



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
MOUNTAIN LIFE INSURANCE COMPANY
(NAIC # 80020)
LEXINGTON, KENTUCKY 40509

AS OF
DECEMBER 31, 2018

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Lexington, Kentucky
June 1, 2020

Honorable Hodgen M. Mainda
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-1-408, a full-scope financial examination and a market conduct review, as of December 31, 2018, has been made of the condition and affairs of:

MOUNTAIN LIFE INSURANCE COMPANY
NAIC # 80020
2416 Sir Barton Way
Lexington, Kentucky 40509

Hereinafter referred to as the “Company” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (“TDCI or Department”). The examination was conducted by duly authorized representatives of the TDCI.

SCOPE OF EXAMINATION

The Department performed a multi-state examination of the Company. The last examination of the Company was made as of December 31, 2013. This examination covers the period January 1, 2014, through December 31, 2018, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

The Company is a member of the Kentucky National Insurance Group (KNIG), NAIC Group Code 4703. KNIG is a holding company with insurers domiciled in Kentucky and Tennessee. Kentucky is the lead state for KNIG. Kentucky was not performing an

examination of KNIG as of December 31, 2018; therefore, this examination was not coordinated and was completed as a standalone examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* ("Handbook"), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company, as of December 31, 2018. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance. Significant inherent risks for the Company were reviewed and assessed. Controls and mitigation for those significant risks were also reviewed and assessed. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions.

All significant risks were considered to determine which key activities and accounts would be examined. The key activities included: Investments, Underwriting, Reinsurance, Capital and Surplus, and Reserves/Claims Handling.

The Company's 2018 annual statement was reconciled to the corresponding general ledger balances.

Independent information technology specialist services, provided by Lewis & Ellis, Inc., were utilized in the examination review of the Company's information technology general controls (ITGC).

A separate market conduct review was also performed concurrently with the financial examination. See "Market Conduct Activities" section of this report.

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company's loss reserves.

The independent auditor's workpapers for the 2018 audit were reviewed and copies were incorporated into the examination, as deemed appropriate.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The examination included a review to determine the current status of the comments and recommendations included in the previous report on examination, dated May 8, 2015, which covered the period from January 1, 2009, through December 31, 2013. The previous examination report contained one (1) comment and two (2) recommendations. A summary of the comments and recommendations are provided below. (Note: The Company was acquired by new owners in January 2018.)

Comment

1. The Company's custody agreement was not in compliance with Tenn. Comp. R. & Regs. 0780-1-46.02. Subsequent to the examination, date the custody agreement was amended to comply. However, the Company changed custodians during this examination period and did not provide an agreement that is in compliance with Tenn. Comp. R. & Regs. 0780-1-46. For additional details, see the "Comments and Recommendations" and "Accounts and Records" sections later in this report.

Recommendations

1. The Company had a complaint register but did not fully comply with Tenn. Code Ann. § 56-8-104(11). During the current examination, it was determined that the Company kept copies of complaints forwarded by the various state insurance departments, as of December 31, 2018; however, the Company did not maintain a complaint register as required by Tenn. Code Ann. § 56-8-104(11).

Prior to completion of the examination, the Company began developing a system to track complaint information that is in compliance.

2. The Company was not in compliance with Tenn. Comp. R. & Regs 0780-01-24 concerning required signature statements regarding replacement of existing life insurance prior to policy issuance. No issues were noted during the current examination.

COMPANY HISTORY

The Company originally incorporated on July 31, 1972, under the laws of the State of Arizona and was issued a Certificate of Authority to commence business as a domestic limited stock life and disability company on October 4, 1972. The Company's sole shareholder was the Bank of Maryville, Tennessee. On March 6, 1974, the Company applied to the Arizona Insurance Department for a full legal reserve status. On April 10,

1974, the Company was approved by the State of Arizona as a full legal reserve status life and disability company.

The TDCI issued a Certificate of Authority on February 9, 1979, authorizing the Company to write credit life and credit accident and health insurance in Tennessee. Effective July 30, 1979, the Company redomesticated to Tennessee. The Company was authorized to write disability insurance on August 29, 1980, and ordinary and term life insurance on December 26, 1984.

On April 20, 1983, all the issued and outstanding common stock of the Company was sold by the Bank of Maryville to Mountain Services Corporation, Tennessee, pursuant to the terms of an agreement of sale dated March 1, 1983. Consequently, the Company became a direct subsidiary of Mountain Services Corporation.

In January 1995, Mountain Services Corporation merged Smoky Mountain Life Insurance Company with and into the Company.

Effective December 30, 1999, Holston Valley Life Insurance Company was merged with and into the Company. In 2010, Ridgeway Life Insurance Company, Middle Tennessee Life Insurance Company, and Scenic City Life Insurance Company were merged with and into the Company.

On January 1, 2018, all the issued and outstanding common stock of the Company was sold by Mountain Services Corporation to KNIG.

The acquisition of the Company by KNIG was approved by the TDCI on January 22, 2018, retroactively to January 1, 2018. In addition to the acquisition, the Company was granted a waiver by the TDCI to move its principal place of business outside the state of Tennessee to 2416 Sir Barton Way, Lexington, Kentucky 40509.

MANAGEMENT AND CONTROL

MANAGEMENT

Company oversight is provided by a Board of Directors ("Board") who are elected at the annual meeting of shareholders. A majority of directors constitutes a quorum.

Directors

The Department granted the Company a waiver from Tenn. Code Ann. 56-11-106(c)(3) until December 31, 2021, which requires one-third (1/3) of the directors to be independent.

The following persons served on the Board, as of December 31, 2018:

<u>Name</u>	<u>Principal Occupation</u>
Terry Emanuel Forcht	Principal Owner, Chair
Rodney Stevens Shockley	President
Jeffery Edward Breeze	Vice President, Operations
Roger Wayne Alsip	Treasurer

Officers

Officers are elected during the annual Board meeting.

The following persons served as the Company's officers, as of December 31, 2018:

<u>Name</u>	<u>Title</u>
Terry Emanuel Forcht	Chair
Rodney Stevens Shockley	President
David Allen Combs	Chief Financial Officer
Jeffrey Edward Breeze	Secretary
Roger Wayne Alsip	Treasurer

Audit Committee

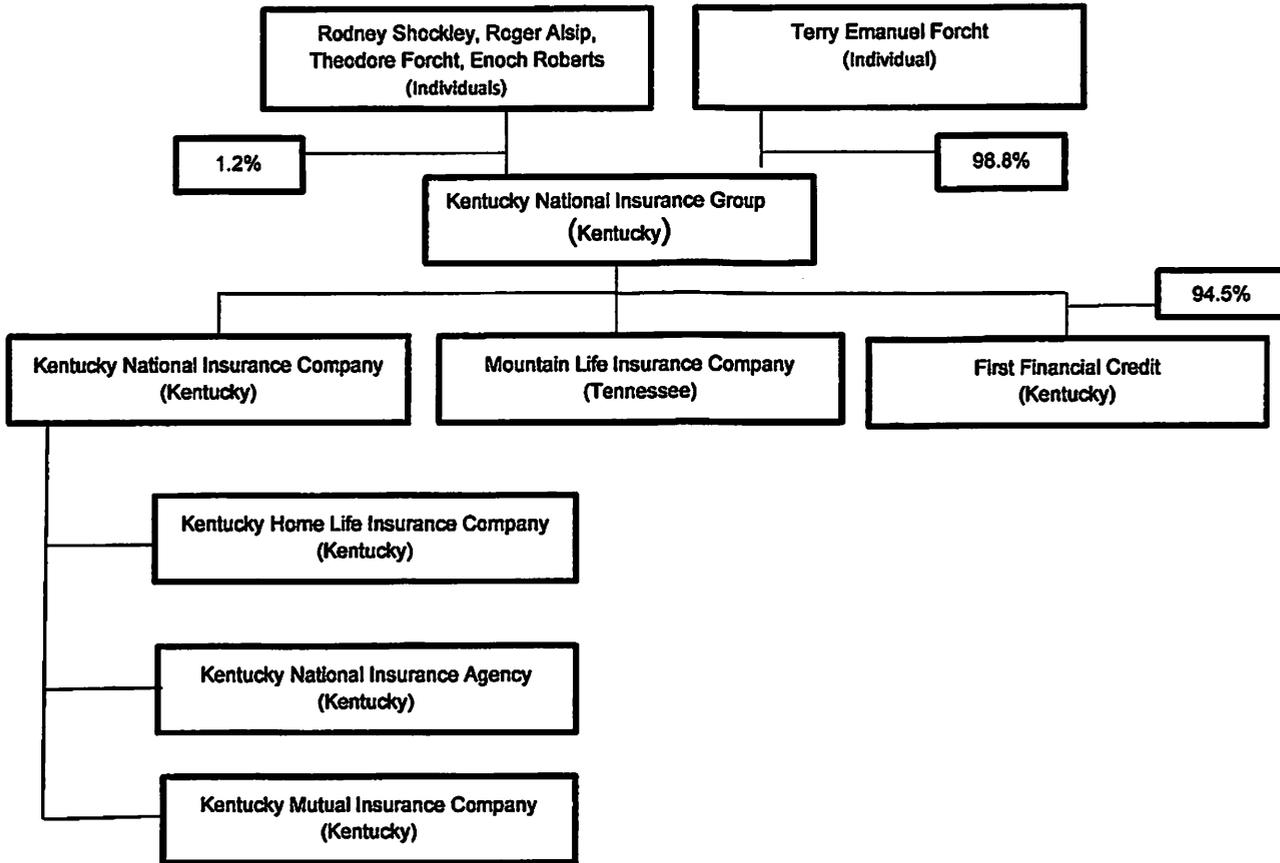
The Company had an audit committee which consisted of all the directors. Subject matter for the committee was discussed as part of the Board meetings.

CONTROL

Ultimate control of the Company is held by Terry Emanuel Forcht, through his ninety-eight and eight-tenths percent (98.8%) ownership of Kentucky National Insurance Group, which in turn owned one hundred percent (100%) of the Company.

ORGANIZATIONAL CHART

Abbreviated Organizational Chart as of December 31, 2018



All ownership was one hundred percent (100%) unless otherwise identified.

DIVIDENDS TO SHAREHOLDERS

Ordinary dividends declared in each year were as follows:

<u>Year</u>	<u>Declaration Date</u>	<u>Paid Date</u>	<u>Dividend Amount</u>
2014	5/23/2014	6/13/2014	\$204,739
2015	4/29/2015	6/13/2015	\$259,426
2016	6/01/2016	6/17/2016	\$221,609
2017	6/28/2017	7/10/2017	\$244,255
2017	7/11/2017	7/24/2017	\$106,983

CORPORATE RECORDS

The minutes of the shareholder's and Board meetings reflected adequate approval and support of the Company's transactions. The Board gave quarterly or more frequent approval for all investment transactions as required by Tenn. Code Ann. § 56-3-408(b)(1).

Effective September 20, 2019, the Company's Amended and Restated Charter was approved by the Department. The Amended and Restated Charter eliminated reference to the Class "B" common stock as authorized shares of the Company. The number of shares of capital stock is now authorized as two million (2,000,000) shares of common stock with a par value of \$4.25 per share.

Effective April 18, 2018, the Company adopted new Bylaws. The new Bylaws changed the Company's principal office location to 2416 Sir Barton Way, Lexington, Kentucky. Other significant changes include moving its annual shareholders' meeting from the first 120 days of the year to the month of January, and changing the number of directors from no less than three (3) and no more than fifteen (15) to not less than one (1) and no more than ten (10).

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2018, the Company was licensed to transact business in the following eleven (11) states:

Alabama	Indiana	Missouri
Arizona	Kentucky	Tennessee
Arkansas	Louisiana	Texas
Georgia	Mississippi	

As of the examination date, the Company was writing business in six (6) states.

Plan of Operation

The Company provides credit life, credit accident and health, ordinary life, and group accidental death and dismemberment insurance. As of December 31, 2018, approximately eighty percent (80%) of the Company's business was credit life and credit accident and health policies, which were marketed primarily through banks, finance companies, and automobile dealerships.

The maximum retention for any one (1) risk was \$90,000.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, as recorded in its annual statements as filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Total Surplus</u>	<u>Net Premiums</u>	<u>Net Income</u>
2018	\$6,104,985	\$2,345,657	\$3,759,328	\$1,269,761	(\$202,450)
2017	\$8,474,644	\$4,669,967	\$3,804,677	\$1,041,066	\$323,260
2016	\$11,296,857	\$5,889,287	\$5,407,570	\$3,456,134	\$259,105
2015	\$11,666,343	\$6,344,866	\$5,321,477	\$3,832,104	\$271,796
2014	\$11,860,747	\$6,594,174	\$5,266,573	\$3,625,235	\$286,836

REINSURANCE AGREEMENTS

Assumed

The Company assumed risks through reinsurance during the examination period which were insignificant.

Ceded

Effective June 1, 1998, the Company entered into an excess of loss reinsurance agreement with Scottish Re, covering eight (8) term life plans. The maximum retention for the Company under the agreement was \$25,000. In 2018, Scottish Re's parent went into bankruptcy. Scottish Re was placed under a rehabilitation order March 6, 2019. As of May 2019, all losses due from the reinsurer have been paid one hundred percent (100%).

Effective September 30, 2017, the Company entered into a coinsurance agreement with First Community Life Insurance Company, a limited credit life and credit health and accident reinsurer. The Company's maximum retention under the agreement was \$90,000.

The agreements transferred risk in accordance with Statement of Statutory Accounting Principles (SSAP) No. 61R.

The Company had other reinsurance agreements in effect which were not considered significant as of the examination date.

ACCOUNTS AND RECORDS

Independent audits were performed each year during the examination period, with each resulting in an unqualified opinion.

The Company did not provide a custody agreement with PNC Capital Markets, LLC which met the provisions of Tenn. Comp. R. & Regs. 0780-1-46. For additional details, see the "Comments and Recommendations" and "Compliance with Previous Examination Findings" sections of this report.

Differences in various items were noted during the examination; however, none were determined to produce a material effect on surplus funds as regards policyholders, either singularly or in the aggregate. Accounting records conformed to statutory accounting principles and reflected the operations and status of the Company during the examination period.

The Company's primary books and records were located in Lexington, Kentucky.

MARKET CONDUCT ACTIVITIES

The following market conduct areas of the Company were reviewed in conjunction with this examination as of December 31, 2018:

Operations and Management Standards

Company anti-fraud initiatives were examined to determine if they are reasonably designed to prevent, detect, or mitigate fraudulent insurance acts. Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19). No issues were noted.

Complaint Handling Standards

In the examination of complaint handling, Company complaint handling procedures and complaints received by the Company were examined to ensure complaint records maintained by the Company were in accordance with the requirements of Tenn. Code Ann. § 56-8-104(11) and the NAIC *Market Regulation Handbook* ("MR Handbook"). During the examination, it was determined that although the Company kept copies of complaints forwarded by the various state insurance departments, as of December 31, 2018, the Company did not maintain a complaint register as required by Tenn. Code Ann. § 56-8-104(11). Prior to completion of the examination, the Company developed a system to track complaint information as required by the Code. See "Comments and Recommendations" section later in this report.

Marketing and Sales Standards

A sample of the Company's advertising items were selected for examination. Advertising items were examined in accordance and were found to be in compliance with Tenn. Code Ann. § 56-8-104(1) and the MR Handbook.

Producer Licensing Standards

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company to sell their products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers was selected, and their state issued licensure and appointment by the Company were verified. No issues were noted.

Underwriting and Rating Standards

In the examination of the Company's underwriting procedures and policy administration, in-force policy files were reviewed in accordance with Tenn. Code Ann. § 56-8-104, Tenn.

Comp. R. & Regs. 0780-01-34, and established Company guidelines. In the examination of these files, there were no instances of unfair methods of competition or unfair or deceptive acts found. Underwriting procedures and policy administration conducted by the Company were found to be in compliance with established Company guidelines.

The examiners reviewed a sample of the policy forms that were used by the Company during the period of examination. All forms were noted, without exception, as having been filed with the TDCI prior to their use, in accordance with Tenn. Code Ann. §§ 56-7-2311(a) and 56-7-905. In addition, a sample of rates in use were recalculated and found to agree with the approved rates.

Claims Handling Standards

In the examination of claims handling practices, Company efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims approved and resisted by the Company. This review noted deficiencies in the Company's handling of claims, including failing to promptly acknowledge pertinent communications with respect to claims, failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims, and failing to affirm coverage within a reasonable time after proof of loss was received. These practices are in violation of Tenn. Code Ann. § 56-8-105. See "Comments and Recommendations" section later in this report.

It was noted that certain credit disability claims were being paid only to the date that a physician signed the claim form, and not to the actual return to work date. The certificate of coverage for these policies states that "The benefit will be paid for the actual number of days of total disability." Tenn. Comp. R. & Regs. § 0780-01-04-.08 states, in part, that "...all claims shall be settled as soon as possible and in accordance with the terms of the insurance contract." See "Comments and Recommendations" section later in this report.

It was also noted that the Company had not performed a comparison of its in-force policies against a death master file, on a semi-annual basis, to identify potential death master file matches as required by Tenn. Code Ann. § 56-7-3404. See "Comments and Recommendations" section later in this report.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, and a summary of operations, as of December 31, 2018, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2018 annual statement.

	<u>ASSETS</u>	<u>Non-Admitted</u>	<u>Net Admitted</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Bonds	\$3,545,354		\$3,545,354
Stocks:			
Preferred stocks	100,027		100,027
Common stocks	22,379		22,379
Cash, cash equivalents and short-term investments	1,533,105		1,533,105
Investment income due and occurred	15,619		15,619
Premiums and considerations:			
Uncollected premiums and agents' balance in the course of collection	6,530		6,530
Deferred premiums, agents' balances and installments booked but deferred and not yet due	74,687		74,687
Reinsurance:			
Amounts recoverable from reinsurers	121,315		121,315
Other amounts receivable under reinsurance Contracts	208,420		208,420
Current federal and foreign income tax recoverable	104,254		104,254
Net deferred tax asset	193,409		193,409
Guaranty funds receivable or on deposit	179,773		179,773
Receivables from parent, subsidiaries, and affiliates	113		113
Total Assets	\$6,104,985	\$0	\$6,104,985

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts	\$1,260,243
Contract claims:	
Life	57,961
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	200,808
Commissions to agents due or accrued-life and annuity contracts accident and health and deposit-type contract funds	32,316
General expenses due or accrued	162,415
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,151
Remittances and items not allocated	66
Miscellaneous liabilities:	
Asset valuation reserve	2,434
Write-in for liabilities	
Due to other insurance companies	627,264
Total Liabilities	<u>2,345,657</u>
Common Capital Stock	\$1,154,903
Gross paid in and contributed surplus	617,916
Unassigned funds (surplus)	<u>1,986,509</u>
Total Capital and Surplus	<u>3,759,328</u>
Total Liabilities, Surplus, and Other Funds	<u>\$6,104,985</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$1,216,119
Net investment income	69,514
Commissions and expense allowances on reinsurance ceded	911,403
Aggregate write-ins for miscellaneous income	<u>65,305</u>
Totals	\$2,262,341
Death benefits	541,557
Disability benefits and benefits under accident and health contracts	17,371
Surrender benefits and withdrawals for life contracts	10,549
Interest and adjustments on contract or deposit-type contract funds	8,703
Increase in aggregate reserves for life and accident and health contracts	<u>(243,359)</u>
Totals	\$334,820
Commissions on premiums, annuity considerations and deposit-type contract funds	1,151,997
Commissions and expense allowances on reinsurance assumed	47,694
General insurance expenses	941,334
Insurance taxes, licenses and fees, excluding federal income taxes	96,482
Increase in loading on deferred and uncollected premiums	<u>(5,707)</u>
Totals	\$2,566,620
Net gain from operations before federal income taxes incurred	(304,279)
Federal and foreign income taxes incurred	<u>(101,829)</u>
Net Income	<u>(\$202,450)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Surplus as regards policyholders,					
December 31, prior year	<u>\$3,804,677</u>	<u>\$5,407,570</u>	<u>\$5,321,477</u>	<u>\$5,266,573</u>	<u>\$5,107,528</u>
Net Income	(202,450)	323,260	259,105	271,796	286,836
Change in net unrealized capital gains (losses)					
less capital gains tax	(4,499)				
Change in net deferred income tax	159,893	(16,469)	103,690	(6,105)	
Change in non-admitted assets	4,141	246,192	(55,093)	48,639	76,948
Change in asset valuation reserve	(2,434)				
Cumulative effect of changes in accounting principles		1,034,039			
Capital changes:					
Paid in		(4,000)			
Surplus adjustment:					
Paid in		(1,800,638)			
Dividends to stockholders		(351,238)	(221,609)	(259,426)	(204,739)
Aggregate write-ins for gains and losses in surplus		<u>(1,034,039)</u>			
Net change in capital and surplus for the year	<u>(45,349)</u>	<u>(1,602,893)</u>	<u>86,093</u>	<u>54,904</u>	<u>159,045</u>
Capital and surplus,					
December 31, current year	<u>\$3,759,328</u>	<u>\$3,804,677</u>	<u>\$5,407,570</u>	<u>\$5,321,477</u>	<u>\$5,266,573</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$3,759,328

Total capital and surplus, as established by this examination, is the same as what was reported by the Company in its 2018 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2018.

COMMENTS AND RECOMMENDATIONS

Comments

1. As noted in the "Complaint Handling Standards" section in this report, it was determined that the Company did not maintain a complaint register as required by Tenn. Code Ann. § 56-8-104(11). Prior to completion of the examination, the Company developed a system to track complaint information that was in compliance with Tenn. Code Ann. § 56-8-104(11).

Recommendations

1. As noted in the "Claims Handling Standards" section of this report, it was determined the Company was in violation of Tenn. Code Ann. § 56-8-105. It is recommended the Company address the violations by adopting detailed written claims handling procedures that address the following:
 - a. Require all documents be date-stamped upon receipt;
 - b. Require all communications regarding claims be acknowledged in a timely manner and documentation of such communications be retained;
 - c. Adopt procedures to affirm or deny coverage within a reasonable time after proof of loss has been received;
 - d. Maintain claim files so that reconstruction of the insurer's activities relative to each claim may be readily discerned.
2. It was noted certain disability claims were being paid only to the date a physician signed the claim form, and not to the actual return to work date. The certificate of coverage for these policies states that "The benefit will be paid for the actual number of days of total disability." Tenn. Comp. R. & Regs. § 0780-01-04-.08 states, in part, that "...all claims shall be settled as soon as possible and in accordance with the terms of the insurance contract."

It is recommended the Company adopt procedures to determine the actual return to work date and to pay disability claims to that date in accordance with the terms of its insurance policy language.

3. As noted in the "Claims Handling Standards" section of this report, as of December 31, 2018, the Company had not performed a comparison of its in-force policies against a death master file, on a semi-annual basis, to identify potential death master file matches as required by Tenn. Code Ann. § 56-7-3404. The Company has taken steps to identify the most efficient way to conduct the comparison.

It is recommended that the Company begin to perform the comparison on a semi-annual basis as required by the statute.

4. As noted in "Accounts and Records" and the "Compliance with Previous Examination Findings" sections of this report, the Company did not provide a custodial agreement with PNC Capital Markets, LLC which met the requirements of Tenn. Comp. R. & Regs. 0780-01-46.

It is recommended that the Company provide a custodial agreement with its custodian, PNC Capital Markets, LLC that is in compliance with Tenn. Comp. R. & Regs. 0780-01-46.

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee, and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Mountain Life Insurance Company.

In such manner, it was found that as of December 31, 2018, the Company had admitted assets of \$6,104,985 and liabilities, exclusive of capital and surplus, of \$2,345,657. Thus, there existed for the additional protection of the policyholders, the amount of \$3,759,328 in the form of capital stock, gross paid in and contributed surplus, and unassigned funds (surplus). Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000. For this examination, as of December 31, 2018, the Company maintains capital and surplus sufficient to satisfy those requirements.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Jody Fox and Jay Uselton, CFE, Insurance Examiners for the State of Tennessee participated on the examination. Contracted specialists Lindsey Pittman, CPA, CFE, CISA, MCM and Mike Mayberry, FSA, MAAA, participated in the Information Systems and Actuarial reviews of this examination, respectively.

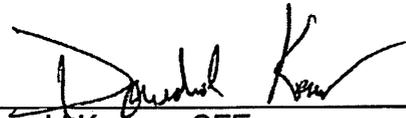
Respectfully submitted,



Donald Karnes, CFE
Examiner-in-Charge
State of Tennessee

AFFIDAVIT

The undersigned deposes and says he has duly executed the attached examination report of Mountain Life Insurance Company, located in Lexington, Kentucky, dated June 1, 2020, and made as of December 31, 2018, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.



Donald Karnes, CFE
Examiner-in-Charge
State of Tennessee

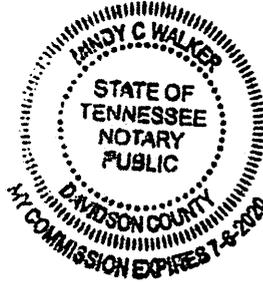
State Tennessee

County Davidson

Subscribed to and sworn before me

this 18th day of June, 2020

Mandy C. Walker
(NOTARY)



My Commission Expires: 7.6.2020

EXHIBIT B



June 23, 2020

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – Mountain Life Insurance Company

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Mountain Life Insurance Company, made as of December 31, 2018. By signing below, we indicate acceptance of the Report. Please find attached our written response to the Report which provides further clarification to the comments noted on pages 11, 16 and 17.

The Company would like to thank you again for the courtesy the Department and examiners extended to us during the course of the examination and the finalizing of the Report. If you have any questions, please feel free to contact me directly at (859) 367-5233.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey E. Breeze".

Jeffrey E. Breeze
President



June 23, 2020

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

RE: Report of Examination – Mountain Life Insurance Company

Dear Ms. Little:

We respectfully submit this written response to the Final Report of Examination for Mountain Life Insurance Company (Company) as of December 31, 2018 (Report). In particular, we offer further clarification to the comments noted on pages 11, 16 and 17 pertaining to claims handling standards.

In short, we do not believe that the doctor's "return to work date" is necessarily consistent with the Insured's actual return to work date.

We believe that our procedure for determining the actual return to work date and payment of disability claims is in accordance with the terms of the Company's policy language.

Additionally, our procedures are in line with the Credit Life and Disability industry. It has been accepted industry practice to pay disability claims thru the date the claim form is signed by the attending physician. With each claim that is paid, a continuing disability claim form is included with the claim payment to the creditor. The creditor will send the claim form to the insured to have completed by their physician if the disability continues. If a continuing claim form is submitted it will be reviewed and processed for payment, if applicable. If payable, a continuing claim form will again be mailed to the creditor along with the claim payment.

When a physician states on the claim form that the insured may return to work on some future date, it is only an estimate into the future as the physician does not know when the insured will actually return to work. For any number of reasons an insured may elect and/or be healthy enough to return to work prior to the date listed by the physician.

Again, we believe that this method of handling Credit Disability Claims is in accordance with the terms of the insurance contract, as well as the benefit being paid for the actual number of days of total disability.

We remain committed to continuing to closely monitor the industry regarding the payment of credit disability claims. Additionally, we look forward to continuing to work with the TDCI to ensure that our claims are handled efficiently, accurately, within contract provisions and in compliance with all applicable regulations and guidelines.

If you have any additional questions, please feel free to contact me directly at (859) 367-5233.

Sincerely,



Jeffrey E. Breeze
President