

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
MOUNTAIN LIFE INSURANCE COMPANY
LEXINGTON, KENTUCKY

AS OF
DECEMBER 31, 2023

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Lexington, Kentucky
May 15, 2025

Honorable Carter Lawrence
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 market conduct review, as of December 31, 2023, has been made of the condition and affairs of:

MOUNTAIN LIFE INSURANCE COMPANY

NAIC # 80020
2416 Sir Barton Way, Suite 110
Lexington, Kentucky 40509

hereinafter referred to as the “Company” or “MLIC” 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 Department. This examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS).

SCOPE OF EXAMINATION

The Department performed a full-scope examination of the Company. The last examination of the Company was made as of December 31, 2018. This examination covers the period January 1, 2019, through December 31, 2023, and includes any material transactions and/or events occurring subsequent to the examination date which were noted during the course of examination.

As of the examination date, the Company was 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, 2023; therefore, this examination was not coordinated with the Lead State 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 NAIC in the *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, 2023. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. 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 when planning which key activities and accounts would be examined. The key activities included: Underwriting/Premiums; Reserves/Claims; Reinsurance Ceded; Related Party; Investments; and Capital and Surplus.

The Company's 2023 annual statement was compared with or reconciled to the corresponding general ledger account balances.

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

Independent information technology specialist services, provided by Noble Consulting Services, Inc., were utilized in the examination review of the Company's information technology general controls.

The actuarial firm of Examination Resources, LLC was utilized in the examination review of the Company's statutory reserves, as well as the risk assessment and review of controls for reserving and pricing risks.

The Company's independent auditors workpapers were reviewed for the 2023 audit 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 from the previous report of examination dated June 1, 2020, which covered the period from January 1, 2014, through December 31, 2018. The previous full-scope examination contained one (1) comment and four (4) recommendations, detailed below.

Comments

1. The Company did not maintain a complaint register as required by Tenn. Code Ann. § 56-8-104(11).

Update: As of December 31, 2023, the Company was maintaining a complaint register as required by Tenn. Code Ann. § 56-8-104(11).

Recommendations

1. The Company was in violation of Tenn. Code Ann. § 56-8-105. It was recommended that 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.

Update: As of December 31, 2023, it was determined that the Company failed to establish formal claims handling procedures that address the above items, resulting in a repeat finding of violation of Tenn. Code Ann. § 56-8-105, as well as violation of the Order Adopting Examination Report, TID No. 20-120, Directive (1)(d). See the "Comments and Recommendations" section of this report for further details.

2. It was noted that 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." Tennessee Compilation of Rules and Regulations ("Tenn.

Comp. R. & Regs.”) 0780-01-04-.08(1) states, in part, that “all claims shall be settled as soon as possible and in accordance with the terms of the insurance contract.” It was recommended that 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.

Update: As of December 31, 2023, it was determined that the Company was still paying certain disability claims only to the date of physician signature, rather than the return-to-work date. This is a repeat finding of violation of Tenn. Comp. R. & Regs. 0780-01-04-.08(1), as well as violation of the Order Adopting Examination Report, TID No. 20-120, Directive (1)(c). See the “Comments and Recommendations” section of this report for further details.

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

Update: As of December 31, 2023, the Company was performing a comparison of its in-force policies against a death master file semi-annually.

4. The Company did not provide a custodial agreement with PNC Capital Markets, LLC, as required by Tenn. Comp. R. & Regs. 0780-01-46-.02. It was 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-.02.

Update: As of December 31, 2023, the Company had four (4) custodial agreements, none of which met the requirements of Tenn. Comp. R. & Regs. 0780-01-46-.02, resulting in a repeat finding of violation of the rule. See the “Comments and Recommendations” section of this report for further details.

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

Directors

The Company's Bylaws state the number of directors shall consist of no less than one (1) nor more than ten (10) members. The exact number of directors may be set by resolution of the Board of Directors (Board) or by amendment of the Bylaws. Each director shall hold office for the term expiring at the next annual shareholders' meeting following his or her election or until his or her successor has been elected and qualifies for office, whichever period is longer.

The annual meeting of the shareholders shall be held in the month of January, unless otherwise established by resolution of the Board. The business to be transacted at such meeting shall be the election of directors and such other business as shall be properly brought before the meeting.

The Board may provide, by resolution, the time and place for holding additional regular meetings without notice other than such resolution.

The following persons were duly elected by the shareholder and were serving as members of the Board, as of December 31, 2023:

<u>Name</u>	<u>Principal Occupation</u>
Terry Forcht ¹	Principal Owner, Chairman
Rodney Shockley ²	Secretary, Attorney
Roger Alsip ³	Treasurer
Jeffrey Breeze	President

As a result of the acquisition by MEM Capital, LLC of MLIC, the following changes occurred:

¹ Resigned August 2, 2024; Replaced by Ben Keslowitz as Chairman on August 2, 2024.

² Resigned August 2, 2024; Replaced by Ben Keslowitz as Secretary on August 2, 2024.

³ Resigned August 2, 2024; Replaced by Eli Glanz on August 2, 2024.

Officers

The Bylaws provide that the officers of the Company shall be a Chairman, a President, a Treasurer, a Secretary, and such other officers as may be appointed by the Board. The same individual may simultaneously hold more than one (1) office.

The following officers were duly elected by the Board and were serving as officers of the Company, as of December 31, 2023:

<u>Name</u>	<u>Title</u>
Jeffrey Breeze	President
Terry Forcht ¹	Chairman
Rodney Shockley ²	Secretary
Roger Alsip ³	Treasurer
David Combs ⁴	Chief Financial Officer

As a result of the acquisition by MEM Capital, LLC of MLIC, the following changes occurred:

¹ Resigned August 2, 2024; Replaced by Ben Keslowitz as Chairman on August 2, 2024.

² Resigned August 2, 2024; Replaced by Ben Keslowitz as Secretary on August 2, 2024.

³ Resigned August 2, 2024; Replaced by Eli Glanz on August 2, 2024.

⁴ Resigned August 2, 2024; Replaced by Jeffrey Serber on August 2, 2024.

Committees

The Board shall have authority to establish such committees as it may consider necessary or convenient for the conduct of its business.

At December 31, 2023, the Company had an Investment Committee established by the Board, consisting of the following members:

<u>Name</u>	<u>Title</u>
Jeffrey Breeze	President
Rodney Shockley ¹	Secretary
Roger Alsip ²	Treasurer
David Combs ³	Chief Financial Officer

As a result of the acquisition by MEM Capital, LLC of MLIC, the following changes occurred:

¹ Resigned August 2, 2024; Replaced by Ben Keslowitz on August 2, 2024.

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³ Resigned August 2, 2024; Replaced by Jeffrey Serber on August 2, 2024.

CONTROL

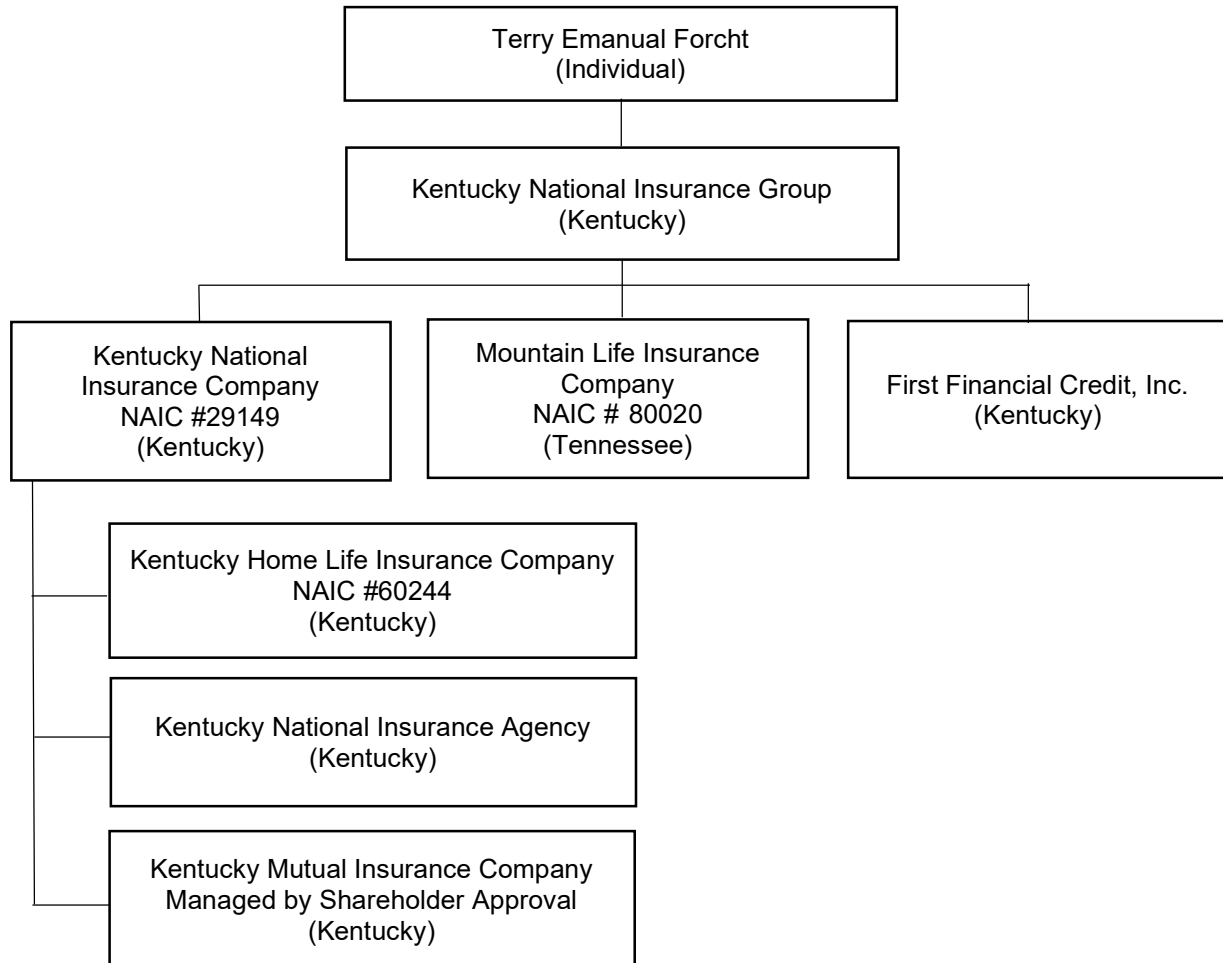
The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(b)(9), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* As of the examination date, the Company's direct parent was KNIG, which is ninety-eight and eight-tenths percent (98.8%) owned by Terry Emanuel Forcht.

The Company files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105.

On August 2, 2024, the Company and its affiliate, Kentucky Home Life Insurance Company (KHLIC), were acquired by MEM Capital, LLC. See the "Subsequent Events" section of this report for additional details.

ABBREVIATED ORGANIZATIONAL CHART

The following abbreviated organizational chart shows the members of the holding company group as of December 31, 2023:



CORPORATE RECORDS

The minutes of meetings of the Company's shareholder, Board, and Committee were reviewed for the period under examination. The minutes were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1) during the examination period. However, in review of the subsequent meeting minutes, it was determined that the Company's 2024 investment authorization by the Investment Committee was not formally documented. See "Comments and Recommendations" for further discussion.

Charter

No amendments to the Charter were enacted during the period of examination.

Bylaws

No amendments to the Bylaws were enacted during the period of examination.

AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES

The Company had the following significant agreements with its affiliated companies in effect, as of December 31, 2023:

Lease Agreement

MLIC was a party to a Lease Agreement with Kentucky National Insurance Company ("KNIC"), whereby, MLIC leased office space in the building owned by KNIC. The initial agreement was for a three (3) year term and automatically renewable for successive three (3) year terms. The initial three (3) year agreement ended on December 31, 2021, and a new three (3) year term began on January 1, 2022. Subsequent to the sale of MLIC to MEM Capital, LLC in 2024, this lease was transferred to Sir Barton Real Estate, LLC, which is a Forcht Group affiliated company. As MLIC is no longer a subsidiary of the Forcht Group, this will no longer be an affiliated agreement for MLIC.

Management and Service Agreement

MLIC was a party to a Management and Service Agreement with KNIG, which provided management and services related to investments, accounting, human resources, and statutory compliance. The agreement became effective on January 1, 2019, and was terminated as a result of the sale of MLIC to MEM Capital, LLC in 2024.

The Company had additional material transactions with affiliates during the examination period that were not governed by a written agreement, in violation of Statement of

Statutory Accounting Principles (SSAP) No. 25 – Affiliates and Other Related Parties. See “Comments and Recommendations” for further discussion.

TERRITORY AND PLAN OF OPERATION

TERRITORY

The Company is a stock for-profit insurance company domiciled in Tennessee and licensed to transact business in the following states as of December 31, 2023:

Alabama	Georgia	Louisiana	Tennessee
Arizona	Indiana	Missouri	Texas
Arkansas	Kentucky	Mississippi	

Certificates of Authority granted by the licensed states were reviewed and found to be in force as of December 31, 2023. As of the examination date, the Company was writing business in six (6) states. Premium tax records were reviewed for each of the states in which the Company writes business, and no exceptions were noted.

PLAN OF OPERATION

The Company is a stock life insurance company domiciled in Tennessee. Historically, the Company has generated most of its direct premium from its credit life and credit accident and health business in Tennessee, Missouri, Georgia, Alabama, and Arkansas. The Company also offers ordinary life products via ten (10) year term, twenty (20) year term, whole life, senior life, and juvenile life insurance products.

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, according to its annual statements filed with the TDCI.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums and Annuity Considerations</u>	<u>Net Income</u>
2023	\$4,103,591	\$1,931,885	\$2,171,706	\$1,046,953	(\$380,425)
2022	\$4,257,178	\$1,796,550	\$2,460,628	\$1,005,557	(\$485,516)
2021	\$4,778,243	\$1,775,621	\$3,002,622	\$1,141,267	(\$467,698)
2020	\$5,022,226	\$1,677,681	\$3,344,545	\$899,436	(\$249,430)
2019	\$5,658,052	\$1,989,106	\$3,668,947	\$1,001,017	\$18,105

LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses and loss adjustment expenses incurred to earned premiums, for the period subject to this examination were as follows:

<u>Year</u>	<u>Net Premiums</u>	<u>Net Incurred</u>	<u>Loss Experience</u>
	<u>Earned</u>	<u>Claims</u>	<u>Ratio</u>
2023	\$1,046,953	\$439,622	42.00%
2022	\$1,005,557	\$472,588	47.00%
2021	\$1,141,267	\$480,848	42.13%
2020	\$899,436	\$155,898	17.33%
2019	\$1,001,017	\$58,183	5.81%

REINSURANCE AGREEMENTS

Assumed Reinsurance

The Company assumed an immaterial amount of reinsurance as of December 31, 2023.

Ceded Reinsurance

Effective September 30, 2017, the Company entered into a coinsurance agreement with First Community Life Insurance Company to reinsure its credit life and credit accident and health business. The Company cedes one hundred percent (100%) of the liability incurred on a first dollar basis for benefits under reinsured contracts existing on the inception date and reinsured contracts issued after the inception date, per certificate and per debtor set forth in Schedule A of the agreement. Amounts exceeding these limits shall be retained by MLIC.

Effective January 1, 2018, the Company entered into two (2) reinsurance agreements with Optimum Re. Each contract is on an automatic and facultative basis. One (1) contract covers the Company's term life products and the other covers the whole life products. Under each agreement, the Company retains one hundred percent (100%) of the first \$50,000 and fifty percent (50%) of amounts above \$50,001, subject to maximum limits specified in Schedule A of each agreement.

The reinsurance agreements transferred risk in accordance with SSAP No. 61 – Life, Deposit-Type and Accident and Health Reinsurance.

The NAIC *Annual Statement Instructions* ("NAIC Instructions") require that the Reserve Credit Taken reported on Schedule S - Part 4 include amounts from Schedule S - Part 3

- Section 2, Columns 9 and 10. In the 2023 Schedule S - Part 4, the Reserve Credit Taken only included the amount from Schedule S - Part 3 - Section 2, Column 9 and does not properly include the amount from Column 10 as well, in accordance with the NAIC Instructions. See "Comments and Recommendations" for further discussion.

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

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. The Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

The Company had four (4) custody agreements with various banks as of December 31, 2023, none of which were found to be in compliance with the provisions of Tenn. Comp. R. & Regs. 0780-01-46-.02. See "Comments and Recommendations" for further discussion.

Tenn. Code Ann. § 66-29-105 outlines the timeframes for which property is assumed abandoned, which range from one (1) year to fifteen (15) years, depending on the type of property. The Company's Unclaimed Property Procedures are such that the Company does not consider items unclaimed until after seven (7) years, regardless of the type of property. Therefore, it was determined that the Company's policies are not sufficient to meet the requirements of Tenn. Code Ann. § 66-29-105, as there is no consideration for the types of property that are required to be remitted to the state in a timeframe shorter than seven (7) years. See "Comments and Recommendations" for further discussion.

The Company's Anti-Money Laundering policies and procedures were not in compliance with the USA Patriot Act of 2001, Title III, §§ 352(a), (c), and (d) due to the lack of internal policies, procedures and controls, ongoing employee training programs, and independent audits of the programs. See "Comments and Recommendations" for further discussion.

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

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company, as of December 31, 2023, in conjunction with this examination. The following items were addressed:

Operations and Management Standards

Applications and claim forms were reviewed to determine compliance with Tenn. Code Ann. § 56-53-111(b), which requires fraud warnings on applications and claim forms. On one (1) of the Company's application forms, sufficient fraud warning language was not included. One (1) application form did not contain a fraud warning at all. See "Comments and Recommendations" for further discussion.

Complaint Handling Standards

The Company's Complaint Register was reviewed to determine whether complaints were properly recorded and whether the information contained within the register was complete. In one (1) instance, the Company failed to enter an accurate date of complaint receipt into its Complaint Register in violation of Tenn. Code Ann. § 56-8-104(11), which requires a record of the time it takes to process each complaint. See "Comments and Recommendations" for further discussion.

The Company's complaint handling procedures were reviewed. The Company failed to adopt the Tenn. Code Ann. § 56-8-104(11) definition of "complaint" as part of the Company's complaint handling procedures. See "Comments and Recommendations" for further discussion.

The Company's complaint response time was reviewed. The Company failed to respond to one (1) TDCI complaint by the due date set forth by the TDCI, representing a violation of Tenn. Code Ann. § 56-1-106(a)(1), which requires that the Company respond to a request for information from the TDCI within a "reasonable time." In such instance, the "reasonable time" was set forth by the TDCI in the form of a due date on the complaint letter. See "Comments and Recommendations" for further discussion.

Marketing and Sales Standards

The Company's sales and advertising materials were reviewed. It was found that a Quote Sheet utilized by the Company included comparisons with the policies of other insurers. Such Quote Sheet included a disclaimer stating that the accuracy or completeness of such competitor information is not guaranteed. This was found to be in violation of Tenn. Comp. R. & Regs. 0780-1-33-.05(15) which prohibits advertisements from making unfair or incomplete comparisons of policies, benefits, dividends, or rates of other insurers. See "Comments and Recommendations" for further discussion.

A review of the Company's internal producer training materials revealed that the Company failed to effectively communicate that all producer-created sales and marketing materials for all insurance products require Company approval prior to use. This is in violation of the NAIC *Market Regulation Handbook* ("Market Handbook") and Tenn. Code Ann. § 56-8-104(2) which prohibits advertisements that are untrue, deceptive, or misleading. See "Comments and Recommendations" for further discussion.

Producer Licensing Standards

The Company's records of licensed and appointed producers were reconciled with TDCI records. The Company failed to appoint one (1) producer within fifteen (15) days of the application date and policy issuance date, in violation of Tenn. Code Ann. § 56-6-115(c). See "Comments and Recommendations" for further discussion.

Policyholder Services Standards

A sample of cancellations due to non-payment was reviewed. In twenty-eight (28) instances, the Company failed to send a Notice of Cancellation within the timeframes set forth by the NAIC Improper Termination Practices Model Act. See "Comments and Recommendations" for further discussion.

Underwriting and Rating Standards

A review was conducted to determine whether the rates charged for policy coverage were in accordance with filed rates and applicable statutes, rules, and regulations. It was determined that the rates charged for credit insurance varied in several instances from filed rates. The Company was found to have been in violation of Tenn. Code Ann. § 56-7-910(c) for failure to verify the accuracy of premiums charged to policyholders. See "Comments and Recommendations" for further discussion.

Claims Handling Standards

A review of the Company's claim-handling standards, policies, and procedures was conducted. The Company failed to establish formal claims handling standards, policies, and procedures related to (1) timely contact and communication with claimants; (2) proper investigation and settlement of claims, and (3) timely claim resolution. This is in violation of Tenn. Code Ann. § 56-8-105. Additionally, the Company did not comply with the prior examination Order Adopting Examination Report, TID No.: 20-120, Directive (1)(c), by failing to adopt procedures to affirm or deny coverage within a reasonable time after proof of loss has been received. See "Comments and Recommendations" for further discussion.

A sample of paid, denied, and closed without payment claim files was selected for review. Claim files were reviewed to determine compliance in the following areas: timely communication with claimant, proper investigation and settlement of the claim, timely

claim resolution, proper claim handling, and proper documentation of the claim file. Multiple violations are noted below.

Of the claims sampled, the Company was found to be in violation of Tenn. Code Ann. § 56-8-105(2) in one (1) instance for failure to acknowledge receipt of a claim with reasonable promptness. See “Comments and Recommendations” for further discussion.

Of the claims sampled, the Company was found to be in violation of Tenn. Code Ann. § 56-8-105(4) in one (1) instance for failure to effectuate prompt, fair, and equitable settlement of a claim in which liability had become reasonably clear. In such instance, fifty-six (56) days elapsed from the time all necessary information was received by the Company and the date the claim was processed. See “Comments and Recommendations” for further discussion.

In five (5) instances, the Company was found to have been in violation of Tenn. Comp. R. & Regs. 0780-01-04-.08(1), which requires that all claims be settled as soon as possible and in accordance with the terms of the insurance contract. In each of the five (5) instances, the credit disability claim was paid through the date of the physician’s signature on the claim form, rather than through the actual return-to-work date in accordance with the insurance policies which state, “the benefit will be paid for the actual number of days of total disability.” See “Comments and Recommendations” for further discussion.

Finally, a sample of claim files were reviewed to verify they were properly maintained. In twenty-nine (29) instances the Company failed to date-stamp all documents upon receipt. In six (6) instances the claim files were improperly maintained for various other reasons which included the following: multiple time stamps on the same document with different dates, missing claim forms, medical records, and documentation necessary to reconstruct the insurer’s activities. These instances of improper claim file maintenance are in violation of Tenn. Code Ann. § 56-8-105. See “Comments and Recommendations” for further discussion.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed.

On September 15, 2023, MEM Capital, LLC filed a Form A Filing with the TDCI for the proposed acquisition of MLIC. On June 21, 2024, the TDCI Commissioner approved the Form A filing, allowing MEM Capital, LLC to acquire the Company. On August 2, 2024, the transaction was completed and MEM Capital, LLC acquired MLIC.

On September 5, 2024, MLIC submitted to the TDCI an Annuity Business Plan for MLIC to transact multi-year guaranteed annuities. On October 11, 2024, the TDCI approved the Annuity Business Plan.

On September 25, 2024, the Company submitted a Form D to the TDCI related to an agreement by which MEM Capital, LLC would contribute all of KHLIC capital stock to MLIC, thereby making KHLIC a subsidiary of MLIC. On December 11, 2024, the TDCI approved such agreement.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, surplus, and other funds, and a summary of operations, as of December 31, 2023, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2023 Annual Statement. *(Note: Immaterial differences in totals are due to rounding.)*

ASSETS

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$2,668,611		\$2,668,611
Preferred stocks	99,978		99,978
Common stocks	309,679		309,679
Cash, cash equivalents, and short-term investment	248,410		248,410
Investment income due or accrued	19,876		19,876
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	22,728		22,728
Deferred premiums, agents' balances and installments booked but deferred and not yet due.	163,808		163,808
Reinsurance:			
Amounts recoverable from reinsurers	19,102		19,102
Other amounts receivable under reinsurance contracts	123,283		123,283
Current federal and foreign income tax recoverable and interest thereon	47,344		47,344
Net deferred tax asset	422,671	\$391,281	31,390
Guaranty funds receivable or on deposit	162,068		162,068
Receivables from parent, subsidiaries, affiliates	187,314		187,314
Aggregate write-ins for other-than-invested assets	<u>224,499</u>	<u>224,499</u>	<u>0</u>
Totals	<u>\$4,719,370</u>	<u>\$615,780</u>	<u>\$4,103,591</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Aggregate reserve for life contracts		\$1,191,967
Contract claims:		
Life		40,097
Premiums and annuity considerations for life and accident and health contracts received in advance		73,747
Contract liabilities not included elsewhere:		
Interest maintenance reserve (IMR)		24,996
Commissions to agents due or accrued		27,273
General expenses due or accrued		92,379
Taxes, licenses and fees due or accrued		114,703
Remittances and items not allocated		85
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		59,252
Aggregate write-ins for liabilities		<u>307,387</u>
Total Liabilities		\$1,931,885
Common capital stock	\$1,154,903	
Gross paid in and contributed surplus	967,916	
Unassigned funds (surplus)	<u>48,887</u>	
Total Capital and Surplus		<u>2,171,706</u>
Totals		<u><u>\$4,103,591</u></u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$1,046,953	
Net investment income	85,376	
Amortization of Interest Maintenance Reserve (IMR)	12,202	
Commissions and expense allowances on reinsurance ceded	<u>643,507</u>	
Total Income		<u>\$1,788,039</u>
Death benefits	243,477	
Disability benefits and benefits under accident and health contracts	(424)	
Surrender benefits and withdrawals for life contracts	1,388	
Interest and adjustments on contract or deposit-type contract funds	3,050	
Increase in aggregate reserves for life and A&H	<u>192,132</u>	
Total Benefits		<u>439,622</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	825,798	
Commissions and expense allowances on reinsurance assumed	26,438	
General insurance expenses	840,752	
Taxes, licenses and fees, excluding federal income taxes	75,662	
Increase in loading on deferred and uncollected premiums	<u>(38,868)</u>	
Total Expenses		<u>2,169,403</u>
Net gain from operations before dividends to policyholders and federal income taxes		<u>(381,365)</u>
Net gain from operations after dividends to policyholders and before federal income taxes		(381,365)
Federal and foreign income taxes incurred		<u>(197)</u>
Net gain from operations after dividends and income taxes and before realized capital gains or (losses)		(381,168)
Net realized capital gains (losses) less capital gain tax		<u>742</u>
Net Income		<u>(\$380,425)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and Surplus December 31, previous year	<u>\$2,460,628</u>	<u>\$3,002,622</u>	<u>\$3,344,545</u>	<u>\$3,668,947</u>	<u>\$3,759,328</u>
Net income or (loss)	(380,425)	(485,516)	(467,698)	(249,430)	18,105
Change in net unrealized capital gains or (losses)	1,223	(34,947)	51,024	18,414	20,121
Change in net deferred income tax	78,691	98,291	97,366	11,227	(41,471)
Change in non-admitted assets	(244,066)	(119,449)	(106,664)	(97,752)	(47,849)
Change in asset valuation reserve	5,655	(374)	(15,951)	(6,860)	(39,287)
Surplus adjustment: Paid in	<u>250,000</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>(288,922)</u>	<u>(541,994)</u>	<u>(341,923)</u>	<u>(324,402)</u>	<u>(90,382)</u>
Capital and Surplus December 31, current year	<u>\$2,171,706</u>	<u>\$2,460,628</u>	<u>\$3,002,622</u>	<u>\$3,344,545</u>	<u>\$3,668,947</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$2,171,706

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2023 Amended Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2023.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments

1. The Company's Anti-Money Laundering policies and procedures are not in compliance with the USA Patriot Act of 2001, §§ 352(a), (c), and (d).

It is suggested that the Company update its Anti-Money Laundering policies and procedures to ensure compliance with the USA Patriot Act of 2001, §§ 352(a), (c), and (d).

2. As noted in the "Policyholder Services Standards" section of this report, it was determined the Company failed to send multiple "Notices of Cancellation" in a timely manner in violation of the NAIC Improper Termination Practices Model Act.

It is suggested that the Company adopt policies and procedures to ensure all "Notices of Cancellation" are sent in a timely manner in accordance with the NAIC Improper Termination Practices Model Act.

3. The Investment Committee did not formally document authorization of the Company's 2024 investments via Investment Committee meeting minutes or a written consent in lieu of a meeting.

It is suggested that the Company ensure that all investments are authorized by the Board or Investment Committee in accordance with Tenn. Code Ann. § 56-3-408(b)(1) and that such authorization is formally documented within the meeting minutes or as a written consent in lieu of a meeting.

Recommendations

1. The Company had four (4) active custody agreements with different banks as of December 31, 2023. Examiners noted that none of the agreements were in full compliance with Tenn. Comp. R. and Regs. 0780-01-46.

It is recommended that the Company update its custody agreements to ensure compliance with Tenn. Comp. R. & Regs. 0780-01-46.

2. In 2023, the Company had material transactions with affiliates during the examination that were not governed by a written agreement, in violation of SSAP No. 25.

It is recommended that the Company ensure that all transactions with related parties be in the form of a written agreement per SSAP No. 25.

3. The Company's Unclaimed Property Procedures are not sufficient to meet the requirements of Tenn. Code Ann. § 66-29-105, as the Company does not consider property to be unclaimed until after seven (7) years, regardless of type of property.

It is recommended that the Company update its Unclaimed Property Procedures to reflect the abandonment periods set forth in Tenn. Code Ann. § 66-29-105 to ensure that it is remitting unclaimed property to the State within the required timeframes.

4. The NAIC Instructions require that the Reserve Credit Taken reported on Schedule S - Part 4 include amounts from Schedule S - Part 3 - Section 2, Columns 9 and 10. Per review of the Company's 2023 Annual Statement Schedule S - Part 4, it was determined that the Reserve Credit Taken only includes the amount from Schedule S - Part 3 - Section 2 Column 9 and does not properly include the amount from Column 10 as well, in accordance with the NAIC Instructions.

It is recommended that the Company ensure that its Schedule S – Part 4 Reserve Credit Taken properly include amounts from Schedule S – Part 3 – Section 2, Columns 9 and 10, in accordance with the NAIC Instructions.

5. As noted in the "Operations and Management Standards" section of this report, it was determined the Company was in violation of Tenn. Code Ann. § 56-53-111(b) for failure to include the sufficient fraud warning language on one (1) application form and for excluding the requisite fraud warning on one (1) application form.

It is recommended the Company update the two (2) application forms in violation of Tenn. Code Ann. § 56-53-111(b) to include the appropriate fraud warning language.

6. As noted in the “Complaint Handling Standards” section of this report, it was determined that the Company failed to adopt the Tenn. Code Ann. § 56-8-104(11) definition of “complaint” as part of the Company’s complaint handling procedures.

It is recommended the Company update its complaint handling procedures to adopt the Tenn. Code Ann. § 56-8-104(11) definition of “complaint.”

7. As noted in the “Complaint Handling Standards” section of this report, it was determined that, in one (1) instance, the Company failed to enter the accurate date of complaint receipt into the Company’s Complaint Register in violation of Tenn. Code Ann. § 56-8-104(11), which requires a record of the time it takes to process each complaint.

It is recommended the Company adopt procedures to ensure the accurate entry of information into the Company’s Complaint Register in accordance with Tenn. Code Ann. § 56-8-104(11).

8. As noted in the “Complaint Handling Standards” section of this report, it was determined the Company failed to timely respond to one (1) TDCI complaint, in violation of Tenn. Code Ann. § 56-1-106(a)(1).

It is recommended the Company adopt policies and procedures to ensure complaints are timely addressed in accordance with Tenn. Code Ann. § 56-1-106(a)(1).

9. As noted in the “Marketing and Sales Standards” section of this report, it was determined the Company’s Quote Sheet contained unfair and incomplete comparisons with the policies of other insurers, in violation of Tenn. Comp. R. & Regs. 0780-1-33-.05(15).

It is recommended the Company adopt procedures to ensure all marketing and sales materials are free of unfair and incomplete comparisons with the policies of other insurers in accordance with Tenn. Comp. R. & Regs. 0780-1-33-.05(15).

10. As noted in the “Marketing and Sales Standards” section of this report, it was determined the Company failed to effectively communicate that all producer-created sales and marketing materials for all insurance products require Company approval prior to use. This is in violation of the Market Handbook and in violation of Tenn. Code Ann. § 56-8-104(2), which prohibits dissemination of advertisements that are untrue, deceptive, or misleading.

It is recommended the Company adopt policies and procedures to ensure all producers are properly notified of the requirement that all producer-created marketing and sales materials for all insurance products require Company approval prior to use, in accordance with the Market Handbook and Tenn. Code Ann. § 56-8-104(2).

11. As noted in the “Producer Licensing Standards” section of this report, it was determined the Company failed to appoint one (1) producer within fifteen (15) days of the application date and policy issuance date in violation of Tenn. Code Ann. § 56-6-115(c).

It is recommended the Company adopt policies and procedures to ensure all producers are appointed within fifteen (15) days of the application date and policy issuance date in accordance with Tenn. Code Ann. § 56-6-115(c).

12. As noted in the “Underwriting and Rating Standards” section of this report, it was determined the Company failed to properly verify the accuracy of premiums charged to policyholders in violation of Tenn. Code Ann. § 56-7-910(c).

It is recommended the Company, in consultation with and agreement by the TDCI, adopt an appropriate standard for verifying premiums in accordance with Tenn. Code Ann. § 56-7-910(c).

13. As noted in the “Claims Handling Standards” section of this report, it was determined the Company failed to establish formal Claims Handling standards, policies, and procedures related to (1) timely contact and communication with claimants; (2) proper investigation and settlement of claims; and (3) timely claim resolution. This is in violation of Tenn. Code Ann. § 56-8-105, as well as the prior examination Order Adopting Examination Report, TID No. 20-120, Directive (1)(c).

It is recommended the Company establish formal Claims Handling standards, policies, and procedures that address the following: (1) timely contact and communication with claimants; (2) proper investigation and settlement of claims; and (3) timely claim resolution in accordance with Tenn. Code Ann. § 56-8-105, which requires the adoption of procedures to affirm or deny coverage within a reasonable time after proof of loss has been received.

14. As noted in the “Claims Handling Standards” section of this report, it was determined the Company failed to acknowledge receipt of a claim with reasonable promptness in violation of Tenn. Code Ann. § 56-8-105 in one (1) instance.

It is recommended the Company adopt policies and procedures to ensure the acknowledgement of all claims within thirty (30) days of receipt in accordance with Tenn. Code Ann. § 56-8-105.

15. As noted in the “Claims Handling Standards” section of this report, it was determined the Company failed to effectuate the prompt, fair, and equitable settlement of a claim in which liability had become reasonably clear in violation of Tenn. Code Ann. § 56-8-105(4).

It is recommended the Company adopt policies and procedures to ensure the prompt, fair, and equitable settlement of all claims in which liability has become reasonably clear in accordance with Tenn. Code Ann. § 56-8-105(4).

16. As noted in the “Claims Handling Standards” section of this report, in five (5) instances the Company failed to properly calculate the amount due for disability claim payments in violation of Tenn. Comp. R. & Regs. 0780-01-04-.08 which requires that all claims be settled as soon as possible and in accordance with the terms of the insurance contract.

It is recommended the Company adopt policies and procedures to ensure the proper calculation of the amount due for all disability claim payments in accordance with Tenn. Comp. R. & Regs. 0780-01-04-.08.

17. As noted in the “Claims Handling Standards” section of this report, it was determined that in twenty-nine (29) instances the Company failed to date-stamp documents upon receipt in violation of Tenn. Code Ann. § 56-8-105, as well as the prior examination Order Adopting Examination Report, TID No. 20-120, Directive (1)(a).

It is recommended the Company adopt policies and procedures to ensure all documents are date-stamped upon receipt in accordance with Tenn. Code Ann. § 56-8-105.

18. As noted in the “Claims Handling Standards” section of this report, it was determined that in six (6) instances the Company failed to properly maintain claim files so that reconstruction of the insurer’s activities relative to each claim may be readily discerned in violation of Tenn. Code Ann. § 56-8-105, as well as the prior examination Order Adopting Examination Report, TID No. 20-120, Directive (1)(d).

It is recommended the Company adopt policies and procedures to ensure all claim files are properly maintained so that reconstruction of the insurer’s activities relative to each claim may be readily discerned in accordance with Tenn. Code Ann. § 56-8-105.

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, 2023, the Company had admitted assets of \$4,103,591 and liabilities, exclusive of capital and surplus, of \$1,931,885. Thus, there existed for the protection of the policyholders, the amount of \$2,171,706 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. 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, respectively. For this examination, as of December 31, 2023, 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, James Menck, CFE, CPA, CIA, CFE (Fraud); Carol Riley, AES, CISA, CGEIT, CRISC, CDPSE; Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE; and Linda Armstrong, MCM of Noble Consulting Services, Inc.; and Solomon Frazier, FSA, FCAS, MAAA; and Daniel Walker of Examination Resources, LLC, participated in the work of this examination.

Respectfully submitted,

Shelby Lambert 06/25/2025
Shelby Lambert (Jun 25, 2025 08:11 EDT)
Shelby Lambert, CFE, CIE, MCM
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the State of Tennessee

Don Karnes 06/25/2025
Don Karnes, CFE
Department Designee
State of Tennessee

CERTIFICATION

The undersigned certifies and says that she has duly executed the attached examination report of Mountain Life Insurance Company located in Lexington, Kentucky dated May 15, 2025, and made as of December 31, 2023, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned further says she is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information and belief.

Shelby Lambert 06/25/2025
Shelby Lambert (Jun 25, 2025 08:11 EDT)
Shelby Lambert, CFE, CIE, MCM
Examiner-in-Charge
Noble Consulting Services, Inc.
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Don Karnes

06/25/2025

Don Karnes, CFE
Department Designee
State of Tennessee

EXHIBIT B



June 25, 2025

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, 2023.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

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 black ink that reads "Jeffrey E. Breeze".

Jeffrey E. Breeze
President
Mountain Life Insurance Company