

**REPORT OF
EXAMINATION**

OF

MUTUAL SAVINGS LIFE INSURANCE COMPANY

ST. LOUIS, MISSOURI

AS OF

DECEMBER 31, 2019

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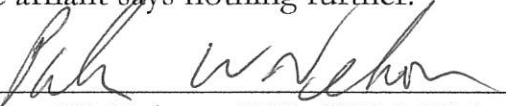
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF COFFEE**

Palmer W. Nelson, CFE, CIE, MCM being duly sworn, states as follows:

1. I have the authority to represent Alabama in the examination of Mutual Savings Life Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Mutual Savings Life Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.



Palmer W. Nelson, CFE, CIE, MCM

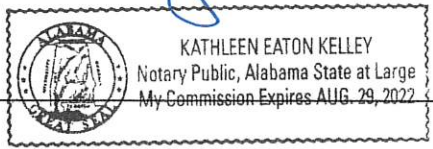
Subscribed and sworn before me by Palmer W. Nelson on the 30th day of April, 2021.

(Seal)



(Signature of Notary Public)

My commission expires _____





KAY IVEY
GOVERNOR

JIM L.
RIDLING
COMMISSIONER

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DEPARTMENT OF INSURANCE
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MARK FOWLER
JIMMY GUNN

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

April 30, 2021

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, AL 36104

Dear Commissioner Ridling:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2019, has been made of

**Mutual Savings Life Insurance Company
St. Louis, Missouri**

and was conducted remotely with support from Company management located in Chicago Illinois. The Company's Statutory and home address is located at 12115 Lackland Road, St. Louis, MO 63146. The report of examination is submitted herewith. Where the description "The Company" or "MSLIC" appears herein, without qualification, it will be understood to indicate Mutual Savings Life Insurance Company.

SCOPE OF EXAMINATION

We have performed an examination of Mutual Savings Life Insurance Company, a multi-state insurance company. The previous examination covered the period of January 1, 2010 through December 31, 2014. The current examination covers the period of January 1, 2015 through December 31, 2019.

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

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama, 1975*, as amended and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information systems (IS) was conducted concurrently with the financial examination. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of

operation, claims handling practices, advertising and marketing, underwriting and rating, policyholders' complaints, compliance with producers' licensing requirements, and privacy standards. See the "Market Conduct Activities" section of this report on page 17 for further discussion.

Deloitte & Touche, LLP was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate. The workpapers of the Company's internal audit department were used to complete examination work as determined to be appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2019.

ORGANIZATION AND HISTORY

The Company was incorporated on January 8, 1927, under the laws of the state of Alabama governing mutual aid insurance companies. The original Certificate of Incorporation was filed for record in the office of the Judge of Probate of Morgan County, Alabama, on December 28, 1926. The Company commenced business on January 10, 1927, with initial paid up capital of \$6,000.

The purpose of the corporation, as stated in the Certificate of Incorporation, was to do business as a mutual aid, benefit or industrial company or association, with the powers and privileges prescribed by the State of Alabama.

Since the date of organization, various changes in the authorized capital stock of the Company have been approved by the stockholders, as evidenced by amendments to the Certificate of Incorporation. The authorized capital stock at the date of organization, as set forth of the Certificate of Incorporation, was \$20,000, comprised of 200 shares of \$100 par value per share common stock.

On March 11, 1944, the stockholders adopted a resolution amending the Certificate of Incorporation to permit the Company to qualify as a legal reserve life insurance company with paid up capital of \$100,000.

An amendment to the Certificate of Incorporation was approved by the stockholders on March 4, 1965, which authorized the capital of the Company to be \$3,000,000, comprised of 3,000,000 shares of \$1 par value per share common stocks.

From January 6, 1971, to December 28, 1979, the Company repurchased and retired 857,545 shares of capital stock at an aggregate cost to the Company of \$7,983,465.70, for an average cost per share of \$9.31.

On December 31, 1986, the Company purchased Southern United Life Insurance Company (SULIC), Montgomery, Alabama, and its subsidiary, Southern United Fire Insurance Company (SUFI), Montgomery, Alabama, and moved both companies' operations to Decatur, Alabama in 1987. The Company entered into an Assumption Reinsurance Agreement with SULIC, which was executed on December 31, 1986, and effective on January 1, 1987, whereby the Company assumed all of SULIC's in force ordinary and industrial life and health insurance. SUFI was sold to an unrelated party on December 30, 1992.

As of December 31, 2002, the Company had two surplus notes issued to Primesco, Inc., totaling \$37,477,652. In March, 2003, the Executive Committee of the Board of Directors of Primesco took action to cancel the indebtedness owed by the Company totaling \$37,477,652, and deemed the funds a permanent contribution to the surplus of the Company.

On December 30, 2003, the Company issued a \$7 million surplus note to Primesco in exchange for cash. Principal and interest payments were subject to prior approval by the Alabama Commissioner of Insurance and principal cannot be repaid until surplus levels exceeding \$35 million are met. The rights of Primesco to the principal sum and/or accrued interest thereon are and shall remain subject to and subordinate to all other liabilities of the Company. On December 22, 2005, the Executive Committee of the Board of Directors of Primesco took action to cancel the indebtedness and considered the funds a permanent contribution to the surplus of the Company. Mutual Savings Group, Inc. (MSG), a Delaware corporation, was organized in 1988, with its Certificate of Incorporation filed for record on September 14, 1988. MSG was organized by the Company for the purpose of facilitating a leveraged buy-out (LBO) of control of the Company by the Company's Employee Stock Ownership Plan (ESOP). MSG's initial capitalization in the amount of \$1,261,191 was provided by the Company. In a transaction effective September 30, 1988, the Company contributed 100% of MSG to the ESOP. Prior to the LBO, the ESOP owned 219,191 shares of the Company's stock. On September 30, 1988, the ESOP borrowed \$56,500,000 (referred to as the ESOP Funding Arrangement) to purchase 611,472 shares of the Company's stock, and purchased an additional 17,735 shares for cash, giving the ESOP a total of 848,398 shares of the Company's stock. MSG then entered into a five-for-one stock swap with the Company's ESOP, in which MSG gave five newly issued shares of its stock (848,398 shares) owned by the ESOP. This transaction was effective on September 30, 1988, and as a result, MSG

initially acquired 75.2% of the common stock of the Company, and the ESOP acquired 99.75% of the outstanding common stock of MSG.

As part of a settlement in 1996 of a class action lawsuit filed in 1984, the Company conveyed equity in the Company to the plaintiffs (Class Members) amounting to approximately thirty-three percent of the total equity of the Company. The Court entered an order approving the settlement agreement on February 6, 1997. The order became final, and the settlement agreement became effective on March 21, 1997.

The settlement agreement, as approved by the court, provided for the following:

- a) The issuance by the Company to a Trustee for the benefit of the beneficiary class, 141,653 shares of new, dividend paying, non-voting class of common stock (Class B stock).
- b) The issuance by the Company to a trustee for the benefit of the policyholder class, 400,000 warrants to acquire Class A stock of the Company.
- c) The reformation of all outstanding burial policies to provide that the Company will pay cash, equal to the face value of said policy, rather than the funeral services or merchandise, as provided under the policies.
- d) The release of all claims that were or could have been asserted by or on behalf of any class member against the Company with respect to any burial policy.
- e) The payment by the Company of \$2.5 million to the plaintiff's attorneys for fees and expenses.

The Company retained the services of Willamette Management Associates (WMA), an independent valuation expert, to issue an opinion on the fair value of the Class B common stock and warrants. They concluded that the fair value of the Class B common stock was \$3.1 million, and the fair value of the warrants was \$7.5 million. The Class B stock and warrants were to be converted into either Class A stock of the Company or common stock of MSG. The converted stock will then be sold as directed by the Company and the proceeds distributed in cash to the class members.

On December 4, 1998, Primesco acquired through a cash tender offer and merger, 100% of the outstanding common stock of MSG and, by virtue of that transaction and Primesco's related cash tender offer for the class A common stock of the Company, Primesco became the owner of approximately 95% of the Class A common stock of the Company. Primesco's acquisition of MSG and the Company resulted in the termination of the ESOP. As part of the acquisition, Primesco repaid the indebtedness arising from the 1988 LBO of the Company by the ESOP to include \$7,000,000 owed to the Company by the ESOP. In connection with the repayment of the LBO indebtedness, the common stock of MSG and the common

stock of the Company pledged to secure such indebtedness was released. MSG merged with and into Primesco, and the separate existence of MSG ceased.

During 1999, management proceeded with its plan for the Company to repurchase the minority interest not owned by Primesco. The repurchase of 43,579 shares of Class A common stock as fractional shares in connection with the reverse stock split of the Class A common stock split reduced capital and surplus by approximately \$2.5 million. The Company also redeemed a warrant, which reduced capital and surplus by approximately \$5.0 million. These transactions were funded in part, by two surplus notes from Primesco totaling approximately \$10.5 million. The notes pay interest quarterly at annual rates ranging from 7.75% to 8.5% subject to the approval by the Alabama Commissioner of Insurance. Any repayment of principal is subject to approval by the ALDOI and may be paid only out of the Company's earned surplus in excess of \$35 million. As a result of these transactions, Primesco owned 100% of the Class A common stock of the Company (with the Class B common stock and the warrant being retired).

To acquire MSG and the Company, Primesco obtained equity funds of approximately \$11.6 million from investors, exchanged shares of common stock of Primesco for shares of common stock of the Company valued at an aggregate amount of \$5,911,626, and obtained a \$50.8 million line of credit from Colonial Bank, all of which was outstanding at December 31, 2000. The loan from Colonial Bank was amortized over a period of 15 years (with a balloon payment at the end of five years), and was secured by all of the outstanding capital stock of the Company owned by Primesco. A separate loan for \$6.0 million was due in one installment on January 1, 2001, and was subsequently extended to January 1, 2002, with interest due July 1, 2001, and at maturity.

The surplus notes were amended in 2001 to provide that the repayment of principal will be made only if the Company's earned surplus exceeds \$55 million. Also, the loan agreement with Colonial Bank was renegotiated in October 2001. The loan continued to amortize over a period of fifteen years, with the balloon payment due on December 31, 2006. All outstanding loans were consolidated into one loan of \$75 million, and Primesco obtained an additional line of credit pursuant to a revolving credit agreement of \$10 million from Colonial Bank.

On December 23, 2003, Colonial Bank increased the amount that could be drawn under the revolving credit loan to \$17 million. The Company and Primesco requested that Colonial Bank issue an irrevocable standby letter of credit (LOC) to Liberty Mutual Insurance Company, whereby the LOC was secured by a pledge agreement. The revolving credit loan was now set to mature on November 10, 2005.

On October 30, 2001, the Company acquired a block of policies from Atlanta Life Insurance Company (Atlanta Life) through a coinsurance/assumption agreement (Agreement). The service agreement portion of the Agreement required the Company to provide all servicing for policies transferred to the Company. The financial aspects of the transaction transferred approximately \$121 million in policy reserves and other liabilities along with approximately \$95.3 million in assets with the difference of \$25.7 million being a ceding fee to Atlanta Life. The ceding fee was a direct charge to operations in the last quarter 2001. The acquisition was funded by the Company's issuance of a surplus note to Primesco (the Company's parent) for \$27 million in cash.

On December 7, 2001, the Company closed on an assumption reinsurance agreement with Spry Life & Accident Insurance Company, Inc. (Spry) where the Company bulk reinsured and permanently assumed all of the policies of Spry. There were approximately 28,000 paid up policies with approximately \$2.7 million in policy liabilities assumed. Cash was transferred to cover all policy liabilities, less approximately \$268,000 which was a ceding fee paid to acquire the policies.

During March 2008, a form "A" filing made by Unitrin, Inc. was approved by the Alabama Department of Insurance. On April 1, 2008, Primesco, Inc. was acquired by Unitrin, Inc., a Delaware corporation. On June 1, 2009, United Insurance Company of America purchased the Company from Primesco. The Company's ultimate controlling entity is Kemper Corporation.

At December 31, 2019, the Company's Annual Statement reflected outstanding capital stock totaling \$2,093,426; Gross paid in and contributed surplus of \$45,109,276; and, Unassigned funds of \$13,382,412.

MANAGEMENT AND CONTROL

Stockholders

The Company is a stock corporation with ultimate control vested in its stockholders. At December 31, 2019, 100% of the Company's issued and outstanding common stock was owned by United Insurance Company of America (UICA), an Illinois corporation. UICA is 100% owned by Kemper Corporation, which is the ultimate parent of the Company.

Board of Directors

Members elected to the Board of Directors by the sole shareholder and serving at December 31, 2019, were as follows:

Director	Residence	Principal Occupation
Cheryl Kingsfield Neal	St. Louis, MO	President of Mutual Savings Life Insurance Company and Senior Vice President of Kemper Life and Health Division
Mark Atchley Green	Glenview, IL	President of Kemper Life and Health Division and Executive Vice President of Kemper Corporation
Charles Stanley Belter	Talladega, AL	Kemper Home Service Companies District Manager
John Michael Boschelli	Geneva, IL	Executive Vice President and Chief Investment Officer of Kemper Corporation

At December 31, 2019, the Company had four directors, one of which was an Alabama resident. ALA. CODE § 27-27-23(a)(1975) states: "The affairs of every domestic insurer shall be managed by not less than three directors, and at least one-third of the directors shall be bona fide residents of this state."

Committees

The following committees were functioning on behalf of the Company as of December 31, 2019:

Executive Committee

Mark A. Green

Investment Committee

John M. Boschelli

UICA Audit Committee

John M. Boschelli

Maxwell Mindak

Richard Roeske

Officers

Officers of the Company elected by the Board of Directors and serving at December 31, 2019 were as follows:

Officer	Title
Cheryl Kingsfield Neal	President
Jane Ann Nordby	Treasurer
Jennifer Marie Kopps-Wagner	Secretary
Scott Forrest Snider	Senior Vice President

Conflict of Interest

The Conflict of Interest Statements filed by the officers and directors of the Company were reviewed for the period covered by this examination. There were no disclosures that indicated that any officers or directors had a conflict of interest.

CORPORATE RECORDS

The Company's Articles of Incorporation, By-Laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

Minutes of the meetings of the Stockholder and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete with respect to actions taken on matters before the respective bodies for deliberation and action.

HOLDING COMPANY AND AFFILIATE MATTERS

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1(1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System. The Company is responsible for holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4(1975), and ALA. ADMIN. CODE 482-1-055(1994).

Administrative Service and Tax Allocation Agreements

The following administrative service agreements and tax allocation agreements were in effect as of December 31, 2019.

Affiliated Agreements

United Insurance Company of America Administrative Services Agreement

An Insurance Administrative Agreement was made and entered into as of September 1, 2008 by and between the Company and United Insurance Company of America (UICA). This agreement was first filed with the Alabama Department of Insurance on July 21, 2008, and was approved on July 29, 2008.

Under the terms of the agreement, UICA will provide the following administrative services:

- Underwriting services for the issuance of Life and Accident and Health insurance policies in accordance with the underwriting guidelines.
- Print policies, forms, and supplies bearing the Company's logo. The policies, forms, and supplies will remain the sole property of the Company.
- Properly rate and issue policies, binders, and endorsements in accordance with the Company's procedural guidelines and will administer and service all the Company's life business.
- Data processing support necessary for the timely servicing of the Company's business.
- Maintain a phone center at its administrative office to assist and aid in responding to all inquiries received by field personnel and customers.
- Defend, adjust, settle, and pay all new and existing claims.
- Compile all statistical data necessary to comply with all financial and regulatory reporting requirements.
- Legal support for all life business and see that the operations conducted by the Company are in compliance with all applicable laws and regulations.
- The Company will reimburse UICA for all direct, shared, and out-of-pocket expenses.
- Any expenses payable by the Company on which an amicable understanding or settlement cannot be reached will be settled by a certified independent public accounting firm not currently representing either party.

- The book of records will be maintained by UICA and the Company. The books of UICA will be owned and remain the separate property of UICA and the records of the Company will be owned and remain separate property of the Company. The records of the Company and data associated with such records will be maintained and made available to the Alabama Commissioner of Insurance or the Commissioner's designees.
- The Company will indemnify and hold UICA harmless from and against any and all liability, loss, costs, damages, claims, suits, and other legal proceedings, attorney fees, and expenses of any kind or nature to which UICA may become subject as a result of the provisions of services under the agreement, other than as a result of UICA's willful misconduct or gross negligence.
- The agreement will be unlimited as to its duration unless terminated by either party upon not less than thirty days prior written notice to the other. The agreement may be amended from time to time by a written instrument executed by the parties to the contract.
- The agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Alabama, excluding any choice or law rules that may direct the application of the laws of another jurisdiction.

Kemper Corporation Administrative Services Agreement

On October 17, 2018, the Company filed a Form D requesting approval to enter into a new general services agreement with affiliates, Infinity Insurance Company and Merastar Insurance Company. This Agreement was approved by the Department on November 26, 2018 and replaces the previously approved agreement with Kemper Corporate Services.

This General Services Agreement ("Agreement") is by and among Infinity Insurance Company ("Infinity") and Merastar Insurance Company ("Merastar"), each a service provider, and their life and health insurance affiliates.

According to the terms of the agreement, the Company will receive and pay for: General Corporate Services: Accounting and Financial Services; Accounts Payable and Administrative Services; Cash management and Financial Planning Services; and Human Resource Services.

Insurance Administrative Services:

- Service Providers shall provide underwriting services for the issuance of the Life and Accident and health insurance Policies.

- Service Providers shall print all policies and related forms as may be authorized from time to time by the Companies and shall safeguard and account for all such policies and other forms at all times.
- Service Providers shall properly rate and issue the Companies' policies, binders and endorsements.
- Service Providers shall administer and service all of the Companies' business after issuance, including but not limited to, processing premium payments and refunds, processing and issuing policy endorsements or changes, and processing policy loans and surrenders.
- Service Providers shall compile all statistical data necessary for the Companies to comply with all financial reporting and regulatory reporting requirements.
- Service Providers shall provide any such other services as may be desirable for the efficient and complete administration, process and servicing of the Companies' business as mutually agreed upon.
- Service Providers shall in all respects see that the operations hereunder conducted by the Companies are in compliance with applicable laws and regulations.

Computer and Information Technology Services:

- Data Processing and Other Systems-Related Services
 - Service Providers may provide computer data processing and other information technology services ("IT Services").
 - The Companies, or Service Providers at their option, shall supply terminals, personal computers, workstations, monitors, modems, printers and other equipment necessary to use the Systems.
 - The Companies may run batch processing jobs on the Systems, as well as real time operations.
 - Service Providers shall have sole responsibility for maintaining the Systems.
 - The Companies shall access the Systems using policies and procedures created by Service Providers.
 - Service Providers shall perform regular backups of the Systems. Service Providers agrees to cooperate and assist the Companies in backing up whatever applications software and data that the Companies may have on the Systems.

Equipment and Software Acquisitions

- **Equipment:** Service Providers may, from time to time at the Companies' request, purchase, lease, license or otherwise acquire computer hardware and equipment ("Equipment") on behalf of the Companies. Such Equipment shall be installed at a facility of Service Providers or of its subsidiaries, the Companies or contractors, or at any other location within the United States that Companies may request.
- **Software:** Service Providers shall, from time to time at the Companies' request, license or otherwise acquire computer software for usage by the Companies. The license for such software and any ancillary agreements thereto may contain such reasonable terms and conditions as may be satisfactory to Service Providers.

Consulting and Other Services

- From time to time at the Companies' request, Service Providers may provide information technology consulting and related services to the Companies through its data center employees and other technical personnel.

Federal Income Tax Agreement

An amendment to the Federal Income Tax Agreement entered into December 31, 1995 between Kemper (f/k/a Unitrin, Inc.) ("Parent") certain affiliates ("Affiliates") was entered into in order to establish the method of settlement of Federal Income Tax (FIT) payments and refunds between Parent and Affiliates.

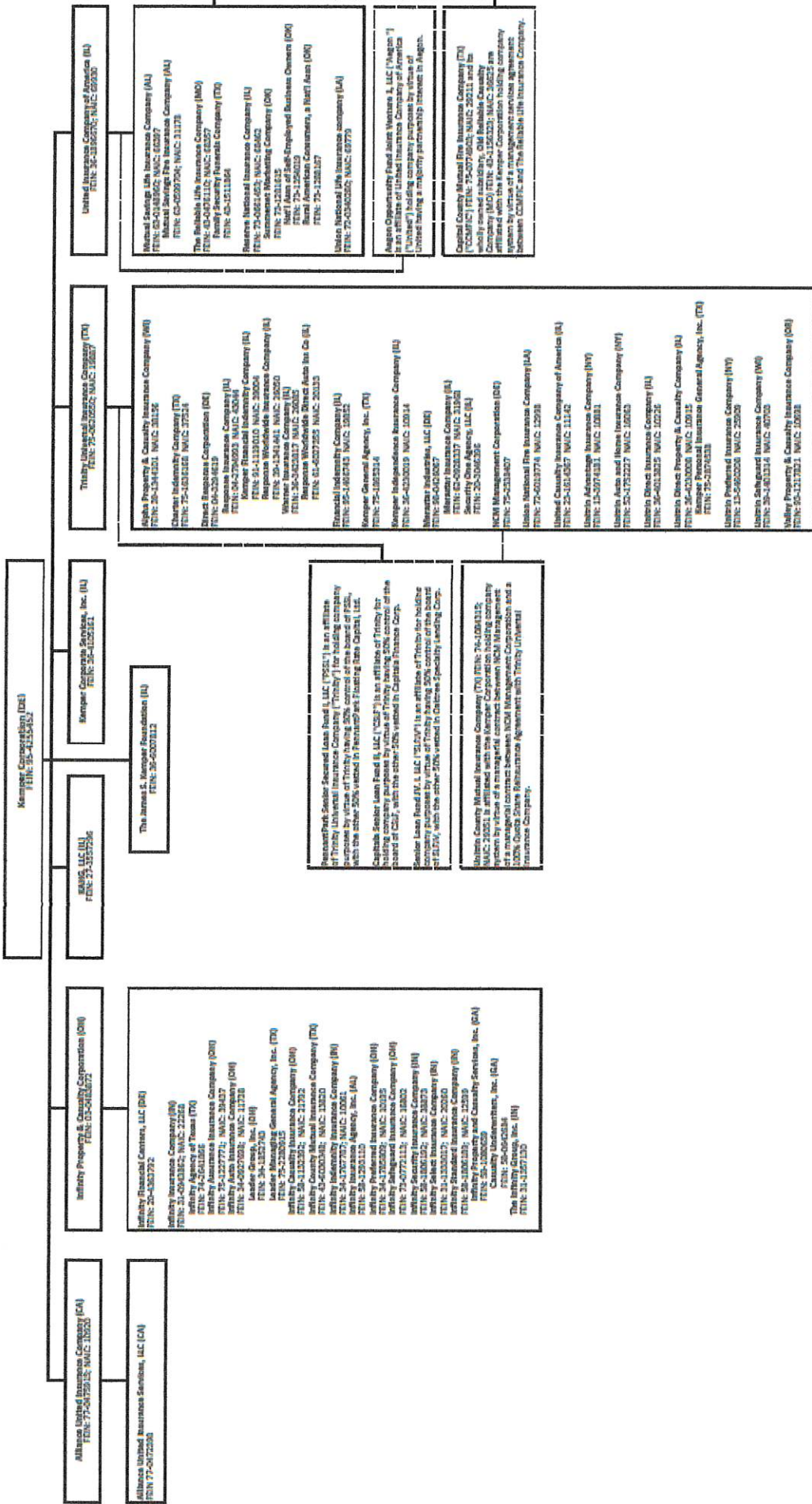
Mutual Savings Fire Insurance Company (MSFIC), and Mutual Savings Life Insurance Company (MSLIC) (together, "New Affiliates") became indirect, wholly-owned subsidiaries of Parent on April 1, 2008. New Affiliates were included in the Consolidated FIT return with Parent for the calendar year ending December 31, 2014.

This Agreement is to establish a method of payment of taxes under various Sections of Internal Revenue Service (IRS) Code, as a consolidated group for Federal Income Tax (FIT), rather than individually. All Affiliate members of the group will pay to the Parent the amount of regular FIT, or receive from the Parent the amount of refund of regular FIT, that they would have paid/received had the Affiliates filed FIT returns on their own. This applies to FIT, Alternative Minimum Tax, and Environmental Tax. Affiliates will have use of their own operating losses and other

tax credits and the accrual method of accounting will be used. The Affiliates shall settle estimated FIT payments on or about the 15th day of April, June, September, and December of each year, with an additional settlement on or about March 15th the following year with the filing of the annual FIT return or extension, and will be made via check or wire transfer. The FIT records will be maintained at the Parent's home office.

ORGANIZATIONAL CHART

The following chart represents the relationships of the entities affiliated with the Company as of December 31, 2019.



FIDELITY BONDS AND OTHER INSURANCE

Mutual Savings Life Insurance Company is a named insured on a Financial Institution Bond issued by Hartford Fire Insurance Company. The bond was issued to Kemper Corporation and Subsidiaries and was in effect as of December 31, 2019. The bond amount was applicable to fidelity, in transit, premises, trading loss, computer system fraud, voice-initiated transfer fraud, tele facsimile initiated transfer fraud and data destruction caused by a virus. The amount of the fidelity bond maintained by the Company exceeded the minimum amount suggested in the NAIC *Financial Condition Examiners Handbook*.

In addition to the above coverage, the Company was a named insured under policies affording the following protections:

- Auto Liability Coverage with Travelers Property Casualty Company of America
- General Liability Coverage with Travelers Property Casualty Company of America
- Cyber Liability Coverage with Indian Harbor Insurance Company
- Property Insurance with North American Elite Insurance Company
- Errors and Omissions Coverage with Twin City Insurance Company

It was assessed that the Company held adequate coverage in force covering the hazards to which the Company may have been exposed to.

EMPLOYEE AND AGENT WELFARE

The Company's duties and functions are performed by employees of affiliated entities in accordance with the terms of the administrative and management and services agreements with affiliated entities. The Company contracts with captive agents to market its products. Most of the agents are licensed for both life and health business and property and casualty business. Because the Company does not have any direct employees, no liabilities are accrued relating to pensions or post employee benefits.

Compliance with 18 U.S.C § 1033

The examiners reviewed a sample containing contracting employees within the Kemper Life Division that were employed during the examination period as well as employees that have been retained that were hired prior to the examination period. The examiners verified that criminal background checks were obtained for newly hired staff and that the Company had a procedure in place to determine whether existing employees have been convicted of a felony. However, the Company does not apply the required procedure on a periodic basis. This is not in accordance with ALA. ADMIN. CODE 482-1-146-.11(2009), which states:

(1) A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following: (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense. (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense. (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting. (2) Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department. (3) As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

MARKET CONDUCT ACTIVITIES

Territory

The Company was licensed to transact business in the following states as of December 31, 2019: Alabama, Georgia, Florida, Indiana, Louisiana, Mississippi, and Tennessee.

The certificates of authorities were inspected during the period under review and found to be in order.

Plan of Operation

The Company focused on providing individual life and health insurance products to the lower and middle income consumers generally referred to as the “under-served market.” Products written and issued included the following lines of business: Ordinary Life (Term & Whole Life), and Accident & Health (Accident and Health and Cancer Policies). Policy face amounts for the lines of business currently written are typically lower than the industry averages. Mutual Savings Life Insurance Company used captive agents that only sell the Company’s products. Agents provide policyholders with traditional in home service selling of the Company’s products, provide services for existing in-force policies, and collect premiums on a monthly basis.

The Company maintains its ability to compete in the market by utilizing appropriate product pricing, selling to selected markets, maintaining appropriate control of expenses, and its ability to provide competitive products and services to policyholders.

Advertising and Marketing

The Company’s advertising and marketing strategy was executed by the use of printed sales aids that were provided to producers for soliciting prospective clients and to counsel clients during the sale of products. The Company also had a website <http://www.kemper.com> which included basic product information and limited product descriptions. All advertisements were required to be approved by the Company prior to use. The Company’s system of control, file maintenance, and implemented procedures and guidelines for its advertisements complied with the requirements of ALA. ADMIN. CODE 482-1-132(2005).

Policyholders’ Complaints

The Company recorded all of its complaints in its complaints register in the required format, including those received directly from consumers and complaints received by the Department of Insurance related to the Company. The examiner selected a random sample of 84 Alabama complaints out of a population of 245 recorded in its complaints register. The sample included seven consumer direct complaints and 77 complaints received by the Alabama Department of Insurance. It was determined that the complaints were responded to timely and responses and action taken addressed the issues raised.

Claims Payment Practices

Review of Paid Claims

The examiners reviewed a sample of 105 Alabama paid claims that was selected from a population of 55,914 paid claims transactions. The sample was reviewed for compliance with policy provisions, timeliness of payment and adequacy of documentation. The examiners verified the date that the claim was reported, the date that proof of loss was provided, the date that the claim was acknowledged by the Company, and the date the claim payment was issued. The examiners determined that the Company properly followed its policy provisions, timeliness of payment and adequacy of documentation for the sample selected during the examination period. There was one claim that was not acknowledged within fifteen days. The claim was not acknowledged in compliance with ALA. ADMIN. CODE 482-1-124-04(1)(2003), which states: "Every insurer, upon receiving notification of a claim shall, within fifteen (15) days of the notification, mail or otherwise provide necessary claim forms, instructions or reasonable assistance so the claimant can properly comply with the insurer's reasonable requirements for filing a claim."

Review of Denied Claims

A sample 109 of Alabama denied claims was selected from a population of 11,066 Alabama denied claims during the examination period. The sample was reviewed for compliance with policy provisions, promptness associated with notification letters and claim acknowledgements, and the adequacy of the claims documentation. The examiners verified for each denied claim in the sample that the claims were properly acknowledged and claimants were notified as required. The denials complied with the policy provisions and were adequately documented.

Compliance with Producer Licensing Requirements

Appointments

A random sample 116 of premium transactions was selected from a population of 12,720,167 premium transactions from the direct written premiums file for the examination period 2015-2019. The examiner used the NAIC's State Based System (SBS) to verify that all of the producers that produced the business represented in the

sample were appropriately licensed and appointed by the Company prior to writing the business. No issues of non-compliance were identified as a result of the review.

Terminated Producers

A random sample of 113 terminated producers was selected from a population of 504 terminations during the examination period 2015-2019. The examination determined that the Company did not send a notification to one of the terminated producer's last known addresses as required by ALA. CODE § 27-7-30.1(a)(1975), which states: "Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address."

Underwriting and Rating

Policy Forms and Rating

The Company filed eight rates and forms with the Alabama Department of Insurance during the examination period. The Company filed its rates in accordance with ALA. ADMIN. CODE 482-1-024-.03(6)(2003), which states:

Notices of rate increases and rate filings in general for accident and health policies, riders and endorsements are hereby requested to be filed with this Department on an informational basis only. This information shall be considered proprietary and trade secret information and shall not be subject to disclosure by the Commissioner to persons outside the Department of Insurance except as agreed to by the insurer or as ordered by a court of competent jurisdiction. No rate filings are requested for life insurance policies.

Underwriting Practices

The Company underwrote Whole Life, Graded Benefit Whole Life, Term Life and, Cancer & Specified Disease, Cancer, and Heart Attack Plan for its Health & Accident Products. A random sample of 116 Alabama premium transactions was selected from a population of 12,720,167 premium transactions from the direct written premiums file for the examination period 2015-2019 to verify the policy premiums were calculated in accordance with the filed rates. The examination determined policy premiums were calculated in accordance with its filed rates.

A random sample of 115 Alabama rejected applications for insurance was selected from 4,249 rejected applications received by the Company during the examination

period. The examiners determined that the applicants were rejected for valid reasons.

A random sample of 116 Alabama cancellations was selected from a population of 112,192 cancellations that occurred during the examination period, 2015 – 2019. The cancellations/nonrenewals were properly documented and were valid according to the policy provisions.

Privacy Standards

The Company's PRIVACY NOTICE was reviewed for compliance with ALA. ADMIN. CODE 482-1-122 (2001). The Company sent out the initial notices to new business policyholders when a policy was written. The Company provided notices to its customers that indicated the types of information collected, the way the information is used and the manner that it is collected.

The Company does not share customer and/or consumer personal information with any nonaffiliated third parties, except as allowed by law. The Company does not send out annual notices to its consumers because it qualifies for the exception in section B of the ALA. ADMIN. CODE 482-1-122-.06(B), which states:

... allows licensees to be excepted from section A if they abstain from providing personal information to nonaffiliated third parties except as allowed under other sections of the Administrative Code and if the company has not changed its practices regarding disclosing nonpublic personal information from the most recent disclosure sent to consumers.

The Company had proper controls in place for employees and producers for the disclosure of nonpublic personal financial, health or medical information.

SPECIAL DEPOSITS

The Company had the following securities on deposit with state authorities as of December 31, 2019 in order to satisfy the statutory deposit requirements of the various states in which the Company writes business:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Alabama *	\$ 446,251	\$ 543,840
Florida	1,221,293	1,325,660
Georgia	114,525	127,957
TOTALS	\$ 1,782,069	\$ 1,966,797

*Held for the protection of all policyholders

FINANCIAL CONDITION AND GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the years indicated.

	2015	2016	2017	2018	2019
Admitted Assets	\$ 450,326,403	\$ 462,360,778	\$ 467,879,344	\$ 474,390,712	\$ 480,540,655
Liabilities	\$ 414,909,992	\$ 426,090,421	\$ 426,246,168	\$ 432,831,055	\$ 419,955,541
Premiums and Annuity Considerations for Life, Accident and Health, Contracts	\$ 38,901,997	\$ 38,447,526	\$ 38,014,522	\$ 37,817,439	\$ 37,496,168
Benefits and Loss Related Payment	\$ 25,325,789	\$ 28,269,359	\$ 27,558,173	\$ 30,415,697	\$ 30,814,662
Common Capital Stock	\$ 2,093,426	\$ 2,093,426	\$ 2,093,426	\$ 2,093,426	\$ 2,093,426
Gross Paid in and Contributed Surplus	\$ 45,109,276	\$ 45,109,276	\$ 45,109,276	\$ 45,109,276	\$ 45,109,276
Unassigned Funds	\$ (11,786,291)	\$ (10,932,345)	\$ (5,569,526)	\$ 4,356,955	\$ 13,382,412

DIVIDENDS TO POLICYHOLDERS

The Company paid the following dividends to policyholders during the examination period.

<u>Year</u>	<u>Dividends to Policyholders</u>
2019	\$3,801
2018	\$4,740
2017	\$11,691
2016	\$14,743
2015	\$17,382

REINSURANCE

Reinsurance Assumed

Effective July 1, 2001, the Company assumed certain individual life insurance and accident and health insurance policies from Atlanta Life Insurance Company, Atlanta, Georgia, under a 100% Coinsurance Indemnity and Assumption Agreement. The Schedule S – Part 1, Section 1 (life policies) indicated that the agreement assumed \$62.5 Million in reserves and \$830,270 in premiums as of December 31, 2019. The Schedule S Part 1, Section 2 (accident and health) indicated that the agreement contributed \$43,551 in premiums and \$101,598 in reserve liabilities as of December 31, 2019.

Reinsurance Ceded

The Company's ceded reinsurance program consisted of automatic coinsurance with option to negotiate facultative reinsurance over the reinsurer's maximum limits, yearly renewable term, and Automatic Bulk Accidental Death Benefit agreements. The Company had five agreements with Optimum Re Insurance Company that provided reinsurance for certain policy plans. Some of the agreements were on a Yearly Renewable Term basis and others were on a coinsurance basis. Schedule S – Part 3, Section 1, listed Swiss Re, Greenwich Connecticut, and Optimum Reinsurance Company, Dallas, Texas, as the reinsurers authorized to do business in Alabama. The reserve credit taken for life business was \$13.6 Million. There have been no cessions of accident and health business under the agreements since the agreement was terminated December 31, 2009. No new business was ceded under any of the Company's policies during the examination period because the Company no longer issued any of the policy plans that were subject to the automatic reinsurance.

Subsequent to the examination date, the Company entered into a 100% coinsurance and assumption agreement with an affiliate. See the Subsequent Events section of this report for further discussion of the subsequent events.

ACCOUNTS AND RECORDS

The Company maintained its accounting, premiums and losses data electronically. The Company maintained additional electronic workpapers, reconciliations and statements in its database of imaged records.

The Company's independent audit was performed by Deloitte & Touch, LLP, a certified public accounting firm.

The examiners reviewed the Company's anti-money laundering (AML) program. The Company did not provide evidence of testing of the AML program performed by auditors that are independent from the AML Compliance Officer. The NAIC *Financial Condition Examiners Handbook* states "The Company must provide for independent testing of the program on a periodic basis to ensure that it complies with the requirements of the rules and that the program functions as designed, including testing to determine compliance by the company's agents and brokers with their obligation under the program."

The Company did not provide a response to information requests within ten business days over the course of the examination. The Company's staff was cooperative with the examiners assisting to provide the information needed to complete the examination. It is noted that the examination was conducted under extenuating circumstances and was conducted remotely due to COVID-19 restrictions and limitations. Extensions of time to provide information were allowed as determined to be appropriate. However, there were four instances in which the Company did not provide information within ten business days or within the time agreed to by an extension. ALA. ADMIN. CODE 482-1-118-.06(6)(2003) states:

The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, Employee or examiner of the commissioner. When the requested record or response is not produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the State Department of Insurance and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on the financial statements reflect any examination adjustments to the amount reported in the annual statement and should be considered an integral part of the financial statements.

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Summary of Operations.....	28
Capital and Surplus Account.....	29

MUTUAL SAVINGS LIFE INSURANCE COMPANY
STATEMENT OF ASSETS
For the Year Ended December 31, 2019

	Assets	Non- admitted Assets	Admitted Assets
Bonds	\$415,716,312		\$415,716,312
Common stocks	3,966,209		3,966,209
Cash, cash equivalents, short-term investments	19,302,758		19,302,758
Contract loans	21,620,398		21,620,398
Other invested assets	<u>1,488,914</u>		<u>1,488,914</u>
<u>Subtotals, cash and invested assets</u>	<u>\$462,094,591</u>		<u>\$462,094,591</u>
Investment Income due and accrued	\$5,695,854		\$5,695,854
Premiums and considerations: Uncollected premiums and agents' balances in course of collection	746,793		746,793
Premiums and considerations: Deferred premiums and agents' balances and installments booked but deferred and not yet due (including earned but not billed premiums)	7,063,022		7,063,022
Other amounts receivable under reinsurance contracts	120,454		120,454
Current federal and foreign income tax recoverable and interest thereon	2,480,034		2,480,034
Net deferred tax asset	3,800,999	\$1,847,528	1,953,471
Guaranty funds receivable or on deposit	6,992		6,992
Receivable from parents, subsidiaries and affiliates	144,418		144,418
Aggregate write-ins for other than invested assets	<u>283,608</u>	<u>48,581</u>	<u>235,027</u>
Totals	<u>\$482,436,764</u>	<u>\$1,896,109</u>	<u>\$480,540,655</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTERGRAL PART THEREOF

MUTUAL SAVINGS LIFE INSURANCE COMPANY
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
For the Year Ended December 31, 2019

LIABILITIES

Aggregate reserves for life contracts <u>(Note 1)</u>	\$385,992,659
Aggregate reserve for accident and health contracts <u>(Note 2)</u>	8,417,578
Liability for deposit-type contracts	420,141
Contract claims: Life	7,127,952
Contract claims: Accident and health	706,539
Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year – estimated amounts: Coupons and similar benefits	(28,483)
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	217,211
Contract liabilities not included elsewhere: other amounts payable on reinsurance, including assumed and ceded	95,643
Contract liabilities not included elsewhere: Interest maintenance reserve	5,750,192
General expenses due or accrued	1,230,174
Taxes, licenses, and fees excluding federal and foreign income taxes	96,861
Unearned investment income	22,735
Amounts withheld or retained by reporting entity as agency or trustee	16,714
Remittance and items not allocated	233,422
Miscellaneous liabilities: Asset valuation reserve	3,279,229
Miscellaneous liabilities: Payable to parent, subsidiaries and affiliates	1,832,694
Miscellaneous liabilities: Payable for securities	21,162
Aggregate write-in for liabilities	<u>4,523,119</u>
<u>Total liabilities</u>	<u>\$419,955,541</u>
Common capital stock	\$2,093,426
Gross paid in and contributed surplus	45,109,276
Unassigned funds	13,382,412
Surplus	<u>\$58,491,688</u>
<u>Total</u>	<u>\$480,540,655</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF

MUTUAL SAVINGS LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the Years Ended December 31, 2015, 2016, 2017, 2018 and 2019

	2015	2016	2017	2018	2019
Premiums and annuity considerations	\$38,901,007	\$38,447,526	\$38,014,522	\$37,817,439	\$37,496,168
Net investment income	21,362,964	21,713,784	21,713,784	21,436,442	21,473,799
Amortization of IMR	476,479	516,084	538,399	668,626	814,351
Commissions and expense allowances on reinsurance ceded	158,532	153,451	114,375	136,208	116,328
Miscellaneous income: Aggregate write-ins for miscellaneous income	<u>5,203</u>	<u>2,036</u>	<u>1,159</u>	<u>1,408</u>	<u>302</u>
Total Income	<u>\$60,905,174</u>	<u>\$60,730,148</u>	<u>\$60,382,239</u>	<u>\$60,060,123</u>	<u>\$59,900,948</u>
Deductions:					
Death benefits	\$19,688,394	\$29,991,454	\$17,891,548	\$20,544,116	\$18,262,811
Matured endowments	945,149	921,181	834,932	1,013,214	966,625
Annuity Benefits	874,457	876,768	960,923	943,307	753,320
Disability benefits and benefits under accident and health contracts	2,804,393	1,918,319	1,695,631	1,943,131	1,717,029
Coupons, guaranteed annual pure endowments and similar benefits	1,239	150	(2,277)	799	1,478
Surrender benefits and withdrawals for life contracts	3,504,778	3,803,241	3,892,713	4,214,849	4,031,881
Interest and adjustments on contract or deposit-type contract funds	223,093	122,858	1,601,256	114,155	238,221
Increase in aggregate reserves for life and accident and health contracts	<u>1,514,278</u>	<u>(1,484,703)</u>	<u>516,593</u>	<u>368,774</u>	<u>987,691</u>
Totals	<u>\$29,555,781</u>	<u>\$36,149,266</u>	<u>\$27,391,320</u>	<u>\$29,142,346</u>	<u>\$26,959,057</u>
Commissions on premiums, annuity considerations, and deposit type contract funds	8,130,321	9,188,476	9,101,976	8,958,207	9,594,673
General insurance expenses	11,533,090	12,594,670	10,325,867	10,922,649	10,683,739
Insurance taxes, licenses and fees, excluding federal income tax	1,539,884	1,930,886	1,799,594	1,548,482	1,788,555
Increase in loading on deferred and uncollected premiums	<u>(326,487)</u>	<u>127,842</u>	<u>174,186</u>	<u>119,939</u>	<u>(51,360)</u>
Total deductions	<u>\$50,432,589</u>	<u>\$59,991,140</u>	<u>\$48,792,944</u>	<u>\$50,691,623</u>	<u>\$48,972,664</u>
Net gain from operations before dividends to policyholders and FIT	\$10,472,585	\$739,008	\$11,589,295	\$9,368,500	\$10,928,284
Dividends to policy holders	<u>17,382</u>	<u>14,743</u>	<u>11,691</u>	<u>4,740</u>	<u>3,801</u>
Net gain from operations after dividends to policyholders and before FIT	10,455,203	724,265	11,577,604	9,363,760	10,924,484
Federal and foreign income taxes	<u>\$4,046,690</u>	<u>\$(522,143)</u>	<u>\$3,569,000</u>	<u>\$(517,784)</u>	<u>\$2,078,060</u>
Net gain from operations after dividends to policy holders and FIT and before realized capital gains or (losses)	<u>6,408,513</u>	<u>1,246,408</u>	<u>8,008,604</u>	<u>9,881,544</u>	<u>8,846,424</u>
Net realized capital gains or (losses) less capital gains tax	<u>2</u>	<u>—</u>	<u>(92,631)</u>	<u>310,969</u>	<u>52</u>
<u>Net Income</u>	<u>\$6,408,515</u>	<u>\$1,246,408</u>	<u>\$7,915,973</u>	<u>\$10,192,513</u>	<u>\$8,846,476</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF

MUTUAL SAVINGS LIFE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
For the Years Ended December 31, 2015, 2016, 2017, 2018 and 2019

	2015	2016	2017	2018	2019
Capital and surplus, December 31, prior year	\$31,631,225	\$35,416,411	\$36,270,357	\$41,633,176	\$51,559,657
Net income	6,408,515	1,246,408	7,915,973	10,192,513	8,846,476
Change in net unrealized capital gains or (losses) less capital gains tax	70,706	60,240	454,513	(165,707)	(254,732)
Change in net deferred income tax	1,576,803	(587,394)	(8,662,479)	(1,235,625)	89,250
Change in non-admitted assets	(1,045,383)	559,943	(5,793,208)	941,076	700,725
Change in asset valuation reserve	(330,378)	(425,251)	(138,396)	194,223	(356,263)
Aggregate write-ins for gains and losses in surplus	(2,895,076)				
Net change in capital and surplus for the year	<u>\$3,785,186</u>	<u>\$853,946</u>	<u>\$5,362,818</u>	<u>\$9,926,481</u>	<u>\$9,025,457</u>
Capital and surplus, December 31, current year	<u>\$35,416,411</u>	<u>\$36,270,357</u>	<u>\$41,633,176</u>	<u>\$51,559,657</u>	<u>\$60,585,113</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT ARE AN INTEGRAL PART THEREOF

NOTES TO FINANCIAL STATEMENTS

Note 1 – Aggregate reserve for life contracts

\$385,992,659

The above captioned balance is the same as reported by the Company in the 2019 Annual Statement.

During the review of the Company's reserves, a discrepancy was noted in the number of life policies reported in the 2019 Annual Statement. The Company reported a total number of 749,546 policies; however, a reconciliation of the reserves verified the policy count as of December 31, 2019 was 749,445. Further, a discrepancy was noted in the amount of insurance in-force end of year. The Company reported a total amount of 1,901,582 units; where one unit equals \$1,000. The reconciliation of the reserves verified the amount of insurance was overstated by 78 units. The correct amount of insurance in-force end of year equals 1,901,504 units. It was determined the Company did not properly complete the Exhibit of Life Insurance in accordance with the NAIC *Annual Statement Instructions*.

A sample of 80 life policies was selected from the policy in-force listing. The sample was reviewed to verify the accuracy of reserve determinants by reconciling the Company's reserve determinants in the Company's policy administration system to the original applications. One application provided by the Company was illegible; therefore, the reserve determinants could not be verified. In addition, there were four items in the sample in which the Company was unable to provide a copy of the original application.

The examination findings were discussed with the Company's managers. The managers asserted that the errors occurred in aged policies that did not represent a significant portion of the Company's business and had little financial impact on the Company's financial position. The examiners' review supported management's assertion. From the sample reviewed, it was noted that the examination findings were related to significantly aged policies and the findings did not indicate that the financial records are materially inaccurate.

It was determined that the Company did not properly maintain its records in accordance with ALA. CODE § 27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Note 2 – Aggregate reserve for accident and health contracts \$8,417,578

The above captioned balance is the same as reported by the Company in the 2019 Annual Statement.

During the review of the Aggregate reserves for accident and health contracts, a review was performed on the Exhibit of Number Of Policies, Contracts, Certificates, Income Payable and Account Values In Force For Supplementary Contracts, Annuities, Accident & Health And Other Policies. It was determined that the Company did not appropriately complete the exhibit. The number of policies reported by the Company for both in force end of prior year and in force at end of year was 23,042; which was determined to be inaccurate when compared to the detailed listing provided by the Company. The detailed listing as provided by Company management indicated the correct number of policies was 21,359. In addition, the amount of premiums reported by the Company for both in force end of prior year and in force end of year was 4,013,086; which was determined to be inaccurate when compared to the detailed listing.

It was determined the Company did not properly complete the Exhibit of Number Of Policies, Contracts, Certificates, Income Payable and Account Values In Force For Supplementary Contracts, Annuities, Accident & Health And Other Policies in accordance with the NAIC *Annual Statement instructions*.

A sample of 40 accident and health policies was selected from the policy in-force listing. The sample was reviewed to verify the accuracy of reserve determinants by reconciling the Company's reserve determinants in the Company's policy administration system to the original applications. Four applications provided by the Company were illegible; therefore, the reserve determinants could not be verified. In addition, there were two items in the sample in which the Company was unable to provide a copy of the original application. Lastly, there was one instance in which the original benefit amount listed on a policy did not match the data in the Company's policy administration system.

The examination findings were discussed with the Company's managers. The managers asserted that the errors occurred in aged policies that did not represent a significant portion of the Company's business and had little financial impact on the Company's financial position. The examiners' review supported management's assertion. From the sample reviewed, it was noted that the examination findings were related to significantly aged policies and the findings did not indicate that the financial records are materially inaccurate

It was determined that the Company did not properly maintain its records in accordance with ALA. CODE §27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

Analysis of Changes to Surplus

No changes were made to surplus

COMMENTS AND RECOMMENDATIONS

Board of Directors – Page 8

It is recommended that the Company ensure that one-third of its Directors are Alabama residents in accordance with ALA. CODE § 27-27-23(a)(1975) which states: “The affairs of every domestic insurer shall be managed by not less than three directors, and at least one-third of the directors shall be bona fide residents of this state.”

Employee and Agent Welfare – Page 16

It is recommended that the Company apply the procedure, to determine if an existing employee has been convicted of a Title 1033 offense, on a periodic basis as is required by ALA. ADMIN. CODE 482-1-146-.01(2009), which states:

- (1) A Section 1033 insurer subject to the Commissioner’s examination authority shall have and apply the following: (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense. (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense. (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the

period of employment or contracting. (2) Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department. (3) As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

Review of Paid Claims – Page 19

It is again recommended that the Company properly acknowledge all claims within fifteen days in accordance with ALA. ADMIN. CODE 482-1-124.04(1)(2003), which states: “Every insurer, upon receiving notification of a claim shall, within fifteen (15) days of the notification, mail or otherwise provide necessary claim forms, instructions or reasonable assistance so the claimant can properly comply with the insurer’s reasonable requirements for filing a claim.”

Compliance with Producer Licensing Requirements – Page 19

It is recommended that the Company send notifications to the terminated producers’ last known addresses in compliance with ALA. CODE § 27-7-30.1(a)(1975), which states: “Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address.”

Accounts and Records – Page 24

It is recommended that the Company conduct independent testing of its anti-money laundering program in accordance with the NAIC *Financial Condition Examiners Handbook* which states: “The Company must provide for independent testing of the program on a periodic basis to ensure that it complies with the requirements of the rules and that the program functions as designed, including testing to determine compliance by the company’s agents and brokers with their obligation under the program.”

It is recommended that the Company provide information requested by the examiners within ten business days as required by ALA. ADMIN. CODE 482-1-118-.06(6)(2003), which states:

The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, Employee or examiner of the commissioner. When the requested record or response is not

produced or cannot be produced by the insurer within ten working days, the nonproduction shall be deemed a violation of this rule, unless the Commissioner or duly appointed person making the request grants an extension in writing or the insurer can demonstrate to the satisfaction of the Commissioner that there is a reasonable justification for the delay.

Notes to Financial Statements – Page 30

It is recommended that the Company properly completes the Exhibit of Life Insurance in accordance with the NAIC *Annual Statement Instructions* in order to accurately report the number of outstanding policies and total amount of insurance in-force.

It is recommended that the Company secure and retain the original applications for life contracts that verify the accuracy of the reserve determinants to comply with ALA. CODE §27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

It is recommended that the Company properly complete the Exhibit of Number of Policies, Contracts, Certificates, Income Payable and Account Values In Force For Supplementary Contracts, Annuities, Accident & Health And Other Policies in order to accurately report the number of outstanding policies in accordance with the NAIC *Annual Statement instructions*.

It is recommended that the Company secure and retain the original applications for A&H contracts that verify the accuracy of the reserve determinants to comply with ALA. CODE §27-27-29(a)(1975), which states:

Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The examiners performed procedures to determine whether the Company complied with the recommendations in the Report of Examination as of December 31, 2014

conducted by the Alabama Department of Insurance. The examiners determined that the Company complied with the recommendations except for the issues mentioned below.

The previous examination report determined that claims were not acknowledged within fifteen days as required by ALA. ADMIN. CODE 482-1-124.04(1)(2003), which states: "Every insurer, upon receiving notification of a claim shall, within fifteen (15) days of the notification, mail or otherwise provide necessary claim forms, instructions or reasonable assistance so the claimant can properly comply with the insurer's reasonable requirements for filing a claim." The examination determined that the Company did not comply with the previous recommendation.

The previous examination recommended that the Company implement procedures to ensure the completeness and accuracy of information, including policy determinants for life insurance reserve calculations. The examination testing indicated that there were some policies in which the policy applications were lost or damaged and not available as audit evidence to support the accuracy of the reserve determinants. The Company's managers asserted that the examination findings related to significantly aged policies and the findings were not representative of a significant portion of the Company's business or indicate that the financial records were materially inaccurate. The results of the sample reviewed supported management's assertion. It was determined that the Company did not comply with the recommendation. Further discussion of the reserve determinants that could not be verified are included in Note 1 of the Notes to Financial Statements on Page 30.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by the Company's managers, a review of the Company's records and files for the period under examination, and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2019 examination date was done. The following items were noted during this review:

- Effective July 1, 2020, United Insurance Company entered into a reinsurance agreement with Mutual Savings Life Insurance Company. United Insurance

Company assumes all risks under past, existing, and future life, health and accident insurance, and annuity business whether written directly or assumed on a 100% coinsurance basis.

- Effective September 2020, Cheryl K. Neal resigned from her positions as Director, Chairman of the Board and President of the Company, and as a member of the Executive and Investment Committees of the Board. Erich Sternberg was elected as interim President of the Company and elected to serve as Director and Chairman of the Board. Tim Stonehocker was appointed by the Board to replace Mr. Sternberg.

The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U. S. and global insurance and reinsurance industry. At the time of releasing of this report, the examination's review of Mutual Savings Life Insurance Company noted that there has not been a significant impact to the Company, primarily due to reserves established based on what are still reasonable mortality assumptions even after the outbreak and the adaptation of business practices as respects marketing and sales and servicing of existing policies to facilitate the safety of the Company's agents and consumers. The Alabama Department of Insurance (the Department) has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

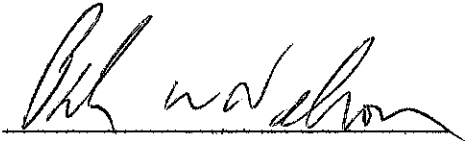
CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Theo Goodin, AIE, ALMI, MCM; Jacob Grissett, CFE (Fraud); and David Martin, Examiners; David Gordon, CISA, CIA, CFE (Fraud), CDFE, MBA, Jim Coyle, CISA, and Lisa Bringman, CRP, CBA, IT Specialists representing INS; and Peggy Hermann, FSA, MAAA, and Frank Edwards, ASA, MAAA consulting actuaries with INS represented the Alabama Department of Insurance and participated in the examination of the Company.

Respectfully submitted,



Palmer W. Nelson, CFE, CIE, MCM
Examiner-in-charge
Alabama Department of Insurance