

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

IN THE MATTER OF:)
)
USA Life One Insurance Company)
7735 Loma Court)
Fishers, Indiana 46038)

Examination of **USA Life One Insurance Company**

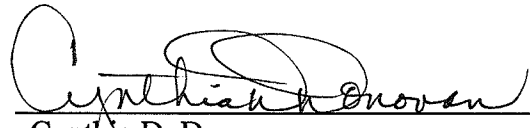
NOTICE OF ENTRY OF ORDER

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 **USA Life One Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on November 18, 2011, 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 **USA Life One 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.

12/22/2011
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8974

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

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USA Life One Insurance Company)
7735 Loma Court)
Fishers, Indiana 46038)

Examination of USA Life One Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **USA Life One Insurance Company** (hereinafter "Company") for the time period January 1, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on October 27, 2011.

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 November 18, 2011 and was received by the Company on November 21, 2011.

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 **USA Life One Insurance Company** as of December 31, 2010.
2. That the Examiner's Recommendations are reasonable and necessary in order for the **USA Life One 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 and Sealed this 22nd day of
December, 2011.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

USA LIFE ONE INSURANCE COMPANY OF INDIANA
NAIC Co. CODE 70955

As of

December 31, 2010

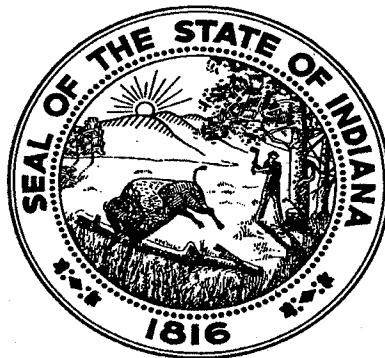


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

October 28, 2011

Honorable Joseph Torti, III
Chair, NAIC Financial Condition (E) Committee
Superintendent, State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920-4407

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

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3675, an examination has been made of the affairs and financial condition of:

USA Life One Insurance Company of Indiana
7735 Loma Court
Fishers, IN 46038

hereinafter referred to as "the Company", an Indiana domestic, mutual insurance company. The examination was conducted at the offices of Noble Consulting Services, Inc. in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2005. The present risk-focused examination covered the period from January 1, 2006 through December 31, 2010 and was conducted by Noble Consulting Services, Inc., on behalf of the State of Indiana.

Jeffrey A. Beckley, FSA, MAAA, of Actuarial Options LLC, was appointed by the IDOI and conducted a review of the Company's statutory reserves as of December 31, 2010. There were no actuarial adjustments resulting from the review performed.

We conducted our examination pursuant to and in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's 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.

HISTORY

The Company was incorporated as a fraternal benefit society on January 8, 1894, under Indiana laws as the Supreme Tribe of Ben Hur. It reincorporated on February 20, 1900, and on June 26, 1930, changed its name to Ben Hur Life Association. Effective June 30, 1989, the Company converted to a mutual legal reserve life insurance company and the name was changed to USA Life Insurance Company of Indiana. On June 15, 1990, in order to avoid objections raised by an insurer with a similar name, the Company adopted its current name. The Company has a non insurance subsidiary, Life 1 Financial Corp. (formerly Ben Hur Company, Inc.).

CAPITAL AND SURPLUS

The Company is a mutual insurance company and as such is owned by its policyholders. During each year of the examination, the Company paid a financially insignificant amount in dividends to policyholders.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in twelve states: Arkansas, California, Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, and Tennessee.

The Company is authorized to write life, annuity, and accident and health coverages. Renewal premiums in Indiana, Kentucky, Ohio and Illinois accounted for approximately 91% of premium in 2010. Currently, the Company is not producing a material amount of new business.

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2010	\$ 36,045,336	\$ 20,660,039	\$ 15,385,295	\$ 1,123,338	\$ 246,639
2009	35,915,596	19,540,789	16,374,809	1,011,131	(12,421)
2008	36,546,828	19,781,587	16,765,242	1,142,111	50,246
2007	37,855,234	20,835,316	17,019,918	1,342,380	415,604
2006	37,963,833	21,493,390	16,470,441	1,357,495	726,057

The Company's assets have stayed fairly consistent throughout the examination period. Bonds, cash, and short term investments accounted for 95 - 96% of the total assets for all years under examination.

The increase in liabilities and resulting decrease in surplus from 2009 to 2010, was driven by additional reserves established as a result of asset adequacy analysis.

The net loss reported in 2009 was the result of realized capital losses. In 2010, the Company reported capital gains that contributed to positive net income.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors consisting of five members. The policyholders, at each annual meeting, elect the members of the Board of Directors.

The following is a listing of persons serving as directors at December 31, 2010, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Merle Wayne Smith Crawfordsville, IN	Retired
Allen Wayne Fortna Whitehall, PA	Realtor
Roger Wayne Smith Fishers, IN	President, USA Life One Insurance Company of Indiana
Charles Andrew Russell Marion, IA	CEO, USA Life One Insurance Company of Indiana
Thomas Nichols Hunt Crawfordsville, IN	Funeral Director, Hunt & Son Funeral Home

Officers

The Bylaws state the officers of the corporation shall consist of a Chief Executive Officer, President, Secretary, Treasurer and such additional officers provided by the Bylaws as the Board of Directors shall determine appropriate. The following is a list of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Roger Wayne Smith	President and Secretary
Charles Andrew Russell	CEO and Treasurer

CONFLICT OF INTEREST

The Company requires officers and directors to review and sign Conflict of Interest statements on an annual basis. The officers and directors have reviewed and signed their statements as of December 31, 2010.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) stipulates 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. As of year end 2010, all directors have reviewed and subscribed to an Oath of Office.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Bylaws were amended subsequent to year end, in April of 2011, to increase the age to which directors can serve from their 70th birthday to 85th birthday. There were no changes to the Bylaws or the Articles of Incorporation during the examination period.

Minutes

The Board of Directors, Investment Committee, and Pension Committee meeting minutes were reviewed for the period under examination through the completion of fieldwork. Significant actions taken during each meeting were noted.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by Saint Paul Fire and Marine Insurance Company. The bond has coverage of \$500,000 with a deductible of \$10,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2010, including, but not limited to building and business property liability.

STATUTORY DEPOSITS

The Company reported statutory deposits held with State Insurance Departments at December 31, 2010. The deposits include:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders:		
Indiana	\$ 2,091,994	\$ 2,071,530
Other Special Deposits:		
Arkansas	110,179	110,547
North Carolina	438,911	433,571
Total Deposits	\$ 2,641,084	\$ 2,615,648

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has a defined benefit pension plan covering substantially all employees and some agents. As a matter of policy, pension costs are funded as they accrue and vested benefits are fully funded.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2009 and 2010, were agreed to the respective Annual Statements without material exception. The Annual Statements for the years ended December 31, 2009 and 2010, were agreed to each year's independent audit report with no exceptions noted.

USA LIFE ONE INSURANCE COMPANY OF INDIANA

FINANCIAL STATEMENTS

Assets

	As of December 31, 2010			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 27,551,709	\$ -	\$ 27,551,709	\$ 26,780,331
Stocks:				
Preferred stocks	-	-	-	2,570
Common stocks	1,010	-	1,010	36,662
Mortgage loans on real estate:				
First liens	14,438	-	14,438	16,693
Real estate:				
Properties occupied by the company	128,586	-	128,586	133,348
Cash, cash equivalents, and short-term investments	6,994,261	-	6,994,261	7,290,558
Contract loans	811,833	-	811,833	876,913
Subtotals, cash and invested assets	<u>35,501,837</u>	<u>-</u>	<u>35,501,837</u>	<u>35,137,075</u>
Investment income due and accrued	383,358	-	383,358	396,721
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	21,415	-	21,415	34,777
Current federal and foreign income tax recoverable and interest thereon	104,226	-	104,226	-
Net deferred tax asset	32,400	-	32,400	25,740
Guaranty funds receivable or on deposit	-	-	-	753
Electronic data processing equipment and software	-	-	-	355
Aggregate write-ins for other than invested assets	2,100	-	2,100	320,175
Total assets	<u>\$ 36,045,336</u>	<u>\$ -</u>	<u>\$ 36,045,336</u>	<u>\$ 35,915,596</u>

USA LIFE ONE INSURANCE COMPANY OF INDIANA

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2010			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Aggregate reserve for life contracts	\$ 19,906,403	\$ -	\$ 19,906,403	\$ 18,915,679
Liability for deposit-type contracts	192,566	-	192,566	165,430
Contract claims:				
Life	158,946	-	158,946	137,292
General expenses due or accrued	57,677	-	57,677	80,881
Taxes, licenses and fees due or accrued	56,089	-	56,089	48,685
Current federal and foreign income taxes	-	-	-	39,828
Unearned investment income	31,992	-	31,992	36,492
Amounts withheld or retained by company as agent or trustee	16,481	-	16,481	28,310
Amounts held for agents' account	105	-	105	-
Remittances and items not allocated	113,200	-	113,200	70,151
Miscellaneous liabilities:				
Asset valuation reserve	47,824	-	47,824	15,934
Aggregate write-ins for liabilities	78,756	-	78,756	2,107
Total liabilities	\$ 20,660,039	\$ -	\$ 20,660,039	\$ 19,540,789
Unassigned funds (surplus)	15,385,295	-	15,385,295	16,374,809
Surplus as regards policyholders	15,385,295	-	15,385,295	16,374,809
Totals	\$ 36,045,334	\$ -	\$ 36,045,334	\$ 35,915,598

USA LIFE ONE INSURANCE COMPANY OF INDIANA

FINANCIAL STATEMENTS

Summary of Operations

	As of December 31, 2010			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Premiums and annuity considerations for life and accident and health contracts	\$ 1,123,338	\$ -	\$ 1,123,338	\$ 1,011,131
Net investment income	1,619,312	-	1,619,312	1,809,823
Amortization of Interest Maintenance Reserve	2,984	-	2,984	6,457
Commissions and expense allowances on reinsurance ceded	3,299	-	3,299	1,986
Totals	<u>2,748,933</u>	<u>-</u>	<u>2,748,933</u>	<u>2,829,397</u>
Death benefits	849,188	-	849,188	1,241,708
Annuity benefits	27,151	-	27,151	32,307
Disability benefits and benefits under accident and health contracts	2,256	-	2,256	-
Coupons, guaranteed annual pure endowments and similar benefits	-	-	-	8,633
Surrender benefits and withdrawals for life contracts	756,767	-	756,767	1,030,126
Interest and adjustments on contract or deposit-type contract funds	519	-	519	-
Payments on supplementary contracts with life contingencies	7,203	-	7,203	2,560
Increase in aggregate reserves for life and health contracts	(133,276)	1,624,000	1,490,724	(761,963)
Totals	<u>1,509,808</u>	<u>1,624,000</u>	<u>3,133,808</u>	<u>1,553,371</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	19,194	-	19,194	25,443
General insurance expenses	791,209	-	791,209	744,177
Insurance taxes, licenses and fees, excluding federal income	358,451	-	358,451	82,687
Increase in loading on deferred and uncollected premiums	(2,640)	-	(2,640)	1,639
Totals	<u>2,676,022</u>	<u>-</u>	<u>4,300,022</u>	<u>2,407,317</u>
Net gain from operations before dividends to policyholders and federal income taxes	72,911	-	(1,551,089)	422,080
Dividends to policyholders	2,406	-	2,406	2,441
Net gain from operations after dividends to policyholders and before federal income taxes	70,505	-	(1,553,495)	419,639
Federal and foreign income taxes incurred	(176,635)	-	(176,635)	60,000
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	247,140	-	(1,376,860)	359,639
Net realized capital gains (losses)	(501)	-	(501)	(372,060)
Net Income	<u>\$ 246,639</u>	<u>\$ 1,624,000</u>	<u>\$ (1,377,361)</u>	<u>\$ (12,421)</u>

Footnote: Regarding the examination adjustment of \$1,624,000, additional reserves of \$500,000 for 2009, and \$1,124,000 for 2010, were required based on asset adequacy testing. See further comment in the Other Significant Issues section on page 11 of this report.

USA LIFE ONE INSURANCE COMPANY OF INDIANA

FINANCIAL STATEMENTS

Capital and Surplus Reconciliation

	2006	2007	2008	2009	2010
CAPITAL AND SURPLUS ACCOUNT					
Surplus as regards policyholders, December 31 ,	\$ 15,720,905	\$ 16,470,441	\$ 17,019,918	\$ 16,765,242	\$ 16,374,809
Net income (loss)	726,057	415,604	50,246	(12,421)	246,639
Change in net unrealized capital gains or (losses)					
less capital gains tax	29,782	(5,226)	(17,395)	17,395	(12)
Change in deferred income tax	1,492	(14,758)	(4,533)	(3,600)	6,660
Change in nonadmitted Assets	4,983	(203)	(82,789)	48,243	(2,801)
Change in reserve on account of change in valuation basis	-	-	-	(500,000)	(1,124,000)
Change in asset valuation reserve	(12,778)	154,060	405	474	(31,890)
Aggregate write-ins for gains and losses in surplus	-	-	(200,610)	59,476	(84,110)
Net change in capital and surplus for the year	749,536	549,477	(254,676)	(390,433)	(989,514)
Surplus as regards policyholders, December 31,	<u>\$ 16,470,441</u>	<u>\$ 17,019,918</u>	<u>\$ 16,765,242</u>	<u>\$ 16,374,809</u>	<u>\$ 15,385,295</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

The Company holds Universal Life reserves at account value and does not calculate the reserves in accordance with the Universal Life Model Regulation methodology. Many of the Universal Life contracts provide an interest rate that exceeds the maximum valuation interest rate, which results in reserves that exceed account value. Therefore, holding the reserves at account value is not an acceptable method. It is recommended that the Company file an annual actuarial report and opinion which documents the calculation of Universal Life reserves in accordance with the Universal Life Model Regulation methodology.

Based on the performance of asset adequacy analysis for 2009 and 2010, it was determined that additional reserves were required. The deficiency for 2009 was \$500,000 and for 2010 it was \$1,124,000. The Company accounted for these additional reserves as a change in valuation basis as described in SSAP 51, paragraph 32 and accordingly charged these amounts directly to surplus. Based on the review performed during the examination it was determined that these additional reserves should have been accounted for as a change in accounting estimate in accordance with SSAP 51, paragraph 31. These amounts should have been a component of income for 2009 and 2010 and accordingly an adjustment is shown in the Summary of Operations page of this report reflecting this change. There is no effect on surplus due to the change in accounting treatment as a result of this examination.

SUBSEQUENT EVENTS

There were no events of a material nature occurring subsequent to the examination date.

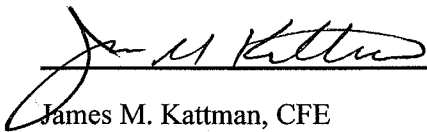
AFFIDAVIT

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 Noble Consulting Services, Inc. and actuarial assistance from Actuarial Options, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of **USA Life One Insurance Company of Indiana**, as of **December 31, 2010**.

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

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners 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 standards 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 **USA Life One Insurance Company of Indiana**, as of **December 31, 2010**, as determined by the undersigned.



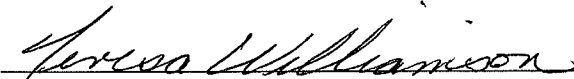
James M. Kattman, CFE
Noble Consulting Services, Inc.

State of:

County of:

On this 3rd day of Nov, 2011, before me personally appeared, James M. Kattman, 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: 9-15-2019 

Notary Public

