

REPORT ON EXAMINATION
OF
UNION FIDELITY LIFE INSURANCE COMPANY
6100 SPRINT PARKWAY, SUITE 3400
OVERLAND PARK, KANSAS
AS OF
DECEMBER 31, 2021

FILED

JUNE 28, 2023

VICKI SCHMIDT
Commissioner of Insurance

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Topeka, Kansas
June 1, 2023

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
1300 SW Arrowhead Rd
Topeka, Kansas 66604-4019

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222, an examination has been conducted of the financial condition and business affairs of:

UNION FIDELITY LIFE INSURANCE COMPANY

with its statutory home office at:

**6100 SPRINT PARKWAY, SUITE 3400
OVERLAND PARK, KANSAS**

and main administrative office at:

**6100 SPRINT PARKWAY, SUITE 3400
OVERLAND PARK, KANSAS**

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

SCOPE OF EXAMINATION

The examiners have performed a multi-state financial examination of the Company, a Kansas-domiciled life insurance company. The last examination covered the four-year period from January 1, 2013, through December 31, 2017. This examination covers the four-year period from January 1, 2018, through December 31, 2021.

The examination was conducted in accordance with the rules, regulations, and directives of the Kansas Insurance Department ("Department") and the observed

guidelines and procedures contained in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the examiners 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.

Those activities considered in the examination as key or critical to UFLIC included Claims, Investments, Pricing, Reinsurance, Reserving, and Related Parties. The examination also included a review and evaluation of information technology general controls.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report

but separately communicated to other regulators and/or the Company.

Independent Audit Reports

Financial statements of the Company were audited by KPMG LLP of Kansas City, Missouri for the years ending December 31, 2017, through December 31, 2020, and by Deloitte & Touche of Kansas City, Missouri for the year ended December 31, 2021. In each of the years under examination, the auditors concluded that the financial statements of the Company present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Department.

The independent auditors' workpapers were reviewed and analyzed by the examiners. Significant reliance was placed on select workpapers during this examination.

Actuarial Review

The Company retained Lewis & Ellis, Inc. of Plano, Texas to perform a review of the Company's actuarial practices and reserves as of December 31, 2021. The review consisted of evaluating assumptions, methodologies, and calculations utilized by the Company in its reserve setting process.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the examination.

COMPANY HISTORY

General

UFLIC was incorporated in Ohio on September 2, 1925, as a legal reserve life insurance company under the name The Credit Life Insurance Company. In September 1990, the Company was acquired by Combined Insurance Company of America.

Effective July 23, 1992, the Company re-domesticated from Ohio to Illinois. On September 15, 1993, an affiliated company, Union Fidelity Life Insurance Company was merged into the Company with the name of the successor being Union Fidelity Life Insurance Company. On April 1, 1996, General Electric Capital Corporation ("GECC") purchased 100% of the outstanding capital stock of UFLIC. Effective December 31, 1996, GECC contributed UFLIC's capital stock to GE Financial Assurance Holdings, Inc. ("GEFA"), formerly GE Life Insurance Group, a direct subsidiary of GECC.

On January 1, 1999, 66,924 shares or 12.7% of UFLIC's common stock were issued to Federal Home Life Insurance Company ("FHL"), an affiliate and an indirect subsidiary of GEFA, as part of the merger of PHF Life Insurance Company, FHL's subsidiary, into UFLIC. On July 30, 1999, Montgomery Ward Life Insurance Company and The Signature Life Insurance Company were merged with and into UFLIC. On December 31, 1999, GEFA contributed 87.3% of the outstanding capital stock of UFLIC to GNA Corporation, which immediately contributed the outstanding capital stock to its direct subsidiary, General Electric Capital Assurance Company ("GECA").

General Electric Company ("GE"), the Company's ultimate parent, reorganized its insurance operations in 2004 in accordance with its determination to discontinue its insurance business. As a result of this decision, certain reinsurance transactions were

entered into and the following changes in the Company's ownership occurred. On April 15, 2004, 100% of UFLIC's stock was transferred from FHL (12.7%) and GECA (87.3%) as a dividend to GEFA. On May 21, 2004, the Company became a direct wholly-owned subsidiary of General Electric Capital Services, Inc. ("GECS") following the dividend payment of 100% of the Company's outstanding common stock by GEFA to its sole shareholder GEI, Inc. ("GEI") and GEI's subsequent sale of UFLIC's common stock to GECS.

On December 31, 2007, UFLIC was contributed by GECS to one of its subsidiaries, Employers Reassurance Corporation ("ERAC"); a Kansas domiciled insurance company. GECS later merged with and into GECC, which is now known as GE Capital U.S. Holdings, Inc. ("GECUSH"), a direct, wholly-owned subsidiary of GE Capital Global Holdings, LLC, which is an indirect, wholly-owned subsidiary of GE.

On December 31, 2011, UFLIC was re-domesticated from Illinois to Kansas.

Capital Stock

As of December 31, 2021, UFLIC had 1,000,000 shares of common stock authorized, and 527,959 shares issued and outstanding, with a par value of \$5.50 per share. One hundred percent (100%) of the Company's stock was owned by ERAC.

Dividends and Capital Contributions

The Company paid no dividends during the examination period. On February 21, 2018, UFLIC received a cash capital contribution of \$1,000,000,000 from ERAC, which was recorded in the financial statements as of December 31, 2017. On February 19, 2019, UFLIC received a cash capital contribution of \$400,000,000 from ERAC, which was recorded in the financial statements as of December 31, 2018. On February 18, 2020,

UFLIC received a cash capital contribution of \$100,000,000 from ERAC, which was recorded in the financial statements as of December 31, 2019. No other capital contributions were received or paid by UFLIC during the remainder of the examination period.

CORPORATE RECORDS

On June 30, 2020, UFLIC amended and restated its Bylaws to remove §1-6 of Article X and amend §7 to change a reference to Article X to instead refer to the Company's Articles of Incorporation, in order to address items that were previously included in the sections removed from Article X of the Bylaws.

Also on June 30, 2020, the Company amended and restated the Articles of Incorporation to include additional details related to indemnification – previously included in §1-6 of Article X of the Company's Bylaws – in Article X of the Articles of Incorporation. Additionally, Article XI was added to the Articles of Incorporation, stating that directors shall not be personally liable to the Company or its stockholders for monetary damages for any breach of fiduciary duty as a director.

MANAGEMENT AND CONTROL

Ownership

The Company is controlled by its sole stockholder, ERAC.

Board of Directors

The Company's bylaws consist of eleven (11) articles that provide the framework for the operation, management, and control of the Company. The Company is managed under the direction of its board of directors ("Board").

Pursuant to the Company's bylaws, the Board should consist of no less than five

(5) and no greater than eleven (11) directors. At the annual meeting, the stockholders shall elect directors, each of whom will hold office for a term of one (1) year or until a successor is elected and qualified or until such director's earlier resignation or removal.

The directors elected and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
Shawna A. Meyer	Chair, President & Chief Executive Officer, Employers Reassurance Corporation
Dale E. Filsinger	Chief Risk Officer, Employers Reassurance Corporation
Anthony A. Grandolfo	Chief Investment Officer, Employers Reassurance Corporation
Brandon J. Mayer	Chief Information Officer & Chief Operating Officer, Employers Reassurance Corporation
William J. Steilen	Chief Financial Officer, Employers Reassurance Corporation

Committees

The Company's bylaws indicate that the Board may designate one (1) or more committees of the Board as deemed necessary and proper. The established committees as of December 31, 2021, were as follows: Capital Planning Committee, Compliance, Operations and Digital Committee, Investment Committee, and Insurance Liability Committee. The Committee members serving as of December 31, 2021, were as follows:

<u>Investment Committee</u>	<u>Compliance, Operations & Digital Committee</u>	<u>Insurance Liability Committee</u>
Mark D. Bienz	Jodi Bachelor	Mark D. Bienz
Harshal Chaudhari	Michael J. Burbach	Dale E. Filsinger
Dale E. Filsinger	Mark Cohenour	Shawna A. Meyer
Brett Gansen	Cheri M. DiPiero	William J. Steilen
Anthony A. Grandolfo	Karen L. Fleming	
Paul K. Goudie	Doug D. Malloy	
Jane B. Kipper	Brandon J. Mayer	

Shawna A. Meyer

William J. Steilen

Cecelia P. Ortiz

Jeffrey M. Russell

Kathleen A. Russell

Capital Planning Committee

Mark D. Bienz

Dale E. Filsinger

Brett Gansen

Shawna A. Meyer

William J. Steilen

Officers

Pursuant to the bylaws, the Company may have a Chairman of the Board, President, Secretary, Treasurer, and any other officers deemed necessary, all of whom shall be elected annually at the first regular meeting of the Board. The Chairman of the Board and the President shall be elected from the membership of the Board. One (1) person may hold multiple offices, except no one person may hold the office of both President and Secretary. The Board may leave any office unfilled except that of the President, Treasurer and Secretary.

The following is a listing of officers and their position(s) held as of December 31, 2021:

<u>Name</u>	<u>Office</u>
Shawna A. Meyer	President
Kathleen A. Russell	Secretary
Jane B. Kipper	Treasurer

INSURANCE HOLDING COMPANY SYSTEM

K.S.A. 40-3305 requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of

Insurance. The Company has submitted Form “B” and “C” registration statements to the Department for each of the years under examination. A review of the registration statements indicated that the items and events pertaining to the Company were properly reported as required by statute.

The Company’s ultimate controlling parent is GE. The abbreviated organizational chart below illustrates the identities and intercompany relationships among insurance and non-insurance companies and the controlling entities thereof, as of December 31, 2021. Ownership is noted in parentheses and the Kansas domiciled insurers are bolded.

General Electric Company (Publicly Held)

GE Capital Global Holdings LLC (100%)

GE Capital US Holdings, Inc. (100%)

GE Capital NALH Holdings LLC (100%)

Employers Reassurance Corporation (100%)

ERC Long Term Care Solutions, Inc (100%)

OP REO Holdco Two LLC (100%)

Holdco Two Sub #1 LLC (100%)

Union Fidelity Life Insurance Company (100%)

Heritage Casualty Insurance Company (100%)

OP REO Holdco One LLC (100%)

Holdco One Sub #1 LLC (100%)

Intercompany/Cost Sharing Agreements

The following is a brief description of significant agreements executed with affiliate entities that were in effect as of December 31, 2021.

Administrative Services Agreement

UFLIC is party to an Administrative Services Agreement with GECUSH, whereby GECUSH acts as the paying agent and performs certain other administrative services related to derivatives transactions entered into by the Company. Pursuant to this agreement, UFLIC did not incur and expenses during the examination period.

Intercompany Services Agreement

UFLIC is party to an Intercompany Services Agreement with GECUSH, whereby certain designated administrative and support services were provided by GECUSH to the Company. Pursuant to this agreement, UFLIC paid expenses of \$4,453,180, \$3,252,762, \$3,935,426 and \$5,055,889 in 2021, 2020, 2019 and 2018, respectively.

Management Services Agreement

Effective December 15, 2004, UFLIC entered into a Management Services Agreement with ERAC and GE, whereby certain designated administrative and support services were provided by ERAC to UFLIC. The agreement was amended effective April 12, 2006. Pursuant to this agreement, the Company paid expenses of \$23,439,977; \$22,172,421; \$20,926,063; and \$15,631,992 to ERAC in 2021, 2020, 2019, and 2018, respectively.

Capital Maintenance Agreement

Effective January 1, 2004, UFLIC entered into a Capital Maintenance Agreement with GE, whereby GE will maintain the Company's risk-based capital requirement at 150% of its company action level as defined from time to time by the NAIC. The agreement was amended on December 1, 2013, and June 1, 2017. Pursuant to this agreement, ERAC made no capital contributions to UFLIC in 2021 or 2020 and infused

capital of \$100,000,000 and \$400,000,000 in 2019 and 2018, respectively.

ISDA 2002 Master Agreement

Effective January 24, 2014, UFLIC entered into an ISDA (International Swaps and Derivatives Association) 2002 Master Agreement with GE Financial Markets Unlimited Company (“GEFM”), whereby UFLIC entered into interest rate swaps with GEFM. The agreement was amended October 24, 2015. Pursuant to this agreement, UFLIC received \$3,463,000; \$6,784,790; \$3,254,000; and \$627,900 in payments from GEFM in 2021, 2020, 2019, and 2018, respectively.

Tax Allocation Agreement

Effective March 2, 2006, UFLIC entered into a Tax Allocation Agreement with GECUSH, whereby the Company is included in the consolidated Federal income tax return filed by the Ultimate Controlling Person, GE. Pursuant to this agreement, UFLIC made tax payments of \$54,820,03; \$4,518,110; \$48,134,936; and \$23,889,451 in 2021, 2020, 2019, and 2018, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, UFLIC was authorized to transact business in all states and the District of Columbia, excluding New York.

UFLIC is authorized to write life and accident and health insurance. The Company has written business lines consisting of ordinary life, term life, accidental death and dismemberment, accident, specified disease and Medicare supplement. UFLIC is no longer writing new reinsurance treaties and its in-force reinsurance treaties are closed to accepting new business. The remaining business consists of direct written and reinsured portfolios of variable annuities, structured settlements and long-term care.

SELECT FINANCIAL INFORMATION

The exhibit below shows the Company's financial results for the period of December 31, 2018, through December 31, 2021. The financial amounts were obtained from annual statements filed by the Company.

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<i>(in millions)</i>				
Admitted Assets	20,505	20,383	20,130	19,882
Liabilities	19,837	19,654	19,353	19,020
Capital and Surplus	668	729	777	863
Net Income (Loss)	(299)	(32)	37	140
Net Premium Written	254	245	239	225

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

<i>(\$000s omitted)</i>				
<u>Premium Type</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Direct Premiums Written	\$ 24,240	\$ 22,275	\$ 20,086	\$ 18,232
Reinsurance Assumed	231,052	224,335	220,506	208,004
Reinsurance Ceded	(1,777)	(1,626)	(1,223)	(902)
Net Premiums Written	\$ 253,515	\$ 244,984	\$ 239,369	\$ 225,334

Assumed Reinsurance

The majority of the business assumed by UFLIC is from Genworth Life Insurance Company of New York ("GLICNY"), Genworth Life and Annuity Insurance Company ("GLAIC") and Genworth Life Insurance Company ("GLIC"). The reinsurance agreements with these companies were executed in connection with the GE reorganization of its

insurance business in 2004 and in conjunction with GE's determination to discontinue its insurance operations. The business assumed is as follows:

- The Company reinsures from GLICNY and GLAIC variable annuities on a 100% coinsurance basis for the general accounts and a modified coinsurance basis for the separate accounts.
- The Company reinsures from GLICNY, GLAIC and GLIC structured settlement annuities on a 100% coinsurance basis.
- The Company reinsures from GLICNY and GLIC long-term care contracts on a 100% coinsurance basis. These contracts were originally written by The Travelers Insurance Company ("Travelers"), and assumed by GLICNY and GLIC on a 90% coinsurance basis in 2000. At that same time Travelers, GLICNY and GLIC contemplated a step-up to 100% coinsurance no later than the eighth anniversary on the original agreement (July 31, 2008). UFLIC received cash of \$286,602,268 in December 2008 for the additional liabilities assumed in connection with this step-up.

Ceded Reinsurance

- UFLIC ceded to GLAIC Medicare Supplement insurance policies written or assumed by the Company prior to January 1, 2004. This agreement was effective January 1, 2004, and amended on December 18, 2008. Non New York policies are ceded on a 100% coinsurance basis and New York policies are ceded on a 90% coinsurance basis.

All reinsurance agreements in effect during the examination contained insolvency and cancellation clauses as required by K.S.A. 40-221a. All reinsurance agreements

reviewed provided for the transfer of risk. However, the Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event an assuming reinsurer fails to perform its obligations under the reinsurance contract.

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, 2021. There were no adjustments to the Company's filed statutory financial statements as a result of this examination.

UNION FIDELITY LIFE INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2021

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$ 18,012,388,027	\$ -	\$ 18,012,388,027
Stocks:			
Preferred stocks	10,111,414	-	10,111,414
Common stocks	15,249,443	-	15,249,443
Mortgage loans on real estate:			
First liens	894,729,338	-	894,729,338
Other than first liens	7,240,305	-	7,240,305
Cash and short-term investments	185,943,670	-	185,943,670
Contract Loans	2,131,999	1,063	2,130,936
Derivatives (Schedule DB)	72,139	-	72,139
Other invested assets	403,028,275	126,855	402,901,420
Receivable for securities	7,221,754	-	7,221,754
Investment income due & accrued	251,486,828	-	251,486,828
Uncollected premiums and agents' balances in the course of collection	5,043,183	255,447	4,787,736
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,474,879	-	1,474,879
Reinsurance:			
Amounts recoverable from reinsurers	1,200	-	1,200
Other amounts receivable under reinsurance contracts	23,514,340	-	23,514,340
Current federal and foreign income tax recoverable and interest thereon	4,264,965	-	4,264,965
Net deferred tax asset	764,198,236	707,544,272	56,653,964
Guaranty funds receivable or on deposit	110,318	-	110,318
Aggregate write-ins for other than invested assets	2,086,589	-	2,086,589
Totals	\$ 20,590,296,902	\$ 707,927,637	\$ 19,882,369,265

**UNION FIDELITY LIFE INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2021**

Aggregate reserves for life contracts	\$ 10,587,193,314
Aggregate reserve for accident and health contracts	6,506,849,163
Liability for deposit-type contracts	984,700,888
Contract claims:	
Life	11,815,326
Accident and health	154,119,040
Premium and annuity considerations for life and accident and health contracts received in advance	5,991,708
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	586,150
Interest Maintenance Reserve	486,646,342
Commissions to agents due or accrued-life and annuity contracts	83,963
Commissions and expense allowances payable on reinsurance assumed	5,242,491
General expenses due or accrued	67,710,666
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,199,339
Amounts withheld or retained by reporting entity as agent or trustee	(603)
Remittances and items not allocated	(1,547,700)
Miscellaneous liabilities:	
Asset valuation reserve	165,174,626
Reinsurance in unauthorized and certified companies	19,146
Payable to parent, subsidiaries and affiliates	11,009,672
Aggregate write-ins for liabilities	30,836,634
Total liabilities	<u>19,019,630,165</u>
Common capital stock	2,903,775
Gross paid in and contributed surplus	6,108,781,964
Unassigned funds	<u>(5,248,946,639)</u>
Totals	<u>862,739,100</u>
Total liabilities, surplus and other funds	<u>\$ 19,882,369,265</u>

UNION FIDELITY LIFE INSURANCE COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

Premiums and annuity considerations for life and accident and health contracts	\$ 225,333,831
Net investment income	1,028,638,068
Amortization of Interest Maintenance Reserve	64,965,202
Commissions and expense allowances on reinsurance ceded	74,411
Aggregate write-ins for miscellaneous income	25,768,571
Totals	1,344,780,083
Death benefits	14,279,039
Matured endowments	10,616
Annuity benefits	785,817,971
Disability benefits and benefits under accident and health contracts	563,093,070
Surrender benefits and withdrawals for life contracts	175,166,427
Interest and adjustments on contract or deposit-type contract funds	60,329,504
Increase in aggregate reserves for life and accident and health contracts	(273,786,809)
Totals	1,324,909,818
Commissions on premiums, annuity considerations, and deposit-type contract funds	560,799
Commissions on expense allowances and reinsurance assumed	42,707,654
General insurance expenses and fraternal expenses	38,895,029
Insurance taxes, licenses and fees, excluding federal income taxes	640,415
Increase in loading on deferred and uncollected premiums	(126,090)
Net transfers to or (from) Separate Accounts net of reinsurance	(215,088,385)
Aggregate write-ins for deductions	1,981
Totals	1,192,501,221
Net gain from operations before dividends to policyholders refunds to members and federal income taxes	152,278,861
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	152,278,861
Federal and foreign income taxes incurred	17,673,388
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses)	134,605,473
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax	5,274,053
Net Income	\$ 139,879,526

UNION FIDELITY LIFE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION

Surplus as regards policyholders, December 31, 2017			<u>\$ 536,557,569</u>
Net income	2018	\$ (298,760,249)	
	2019	(32,028,837)	
	2020	36,986,041	
	2021	<u>139,879,526</u>	(153,923,519)
Change in net unrealized capital gains or (losses)	2018	\$ 2,684,294	
	2019	(1,240,575)	
	2020	(2,355,503)	
	2021	<u>3,265,706</u>	2,353,922
Change in net unrealized foreign exchange capital gain	2018	\$ (28,703)	
	2019	9,834	
	2020	19,890	
	2021	<u>1,026</u>	2,047
Change in net deferred income tax	2018	\$ (251,092,552)	
	2019	384,989,241	
	2020	1,022,523	
	2021	<u>102,409</u>	135,021,621
Change in nonadmitted assets	2018	\$ 268,988,565	
	2019	(377,468,924)	
	2020	4,460,448	
	2021	<u>(43,758,604)</u>	(147,778,515)
Change in liability for reinsurance in unauthorized companies and certified companies	2018	3,537	
	2019	14,852	
	2020	4,990	
	2021	<u>1,421</u>	24,800
Change in reserve on account of change in valuation basis	2018	-	
	2019	-	
	2020	24,000,000	
	2021	<u>-</u>	24,000,000
Change in asset valuation reserve	2018	\$ 9,449,941	
	2019	(13,453,061)	
	2020	(15,986,879)	
	2021	<u>(13,528,826)</u>	(33,518,825)
Surplus adjustment: paid in	2018	\$ 400,000,000	
	2019	100,000,000	
	2020	-	
	2021	<u>-</u>	500,000,000
Surplus as regards policyholders, December 31, 2021			<u>\$ 862,739,100</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company as of December 31, 2021, was \$862,739,100, which was the same amount reported by the Company in its 2021 filed Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

There were no significant or material findings resulting from the examination that warranted inclusion in this Report on Examination.

SUBSEQUENT EVENTS

Effective January 1, 2022, UFLIC sold all outstanding shares of Heritage Casualty Insurance Company (“HCIC”) to Vantage Risk Holdings Corporation, a Delaware Corporation. Upon closing, HCIC became a member of the Vantage Group of Companies and its name was changed to Vantage Risk Assurance Company (Vantage) effective January 6, 2022. In connection with the sale of HCIC to Vantage, UFLIC is required to indemnify Vantage for payments not to exceed \$22,400,000 made under a contingent premium clause related to a loss portfolio transfer reinsurance agreement. Management assessed UFLIC’s probability of having to perform in the future under this indemnification as remote.

The COVID-19 pandemic has continued to develop throughout 2020, 2021 and into 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this

report, the examination's review noted that there has not been a significant impact to the Company.

SUMMARY OF RECOMMENDATIONS

No recommendations for the Company were identified that warranted inclusion in this Report on Examination.

CONCLUSION

The assistance and cooperation by the officers of the Company during this examination is hereby acknowledged and appreciated. In addition to the undersigned, Joe DeVries, CFE, Kristina Sampson, CPA, and Victoria Scott, CFE, with Noble Consulting Services, Inc., assisted on the financial portion of the examination. Additionally, Carol Riley, AES, CISA, CGEIT, CRISC, and Sharon Riley, CISA, CGEIT, AIRC, FLMI, performed the information technology portion of the examination. In addition, Mike Mayberry, FSA, MAAA, of Lewis & Ellis, Inc., and Greg Hahn, CFA, of Winthrop Capital Management, performed an actuarial and investment review, respectively, of the Company.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Barry Armstrong, CFE", written over a horizontal line.

Barry Armstrong, CFE
Examiner-in-Charge
Noble Consulting Services, Inc., representing
the Kansas Insurance Department

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Handbook has been confirmed except where practices, procedures and applicable regulations of the Department and statutes of the State of Kansas prevailed.

A handwritten signature in black ink, reading "Levi Nwasoria", written over a horizontal line.

Levi Nwasoria, CPA, CFE
Chief Examiner
Kansas Insurance Department

EXHIBIT S
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

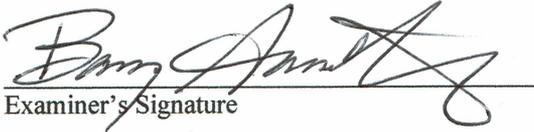
State of South Carolina,

County of Horry,

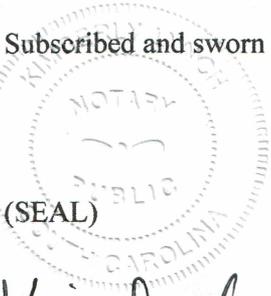
Barry Armstrong, being duly sworn, states as follows:

1. I have authority to represent the Kansas Insurance Department in the examination of Union Fidelity Life Insurance Company.
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Union Fidelity Life Insurance Company was performed in a manner consistent with the standards and procedures required by K.S.A 40-222.

The affiant says nothing further.


Examiner's Signature

Subscribed and sworn before me by Barry Armstrong on this 28th day of June, 2023.



Kimberly Lynch
NOTARY PUBLIC
State of South Carolina
My Commission Expires 12/3/2031


Notary Public

My commission expires 12/3/2031 [date].