

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

IN THE MATTER OF:)
)
Great Fidelity Life Insurance Company)
1035 South 183rd Street West)
Goddard, KS 67052)

Examination of: **Great Fidelity Life Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Great Fidelity Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 4, 2018, has been adopted by the Commissioner.

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

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

June 27, 2018
Date



Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0106

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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Great Fidelity Life Insurance Company)
1035 South 183rd Street West)
Goddard, KS 67052)

Examination of: **Great Fidelity Life Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Great Fidelity Life Insurance Company (hereinafter “Company”) for the time period January 1, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on March 23, 2018.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on June 4, 2018 and was received by the Company on June 7, 2018.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Great Fidelity Life Insurance Company as of December 31, 2106.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Great Fidelity Life Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this 27 day of
June, 2018.

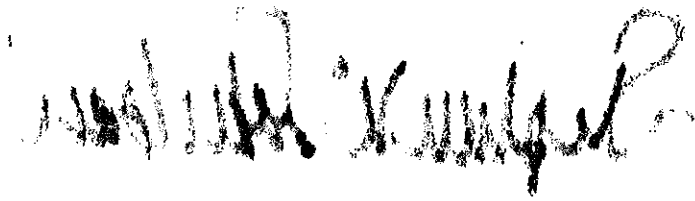

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

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

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

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

A large, dark, handwritten signature in cursive script, appearing to be "Michael J. Kumpfer".A smaller, dark, handwritten signature in cursive script, appearing to be "J. Kumpfer".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

GREAT FIDELITY LIFE INSURANCE COMPANY
NAIC COMPANY CODE 64076
NAIC GROUP CODE 0863

As of

December 31, 2016

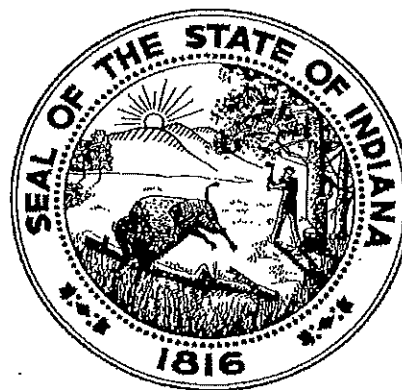


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

March 23, 2018

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3952, an examination has been made of the affairs and financial condition of:

Great Fidelity Life Insurance Company
1035 South 183rd Street West
Goddard, Kansas 67052

an Indiana domestic life and accident, and health insurance company hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 1035 South 183rd Street West, Goddard, Kansas 67052.

The Report of Examination, showing the status of the Company as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2011. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2012 through December 31, 2016 and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by MarksNelson LLC for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

In accordance with the 2016 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on May 13, 1952 as a legal reserve life insurance company, commenced business on July 3, 1952, and experienced a series of acquisitions and mergers thereafter. On May 31, 1991, the Company was acquired by Universe Life Insurance Company from Mutual Security Life Insurance Company, its parent at the time. On December 4, 1998, Universe Life Insurance Company was placed into liquidation by the State of Idaho, with its assets and liabilities (including the stock of the Company) placed into a liquidating trust. On March 31, 2001, the INDOI approved the acquisition of the Company by American Underwriters Life Insurance Company (AULIC). On July 31, 2001, the purchase was formally completed and all outstanding stock of the Company was transferred to AULIC.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 4,950,000 shares of \$.22 par value common stock. As of December 31, 2016, the Company's total capital and surplus was \$2,604,263, which included: common stock of \$1,089,000, consisting of 4,950,000 issued and outstanding shares; surplus notes of \$700,000; gross paid-in and contributed surplus of \$6,162,935; and unassigned funds (surplus) of (\$5,335,310). All issued and outstanding shares were 100% owned by AULIC as of December 31, 2016.

The Company issued a surplus note on June 2, 2003 for \$300,000. Another surplus note was issued on June 30, 2009 for \$100,000. The holder of both surplus notes is AULIC. A third surplus note was issued on April 10, 2013 for \$300,000 and is held by Hawkins Marital Trust. All surplus notes were approved by the INDOI in accordance with Indiana Code (IC) 27-1-7-19. The total outstanding surplus note value was \$700,000 as

of December 31, 2016.

DIVIDENDS TO STOCKHOLDERS

The Company did not pay or declare dividends to stockholders for any of the years covered by this examination.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact business in eleven (11) states: Arizona, Delaware, Georgia, Idaho, Indiana, Kentucky, New Mexico, Ohio, Oregon, South Carolina, and Texas. During 2016, the Company only wrote business in Texas (99.6%) and Ohio (.4%).

The Company is licensed to write life, annuity, and accident and health policies. As of the end of the examination period, approximately 99% of the Company's business production was from blanket accident and health insurance, and 1% was from annuity and ordinary business. The blanket accident policy provides workers' compensation coverage for employees in Texas who have "opted out" of the traditional workers' compensation coverage requirements. The type and levels of coverage are negotiable between the employer and the Company. The basic policy provides an accidental death benefit with optional accidental medical and accidental disability income coverages.

The Company's business is produced by captive and independent agents through a Management Services Agreement with AULIC. Employees of Inter-Americas Insurance Corporation, Inc. (IAIC), an affiliate, provide all administrative services to the Company under the provisions included in a separate agreement between AULIC and IAIC.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Premiums Earned</u>	<u>Net Income (Loss)</u>
2016	\$3,117,702	\$ 513,440	\$2,604,263	\$269,573	\$ (15,458)
2015	3,209,847	609,348	2,600,499	276,061	(63,006)
2014	3,816,616	1,064,762	2,751,853	174,498	(41,933)
2013	3,982,548	1,184,560	2,797,989	169,068	(169,272)
2012	3,992,776	1,338,166	2,654,610	294,066	(114,909)

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The Company reported a net loss in all years covered by this examination. The net losses were primarily the result of low premium volume relative to incurred commissions and fixed operating expenses.

MANAGEMENT AND CONTROL

Directors

The Company’s Bylaws specify that the Board of Directors consist of not less than five (5) nor more than twenty-five (25) members. The Bylaws allow the number of directors to be increased or decreased by amendment to the Bylaws. Directors are elected at the Annual Meeting of the Members. Directors elected and serving as of December 31, 2016, together with their state of residence and business affiliation, are as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Sherry L. Fouts Goddard, Kansas	Vice President American Underwriters Life Insurance Company Great Fidelity Life Insurance Company
Cindy A. Hawkins Wichita, Kansas	Secretary and Treasurer American Underwriters Life Insurance Company Great Fidelity Life Insurance Company
Ronald K. Hawkins Wichita, Kansas	Executive Vice President American Underwriters Life Insurance Company Great Fidelity Life Insurance Company
Craig A. Kreiser Wichita, Kansas	President American Underwriters Life Insurance Company Great Fidelity Life Insurance Company
Jeremy L. Horn Wichita, Kansas	Vice President, Investments American Underwriters Life Insurance Company Great Fidelity Life Insurance Company
David J. Webber Plainfield, Indiana	Sales Account Manager OptumCare, a United Health Group Company

Officers

The officers of the Company, as defined in the Bylaws, shall consist of a President, Secretary, and Treasurer. The officers of the Company may also include a Chairman of the Board, one (1) or more Vice Presidents of a class or classes established by the Board, and any other officers as determined by the Board of Directors. The officers elected by the Board of Directors and serving as of December 31, 2016, were as follows:

<u>Name</u>	<u>Title</u>
Craig A. Kreiser	President
Cindy A. Hawkins	Secretary and Treasurer

Ronald K. Hawkins	Executive Vice President
Sherri L. Fouts	Vice President
Jeremy L. Horn	Vice President, Investments
Bonnie J. Long	Vice President, Medical Claims
Steven M. Peschka	Vice President, IT

Corporate Governance

As of December 31, 2016, the Board of Directors adopted the oversight of the committees established by AULIC. The committees appointed by AULIC's Board of Directors include the Investment, Audit, and Interest Rate Committees. Governance is also provided by an Enterprise Risk Governance Team appointed on December 21, 2015, by AULIC and the Company's Boards of Directors.

As of December 31, 2016, members serving on the committees were as follows:

Investment Committee:

Arthur O. Dummer
Cindy A. Hawkins
Jeremy L. Horn

Audit Committee:

Robert N. Carriker
Arthur O. Dummer

Interest Rate Committee:

Robert N. Carriker
Arthur O. Dummer
Ronald K. Hawkins
Jeremy L. Horn

As of December 31, 2016, the members of the Enterprise Risk Governance Team were as follows:

Enterprise Risk Governance Team:

Sherri L. Fouts
Cindy A. Hawkins
Jeremy L. Horn
Craig A. Kreiser
Bruce F. Wellner

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2016, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

There were no amendments made to the Company's Bylaws during the period under examination.

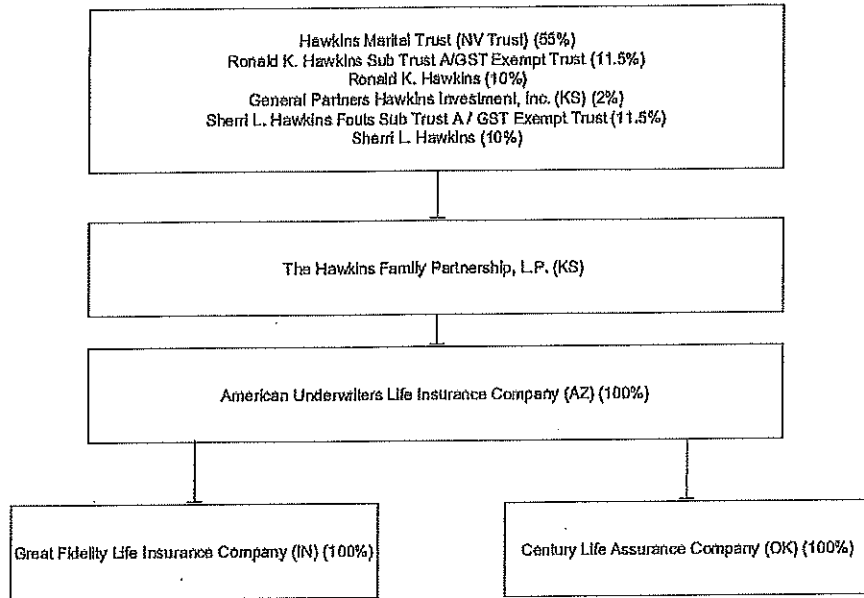
Minutes

The Board of Directors and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date, and significant actions taken during each meeting were noted. The Annual Shareholders Meetings for the period under examination were held in accordance with IC 27-1-7-7(b).

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following organizational chart depicts the Company's relationship within the holding company system.



Affiliated Agreements

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Management Services Agreement

Effective February 1, 2003, the Company entered into a Management Services Agreement with AULIC. Under this agreement, AULIC agrees to provide administrative, marketing, legal, regulatory, and financial services. The Company agrees to pay AULIC \$8,000 per month for the provided services. During 2016, the Company paid \$96,000 to AULIC under this agreement.

Consolidated Tax Allocation Agreement

Effective January 1, 2003, the Company entered into a Consolidated Tax Allocation Agreement, whereby it files its federal income tax on a consolidated basis with AULIC. For the tax years ending on or after December 31, 2009, the Company joined in the filing of a consolidated federal income tax return with its parent, and Century Life Assurance Company (CLAC), an affiliate.

FIDELITY BOND AND OTHER INSURANCE

The Company was protected by a fidelity bond up to an aggregate loss limit of \$500,000 with a \$25,000 deductible. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company were protected by appropriate policies of insurance.

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved at any time during the examination period ending December 31, 2016 by the Company's Board of Directors. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

STATUTORY AND SPECIAL DEPOSITS

The Company reported statutory and special deposits comprised of money market funds and U.S. Treasury Notes held by various Departments of Insurance as of December 31, 2016:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the Benefit of all Policyholders:		
Indiana	\$ 1,002,266	\$ 1,002,040
All Other Special Deposits:		
Georgia	\$ 56,926	\$ 56,926
New Mexico	104,824	104,763
South Carolina	<u>200,018</u>	<u>199,728</u>
Total Deposits	<u>\$1,364,034</u>	<u>\$1,363,457</u>

REINSURANCE

Reinsurance Assumed

The Company did not assume any business during the period covered by this examination.

Reinsurance Ceded

The Company ceded business under the following reinsurance agreements as of December 31, 2016:

Life Insurance

Effective May 19, 2005, the Company entered into a Quota Share Reinsurance Agreement with FFIC Insurance Company, Ltd (FFIC) of the Turks and Caicos Islands, wherein FFIC agreed to assume 90% of the risk not otherwise ceded on annuity business produced by SKO Annuities, Inc. The total reserves on business ceded under this agreement as of December 31, 2016 were \$130,376.

Effective June 30, 2012, the Company entered into a Quota Share Reinsurance Agreement with AULIC. The Company ceded 100% of the risk to AULIC as to a single premium Ohio annuity originally written by American Community Mutual Insurance Company. The reserves ceded under this agreement as of December 31, 2016 were \$ 131,481.

Accident and Health Insurance

On October 1, 2002, the Company entered into a Blanket Accident Quota Share Reinsurance Agreement with an affiliated unauthorized reinsurance company, FFIC, under which FFIC agreed to assume 50% of the risk not otherwise ceded on blanket accident business (50% of the first \$100,000 only) and 50% of the disability income business. This reinsurance agreement was amended, effective October 1, 2003, wherein FFIC agreed to assume 90% of the risk not otherwise ceded on blanket accident business and 90% of the disability income business. On October 1, 2005, a second amendment was made to this agreement which increased the ceding commission from 3% to 5%. Effective January 1, 2013, a Third

Amendment to this reinsurance agreement was effectuated between the Company and FFIC, wherein FFIC's assumption of blanket accident business was reduced to 75%. Effective January 1, 2015, the Fourth Amendment to the Reinsurance Agreement was effectuated between the Company and FFIC, wherein FFIC's assumption of blanket accident business was reduced to 50%. As of December 31, 2016, the Company reported reserves of \$61,652 related to business ceded under this agreement.

Effective May 1, 2016, the Company entered into a Personal Accident Quota Share Reinsurance Agreement with Zurich American Insurance Company (Zurich), a New York domiciled company. The Company ceded a 100% quota share participation to Zurich in respect to personal accident insurance, including single premium accidental death and dismemberment, accidental death and dismemberment, and bulk accidental death benefits coverage for individual life insurance business. The agreement applies to all claims incurred during the 12-month term from May 1, 2016 to April 30, 2017.

FFIC maintained a trust account with a balance of \$363,451 as of December 31, 2016. The account was established as collateral for reinsurance recoverable amounts under its ceded reinsurance agreements with the Company.

RESERVES

Leon L. Langlitz, FSA, MAAA, of Lewis & Ellis, Inc., was the Company's Appointed Actuary. Mr. Langlitz was appointed by the Board of Directors to render an actuarial opinion on the statutory-basis reserves of the Company for the years of 2014 to 2016. Christopher H. Hause, FSA, MAAA, of Hause Actuarial Solutions, Inc., was appointed by the Board of Directors to render an actuarial opinion on the statutory-basis reserves of the Company for the years of 2012 and 2013.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2016. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

The 2016 opinion stated the amounts carried in the balance sheet on account of the actuarial items identified in the opinion; (a) are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles, (b) are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions, (c) meet the requirements of the Insurance Law and regulations of the state of Indiana, the Company's state of domicile, (d) are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Annual Statement of the preceding year-end, and (e) include provision for all actuarial reserves and related statement items which ought to be established.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2016, was agreed to the Annual Statement without exception. The

Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2016, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Summary of Operations
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2016

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 2,282,649	\$ -	\$ 2,282,649	\$ 2,420,035
Preferred stocks	51,050	-	51,050	-
Common stocks	364	-	364	20,250
Mortgage loans on real estate - first liens	299,310	-	299,310	279,994
Properties held for the production of income	105,000	-	105,000	105,000
Cash and short-term investments	<u>302,235</u>	<u>-</u>	<u>302,235</u>	<u>276,846</u>
Subtotals, cash and invested assets	<u>\$ 3,040,608</u>	<u>\$ -</u>	<u>\$ 3,040,608</u>	<u>\$ 3,102,125</u>
Investment income due and accrued	\$ 28,008	\$ -	\$ 28,008	\$ 30,780
Amounts recoverable from reinsurers	46,996	-	46,996	27,391
Current federal and foreign income tax recoverable and interest thereon	1,226	-	1,226	47,429
Net deferred tax asset	60	-	60	773
Guaranty funds receivable or on deposit	<u>804</u>	<u>-</u>	<u>804</u>	<u>1,349</u>
Total Assets	<u><u>\$ 3,117,702</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,117,702</u></u>	<u><u>\$ 3,209,847</u></u>

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2016

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Aggregate reserve for life contracts	\$ 390,913	\$ -	\$ 390,913	\$ 470,135
Aggregate reserve for accident and health contracts	7,786	-	7,786	14,394
Contract claims: life		-		500
Contract claims: accident and health	44,646	-	44,646	41,782
Other amounts payable on reinsurance	44,120	-	44,120	37,180
Commissions to agents due or accrued	17	-	17	-
General expenses due or accrued	2,911	-	2,911	22,239
Taxes, licenses and fees due or accrued	424	-	424	(2,654)
Asset valuation reserve	<u>22,622</u>	-	<u>22,622</u>	<u>25,772</u>
Total Liabilities	<u>\$ 513,440</u>	<u>\$ -</u>	<u>\$ 513,440</u>	<u>\$ 609,348</u>
Capital and Surplus:				
Common capital stock	\$ 1,089,000	\$ -	\$ 1,089,000	\$ 1,089,000
Surplus notes	700,000	-	700,000	700,000
Gross paid in and contributed surplus	6,162,935	-	6,162,935	6,162,935
Unassigned funds (surplus)	(5,335,310)	-	(5,335,310)	(5,339,073)
Less treasury stock, at cost: shares common	<u>12,363</u>	-	<u>12,363</u>	<u>12,363</u>
Surplus	<u>\$ 1,515,263</u>	<u>\$ -</u>	<u>\$ 1,515,263</u>	<u>\$ 1,511,499</u>
Total Capital and Surplus	<u>\$ 2,604,263</u>	<u>\$ -</u>	<u>\$ 2,604,263</u>	<u>\$ 2,600,499</u>
Totals	<u>\$ 3,117,702</u>	<u>\$ -</u>	<u>\$ 3,117,702</u>	<u>\$ 3,209,847</u>

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

For the Year Ended December 31, 2016

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Income				
Premiums and annuity considerations	\$ 269,573	\$ -	\$ 269,573	\$ 276,061
Net investment income	51,197	-	51,197	54,808
Amortization of Interest Maintenance Reserve	(2,394)	-	(2,394)	(630)
Commissions and expense allowances on reinsurance ceded	<u>125,126</u>	<u>-</u>	<u>125,126</u>	<u>123,476</u>
Total Income	<u>\$ 443,502</u>	<u>\$ -</u>	<u>\$ 443,502</u>	<u>\$ 453,715</u>
Expenses				
Death benefits	\$ (500)	\$ -	\$ (500)	\$ -
Disability benefits and benefits under accident and health contracts	49,512	-	49,512	112,703
Surrender benefits and withdrawals for life contracts	89,681	-	89,681	476,229
Interest and adjustments on contract or deposit-type contract funds	993	-	993	2,983
Increase in aggregate reserves for life and accident and health contracts	<u>(85,830)</u>	<u>-</u>	<u>(85,830)</u>	<u>(436,604)</u>
Expenses Subtotal	<u>\$ 53,855</u>	<u>\$ -</u>	<u>\$ 53,855</u>	<u>\$ 155,311</u>
Commissions on premiums, annuity considerations, and deposit type contract funds	\$ 233,348	\$ -	\$ 233,348	\$ 231,701
General insurance expenses	138,003	-	138,003	118,936
Insurance taxes, licenses and fees	<u>24,526</u>	<u>-</u>	<u>24,526</u>	<u>24,064</u>
Total Expenses	<u>\$ 449,733</u>	<u>\$ -</u>	<u>\$ 449,733</u>	<u>\$ 530,012</u>
Net gain from operations before federal income taxes	<u>\$ (6,231)</u>	<u>\$ -</u>	<u>\$ (6,231)</u>	<u>\$ (76,297)</u>
Federal and foreign income taxes incurred	<u>\$ 9,227</u>	<u>\$ -</u>	<u>\$ 9,227</u>	<u>\$ (13,291)</u>
Net Income	<u>\$ (15,458)</u>	<u>\$ -</u>	<u>\$ (15,458)</u>	<u>\$ (63,006)</u>

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital and surplus, December 31, prior year	<u>\$ 2,600,499</u>	<u>\$ 2,751,853</u>	<u>\$ 2,797,989</u>	<u>\$ 2,654,610</u>	<u>\$ 2,816,681</u>
Net income	\$ (15,458)	\$ (63,006)	\$ (41,933)	\$ (169,272)	\$ (114,909)
Change in net unrealized capital gains (losses)	34	36	(9)	159	(55,556)
Change in net deferred income tax	1,945	19,810	(1,828)	(8,958)	3,788
Change in nonadmitted assets	14,092	(107,360)	1,958	28,433	(6,067)
Change in asset valuation reserve	3,150	(834)	(4,324)	(6,983)	10,674
Change in surplus notes	-	-	-	300,000	-
Net change in capital and surplus for the year	<u>\$ 3,763</u>	<u>\$ (151,354)</u>	<u>\$ (46,135)</u>	<u>\$ 143,379</u>	<u>\$ (162,070)</u>
Capital and surplus, December 31, current year	<u>\$ 2,604,263</u>	<u>\$ 2,600,499</u>	<u>\$ 2,751,853</u>	<u>\$ 2,797,989</u>	<u>\$ 2,654,610</u>

Note: Amounts are shown in whole dollars and columns may not total due to rounding.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2016, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Fidelity Bond

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved by its Board of Directors at any time during the five (5) year examination period ending December 31, 2016.

Subsequent to the period covered by this examination, on December 21, 2017, the Board of Directors approved the Company's fidelity bond as required by the provisions of IC 27-1-7-14.

SUBSEQUENT EVENTS

Acquisition and Merger of the Company

On September 25, 2017, Puritan Life Insurance Company of America (PLICA or Surviving Corporation) entered into an agreement to acquire and merge with AULIC and its two (2) insurance subsidiaries, the Company, and CLAC (collectively referred to as Merging Corporations). The Merging Corporations and the Surviving Corporation are referred to collectively as the "Constituent Corporations."

Under the Agreement and Plan of Merger, effective December 31, 2017 (Effective Date), the Merging Corporations were merged with and into the Surviving Corporation. From and after the Effective Date, PLICA, as the Surviving Corporation, possesses all the rights, privileges, immunities, and franchises of a public, as well as private nature, and is subject to all of the obligations, liabilities, restrictions and disabilities of each of the Constituent Corporations. All property, real personal and mixed, and all accounts payable arising in the ordinary course of business and accrued expenses due on whatever account, and all debts, liabilities and duties due to each of the Constituent Corporations will be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed. The Surviving Corporation will be responsible and liable for all liabilities and obligations of each of the Constituent Corporations. In addition, all policies and obligations of the Merging Corporations will be assumed by the Surviving Corporation on the same terms as if policies were still being carried out by the Merger Corporations.

The acquisition and merger of the Company was approved by the INDOI on December 22, 2017 and by the Texas Department of Insurance on December 29, 2017.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

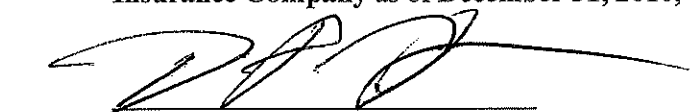
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **Great Fidelity Life Insurance Company** as of **December 31, 2016**.


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

The examination was performed in accordance with those procedures required by the 2016 NAIC *Financial Condition Examiner's Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of the **Great Fidelity Life Insurance Company** as of **December 31, 2016**, as determined by the undersigned.



D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.



Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL

State of: MARION COUNTY, STATE OF INDIANA
County of: MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

On this 18th day of April, 2018, before me personally appeared, D. Patrick Huth, and Jerry Ehlers to sign this document.

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

My commission expires October 4, 2025 

Notary Public DARCY L. SHAWVER

