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APR 17 2024

Department of Insurance  
State of Idaho

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE  
STATE OF IDAHO**

In the Matter of:

UNITED HERITAGE LIFE INSURANCE  
COMPANY

Certificate of Authority No. 151  
NAIC No. 63983

Docket No. 18-4414-24

**ORDER ADOPTING REPORT  
OF EXAMINATION AS OF  
DECEMBER 31, 2022**

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”) to ascertain compliance with title 41, Idaho Code, and related rules, pursuant to Idaho Code § 41-219(1) and (5), 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 UHLIC for the period of January 1, 2018 to December 31, 2022 (“Report”), as filed.

**FINDINGS OF FACT**

1. UHLIC is an Idaho-domiciled insurance company licensed by the Department to transact life 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) and (5) on or about March 6, 2024. The Department’s findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report was filed with the Department on March 21, 2024, and was transmitted to UHLIC on the same date. A copy of the Report is attached hereto as Exhibit A.

4. On April 2, 2024, the Department received a Waiver signed by Mathew Dahl, the Senior Vice President and CFO of UHLIC. By execution of such Waiver, a copy of which is attached hereto as Exhibit B, United Heritage Life Insurance Company, 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 for the Director’s final order.

### **CONCLUSIONS OF LAW**

5. Idaho Code § 41-227(5)(a) provides that, after expiration 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, with regard to the matters examined and information provided by UHLIC, the comments and recommendations contained in the Report are appropriate and are incorporated herein as if set forth in full.

### **ORDER**

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of United Heritage Life Insurance Company for the period of January 1, 2018 to December 31, 2022, 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 1, title 74, 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 Chief Examiner affidavits executed by each of its directors or, if none, its principal officers, stating under oath that they have received a copy of the adopted Report and related orders.

**IT IS SO ORDERED.**

DATED this 16 day of April, 2024.

STATE OF IDAHO  
DEPARTMENT OF INSURANCE



DEAN L. CAMERON  
Director

### **NOTIFICATION OF RIGHTS**

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

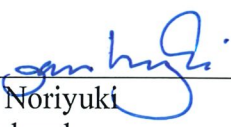
Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.



### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 17<sup>th</sup> day of April, 2024, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2022, to be served upon the following by the designated means:

Mathew Dahl SVP/CFO United Heritage Life Insurance Company 707 E. United Heritage Court Meridian, ID 83642	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:mdahl@unitedheritage.com">mdahl@unitedheritage.com</a>
John Keenan Deputy Attorney General Idaho Department of Insurance 700 W. State Street, 3 <sup>rd</sup> Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:john.keenan@doi.idaho.gov">john.keenan@doi.idaho.gov</a>
Eric Fletcher Chief Examiner, Company Activities Bureau Chief Idaho Department of Insurance 700 W. State Street, 3 <sup>rd</sup> Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:eric.fletcher@doi.idaho.gov">eric.fletcher@doi.idaho.gov</a>
James Anderson Deputy Chief Examiner Idaho Department of Insurance 700 W. State Street, 3 <sup>rd</sup> Floor P.O. Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:james.anderson@doi.idaho.gov">james.anderson@doi.idaho.gov</a>

  
\_\_\_\_\_  
Jan Noriyuki  
Paralegal

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

United Heritage Life Insurance Company  
(Life)

(NAIC Company Code: 63983)  
(Group Code: 2878)

As of  
December 31, 2022

**EXHIBIT**

**A**

exhibitsticker.com

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Meridian, Idaho  
March 6, 2024

The Honorable Dean Cameron  
Director of Insurance  
State of Idaho  
700 West State Street  
P.O. Box 83720  
Boise, Idaho 83720-0043

Dear 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, 2022, of the financial condition and corporate affairs of:

United Heritage Life Insurance Company  
707 E United Heritage Court  
Meridian, Idaho

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 examination of the Company in conjunction with the full-scope multi-state coordinated examination of the United Heritage Mutual Holding Company group. The last examination was completed as of December 31, 2017. This examination covers the period of January 1, 2018, through December 31, 2022.

### *Examination Procedures Employed*

Our examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (the “Handbook”) to determine compliance with accounting practices and procedures in conformity with the applicable laws and rules promulgated by the Idaho Department of Insurance (the “Department”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment was identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to the Company.

The examination determined the risks associated with identified key functional areas 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 Company retained the services of a certified public accounting firm, JLK Rosenberger, LLP 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 appropriate.

The examination relied on the findings of the actuarial firm contracted by the Department to verify pricing and reserves.

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*

The preceding Report of Examination, adopted June 13, 2019, which covered the period from January 1, 2014, to December 31, 2017, did not disclose any material adverse findings or any adjustments that the Company's reported capital and surplus.

The prior Examination Report as of December 31, 2017, was distributed to the Board on August 15, 2019, in accordance with Idaho Code § 41-227(6)(a).

### **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**

We noted no significant subsequent events as of the date of this report.

### **COMPANY HISTORY**

#### *General*

On July 7, 1934, the Company was incorporated as a fraternal benefit society pursuant to the provisions of Title 41, Chapter 32, Idaho Code, and commenced business on September 10, 1935.

On December 20, 1946, the Articles of Incorporation were amended converting the fraternal benefit society to a legal reserve mutual life insurance company, changing its name to Grange Mutual Life Company. On May 13, 1991, the Articles of Incorporation were amended to reflect a name change to United Heritage Mutual Life Insurance Company.

On March 15, 1973, Grange Financial Services, Inc. was formed, which on or about September 1993 changed its name to United Heritage Financial Services, Inc. On September 10, 1993, United Heritage Holdings, Inc. was formed, which on or about August 2001 changed its name to United Heritage Financial Group, Inc. The Company was the sole shareholder of both entities.

On November 7, 2000, United Heritage Financial Group, Inc., acquired 100% of United Heritage Property & Casualty Company.

Effective, August 28, 2001, the Company converted to a mutual insurance holding company structure with Director approval pursuant to Section 41-2855, Idaho Code, and the Mutual Holding Company Act of Idaho Code, Title 41. On August 28, 2001, United Heritage Mutual Holding Company, Inc., was incorporated under the ownership of the member policyholders of United

Heritage Life Insurance Company, with United Heritage Mutual Holding Company, Inc. becoming the ultimate controlling person of the holding company system. This reorganization caused United Heritage Financial Group, Inc., and United Heritage Financial Services, Inc. to become 100% wholly owned subsidiaries of United Heritage Mutual Holding Company, Inc. Simultaneously, the Company became a wholly owned subsidiary of the intermediate mutual holding company, United Heritage Financial Group, Inc., through a stock exchange.

On December 13, 2001, the Company's First Articles of Amendment to Articles of Incorporation were filed and approved by the Department of Insurance, authorizing 1,500,000 shares of common stock each with a par value of \$5, issued to United Heritage Financial Group, Inc.

On December 20, 2002, Sublimity Insurance Company, domiciled in Oregon, entered into an agreement to be acquired by United Heritage Mutual Holding Company. On May 23, 2003, all shares of Sublimity Insurance Company's common capital stock, along with its wholly owned subsidiary Sublimity Service Corporation, were transferred to United Heritage Financial Group, Inc. Then on March 3, 2003, the Company formed United Heritage Marketing Services, Inc.

On or about March 31, 2007, United Heritage Financial Group, Inc., divested the business of United Heritage Financial Services, Inc. Effective May 31, 2007, United Heritage Financial Services, Inc., was merged into United Heritage Financial Group, Inc.

April 1, 2013, United Heritage Financial Group, Inc., acquired approximately 95% of Merced Property & Casualty Company, domiciled in California. On December 17, 2014, United Heritage Financial Group, Inc., became Merced's sole shareholder. On December 3, 2018, Merced Property & Casualty Company was deemed insolvent and placed into liquidation.

On August 8, 2022, AlphaEdge Investment Management, Inc. was incorporated in anticipation of providing certain investment services to the Company. Subsequent to the examination period, on December 18, 2023, United Heritage Financial Group, Inc. formally became its sole owner.

#### *Dividends and Capital Contributions*

The following ordinary dividends were issued in accordance with Idaho Code § 41-3812 to the intermediate parent, United Heritage Financial Group (UHFG), during the examination period:

<b>Year</b>	<b>Amount</b>
2018	\$ 2,000,000
2019	2,000,000
2020	2,000,000
2021	2,000,000
2022	2,000,000
<b>Total</b>	<b>\$ 10,000,000</b>

As of December 31, 2022, the Company had 1,500,000 common stock shares authorized, 1,000,000 shares issued and outstanding, with a par value of \$5. There were no capital contributions during the examination period.

#### *Mergers and Acquisitions*

There were no mergers and acquisitions during the examination period.

#### *Surplus Debentures*

On September 15, 2005, the Company issued a surplus note to Wilmington Trust, as trustee, in the amount of \$7,500,000. As of December 31, 2022, the face amount of \$4,000,000 remained outstanding. On September 15, 2035, the principal amount of the note matures.

### **CORPORATE RECORDS**

Regular and special meetings of the Board of Directors (the “Board”) were conducted at least four times each year under examination. The meetings were held in person or virtually. At each annual shareholder meeting, directors were nominated and elected to staggered terms in accordance with Idaho Code § 41-2835(2). The Board meeting minutes for the period of January 1, 2018, to December 31, 2022, were reviewed noting matters pertaining to budgeting, trends, reserving, expansion, corporate governance, and other operational issues were reviewed and discussed. Additionally, the Company has established procedures for disclosure of any material affiliation likely to conflict with the individual’s official duties. The conflict of interest disclosures were reviewed for each year under examination noting no material conflicts. The sale or exchange of any investment or loan as described in Idaho Code § 41-704 was authorized and approved by the Board of Directors. The Company’s corporate records, which included but were not limited to, accounting, claims system, policyholder information and Board meeting minutes were kept at the corporate office in Meridian, Idaho.

### **MANAGEMENT AND CORPORATE GOVERNANCE**

The bylaws of the Company indicated the number of directors may not be less than five (5) persons no more than fifteen (15) persons.

The following persons served as directors of the Company as of December 31, 2022:

<u>Name</u>	<u>Principal Occupation</u>
Steven Donald Hauschild, Chairman Spokane, Washington	Director of Business Lending, BECU <i>formerly Boeing Employees' Credit Union</i>
Michael Martin Brem Turlock, California	Retired, SupHerb Farms
Todd Hunter Gill Meridian, Idaho	President, CEO, UHMHC, UHFG, and UHLIC
Diane Luise Polscer Wilsonville, Oregon	Managing Partner, Gordon & Polscer
John William Holleran Boise, Idaho	Retired, Executive Vice President and Chief Operating Officer, Itron, Inc.
Michelle Elizabeth Hege Spokane, Washington	President and CEO, Desautel Hege Communications
Richard Clinton Waitley Meridian, Idaho	President, Association Management Group
Michael Mark Mooney Boise, Idaho	Retired, Bank of Cascades, Idaho Region

As of March 31, 2023, subsequent to the examination period, Jeff Chandler Kinneveauk and Zachary Dirk Tudor were named directors, replacing Richard Waitley and a vacancy.

#### Committees

The Company's bylaws authorize the Board of Directors to establish an Executive Committee of the Board of Directors, composed of the Chairman of the Board, Vice Chairman of the Board and the President. The Chairman of the Board may also appoint such other committees as it may determine from time to time, to serve at the pleasure of the full Board of Directors. As of December 31, 2022, the Company's board of directors had the following committees:

#### Audit Committee

The Audit Committee was responsible for oversight of the external audit function including but not limited to review and approval of the financial audit results, monitoring the preliminary audit results including evaluating uncorrected misstatements, material weaknesses in internal controls and significant deficiencies, if applicable. The Audit Committee also reviewed the Annual Statements, Management Discussion & Analysis, and Actuarial Opinions and Reports. As of December 31, 2022, the following served on the Audit Committee:

- Michael Mooney, Committee Chairman
- Steven Hauschild
- Michael Brem

- John W. Holleran

#### Compensation Committee

The Compensation Committee was responsible for the review and approval of the profit sharing resolutions; individual, discretionary and holiday bonuses; salary increases and compensation policies. Other matters discussed included but was not limited to year-to-date financial results; inflation issues; unemployment rates; salary surveys; salary bands; dental, vision, short-term and long-term insurance; IRS contribution limits and Cafeteria Plans. As of December 31, 2022, the following served on the Compensation Committee:

- Diane Polscer, Committee Chairman
- Steven Hauschild
- Richard Waitley
- John Holleran
- Michelle Hege

#### Executive Committee

The Executive Committee acts on behalf of the full Board when there is not a regular or special meeting of the Board ensuring all urgent and critical issues are handled in a timely manner. Members as of December 31, 2022, were as follows:

- Steven Hauschild, Chairman of the Board
- Diane Polscer, Vice Chairman of the Board
- Todd Gill, President, CEO

#### Marketing and Branding Committee

This Committee was responsible for reviewing and monitoring the year-to-date production levels, yearly projections, persistency results, product expansion including the preneed product, expansion into new states, partnerships, social media goals, branding strategy, AlphaEdge Investment Management branding, and the Company's goals related to branding. As of December 31, 2022, the following served on the Marketing & Branding Committee:

- Richard Waitley, Committee Chairman
- Diane Polscer, Vice Chairman of the Board
- Todd H. Gill
- Michael Brem
- Michael Mooney
- Michelle Hege

UHFG, the immediate parent, established the following committees on behalf of the holding Company:



### Investment Committee

The Investment Committee was responsible for but not limited to review and approval of investments, the investment policy, review of inflationary pressures and impact, interest rates and corporate spreads, legislative impacts, types/kinds of investments including asset allocations, real estate and mortgage portfolios. As of December 31, 2022, the following served on the Investment Committee:

- Dean D. Sandros, Committee Chairman
- Todd H. Gill
- Michael Brem
- John Holleran
- Mathew D. Dahl
- Marcus S. McDonald
- Brian K. Montgomery

### Retirement Committee

This Committee was responsible for reviewing the fund's performance including individual fund returns; fund changes including the inclusion, elimination or replacement of certain funds; plan administrator activities; audit fees and ERISA account balances. As of December 31, 2022, the following served on the Retirement Committee:

- Dean D. Sandros, Committee Chairman
- Steven Hauschild, Chairman of the Board
- Todd H. Gill
- Mathew D. Dahl
- Kevin W. Lucke
- Stefanie A. Thiel

### Risk Committee

This Committee reviewed and discussed corporate insurance renewals, succession and talent management planning, governance, development methodologies, risks associated with inflation, weather, regulatory and legislative developments and market issues, inflationary pressure on staffing, investments and ESG activities. The discussions held appeared high-level in nature. There was no documentation evidencing detailed discussions regarding risk identification, risk assessment, risk prioritization, risk treatment and risk monitoring. As of December 31, 2022, the following served on the Risk Committee:

- Diane Polsker, Committee Chairman
- Steven Hauschild, Chairman of the Board
- Todd H. Gill
- Mathew D. Dahl
- Jill L. Evoy

- Michael Mooney
- Johanna C.L. Hale
- Kevin W. Lucke
- Richard Shane Nelson
- Jeffrey D. Neumeyer
- Dean D. Sandros
- Stefanie A. Thiel
- Shawn R. Turner

United Heritage Mutual Holding Company, Inc., ultimate parent, established the following committee:

#### Governance & Nominating Committee

The Governance & Nominating Committee was responsible for committee and structural assignments including appointments, review of potential Directors biographical information, board recruitment, board compensation, and interviewing potential Directors. As of December 31, 2022, the following served on the Governance & Nominating Committee:

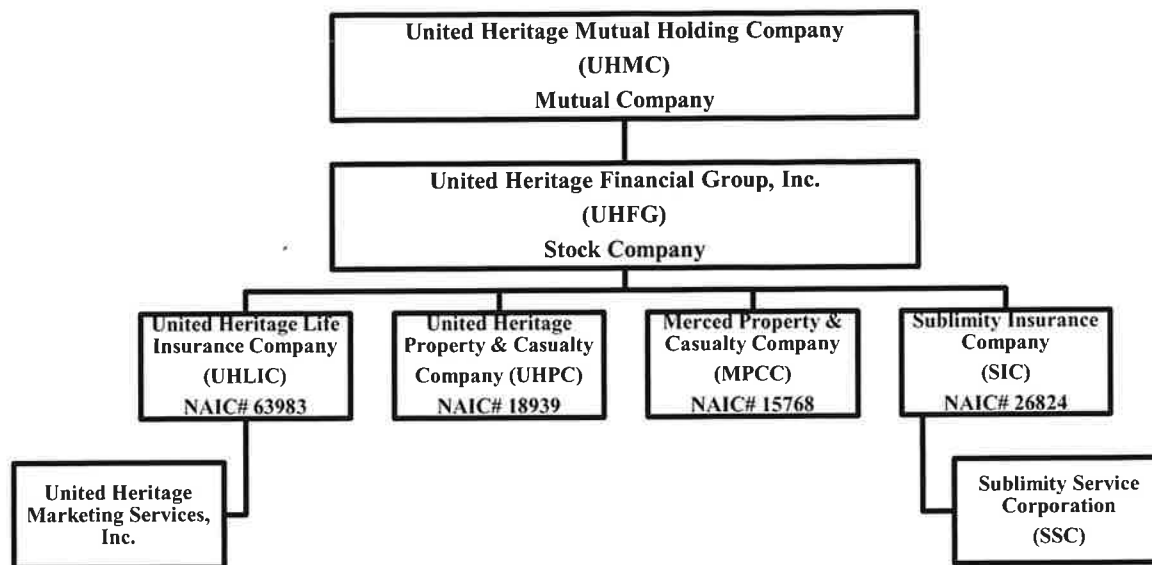
- Steven Hauschild
- John Holleran
- Michael Brem
- Todd H. Gill

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 include a Secretary and a Treasurer. The following persons served as officers of the Company as of December 31, 2022:

<u>Name</u>	<u>Position</u>
Todd H. Gill	President
Dean D. Sandros	Treasurer
Jeffrey D. Neumeyer	Secretary
Mathew D. Dahl	Senior Vice President and Chief Financial Officer
Robert M. McCarvel	Senior Vice President and Chief Marketing Officer
Richard S. Nelson	Senior Vice President, Group, and Chief Customer Officer
ZoeAnn Greenfield	Vice President, Customer Experience
Stefanie A. Thiel	Senior Vice President and Chief Human Resource Officer
Tracey R. Oneale	Vice President, Deputy General Counsel, and Assistant Secretary

#### *Insurance Holding Company System*

The Company is a member of an insurance holding company system with the ultimate controlling person being United Heritage Mutual Holding Company as depicted in the following organizational chart as of December 31, 2022:



#### *Agreements with Affiliates*

As of December 31, 2022, the Company was a party to the following related party agreements:

##### Cost Sharing and Allocation Agreement

Effective October 4, 2013, UHFG and all of its direct and indirect subsidiaries entered into an agreement whereby certain operating expenses benefiting more than one Company were allocated based on each Company's respective use or benefit of that expense. Allocable expenses include but were not limited to employee benefit plans [health insurance, dental insurance, 401(k), long-term disability, etc.], building rent, operating expenses, investment management, human resource management, information technology and services, regulatory and statutory compliance. This agreement was effective continuously until amended or terminated by the parties. Subsequent to the examination period, effective January 1, 2024, the parties amended this agreement to integrate AlphaEdge Investment Management and clarify certain cost allocation methods.

### Lease Agreements

Effective January 1, 2018, the Company entered into separate lease agreements with UHFG and United Heritage Property & Casualty Company (UHPC). Pursuant to the agreements both UHFG and UHPC rented general office space from the Company, including but not limited to common areas and other shared areas including parking on a month to month basis. These agreements were effective continuously until amended or terminated by the parties.

### Revolving Lines of Credit

Effective March 1, 2018, the Company entered into two, separate revolving lines of credit agreements with UHFG via promissory notes. Pursuant to the promissory notes, the Company could borrow or loan UHFG up to \$4,000,000, at an adjustable rate based on the Wells Fargo Prime Rate. Both agreements had a maturity date of February 28, 2023.

### Tax Allocation Agreement

Effective December 31, 2013, this agreement was entered into between United Heritage Mutual Holding Company, its wholly owned subsidiary, UHFG, and all of its direct and indirect subsidiaries. Pursuant to this agreement, all members of this group intends to file a consolidated federal income tax return. The federal income tax liability, including the alternative minimum tax liability or tax benefit would be computed separately or independently for each member of the group. This agreement was effective continuously until amended or terminated by the parties.

## **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 \$1,250,000. As of December 31, 2022, 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, Employment Practice Liability, and Fiduciary Liability.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

### *401(k) and Profit Sharing*

The Company participates in the United Heritage Financial Group 401(k) Plan, for which all employees 21 or over and employed for one month or more are eligible to participate. Participating employees may elect to contribute up to the Internal Revenue Service limitations to available investment funds. The Company matches employee contributions up to a maximum of 4% of their salaries. In addition, the Company provides discretionary profit sharing contributions. As of December 31, 2022, the Company incurred \$260,021 in expenses.

### *Deferred Compensation Plans*

The Company established a supplemental executive retirement plan to provide incentives to certain executives and officers to remain employed with the Company until retirement. This plan included a component for excess 401 (k) and profit sharing for officers who qualify. As of December 31, 2022, the value of the plan was \$673,899, that was reported in other liabilities on the balance sheet.

### *Postretirement Benefits Plans*

The Company provided health care benefits for a limited group of retired employees under an unfunded postretirement benefit plan, that provides for the payment of the retired employees' medical insurance premiums. As of December 31, 2022, the postretirement benefit obligation and net periodic postretirement expenses were \$2,998 and \$192, respectively.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2022, the Company was licensed in 49 states, except New York, as well as the District of Columbia. The Company offers a multitude of products including life insurance, preneed, final expense, individual fixed annuities and group life and disability. The individual fixed annuities were distributed via independent personal producing general agents, group products via independent agents, whole life products including final expense via a separate general agency system, and preneed products via individual funeral homes.

The Company utilized a Regional Director Distribution system with three external Regional Directors and a Preneed Marketing organization responsible for agent/funeral home development. As of December 31, 2022, the Company had 492 active producers and 390 active funeral homes with an active producer. The Company was focused on the sale of preneed, annuity, and final expense products.

## **GROWTH OF THE COMPANY**

The following represents the Company's gross written premium activity and its relationship to capital and surplus over the examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Gross Written Premiums	\$90,587,585	\$95,730,942	\$86,529,438	\$109,896,613	\$103,650,910
Capital and Surplus	\$67,268,222	\$70,835,844	\$72,544,115	\$76,147,471	\$78,089,515
Gross Written Premiums to Capital and Surplus Ratio	135%	135%	119%	144%	133%

In 2022, the premium growth was lower for annuity products because of rising interest rates. Also, benefits paid increased by 8.9%.

## LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net Premiums Earned	\$ 84,010,289	\$ 87,641,023	\$ 77,761,535	\$ 100,087,896	\$ 93,403,867
Total Benefits Incurred	\$ 84,848,442	\$ 90,269,972	\$ 83,491,750	\$ 107,293,183	\$ 100,866,220
Total Loss and LAE Incurred to Net Premium Earned (Loss Ratio)	101%	103%	107%	107%	108%

## REINSURANCE

### *Assumed*

The Company did not assume any reinsurance during the examination period.

### *Ceded*

During the examination period, the individual health lines of business were coinsured on a 50% basis. The Company's individual life insurance products were reinsured on either a yearly-renewable term (YRT) or coinsurance basis. The Legacy Term products were reinsured on an 80% coinsurance basis with a maximum retention limit of \$150,000. All other life risks had a maximum retention limit of \$100,000.

The Group Term Life business was reinsured on a YRT basis via a 50% quota share arrangement with a maximum retention limit of \$35,000 per life for basic employee life and \$25,000 per life for supplemental life insurance, in excess of 100% reinsured over the maximum for basic and supplemental coverage. The Group basic and supplemental accidental death and dismemberment was reinsured at 100%. The group short-term disability was reinsured at 50%; group long-term disability was reinsured at 80%; and the accidental and critical illness policies were 100% reinsured.

Pursuant to a YRT catastrophe excess of loss reinsurance contract the individual life, group life and supplemental policies were subject to catastrophic coverage as well. The Company's retention limit was \$75,000 of ultimate net loss, arising out of each loss occurrence irrespective of the number and kinds of policies involved. The reinsurance was liable for amounts in excess of the retention limit not to exceed \$20.0M for each loss occurrence and \$40.0M for all loss occurrences.

The reinsurance agreements contained inspection of records, arbitration, termination and insolvency clauses. The reinsurers were authorized pursuant to Idaho Code § 41-511.



## ACCOUNTS AND RECORDS

### General Accounting

The Company used a combination of commercially available and internally developed software for general ledger and financial reporting, policy administration and investment funds management, producer management and data warehousing.

### Independent Auditor

For each year under examination, the annual independent audits were performed by JLK Rosenberger, LLP. The audit support work papers for the year-ended December 31, 2022, were made available for review.

## STATUTORY DEPOSITS

Pursuant to Idaho Code § 41-316A, the Company was required to maintain a deposit in an amount equal to \$1,000,000. The Company's minimum capital requirement was \$2,000,000 at December 31, 2022. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of corporate and municipal bonds with a par value of \$2,905,000, which was adequate to cover the required deposit.

The special deposits maintained by or through regulatory agencies on the policyholder's behalf as of December 31, 2022, were as follows:

<u>State</u>	<u>Description</u>	<u>Statement Value</u>	<u>Fair Value</u>
Georgia	Certificate of Deposit	35,000	35,000
Idaho	Municipal Bonds	2,549,125	2,351,970
Massachusetts	US Treasury Bond	123,278	108,812
New Mexico	US Treasury Bond	276,466	216,202
North Carolina	Treasury Bond	430,054	430,054
Virginia	US Treasury Bond	286,377	234,267
<b>Total</b>		<b>\$ 3,700,300</b>	<b>\$ 3,376,305</b>

## **FINANCIAL STATEMENTS**

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

Statement of Assets

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$590,742,594		\$590,742,594
Stocks			
Preferred Stocks	22,151,575		22,151,575
Common Stocks	26,272,730	15,251	26,257,479
Mortgage loans on real estate			
First liens	3,671,075		3,671,075
Real estate			
Properties occupied by the company	9,369,468		9,369,468
Cash, cash equivalents and short -term investments	802,692		802,692
Contract loans	4,809,595		4,809,595
Other invested assets	31,638,491		31,638,491
Receivable for securities	517,697		517,697
Investment income due and accrued	7,302,018		7,302,018
Uncollected premiums and agents' balances in course of collection	883,305	470,264	413,041
Amounts receivable from reinsurers	732,752		732,752
Current federal and foreign income tax recoverable and interest thereon	815,652		815,652
Net deferred tax asset	4,400,626		4,400,626
Guaranty funds receivable or on deposit	32,243		32,243
Electronic data processing equipment and software	33,650		33,650
Furniture and equipment, including health care delivery assets	307,038		307,038
Receivables from parent, subsidiaries and affiliates	99,274		99,274
Health care and other amounts receivable	74,554	74,554	-
Prepaid Miscellaneous Expense	2,000	2,000	-
Miscellaneous Items in process	65,401	65,401	-
Prepaid Reinsurance	18,750	18,750	-
<b>Total</b>	<u>\$704,743,182</u>	<u>\$646,219</u>	<u>\$704,096,963</u>

### Statement of Liabilities

Aggregate reserves for life contracts	\$ 562,330,411
Aggregate reserves for accident and health contracts	2,232,701
Liability for deposit-type contracts	9,859,317
Contract claims	
Life	2,542,577
Accident and Health	287,919
Policyholder dividends/refunds to members due and unpaid	20,673
Policyholders' dividends and refunds to members apportioned for payment	170,824
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	112,992
Other amounts payable on reinsurance, including assumed and ceded	1,106,175
Interest Maintenance reserve	29,763,936
Commissions to agents due or accrued-life and annuity contracts, accident and health and deposit-type contract funds	1,056,996
General expenses due or accrued	1,691,248
Taxes, licenses and fees due or accrued, excluding federal income taxes	293,624
Unearned investment income	74,959
Amounts withheld or retained by reporting entity as agent or trustee	537,207
Amounts held for agents' account, including agents' credit balances	1,047,897
Remittances and items not allocated	1,565,895
Borrowed Money and interest thereon	10,821
Asset valuation reserve	10,728,404
Payable to parent, subsidiaries and affiliates	569,875
FASB 106 post retirement liabilities	2,998
<b>Total liabilities</b>	<b><u>\$ 626,007,447</u></b>

### Summary of Operations

Premiums and annuity considerations for life and accident and health contracts	\$ 93,403,867
Net investment income	33,091,987
Amortization of Interest Maintenance Reserves	2,477,952
Miscellaneous Income	460,678
Total	<u>\$ 129,434,484</u>
Death benefits	\$ 45,004,441
Matured endowments	78,795
Annuity Benefits	10,213,996
Disability benefits and benefits under accident and health contracts	1,802,075
Surrender benefits and withdrawals for life contracts	20,950,242
Interest and adjustments on contract or deposit-type contract funds	442,077
Payments on supplementary contracts with life contingencies	76,917
Increase in aggregate reserves for life and accident and health contracts	22,297,677
Totals	<u>\$ 100,866,220</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 9,842,634
General insurance expenses and fraternal expenses	14,456,098
Insurance taxes, licenses and fees, excluding federal income taxes	1,927,848
Increase in loading on deferred and uncollected premiums	19,519
Inc (dec) in liability for post retirement benefits	(192)
Totals	<u>\$ 127,112,126</u>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	\$ 2,322,358
Dividends to policyholders and refunds to members	164,855
Net gains from operations after dividends to policyholders, refunds to members and before federal income taxes	\$ 2,157,503
Federal and foreign income taxes incurred (excluding tax on capital gains)	721,323
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	\$ 1,436,180
Net realized capital gains (losses) less capital gain tax	723,038
Net income	<u>\$ 2,159,219</u>

Capital and Surplus

Capital and Surplus, December 31, prior year	\$ 76,147,469
Net income	2,159,219
Change in net unrealized capital gains (losses) less capital gain tax	(904,679)
Change in net deferred income tax	816,178
Change in nonadmitted assets	235,376
Change in asset valuation reserve	2,235,953
Change in surplus notes	(600,000)
Dividend to stockholders	(2,000,000)
Net change in capital and surplus for year	<u>\$ 1,942,047</u>
Capital and surplus, December 31, current year	<u><u>\$ 78,089,515</u></u>



### Reconciliation of Capital and Surplus

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$63,322,618	\$67,268,222	\$70,835,845	\$72,544,112	\$76,147,469
Net income	6,279,196	5,127,667	5,107,349	5,199,588	2,159,219
Change in net unrealized capital gains (losses) less capital gain tax	(1,086,398)	664,440	1,828,868	3,510,424	(904,679)
Change in net deferred income tax	798,372	888,279	(956)	287,348	816,178
Change in nonadmitted assets	1,233,693	574,362	233,158	133,584	235,376
Change in asset valuation reserves	(779,260)	(1,087,126)	(2,860,149)	(2,927,587)	2,235,953
Change in surplus notes	(500,000)	(600,000)	(600,000)	(600,000)	(600,000)
Dividends to stockholders	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Net change in capital and surplus	<u>\$ 3,945,603</u>	<u>\$ 3,567,622</u>	<u>\$ 1,708,270</u>	<u>\$ 3,603,357</u>	<u>\$ 1,942,047</u>
Capital and surplus, December 31, current year	<u>\$67,268,222</u>	<u>\$70,835,845</u>	<u>\$72,544,115</u>	<u>\$76,147,469</u>	<u>\$78,089,515</u>

Analysis of Change in Financial Statements Resulting from Examination

There were no material adjustments to surplus resulting from the examination.

Comments on Financial Statement Items

There were no adverse findings or material changes to the financial statements resulting from the examination.

**SUMMARY OF RECOMMENDATIONS**

There were no material findings or recommendations rising to the level deemed necessary for inclusion in this report of examination.

## ACKNOWLEDGEMENT

Benjamin Leiser, FSA, MAAA, Consulting Actuary for Risk & Regulatory Consulting, LLC. performed the actuarial phases of the examination. Jenny Jeffers and Joanna Latham, CPA, CFE, AES, CISA, CRISC, of Jennan Enterprise LLC, performed the information systems review. 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,



Toni L. Bean, CFE (Fraud), CIA, CRMA  
Examiner-in-Charge  
Representing the Idaho Department of Insurance



Eric Fletcher, CFE, PIR  
Bureau Chief/Chief Examiner  
Idaho Department of Insurance

## AFFIDAVIT OF EXAMINER

Alabama  
Shelby

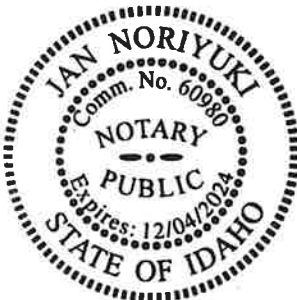
Toni L. Bean, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of United Heritage Life Insurance Company. for the period January 1, 2018 through December 31, 2022, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Toni Bean

Toni. L. Bean, CFE (Fraud), CIA, CRMA  
Examiner-in-Charge  
INS Regulatory Insurance Services  
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 21<sup>st</sup> day of March, 2024, at Boise (City),  
ID (State).

[Signature]  
Notary Public



My Commission Expires: 12-4-2024

## AFFIDAVIT OF EXAMINER

Idaho

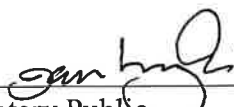
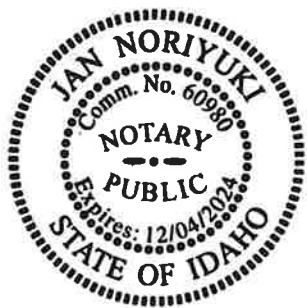
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Eric Fletcher, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of United Heritage Life Insurance Company for the period January 1, 2018 through December 31, 2022, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.



Eric Fletcher, CFE, PIR  
Bureau Chief/Chief Examiner  
Idaho Department of Insurance

Subscribe and sworn to before me the 21<sup>st</sup> day of March, 2024, at Boise (City),  
ID (State).

  
Notary Public

My Commission Expires: 12-4-2024