

REPORT OF
EXAMINATION

OF

UTIC INSURANCE COMPANY

BIRMINGHAM, ALABAMA

AS OF

DECEMBER 31, 2022

Table of Contents

EXAMINER'S AFFIDAVIT	iii
SALUTATION	1
SCOPE OF EXAMINATION	2
ORGANIZATION AND HISTORY	3
MANAGEMENT AND CONTROL	5
Stockholder	5
Board of Directors	5
Officers	5
Conflict of Interest	6
Committees	6
CORPORATE RECORDS	6
HOLDING COMPANY AND AFFILIATE MATTERS	6
Holding Company	6
Dividends to Stockholders	7
Management and Service Agreements	7
<i>Administrative Service Agreement – BCBSAL</i>	7
<i>Tax Settlement Agreement – BCBSAL</i>	8
ORGANIZATIONAL CHART	8
FIDELITY BOND AND OTHER INSURANCE	11
EMPLOYEE AND AGENT WELFARE	11
Compliance with 18 U.S.C. § 1033	12
MARKET CONDUCT ACTIVITIES	12
Territory	12
Plan of Operation	12
Advertising and Marketing	12
Policyholders' Complaints	13
Claims Payment Practices	13
Compliance with Producer Licensing Requirements	13
Underwriting and Ratings	13
Privacy Standards	13
SPECIAL DEPOSITS	13
FINANCIAL CONDITION AND GROWTH OF THE COMPANY	14
REINSURANCE	14
Assumed Reinsurance	14
<i>100% Reinsurance Agreement – BCS Insurance Company</i>	14
<i>100% Reinsurance Agreement – Blue Cross and Blue Shield of Alabama</i>	14
<i>Quota Share Aggregate Only Stop Loss Reinsurance Contract – HM Life Insurance Company</i>	15
<i>Quota Share Specific and Aggregate Stop Loss Reinsurance Contract – HM</i>	

<i>Life Insurance Company</i>	15
Ceded Reinsurance.....	16
<i>Automatic Long-Term Care Retrocession Agreement – #3297</i>	16
<i>Automatic Long-Term Care Agreement – Treaty #2707</i>	16
ACCOUNTS AND RECORDS.....	17
FINANCIAL STATEMENT INDEX.....	18
FINANCIAL STATEMENTS.....	19
NOTES TO FINANCIAL STATEMENTS.....	23
CONTINGENT LIABILITIES AND PENDING LITIGATION.....	23
SUBSEQUENT EVENTS.....	23
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS.....	23
COMMENTS AND RECOMMENDATIONS.....	23
CONCLUSION.....	23

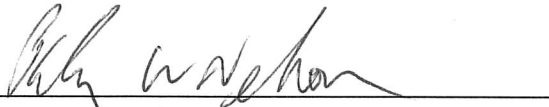
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF JEFFERSON**

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

1. I have authority to represent Alabama in the examination of UTIC 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 UTIC Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

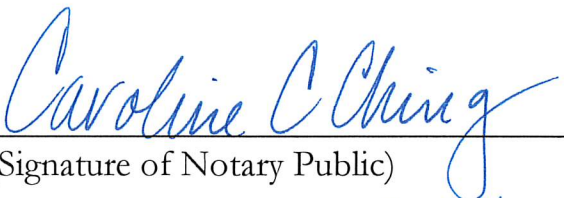
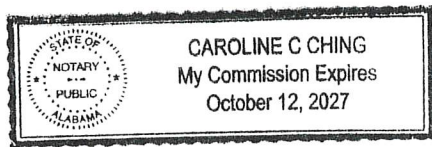
The affiant says nothing further.



Palmer W. Nelson, CFE
Examiner-in-Charge

Subscribed and sworn before me by Palmer W. Nelson on this 8th day of March, 2024.

(SEAL)



(Signature of Notary Public)

My commission expires October 12, 2027



**KAY IVEY
GOVERNOR**

**MARK FOWLER
COMMISSIONER**

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 502
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
FACSIMILE: (334) 241-4192
INTERNET: www.aldoi.gov**

**DEPUTY COMMISSIONERS
JIMMY W. GUNN
LARRY CHAPMAN
CHIEF EXAMINER
SHEILA TRAVIS
STATE FIRE MARSHAL
SCOTT F. PILGREEN
GENERAL COUNSEL
REYN NORMAN**

March 8, 2024

Honorable Mark Fowler
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, AL 36104

Dear Commissioner Fowler:

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, 2022, has been made of

**UTIC Insurance Company
Birmingham, AL**

at its home office located at 450 Riverchase Parkway East, Birmingham AL 35244. The report of examination is submitted herewith. Where the description "The Company" or "UTIC" appears herein, without qualification, it will be understood to indicate UTIC Insurance Company.

SCOPE OF EXAMINATION

We have performed our multi-state examination of UTIC Insurance Company. The last examination covered the period of January 01, 2013, through December 31, 2017. This examination covers the period January 01, 2018, through December 31, 2022.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Department of Insurance regulations, bulletins, and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

We conducted our examination 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.

An examination of the Company's information technology systems (IT) was conducted concurrently with the financial examination. The IT 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, advertising and marketing, policy forms and underwriting, policyholders' complaints, compliance with producers' licensing requirements, and privacy policies and practices.

The Company's annual statements for each year under examination were compared with the corresponding general ledger account balances. During the period covered by the examination, the Company was audited by Ernst & Young (CPA's). The CPA's workpapers were used in the examination as deemed appropriate by the examiners. 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, 2022.

ORGANIZATION AND HISTORY

The Company was incorporated on January 31, 1964, in Birmingham, Alabama as the Modern American Life Insurance Company, a legal reserve life company. It commenced business with 10,000 shares of \$1 par value (\$10,000) common stock and 1,700 shares of \$55 par value preferred stock (\$93,500), which resulted in \$103,500 aggregate capital.

The following summary chronologically presents significant changes affecting the Company:

1966 – Articles of Incorporation were amended. The number of shares of common stock was increased and par value was increased. The preferred stock was retired and converted to common stock.

1968 - Acquired by Veterans Life Insurance Company in Atlanta, Georgia, and its name was changed to Physicians and Educators Life Insurance Company.

1972 - Merged with United Trust Life Insurance Company, a subsidiary of United Financing and was relocated to Opp, Alabama. The surviving company was United Trust Life Insurance Company.

1982 - Acquired by Columbia Life Insurance Company and Peoples Savings Life Insurance (Peoples Savings), each owning 50% of the outstanding stock, and the home office moved to Tuscaloosa, Alabama.

1983 - Peoples Savings assumed all the Company's insurance business, and Willoughby and Association, Inc. acquired all of the capital stock.

1984 - Acquired by Alabama Industries Financial Corporation (AIFC).

1986 - AIFC was acquired by Blue Cross and Blue Shield of Alabama (BCBSAL).

1986 - The Articles of Incorporation were amended to increase the authorized shares of common stock from 40,000 to 400,000 shares of \$2.50 par value. The Company's home office was moved to Birmingham, Alabama, and AIFC contributed \$875,000 as additional paid-in surplus that same year.

1988 - The Certificate of Authority was changed from life to disability coverage only following a lawsuit filed in January 1986 by Protective Life Insurance Company in which the Circuit Court entered an order holding that BCBSAL could not own and operate a life insurance company.

1988 - Amended its Articles of Incorporation to change its name to United Trust Insurance Company.

2004 - Assumed 100% of the risk for one specific long-term care (LTC) policy issued by BCS Insurance Company.

2011 - Assumed 100% of the risk associated with LTC policies previously written by its ultimate parent, BCBSAL.

2012 - Sold its short-term disability (STD) business to US Able Life in the fourth quarter 2012.

2014 - United Trust Insurance Company changed its name to UTIC Insurance Company. The Company was licensed and authorized to transact accident and health business in the state of Tennessee by the Tennessee Department of Commerce and Insurance.

2015 - Began offering Medicare Part D prescription drug coverage in Tennessee.

On December 31, 2022, the Company had \$1,000,000 in common capital stock, \$15,986,029 in gross paid-in and contributed surplus, and unassigned funds of \$22,704,231.

MANAGEMENT AND CONTROL

Stockholder

The Company is a stock corporation with ultimate control vested in its stockholder. The Company's sole stockholder is Alabama Industries Financial Corporation, which is wholly owned by Blue Cross and Blue Shield of Alabama.

Board of Directors

Directors are elected at the annual meeting of the stockholders and serve until their successors are elected and qualified which is in accordance with the Company's By-Laws. The following Directors were serving at December 31, 2022:

<u>Name and Address</u>	<u>Principal Occupation</u>
Timothy Vines Birmingham, Alabama	President and CEO Blue Cross Blue Shield of Alabama
Dick Dowling Briggs III, M.D. Birmingham, Alabama	Executive Vice President Blue Cross Blue Shield of Alabama
Noel Winfred Carden Birmingham, Alabama	Senior Vice President and CFO Blue Cross Blue Shield of Alabama
Michael Lenard Patterson Birmingham, Alabama	Chief Administrative and Legal Officer Blue Cross Blue Shield of Alabama
Rebekah Elgin-Council Birmingham, Alabama	SVP & Chief Marketing Officer Blue Cross Blue Shield of Alabama

Officers

Article II, Section VI of the By-Laws states:

The board of directors shall elect from their number a President, a Secretary, and a Treasurer. One person may serve as President and also as Treasurer. One person

may serve as Secretary and also as Treasurer, but the offices of President and of Secretary shall not be combined in one person.

The following officers were elected by the Board of Directors and were serving as of December 31, 2022:

<u>Name</u>	<u>Title</u>
Timothy Vines	President
Noel Winfred Carden	Treasurer
Michael Lenard Patterson	Secretary
Dick Dowling Briggs III, M.D.	Vice President
Rebekah Elgin-Council	Vice President

Conflict of Interest

The Company adopted a Statement on Policy of Conflicts of Interest, which was approved by the Board of Directors at a meeting held September 28, 1978, which required that Conflict of Interest Statements be signed every year by directors, officers, and other employees.

All conflict of interest statements were complete for all years under review.

Committees

The Company's Board did not appoint any committees of the Board of Directors. The Company utilizes the Audit Committee of BCBSAL as the audit committee.

CORPORATE RECORDS

The Certificate of Incorporation and By-Laws and any amendments thereto, were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company, a wholly owned subsidiary of Alabama Industries Financial Corporation, is deemed to be subject to the Alabama Insurance Holding Company

Regulatory Act as defined ALA. CODE § 27-29-1 (2022). In connection therewith, the Company is registered with the Alabama Department of Insurance as a registrant of an Insurance Holding Company System. Appropriate filings required under the Holding Company Act were made from time to time by the Company, as registrant.

Dividends to Stockholders

No dividends were paid to the Company's sole stockholder during the examination period.

Management and Service Agreements

Administrative Service Agreement – BCBSAL

Effective, May 31, 2010, the agreement was between the Company and BCBSAL. The Company was responsible for:

- Providing daily sales and marketing efforts of Able Benefit Solutions (ABS).
- Issuing master policies and other appropriate forms to persons enrolled in disability insurance.
- Providing BCBSAL with a written description of the benefits provided and other descriptive literature regarding procedures and operations.
- Reimbursing BCBSAL for administrative services provided.
- Invoicing ABS quarterly for costs.

BCBSAL provided the following administrative services to the Company:

- Preparing forms of master policies and other related legal documents necessary to conduct the Company's business.
- Compensating US Able Life (US Able) in accordance contractual provisions. The agreement with US Able was terminated on December 31, 2012.
- Providing or making available the Company's reports and records in accordance with contractual provisions.
- Acting on behalf of the Company for the purpose of servicing activities necessary to implement the agreement.
- Providing all accounting, legal, and auditing services necessary for the operation of the Company.
- Supplying personnel staffing as needed.

- Providing such other managerial, administrative, and professional services as may reasonably be necessary for the conduct of the Company's business.
- Filing with the Department of Insurance master policies and all other required documents.
- Invoicing the Company for expenses to be reimbursed relating to ABS cost centers reported on BCBSAL books.
- Invoicing the Company for commissions paid on its behalf.

All stop-loss reinsurance agency fees received (including commissions) were remitted to the Company. The Company reimbursed BCBSAL for any costs incurred for collecting the reinsurance agency fees. All amounts owed were billed and reimbursed monthly. The agreement was automatically renewable for successive terms of one year and could be terminated by written notice 180 days before the end of any one-year term.

The agreement was approved by the Commissioner of Insurance on June 7, 2010.

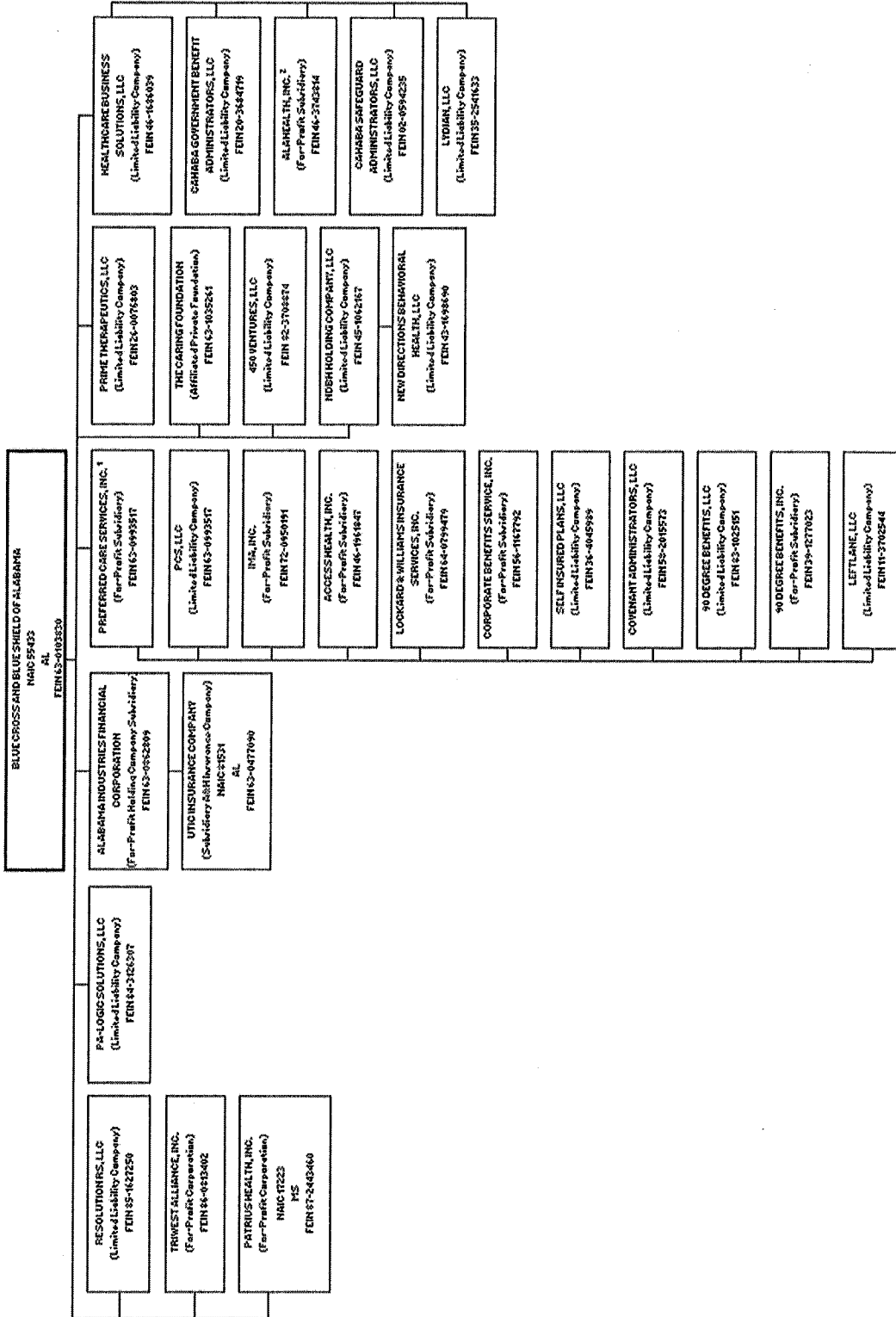
Tax Settlement Agreement – BCBSAL

Effective, June 2, 2014, the agreement was between the Company and BCBSAL. Upon mutual agreement, for settlement of the 2013 and subsequent consolidated federal tax returns, the Company will be a party to the consolidated income tax filing. In the event the consolidated tax return is not subject to alternative minimum tax, the intercompany settlement rate shall reflect the rate to which the consolidated entity is subject.

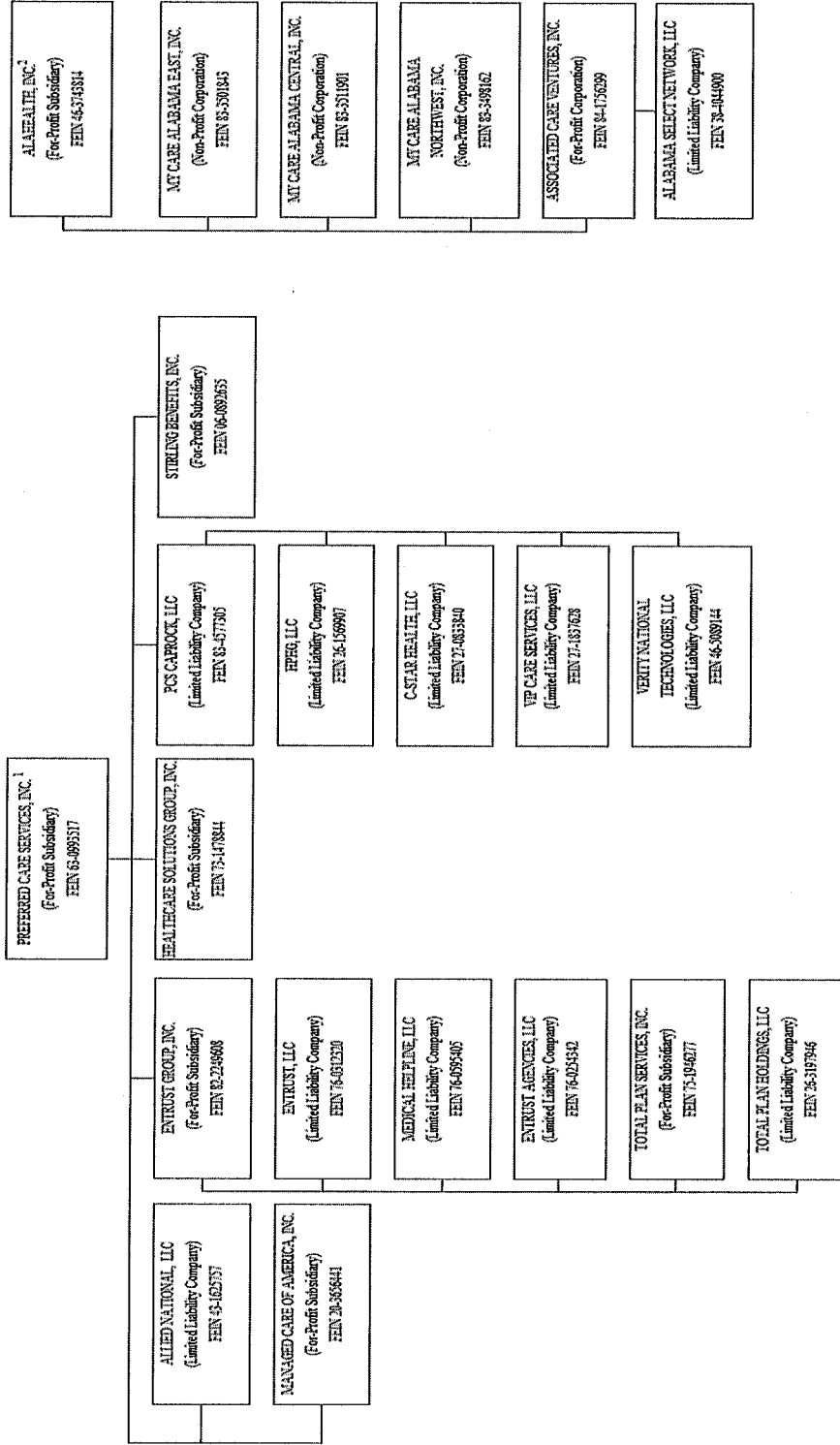
ORGANIZATIONAL CHART

The following chart presents the affiliations of the entities affiliated with the Company.

ORGANIZATIONAL CHART



1 See page 2 for additional affiliated companies.
2 See page 2 for additional affiliated companies.



FIDELITY BOND AND OTHER INSURANCE

The Company had a fidelity bond issued by Travelers Indemnity Company for an aggregate amount, which met the suggested minimum requirements of the NAIC *Financial Condition Examiners Handbook*. In addition to the fidelity bond, the Company was an additional insured on policies issued to Blue Cross and Blue Shield of Alabama for the following insurance coverage:

- Auto coverage provided by Travelers Property and Casualty Company.
- Flood insurance policy provided by Selective Insurance Company of the Southeast.
- Blanket coverage provided by Travelers Indemnity Company which included:
 - Building and personal property
 - Personal property on each premises and in-transit valuable papers
 - Accounts receivables on premises and in-transit
 - Newly constructed or acquired building utility service.
- Commercial excess liability umbrella insurance provided by Travelers Property Casualty Company.
- Private company directors and officers liability provided by Travelers Bond & Specialty Insurance for the first layer. Additional layers provided by various other carriers.
- Managed care errors and omissions provided by National Fire & Marine Insurance Company for the first layer. Additional layers provided by various other carriers.
- Cyber insurance policy provided by Aspen Specialty Insurance Company for the first layer. Additional layers provided by various other carriers.

The coverages and limits carried by the Company were reviewed during the course of the examination and appeared to adequately protect the Company's interests at the examination date.

EMPLOYEE AND AGENT WELFARE

The Company had no employees, provided no direct benefits, and had no employee benefit plans in effect during the examination period. All administrative and employee services were provided by Blue Cross and Blue Shield of Alabama.

Compliance with 18 U.S.C § 1033

ALA. ADMIN. CODE 482-1-146-.11 (2009) states:

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 and 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.

It was determined that the Company was in compliance with Section 1033 of Title 18 of the U. S. Code.

MARKET CONDUCT ACTIVITIES

Territory

The Company was licensed to provide disability insurance in Alabama during the examination period. The Company also held a license in Tennessee for accident and health business. The Certificate of Authority was inspected and found to be in effect as of December 31, 2022.

Plan of Operation

Beginning 2015, the Company began offering Medicare Part D enrollment for coverage in the State of Tennessee. The Company did not write business in Alabama.

Advertising and Marketing

The Company had no marketing or advertising program in place. The Company did not write any business in Alabama.

Policyholders' Complaints

According to records of the Company and the Alabama Department of Insurance, there was no complaints filed against the Company during the examination period.

Claims Payment Practices

All of the Company business was produced in the State of Tennessee. The Company had no Alabama Claims activity during the examination period. No review was necessary.

Compliance with Producer Licensing Requirements

The Company did not write any business in Alabama during the examination period. The Company did not have any licensed and appointed producers in Alabama. No review was necessary.

Underwriting and Ratings

The Company held a certificate of authority in the State of Alabama. The Company did not have any direct written business in the State of Alabama. All of the business was written in the State of Tennessee.

Privacy Standards

The examiners reviewed the Company's privacy and policy and procedures. The Company's Privacy Notice described how private information about the customer may be used and disclosed how the customer may gain access to the information. The Privacy Statement detailed the privacy objectives regarding security practices, use of email, cookies, surveys and forms, updates to the statement, and confidentiality. The Company did not disclose nonpublic personal financial information that it received from nonaffiliated financial institutions. The Company had reasonable administrative, technical, and physical safeguards in place to secure the privacy of Protected Health Information (PHI). The Company complied with the privacy requirement of ALA. ADMIN. CODE 482-1-122(2001).

SPECIAL DEPOSITS

The Company maintained the following deposit with the respective statutory authority on December 31, 2022, as required or permitted by law.

<u>State</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Alabama	\$193,860	\$193,250

FINANCIAL CONDITION AND GROWTH OF THE COMPANY

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Premium Income</u>
2018	\$101,420,005	\$78,603,736	\$22,816,269	\$20,012,954
2019	116,348,500	95,969,019	20,379,481	16,031,324
2020	145,330,540	109,950,525	35,380,015	15,631,258
2021	164,979,807	118,294,730	46,685,077	15,214,603
2022	168,674,274	128,984,014	39,690,260	20,636,191

REINSURANCE

Assumed Reinsurance

100% Reinsurance Agreement – BCS Insurance Company

Effective March 1, 2004, the agreement was between the Company and BCS Life Insurance Company. BCS ceded 100% of the risk associated with certificates of long-term care (LTC) insurance written for employees and retirees of BCS and its affiliates. The Company reimbursed BCS for 100% of the paid losses and the loss adjustment expenses related to the specific policy being reinsured. BCS paid the Company 100% of the net premiums, plus additional premiums (if applicable), less return premiums. The agreement contained insolvency, service of suit, dispute resolution, and errors and omission provisions.

On February 28, 2011, the agreement was terminated with respect to new business, but would cover the runoff business.

100% Reinsurance Agreement – Blue Cross and Blue Shield of Alabama

On February 9, 2011, management informed the Department of Insurance that Blue Cross and Blue Shield of Alabama (BCBSAL) intended to transfer 100% of the risk associated with its long-term care (LTC) policies to the Company. BCBSAL had discontinued writing new LTC business in 2010. The risk transfer would be effective January 1, 2011, and all LTC policies would remain on BCBSAL paper. BCBSAL would financially guarantee the obligations assumed and fund the reserve liability on January 1, 2011.

The agreement was filed with the Alabama Department of Insurance, and the Commissioner approved it retroactively on September 30, 2013.

Quota Share Aggregate Only Stop Loss Reinsurance Contract – HM Life Insurance Company

The reinsurance agreement in effect as of the December 31, 2022, examination date was a quota share aggregate only stop loss reinsurance contract, entered into with HM Life Insurance Company (HM Life) on July 1, 2020. The contract remains in force until cancelled by either party. The agreement contained insolvency, arbitration, and errors and omissions clauses.

The agreement reinsures all policies issued during the term of the contract to policyholders whose self-insured medical plan is administered by current and future TPA affiliates or subsidiaries of Preferred Care Services, Inc. d/b/a 90 Degree Benefits, and classified as Aggregate Only Stop Loss for self-insured medical plans. The policies are underwritten and managed on behalf of HM Life by AST Risk, LLC through a Managing General Underwriter Agreement.

The Company's maximum liability is \$400,000 per self-funded group.

Quota Share Specific and Aggregate Stop Loss Reinsurance Contract – HM Life Insurance Company

The reinsurance agreement in effect as of the December 31, 2022, examination date was a quota share specific and aggregate stop loss reinsurance contract, entered into with HM Life Insurance Company (HM Life) on July 1, 2020. The contract remains in force until cancelled by either party. The agreement contained insolvency, arbitration, and errors and omissions clauses.

The agreement reinsures all policies issued during the term of the contract to policyholders whose self-insured medical plan is administered by current and future TPA affiliates or subsidiaries of Preferred Care Services, Inc. d/b/a 90 Degree Benefits, and classified as Specific Stop Loss and Aggregate Stop Loss for self-insured plans. The policies are underwritten and managed by HM Life.

With respect to specific stop loss quota share, UTIC accepts a 50% quota share participation, with a maximum loss of \$1,000,000 per covered person per policy year. With respect aggregate stop loss quota share, UTIC accepts a 50% quota share participation with a maximum loss of \$1,000,000 per self-funded employer group.

Ceded Reinsurance

Automatic Long-Term Care Retrocession Agreement – #3297

Effective March 1, 2004, the agreement was between the Company and Munich American Reassurance Company (MARC). The Company ceded and MARC accepted the risk associated with long-term care (LTC) policies issued on BCS Life Insurance Company (BCS Life) paper.

For claims on policies that have paid less than or equal to the equivalent value of 1,825 days of claims payments (pre-five-year claims), the Ceding Company will retain 50% of the risk up to its Maximum Daily Benefit amount of \$300. For claims on policies that have paid the equivalent value of more than 1,825 days of claims payments (post-five-year claims), the Ceding Company will retain 20% of the risk up to its Maximum Daily Benefit amount.

The Company paid 50% of the gross monthly premiums less a ceding allowance to MARC on a monthly basis. For lifetime policies, the Company paid an additional 6% of the gross monthly premium.

Effective June 1, 2011, Article 1 of the agreement was amended as follows: The insurance certificates formerly issued on BCS Life paper were novated to BCS Insurance Company (BCS). BCS would be 100% reinsured by the Company who in turn would automatically cede to MARC a portion of all benefit amounts payable under the agreement.

The agreement contained insolvency, arbitration, and errors and omissions provisions. The agreement could be terminated by either party for new business on the third anniversary of the effective date; the date on which in-force premiums on reinsurance policies equaled or was greater than \$100 million; or via a ninety-day advance notice issued by either party.

Effective October 31, 2009, the agreement was terminated with respect to new business.

Automatic Long-Term Care Agreement – Treaty #2707

Effective December 1, 2001, the agreement was between BCBSAL and MARC. Per the terms of the agreement, BCBSAL ceded, and MARC accepted the risk associated with the LTC policies written by BCBSAL.

For claims on policies that have paid less than or equal to the equivalent value of 1,825 days of claims payments (pre-five-year claims), the Ceding Company will retain 50% of the risk up to its Maximum Daily Benefit amount of \$300. For claims on policies that have paid the equivalent value of more than 1,825 days of claims payments (post-five-year claims), the Ceding Company will retain 20% of the risk up to its Maximum Daily Benefit amount. The agreement contained arbitration, insolvency, errors and omissions, and termination provisions.

Effective January 1, 2011, all rights, obligations, duties and responsibilities under the agreement were assigned to the Company.

ACCOUNTS AND RECORDS

The Company utilized the hardware and software of Blue Cross and Blue Shield of Alabama (BCBSAL) to perform daily business activities. As such, the Company was heavily dependent on the internal controls of BCBSAL to ensure operational accuracy and security. A concurrent examination of BCBSAL's information general controls indicated that there were sufficient controls in place to safeguard the Company's assets and generate accurate records of its business.

Ernst & Young, LLP, Certified Public Accountants, Birmingham, Alabama, audited the Company for the five year examination period. Audit workpapers, reports, and management letters from 2018 - 2022 were reviewed and utilized in the examination to the extent deemed appropriate.

The Company's opining actuary for the years 2018 - 2022 was Christopher J. Giese, FSA, MAAA.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

Statement of Assets.....	19
Statements of Liabilities, Surplus, and Other Funds.....	20
Summary of Operations	21
Capital and Surplus.....	22

UTIC INSURANCE COMPANY
STATEMENT OF ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 97,914,564	-	\$ 97,914,564
Preferred stocks	1,124,845	-	1,124,845
Common stocks	31,149,571	-	31,149,571
Cash, cash equivalents and short-term investments	15,861,382	-	15,861,382
Other invested assets	8,583,692	-	8,583,692
Subtotals, cash and invested assets	154,634,054	-	154,634,054
Investment income due and accrued	890,396	-	890,396
Uncollected premiums and agents' balances in the course of collection	2,198,823	-	2,198,823
Accrued retrospective premiums and contracts subject to redetermination	1,152,246	-	1,152,246
Amounts recoverable from reinsurers	140,774	-	140,772
Amounts receivable relating to uninsured plans	4,390,382	\$ 81,439	4,308,943
Net deferred tax asset	7,501,652	6,648,014	403,638
Receivables from parent, subsidiaries and affiliates	1,359,659		1,359,659
Health care and other amounts receivable	3,972,441	386,700	3,585,741
Total	\$175,790,427	\$7,116,153	\$168,674,274

THE NOTES TO THE FINANCIAL STATEMENTS ARE IN INTERGRAL PART THEREOF

UTIC INSURANCE COMPANY
STATEMENT OF LIABILITIES, SURPLUS, AND OTHER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Aggregate reserve for life contracts	\$113,789,466
Contract claims: Accident and health	5,153,541
Interest Maintenance Reserve	225,906
General expenses due or accrued	1,045,861
Taxes, licenses and fees due or accrued, excluding federal income taxes	5,165
Current federal and foreign income taxes	1,135,890
Asset valuation reserve	3,147,716
Payable to parent, subsidiaries and affiliates	3,999,948
Liability for amounts held under uninsured plans	480,521
Total liabilities	\$128,984,014
Common capital stock	1,000,000
Gross paid in and contributed surplus	15,986,029
Unassigned funds (surplus)	22,704,231
Surplus	38,690,260
Total capital and surplus	\$ 39,690,260
Total	\$168,674,274

THE NOTES TO THE FINANCIAL STATEMENTS ARE IN INTERGRAL PART THEREOF

UTIC INSURANCE COMPANY
SUMMARY OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, 2020, 2019 & 2018

	2022	2021	2020	2019	2018
Premiums and annuity considerations for life and accident and health contracts	\$20,636,191	\$15,214,603	\$15,631,258	\$16,031,324	\$20,012,954
Net investment income	5,026,532	4,709,770	3,715,206	3,651,508	3,394,292
Amortization of Interest Maintenance Reserve	9,553	36,045	32,034	34,018	34,078
Commissions and expense allowances on reinsurance ceded	376,286	361,587	357,695	375,804	412,300
Aggregate write-ins for miscellaneous Income	19,017,450	17,482,861	12,470,748	12,014,223	6,087,845
Totals	\$45,066,012	\$37,804,866	\$32,206,941	\$32,106,877	\$29,941,469
Disability benefits and benefits under accident and health contracts	19,330,790	10,825,601	10,351,579	10,262,070	12,951,683
Increase in aggregate reserves for life and accident and health contracts	12,338,085	3,315,713	12,727,063	11,104,709	7,504,845
Totals	\$31,668,875	\$14,141,314	\$23,078,642	\$21,366,779	\$20,456,528
General insurance expenses	16,500,291	14,197,632	9,492,906	11,796,768	7,189,680
Insurance taxes, licenses and fees, excluding federal income taxes	7,955	7,030	215,971	13,344	64,412
Totals	\$48,177,121	\$28,345,976	\$32,787,519	\$33,176,891	\$27,710,620
Federal and foreign income taxes Incurred	1,190,045	1,591,633	1,791,572	1,183,771	942,984
Net realized capital gains (losses)	725,346	-	(1,000)	85,057	-
Net income	\$(3,575,808)	\$ 7,867,257	\$(2,373,150)	\$(2,168,728)	\$ 1,287,865

THE NOTES TO THE FINANCIAL STATEMENTS ARE IN INTERGRAL PART THEREOF

UTIC INSURANCE COMPANY
CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021, 2020, 2019 & 2018

	2022	2021	2020	2019	2018
Capital and surplus, prior year	\$46,685,077	\$35,380,015	\$20,379,481	\$22,816,269	\$22,838,252
Net income	(3,575,808)	7,867,257	(2,373,150)	(2,168,728)	1,287,865
Change in net unrealized capital gains (losses)	(7,600,380)	5,048,273	3,645,163	3,710,909	(1,388,705)
Change in net deferred income tax	3,416,869	(1,351,202)	1,147,337	1,006,122	701,967
Change in nonadmitted assets	(3,567,493)	1,715,804	(1,189,645)	(801,368)	(1,209,417)
Change in asset valuation reserve	4,331,995	(1,626,178)	(1,287,594)	(3,113,116)	586,307
Surplus adjustment: Paid in	-	-	15,000,000	-	-
Aggregate write-ins for gains and losses in surplus	-	(348,892)	58,423	(1,070,607)	-
Net change in capital and surplus	(6,994,817)	11,305,062	15,000,534	(2,436,788)	(21,983)
Capital and surplus, current year	\$39,690,260	\$46,685,077	\$35,380,015	\$20,379,481	\$22,816,269

THE NOTES TO THE FINANCIAL STATEMENTS ARE IN INTERGRAL PART THEREOF

NOTES TO FINANCIAL STATEMENTS

Analysis of Changes to Surplus

No adjustments were made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The examination for contingent liabilities and pending litigation included a review of the Company's Annual Statement disclosures, minutes of the corporate governing bodies, pending claims, and the usual examination of the accounts for unrecorded items. The examination of contingent liabilities and pending litigation did not identify any material deficiencies in the recorded liabilities or undisclosed material contingencies.

The Company's Chief Executive Officer and its Chief Financial Officer executed a letter of representation, attesting to the non-existence of unreported liabilities and contingencies as of December 31, 2022.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2022 examination date was performed. No subsequent events were identified that were deemed to be necessary for disclosure in this report.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination to determine whether the Company complied with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with the recommendations in the previous Report of Examination.

COMMENTS AND RECOMMENDATIONS

There were not any examination findings that resulted in any necessary comments or recommendations.

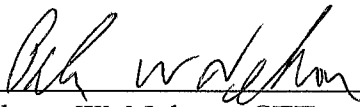
CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers of UTIC Insurance 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, David Abbott, Theo Goodin, AIE, ALMI, MCM, Jackson Goodwin, Jacob Grissett, CFE (Fraud), Cristi Owen, CPA, CFE, AMCM, CPM, Andarius Vincent examiners for the Alabama Department of Insurance, and Harland A. Dyer, ASA, MAAA, consulting actuary from Latta, Langston & Dyer, John Albertini, CISA, CISM, CISSP, CDFE, MBA and Dave Gordon, CISA, CIA, CFE (Certified Fraud Examiner), CDFE, MBA, consulting IT specialists from INS Services, Inc. represented the Alabama Department of Insurance and participated in the examination of UTIC Insurance Company.

Respectfully submitted,



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