



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

LANDCAR LIFE INSURANCE COMPANY

of

Draper, Utah

as of

December 31, 2018

FILED

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April 10, 2020

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2018, has been made of the financial condition and business affairs of:

Landcar Life Insurance Company
Draper, Utah

hereinafter referred to in this report as the “Company” and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

The last financial examination of the Company was as of December 31, 2014. The current examination is a full scope examination covering the period from January 1, 2015 through December 31, 2018, including any material transactions or events occurring subsequent to the examination date and noted during the course of the examination.

The Company’s Plan of Orderly Withdrawal was approved by the Utah Insurance Department (“Department”) effective December 31, 2019, therefore, this examination is the final examination of the Company (See SUBSEQUENT EVENTS).

We conducted our examination in accordance with the risk-focused examination approach as prescribed by the National Association of Insurance Commissioners *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition of the Company and its holding company system. In addition, the purpose of the examination is to assess corporate governance, identify current and prospective risks that could cause the Company’s surplus to be materially misstated, and evaluate controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating management’s compliance with Statutory Accounting Principles and annual statement instructions. The examination, however, does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment was identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report. The examination was conducted by representatives of the Department.

Workpapers of the Company’s independent auditors, Larson and Company, PC., were reviewed and relied upon whenever possible and applicable to assist in the completion of examination procedures.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Utah Code §31A-5-203(3) requires the principal offices to be held by three separate natural persons. As of the examination date, only two individuals held the three principal offices.

SUBSEQUENT EVENTS

The Company's Plan of Orderly Withdrawal was approved by the Department, effective December 31, 2019. The Company provided a \$50,000 surety bond guarantee to the Department to discharge any remaining future claims and obligations, until all underlying contracts expire.

Effective January 1, 2020, the Company changed its name to Landcar Investment Company and is no longer subject to any regulatory requirements by the Department.

HISTORY OF THE COMPANY

General

The Company was incorporated in September 1980 under the State of Arizona, and was licensed as a credit life reinsurer in Arizona. During 1985, The Company re-domesticated to Utah and became a direct life and health insurer. Effective May 1, 2013, the only agent/broker appointed by the Company removed credit life and disability from their active product portfolio. The Company is in runoff status and is expected to operate and service the needs of all the active policyholders until they expire in 2020.

Dividends and Capital Contributions

The Company neither declared nor paid dividends during the examination period.

The Company did not receive any capital contributions during the examination period.

Mergers and Acquisitions

No mergers or acquisitions occurred during the exam period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The following persons served as Directors of the Company as of December 31, 2018:

| Name and Location | Primary Occupation |
|-----------------------------------|--|
| Kimberlee Casaday Draper, Utah | Director & President Landcar Casualty Company |
| Michael Wankier Draper, Utah | Executive Vice President Larry H. Miller Management Corp. |
| David Smith Bountiful, Utah | Executive Vice President of Operations Larry H. Miller Management Corp. |

- Karen G. Miller, Gregory S. Miller, Stephen F. Miller, Karen R. Williams, and Bryan J. Miller were replaced as Directors by Bryant Henrie, Robert E. Enger, Michael Wankier, and David Smith on January 1, 2016.
- Robert E. Enger was replaced as a Director by Kimberlee Casaday on February 24, 2017.
- Bryant Henrie is no longer a Director as of April 20, 2018.

Officers

The following persons served as officers of the Company as of December 31, 2018:

| Name | Title |
|---------------|-----------------------|
| Kim Casaday | President |
| Robert Tingey | Secretary & Treasurer |

- Robert E. Enger is no longer an officer as of February 24, 2017.
- Kim Casaday replaced Bryant Henrie as President on April 20, 2018.

Committees

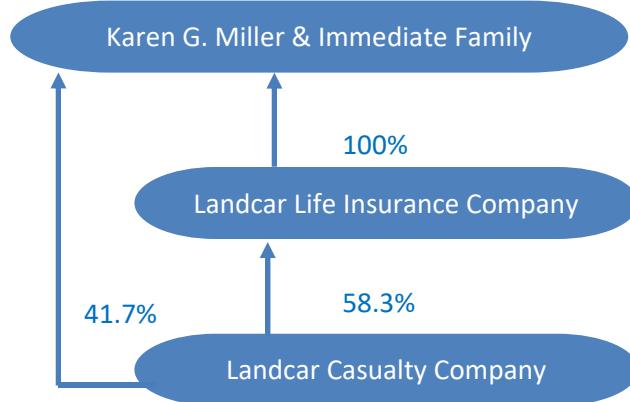
There are no formal committee's sanctioned by the Board of Directors.

Holding Company

The Company is part of a holding company system as defined in Utah Code § 31A-16. There are numerous companies within the holding company system, which were not included in the organizational chart below.

Organizational Chart

The chart below reflects only the direct ownership of the Company:



Transactions and Agreements with Affiliates

Cost Sharing Agreement

The Company, based on a cost allocation, shares office facilities and personnel resources with Landcar Agency, Inc., dba Total Care Auto powered by Landcar and Landcar Casualty Company, in accordance with a written cost sharing agreement.

TERRITORY AND PLAN OF OPERATION

The Company ceased writing any new business since May 1, 2013. Before then, the Company wrote, on a limited underwriting basis, single premium decreasing term credit life and single premium credit disability insurance. The policies were marketed through a network of auto dealerships, most of which had common ownership with the Company. Before the Plan of Orderly Withdrawal, effective December 31, 2019, the Company was licensed in Arizona, Colorado, Idaho, New Mexico, Oregon, Utah, and Washington.

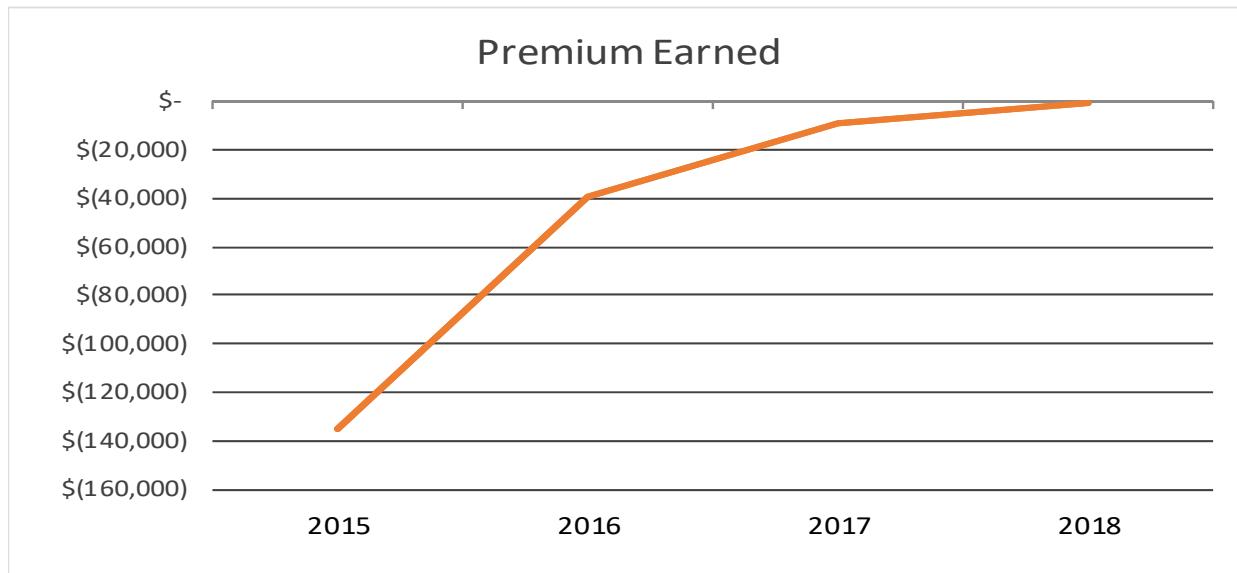
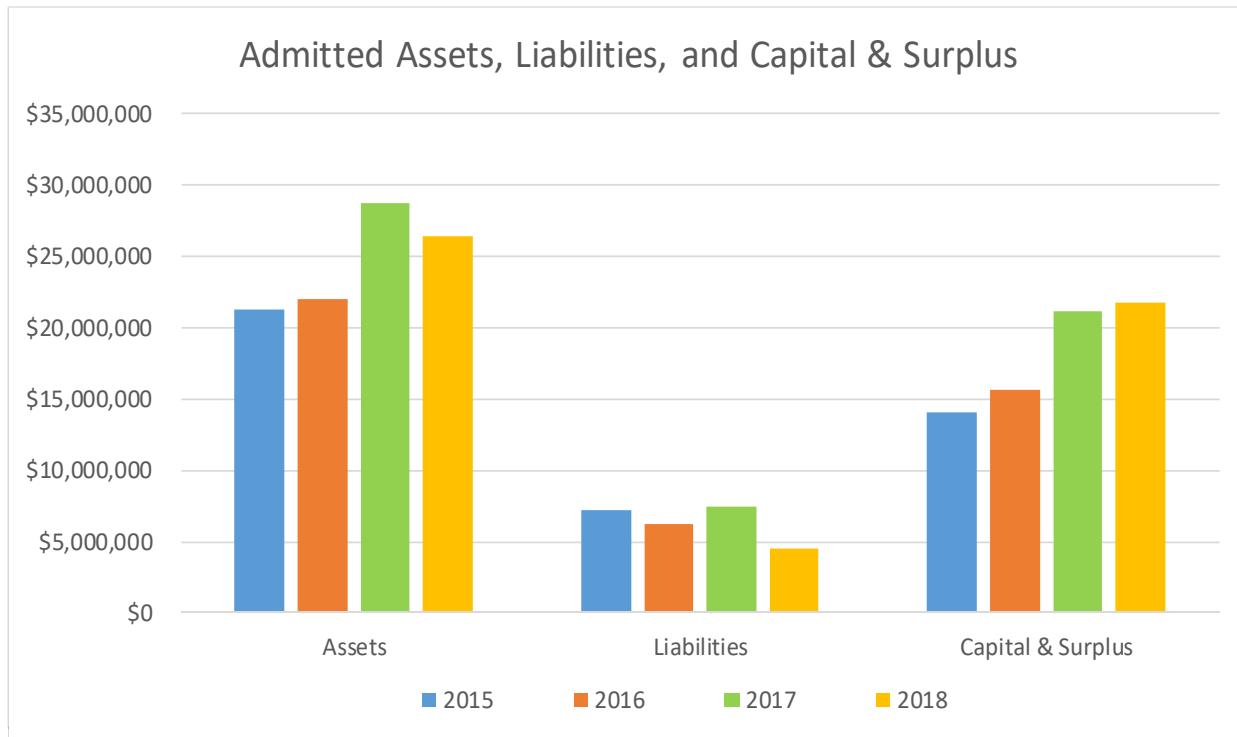
REINSURANCE

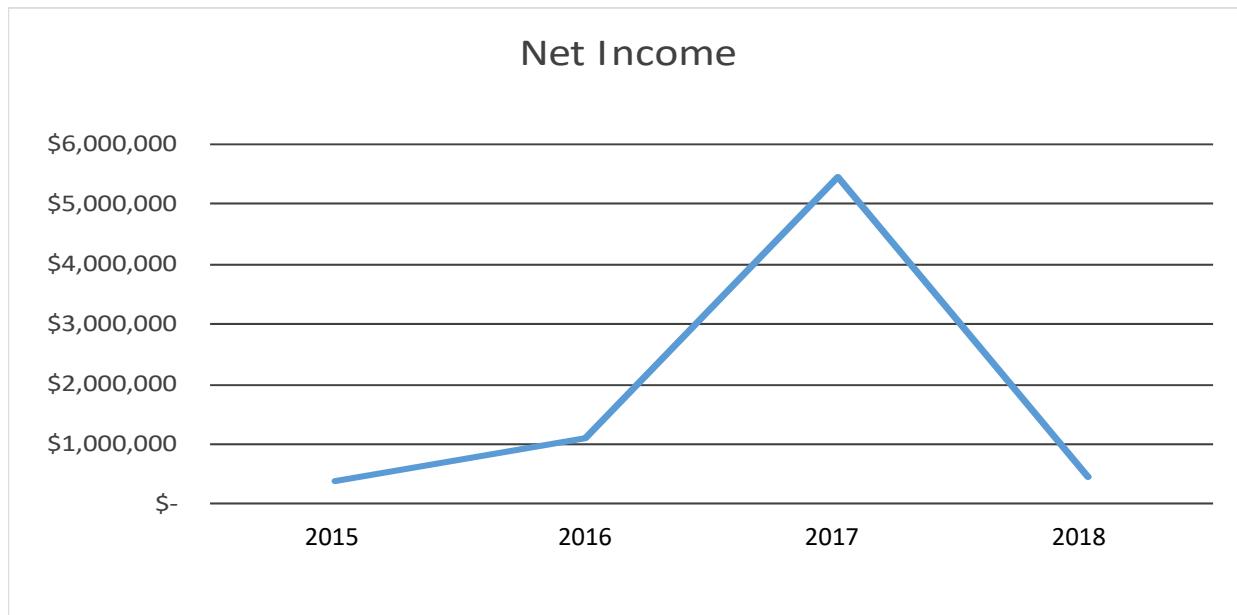
The Company did not have any assumed or ceded reinsurance during the examination period, or subsequent.

GROWTH OF COMPANY

The Company had been operating in runoff status, which reflected in minimal growth of its assets, liabilities, and capital & surplus during the period of the examination. The Company is expected to operate and service the needs of all the active policyholders until they

expire in 2020. See the following graphs for a summary of the Company's financial condition:





Sources: 2015-2018 Annual Statements

FINANCIAL STATEMENTS

The following financial statements are based on the statutory annual statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2018. The accompanying comments (if any) on the financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

**LANDCAR LIFE INSURANCE COMPANY
ASSETS, LIABILITIES, CAPITAL AND SURPLUS
as of December 31, 2018**

ASSETS

| | |
|--|-----------------------------|
| Bonds | 8,170,297 |
| Common Stock | 16,690,745 |
| Cash, cash equivalents, and short term investments | 1,270,339 |
| Subtotal, cash and invested assets | <u>\$ 26,131,381</u> |
| Investment income due and accrued | 79,550 |
| Uncollected premiums and agents' balances | (2) |
| Income tax recoverables | 112,088 |
| Receivables from parent or affiliate | 43,122 |
| Total Assets | <u><u>\$ 26,366,139</u></u> |

LIABILITIES

| | |
|---|-------------------------|
| Aggregate reserve for life contracts | \$ 23,567 |
| Aggregate reserve for accident and health contracts | 12,113 |
| Contract claims life | 5,000 |
| Contract claims accident and health | 2,357 |
| Interest maintenance reserve | (1,588) |
| General expenses due or accrued | 29,383 |
| Taxes, licenses and fees | (8,188) |
| Net deferred tax liability | 1,844,950 |
| Amounts withheld or retained by company as agent or trustee | 23,398 |
| Asset valuation reserve | 2,626,783 |
| Payable to parent | 4,808 |
| Total Liabilities | <u><u>4,562,583</u></u> |

CAPITAL AND SURPLUS

| | |
|---------------------------|--------------------------|
| Common capital stock | 2,400,000 |
| Unassigned surplus funds | 19,403,556 |
| Total Capital and Surplus | <u><u>21,803,556</u></u> |

| | |
|--|-----------------------------|
| Total Liabilities, Capital and Surplus | <u><u>\$ 26,366,139</u></u> |
|--|-----------------------------|

LANDCAR LIFE INSURANCE COMPANY
STATEMENT OF REVENUE AND EXPENSES
for the Year Ended December 31, 2018

| | |
|---|-------------------|
| REVENUE: | |
| Premiums | \$ (662) |
| Net investment income | 317,020 |
| Amortization of interest maintenance reserve | 2,144 |
| Total Income | 318,502 |
| Death benefits | 2,523 |
| Decrease to disability and benefits under accident and health contracts | (14,276) |
| Decrease to aggregate reserves for life and accident health contracts | (229,463) |
| Total benefit and reserves recaptured | (241,216) |
| Commissions | (280) |
| General insurance expense | 336,710 |
| Insurance taxes, licenses and fees | 24,316 |
| Total expenses | 119,530 |
| Net gain from operations before federal income tax | 198,972 |
| Federal and foreign income taxes recovered | (14,645) |
| Net gain from operations after federal income tax | 213,617 |
| Net realized capital gains | 232,989 |
| Net Income | \$ 446,606 |

LANDCAR LIFE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2015 through 2018

| | 2015 | 2016 | 2017 | 2018 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital and Surplus, December 31, prior year | \$ 14,111,366 | \$ 14,032,552 | \$ 15,679,783 | \$ 21,216,620 |
| Net income | 398,640 | 1,097,745 | 5,459,051 | 446,606 |
| Change in net unrealized capital gain / (loss), net tax | 374,820 | 704,213 | (758,177) | (128,711) |
| Change in net unrealized foreign exchange capital gain | 3,185 | - | - | - |
| Change in net deferred income tax | (1,094,886) | (76,870) | 517,105 | (5,143) |
| Change in nonadmitted assets | 12,405 | (14,960) | 638,293 | 260,294 |
| Change in asset valuation reserve | 49,454 | (62,897) | (319,435) | 13,890 |
| Aggregate write-ins for gains and losses in surplus | <u>177,568</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in Capital and Surplus for the year | <u>(78,814)</u> | <u>1,647,231</u> | <u>5,536,837</u> | <u>586,936</u> |
| Capital and Surplus, December 31, current year | <u>\$ 14,032,552</u> | <u>\$ 15,679,783</u> | <u>\$ 21,216,620</u> | <u>\$ 21,803,556</u> |

* Per the regulatory financial statements filed with the Utah Insurance Department

ANALYSIS OF CHANGES AND COMMENTS ON FINANCIAL STATEMENTS

There were no changes or comments on the financial statements.

ACKNOWLEDGEMENT

Athanasiros Rousseas, ASA, MAAA, and Frank G. Edwards, Jr., ASA, MAAA, of INS Regulatory Insurance Services, Inc., reviewed the actuarial portion of the examination. George Lentini, CISA, GCFE, and Claude Granese, CPA, CISA, CITP, CRISC, & CGMA, of INS Regulatory Insurance Services, Inc., reviewed the Company's Information Systems. Malis Rasmussen, CFE, SPIR, Deputy Director, Utah Insurance Department, supervised the examination. Jared Weese, Financial Examiner, Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully Submitted,

**Michael J
Porter**

Michael J. Porter, CFE, PIR
Examiner-in-Charge
Utah Insurance Department

Digitally signed by Michael J Porter
DN: cn=Michael J Porter, o=State of
Utah, ou=Financial Regulation &
Licensing Division,
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Date: 2020.04.16 08:27:20 -06'00'