the policyholders of Illinois. Again, on behalf of the Association, thank you for your support.

Very truly yours,



Janis D. Potter, CPA, MBA
Executive Director



John R. Mathews, Esq.
Chairman of the Board of Directors

February 16, 2016

REPORT OF GENERAL COUNSEL

FOR THE YEAR JANUARY 1, 2015 TO DECEMBER 31, 2015
ILLINOIS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

I. MEMBER INSURER PROTESTS

No member insurer protests were received in 2015.

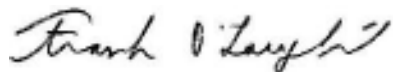
II. LITIGATION

The Association is a named Plaintiff in litigation entitled Jo Ann Howard and Associates, P.C., Special Deputy Receiver of Lincoln Memorial Life Insurance Company and National Prearranged Services, Inc. et al, Plaintiffs versus J. Douglas Cassity et al, Defendants, pending in the United States District Court for Eastern District of Missouri, Eastern Division, Case Number 09-CV-1252-ERW. The case arises from the insolvency of Lincoln Memorial Life Insurance Company, a Texas domiciled insurance company which activated the Association. The lawsuit was filed by the Receiver in conjunction with NOLHGA and various Guaranty Associations in an attempt to recover damages against those responsible for the failure of Lincoln Memorial. The Association and its co-plaintiffs are represented by the law firm of Reilly Pozner LLP.

This matter proceeded to trial on February 2, 2015. Before and during the trial all parties except PNC Bank and Forever Enterprises settled with Plaintiffs on confidential terms. After a five week trial, the jury returned a verdict of \$355.5 million compensatory damages and \$35.5 million in punitive damages against PNC Bank and a verdict of \$100 million compensatory damages against Forever Enterprises. Post-trial motions are pending.

Please feel free to contact us with comment.

Very truly yours,



Franklin D. O'Loughlin
Lewis Roca Rothgerber Christie LLP

FDO

OVERVIEW OF OPERATIONS

The Illinois Life and Health Insurance Guaranty Association was activated to provide its statutory protection of policyholders for one additional member insurer that was found to be insolvent and ordered liquidated in 2015. That company was SeeChange Health Insurance Company. For additional information see page 11.

The Association basically protects Illinois residents against failure in the performance of contractual obligations under life, health and annuity contracts due to the insolvency of a life and health insurance company licensed in Illinois. In certain cases coverage can extend beyond Illinois residents. The Association is activated by the entry of a final order of liquidation with a finding of insolvency, by a court of competent jurisdiction.

Upon activation the Association, by operation of law, becomes responsible for the covered contractual obligations of the insolvent member insurer. The Association has the obligation to pay benefits in accordance with those contractual obligations of the insolvent insurer. Most frequently, the Association fulfills its obligations by transfer of the contractual obligations (by means of an assumption reinsurance contract) to a solvent insurer with experience in that line of business, or to a special purpose vehicle created by a consortium of guaranty associations. The new carrier is normally selected pursuant to an open bid process. When the assumption reinsurance method is used, the Association transfers assets, in an amount determined by the bid process.

No matter where they live, policyholders throughout the United States can look to state guaranty associations to provide a nationwide safety net of protection should their insurance company fail.

MEMBER INSURERS

As of December 31, 2015, and based upon information from the Illinois Department of Insurance, there were 1,074 companies subject to the Illinois Life and Health Insurance Guaranty Association Law, Illinois Insurance Code, Chapter 215, section 5/531, et seq., (the Act), and therefore 1,077 Members of the Association.



LIST OF OPEN ESTATES/ INSOLVENCIES

<u><i>Name of Company</i></u>	<u><i>State of Domicile</i></u>	<u><i>Liquidation Date</i></u>
Executive Life Insurance Company	California	December 6, 1991
Executive Life Insurance Company of New York	New York	April 16, 2012
Illinois HealthCare Insurance Company	Illinois	June 30, 2000
Life & Health Insurance Company of America	Pennsylvania	July 2, 2004
Lincoln Memorial Life Insurance Company	Texas	September 22, 2008
National States Insurance Company	Missouri	November 15, 2010
Oak Casualty Insurance Company	Illinois	November 19, 2002
SeeChange Health Insurance Company	California	January 28, 2015

LIST OF ESTATES/ INSOLVENCIES CLOSED IN 2015

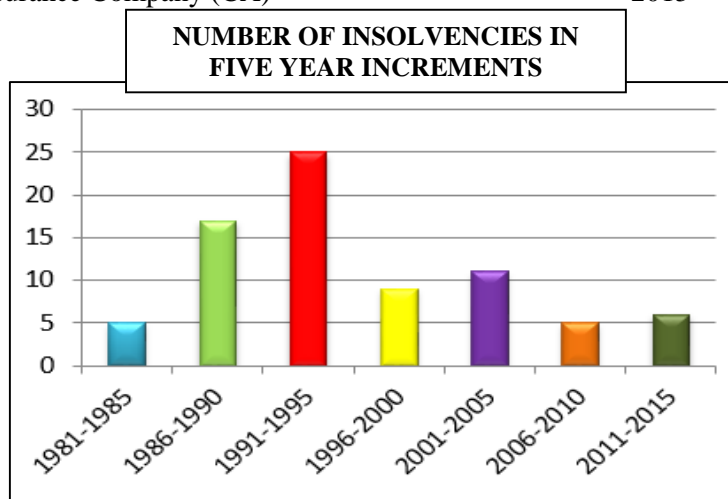
<u><i>Name of Company</i></u>	<u><i>Activation Date</i></u>
Centennial Life Insurance Company	May 27, 1998
Franklin American Life Insurance Company	October 25, 1999
Reliance Insurance Company	October 4, 2001
Medical Savings Insurance Company	February 26, 2009
Imerica Life and Health Insurance Company	May 3, 2010
Golden State Mutual Life Insurance Company	January 28, 2011
Lumbermens Mutual Casualty Company	May 8, 2013
Concert Health Plan Insurance Company	August 22, 2014

LIST OF ALL INSOLVENCIES

	<i>Calendar Year</i>	<i>Calendar Year</i>
<i><u>Insolvency (State of Domicile)</u></i>	<i><u>Activated</u></i>	<i><u>Closed</u></i>
Security Casualty Life Insurance Company (IL)	1981	1989
Iowa State Travelers Mutual Assurance Company (IA)	1983	1991
Modern Life & Accident Insurance Company (IL)	1983	1988
Georgetown Life Insurance Company (IL)	1983	1990
United Savings Life Insurance Company (IL)	1985	1989
California Life Insurance Company (CA)	1986	1993
Continental Bankers Life Ins. Co. of the South (TN)	1986	1993
National Investors Life Insurance Company (AK)	1986	1990
Farm & Ranch Life Insurance Company (KS)	1987	1998
Lumbermans Life Insurance Company (IN)	1988	1997
First Transcontinental Life Ins. Corp. (WI)	1988	1993
First Columbia Life Insurance Company (LA)	1988	1997
Associated Life Insurance Company (IL)	1989	2001
United Fire Insurance Company (IL)	1989	2001
American Mutual Liability Insurance Company (MA)	1989	1998
Knickerbocker Life Insurance Company (TX)	1989	1997
Missouri National Life Insurance Company (MO)	1989	1996
Amalgamated Labor Life Insurance Company (IL)	1989	2008
Patriot Life Insurance Company (IL)	1989	1995
American Independence Life Insurance Company (MO)	1990	1996
Life of Indiana Insurance Company (IN)	1990	1999
Great Southwest Life Insurance Company (TX)	1990	2010
Provident Insurance Company (IL)	1991	1995
Legacy Life Insurance Company (NE)	1991	1996
Midwest Life Insurance Company (LA)	1991	2010
Underwriters Life Insurance Company (SD)	1991	1999
Mutual Security Life Insurance Company (IN)	1991	2005
Executive Life Insurance Company (CA)	1991	
Lincolnwood National Life Insurance Company (IL)	1991	2001
Inter-American Insurance Company of Illinois (IL)	1991	2004
Diamond Benefits Life Insurance Company (AZ)	1992	1995
Fidelity Bankers Life Insurance Company (VA)	1992	2013
AMS Life Insurance Company (AZ)	1992	2011
Guarantee Security Life Insurance Company (FL)	1992	2013
Investment Life Insurance Company of America (NC)	1993	2008
American Integrity Insurance Company (PA)	1993	2013
New Jersey Life Insurance Company (NJ)	1993	1999
Pacific Standard Life Insurance Company (CA)	1994	2005
Mutual Benefit Life Insurance Company (NJ)	1994	2010
Consumer United Insurance Company (DE)	1994	2014
Old Colony Life Insurance Company (GA)	1994	2008
Consolidated National Life Insurance Company (IN)	1994	1999
Prestige Casualty Life Insurance Company (IL)	1994	2010
Confederation Life Insurance Company (MI)	1994	2013
Kentucky Central Life Insurance Company (KY)	1994	2010
Summit National Life Insurance Company (PA)	1994	2007

LIST OF ALL INSOLVENCIES, (cont.)

<u>Insolvency (State of Domicile)</u>	<u>Calendar Year Activated</u>	<u>Calendar Year Closed</u>
Supreme Life Insurance Company (IL)	1995	2001
National American Life Insurance Company (PA)	1996	2005
Centennial Life Insurance Company (KS)	1998	2015
The Universe Life Insurance Company (ID)	1998	2011
Statesman National Life Insurance Company (TX)	1999	2005
First National Life Insurance Co. of America (MS)	1999	2013
Franklin American Life Insurance Company (TN)	1999	2015
American Chambers Life Insurance Company (OH)	2000	2014
American Unified Life and Health Insurance Co. (IL)	2000	2010
Illinois HealthCare Insurance Company (IL)	2000	
Acceleration National Insurance Company (OH)	2001	2010
Reliance Insurance Company (PA)	2001	2015
Gallant Insurance Company (IL)	2002	2010
Valor Insurance Company (IL)	2002	2010
Oak Casualty Insurance Company (IL)	2002	
Legion Indemnity Company (IL)	2003	2010
Home Insurance Company (NH)	2003	2010
Legion Insurance Company (PA)	2003	2010
Villanova Insurance Company (PA)	2003	2010
London Pacific Life and Annuity Company (NC)	2004	2013
Life and Health Insurance Company of America (PA)	2004	
Municipal Insurance Company of America (IL)	2007	2013
Lincoln Memorial Life Insurance Company (TX)	2008	
Medical Savings Insurance Company (IN)	2009	2015
Imerica Life and Health Insurance Company (AR)	2010	2015
National States Insurance Company (MO)	2010	
Golden State Mutual Life Insurance Company (CA)	2011	2015
Standard Life Insurance Company of Indiana (IN)	2012	2013
Executive Life Insurance Company of New York (NY)	2012	
Lumbermens Mutual Casualty Company (IL)	2013	2015
Concert Health Plan Insurance Company (IL)	2014	2015
SeeChange Health Insurance Company (CA)	2015	



INSOLVENCIES WITH CURRENT YEAR ACTIVITY

Executive Life Insurance Company of New York (NY)

On April 16, 2012 the Supreme Court of the State of New York entered an order finding Executive Life Insurance Company of New York (ELNY) to be insolvent and approved a Restructuring Agreement in connection with the liquidation and restructuring of ELNY. Guaranty Association Benefits Company (GABC), a newly created not-for-profit captive insurance company owned by the participating Guaranty Associations has been responsible for managing payments to contract owners, payees and beneficiaries.

Life and Health Insurance Company of America (PA)

This Pennsylvania domiciled company was placed in liquidation on July 2, 2004. On January 1, 2014 the Association began handling the administration of the business, including premium collection and claims payments.

Lincoln Memorial Life Insurance Company (TX)

In 2008, the Illinois Life and Health Insurance Guaranty Association ("Association") was activated with respect to insolvency of a life insurance company in Texas, Lincoln Memorial Life Insurance Company ("Lincoln Memorial"). Upon review, it became apparent that Lincoln Memorial failed due to wrongful acts and omissions of numerous parties. Because the Association is a subrogee and assignee to potential causes of action arising out of the Lincoln Memorial insolvency, the Association joined other state guaranty associations, the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA"), and the Receiver for Lincoln Memorial to pursue claims against the wrongdoers who caused the failure of Lincoln Memorial.

In August 2009, the Association, along with other guaranty associations, NOLHGA, and the Receiver, filed a complaint against various wrongdoers in the Lincoln Memorial matter in the United States District Court, Eastern District of Missouri, Eastern Division, Case No. 4:09-CV-01252 ERW. The case is entitled *Donna J. Garrett, et. al. Plaintiffs, v. J. Douglas Cassity, et. al., Defendants*.

In March 2011, a group of defendants led by Forever Enterprises, Inc. filed counterclaims against all plaintiffs, asserting breach of duty of good faith and fair dealing, tortious interference with expectancy, breach of fiduciary duty, civil conspiracy, equitable estoppel, and seeking a declaratory judgment. The plaintiffs filed a motion to dismiss the counterclaims. After various procedural maneuverings by the defendants, the District Court issued a Memorandum and Order on August 17, 2011 dismissing the counterclaims, conditionally and without prejudice. The court specified that the defendants could only refile their counterclaims if they compensated the plaintiffs for costs and reasonable attorney's fees incurred in responding to the various pleadings challenging the motion to dismiss. In April 2012, the Forever Defendants filed an amended answer, asserting anew the previously dismissed counterclaims. Again, after various procedural maneuvers on the part of the defendants, in an order dated August 10, 2012, the court dismissed the counterclaims and awarded attorney's fees to the plaintiffs.

INSOLVENCIES WITH CURRENT YEAR ACTIVITY

Lincoln Memorial Life Insurance Company (TX), *continued*

Numerous settlements were received by the Receiver and the Guaranty Associations from various defendants. In addition, the matter proceeded to trial in February 2015 against the remaining defendants resulting in a verdict in favor of the Receiver and the Guaranty Associations in the amount of approximately \$491 million. No claims against the Illinois Association are pending.

National States Insurance Company (MO)

National States Insurance Company (“National States”), a Missouri domestic, was licensed in thirty-seven states, and wrote life, accident and health, long-term care (“LTC”) and Medicare Supplement policies. The Missouri Court found National States to be insolvent and ordered it liquidated on November 15, 2010. Covered claims continue to be funded by the guaranty association.

Oak Casualty Insurance Company (IL)

Oak Casualty Insurance Company, mainly a property and casualty company, was placed in liquidation on November 19, 2002. The inforce accident and health policies, most of which were guaranteed renewable and non-cancelable, are being administered by the Association.

SeeChange Health Insurance Company (CA)

SeeChange Health Insurance Company was a California domestic insurer who primarily wrote group health and dental policies. The company was placed under a Conservation Order on November 19, 2014 and a final Order of Liquidation on January 28, 2015. SeeChange was licensed in 25 states.

On September 15, 2014, SeeChange mailed a Notice of Cancellation to all policyholders informing them that all policies will terminate on December 31, 2014. Policyholders have 12 months, or to December 31, 2015, from their termination date to file their claims.

REHABILITATION ACTIVITY

Penn Treaty Network America Insurance Company, and

American Network Insurance Company

The Pennsylvania Commissioner of Insurance first filed petitions for liquidation against both of these entities on October 2, 2009. Hearings on the liquidation petition were convened and adjourned over the entire year of 2011. In 2012, after the conclusion of the protracted hearing, the Pennsylvania Commonwealth Court denied the petitions for liquidation and ordered the rehabilitator to file a plan of rehabilitation that addresses and eliminates the inadequate and discriminatory premium rates for the pre-2002 business. On October 26, 2012, the rehabilitator filed a notice of appeal of the Commonwealth Court's order denying the liquidation petitions. In April of 2013, the rehabilitator filed an application with the court seeking approval of revised Plans of Rehabilitation for Penn Treaty and American Network. The court held two pre-hearing conferences on the proposed Rehabilitation Plans. At the conclusion of the pre-hearing conferences, the court ordered the rehabilitator and other parties of interest to negotiate for a period of 30-60 days to determine if an agreement could be reached with respect to the initial phases of the proposed Rehabilitation Plans. The court also authorized the establishment of a policyholder committee.

Since that time, the Commonwealth Court of Pennsylvania began a hearing about the Rehabilitation Plan in July 2015. The purpose of the hearing was for the Court to consider the Plan for approval, modification or disapproval. During the hearing in July, the Rehabilitator presented a summary of the Plan, and other interested parties submitted their questions and concerns regarding the Plan. The interested parties include representatives of the Rehabilitator, Policyholders Committee, Penn Treaty American Corporation (the parent company), agents, investors, guaranty associations and several health insurers. The hearing is scheduled to resume in April 2016. It is uncertain to what extent a consensus can be reached among the parties affected by the rehabilitation or ultimate liquidation of these companies.

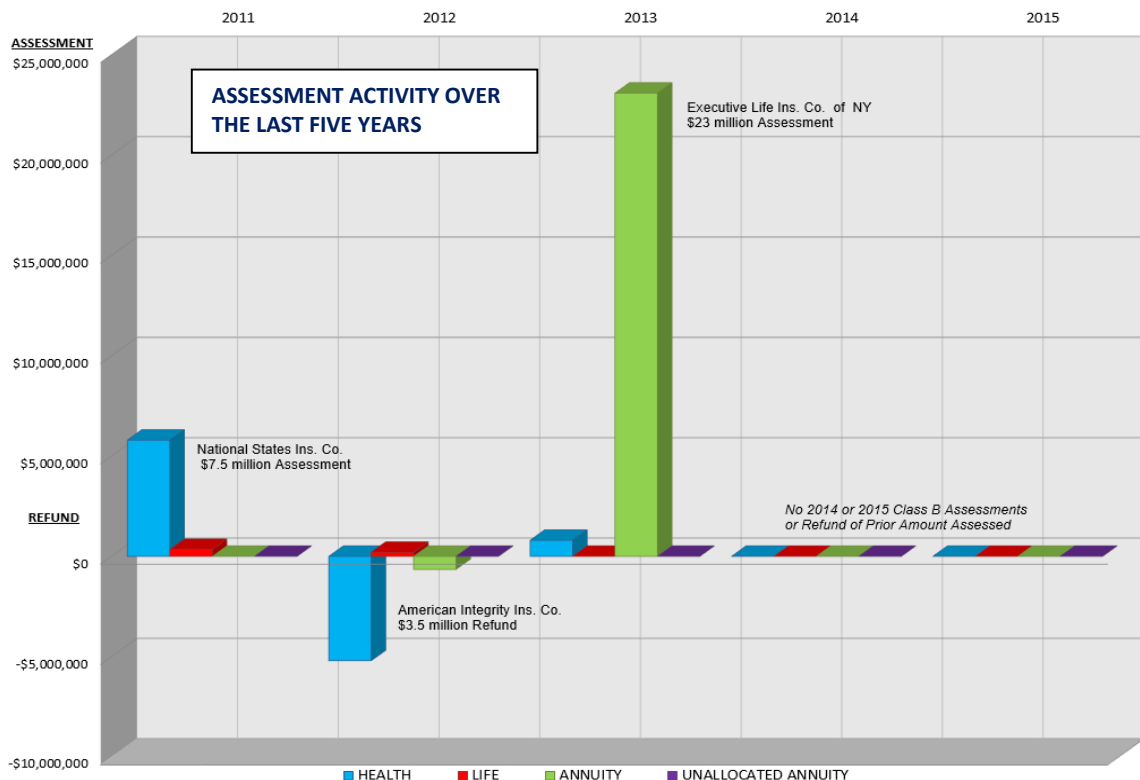
ASSESSMENT ACTIVITY OVERVIEW

The Association is authorized by statute to assess its member insurance companies for the purpose of providing the funds necessary to meet its obligations. There are two classes of assessments: Class A and Class B.

Class A assessments may be authorized and called to pay administrative and general expenses not related to a particular insolvent insurance company. The Finance/Investment Committee of the Board of Directors meets periodically to determine Class A assessment action to be recommended to the Board of Directors.

Class B assessments may be authorized and called to obtain the funds needed to fulfill the Association's statutory obligations for a specific insolvent insurance company.

In the normal course of an insolvency, Class B assessments are authorized early in the insolvency process to provide the funding for the payment of insurance contractual obligations and related administrative costs. Estate distributions, investment earnings and recoveries from third parties often are received much later near the closing of the insolvent company's receivership estate.



PREMIUMS RECEIVED AND DISTRIBUTIONS FROM RECEIVERS

In addition to assessments, the Association receives premiums from various sources as well as distributions from Receivers. These monies are also used by the Association in its operation to protect policyholders. \$.74 million was received from premiums during the year ended December 31, 2015, of which \$.65 million was for the National States Insurance Company insolvency. During the year ended December 31, 2015, a litigation settlement of \$9.0 million was received for the Lincoln Memorial Life Insurance Company insolvency and \$.2 million was distributed by Receivers for various other insolvencies.

POLICYHOLDER BENEFITS

During the year ended December 31, 2015 the Association paid \$4.67 million in policyholder benefits, of which approximately \$4.60 million was paid to or on behalf of policyholders and \$.07 million was paid to assuming reinsurers.

- | | |
|---|-----------------------|
| • Lincoln Memorial Life Insurance Company | \$2.92 million-Life |
| • National States Insurance Company | \$1.41 million-Health |
| • Other insolvencies | \$.34 million-Health |

NOLHGA ACTIVITIES

The Association is a member of the National Organization of Life & Health Insurance Guaranty Associations (“NOLHGA”) and participates on NOLHGA insolvency task forces and special committees. These NOLHGA activities are essential to properly support its member associations in resolving multi-state insolvencies and issues affecting the entire guaranty association system.

In addition to the specific insolvency task forces, NOLHGA has a number of committees that work to co-ordinate and enhance the effectiveness and efficiency of the life and health insurance guaranty association system as a whole.

AUDITED FINANCIAL STATEMENTS

Illinois Life and Health Insurance Guaranty Association

The Association's financial records are subject to an annual independent audit. The audited financial statements as of and for the years ended December 31, 2015 and 2014 are included within this report. Further, the notes to the financial statements are also included as an integral part of the report.

The accounting firm of Plante & Moran, PLLC, Chicago, Illinois, conducted the independent audit of the financial records of the Association.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Financial Report with Additional Information December 31, 2015 and 2014

Illinois Life and Health Insurance Guaranty Association's Administrative Account

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Independent Auditor's Report

To the Board of Directors
Illinois Life and Health Insurance
Guaranty Association

We have audited the accompanying financial statements of Illinois Life and Health Insurance Guaranty Association's (the "Association") Administrative Account, which comprise the statement of financial position as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Life and Health Insurance Guaranty Association's (the "Association") Administrative Account as of December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

March 15, 2016

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Statement of Financial Position

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 1,651,166	\$ 6,190,653
Investments (Note 2)	53,929,693	46,396,289
Investment income due and accrued	15,677	1,527
Receivable from IHMOGA (Note 8)	2,989	11,987
Furniture and equipment - Net of accumulated depreciation of \$102,653 and \$101,939 at December 31, 2015 and 2014, respectively	77,611	72,029
Other assets	11,186	14,506
Total assets	\$ 55,688,322	\$ 52,686,991
Liabilities and Net Assets		
Liabilities		
Assessment suspense	\$ 1,058,508	\$ 1,158,656
Accrued expenses	61,081	57,941
Interaccount payable (Note 11)	49,005,120	47,297,050
Reserve for closed and nonactivated estates (Note 5)	4,735,017	3,988,163
Total liabilities	54,859,726	52,501,810
Net Assets	828,596	185,181
Total liabilities and net assets	\$ 55,688,322	\$ 52,686,991

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Statement of Activities and Changes in Net Assets

	Year Ended	
	December 31, 2015	December 31, 2014
Revenue		
Assessments	\$ 1,071,500	\$ 542,000
Investment income - Net of allocations to estates (Note 3)	9,256	1,939
Total revenue	1,080,756	543,939
Expenses		
Legal expenses	76,851	59,816
Salary and benefits	234,191	223,858
General and administrative expenses	126,299	119,825
Total expenses	437,341	403,499
Change in Net Assets	643,415	140,440
Net Assets - Beginning of year	185,181	44,741
Net Assets - End of year	\$ 828,596	\$ 185,181

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Statement of Cash Flows

	Year Ended	
	December 31, 2015	December 31, 2014
Cash Flows from Operating Activities		
Assessments applied	\$ 1,071,500	\$ 542,000
Legal expenses	(69,286)	(70,598)
NOLHGA payments	(2,696)	(3,028)
General and administrative expenses	(331,391)	(337,092)
Investment income	7,540	1,746
Net change in balances with member insurers	(100,148)	(571,673)
Receipts on closure of estates	55,972	890,093
Disbursements for closed/nonactivated estates	(171,795)	(208,756)
Net cash provided by operating activities	459,696	242,692
Cash from Investing Activities		
Purchase of equipment	(34,724)	(40,950)
Purchase of investments	(23,011,560)	(8,414,453)
Proceeds from sale of investments	15,190,451	13,074,930
Net cash (used in) provided by investing activities	(7,855,833)	4,619,527
Cash Flows from Financing Activities		
Net payments to AMS assignment	(889)	(1,355)
Net interaccount activity with insolvent estates	2,857,539	(3,569,146)
Net cash provided by (used in) financing activities	2,856,650	(3,570,501)
Net (Decrease) Increase in Cash and Cash Equivalents	(4,539,487)	1,291,718
Cash and Cash Equivalents - Beginning of year	6,190,653	4,898,935
Cash and Cash Equivalents - End of year	\$ 1,651,166	\$ 6,190,653

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Statement of Cash Flows (Continued)

	Year Ended	
	December 31, 2015	December 31, 2014
Reconciliation of Change in Net Assets to		
Net Cash from Operating Activities		
Change in net assets	\$ 643,415	\$ 140,440
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	29,142	15,515
Change in:		
Investment income due and accrued	(14,150)	(253)
Other assets	13,207	(828)
Assessment suspense	(100,148)	(571,673)
Accrued expenses	3,140	(21,376)
Reserve for closed/nonactivated estates	(114,910)	680,867
Net cash provided by operating activities	<u><u>\$ 459,696</u></u>	<u><u>\$ 242,692</u></u>
Noncash Activity - Interaccount payable reconciliation		
Estates net activity related to interaccount payable (Note 11)	\$ 1,708,070	\$ (4,664,607)
Transfer to reserve upon closure estates (Note 5)	861,764	1,198,544
Unrealized loss in investment securities (Note 11)	287,705	(103,083)
Activity related to net interaccount activity with insolvent estates	<u><u>\$ 2,857,539</u></u>	<u><u>\$ (3,569,146)</u></u>

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies

Financial Statements - The accompanying financial statements are those of Illinois Life and Health Insurance Guaranty Association (the "Association") related to the Administrative Account.

Nature of Operations - The Association is an unincorporated association of those insurance companies (Member Insurers) that are licensed to write life insurance policies, health insurance policies, annuity contracts, unallocated annuity contracts, and contracts supplemental thereto in the state of Illinois. The Association was organized in 1980 under Chapter 215, Article XXXIII-112 of the Illinois Insurance Code (the "Act") to assure the fulfillment of covered policy obligations of member insurers that are determined to be insolvent by a state director of insurance or other appropriate authority.

The Association performs its functions under a plan of operation approved by the Illinois director of insurance and exercises its powers through a board of directors.

The Association's purpose is to protect policyholders and their beneficiaries covered by the Act, who are usually Illinois residents, in the event of the insolvency of a member insurer, by the payment of benefits or the continuation of coverage, subject to certain statutory limits.

Assessments - The Association funds its operations by assessing its member insurers and by then seeking reimbursement from the assets of the estate of the insolvent member insurer. There are two classes of assessments which may be made against member insurers: Class A (Administrative) and Class B (Insolvency).

- Class A assessments are made for the purpose of meeting general operating and administrative costs and expenses not directly attributable to a specific insolvency. Class A assessments are determined by the board of directors of the Association and may be made on a per-member (or a non-pro rata of premium) basis.
- Class B assessments are made against solvent Member Insurers in order to provide the funds needed that enable the Association to fulfill its statutory obligations to protect Illinois residents against loss due to failure in performance of contractual obligations due to the insolvency of a member insurer. Assessments are allocated among member insurers based upon premiums collected and reported to the Department of Insurance (DOI). Class B assessments are not reflected in the accompanying statement of activities and changes in net assets of the Association's Administrative Account.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The Illinois Insurance Code prohibits the burden on any member insurer of Class A and Class B assessments made in a given calendar year from exceeding 2 percent of premiums written by that member insurer.

Order of Rehabilitation or Liquidation Process - When a member insurer is made the subject of an order of rehabilitation or liquidation issued by a court of equity in its domiciliary state, the regulator that sought that order is appointed by the court to oversee the rehabilitation or liquidation of the company. When a member insurer is found to be insolvent and is ordered liquidated, the Association's role in the process is to continue to provide coverage under the policies of the insolvent member insurer, subject to statutory limitations, or cause the policies of the insolvent member insurer to be reinsured by another insurer, subject to the approval of the director of insurance.

Basis of Presentation - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Association had only unrestricted net assets during 2015 and 2014.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - The Association considers cash and all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Investments - The Association purchases U.S. Treasury notes, U.S. Treasury bills, and other governmental instruments in accordance with the board of directors' approved investment policies. The investments are recorded at fair value. Realized gains and losses are recorded as a component of investment income in the statement of activities and changes in net assets. Unrealized gains and losses are allocated to the estates and therefore recorded as an adjustment to the interaccount payable.

Furniture and Equipment - Furniture and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using straight-line methods over three years (for electronic equipment) and 10 years (for office furniture) and the remainder of the lease for leasehold improvements.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assessment Suspense - When the Association issues assessment refunds to member insurers, the member insurers are given the choice of receiving a check for the refund or crediting the refund amount to future assessments. If a member insurer requests payment of the refund, it must so direct the Association in writing. The balance in assessment suspense represents the aggregate of those amounts due as refunds to member insurers available to be credited against future assessments.

Reserve for Closed and Nonactivated Estates - The Administrative Account's reserve for closed and nonactivated estates includes the transfer of any remaining fund balance at the time of the closing of an estate, subject to the board of directors' approval, which may be used to pay expenses for closed estates and certain expenses incurred by the Association in connection with the threatened or anticipated insolvency of a member insurer. In the event the insolvency becomes activated, the Association will charge the activated estate and its related expenses and reimburse this reserve accordingly.

Interaccount Payable - The interaccount payable represents the excess of revenue collected by the Association on behalf of each estate (including assessments) over expenses paid by the Association on behalf of each estate.

Revenue Recognition - Member assessment obligations are recognized as due when authorized by the board of directors. Interest income on investments controlled by the Association is recognized on the accrual basis and is allocated among the Administrative Account and the estates based on that entity's average quarterly fund balance. Investment income in the accompanying financial statements is shown net of allocations that have been made to the estates.

Income Taxes - The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Association is also exempt from payment of all fees and taxes levied by the State of Illinois.

Management evaluates the Association's exposure for uncertain tax positions at each reporting period. As of December 31, 2015, management believes the Association has no material uncertain tax positions and therefore no such liabilities have been recorded. The Association would account for any potential interest or penalties related to possible future liabilities for uncertain tax positions as income tax expense.

Reclassification - Certain 2014 line items have been reclassified to conform to the 2015 presentation. These reclassifications had no impact on net assets.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including March 15, 2016, which is the date the financial statements were available to be issued.

Note 2 - Investment in Debt and Equity Securities

The details of the Association's investments in debt and equity securities are as follows at December 31, 2015 and 2014:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury notes	\$ 20,045,186	\$ 47,242	\$ (180,772)	\$ 19,911,656
U.S. government agencies	34,310,731	37,095	(329,789)	34,018,037
Total	<u>\$ 54,355,917</u>	<u>\$ 84,337</u>	<u>\$ (510,561)</u>	<u>\$ 53,929,693</u>

	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury notes	\$ 11,068,421	\$ 58,343	\$ (64,991)	\$ 11,061,773
U.S. government agencies	35,466,387	137,328	(269,199)	35,334,516
Total	<u>\$ 46,534,808</u>	<u>\$ 195,671</u>	<u>\$ (334,190)</u>	<u>\$ 46,396,289</u>

Investments in debt securities classified mature as follows:

	Amortized Cost	Fair Value
Due in one year or less	\$ 9,908,261	\$ 9,870,376
Due after one year through five years	44,447,656	44,059,317
Total	<u>\$ 54,355,917</u>	<u>\$ 53,929,693</u>

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 3 - Investment Income

Investment income is composed of the following for the years ended December 31, 2015 and 2014:

	2015	2014
Investment income:		
Bonds	\$ 585,215	\$ 454,796
Cash and cash equivalents	650	185
Investment expenses	(3,529)	(50,945)
Net investment income	<u>\$ 582,336</u>	<u>\$ 404,036</u>

Of the total investment return for the years ended December 31, 2015 and 2014 noted above, \$573,080 and \$402,097, respectively, was allocated to estates, leaving net investment income of \$9,256 and \$1,939 in the Administrative Account for the years ended December 31, 2015 and 2014, respectively.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Association's assets measured at fair value on a recurring basis at December 31, 2015 and 2014 and the valuation techniques used by the Association to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 4 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Assets				
Debt securities:				
U.S. Treasury notes	\$ -	\$ 19,911,656	\$ -	\$ 19,911,656
U.S. government agencies	-	34,018,037	-	34,018,037
Total debt securities	-	53,929,693	-	53,929,693
Cash equivalents - Money market accounts	1,473,961	-	-	1,473,961
Total assets	\$ 1,473,961	\$ 53,929,693	\$ -	\$ 55,403,654

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
Assets				
Debt securities:				
U.S. Treasury notes	\$ -	\$ 11,061,773	\$ -	\$ 11,061,773
U.S. government agencies	-	35,334,516	-	35,334,516
Total debt securities	-	46,396,289	-	46,396,289
Cash equivalents - Money market accounts	5,949,873	-	-	5,949,873
Total assets	\$ 5,949,873	\$ 46,396,289	\$ -	\$ 52,346,162

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 4 - Fair Value Measurements (Continued)

The fair value of money market accounts was determined primarily based on the unadjusted quoted process for the identical security in active markets the Association can access.

Fair values of debt securities are generally determined by a third-party valuation source. The pricing services generally source fair value measurements from quoted market prices of identical or similar securities in markets that are not active, contractual cash flows benchmark yields, and credit spreads.

Note 5 - Reserve for Closed and Nonactivated Estates

Section 9.7 of the Association's plan of operation permits, subject to approval by the board of directors, that the Association may maintain a reserve for continuing expenses and future losses that are reasonable and probable. Funding of the reserve for closed and nonactivated estates is usually made upon closing of estates.

Activity in this reserve during the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 3,988,163	\$ 2,108,751
Closure of estates	861,764	1,198,544
Premiums and distributions received	55,972	890,093
Expenses incurred for closed and nonactivated estates	<u>(170,882)</u>	<u>(209,225)</u>
Ending balance	<u>\$ 4,735,017</u>	<u>\$ 3,988,163</u>

Note 6 - Operating Lease

Effective August 31, 2013, the Association entered into a five-year lease agreement for office facilities. Rent expense totaled \$48,361 for each of the years ended December 31, 2015 and 2014.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 6 - Operating Lease (Continued)

Future minimum annual commitments under this operating lease are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2016	\$ 52,888
2017	54,465
2018	56,098
2019	<u>9,537</u>
Total	<u>\$ 172,988</u>

Note 7 - Retirement Plans

The Association sponsors a 401(k) plan in which all employees are eligible to participate and all participant benefits derived from the Association's contributions are fully vested. Upon attainment of normal retirement age, all or part of the participant's account, including earnings thereon, may be withdrawn in accordance with the method of payment outlined in the plan's provisions. The Association contributes 6 percent of eligible employee compensation. Total plan expenses were \$26,595 and \$25,441, for the years ended December 31, 2015 and 2014, respectively, of which \$11,642 and \$11,004, respectively, was allocated to the Administrative Account.

Note 8 - Cost-sharing Agreement

Certain operating expenses are shared and allocated based upon set methodologies between the Administrative Account, the insolvent member insurers, and the Illinois Health Maintenance Organization Guaranty Association (IHMOGA), a separate entity to the Association, each organized and governed by different articles of Chapter 215 of the Act. Costs that are specifically attributable to individual insolvencies are directly charged to such insolvency. Certain operating costs charged to the IHMOGA are reimbursed to the Association on a regular basis. Reimbursement from IHMOGA during 2015 and 2014 totaled \$120,027 and \$107,071, respectively, and the amounts due to the Administrative Account were \$2,989 and \$11,987, respectively, as of December 31, 2015 and 2014.

Note 9 - Litigation

The Association is party to litigation arising in the ordinary course of business. In the event the Association is unsuccessful in regard to any such litigation, the Association may be required to make additional assessments to the member companies. The outcome of such litigation will not, in the opinion of management, materially affect the net assets of the Association.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Notes to Financial Statements December 31, 2015 and 2014

Note 10 - Custodial Credit Risk of Bank Deposits

The Association maintains cash balances at one financial institution. Cash accounts are insured up to \$250,000 per depositor. As of December 31, 2015 and 2014, the Association's cash balances totaled \$177,205 and \$240,653, respectively. At various times during the year, the Association's cash balances are in excess of FDIC insurance coverage. Management believes the Association's cash balances are held in a high quality institution; therefore, the Association's credit risk is at an acceptable level.

Note 11 - Interaccount Payable

As the Administrative Account maintains cash on behalf of the estates, the net amount of expenses paid and revenue collected by the Administrative Account on behalf of the estates is reported as a net liability to the estates on the Administrative Account's statement of financial position. A reconciliation of such net liability by estate as of and for the years ended December 31, 2015 and 2014 is as follows:

	Interaccount Payable 2015	Interaccount Payable 2014	Estates' Net Activity
Centennial Life Insurance Company	\$ -	\$ 60,097	\$ (60,097)
Concert Health Plan Insurance Company	-	(12,435)	12,435
Executive Life Insurance Company	20,805,982	20,701,041	104,941
Executive Life Insurance Company of New York	838,263	862,213	(23,950)
Franklin American Life Insurance Company	-	244,751	(244,751)
Golden State Mutual Life Insurance Company	-	80,189	(80,189)
Illinois Healthcare Insurance Company	(3,841)	26,580	(30,421)
Imerica Life and Health Insurance Company	-	(57,852)	57,852
Life and Health Insurance Company of America	1,666,751	1,894,412	(227,661)
Lincoln Memorial Life Insurance Company	24,308,780	19,228,633	5,080,147
Lumbermens Mutual Casualty Company	-	(657)	657
Medical Savings Insurance Company	-	712,042	(712,042)
National States Insurance Company	3,350,129	4,220,907	(870,778)
Oak Casualty Insurance Company	346,111	390,115	(44,004)
Reliance Insurance Company	-	(60,473)	60,473
SeeChange Health Insurance Company	(66,663)	-	(66,663)
Estates total (cash basis)	51,245,512	48,289,563	2,955,949
Claim escrow balance	(1,814,168)	(853,994)	(960,174)
Unrealized losses in investment securities	(426,224)	(138,519)	(287,705)
Administrative Account interaccount payable	<u>\$ 49,005,120</u>	<u>\$ 47,297,050</u>	<u>\$ 1,708,070</u>

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Illinois Life and Health Insurance Guaranty Association

We have audited the financial statements of Illinois Life and Health Insurance Guaranty Association's (the "Association") Administrative Account as of and for the year ended December 31, 2015 and have issued our report thereon dated March 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of activity in the interaccount payable are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

March 15, 2016

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Centennial Life Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from May 27, 1998 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ (399,716)
Net premiums	-	664,476
Receipt of assets from receiver	-	2,235,577
Interest income	844	719,894
Total receipts	844	3,220,231
Disbursements		
Claim and policy benefits:		
Paid to insured	-	2,323,843
Paid to reinsurers	-	90,140
Paid for PPO fees	-	762
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	253	36,541
Servicing agent fees	-	387,883
Legal expenses	-	31,549
Interest expense	458	889
General and administrative expenses	25,309	313,703
Transfer to reserve	34,921	34,921
Total disbursements	60,941	3,220,231
(Deficiency) of Receipts Over Disbursements	\$ (60,097)	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Concert Health Plan Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from August 22, 2014 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ -
Interest income	-	-
Transfer from reserve	38,175	38,175
Total receipts	38,175	38,175
Disbursements		
Claim and policy benefits:		
Paid to insured	-	-
(Recovered from) paid to reinsurers	-	-
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	241	407
Legal expenses	-	4,764
Interest expense	202	216
General and administrative expenses	25,297	32,788
Total disbursements	25,740	38,175
Excess of Receipts Over Disbursements	\$ 12,435	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Executive Life Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from December 6, 1991 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 170,928,602
Net premiums	1,428	35,563
Receipt of assets from receiver	-	7,475,116
Interest income	230,833	44,053,310
Other income	-	592,301
Total receipts	232,261	223,084,892
Disbursements		
Claim and policy benefits:		
Paid to insured	-	2,891,300
Paid to reinsurers	70,148	189,881,870
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	3,931	2,495,498
Servicing agent fees	-	3,087
Legal expenses	-	1,519,653
Interest expense	-	3,794,923
General and administrative expenses	53,241	1,692,579
Total disbursements	127,320	202,278,910
Excess of Receipts Over Disbursements	\$ 104,941	\$ 20,805,982

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Executive Life Insurance Company of New York Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from April 16, 2012 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 22,999,951
Interest income	9,456	19,093
Total receipts	9,456	23,019,044
Disbursements		
Claim and policy benefits - Paid to reinsurers	-	20,590,541
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	859	1,074,252
Legal expenses	-	237,641
Interest expense	-	117,240
General and administrative expenses	32,547	161,107
Total disbursements	33,406	22,180,781
(Deficiency) Excess of Receipts Over Disbursements	\$ (23,950)	\$ 838,263

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Franklin American Life Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from October 25, 1999 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 324,873
Receipt of assets from receiver	-	140,941
Interest income	2,763	151,693
Total receipts	2,763	617,507
Disbursements		
Claim and policy benefits - Paid to reinsurers	-	70,043
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	1,261	15,946
Legal expenses	-	2,694
Interest expense	880	30,853
General and administrative expenses	25,442	278,040
Transfer to reserve	219,931	219,931
Total disbursements	247,514	617,507
(Deficiency) of Receipts Over Disbursements	\$ (244,751)	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Golden State Mutual Life Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from January 28, 2011 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 299,875
Interest income	550	4,298
Total receipts	550	304,173
Disbursements		
Claim and policy benefits:		
Paid to insured	-	5,000
Paid to reinsurers	-	23,530
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	2,006	94,425
Servicing agent fees	-	221
Legal expenses	-	3,505
Interest expense	7	607
General and administrative expenses	25,325	123,484
Transfer to reserve	53,401	53,401
Total disbursements	80,739	304,173
(Deficiency) of Receipts Over Disbursements	\$ (80,189)	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Illinois Healthcare Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from June 30, 2000 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 4,642,814
Net premiums	619	4,455,290
Receipt of assets from receiver	-	5,273,875
Interest income	255	668,004
Total receipts	874	15,039,983
Cash Disbursements		
Claim and policy benefits:		
Paid to providers	-	322,391
Paid to insured	-	12,597,120
Paid for PPO fees	-	312,788
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	546	4,931
Servicing agent fees		1,003,491
Legal expenses	-	132,320
Interest expense	138	313,594
General and administrative expenses	30,611	357,189
Total disbursements	31,295	15,043,824
(Deficiency) of Receipts Over Disbursements	\$ (30,421)	\$ (3,841)

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Imerica Life and Health Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from May 3, 2010 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 129,862
Net premiums	-	27,338
Interest income	-	561
Transfer from reserve	84,128	84,128
Total receipts	84,128	241,889
Disbursements		
Claim and policy benefits - Paid to insured	-	68,794
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	427	17,786
Servicing agent fees	-	3,652
Legal expenses	-	2,274
Interest expense	571	1,511
General and administrative expenses	25,278	147,872
Total disbursements	26,276	241,889
Excess of Receipts Over Disbursements	\$ 57,852	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Life and Health Insurance Company of America Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from July 2, 2004 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 2,199,875
Receipt of assets from receiver	-	1,383,545
Reimbursements of transfers	-	122,677
Net premiums	42,517	1,611,183
Reinsurance premiums	-	15,140
Interest income	19,743	743,046
Total receipts	62,260	6,075,466
Disbursements		
Claim and policy benefits:		
Paid to insured	233,343	3,554,659
Paid to reinsurers	-	60,777
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	5,341	260,184
Servicing agent fees	-	149,444
Legal expenses	401	28,427
Interest expense	-	5,005
General and administrative expenses	50,836	350,219
Total disbursements	289,921	4,408,715
(Deficiency) Excess of Receipts Over Disbursements	\$ (227,661)	\$ 1,666,751

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Lincoln Memorial Life Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from September 22, 2008 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 42,597,274
Net premiums	31,069	1,461,224
Receipt of assets from receiver	8,980,257	16,927,109
Interest income	260,878	1,135,230
Total receipts	9,272,204	62,120,837
Disbursements		
Claim and policy benefits - Paid to insured	2,917,305	32,238,668
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	111,638	2,209,150
Servicing agent fees	156,382	1,456,931
Legal expenses	931,203	1,403,046
Interest expense	-	38,379
General and administrative expenses	75,529	465,883
Total disbursements	4,192,057	37,812,057
Excess of Receipts Over Disbursements	\$ 5,080,147	\$ 24,308,780

Lincoln Memorial claims are prefunded. Prefund payments are made into an escrow account managed by the National Organization of Life and Health Insurance Guaranty Associations. Effective March 20, 2014, the Association's Lincoln Memorial administrative fees and premium receipts also flow through this escrow. Monthly reconciliations of the escrow account are reconciled to the balance per NOLHGA on a monthly basis. As of December 31, 2015, the escrow balance is \$1,803,463.

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Lumbermens Mutual Casualty Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from May 8, 2013 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 798,405
Receipt of assets from receiver	109,995	109,995
Interest income	117	302
Total receipts	110,112	908,702
Disbursements		
Claim and policy benefits:		
Paid to insured	-	12,991
Paid to reinsurers	-	638,187
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	1,162	24,756
Legal expenses	-	51,219
Interest expense	40	2,054
General and administrative expenses	25,347	96,589
Transfer to reserve	82,906	82,906
Total disbursements	109,455	908,702
Excess of Receipts Over Disbursements	\$ 657	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Medical Savings Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from February 26, 2009 (Inception) to Closing on November 3, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ (600,000)	\$ 1,877,758
Interest income	5,642	51,163
Total receipts	(594,358)	1,928,921
Disbursements		
Claim and policy benefits:		
Paid to reinsurers	-	27,573
Paid to insured	-	1,197,791
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	12,077	312,837
Servicing agent fees	-	49,249
Legal expenses	-	723
Interest expense	-	16,461
General and administrative expenses	26,172	244,852
Transfer to reserve	79,435	79,435
Total disbursements	117,684	1,928,921
(Deficiency) of Receipts Over Disbursements	\$ (712,042)	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

National States Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from November 15, 2010 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 7,799,235
Net premiums	645,437	4,958,865
Interest income	41,888	248,093
Total receipts	687,325	13,006,193
Disbursements		
Claim and policy benefits:		
Paid to insured	1,408,952	8,580,865
Paid to reinsurers	(176)	224,028
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	16,718	339,434
Servicing agent fees	82,621	297,983
Legal expenses	6,549	14,751
Interest expense	-	4,347
General and administrative expenses	43,439	194,656
Total disbursements	1,558,103	9,656,064
(Deficiency) Excess of Receipts Over Disbursements	\$ (870,778)	\$ 3,350,129

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Oak Casualty Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from November 19, 2002 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 99,971
Net premiums	16,738	737,806
Receipt of assets from receiver	-	1,547,386
Interest income	4,148	130,973
Total receipts	20,886	2,516,136
Disbursements		
Claim and policy benefits - Paid to insured	19,526	1,115,033
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	546	4,331
Servicing agent fees	-	569,621
Legal expenses	-	136,685
Interest expense	63	9,284
General and administrative expenses	44,755	335,071
Total disbursements	64,890	2,170,025
(Deficiency) Excess of Receipts Over Disbursements	\$ (44,004)	\$ 346,111

Illinois Life and Health Insurance Guaranty Association's Administrative Account

Reliance Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from October 4, 2001 (Inception) to Closing on November 30, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ 369,310
Receipt of assets from receiver	-	402,734
Interest income	-	9,780
Transfer from reserve	86,528	86,528
Total receipts	86,528	868,352
Disbursements		
Claim and policy benefits - Paid to insured	-	544,657
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	247	35,522
Legal expenses	-	24,759
Interest expense	592	10,829
General and administrative expenses	25,216	252,585
Total disbursements	26,055	868,352
Excess of Receipts Over Disbursements	\$ 60,473	\$ -

Illinois Life and Health Insurance Guaranty Association's Administrative Account

SeeChange Health Insurance Company Schedule of Activity in the Interaccount Payable For the Year Ended December 31, 2015 and the Period from January 28, 2015 (Inception) to December 31, 2015

	Current Period Activity	Inception to Date
Receipts		
Net member assessments	\$ -	\$ -
Net premiums	-	-
Receipt of assets from receiver	-	-
Interest income	-	-
Total receipts	-	-
Disbursements		
Claim and policy benefits:		
Paid to insured	19,295	19,295
Paid to reinsurers	-	-
Payments to National Organization of Life and Health Guaranty Associations (NOLHGA)	2,142	2,142
Servicing agent fees	-	-
Legal expenses	5,658	5,658
Interest expense	578	578
General and administrative expenses	38,990	38,990
Total disbursements	66,663	66,663
(Deficiency) of Receipts Over Disbursements	\$ (66,663)	\$ (66,663)

SeeChange Health Insurance Company claims are prefunded. Prefund payments are made into an escrow account managed by the National Organization of Life and Health Insurance Guaranty Associations. Effective January 28, 2015, the Association's SeeChange administrative fees and premium receipts also flow through this escrow. Monthly reconciliations of the escrow account are reconciled to the balance per NOLHGA on a monthly basis. As of December 31, 2015, the escrow balance is \$10,705.



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