

REPORT ON EXAMINATION
OF
KANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION
3745 SW WANAMAKER ROAD, SUITE C
TOPEKA, KANSAS 66610
AS OF
DECEMBER 31, 2019

FILED
JUN 22 2021
VICKI SCHMIDT
Commissioner of Insurance

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Topeka, Kansas
March 29, 2021

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
1300 SW Arrowhead Rd.
Topeka, Kansas 66604

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-3014, an examination has been conducted of the financial condition and business affairs of:

KANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION

with its official address at:

**3745 SW WANAMAKER ROAD, SUITE C
TOPEKA, KANSAS 66610**

hereinafter referred to as the "Association" or "KLHIGA". The following report on such examination is respectfully submitted.

SCOPE OF EXAMINATION

This statutory financial examination was conducted in accordance with the rules, regulations, and directives of the Kansas Insurance Department ("Department"). During the examination, the affairs and activities of the Association were reviewed and analyzed to determine their compliance with applicable Kansas statutes, regulations, and directives. The examiner reviewed the Association's adherence to the provisions of its Plan of Operation ("Plan"). The overall financial statement presentation was evaluated as well as management's compliance with cash basis accounting principles.

This statutory examination covers the five-year period from January 1, 2015 through December 31, 2019, including any material transactions and/or events occurring after the examination date and noted during the course of the examination.

Independent Audit Reports

The financial statements of the Association were audited by Wendling Noe Nelson and Johnson, L.L.C. for the years ending December 31, 2015, through December 31, 2019. In each of the years under examination, the auditors concluded that the financial statements present fairly, in all material respects, the cash receipts and disbursements of the Association for the years then ended in accordance with the cash basis of accounting. The audited financial statement also includes supplemental schedules of the Association's Statement of Cash Receipts and Disbursements of Insolvencies of each insurer's insolvency.

The independent auditor's work papers were reviewed and analyzed by the examiner; whereby significant reliance was placed on select work papers during this examination.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the examination.

ASSOCIATION HISTORY

The Association was formed in 1972, pursuant to K.S.A. 40-3001 *et seq.* ("Act"). The Association, a non-profit, state-based, and statutorily-created system was formed to pay benefits and continue insurance policy coverage under life and health insurance policies and annuity contracts of impaired or insolvent member insurance companies as provided in the Act. The Association is made up of member insurers who are admitted in Kansas to write life, health and annuity contracts as defined in the Act. The Association

is authorized to assess member insurers, based on the premiums written in Kansas, to provide the funding necessary to carry out the provisions of the Act.

MANAGEMENT AND CONTROL

The Restated Plan of Operation (“Plan”), last amended and approved by the Commissioner June 14, 2013, consists of eight articles. The Plan provides that the board of directors will consist of nine persons elected by member insurers at their annual meeting and approved by the Commissioner. The directors will serve staggered three-year terms. On December 31, 2019, the following directors were serving in that capacity:

MEMBER INSURER	MEMBER REPRESENTATIVE	TERM EXPIRATION
Mutual of Omaha Insurance Company	Robert Corn	2020
Farm Bureau Life Insurance Company	Mark Wickham	2020
Blue Cross and Blue Shield of Kansas, Inc.	Scott Raymond	2020
American Home Life Insurance Company	Les Diehl	2021
Aetna Life Insurance Company	Gregory Martino	2021
Kansas City Life Insurance Company	Timothy Langland	2021
Allstate Life Insurance Company	Sonya Ekart	2022
Security Benefit Life Insurance Company	Chris Swickard	2022
US Alliance Life and Security Company	Jeff Brown	2022

The board elects from its members a chairman, vice chairman, and a secretary/treasurer, with each serving a one-year term. On December 31, 2019, the following officers were serving in that capacity:

OFFICE	MEMBER REPRESENTATIVE	MEMBER INSURER
Chairman	Robert Corn	Mutual of Omaha Insurance Company
Treasurer	Les Diehl	American Home Life Insurance Company
Secretary/Vice Chairman	Timothy Langland	Kansas City Life Insurance Company

FINANCIAL STATEMENTS

The reconciliation of the Statement of Cash Receipts and Disbursements presents the cash receipts and disbursements of the Association for the examination period ending December 31, 2019.

KANSAS LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
December 31, 2019

	** CLASS B			*CLASS A	TOTAL
	LIFE	HEALTH	ANNUITY	ADMINISTRATION	
Balance December 31, 2014	\$301,220	\$647,615	\$1,528,628	\$182,340	\$2,659,803
Total Receipts	3,347,570	173,119	32,800	958	3,554,447
Total Disbursements	1,785,566	277,298	42,735	120,075	2,225,674
Balance December 31, 2015	1,863,224	543,436	1,518,693	63,223	3,988,576
Balance December 31, 2015	1,863,224	543,436	1,518,693	63,223	\$3,988,576
Total Receipts	382,657	6,920	257,200	219,304	866,081
Total Disbursements	1,064,176	91,852	12,022	146,179	1,314,229
Balance December 31, 2016	1,181,705	458,504	1,763,871	136,348	3,540,428
Balance December 31, 2016	1,181,705	458,504	1,763,871	136,348	\$3,540,428
Total Receipts	6,548,441	9,813,467	1,648	238,939	16,602,495
Total Disbursements	6,504,890	10,285,615	1,676,575	100,185	18,567,265
Balance December 31, 2017	1,225,256	(13,644)	88,944	275,102	1,575,658
Balance December 31, 2017	1,225,256	(13,644)	88,944	275,102	1,575,658
Total Receipts	104,977	119,847	125	241,912	466,861
Total Disbursements	573,928	103,078	6,390	140,617	824,013
Balance December 31, 2018	756,305	3,125	82,679	376,397	1,218,506
Balance December 31, 2018	756,305	3,125	82,679	376,397	1,218,506
Total Receipts	2,977,264	35,698	99	249,324	3,262,385
Total Disbursements	1,488,668	185,793	9,189	144,696	1,828,346
Balance December 31, 2019	2,244,901	(146,970)	73,589	481,025	2,652,545

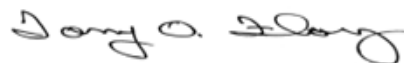
* Class A assessment: for the purpose of administrative, legal and other expenses

** Class B assessment: for the purpose of protection against impairment and insolvency

CONCLUSION

The officers of the Association provided the necessary assistance and cooperation during this examination. In addition to the undersigned, Ms. Tamara House, CFE, a Senior Financial Examiner, participated in this examination.

Respectfully submitted,



 Tony O. Florez, CFE
 Examiner-in-Charge
 Kansas Insurance Department