



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Reliable Life Insurance Company for the period ended December 31, 2013

ORDER

After full consideration and review of the report of the financial examination of Reliable Life Insurance Company for the period ended December 31, 2013, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Reliable Life Insurance Company as of December 31, 2013 be and is hereby ADOPTED as filed and for Reliable Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 12th day of June, 2015.



A handwritten signature in blue ink, appearing to read "John M. Huff", is written over a horizontal line.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

The Reliable Life Insurance Company

As of:
DECEMBER 31, 2013

FILED
JUN 22 2015
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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April 10, 2015
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

The Reliable Life Insurance Company

hereinafter referred to as "Reliable", "Reliable Life" or the "Company". The Company's home office is located at 12115 Lackland Road, St. Louis, Missouri 63146; telephone number (314) 819-4300. Examination fieldwork began on June 2, 2014, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of The Reliable Life Insurance Company in conjunction with examiners from the State of Illinois. The last examination was completed as of December 31, 2009. This examination covers the period from January 1, 2010, through December 31, 2013. This examination also included material transactions or events occurring subsequent to December 31, 2013.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) or statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and to identify prospective risks of the Company. This process involves obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating the systems controls and procedures used by the Company to mitigate those risks. The examination also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The following key activities were identified: Affiliated Companies, Claims and Reserves, Expenses, Investments and Treasury, Premiums and Underwriting, and Reinsurance.

Reliable is a member of the Kemper Corporation group. Illinois is the designated lead state for the Kemper Home Services segment of companies (which includes Reliable) within this group. The Illinois Department of Insurance led the coordinated examination of the Kemper Home Service companies. We relied heavily on control documentation and testing performed by the Illinois examiners for common areas of operation and shared functions between Reliable and the other Kemper Home Services companies.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the financial statements identified during the examination.

SUBSEQUENT EVENTS

On December 9, 2014, Reliable paid an ordinary dividend of \$1,325,000 to its parent company, United Insurance Company of America. Since the dividend was considered ordinary, a certificate of approval from DIFP was not required for this transaction.

COMPANY HISTORY

General

The Company was incorporated as Reliable Life & Accident Insurance Company on December 29, 1911, and was issued a Certificate of Authority as a stock life company. The Company began operations on January 22, 1912. In 1936, the Company changed its name to The Reliable Life Insurance Company.

Reliable was acquired by Unitrin, Inc. on May 29, 1998. Unitrin, Inc. was a publicly traded company with shares trading on the New York Stock Exchange and subsidiaries engaging in life and health insurance, property and casualty insurance, and consumer finance.

On March 5, 2001, all common stock of Reliable was purchased by United Insurance Company of America (United), a wholly owned subsidiary of Unitrin, Inc.

Effective December 31, 2003, Clayton Reinsurance Ltd (Clayton Re), a Missouri domestic property and casualty insurer and wholly owned subsidiary of Reliable, was merged into Reliable. As of December 31, 2008, Clayton Reinsurance Ltd. was dissolved.

On January 13, 2005, the Texas Insurance Department determined that Reliable and Unitrin, Inc. were both affiliated with the Texas domestic insurer, Capitol County Mutual Fire Insurance

Company (Capitol County) through a management agreement between Reliable and Capitol County. Capitol County is the parent of Missouri domestic insurer, Old Reliable Casualty Company (Old Reliable). The DIFP had not previously considered Old Reliable affiliated with the Unitrin Group as Old Reliable and Capitol County had always maintained an independent board of directors, although certain officers were shared in common with Reliable. Effective March 31, 2005, the independent board of directors of Capitol County and Old Reliable were replaced with eight directors of Reliable and one Unitrin, Inc. director.

Effective December 28, 2005, ownership of Reliable Life was transferred from United Insurance Company of America to Unitrin, Inc., the ultimate controlling entity in the holding company system.

Effective October 31, 2008, The Reliable Life Insurance Company of Texas was merged into the Company.

On December 1, 2009, Unitrin, Inc. was granted an Order of Exemption for the Form A filing to transfer all stock of Reliable from Unitrin, Inc. to United Insurance Company of America. As a result of the transfer, United became Reliable's immediate parent while Unitrin, Inc. remained the ultimate controlling entity in the holding company system.

On August 25, 2011, Unitrin Inc. changed its name to Kemper Corporation (a Delaware corporation).

Capital Stock

The Company has 21,000,000 shares of \$1 par value common stock authorized, with 4,000,000 shares issued and outstanding. All shares are owned by United Insurance Company of America. The Company also has 6,000,000 shares of \$1 par value preferred stock authorized, however no shares have been issued.

Dividends

Prior to 2009, Reliable had paid a total of \$226,804,236 of cash dividends and \$12,290,939 of stock dividends since inception to its parent company. No additional dividends were paid during the examination period through December 31, 2013. On December 9, 2014, Reliable paid an ordinary dividend of \$1,325,000 to its parent company, United Insurance Company of America.

Surplus Debentures

The Company has no surplus debentures.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period

CORPORATE RECORDS

The Articles of Incorporation and Bylaws of Reliable were reviewed. There were no changes to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the meetings of the shareholder and the Board of Directors were reviewed for the period under examination. The minutes appear to properly document and approve corporate events and transactions.

MANAGEMENT AND CONTROL

Board of Directors

The Board of Directors consists of nine individuals. Three directors are elected each year to serve a three year term. The individuals serving on the Board of Directors as of December 31, 2013 were as follows:

<u>Name</u>	<u>Principal Occupation</u>
John M. Boschelli	Vice President and Chief Investment Officer Kemper Corporation
Edward J. Konar	Life and Health Group Executive President Kemper Home Service Companies
Maxwell T. Mindak	Vice President, Financial Planning and Analysis Kemper Corporation
Christopher L. Moses	Vice President and Treasurer Kemper Corporation
Thomas D. Myers	Senior Vice President and Chief Operating Officer Kemper Home Service Companies
Deborah L. Quaglia	Senior Vice President and Operations Officer Kemper Home Service Companies
Scott Renwick	Senior Vice President and General Counsel Kemper Corporation
Richard Roeske	Vice President and Chief Accounting Officer Kemper Corporation
Dennis J. Sandelski	Vice President, Tax and Corporate Development Kemper Corporation

Officers

The officers of the Company serving as of December 31, 2013 were as follows:

<u>Name</u>	<u>Office</u>
Edward J. Konar	President
Richard J. Miller	Senior Vice President and Chief Agency Officer
Deborah L. Quaglia	Senior Vice President
Thomas D. Myers	Senior Vice President and Chief Operating Officer
John R. Camillo	Senior Vice President, Secretary and Group Counsel
James J. Collins	Senior Vice President
Tal B. Kaufmann	Vice President and Treasurer

Committees

Committee assignments as of December 31, 2013 were as follows:

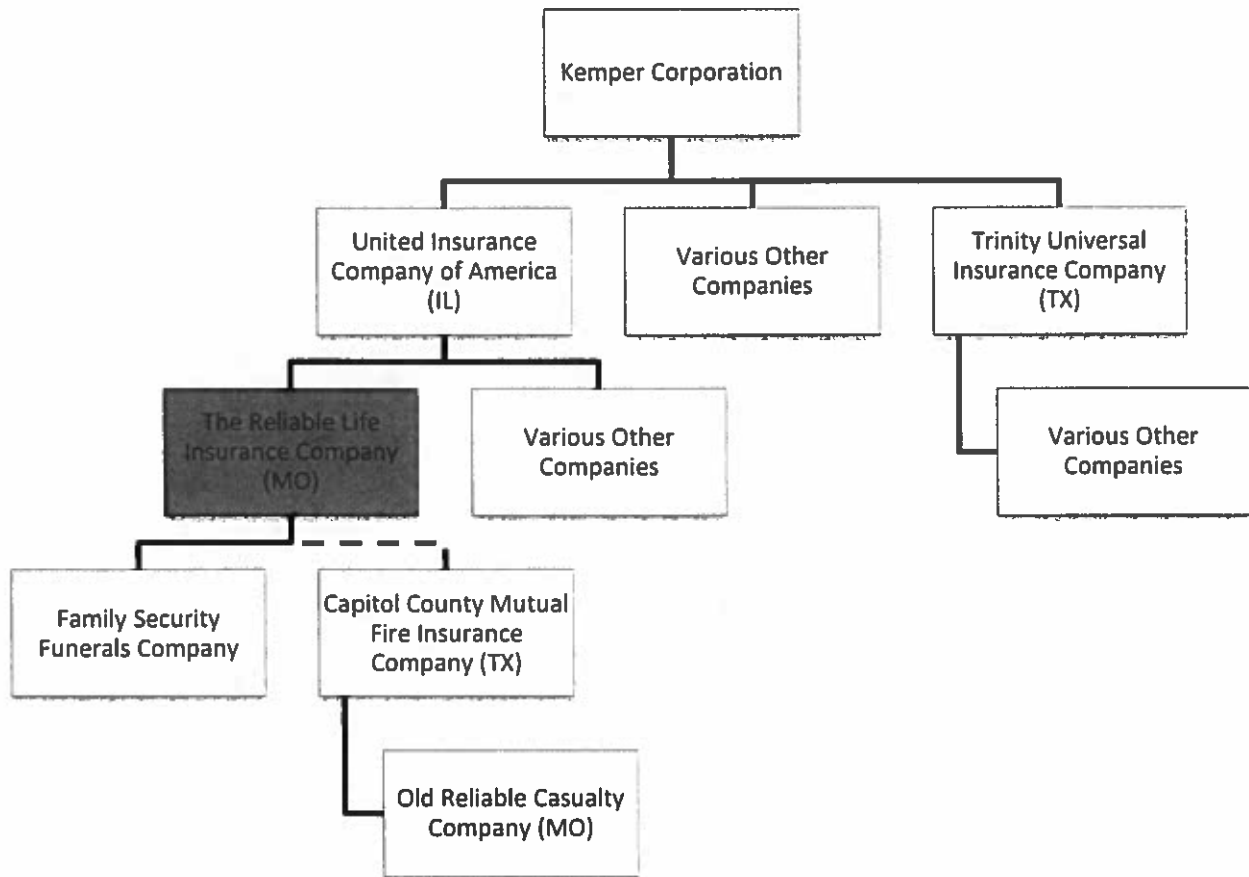
Executive Committee:	Edward J. Konar and Maxwell T. Mindak
Investment Committee:	John M. Boschelli and Edward J. Konar
Audit Committee:	The Board of Directors appointed the audit committee of United Insurance Company of America to serve as the audit committee for the Company.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Chapter 382 RSMo (Insurance Holding Companies). Affiliations are described in the Company History section above. As of December 31, 2013, the Company had one subsidiary, Family Security Funerals Company, which had no statutory equity value.

Organizational Chart

The following organizational chart depicts an abbreviated portion of the holding company system at December 31, 2013, including the Company. All subsidiaries shown are wholly owned. The dotted line represents an affiliation via a management agreement. A complete list of all companies within the holding company system is included within the annual statement.



Affiliated Transactions

As of December 31, 2013 the Company was party to the following affiliated agreements:

1) Consolidated Income Tax Allocation Agreement

Parties: Kemper Corporation and its subsidiaries, including Reliable Life Insurance Company

Effective: December 31, 2004

Terms: Under this agreement the tax liability apportioned to each member of the group is based on the relative federal income tax liability each company would have incurred on a separate company basis. Estimated payments or refunds are to be made quarterly, with a final settlement within 30 days of filing the combined return or receipt of refund.

Rate(s): Reliable incurred fees of \$137,347 in 2013 and earned fees of \$50,097 in 2012 under this agreement.

2) Insurance Administrative Agreement

Parties: Reliable Life Insurance Company and United Insurance Company of America

Effective: August 1, 2007

Terms: Under the agreement, United is responsible for providing administrative services including underwriting services, printing, data processing support, legal support and agent licensing and field management services. The monthly fee charged to Reliable Life is based on actual costs incurred, with identifiable direct expenses billed directly and shared expenses allocated using premium volume.

Rate(s): Reliable incurred fees of \$9.6 million for 2013 and \$10.4 million for 2012 under this agreement.

3) Coinsurance Agreement

Parties: Reliable Life Insurance Company and United Insurance Company of America

Effective: May 1, 2009

Terms: Under the terms of the agreement, Reliable cedes all of the risks under its past, existing and future life and accident and health business to United on a 100% coinsurance basis. This agreement effectively eliminates all pricing, underwriting and loss reserving risks for Reliable.

Rate(s): There are no costs associated with this agreement.

4) Management & Administrative Service Contract

Parties: Reliable Life Insurance Company and Capitol County Mutual Fire Insurance Company

Effective: April 1, 2012

Terms: Reliable is responsible for the management of Capitol County business. Services include general management, collecting premiums when due and furnishing office space, personnel, supplies and equipment necessary for the effective and efficient operation of Capitol County. Reliable will receive as compensation for the management services rendered an amount not to exceed the sum of net investment gain (loss) as reported on page 4, line 11, of Capitol County's Annual Statement.

Rate(s): Fees earned during 2013 were \$51,856 and \$0 for 2012.

5) Service Agreement

Parties: Reliable Life Insurance Company and Kemper Corporate Services, Inc. (FKA Unitrin Services Company)

Effective: December 21, 2012

Terms: Kemper provides certain corporate general and computer services to Reliable. For all services provided to Reliable, the charges and fees are allocated on a fair and reasonable basis and include no added profit factor or mark-up.

Rate(s): Fees during 2013 and 2012 were \$0.

6) Assignment and Consent Agreement

Parties: Reliable Life Insurance Company, Trinity Universal Insurance Company (Trinity) and Capitol County Fire Insurance Company

Effective: January 1, 2009

Terms: Reliable provides the administration of the policies assumed by Trinity under a 100% quota share reinsurance agreement between Trinity and Capitol County Fire Insurance Company. Reliable is reimbursed for the expenses incurred to provide the services.

Rate(s): Fees incurred during 2013 under this agreement were \$9.6 million.

FIDELITY BOND AND OTHER INSURANCE

Kemper Corporation has a financial institutions bond with limits of liability of \$20 million per loss and \$40 million aggregate. Reliable is included as a named insured on the policy. This coverage complies with the suggested minimum amount of coverage according to NAIC guidelines.

The Company is also included on a number of other insurance policies held by Kemper Corporation. Coverage provided includes property, general liability, auto liability, umbrella, cyber risk liability, workers compensation, directors and officers liability, errors and omissions and others.

The Company's insurance coverage appears adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Administrative services are provided by employees of United Insurance Company of America under the terms of the coinsurance agreement between the

Company and United. United employees are offered a variety of benefits which are sponsored by Kemper Corporation including contributory and non-contributory qualified defined pension plans, a 401(K) savings plan and a defined benefit post retirement plan which provides certain medical and life insurance benefits for active and retired employees. The Company is allocated its share of employment expenses under these plans.

TERRITORY AND PLAN OF OPERATIONS

Reliable is licensed in the District of Columbia and all states except New York and Louisiana. The Company is licensed in Missouri under Chapter 386 RSMo (Life and Accident Insurance) to write life, accident and health insurance and annuities.

The Company sells primarily low face value whole life policies, term life policies and some interest sensitive life products. The Company also sells a small amount of individual and group accident and health policies. The majority of business is written in Texas, which accounts for about 75% of premiums, with the remaining business written primarily in Missouri and Arkansas.

Reliable is part of the Kemper Home Service Companies segment along with several affiliated companies. These companies operate as traditional home services companies marketing their products through a network of employee agents. These agents sell and service products in person to their target customer base of moderate and low income individuals and families. Premiums are typically collected by the agents in person on a monthly basis.

GROWTH OF COMPANY

The table below shows various indicators of the Company's growth over the past four years.

	2010	2011	2012	2013
Direct and Assumed Premiums	\$ 110,239,903	\$ 110,663,031	\$ 110,745,493	\$ 109,286,647
Reinsurance Ceded	110,239,903	110,663,031	110,745,493	109,286,647
Net Premiums	-	-	-	-
Net Admitted Assets	21,514,088	21,275,145	20,908,743	22,713,375
Total Liabilities	9,114,517	8,665,115	8,020,160	9,460,821
Total Capital and Surplus	12,399,572	12,620,029	12,888,583	13,252,554

Direct premiums have remained consistent in recent years. Net premiums are \$0 as all premiums are ceded to United Insurance Company of America. Capital and Surplus increased in each year during the examination period, primarily due to investment gains.

LOSS EXPERIENCE

The following exhibit illustrates Reliable's underwriting results for each of the last four years.

	2010	2011	2012	2013
Net Premiums	\$ -	\$ -	\$ -	\$ -
Net Investment Income	248,998	185,764	203,703	399,222
Net Gain from Operations	247,723	184,924	203,060	451,228
Net Income	1,703,719	190,843	253,156	313,884

All premiums and underwriting risk is ceded to United Insurance Company of America under a 100% reinsurance agreement. As a result, operating results are primarily driven by investment performance. The Company reported positive net income for each year during the examination period.

REINSURANCE

General

Premiums written by Reliable during the examination period were as follows:

	2010	2011	2012	2013
Direct Premiums Written	\$ 110,239,903	\$ 110,663,031	\$ 110,745,493	\$ 109,286,647
Ceded Premiums:				
To Affiliates	110,050,515	110,412,293	110,596,001	109,117,090
To Non-Affiliates	189,388	250,738	149,492	169,557
Net Premiums Written	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Assumed

Reliable did not assume any premiums during the examination period.

Ceded

The Company cedes a small amount of business to authorized non-affiliated reinsurers. The total reserve credits and premiums ceded to non-affiliates are not material.

Reliable cedes 100% of its past, present and future premiums (after cessions to outside reinsurers) to its parent company, United Insurance Company of America. This 100% cession agreement effectively eliminates all pricing, underwriting and loss reserving risks for the Company. As a result, the Company carried no loss or LAE reserves as of December 31, 2013.

ACCOUNTS AND RECORDS

General

The Kemper Home Service companies use a modified commercial package (Life 70) for policy and claims administration, and Oracle Finance for the general ledger software system.

The companies are in the process of converting to a new administration system called "The Administrator" to replace the Life 70 system. This conversion is expected to be completed sometime in 2015.

Independent Auditor

The Company is audited by the accounting firm of Deloitte & Touche, LLC. Workpapers from the most recent audit were used during the course of the examination as deemed appropriate.

Independent Actuary

Reserves and related actuarial items reported in the financial statements were certified by the Company's Appointed Actuary, Gary D. Bleitner, FSA, MAAA.

A consulting actuary was retained by the Illinois Department of Insurance to review the reserves of United Insurance Company of America and the other Kemper Home Service life companies (including Reliable) as of December 31, 2013. No materially significant findings were identified during the review.

Information Systems

In conjunction with this examination, Andrew Balas, DIFP Information Systems Financial Examiner, conducted a review of the Company's information systems. No materially significant issues were identified during the review.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2013, as reflected below, were deemed sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and Transfer of Securities):

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Bond	\$ 1,900,000	\$ 2,177,281	\$ 2,220,792
US Treasury Note	3,100,000	3,787,328	4,465,841
Totals	<u>\$ 5,000,000</u>	<u>\$ 5,964,609</u>	<u>\$ 6,686,633</u>

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2013, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Arkansas	US Treasury Bond	\$ 100,000	\$ 128,313	\$ 109,628
Georgia	US Treasury Bond	60,000	76,988	62,954
Illinois	US Treasury Bond	20,000	27,419	21,911
Massachusetts	US Treasury Bond	100,000	137,094	109,554
New Hampshire	US Treasury Bond	110,000	150,803	120,509
New Mexico	US Treasury Bond	100,000	128,313	104,924
North Carolina	US Treasury Bonds	400,000	507,367	425,125
Texas	US Treasury Bond	4,250,000	4,270,420	4,258,719
Virginia	US Treasury Bond	105,000	134,728	110,170
Other Deposits	First American Treasury Fund	N/A	1,031,319	1,031,319
Totals		<u>\$ 5,245,000</u>	<u>\$ 6,592,764</u>	<u>\$ 6,354,813</u>

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2013, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements" section, which follow the financial statements.

There may have been additional differences found in the course of this examination that are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Non- Admitted Assets	Net Admitted Assets
Bonds	\$ 17,294,155	\$ -	\$ 17,294,155
Cash and short-term investments	4,973,262	-	4,973,262
Other invested assets	476,343	465,844	10,499
Investment income due and accrued	416,404	-	416,404
Uncollected premiums	(2,612,310)	1,407	(2,613,717)
Amounts recoverable from reinsurers	877,121	-	877,121
Other amounts receivable under reinsurance	241,990	-	241,990
Net deferred tax asset	477,338	282,988	194,350
Guaranty funds receivable	770,061	-	770,061
Electronic data processing equipment	27,468	-	27,468
Furniture and equipment	38,809	38,809	-
Other assets	581,543	59,761	521,782
Prepaid assets	276,308	276,308	-
TOTAL ASSETS	\$ 23,838,492	\$ 1,125,117	\$ 22,713,375

LIABILITIES, SURPLUS AND OTHER FUNDS

General expenses due or accrued	\$ 536,001
Taxes, licenses and fees due or accrued	259,850
Current federal and foreign income taxes	237,354
Amounts withheld or retained by company	317
Remittances and items not allocated	708,038
Asset valuation reserve	821
Payable to parent, subsidiaries and affiliates	2,954,833
Reserve for escheat funds	4,322,339
Accounts payable and other liabilities	430,768
Notes payable	10,499
TOTAL LIABILITIES	<u>\$ 9,460,821</u>
Common capital stock	4,000,000
Gross paid in and contributed surplus	6,000,000
Unassigned funds (surplus)	3,252,554
SURPLUS AS REGARDS POLICYHOLDERS	<u>\$ 13,252,554</u>
TOTAL LIABILITIES AND SURPLUS	<u><u>\$ 22,713,375</u></u>

STATEMENT OF INCOME

Premiums earned	\$ -	
Net investment income	399,222	
Management fee income	51,856	
Miscellaneous income	<u>561</u>	
Total Revenues		\$ 451,639
Death benefits	\$ -	
Other benefits	<u>\$ -</u>	
Total Benefit Payments		\$ -
General insurance expenses	359	
Insurance taxes, licenses and fees	<u>52</u>	
Total Benefit Payments and Expenses		\$ 411
Net Gain From Operations		\$ 451,228
Federal and foreign income taxes incurred		137,347
Net realized capital gains		<u>3</u>
Net Income		\$ 313,884

RECONCILIATION OF SURPLUS

Changes from December 31, 2010 to December 31, 2013

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital and surplus;				
December 31 prior year	\$ 10,656,064	\$ 12,399,571	\$ 12,620,027	\$ 12,888,580
Net income	1,703,810	190,843	253,156	313,884
Change in net U/R capital gains	(84,655)	(77,612)	(56,270)	(52,523)
Change in net deferred income tax	(279,773)	(45,009)	(122,851)	(30,837)
Change in nonadmitted assets	469,242	151,836	194,316	133,448
Change in asset valuation reserve	(714)	(310)	202	-
Aggregate write-ins	(64,402)	708	-	-
Change in capital and surplus	<u>1,743,508</u>	<u>220,456</u>	<u>268,553</u>	<u>363,972</u>
Capital and surplus;				
December 31 current year	<u>\$ 12,399,571</u>	<u>\$ 12,620,027</u>	<u>\$ 12,888,580</u>	<u>\$ 13,252,554</u>

ANALYSIS OF EXAMINATION CHANGES

There were no examination changes.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.

