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FILED
FEB 17 2015
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

OF THE STATE OF IDAHO

In the Matter of: UNITED HERITAGE LIFE INSURANCE COMPANY Certificate of Authority No. 151 NAIC No. 63983	Docket No. 18-3020-15 **ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2013**

The State of Idaho, Department of Insurance (Department), having conducted an examination of the affairs, transactions, accounts, records, and assets of United Heritage Life Insurance Company (UHLIC), pursuant to Idaho Code § 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of United Heritage Life Insurance Company as of December 31, 2013 (Report), as filed.

FINDINGS OF FACT

1. UHLIC is an Idaho-domiciled insurance company licensed to transact life insurance and disability insurance, excluding managed care, in Idaho under Certificate of Authority No. 151.

2. The Department completed an examination of UHLIC pursuant to Idaho Code § 41-219(1) on or about January 27, 2015. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on January 27, 2015, and a copy of such verified Report was transmitted to UHLIC on the same date. A copy of the verified Report is attached hereto as Exhibit A.

4. On or about February 5, 2015, the Department received a Waiver signed by Todd Gill, Senior Vice President and Chief Financial Officer of UHLIC. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, UHLIC consented to the immediate entry of a final order by the Director of the Department (Director) adopting the Report without any modifications; waived its right to make a written submission or rebuttal to the Report; and waived its right to request a hearing and to seek reconsideration or appeal from the Director's final order.

5. No written submissions or rebuttals with respect to any matters contained in the Report were received by the Department from UHLIC.

CONCLUSIONS OF LAW

6. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant

portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

7. Having fully considered the Report, the Director concludes that UHLIC meets the minimum capital and surplus requirements set forth in Idaho Code § 41-313(1).

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of United Heritage Life Insurance Company as of December 31, 2013, is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 3, title 9, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, UHLIC shall file with the Department's Deputy Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED this 17th day of February, 2015.

STATE OF IDAHO
DEPARTMENT OF INSURANCE

THOMAS A.DONOVAN
Acting Director

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 17th day of February, 2015, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2013 to be served upon the following by the designated means:

United Heritage Life Insurance Company Attn: Todd Gill, Senior VP & CFO 707 East United Heritage Court Meridian, ID 83642 tgill@unitedheritage.com	☐ first class mail ☒ certified mail ☐ hand delivery ☒ email
Georgia Siehl, CPA, CFE Bureau Chief / Chief Examiner Idaho Department of Insurance 700 W. State Street, 3rd Floor Boise, ID 83720-0043 georgia.siehl@doi.idaho.gov	☐ first class mail ☐ certified mail ☐ hand delivery ☒ email

Teresa Jones

DEPARTMENT OF INSURANCE

STATE OF IDAHO

REPORT OF EXAMINATION

Of

UNITED HERITAGE LIFE INSURANCE COMPANY
(Life Insurance Company)
(NAIC Company Code: 63983)
As of

December 31, 2013

EXHIBIT

A

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Meridian, Idaho
January 27, 2015

Thomas Donovan
Deputy Director of Insurance
State of Idaho
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Deputy Director:

Pursuant to your instructions, in compliance with Section 41-219 (1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2013, of the financial condition and corporate affairs of:

United Heritage Life Insurance Company
707 East United Heritage Court
Meridian, Idaho 83642

Hereinafter referred to as the "Company", at its offices in Meridian, Idaho. The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope, risk-focused coordinated examination of United Heritage Life Insurance Company (the Company). The examination was conducted on a coordinated basis in conjunction with and concurrently with the examinations of United Heritage Property & Casualty Company, Meridian, Idaho, by the Idaho Department of Insurance and Sublimity Insurance Company, Sublimity, Oregon, by the Oregon Department of Consumer & Business Services. The last exam was completed as of December 31, 2008. This examination covers the period of January 1, 2009 through December 31, 2013.

Examination Procedures Employed

Our examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* to determine compliance with accounting practices and procedures in conformity with the applicable laws of the State of Idaho, and insurance rules promulgated by the Idaho Department of Insurance (Department). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles (SSAPs and Annual Statement instructions when applicable to domestic state regulations).

The Company retained the services of a certified public accounting firm, Ernst & Young, LLP, Seattle Washington, to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

All material accounts and activities of the Company were considered in accordance with the risk-focused examination process. The initial phase of the examination focused on evaluating the Company's corporate governance and control environment, as well as business approach, in order to develop an examination plan tailored to the Company's individual operating profile. A risk-focused approach was determined appropriate.

The examination determined the risks associated with identified key functional activities of the Company's operation and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm contracted by the Department, Lewis & Ellis, Inc. to review the actuarial items.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

Our examination included a review to determine the current status of the one exception condition commented upon in our preceding Report of Examination, dated December 31, 2008, which covered the period from January 1, 2004 to December 31, 2008. We determined that the Company had not satisfactorily addressed the following exception condition:

The prior exam report recommended the Company strengthen and/or expand its existing dividend procedures to prevent future non-compliance with Idaho law relative to dividend notification requirements. The current exam determined that dividends notifications again were not properly made.

SUMMARY OF SIGNIFICANT FINDINGS

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

SUBSEQUENT EVENTS

Subsequent to the examination date, the Company began construction of an addition to its home office property and parking lot. Construction started May 1, 2014 with approximate completion in 2015. The estimated cost of the new building is $4.5 million.

COMPANY HISTORY

General

The Company was incorporated on July 7, 1934, as a fraternal benefit society pursuant to the provisions of Title 41, Chapter 32, Idaho Code. The purpose of the Society was to unite members of the Idaho State Grange into a fraternal society to provide for the payment of death, disability, and financial benefits for its members. The Company commenced business on September 10, 1935.

On December 20, 1946, the Articles of Incorporation were amended and the Society was converted to a legal reserve mutual life insurance company. At that time, the Society's name was changed to Grange Mutual Life Company. The Articles of Incorporation were again amended on May 13, 1991, to reflect a name change to United Heritage Mutual Life Insurance Company. The Bylaws were also amended and restated at that time.

In 1993, the Company formed United Heritage Financial Group, Inc. (formerly United Heritage Holdings, Inc.) and United Heritage Financial Services, Inc. Both companies were wholly owned subsidiaries of the Company from 1993 up to August 28, 2001. The Company converted to a mutual holding company structure at that time and United Heritage Mutual Holding Company, Inc. became the ultimate controlling person. On November 7, 2000, the majority of United Heritage Property & Casualty Company's (formerly Idaho Mutual Insurance Company) stock was acquired by United Heritage Financial Group, Inc. The Company converted to a mutual insurance holding company structure pursuant to Section 41-2855, Idaho Code, effective August 28, 2001. In this connection, Amended and Restated Articles of Incorporation were filed with and approved by the Department of Insurance. Under the Amended and Restated Articles, the name of the Company was changed to United Heritage Life Insurance Company and 1,500,000 shares each with a par value of $1 were authorized. The Company's Bylaws were also amended and restated at that time to incorporate changes due to the conversion.

United Heritage Mutual Holding Company, Inc. was incorporated on August 23, 2001, pursuant to Section 41-3821, Idaho Code. On August 28, 2001, United Heritage Financial Group, Inc. became a 100 percent wholly-owned subsidiary of United Heritage Mutual Holding Company, Inc. through a stock distribution from the Company. Simultaneously, the Company became a wholly-owned subsidiary of United Heritage Financial Group, Inc. through a stock exchange.

The First Articles of Amendment to Articles of Incorporation were filed with and approved by the Department of Insurance on December 10, 2001. The amended articles authorized 1,500,000 shares each with a par value of $5.

United Heritage Financial Group, Inc. acquired Sublimity Insurance Company of Sublimity, Oregon in 2003.

The Company formed United Heritage Marketing Services, Inc., on March 3, 2005 to perform certain marketing and related services on its behalf.

The Company's Bylaws were amended and restated May 16, 2005 whereby Directors shall hold office until their successors are elected and qualified. Furthermore, Directors' terms shall be staggered in conformance with the requirements of Title 41, Idaho Code.

United Heritage Financial Group, Inc. divested the business of United Heritage Financial Services, Inc. on or about March 31, 2007. The remaining corporate entity of United Heritage Financial Services, Inc. was merged into United Heritage Financial Group, Inc. on May 31, 2007.

On April 1, 2013, United Heritage Financial Group, Inc. acquired approximately 95 percent of Merced Property & Casualty Company (formerly Merced Mutual Insurance Company), Merced, California. Merced's former policyholders own the remaining 5 percent.

Dividends and Capital Contributions

As previously stated, the Company converted to a mutual holding company structure and became a stock insurer on August 28, 2001. In this connection, the First Articles of Amendment to

Articles of Incorporation provided for authorized capital of $7,500,000, consisting of 1,500,000 shares of common stock each with a par value of $5. The shares had uniform rights and were not subject to assessment.

As of the examination date, the Company had 1,000,000 shares of capital stock issued and outstanding with a par value of $5 per share for a total capital of $5,000,000. The Company's paid in and contributed surplus at December 31, 2013 was $4,000,000.

The following exhibit reflects the activity in the capital structure of the Company since its conversion to a stock insurer on August 28, 2001 through December 31, 2013:

Year	Shares Issued/ (Redeemed)	Common Capital Stock	Gross Paid In & Contributed Surplus	Total Capital & Paid in and Contributed
2001 (1)	1,000,008	$1,000,008	$4,000,072	$5,000,080
2001 (2)	(1000008)	(1000008)	(4000072)	(5000080)
2001 (3)	1,000,008	5,000,040	4,000,040	9,000,080
2003 (4)	(8)	(40)	(40)	(80)
Totals	1,000,000	$5,000,000	$4,000,000	$9,000,000

(1) Pursuant to the Plan of Reorganization and conversion to a mutual holding company structure, 1,000,000 shares of common stock with a par value of $1 per share were issued to United Heritage Mutual Holding Company, Inc. on August 28, 2001 for $5 per share. The shares were simultaneously cancelled and transferred to United Heritage Financial Group, Inc. through a stock exchange.

Eight shares were issued to each Director of the Company in compliance with Section 41-2835, Idaho Code under Subscription and Repurchase Agreements executed between the Directors and the Company. Under terms of the agreements, the Directors subscribed to purchase one share of $1 par value stock for $10 each.

(2) The First Article of Amendment to Articles of Incorporation raised the par value of the Company's stock from $1 to $5 per share. In this connection, all previously issued shares were cancelled on December 13, 2001.

(3) The shares were re-issued on the same date to reflect the change in par value. The increase in common capital stock was funded by a transfer from unassigned funds.

(4) In 2003, Section 41-2835, Idaho Code, was repealed. The shares of stock previously issued to Company Directors were purchased and redeemed on November 21, 2003 for $10 per share pursuant to Redemption Agreements executed between each Director and the Company.

There were no capital stock transactions during and subsequent to the current examination period.

As of the current examination period, we noted at least three instances where the Company notified the Director of the dividends declared more than five business days from the date of declaration. In one case out of the three instances, the dividend was paid in less than ten days from the time the Director was notified of the dividend declaration. Declaration, notification and payment in two of those instances were made in 2011, while the third one was made in 2013.

The Company was advised in the prior examination, through the Report of Examination and Management Letter issued February 8, 2010, to strengthen dividend payment procedures to ensure the notification to the Department is timely and the payments are at least 10 days after the notification was submitted. The prior exam found that the May 18, 2009 and August 28, 2009 dividend declarations were paid in less than ten days from the date the Department was notified of the declaration, which was not in compliance with Section 41-3809 (2), Idaho Code.

Due to revisions of Idaho Code effective 2013, Section 41-3809 (2) is now Section 41-3812 (2), and provides that "A domestic insurer that is a member of a holding company system shall notify the director in writing of any nonextraordinary dividends to be paid or other distributions to be made to shareholders within five (5) business days following the declaration of the dividend or distribution, and shall notify the director in writing at least ten (10) days, commencing from the date of receipt by the director, prior to the payment of any dividends or the making of any other distribution."

We find the Company non-compliant with Section 41-3812 (2) (formerly Section 41-3809 (2)) of the Idaho Code for all three instances where the director was notified of the dividend declaration more than five days after the declaration date and for the single instance that the Company paid dividends in less than ten days from the date the Director was informed of the dividend declaration.

We again recommend that, in the future, the Company comply with Section 41-3812 (2), Idaho Code when declaring and issuing dividends.

Mergers and Acquisitions

There were no mergers and acquisitions during the examination period. The Company's parent, United Heritage Financial Group, Inc., acquired Merced Property & Casualty Company, Merced, California effective April 1, 2013.

Surplus Debentures

The Company issued a surplus note to Wilmington Trust, as trustee on September 15, 2005 in the amount of $7,500,000. This transaction was approved by the Board of Directors on August 25, 2005 and by the Idaho Department of Insurance on August 30, 2005.

Interest on the surplus note is paid quarterly, in arrears, beginning December 15, 2005. The Company entered into an interest rate swap agreement for the first five years, which fixed the interest at an annual rate of 7.586 percent. In 2011 the Company agreed to let the interest float at the contractual rate of 3-month LIBOR plus 3.20 percent. Total interest expense incurred for 2013 was $242,307. The principal amount of the note matures on September 15, 2035. The Company made principal payments in 2011 and 2012 for $400,000 and $200,000 respectively.

The surplus note is subordinate and junior in right of payment to the prior payment in full of all policy claims and senior indebtedness. In the event that the Company is subject to liquidation proceedings, holders of indebtedness, policy claims and prior claims would be afforded a greater priority under the Liquidation Act and the terms of the Notes and accordingly, would have the right to be paid in full before any payments of interest or principal are made to the holders of the surplus note.

CORPORATE RECORDS

The meetings of the Board of Directors and shareholders were conducted on a quarterly and an annual basis, respectively, for all the years under examination.

Investment transactions were approved by the Board of Directors or the Executive Committee, as required by Section 41-704, Idaho Code. Furthermore, the Company maintained records of its investments in conformity with Section 41-705, Idaho Code.

The external auditors presented the audited financial statements and required communications to the Company's Audit Committee as required under IDAPA 18.01.62.021.06.

Affidavits of Director were executed by all Directors certifying receipt of the Company's December 31, 2008 Report of Examination and January 28, 2010 Order Adopting the Report of Examination on February 26, 2010 in accordance with Section 41-227(6)(a), Idaho Code.

MANAGEMENT AND CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of Directors shall be not less than five (5) persons nor more than fifteen (15) persons. The authorized number of Directors may be changed by resolution of the Directors. At their meeting held on May 19th and 20th, 2013, the Directors authorized a resolution to increase the number of Directors from seven to eight effective immediately.

At the February 24, 2014 meeting, the Board of Directors approved a resolution to reduce the size of the Board from eight to six Directors. The Directors subsequently approved a resolution to increase the number of Directors from six to seven on May 19, 2014.

The following persons served as Directors of the Company as of December 31, 2013:

Name and Business Address	Principal Occupation
Richard Edgar Hall Boise, Idaho	Partner in law firm Duke, Scanlan and Hall, Boise, Idaho

Rodney LeRoy Smith Red Lodge, Montana	Retired. Former President, First Interstate Bank, Red Lodge, Montana
Dennis Lane Johnson Meridian, Idaho	President and Chief Executive Officer United Heritage Life Insurance Company
Ned Eugene Clark Heppner, Oregon	Secretary/Treasurer, Horseshoe Hereford Ranch, Inc, Heppner, Oregon
Steven Donald Hauschild Spokane, Washington	Sterling Bank Spokane, Washington
Diane Luise Polscer Portland, Oregon	Attorney, Gordon & Polscer Portland, Oregon
Julie Elizabeth Prafke Veradale, Washington	Chairman of the Board, Humanix Corporation, Spokane, Washington
Richard Clinton Waitley Meridian, Idaho	President, Association Management Group Meridian, Idaho

Subsequent to the examination date, Ned Eugene Clark and Julie Elizabeth Prafke retired from the Board of Directors effective May 19, 2014. Jerome "Tonk" C. Fischer was elected as Director effective May 19, 2014.

The Company's bylaws stipulate that there shall be an Executive Committee of the Board of Directors. The Company's bylaws also authorize the Board of Directors to appoint an Audit Committee, a Compensation Committee, an Investment Committee, and such other committees as may be determined from time to time, to serve at the pleasure of the full Board of Directors. As of December 31, 2013, the Company's Board of Directors had appointed the following committees:

Executive Committee

The Bylaws provided for an Executive Committee of the Board of Directors composed of the Chairman of the Board, Vice Chairman of the Board, and the President of the Company. At December 31, 2013, the following individuals were serving as members of the Executive Committee:

Richard Edgar Hall	Chair of the Board
Rodney LeRoy Smith	Vice Chair of the Board
Dennis Lane Johnson	President/Chief Executive Officer

The following committee appointments were made, and members serving at December 31, 2013, were as follows:

Audit Committee

Ned Eugene Clark, Chairman	Rodney LeRoy Smith
Steven Donald Hauschild	Todd Hunter Gill, Advisor

Effective May 19, 2014, Ned Eugene Clark retired from the Board of Directors. Jerome "Tonk" Fischer was appointed Chairman of the Audit Committee on May 10, 2014.

Compensation Committee

Julie Elizabeth Prafke, Chairwoman	Richard Clinton Waitley
Richard Edgar Hall	Marjorie Ann Hopkins, Advisor
Dennis Lane Johnson	

As previously reported, Julie Elizabeth Prafke resigned from the Board of Directors effective May 19, 2014. Diane Luise Polscer was appointed Chairman effective May 19, 2014. Jerome "Tonk" C. Fischer was also appointed to the Compensation Committee effective May 19, 2014.

Investment Committee

Jack Jay Winderl, Chairman	Deborah Kay Sloan
Steven Donald Hauschild	Kent Michael Delana, Advisor
Dennis Lane Johnson	Todd Hunter Gill, Advisor
Kent Michael Delana, Advisor	Dean Sandros, Advisor

Subsequent to the examination date, Jerome "Tonk" C. Fischer was appointed to the Investment Committee. Beginning with the May 21, 2014 meeting, the Investment Committee was reorganized and became the United Heritage Financial Group Investment Committee. This Committee will review investment activities of all United Heritage companies.

The following United Heritage Mutual Holding Company and/or United Heritage Financial Group, Inc. committees also serve as committees of the Company

Enterprise Risk & Return Management Committee

Richard Edgar Hall, Chairman	Todd Hunter Gill, Risk Manager
Geoffrey Morgan Baker	Dennis Lane Johnson
Mickey L. Ware	Andrew L. Trower
Donald R. Duran	Jack Jay Winderl
Stephen Gene Haney	

Marketing/Branding Committee

Richard Clinton Waitley, Chairman	Dennis Lane Johnson
Ned Eugene Clark	Julie Elizabeth Prafke
Steven Donald Hauschild	Robert Joseph McCarvel, Advisor

As previously reported, Ned Eugene Clark and Julie Elizabeth Prafke retired effective May 19, 2014. Diane Luise Polscer was appointed to the Committee effective May 19, 2014.

Nominating Committee

Richard Edgar Hall, Chairperson	Steven Donald Hauschild
Rodney LeRoy Smith	

Retirement Committee

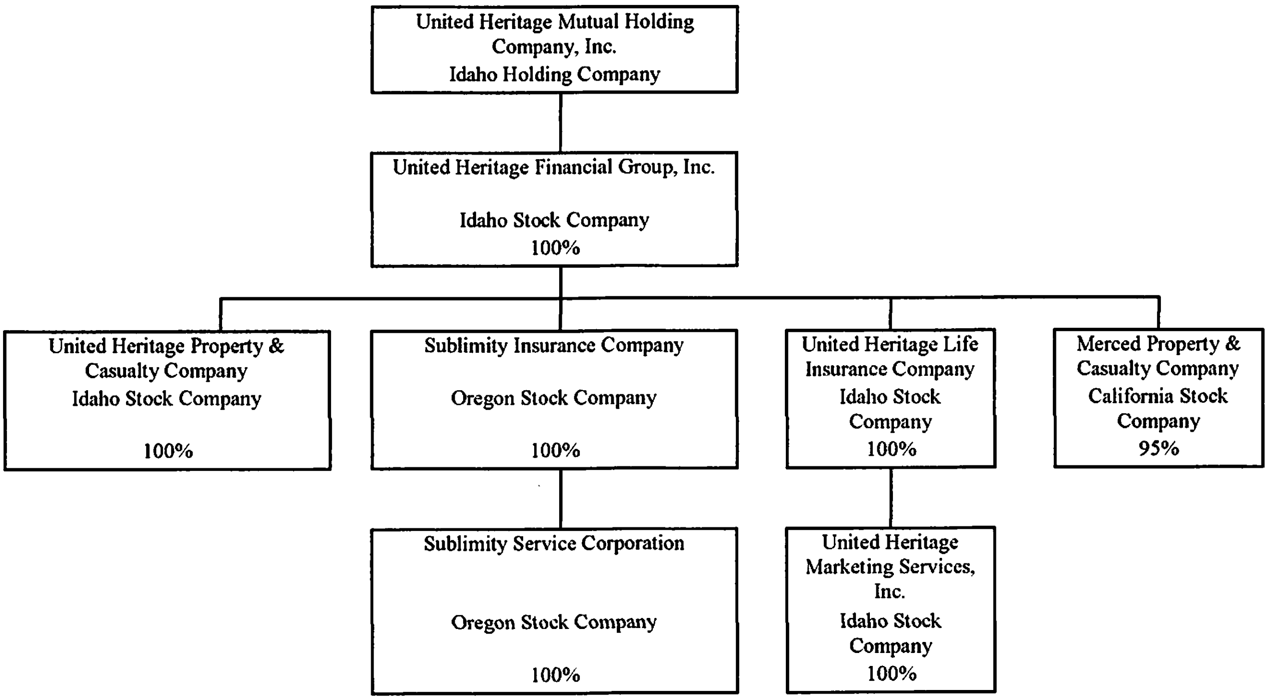
Jack Jay Winderl, Chairman	Donald R. Duran
Richard Edgar Hall	Todd Hunter Gill
Dennis Lane Johnson	Marjorie Ann Hopkins
Mickey L. Ware	Karen Barlow, Advisor
Andrew L. Trower	

In addition to the foregoing committees, the Company also maintained various internal committees, such as the UHLIC IT Steering, Market Risk Management, and Regulatory Compliance Committees, among others. Committee members included senior management, mid-level managers, and staff.

The Company's bylaws provide for principal officers to consist of a Chairman of the Board, a Vice Chairman of the Board, and a President, who shall be members of the Board of Directors. Additional officers shall include a Secretary and a Treasurer. At the discretion of the Board, one or more Vice Presidents, Assistant Secretaries, and Assistant Treasurers may be appointed. The following persons served as officers of the Company as of December 31, 2013:

Richard Edgar Hall	Chairman of the Board
Rodney LeRoy Smith	Vice Chairman of the Board
Dennis Lane Johnson	President & Chief Executive Officer
Marjorie Ann Hopkins	Corporate Secretary & Vice President, Human Resources
Jack Jay Winderl	Treasurer, Executive Vice President, Chief Operating Officer & Chief Investment Officer
Deborah Kay Sloan	Senior Vice President & Chief Actuary
Todd Hunter Gill	Senior Vice President & Chief Financial Officer
Robert Joseph McCarvel	Senior Vice President & Senior Marketing Officer
Geoffrey Morgan Baker	Vice President & General Counsel
John Joseph Bellamy	Vice President, Marketing & Director, Annuity Marketing
Kent Michael Delana	Assistant Corporate Secretary & Vice President, Mortgage Lending
Stephen Gene Haney	Senior Vice President, Information Technology & Chief Technology Officer
Richard Shane Nelson	Vice President, Group Marketing

On November 7, 2000, the majority of the Company's stock was acquired by United Heritage Financial Group, Inc. At that time, the Company became a member of an insurance holding company system as defined in Section 41-3801, Idaho Code. The "Ultimate Controlling Person" within the holding company system was United Heritage Mutual Holding Company, Inc. as shown in the following organizational chart:



Affiliated Arrangements:

An inter-company cost sharing and allocation arrangement between and among the subsidiary companies of UHFG, was executed by the Company. In a letter dated December 11, 2001, the Department of Insurance stated that the agreement was reviewed pursuant to Section 41-3807, Idaho Code and IDAPA 18.01.23.023, and had no objections to the proposed agreement. The original arrangement, effective January 1, 2002 through January 1, 2003, was amended effective August 15, 2003 until terminated. In a letter to the Company dated January 31, 2003, the Department stated it did not express any objections to the proposed agreement. The arrangement was amended effective August 15, 2003 until terminated. In a letter to the Company dated July 17, 2003, the Department indicated that the submission was reviewed and the Department had no objection to the proposed agreement. In 2007, United Heritage Financial Services was merged with UHFG. Therefore, terms related to UHFS were deleted from the amended agreement, which was effective September 7, 2008. A provision for software sharing between the Company and Sublimity Insurance Company was included at that time. All other terms were substantially similar. In a letter to the Company dated August 15, 2008, the Department reviewed the agreement under IDAPA 18.01.23.023 and had no objections to the proposed transaction. The agreement was again amended effective August 1, 2010 and again January 1, 2013.

On May 23, 2014, a Form B Holding Company System Registration filing was submitted to the Department of Insurance for a new Inter-Company Cost Sharing Arrangement. This arrangement replaced the one dated January 1, 2013. The new agreement was effective retroactively to October 4, 2013 and the term continuous until such time as amended or terminated in writing. Additionally, during 2013, the IT, investment and human resource departments were moved to the UHFG level and personnel working in those departments became UHFG employees. Terms of the agreement are summarized below:

Employee benefit costs are allocated to and paid by each respective company in proportion to their share of the cost of the benefit. No markup or overhead charges are earned by UHFG.

The Company is the owner of the corporate headquarters building located in Meridian, Idaho. United Heritage Property and Casualty Company rents space from the Company. A formal rental agreement exists and the occupancy is month-to-month.

UHFG pays various operating expenses, including salaries, legal fees, audit and tax fees, actuarial consultant and software consultant fees, telephone, postage, and computer network services, among other things, for the Company. These expenses are charged to the Company based upon its share of usage.

The Investment Department at UHFG performs investment management for the Company, UHFG, UHPC, MPCC and SIC. The operating expenses of the Investment Department are shared by the Company, UHFG, UHPC, MPCC and SIC. UHFG is reimbursed for such based on each company's share of total invested assets. No mark-up, profit, or overhead charge is earned by UHFG.

UHFG provides or may provide mortgage loan services, including the sale of mortgages and participations to the Company. Servicing is provided at rates consistent with institutional fees charged to other non-affiliated clients.

The Company entered into an income tax allocation agreement with United Heritage Mutual Holding Company, United Heritage Financial Group, Inc, United Heritage Marketing Services, Inc., Sublimity Insurance Company, and Sublimity Services Corporation prior to the examination date. The agreement was effective for the tax year starting January 1, 2006. In 2011, the Company submitted with the Form B filing the United Heritage Income Tax Allocation Agreement and the First Amendment to include the Company. The consolidated tax returns were prepared on the separate return method and the tax attributes of each company were allocated accordingly. On May 23, 2014, the Company submitted the United Heritage Income Tax Allocation Agreement to include Merced Property & Casualty Company (MPCC), acquired on April 1, 2013 by UHFG.

United Heritage Property & Casualty Company entered into a lease agreement with the Company for the use of corporate office building located at 707 E. Heritage Court, Meridian, Idaho 83642. The agreement was executed October 11, 2013 and has a month-to-month lease term. The agreement was submitted to the Idaho Department of Insurance pursuant to Section 41-3809, Idaho Code.

The Cost Sharing and Allocation arrangement, the income tax allocation agreement, and the lease agreement were submitted to the Idaho Department of Insurance pursuant to Section 41-3809, Idaho Code.

The Cost Sharing and Allocation agreement provides for an intercompany loan between the Company and UHFG. The intercompany loan in the original amount of $4,000,000 was dated March 27, 2003 and matures on March 31, 2018. The balance at year-end 2013 was $1,340,000. UHFG pays regular monthly payments of interest based on the bank's prime rate. The terms of settlement provide that UHFG will pay this loan, and any accrued unpaid interest, in accordance with the expiration of each tranche of the revolving credit arrangement. The Company recognized interest income of $66,761 in 2013.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the NAIC for an insurer of the Company's size and premium volume is not less than $1,000,000. As of December 31, 2013, the Company had sufficient fidelity bond coverage subject to a loss limit of $5,000,000.

The Company also had additional insurance protection against directors' and officers' liability; business owners' property, general liability, commercial automobile, and commercial umbrella; workers' compensation and employers' liability; key man life insurance, and financial institution bond insurance.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company was a participating employer in a 401(k) plan, maintained by UHFG, in which substantially all employees who have been with the Company for three months or more can participate. Through salary reduction elections, participating employees may contribute the maximum allowable to available investment funds. Salary reduction amounts may not exceed the limits of the Internal Revenue Code Sections 401(k), 401(g) and 415. The Company matched employee contributions up to a maximum of 4 percent of employee base pay. Additionally, the 401(k) plan had a discretionary profit sharing component in which all employees who were actively employed on the last day of the year shared. The Company matching contribution allocated to plan participants for Plan year 2013 was $122,569. The profit sharing contribution allocated in 2013 for plan year 2012 was $268,936.

<u>Deferred Compensation Plans</u>
The Company had established supplemental executive retirement plans (SERPs) for certain key executives and officers. The Company's funding policy is to accrue an amount equal to the cash surrender values and loan values of the key man life insurance policies issued on the lives of the participants and owned by the Company providing life insurance coverage on the participants' lives. The estimated benefit values at age 65 of approximately $211,805 were based on current assumptions regarding interest rates.

Postretirement Benefit Plans
The Company provided certain health care benefits for a limited group of retired employees. The benefits are provided under an unfunded post-retirement benefit plan, which provides for payment of the retired employee's medical insurance premiums. The post-retirement benefit obligation for this plan was estimated to be $13,762 at year-end 2013. The net periodic post-retirement benefit expense was $333 in 2013.

Health, Dental, Group Life & Accident and Long Term Disability
During the examination period, benefits offered to Company employees included health and dental insurance, as well as group life, accident, and long-term disability insurance coverages. The Company also made available voluntary group products to its employees on an optional basis such as cancer care, accidental death and dismemberment, long term care and supplemental life insurance.

Subsequent to the examination date, the original Universal Life policies that were part of the SERPs were cancelled and cashed out for the cash surrender value. This terminated the SERPs' assets/liabilities currently recorded in the Company's accounting records. The cash surrender value was paid to the Company and in turn, forwarded the proceeds to UHFG as it is for the benefit of the SERP participant and is held in the mutual funds that are part of the SERP plan.

TERRITORY AND PLAN OF OPERATION

The Company was authorized to transact the business of life, disability, annuities, and accident and health in the District of Columbia and the following thirty-eight states:

Alaska	Iowa	Ohio
Arizona	Kansas	Oklahoma
Arkansas	Kentucky	Oregon
California	Louisiana	Pennsylvania
Colorado	Michigan	South Carolina
Delaware	Minnesota	South Dakota
District of Columbia	Missouri	Tennessee
Florida	Montana	Texas
Georgia	Nebraska	Utah
Hawaii	Nevada	Virginia
Idaho	New Mexico	Washington
Illinois	North Carolina	Wisconsin
Indiana	North Dakota	Wyoming

The Company's traditional individual product portfolio consists of the regular forms of term life, whole life, universal life, and a variety of individual fixed annuity products including deferred, single premium immediate, and certain annuities structured for retirement programs. The Company also offers several group products including term life, short and long-term disability, and vision. In addition, the Company offers pre-need policies used for funding pre-arranged funerals and low face amount final expense products used for expenses at time of death. The pre-need products consist of single premium guarantee issue, 3-pay, 5-pay, and 10-pay policies with payment plans offered in two forms. Full benefits are available from day one if certain medical questions are answered, otherwise, a graded benefit guaranteed issue product is offered. Pre-need products provide for an increasing death benefit that keeps pace with inflation. Final expense products consist of simplified issue whole life and a graded death benefit policy for those who do not qualify for simplified issue.

The Company distributes its ordinary/traditional products to the middle income market located in rural or suburban areas primarily through independent personal producing general agents recruited by regional directors. In this connection, the Company utilizes a national field force of approximately 1,200 general and associate agents.

The Company targets to the pre-need and final expense markets differentiating these markets by products and distribution methods. Pre-need products are distributed primarily through funeral homes that are serviced by general agents that specialize in this market, preferably funeral directors. Sales are made either directly in the funeral home or outside the funeral home by agents who have been authorized by the funeral home to act on their behalf. Final expense products are distributed through the general agency system. The Company's group insurance is marketed through the home office and distributed by its personal producing general agents and focuses primarily on school districts, municipalities and hospitals.

GROWTH OF THE COMPANY

The following represents the Company's Premium Activity and its relationship to surplus over the period of our examination:

	2013	2012	2011	2010	2009
Direct Written Premium	$52,453,160	51,321,189	48,042,337	43,015,240	38,739,812
Policyholder Surplus	$55,397,520	52,387,831	49,124,001	46,213,631	40,807,072
Gross Written Premium to Policyholder Surplus Ratio	95%	98%	98%	93%	95%

MORTALITY EXPERIENCE

The following represents the Company's mortality experience over the period of our examination as shown below:

Life Policies:

Year	Death Benefits Incurred	Reserves Released by Death	Net Death Benefits Incurred	Tabular Costs (Expected)	Net Ratio Actual to Expected Mortality
2008	17,826,936	8,973,279	8,853,657	15,327,267	57.76%
2009	16,357,630	9,945,305	6,412,325	15,503,025	41.36%
2010	21,272,924	11,351,543	9,921,381	16,066,994	61.75%
2011	24,095,035	13,266,630	10,828,405	17,049,902	63.51%
2012	26,642,574	15,373,317	11,269,257	18,332,219	61.47%
2013	29,283,899	16,428,528	12,855,371	18,243,469	70.47%

Accident and Health Policies:

Year	Premiums Earned	Claims Incurred	Other Expenses Incurred	Gain/(Loss) Before Dividends to Policyholders	Ratio of Benefits and Expenses to Earned Premium
2008	776,753	274,702	866,658	(310,413)	146.94%
2009	761,985	377,781	802,974	(407,039)	154.96%
2010	685,279	235,668	804,046	(348,792)	151.72%
2011	701,540	213,110	845,173	(351,157)	150.85%
2012	912,535	221,706	914,023	(222,178)	124.46%
2013	871,105	380,286	1,003,739	(512,182)	158.88%

The Accident and Health ratios reflected the claims and expenses incurred under the "run-off" of the old cancer expense policies and major medical business.

REINSURANCE

Assumed

The Company did not assume any reinsurance business during the period January 1, 2009 through December 31, 2013 and subsequent thereto.

Ceded

At December 31, 2013, the Company had reinsured 40 percent of its total life insurance in force. The in force life insurance ceded was placed with seven reinsurers, all authorized to transact business in the State of Idaho.

Under the automatic treaties, the Company was reinsured for its ordinary life risks, above its maximum retention limits of $100,000 up to a specified maximum reinsurers' limit, the highest of which is $900,000 per risk. Under facultative or facultative option treaties, additional amounts of risks may be ceded subject to the reinsurer's acceptance, as provided for in the agreements.

Under a coinsurance agreement effective January 1, 2000, the Company was reinsured for its "Legacy Term" risks (10 year, 15 year, and 20 year products) on a first dollar, 80 percent quota share basis, to a maximum retention of $150,000. All other life risks (universal life and whole life) have a $100,000 retention limit. The reinsurer's maximum limit is $1,000,000 per life.

As provided for by a catastrophic reinsurance agreement, the Company's group life, supplemental life, and individual life risks, above a $75,000 deductible, were ceded to an aggregate limit of $2,000,000 reimbursement per catastrophic accident occurrence.

Under an automatic treaty, the Company's group life and supplemental life business was reinsured for amounts up to $70,000 (group life) and $50,000 (supplemental life) on a 50 percent quota share per policy. For amounts in excess of the above retentions, they were ceded 100 percent to the reinsurer. The reinsurer's maximum limit was $1,000,000 combined limit (Group and Supplemental).

The Company's group long term disability business was reinsured on an automatic basis whereby the Company ceded 90 percent of its business on a quota share basis. The group short term disability business was reinsured on an automatic basis whereby the Company ceded 50 percent of its business on a quota share basis.

All of the aforementioned reinsurance agreements contained acceptable provisions for inspection of records, arbitration, termination and insolvency clauses and all reinsurers were authorized pursuant to Section 41-511, Idaho Code. Review of the aforementioned agreements indicated transfer of risk is present and no apparent surplus relief treaties existed at December 31, 2013.

In addition to the above, the Company entered into a 100 percent quota share reinsurance agreement with an unauthorized reinsurer effective January 1, 2008. In this agreement, the reinsurer agrees to reinsure the Company's Group and Association Dental PPO and Indemnity policies produced by an administrator. Total premium ceded under this agreement in 2013 was $15,842.

ACCOUNTS AND RECORDS

The annual independent audits of the Company for the years 2009 through 2013 were performed by Ernst & Young, LLP, Seattle Washington. Their audit reports and workpapers were made available for the examination.

Document and information requests for the examination were generally made in writing. The Company provided the requested documentation and information in a timely manner.

STATUTORY DEPOSITS

Pursuant to Section 41-316A, Idaho Code, the Company was required to maintain a deposit in an amount equal to $1,000,000. The Company's minimum capital and surplus requirement was $2,000,000 at December 31, 2013. The examination confirmed that the Company maintained statutory deposits with the States of Idaho, New Mexico, Georgia, North Carolina, and Virginia, consisting of the following securities, with a total par value of $3,089,498, which was adequate to cover the required deposit.

Description	Par Value (PV) **	Statement Value ***	Fair Value (FV) *
GNMA Remic Ser 2003 5.50 2/20/33	$2,174,489	$2,162,249	$2,444,865
US Treasury Strips Zero Cpn 08/15/15	200,000	141,267	133,054
Winston-Salem NC Cops, 6.05%, Due 06/01/34	430,000	430,000	431,363
Wells Fargo Adv Tr Pl MM INS	35,009	35,009	35,009
Virginia St Hsg Dev Auth, 6.75%, Due 03/01/29	250,000	254,425	279,628
Totals:	$3,089,498	$3,022,950	$3,323,919

* - The fair market value amounts were calculated from the December 2013 Annual Statement.
** - Confirmed with the various Departments of Insurance.
*** - Bonds are generally stated at amortized cost unless designated by NAIC as "medium or below quality" in which case the bonds are carried at fair value.

FINANCIAL STATEMENTS

Balance Sheet as of December 31, 2013

ASSETS

		Assets Current Year		Nonadmitted Assets		Net Admitted Assets
Bonds	$	467,861,277	$	-	$	467,861,277
Preferred stocks		753,500		-		753,500
Common stocks		2,927,725		15,000		2,912,725
First liens - mortgage loans on real estate		15,096,636		-		15,096,636
Properties occupied by the company		6,351,748		-		6,351,748
Cash $806,684; cash equivalents $0 and short-term investments $116,065		922,748		-		922,748
Contract loans		5,559,766		-		5,559,766
Other invested assets		1,246,175		-		1,246,175
Total cash and invested assets	$	500,719,575	$	15,000	$	500,704,575
Investment income due and accrued		8,039,073		-		8,039,073
Uncollected premiums and agents' balances in the course of collection		2,159,620		2,444,130		-284,510
Deferred premiums; agents' balances and installments booked but deferred and not yet due		6,824,824		-		6,824,824
Amounts recoverable from reinsurers		109,219		-		109,219
Current federal and foreign income tax recoverable and interest thereon		575,147		-		575,147
Net deferred tax asset		1,991,769		-		1,991,769
Guaranty funds receivable or on deposit		132,815		-		132,815
Electronic data processing equipment and software		382,126		-		382,126
Furniture and equipment; including health care delivery assets ($0)		554,807		-		554,807
Receivables from parent; subsidiaries and affiliates		1,033,661		-		1,033,661
Health care ($0) and other amounts receivable		18,771		18,771		0
Aggregate write-ins for other-than-invested assets		9,090		-21,969		31,060
Total Assets	$	522,550,497	$	2,455,932	$	520,094,566

* + or - $1rounding difference from what was reported in annual statement.

**Details of Write-ins: Flexible Benefits Deposits ($30,000), Employee Loans ($1,060), Non-Admitted Prepaid Misc. Expense (-$33,261), Non-admitted miscellaneous items ($11,292).

Balance Sheet, continued
As of December 31, 2013 (Continued)

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts (Note 1)	$	429,410,707
Aggregate reserve for accident and health contracts (Note 1)		447,820
Liability for deposit-type contracts (Note 1)		12,103,106
Life contract claims (Note 1)		2,448,691
Accident and health contract claims		214,475
Policyholders' dividends		83,816
Dividends apportioned for payment		811,414
Premiums and annuity considerations for life and accident and health contracts received in advance; including $5,761 accident and health premium (Note 1)		89,507
Other amounts payable on reinsurance including $175 ceded		175
Interest maintenance reserve (contract liabilities not included elsewhere)		12,300,593
Commissions to agents due or accrued-life and annuity contracts $146,851 accident and health $50,777 and deposit-type contract funds $0		197,628
General expenses due or accrued		1,358,915
Taxes; licenses and fees due or accrued; excluding federal income taxes		421,819
Unearned investment income		112,591
Amounts withheld or retained by company as agent or trustee		254,105
Amounts held for agents' account; including $8,426 agents' credit balances		155,897
Remittances and items not allocated		1,060,470
Borrowed money $0 and interest thereon $10,042		10,042
Asset valuation reserve (miscellaneous liabilities)		2,623,307
Payable for securities (miscellaneous liabilities)		578,207
Aggregate write-ins for liabilities		13,762
Total liabilities	$	464,697,046
Common capital stock		5,000,000
Surplus notes		6,900,000
Gross paid in and contributed surplus		4,000,000
Unassigned funds (surplus)		39,497,520
Totals capital stock and surplus	$	55,397,520.00
Totals of liabilities, capital stock and surplus	$	520,094,566

*Rounding off difference of -$1 from what was reported in the annual statement.
**Details of write-ins: FASB 106 Post Retirement Liability ($13,762)

SUMMARY OF OPERATIONS

For the Year Ending December 31, 2013

Premiums and annuity considerations for life and accident and health contracts	$ 68,117,510	
Net investment income	30,788,386	
Amortization of Interest Maintenance Reserve	1,341,212	
Commissions and expense allowances on reinsurance ceded	6,188	
Miscellaneous income	45,798	
Gross Income		$ 100,299,095.00
Death benefits	29,283,899	
Matured endowments	26,093	
Annuity benefits	7,431,330	
Disability benefits and benefits under accident and health contracts	376,971	
Surrender benefits and other fund withdrawals for life contracts	21,246,381	
Group conversions	2,892	
Interest and adjustments on contract or deposit-type contract funds	520,427	
Payments on supplementary contracts with life contingencies	102,941	
Increase in aggregate reserves for life and accident and health contracts	9,953,593	
Commissions on premiums, annuity considerations, and deposit type contract funds	10,336,323	
General insurance expenses	10,159,116	
Insurance taxes, licenses and fees, excluding federal income taxes	1,578,704	
Increase in loading on deferred and uncollected premiums	913,108	
Decrease in liability for post-retirement benefits	(333)	
Total deductions		91,931,445
Net gain from operations before dividends to policyholders and federal income taxes		$ 8,367,649*
Dividends to policyholders		773,846
Net gain from operations after dividends to policyholders and before federal income taxes		$ 7,593,804
Federal and foreign income taxes incurred		(1,909,130)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains		$ 5,684,674
Net realized capital gains less capital gains tax of $86,181 (excluding taxes of $803,735 transferred to the IMR)		176,974
Net income		$ 5,861,648

*Rounding off difference -$1 from what was reported in the annual statement

RECONCILIATION OF CAPITAL AND SURPLUS ACCOUNT

December 31, 2008 through December 31, 2013

	2009	2010	2011	2012	2013
Capital and surplus, December 31, previous year	$ 40,021,529	$ 40,807,072	$ 46,213,630	$ 49,124,000	$ 52,387,830
Net income	647,528	6,204,668	5,310,714	5,997,355	5,861,648
Change in net unrealized capital gains or (losses)	1,151,402	179,091	(191,563)	56,801	397,659
Change in net deferred income tax	2,480,649	(1,931,808)	(209,236)	(359,739)	(144,902)
Change in nonadmitted assets and related items	(2,884,531)	2,262,570	275,345	(159,659)	(431,274)
Change in reserve on account of change in valuation basis	0	261,812	0	0	(110,966)
Change in Asset Valuation Reserve	395	7,422	(219,571)	(770,928)	(962,476)
Change in surplus notes	0	0	(400,000)	(200,000)	0
Dividends to stockholders	(800,000)	(900,000)	(1,000,000)	(1,300,000)	(1,600,000)
Change in admitted deferred tax assets	190,100	(677,197)	(655,319)	0	0
Net change in capital and surplus for the year	$ 785,543	$ 5,406,558	$ 2,910,370	$ 3,263,830	$ 3,009,689
Capital and surplus, December 31, current year	$ 40,807,072	$ 46,213,630	$ 49,124,000	$ 52,387,830	$ 55,397,519

*Rounding off difference + or -$1 from what was reported in the annual statement

Analysis of Changes in Financial Statements Resulting From Examination

There were no adjustments made to surplus in the Report of Examination.

NOTES TO FINANCIAL STATEMENTS

Note (1)

Uncollected premiums and agents' balances in the course of collection	$ (284,510)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,824,824
Aggregate reserve for life contracts	429,210,707
Aggregate reserve for accident and health contracts	447,820
Liability for deposit-type contracts	12,103,106
Contract claims:	
Life	2,448,691
Accident and health	214,475
Premiums and annuity considerations for life and accident and health contracts received in advance	89,507

Mike Mayberry, FSA, MAAA, of Lewis & Ellis, Inc., was retained by the Department to perform the actuarial portion of the examination. Lewis & Ellis examined the actuarial assumptions and actuarial methods used in determining policy reserves and related actuarial items listed above and as reported in the 2013 Statement of Actuarial Opinion. Based upon their review, Lewis & Ellis concluded the year-end 2013 reserves reported by the Company were adequate.

SUMMARY OF RECOMMENDATIONS

Dividends

The prior exam report recommended the Company strengthen and/or expand its existing dividend procedures to prevent future non-compliance with Idaho law relative to dividend notification requirements. The current exam determined that dividends notifications again were not properly made. As of the current examination period, we noted at least three instances where the Company notified the Director of the dividends declared more than five business days from the date of declaration. In one case out of the three instances, the dividend was paid in less than ten days from the time the Director was notified of the dividend declaration.

The Company was advised in the prior examination, through the Report of Examination and Management Letter issued February 8, 2010, to strengthen dividend payment procedures to ensure the notification to the Department is timely and the payments are at least 10 days after the notification was submitted. The prior exam found that the May 18, 2009 and August 28, 2009 dividend declarations were paid in less than ten days from the date the Department was notified of the declaration, which was not in compliance with Section 41-3809 (2), Idaho Code.

Due to revisions of Idaho Code effective 2013, Section 41-3809 (2) is now Section 41-3812 (2), and provides that "A domestic insurer that is a member of a holding company system shall notify the director in writing of any nonextraordinary dividends to be paid or other distributions to be made to shareholders within five (5) business days following the declaration of the dividend or distribution, and shall notify the director in writing at least ten (10) days, commencing from the date of receipt by the director, prior to the payment of any dividends or the making of any other distribution."

We find the Company non-compliant with Section 41-3812 (2) (formerly Section 41-3809 (2)) of the Idaho Code for all three instances where the director was notified of the dividend declaration more than five days after the declaration date and for the single instance that the Company paid dividends in less than ten days from the date the Director was informed of the dividend declaration.

Therefore, we again recommend that, in the future, the Company comply with Section 41-3812 (2), Idaho Code when declaring and issuing dividends.

Special Deposits
The State of Georgia confirmed a special deposit held under a custodial agreement as of December 31, 2013. The total deposit was $35,009.14. The prior examination Management Letter indicated the Company did not report the special deposit with the State of Georgia on Schedule E - Part 3. The Company responded this was corrected in the 2009 Annual Statement. A review of Schedule E – Part 3 for the years 2009 through 2013 indicated this special deposit with the State of Georgia was not disclosed. Therefore, the Company did not properly address the prior Management Letter comment as indicated in its February 8, 2010 response.

Therefore, it is again recommend that NAIC *Life, Accident and Health Annual Statement Instructions* be followed and the State of Georgia special deposit be properly disclosed in Schedule E - Part 3 in future financial statements.

ACKNOWLEDGEMENT

Mike Mayberry, FSA, MAAA, of Lewis & Ellis, Inc. performed the actuarial phases of the examination. Jenny L. Jeffers, CISA, AES, CFE (fraud) of Jennan Enterprises, LLC performed the Information Systems review. In addition to the undersigned, Kelvin Ko, CFE, and Waheed Zafer, CFE, CPA, of Risk & Regulatory Consulting, LLC, participated in the examination representing the Idaho Department of Insurance. Hermoliva B. Abejar, CFE, of the Idaho Department of Insurance supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,

Lori Haley

Lois Haley, CFE
Examiner-in-Charge
Representing the Idaho Department of Insurance

State of Idaho
DEPARTMENT OF INSURANCE

C. L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

THOMAS DONOVAN
Deputy Director

AFFIDAVIT OF EXAMINER

State of Idaho
County of Ada

Lois Haley, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of United Heritage Life Insurance Company for the period from January 1, 2009 through December 31, 2013, including subsequent events, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief, and that any conclusions and recommendations contained in the report are based on the facts disclosed in the examination.

Lois Haley
Lois Haley, CFE
Senior Insurance Examiner
Department of Insurance
State of Idaho

Subscribed and sworn to before me the 27th day of JANUARY, 2015 at Boise, Idaho

JENSEN L. ZARRAN
Notary Public
State of Idaho

Notary Public

My commission expires: 10/31/2017

State of Idaho
DEPARTMENT OF INSURANCE
C. L. "BUTCH" OTTER
Governor
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FAX # (208)334-4398
THOMAS DONOVAN
Deputy Director

WAIVER

In the matter of the Report of Examination as of December 31, 2013, of the:

UNITED HERITAGE LIFE INSURANCE COMPANY
707 EAST UNITED HERITAGE COURT
MERIDIAN, IDAHO 83642

By executing this Waiver, the Company hereby acknowledges receipt of the above-described examination report, verified as of the 27th day of January, 2015, and by this Waiver hereby consents to the immediate entry of a final order by the Director of the Department of Insurance adopting said report without any modifications.

By executing this Waiver, the Company also hereby waives:

1. its right to examine the report for up to thirty (30) days as provided in Idaho Code section 41-227(4),
2. its right to make a written submission or rebuttal to the report prior to entry of a final order as provided in Idaho Code section 41-227(4) and (5),
3. any right to request a hearing under Idaho Code sections 41-227(5) and (6), 41-232(2)(b), or elsewhere in the Idaho Code, and
4. any right to seek reconsideration and appeal from the Director's order adopting the report as provided by section 41-227(6), Idaho Code, or elsewhere in the Idaho Code.

Dated this 3 day of February, 2015

UNITED HERITAGE LIFE INSURANCE COMPANY

TODD GILL
Name (print)

Todd Gill
Name (signature)

SENIOR VP & CFO
Title

EXHIBIT
tabbies
B