

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
USA Life One Insurance Company of Indiana)
7735 Loma Court)
Fishers, Indiana 46038)

Examination of: **USA Life One Insurance Company of Indiana**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of USA Life One Insurance Company of Indiana, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of USA Life One Insurance Company of Indiana shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 9, 2017
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8568

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
USA Life One Insurance Company of Indiana)
7735 Loma Court)
Fishers, IN 46038)

Examination of: **USA Life One Insurance Company of Indiana**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the USA Life One Insurance Company of Indiana (hereinafter “Company”) for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on January 17, 2017.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 4, 2017 and was received by the Company on May 9, 2017.

On June 1, 2017, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:


1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2015.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 9th day of
June, 2017.



Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style with a large initial letter.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

USA LIFE ONE INSURANCE COMPANY OF INDIANA
NAIC Co. CODE 70955

As of

December 31, 2015

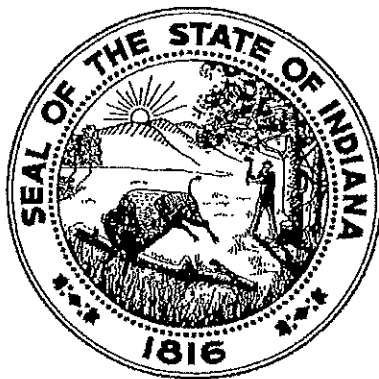


TABLE OF CONTENTS

SALUTATION.....1
SCOPE OF EXAMINATION2
HISTORY.....2
CAPITAL AND SURPLUS2
TERRITORY AND PLAN OF OPERATION.....3
GROWTH OF THE COMPANY3
MANAGEMENT AND CONTROL.....3
 Directors3
 Officers.....4
CONFLICT OF INTEREST4
OATH OF OFFICE4
CORPORATE RECORDS.....5
 Articles of Incorporation5
 Bylaws.....5
 Minutes.....5
FIDELITY BOND AND OTHER INSURANCE.....5
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....5
SPECIAL AND STATUTORY DEPOSITS5
REINSURANCE.....6
ACCOUNTS AND RECORDS6
FINANCIAL STATEMENTS7
 Assets7
 Liabilities, Surplus and Other Funds.....8
 Statement of Operations9
 Capital and Surplus Account Reconciliation.....10
COMMENTS ON THE FINANCIAL STATEMENTS11
OTHER SIGNIFICANT ISSUES11
SUBSEQUENT EVENTS.....11
AFFIDAVIT.....12



STATE OF INDIANA

IDOI

ERIC HOLCOMB, Governor

Indiana Department of Insurance

311 W. Washington Street, Suite 300

Indianapolis, Indiana 46204-2787

Telephone: (317) 232-2385

Fax: (317) 232-5251

Stephen W. Robertson, Commissioner

January 17, 2017

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3917, an examination has been made of the affairs and financial condition of:

USA Life One Insurance Company of Indiana
7735 Loma Court
Fishers, Indiana 46038

hereinafter referred to as the "Company", or "USA Life", an Indiana domestic life insurance company. The examination was conducted at the corporate offices of the Company in Fishers, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

COMPANY RECORDS
(317) 232-5692

STATE HEALTH INSURANCE PROGRAM
1-800-332-4674

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2006 through December 31, 2010. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2011 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (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.

Mark Alberts, FCAS, MAAA of Alberts Actuarial Consultants, LLC., was appointed by the INDOI to conduct a review of the Company's statutory reserves as of December 31, 2015. There were no actuarial adjustments from the review performed by Mr. Alberts.

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 in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the Report of Examination but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated as a fraternal benefit society on January 8, 1894, under Indiana laws as the Supreme Tribe of Ben Hur. It re-incorporated on February 20, 1900, and on June 26, 1930, changed its name to Ben Hur Life Association. Effective June 30, 1989, the Company converted to a mutual legal reserve life insurance company and the name was changed to USA Life Insurance Company of Indiana. On June 15, 1990, in order to avoid objections raised by an insurer with a similar name, the Company adopted its current name. The Company has a non-insurance subsidiary, Life One Financial Corp. (formerly Ben Hur Company, Inc.).

CAPITAL AND SURPLUS

The Company is a mutual insurance company and as such is owned by its policyholders. The Company did not pay dividends to policyholders during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in twelve (12) states: Arkansas, California, Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, and Tennessee.

The Company is authorized in Indiana to write life, annuity, and accident and health coverages. Life insurance premiums collected represent renewal premiums as no life insurance policies were issued to new policyholders during the examination period. The only product currently being actively marketed by the Company is its Smart Saver Annuity product. This product is filed in Indiana and Illinois and has been sold by two (2) agents. This is a flexible premium deferred annuity product with a minimum guaranteed crediting rate of 1%, fixed expense charges, and no surrender charges. As of December 31, 2015, the aggregate account value of all the in-force Smart Saver Annuity contracts was \$733,412.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income (Loss)
2015	\$ 36,534,856	\$ 22,436,468	\$ 14,098,388	\$ 1,119,299	\$ 3,128
2014	37,030,521	22,816,421	14,214,100	1,478,381	(1,960,869)
2013	37,012,701	20,924,595	16,088,106	1,281,583	132,089
2012	36,999,916	20,814,766	16,185,150	1,539,120	(224,395)
2011	36,867,631	20,310,842	16,556,789	2,230,367	1,217,191

The Company's assets have stayed fairly consistent throughout the examination period. Bonds, cash, and short term investments accounted for 95 - 97% of the total assets for all years under examination.

The increase in liabilities and decrease in surplus from 2013 to 2014 was primarily due to asset adequacy analysis resulting in an increase of \$1.8 million in policy reserves. This adjustment was due to a slight decline in interest rates and unfavorable mortality experience in the assumed reinsurance line of business. This adjustment also was primarily responsible for the net loss of \$2.0 million in 2014.

The increase in net income from 2010 to 2011 was primarily due to the release of \$1.3 million of the total \$1.6 million of asset adequacy reserves reported as of December 31, 2010. This decrease is partially the result of \$1.3 million of new life business assumed in 2011. Unassigned funds increased \$1.2 million primarily due to the decrease in policy reserves required by the asset adequacy analysis.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of five (5) members. The policyholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors at December 31, 2015 and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Thomas Nichols Hunt Crawfordsville, Indiana	Funeral Director Hunt & Son Funeral Home
Mark David Pufahl Fishers, Indiana	Chief Operating Officer USA Life One Insurance Company of Indiana
Charles Andrew Russell Marion, Iowa	Chief Executive Officer and Treasurer USA Life One Insurance Company of Indiana
Merle Wayne Smith Crawfordsville, Indiana	Retired
Roger Wayne Smith Indianapolis, Indiana	President and Secretary USA Life One Insurance Company of Indiana

Officers

The Bylaws state the officers of the corporation shall consist of a Chief Executive Officer, President, Secretary, Treasurer, and such additional officers provided by the Bylaws as the Board shall determine appropriate.

The following is a list of key officers and their respective titles as of December 31, 2015:

<u>Name</u>	<u>Office</u>
Roger Wayne Smith	President and Secretary
Charles Andrew Russell	Chief Executive Officer and Treasurer
Mark David Pufahl	Senior Vice President and Chief Operating Officer
Jean Elizabeth Smith	Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2015.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of the Report of Examination have subscribed to an oath of office as of December 31, 2015.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

The Company's Bylaws were amended during the examination period and filed with the INDOI on May 13, 2013 for the change of address of registered agent. The Bylaws were reviewed by the INDOI and no issues were noted.

Minutes

The Board and shareholder minutes were reviewed for the period under examination through the completion of fieldwork. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders should be held within five (5) months after the close of each fiscal year of the Company. The Bylaws of the Company state that the policyholder annual meetings will be held the second Thursday of April following the year-end. For each year under review, the policyholder annual meeting was held as required.

The Company committee minutes for the examination period, and through the fieldwork date, were reviewed for the Audit Committee, Claims Committee, and Investment Committee. Significant actions taken during each meeting were noted.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has coverage of \$500,000 with a deductible of \$10,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2015, including, but not limited to property contents and business property liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has a defined benefit pension plan covering substantially all employees and some agents. As a matter of policy, pension costs are funded as they accrue and vested benefits are fully funded.

SPECIAL AND STATUTORY DEPOSITS

The Company reported special and statutory deposits held with State Insurance Departments at December 31, 2015. The deposits include:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For the Benefit of All Policyholders:		
Indiana	\$2,065,216	\$2,175,221
Other Special Deposits:		
Arkansas	100,963	107,766
North Carolina	404,447	415,970
Total Deposits	<u>\$2,570,626</u>	<u>\$2,698,957</u>

REINSURANCE

Reinsurance Assumed

The Company assumes reinsurance from Western Catholic Union. Premiums assumed for life contracts in 2015 were \$162,469. The agreement continues in force with no new business being reinsured.

Reinsurance Ceded

The Company cedes reinsurance to Optimum Re and Scottish Re. The goal of these programs is to limit exposures from \$50,000 to \$75,000. These ceded reinsurance contracts are in place for life policies sold many years ago. There are an immaterial number of ceded policies and USA Life has set up a voluntary reserve for these policies.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2014 and 2015, were agreed to the respective Annual Statements without material exception. The Annual Statements for the years ended December 31, 2011 through December 31, 2015, were agreed to each year's independent audit report with no exceptions noted. The Company's accounting procedures, practices, and account records were deemed satisfactory.

USA LIFE ONE INSURANCE COMPANY OF INDIANA
 Assets
 As of December 31, 2015

	Per Examination*
Bonds	\$ 33,750,256
Stocks:	
Common stocks	260,930
Cash, cash equivalents, and short-term investments	1,353,091
Contract loans	546,904
Subtotals, cash and invested assets	35,911,181
Investment income due and accrued	387,454
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	4,444
Net deferred tax asset	225,082
Electronic data processing equipment and software	207
Aggregate write-ins for other-than-invested assets	6,488
Total**	\$ 36,534,856

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences

USA LIFE ONE INSURANCE COMPANY OF INDIANA
 Liabilities, Surplus and Other Funds
 As of December 31, 2015

	Per Examination*
Aggregate reserve for life contracts	\$ 21,473,211
Liability for deposit-type contracts	146,828
Contract claims:	
Life	97,881
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	8,392
General expenses due or accrued	64,495
Taxes, licenses and fees due or accrued, excluding federal income taxes	101,535
Unearned investment income	21,590
Amounts withheld or retained by company as agent or trustee	11,378
Remittances and items not allocated	92,301
Miscellaneous liabilities:	
Asset valuation reserve	251,548
Aggregate write-ins for liabilities	167,309
Total liabilities	22,436,468
Unassigned funds (surplus)	14,098,388
Surplus	14,098,388
Totals **	\$ 36,534,856

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences

USA LIFE ONE INSURANCE COMPANY OF INDIANA
Statement of Operations
For the Year Ended December 31, 2015

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 1,119,299
Net investment income	1,486,760
Amortization of Interest Maintenance Reserve	5,121
Commissions and expense allowances on reinsurance ceded	2,680
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income **	101,000
Totals	2,714,860
Death benefits	998,515
Annuity benefits	57,834
Disability benefits and benefits under accident and health contracts	1,985
Surrender benefits and withdrawals for life contracts	705,262
Interest and adjustments on contract or deposit-type contract funds	4,390
Increase in aggregate reserves for life and accident and health contracts	(186,428)
Totals	1,581,558
Commissions on premiums, annuity considerations, and deposit-type contract funds	9,059
Commissions and expense allowances on reinsurance assumed	32,324
General insurance expenses	827,469
Insurance taxes, licenses and fees, excluding federal income taxes	88,202
Increase in loading on deferred and uncollected premiums	(134)
Aggregate write-ins for deductions	206,310
Totals	2,744,788
Net gain from operations before dividends to policyholders and federal income taxes	(29,928)
Net gain from operations after dividends to policyholders and before federal income taxes	(29,928)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	(29,928)
Net realized capital gains (losses) less capital gains tax	33,056
Net income ***	\$ 3,128

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** Prior year Actuarial corrections

*** The balance includes immaterial rounding differences

USA LIFE ONE INSURANCE COMPANY OF INDIANA
Capital and Surplus Account Reconciliation

	2015	2014	2013	2012	2011
Capital and surplus, December 31, prior year	\$14,214,100	\$ 16,088,106	\$ 16,185,150	\$16,556,789	\$15,385,295
Net income	3,128	(1,960,869)	132,089	(224,395)	1,217,191
Change in net unrealized capital gains (losses) less capital gains tax	(3,696)	(27,606)	48,899	27,405	-
Change in net deferred income tax	2,780	85,705	48,163	47,034	9,000
Change in nonadmitted assets	(4,476)	28,299	128,350	(142,937)	(22,758)
Change in asset valuation reserve	(19,873)	2,397	(75,563)	(78,746)	(31,939)
Aggregate write-ins for gains and losses in surplus	(93,575)	(1,932)	(378,982)	-	-
Net change in capital and surplus for the year	(115,712)	(1,874,006)	(97,044)	(371,639)	1,171,494
Capital and surplus, December 31, current year **	<u>\$14,098,388</u>	<u>\$14,214,100</u>	<u>\$16,088,106</u>	<u>\$16,185,150</u>	<u>\$16,556,789</u>

**The balance includes immaterial rounding differences

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2015, based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

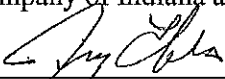
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Alberts Actuarial Consultants, LLC., performed an examination of USA Life One Insurance Company of Indiana, as of December 31, 2015.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

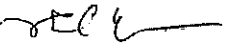
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of USA Life One Insurance Company of Indiana as of December 31, 2015, as determined by the undersigned.



Jerry Ehlers, CFE
Noble Consulting Services, Inc.

Under the supervision of,

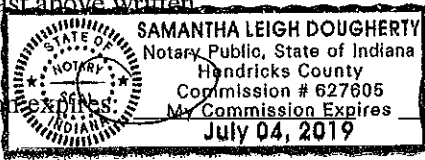


Roy Eft, Chief Examiner
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this _____ day of _____, 2017, before me personally appeared, Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires:  _____
Notary Public

(Note: The notary seal is rectangular with a circular emblem on the left containing the text 'NOTARY PUBLIC STATE OF INDIANA'. The seal text reads: 'SAMANTHA LEIGH DOUGHERTY', 'Notary Public, State of Indiana', 'Hendricks County', 'Commission # 627605', 'My Commission Expires July 04, 2019'. A large handwritten signature is written over the seal and extends to the right.)

