

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, Kansas 67052)

Examination of Great Fidelity Life Insurance Company

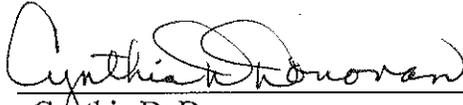
NOTICE OF ENTRY OF ORDER

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 May 10, 2013 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.

6-21-2013
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0015 7988 75

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

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1035 South 183rd Street West)
Godard, Kansas 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, 2008 through December 31, 2011.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 29, 2013

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 May 10, 2013 and was received by the Company on May 14, 2013

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, 2011
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 and Sealed this 21 day of
June, 2013.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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, 2011

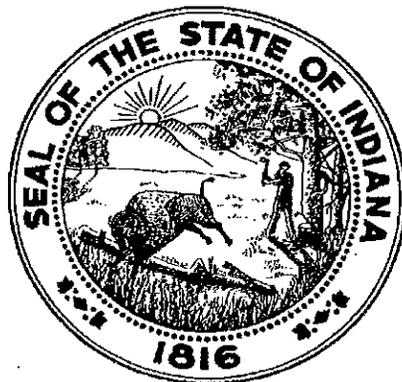


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STATE OF INDIANA

MICHAEL R. PENCE, Governor

IDOI

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

April 30, 2013

Stephen W. Robertson, Commissioner

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 3739, 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 administrative offices of the Company located in Goddard, Kansas.

The Report of Examination, showing the financial status of the Company as of December 31, 2011, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
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COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
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In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
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SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2007. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2008 through December 31, 2011, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. This was a coordinated examination with the State of Arizona, the domiciliary state for American Underwriters Life Insurance Company (AULIC), the parent company, and the largest based Company on total assets and premiums in-force. As such, Arizona was designated the lead state for the examination.

In conducting the examination, the INDOI, by its representatives, utilized the independent audit reports and opinions contained therein rendered by Marks, Nelson, Vohland, Campbell & Radetic LLC, as deemed appropriate for the examination period. Such reports were prepared on a statutory basis, and reconciled to the financial statements contained in the respective Annual Statements.

Scott Garduno, FSA, MAAA, of Taylor-Walker & Associates, LLC, a consulting actuary appointed by the lead state, conducted a review of the Company's reserves as of December 31, 2011.

Additionally, Risk Regulatory Consulting, LLC, appointed by the lead state, conducted a review of information systems controls, gained an understanding of the information systems utilized, and concluded that there would be an aggregated control strength of 'moderate' reliance on the information systems.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that Thomas Consulting and the lead State of Arizona 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. The examination also included 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 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

As of December 31, 2011, the Company had 4,950,000 shares of no par value common stock authorized, issued and outstanding. The Company has no preferred stock authorized, issued or outstanding, and is 100% owned by AULIC. There were no dividends paid to AULIC during the period under examination.

On June 30, 2009, the Company issued a surplus note for \$100,000 to AULIC. The purpose for the Surplus Note was to permit the Company to meet the minimum capital and surplus requirements to maintain a certificate of authority in the State of Ohio. The Surplus Note was approved by the INDOI on August 7, 2009 in accordance with IC 27-1-7-19. This note increased the Company's total surplus notes to \$400,000 as of December 31, 2011.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact business in eleven states: Arizona, Delaware, Georgia, Idaho, Indiana, Kentucky, New Mexico, Ohio, Oregon, South Carolina, and Texas; however, the Company predominately writes business in Texas (69%) and Georgia (25%).

The Company is licensed to write life, annuity, and accident and health policies. As of the end of the examination period, approximately 51% of the Company's business production was from blanket accident and health insurance, and 49% 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. This product is not considered highly regulated and employees are allowed to choose whether they wish to provide coverage for their employees or not. Type and levels of coverage are negotiable between the employer, and the Company. The basic policy provides an accidental death benefit with accidental medical and accidental disability income coverage available as options.

The Company's business is produced through captive and independent agents through a Management Services Agreement with AULIC. Employees of Inter-Americas Insurance Corp. 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 depicts the Company's financial results throughout the examination period:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total admitted assets	\$4,009,807	\$3,621,273	\$3,183,699	\$3,162,972
Total liabilities	1,193,126	748,683	336,761	399,131
Policyholder surplus	2,816,680	2,872,589	2,846,937	2,763,840
Net income	(42,841)	6,794	(33,879)	(7,027)
Net premiums written	716,347	583,126	117,394	160,437

The Company reported negative net income in three of the four years under examination.

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 not less than five (5) and no more than twenty-five (25) members. The shareholder, at its annual meeting, elects the members of the Board of Directors. The following is a listing of persons serving as Directors as of December 31, 2011:

<u>Name & Residence</u>	<u>Principal Occupation</u>
Norma J. Hawkins Las Vegas, NV	Director Inter-Americas Insurance Corporation
Ronald K. Hawkins Wichita, KS	Executive Vice President Inter-Americas Insurance Corporation
Cindy A. Hawkins Wichita, KS	Secretary and Treasurer Inter-Americas Insurance Corporation
Bruce F. Welner Wichita, KS	President and Chief Executive Officer Inter-Americas Insurance Corporation
Craig A. Kreiser Wichita, KS	General Counsel Inter-Americas Insurance Corporation
Sherri H. Fouts Goddard, KS	Vice President
Jeremy L. Horn Wichita, KS	Vice President, Investments
David J. Webber Plainfield, IN	Regional Sales Manager Information Systems Lead BC/BS

Officers

The Company's Bylaws state the Officers of the Corporation shall be a President, a Secretary and a Treasurer. The Officers of the Corporation may include any one or more of the following, a Chairman of the Board, one or more Vice Presidents, and any class or classes established by the Board. The Chairman of the Board and the President shall be chosen from the Directors. Two or more offices may be held by the same person, except the duties of the President and Secretary shall not be performed by the same person. The following is a listing of key officers and their respective titles as of December 31, 2011.

<u>Name</u>	<u>Office</u>
Bruce F. Welner	President and Chief Executive Officer
Ronald K. Hawkins	Executive Vice President
Cindy A. Hawkins	Secretary and Treasurer
Sherri Fouts	Senior Vice President
Steve Peschka	Vice President -- Information Technology
Trudy L. Helsel	Vice President- Claims
Jeremy L. Horn	Vice President- Investments
Bonnie Long	Vice President- Medical Claims

Corporate Governance

As of December 31, 2011, Directors serving on the committees of the Board were as follows:

Audit Committee:

Arthur O. Dummer	Member
Robert Carriker	Member
Bruce F. Welner	Member
Cindy A. Hawkins	Member

Investment Committee:

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

Interest Rate Committee

Arthur O. Dummer	Member
Bruce F. Welner	Member
Robert Carriker	Member
Jeremy L. Horn	Member

Executive Committee

Norma Hawkins	Member
Arthur Dummer	Member
Robert Carriker	Member

CONFLICT OF INTEREST

The Company has in place a limited conflict of interest procedure where officers and directors sign a Conflict of Interest Certificate, certifying that should there arise in the normal course of business events, any situation which might incur a conflict of interest, they shall promptly bring such matter before the full Board of Directors for their consideration. There were no conflicts of interest reported by any of the officers or directors.

OATH OF OFFICE

Indiana Code 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. Each Director signed an "Oath of Office" statement for each year since elected.

CORPORATE RECORDS

Articles of Incorporation

The Company amended and restated its Articles of Incorporation on February 25, 2011. The amended Articles of Incorporation were approved by the INDOI on April 12, 2011, and was also approved and filed with the Indiana Secretary of State. The amendment relates to a number of current corporate practices. Significant changes to the amended and restated Articles of Incorporation were as follows:

1. The principal office is 6818 Cottonwood Dr, Plainfield, IN 46168.
2. The Par Value of its authorized shares of capital stock was changed to No Par Value.
3. The name, occupation and address of each Director of the Corporation were updated.

Bylaws

The Company amended its Bylaws on December 19, 2008, and was retroactively, made effective July 31, 2001. The amendments were as follows:

1. Annual Meetings. The Annual Meeting of the Board of Directors shall be held each year immediately following the Annual Meeting of Shareholders.
2. No regular Meetings. There shall be no other meeting of the Board other than the Annual Meeting.

Minutes

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

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. The Company is wholly owned by AULIC, an Arizona domiciled corporation. The following organizational chart depicts the Company's relationship within the holding company system.

Norma J. Hawkins

- First Financial Ins. Company, Ltd. (Turks & Caicos)
- Inter-Americas Insurance Corp. Inc. (KS) (99.5%)
- Executive Leasing Inc. (KS) (100%)
- LeaseCorp, Inc. (TX) (100%)
- Executive Leasing LLC (MT) (100%)
- General Partners Hawkins Investments, Inc. (KS) (100%)
 - The Hawkins Family Partnership, L.P. (100%)
 - American Underwriters Life Insurance Company (AZ) (100%)
 - **Great Fidelity Life Insurance Company (IN) (100%)**
 - Century Life Assurance Company (OK) (100%)

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement, and filed with INDOI as required in accordance with IC 27-1-23-4.

Management Services Agreement

Effective February 1, 2003, the Company entered into a management services agreement with AULIC, its parent. Under this agreement, AULIC agrees to provide administrative, marketing, legal, regulatory, and financial services. For these services, the Company agrees to pay AULIC \$8,000 per month.

Tax Agreement

Effective January 1, 2003, the Company entered into a consolidated tax sharing 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, AULIC, and Century Life Assurance Company, an affiliate. The INDOI determined that it would not disapprove the Tax Agreement on March 4, 2009. As of December 31, 2011, the Company reported a federal income tax receivable in the amount of \$6,734.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Ironshore Indemnity, Inc. The bond has a single loss and aggregate limit of \$500,000 and carries a single loss deductible of \$25,000. 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, 2011, including, but not limited to, directors and officers liability, errors and omissions, commercial general liability, commercial excess liability, and worker's compensation.

STATUTORY DEPOSITS

The Company reported special deposits comprised of U.S. Treasury Notes and short-term investments held by various Departments of Insurance as of December 31, 2011:

State	Book Value	Fair Value
For all Policyholders		
Indiana	\$ 1,000,444	\$ 1,000,625
All Other Special Deposits		
Georgia	58,188	58,188
New Mexico	105,232	105,324
South Carolina	199,903	199,903
Total Special Deposits	<u>\$ 1,363,767</u>	<u>\$ 1,364,040</u>

REINSURANCE

The Company has entered into ceded reinsurance agreements involving both life and accident and health policies. The following agreements provide for effective transfer of risk and contain acceptable insolvency clauses:

On October 1, 2002, the Company entered into a fifty percent (50%) quota share reinsurance agreement with an affiliated unauthorized reinsurance company, First Financial Insurance Company, Ltd, (FFIC), of the Island of Nevis, with respect to all net retained business classified as blanket accident. Under the terms of the agreement, 50% of the optional disability income coverage is ceded to FFIC. Beginning October, 1, 2003, the percentage of participation was amended to 90/10% between FFIC, and the Company respectively. On October, 1, 2005, a second amendment was made to the treaty increasing the ceding commission from 3% to 5%. As of December 31, 2011, the Company reported a reserve credit of \$46,486.

Effective May 19, 2005, the Company entered into Quota Share Reinsurance Agreement with FFIC, wherein FFIC agreed to assume 90% of the risk not otherwise ceded on business produced by SKO Annuities, Inc. The total reserves on business ceded as of December 31, 2011 were \$218,504.

FFIC, an unauthorized insurer maintained a trust fund with Southwest National Bank. The investments in the trust fund were \$741,764 as of December 31, 2011. The investments in the trust fund were found to be in compliance with the Reinsurance Standards in IC 27-6-10-14(c).

Effective May 1, 2011, the Company entered into a Personal Accident Quota share Reinsurance Agreement with Centurion Life insurance Company (Centurion), an Iowa domiciled company. The

Company will cede 100% quota share participation to Centurion in respect to personal accident insurance, including single premium accident 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 extending from May 1, 2011 through April 30, 2012. At expiration, the agreement will expire on a cut-off basis.

RESERVES

The Company's Board of Directors has appointed Hause Actuarial Solutions, Inc. as its Consulting Actuaries since 2006. Christopher H. Hause FSA, MAAA, President of the firm, has been the appointed actuary since 2006. Mr. Hause has been appointed by the Board of Directors to render an opinion on the statutory-basis loss reserves of the Company. He rendered an opinion on such reserves for all years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining policy 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, 2011. 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 2011 opinion stated that the amounts carried in the balance sheet on account for policy reserves and related actuarial items 1) are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles, 2) 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.

During the examination, it was determined that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed, or as permitted by the Commissioner of Insurance of the State of Indiana.

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, 2008 to 2011, were agreed to the respective Annual Statements.

The Company's independent auditors issued unqualified opinions on the Company's audited financial statements for each year during the examination period. No material exceptions were noted when agreeing the Company's audited financial statements to the respective Annual Statements. All of the independent audit work papers were made available to the Examiners during the examination.

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, 2011			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	\$ 1,846,173	\$ -	\$ 1,846,173	\$ 1,447,800
Common stocks	103,947	-	103,947	95,314
Mortgage Loans	482,227	-	482,227	360,927
Cash, cash equivalents and short-term investments	1,469,336	-	1,469,336	1,282,739
Subtotals, cash and invested assets	<u>\$ 3,901,683</u>	<u>\$ -</u>	<u>\$ 3,901,683</u>	<u>\$ 3,186,780</u>
Investment income due and accrued	\$ 14,092	\$ -	\$ 14,092	\$ 7,591
Uncollected premiums and agents' balances in the course of collection	-	-	-	100,000
Amounts receivable from reinsurers	83,277	-	83,277	321,737
Current federal and foreign income tax recoverable and interest thereon	6,734	-	6,734	-
Net deferred tax asset	450	-	450	497
Guaranty funds receivable or on deposit	271	-	271	112
Aggregate write-ins for other than invested assets	3,299	-	3,299	4,556
Total Assets	<u><u>\$ 4,009,807</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,009,807</u></u>	<u><u>\$ 3,621,273</u></u>

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2011			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Liabilities:				
Aggregate reserve for life contracts	\$ 1,015,113	\$ -	\$ 1,015,113	\$ 512,302
Aggregate reserve for accident and health contracts	8,185	-	8,185	15,438
Contract claims: Life	1,000	-	1,000	1,000
Contract claims: Accident and Health	19,419	-	19,419	33,547
Other amounts payable on reinsurance	117,150	-	117,150	136,407
Interest Maintenance Reserve	-	-	-	28,490
Commissions to agents due or accrued - life and annuity contracts	60	-	60	65
General expenses due or accrued	4,544	-	4,544	-
Current federal and foreign income taxes	-	-	-	352
Unearned investment income	3,350	-	3,350	2,442
Asset valuation reserve	24,305	-	24,305	18,640
Total Liabilities	\$ 1,193,126	\$ -	\$ 1,193,126	\$ 748,683
Common capital stock	\$ 1,089,000	\$ -	\$ 1,089,000	\$ 1,089,000
Surplus notes	400,000	-	400,000	400,000
Gross paid in and contributed surplus	6,162,935	-	6,162,935	6,162,935
Unassigned funds (surplus)	(4,822,892)	-	(4,822,892)	(4,766,983)
Less treasury stock	12,363	-	12,363	12,363
Total Capital and surplus	\$ 2,816,680	\$ -	\$ 2,816,680	\$ 2,872,589
Total liabilities, capital and surplus	\$ 4,009,807	\$ -	\$ 4,009,807	\$ 3,621,273

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

	As of December 31, 2011			December 31, Prior Year
	Per Annual Statement	Exam Adj.	Per Examination	
Premium and annuity consideration and a&h contracts	\$ 716,347	-	\$ 716,347	\$ 583,126
Net investment income	76,901	-	76,901	82,393
Amortization of Interest Maintenance Reserve	758	-	758	3,858
Commission and expense allowances on reinsurance ceded	299,476	-	299,476	376,812
Aggregate write-ins for miscellaneous income	11,453	-	11,453	30,509
Totals	\$ 1,104,935	\$ -	\$ 1,104,935	\$ 1,076,698
Disability benefits and benefits under accident and health contracts	\$ 20,984	\$ -	\$ 20,984	\$ 42,286
Surrender benefits and withdrawals for life contracts	145,825	-	145,825	59,644
Increase in aggregate reserves for life and health contracts	495,558	-	495,558	415,897
Commission on premiums, annuity considerations, and deposit type contract funds	322,842	-	322,842	402,731
General insurance expenses	140,198	-	140,198	117,840
Insurance taxes, licenses and fees	29,394	-	29,394	30,059
Totals	\$ 1,154,801	\$ -	\$ 1,154,801	\$ 1,068,457
Net Gain (Loss) from operations	\$ (49,867)	\$ -	\$ (49,867)	\$ 8,241
Federal and foreign income taxes incurred	\$ (7,027)	\$ -	\$ (7,027)	\$ 1,447
Net Income	\$ (42,841)	\$ -	\$ (42,841)	\$ 6,794

GREAT FIDELITY LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>As of December 31, 2011</u>			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Capital and Surplus Account:				
Surplus as regards policyholders, December 31 prior year	\$ 2,872,589	\$ -	\$ 2,872,589	\$ 2,846,937
Net income	\$ (42,841)	\$ -	\$ (42,841)	\$ 6,794
Change in unrealized capital gains (loses)	8,625	-	8,625	18,496
Change in deferred income tax	4,829	-	4,829	(36,241)
Change in nonadmitted assets and related items	(20,857)	-	(20,857)	36,112
Change in asset valuation reserve	(5,666)	-	(5,666)	490
Change in surplus as regards policyholders for the year	\$ (55,910)	\$ -	\$ (55,910)	\$ 25,651
Surplus as regards policyholders, December 31 current year	\$ 2,816,680	\$ -	\$ 2,816,680	\$ 2,872,589

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2011, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no other significant findings based upon the results of this examination.

SUBSEQUENT EVENTS

On March 18, 2013, the Ohio Department of Insurance (Department) sent the Company a hazardous financial condition letter for the period ending December 31, 2012. The letter outlines the various tests that have been triggered. Notably, the Department is concerned with the continued reduction in surplus that has caused the level to drop close to the \$2,500,000 minimum required by Ohio law. In response to the letter, the Company issued a Surplus Note, dated April 8, 2013, in the amount of \$300,000 to the Hawkins Marital Trust, the Company's ultimate parent. The Surplus Note contains a provision that no payment of principal or interest shall be made without the consent of the INDOI per the requirement of IC 27-1-7-19(b). The proposed Surplus Note was approved by the INDOI on May 6, 2013.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of 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., hereinafter collectively referred to as the "Examiners" performed an examination of the **Great Fidelity Life Insurance Company** as of **December 31, 2011**.

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 2011 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, 2011**, as determined by the undersigned.

Ed Fossa
Ed Fossa, CFE
The Thomas Consulting Group, Inc.

State of:
County of:

On this 10 day of MAY, 2013, before me personally appeared, Ed Fossa, to sign this document.

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

My commission expires MAY 9, 2014

Kenneth J. Austin
Notary Public

