

Examination Warrant Number 14-00000-69353-R1

Report of Examination of
Teachers Protective Mutual Life Insurance Company
Lancaster, PA
As of December 31, 2014

For Informational Purposes Only

Teachers Protective Mutual Life Insurance Company

TABLE OF CONTENTS

Subject	Page
Salutation	1
Scope of Examination	1
History.....	2
Management and Control:	
Surplus Requirements	2
Board of Directors.....	2
Committees	3
Officers	3
Corporate Records:	
Minutes	4
Articles of Agreement.....	4
By-Laws.....	4
Service and Operating Agreements	4
Reinsurance:	
Ceded	6
Assumed.....	9
Territory and Plan of Operations	9
Significant Operating Trends.....	10
Pending Litigation.....	11
Financial Statements:	
Comparative Statement of Assets, Liabilities, Surplus and Other Funds	12
Comparative Statement of Income.....	13
Comparative Statement of Capital and Surplus.....	14
Comparative Statement of Cash Flow	15
Summary of Examination Changes	16
Notes to Financial Items:	
Assets:	
Investments	16
Liabilities:	
Policyholder and Claim Reserves	17
Subsequent Events	17
Recommendations:	
Prior Examination	19
Current Examination.....	19
Conclusion	20

Harrisburg, Pennsylvania
February 19, 2016

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 14-00000-69353-RI, dated, March 25, 2014, an examination was made of

Teachers Protective Mutual Life Insurance Company, NAIC Code: 69353

a Pennsylvania domiciled multi-state mutual life insurance company, hereinafter referred to as "Company" or "TPM." The examination was conducted at the Company's home office, located at 1850 William Penn Way, Suite 202, Lancaster, PA 17608.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an examination of the Company, which was last examined as of December 31, 2009. This examination covered the five-year period from January 1, 2010 through December 31, 2014.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook*.

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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.

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 will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective

Teachers Protective Mutual Life Insurance Company

-2-

conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year during the period under examination, the certified public accountant firms of ParenteBeard LLC (2010-2013) and Baker Tilly (2014) (“CPA”) have provided an unmodified audit opinion based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination work papers.

HISTORY

The Company was incorporated, licensed by the Department, and commenced business on May 11, 1912. The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (a)(1) life and annuities and (a)(2) accident and health.

The Company submitted a run-off plan (“run-off plan”) to the Department in March 2014 after they triggered the Financial Hazardous Condition Action Level in December 2013. On June 6, 2014, the Department approved the run-off plan.

MANAGEMENT AND CONTROL

SURPLUS REQUIREMENTS

The Company’s minimum net worth requirement to conduct the aforescribed business, pursuant to 40 P.S. § 386 is \$1,100,000 in surplus. The Company has met all governing surplus requirements throughout the examination period.

BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2014:

Name and Address	Principal Occupation
D. Edward Young Lancaster, PA	President & Chief Executive Officer TPM
Kathleen L. Bailey Lititz, PA	President Mediquest Staffing & Homecare
Daniel C. Witmer Lancaster, PA	Retired Director Lancaster Chamber of Commerce
Richard H. Williams Lancaster, PA	Owner Williams Apothecary
John G. Swanson Lancaster, PA	CFO & COO Willow Valley Associates
Glenn R. Walz Lancaster, PA	Retired President & CFO Walz, Deihm, Bucklen & Tennis, P.C.

Teachers Protective Mutual Life Insurance Company

-3-

Donald K. Roseman
East Petersburg, PA

David R. Keller
Lancaster, PA

Retired President & CEO
Acorn Press

Senior Counsel
Law firm of Barley Snyder LLC

The by-laws of the Company state that the Board must be comprised of at least seven, but no more than, fifteen members. Directors serve three-year terms and are split into three classes so that a class term expires each year. Directors are elected at the Company's annual meeting of the policyholders. There must be at least ten members voting in person or by proxy in order to elect a director.

The Company's conflict of interest policy applies to all employees and is set forth in its employee handbook. The Company's directors and officers are required to complete conflict of interest statements on an annual basis.

COMMITTEES

The Directors and/or Officers were assigned to serve on the following Committees as listed below as of December 31, 2014:

EXECUTIVE COMMITTEE

Daniel C. Witmer, Chairman
Donald K. Roseman
Richard H. Williams
D. Edward Young

AUDIT COMMITTEE

Glenn R. Walz, Chairman
David R. Keller
John G. Swanson

COMPENSATION COMMITTEE

David R. Keller, Chairman
Kathleen L. Bailey
Daniel C. Witmer

FINANCE COMMITTEE

Donald K. Roseman, Chairman
John G. Swanson
Glenn R. Walz
D. Edward Young
Greg Morley (ex-officio)

OFFICERS

As of the examination date, December 31, 2014, the following officers were appointed and serving in accordance with the Company's by-laws:

Name	Title
D. Edward Young	President & Chief Executive Officer
Gregory A. Morley	Treasurer/Secretary/Privacy Officer
Russell J. Luciotti III	Security Officer
Russell J. Luciotti III	Chief Information Officer
Cabe W. Chadick, F.S.A., M.A.A.A.	Consulting Actuary

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- Annual Meetings of the Company's policyholders were held in compliance with its by-laws.
- The policyholders elected the directors at such meetings in compliance with the by-laws.
- Quorums were present at all directors' meetings.
- The Company's investment transactions were approved quarterly by the Board.
- The Company's reinsurance program was approved by the Board.
- All directors attend Board meetings regularly.

The Board of Directors reviewed the investments, losses, and new applications on a quarterly basis. All investments, losses, significant financial transactions, some reinsurance matters, and actions of the Company's officers were additionally reviewed by the Board of Directors on a quarterly basis.

It was noted that the Company does not maintain minutes for its Executive and Compensation Committees as required by the Company's by-laws Article III section 1 "Full minutes of the meetings of the standing committees shall be kept."

It is recommended that the Company maintain copies of its standing committees meeting minutes, including, but not limited to, its Compensation and Executive Committees in accordance with the by-laws Article III section 1.

ARTICLES OF AGREEMENT

No changes were made to the Company's Articles of Agreement during the period covered by this examination.

BY-LAWS

The Company made minor changes to its by-laws in 2014. The changes require that the Company shall pay for expenses of employees and/or directors in the case of civil or criminal actions as the Board sees fit.

SERVICE AND OPERATING AGREEMENTS

The Company had various service and operating agreements in effect during the period under examination that provide for preferred provider organization ("PPO") access, vision and prescription administration, software use and maintenance, and trust services. The Company is

Teachers Protective Mutual Life Insurance Company

-5-

not a party to any agreements with managing general agents. The operationally significant agreements are as follows:

PPO Access:

The Company has PPO access agreements with the following healthcare networks:

The Company had an agreement with Pennsylvania's Preferred Health Networks ("PPHN"), to help the Company comply with Health Insurance Portability and Accountability Act of 1996 ("HIPAA") privacy standards.

The Company entered into a plan sponsor contract with Preferred Health Care ("PHC"). The effective date was March 1, 2000 and this agreement was still active through the examination period. PHC will recruit and enter into written contracts with panel providers to participate in the PPO network by providing health care services at pre-negotiated rates.

Alliance PPO, LLC was purchased by EHP during the course of the exam, which in turn was purchased by Significa Benefit Services. This contract was terminated November 30, 2014 at the time the Company's group medical business ceased. The Company does not have a letter or notice of termination.

An agreement with Medical Mutual of Ohio was active during the majority of the examination period but was terminated prior to December 31, 2014.

The terms of these agreements grant the Company's policyholders access to the providers of these healthcare networks.

Vision Plan Administration:

The Company has a vision administration agreement with National Vision Administrators ("NVA"). Under the agreement, NVA provides vision benefit services to the Company's policyholders according to HIPAA regulations. This agreement was in effect during the majority of the examination period but was terminated prior to December 31, 2014.

Prescription Administration:

The Company has an agreement with Express Scripts, Inc. ("ESI") to provide prescription benefits to its policyholders. Benefits are provided through ESI's network of participating pharmacies or through its mail order service. This agreement was in effect during the majority of the examination period but was terminated November 20, 2014.

General Services:

The Company has service agreements with the following entities:

Eldorado Computing, Inc. ("ECI") is an internet-based application service provider. The Company utilizes ECI's group administration system to process and administer group medical, dental, and disability premium and claims.

Teachers Protective Mutual Life Insurance Company

-6-

Sterling Financial Trust Company serves as the trustee of small employer group policies for customers having fewer than ten employees. This trustee agreement was in effect during the examination period but was terminated prior to December 31, 2014.

Premier Health Exchange, Inc. ("PHX") is a claims fraud and error detection service provider. Utilized during the claim adjudication process, PHX supports the efforts of the claims department to identify various errors and discrepancies related to submitted claims prior to payment.

Third Party Administrative ("TPA") Services

The Company had a TPA agreement with South Central Preferred ("SCP"). The effective date was May 1, 2006. The Company has selected SCP to provide certain administrative services for the insured medical plans for active employees and retirees of the Company. This agreement was terminated effective November 30, 2014, with the Company continuing to have SCP handle run-off claims on a per claim cost. This run-off was to continue through June 15, 2015.

REINSURANCE

CEDED

Group Life and Accidental Death and Dismemberment Reinsurance Treaty

The Company entered into a group life and accidental death and dismemberment reinsurance treaty with Hartford Life and Accident Insurance Company that was effective July 1, 2000, and was terminated December 31, 2014. The Company shall retain \$30,000 per person before ceding reinsurance hereunder. The Company shall then cede and the reinsurer agrees to accept automatically 100.0% of the amount exceeding \$30,000 per person, but the amount ceded to the reinsurer shall not exceed \$220,000 per person.

As respects group life insurance converted to ordinary life insurance in accordance with the terms and conditions of the Company's group life insurance policy, the Company shall retain \$30,000 per person before ceding reinsurance hereunder. The Company shall then cede and the reinsurer agrees to accept automatically 100.0% of the amount exceeding \$30,000 per person, but the amount ceded to the reinsurer shall not exceed \$220,000 per person.

As respects group accidental death and dismemberment insurance written by the Company in accordance with its published underwriting rules and limits, the Company shall cede and the reinsurer agrees to accept automatically 100.0% of the Company's insurance limit, per person, but the amount ceded to the reinsurer shall not exceed \$250,000 per person.

This contract includes reinsurance for waiver of premium disability benefits following the waiver of premium provisions of the Company's policies.

Teachers Protective Mutual Life Insurance Company

-7-

The original policy limit subject hereunder shall not exceed \$250,000 per person.

This contract contains appropriate insolvency, arbitration and entire agreement clauses.

The Company used Aon Benefield, Inc. ("Aon") as its reinsurance intermediary.

Quota Share Reinsurance Agreement

The Company entered into a quota share reinsurance agreement with AmFirst Insurance Company ("AmFirst"), effective January 1, 2008, and the agreement was terminated December 1, 2014.

This agreement covers policies produced and/or underwritten by Morgan White Administrators Inc. This is the Company's HERO product line.

The Company shall cede 50.0% quota share with a limit up to \$10,000 per person per policy period.

This shall include all conversion policies, if conversion right is a statutory requirement for the Premium Saver product.

This contract contains the appropriate insolvency and arbitration clauses. Additional clauses include an offset, errors & omissions, and entire agreement clause.

Teacher's Protective Mutual - Monitor Coinsurance Agreement

This agreement with Monitor Life Insurance Company of New York became effective October 1, 2014 and was still effective through December 31, 2014, the end of the examination period.

The Company reinsured certain individual life insurance policies and annuity contracts on a 100.0% coinsurance basis. There are no intermediaries to this agreement.

The agreement contained an entire agreement, offset, arbitration and insolvency clause.

Excess of Time, Automatic 90% Quota Share Treaty

The Company has an excess of time treaty for long term care insurance ("LTC") with General Re Corporation ("Gen Re"). This treaty covers 90.0% the daily maximum for claim benefits up to \$250 per day on claim benefits incurred after a three-year extended waiting period.

This treaty was effective May 1, 2001, and terminated October 1, 2015.

The treaty contained an entire agreement, offset, arbitration and insolvency clauses.

Teachers Protective Mutual Life Insurance Company

-8-

Excess of Time, Automatic 100% Quota Share Treaty

The Company has an excess of time treaty for LTC insurance with Gen Re. The Company retains 100.0% of the claims benefits during the first four-year extended waiting period. After this four-year extended waiting period, Gen Re then covers 100.0% of claim benefits up to \$250 per day maximum.

This agreement went into effect for LTC business written on or after March 1, 1995, and was terminated October 1, 2015.

The agreement contained an entire agreement, offset, arbitration and insolvency clause.

Group Medical Excess of Loss Reinsurance Agreement

This agreement is between TPM and Munich Reinsurance America, Inc. ("Munich"). This covers the Company's fully insured, small group health, and individual conversion policies which are in force, new or renewed on or after such date. This agreement was effective January 1, 2011, and was terminated as of December 1, 2014.

As respects the Company's fully insured, small group health policies, Munich shall be liable for 100.0% of Ultimate Net Loss, each Covered Person, each Agreement Year, in excess of the Company's retention of the first \$175,000 Ultimate Net Loss, each Covered Person, each Agreement Year, but the Reinsurer's liability hereunder shall never exceed \$1,825,000 Ultimate Net Loss, any one Covered Person, any Agreement Year

As respects the Company's individual conversion policies, Munich shall be liable for 100.0% of Ultimate Net Loss, each Covered Person, each Agreement Year, in excess of the Company's retention of the first \$175,000 Ultimate Net Loss, each Covered Person, each Agreement Year, but the Reinsurer's liability hereunder shall never exceed \$575,000 Ultimate Net Loss, any one Covered Person, any Agreement Year. As of 2012, this changed to the Reinsurer's liability hereunder shall never exceed \$1,075,000 Ultimate Net Loss, any one Covered Person, any Agreement Year.

In addition to its limits of liability above, Munich shall cover any extra contractual obligations arising from claims incurred hereunder, subject to a maximum limit of \$2,000,000 any one Covered Person and \$5,000,000 with respect to all Covered Persons in the aggregate under all policies reinsured hereunder in any one Agreement Year.

Munich shall allow the Company 35.0% of net profit as a profit commission. This may be altered at the option of the Munich provided that the Company is given at least ninety days written notice prior to the date when the next Agreement Year begins.

The agreement contained an entire agreement, offset, arbitration and insolvency clause.

The Company used Aon as its reinsurance intermediary.

Teachers Protective Mutual Life Insurance Company

-9-

Overall

The Company's reinsurance intermediary, Aon is licensed by the Department as required by 40 P.S. § 321.2 (a) *Reinsurance intermediaries; licensing*. The Company's reinsurance program is operating pursuant to a properly executed written authorization between the Company and Aon in accordance with 40 P.S. § 321.3.

All reinsurance contracts noted above meet the required transfer of risk as noted in statements of statutory accounting principles ("SSAP") No. 61R.

Management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 61R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Treasurer pursuant to the NAIC *Annual Statement Instructions – Life, Accident and Health*. Additionally, the Department's examination procedures confirmed that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 61R.

ASSUMED

Quota Share Agreement

The Company entered into a quota share reinsurance agreement with AmFirst effective June 1, 2009, and the agreement was terminated as of December 31, 2014.

This agreement covers policies produced by Higgins Insurance, Pottsville, Pennsylvania, for Medical Gap Plans.

AmFirst shall cede to the Company and the Company agrees to accept from AmFirst a 50.0% quota share amount of up to \$10,000 per person, per policy period. This shall include all conversion policies, if conversion right is a statutory requirement for the Premium Saver product.

This agreement allows a ceding commission to AmFirst.

The agreement contained the appropriate errors & omissions clause, insolvency clause, and arbitration clause.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in the following jurisdictions: Delaware, District of Columbia, Indiana, Kentucky, Maryland, New Jersey, Ohio, Pennsylvania, and West Virginia. The Company had its licenses suspended to write new business in the states of Virginia and Tennessee during the exam period. These suspensions occurred in the spring of 2014 as a result of the Company's requirement to file a risk based capital ("RBC") action plan with the Department.

The majority of the Company's business written during the exam period is small group major medical insurance products offered via PPO networks, concentrated in south central Pennsylvania. Individual LTC products, currently in runoff, also comprise a large segment of

Teachers Protective Mutual Life Insurance Company

-10-

the Company's business. The gap medical line of business contains products targeted for employer groups with ten or more employees, and is designed to cover the expenses between a low deductible medical product and a high deductible medical product. Some of this business was terminated prior to December 31, 2014 and some subsequently in 2015. All Group business is to be terminated no later than December 1, 2015.

The Company's individual life and health policies are still active as of year-end December 31, 2014 and subsequently in 2015.

All individual life, individual health and LTC business is still active subsequent to December 31, 2014.

The Company has no branch offices or managing general agents. Claims are administered by home office claims personnel.

There was no change in the Company's marketing philosophy since the prior examination. The Company distributed its business through an independent agency system. In 2014, the Company terminated all agency agreements in Virginia.

The Company reported the following premiums written by line of business for the year ended December 31, 2014:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
December 31, 2014				
Ordinary life	\$ 235,690	\$ 43,288	\$ 192,402	1.5%
Group life	188,063	18,127	169,936	1.3%
Group accident and health	7,998,656	1,083,218	6,915,438	53.0%
Other accident and health	6,787,612	1,014,399	5,773,213	44.2%
Totals	\$ 15,210,021	\$ 2,159,032	\$ 13,050,989	100.0%

The Company's LTC book of business was placed in runoff in 2005 after the Company experienced higher than expected persistency and increasing reserve requirements. The LTC block continued to show significant adverse experience during the examination period and subsequent.

SIGNIFICANT OPERATING TRENDS

The Company reported the following net underwriting, investment and other gains or losses during the period under examination:

	2014	2013	2012	2011	2010
Admitted Assets	\$ 57,103,961	\$ 64,210,928	\$ 63,177,375	\$ 64,599,857	\$ 63,366,300
Liabilities	\$ 53,572,716	\$ 60,767,354	\$ 56,915,319	\$ 57,755,952	\$ 56,363,558
Capital and Surplus Funds	\$ 3,531,245	\$ 3,443,574	\$ 6,262,056	\$ 6,843,905	\$ 7,002,742
Net Premiums Written	\$ 13,050,988	\$ 17,133,338	\$ 18,008,821	\$ 20,346,447	\$ 22,083,678
Benefits to Members	\$ 15,011,806	\$ 14,938,934	\$ 17,300,739	\$ 16,702,083	\$ 18,518,196
Net Investment Income	\$ 2,473,748	\$ 2,593,486	\$ 2,650,178	\$ 2,739,554	\$ 2,593,250
Net Income	\$ 1,151,421	\$ (3,478,388)	\$ (352,161)	\$ 225,012	\$ (531,329)

Teachers Protective Mutual Life Insurance Company

-11-

Since the prior examination, the Company has experienced the following changes in its total number of certificates in force, the overall amount of insurance in force, and the average amount of insurance in force per policy:

	<u>Certificates In Force</u>	<u>Insurance In Force</u>	<u>Average Policy In Force</u>
<u>Group Life</u>			
December 31, 2014	876	\$ 9,903,000	\$ 11,305
December 31, 2009	<u>2,353</u>	<u>25,985,000</u>	<u>11,043</u>
Net Increase/(decrease)	<u>(1,477)</u>	<u>\$ (16,082,000)</u>	<u>\$ 262</u>
<u>Ordinary Accident and Health</u>			
December 31, 2014	4,926	\$ 6,736,373	\$ 1,368
December 31, 2009	<u>6,696</u>	<u>7,271,492</u>	<u>1,086</u>
Net Increase/(decrease)	<u>(1,770)</u>	<u>\$ (535,119)</u>	<u>\$ 282</u>
<u>Group Accident and Health</u>			
December 31, 2014	2,347	\$ 1,735,492	\$ 739
December 31, 2009	<u>6,489</u>	<u>14,141,633</u>	<u>2,179</u>
Net Increase/(decrease)	<u>(4,142)</u>	<u>\$ (12,406,141)</u>	<u>\$ (1,440)</u>

PENDING LITIGATION

The Company was not involved in any material litigation, other than in the normal course of business, as of December 31, 2014 through the date of this examination report, February 19, 2016, that would be expected to have a material adverse impact on the financial condition of the Company.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2014, and the results of its operations for the five-year period under examination, are reflected in the following statements:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus;
- Comparative Statement of Cash Flow

Teachers Protective Mutual Life Insurance Company

-12-

Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2014	2013	2012	2011	2010
Bonds	\$ 50,929,114	\$ 57,737,584	\$ 55,068,312	\$ 55,762,207	\$ 56,231,541
Preferred stocks	518,840	502,976	250,000	250,000	250,000
Common stocks	2,428,394	3,569,895	3,087,308	2,558,921	2,406,318
Mortgage loans on real estate	0	0	5,548	15,695	25,088
Real estate	65,681	79,324	101,557	127,426	157,868
Cash, cash equivalents and short-term investments	1,978,204	1,136,253	3,348,709	4,501,014	3,112,313
Contract loans	199,605	210,516	205,998	231,432	234,176
Subtotal, cash and invested assets	56,119,838	63,236,548	62,067,432	63,446,695	62,417,304
Investment income due and accrued	699,801	785,405	750,176	751,933	717,502
Premiums and considerations	(14,821)	(37,088)	(15,193)	169,273	(5,864)
Amounts recoverable from reinsurers	56,837	47,491	201,430	33,195	0
Other amounts receivable under reinsurance contracts	238,636	97,683	72,881	0	20,086
Amounts receivable relating to uninsured plans	1,899	43,895	35,136	0	0
Current federal and foreign income tax recoverable and interest thereon	0	25,000	25,000	0	0
Net deferred tax asset	0	0	20,399	186,430	194,480
Electronic data processing equipment and software	1,771	11,994	20,114	12,331	22,792
Total	\$ 57,103,961	\$ 64,210,928	\$ 63,177,375	\$ 64,599,857	\$ 63,366,300
Aggregate reserve for life contracts	\$ 3,065,754	\$ 6,322,418	\$ 6,200,380	\$ 8,314,978	\$ 8,318,922
Aggregate reserve for accident and health contracts	44,605,737	47,477,753	43,428,672	42,598,676	41,649,292
Liability for deposit-type contracts	0	679,092	682,158	683,175	672,768
Contract claims:					
Life	108,500	133,000	113,129	104,525	74,000
Accident and health	3,301,685	3,706,227	3,851,856	4,156,336	4,135,100
Provision for policyholders' dividends and coupons payable:					
Dividends apportioned for payment	0	30,000	30,000	30,000	30,000
Premiums and annuity considerations received in advance	0	513	513	513	513
Contract liabilities not included elsewhere:					
Interest maintenance reserve	330,973	139,798	196,140	93,232	112,035
Commissions to agents due or accrued	56,590	72,470	75,895	82,874	137,281
General expenses due or accrued	647,470	1,359,521	1,322,905	999,504	805,667
Taxes, licenses and fees due or accrued	1,201	23,213	(27,118)	3,137	105,587
Federal income taxes due or accrued	5,022	0	0	(155,938)	(193,207)
Amounts withheld or retained by company as agent or trustee	(8,854)	(17,619)	(14,764)	(4,055)	(2,614)
Remittances and items not allocated	21,810	48,400	38,617	36,155	44,941
Miscellaneous liabilities:					
Asset valuation reserve	430,766	604,863	520,240	456,553	473,273
Aggregate write-ins for liabilities	1,006,062	187,705	496,696	356,287	0
Total liabilities	53,572,716	60,767,354	56,915,319	57,755,952	56,363,558
Aggregate write-ins for other than special surplus funds	0	0	(496,696)	(317,115)	0
Aggregate write-ins for special surplus funds	0	0	0	128,271	132,784
Unassigned funds (surplus)	3,531,245	3,443,574	6,758,752	7,032,749	6,869,958
Surplus	3,531,245	3,443,574	6,262,056	6,843,905	7,002,742
Total capital and surplus	3,531,245	3,443,574	6,262,056	6,843,905	7,002,742
Totals	\$ 57,103,961	\$ 64,210,928	\$ 63,177,375	\$ 64,599,857	\$ 63,366,300

For Informational Purposes Only

Teachers Protective Mutual Life Insurance Company

-13-

Comparative Statement of Income
For the Year Ended December 31,

	2014	2013	2012	2011	2010
Premiums and annuity considerations for life and A&H contracts	\$ 13,050,988	\$ 17,133,338	\$ 18,008,821	\$ 20,346,447	\$ 22,083,678
Net investment income	2,473,748	2,593,486	2,650,178	2,739,554	2,593,250
Amortization of interest maintenance reserve (IMR)	73,201	56,559	42,627	29,583	50,816
Commissions and expense allowances on reinsurance ceded	689,255	190,637	218,467	214,133	324,883
Miscellaneous Income:					
Charges and fees for deposit-type contracts	125,000	127,500	110,000	129,000	106,000
Aggregate write-ins for miscellaneous income	9,718	12,269	15,301	16,879	20,984
Totals	16,421,910	20,113,789	21,045,394	23,475,596	25,179,611
Death benefits	377,674	377,913	362,709	424,062	462,433
Matured endowments	0	0	0	251	0
Annuity benefits	50,963	34,059	2,529,989	227,437	234,918
Disability benefits and benefits under accident and health contracts	14,529,295	14,424,007	14,293,951	15,965,523	17,696,667
Surrender benefits and withdrawals for life contracts	18,817	50,324	58,599	32,626	70,451
Interest and adjustments on contract or deposit-type funds	16,186	22,937	23,073	23,114	22,681
Increase in aggregate reserves for life and A&H policies and contracts	(2,708,899)	4,171,120	(1,284,599)	945,437	1,616,244
Totals	12,284,036	19,080,360	15,983,722	17,618,450	20,103,394
Commissions on premiums, annuity considerations & deposit-type funds (direct)	1,220,143	1,549,426	1,640,165	1,846,984	2,125,671
Commissions and expenses allowances on reinsurance assumed	119,434	106,726	103,907	50,869	47,477
General insurance expenses	1,751,726	2,470,825	3,186,337	3,206,100	2,978,488
Insurance taxes, licenses and fees	511,391	501,000	509,062	509,836	561,725
Increase in loading on deferred and uncollected premiums	(3,126)	538	(2,607)	(1,801)	(1,965)
Totals	15,883,604	23,708,875	21,420,586	23,230,438	25,814,790
Net gain from operations before dividends to policyholders and federal income taxes	538,306	(3,595,086)	(375,192)	245,158	(635,179)
Dividends to policyholders	18,871	29,694	32,418	29,070	31,046
Net gain from operations after dividends to policyholders and before federal income taxes	519,435	(3,624,780)	(407,610)	216,088	(666,225)
Federal and foreign income taxes incurred (excluding tax on capital gains)	6,835	0	(2,580)	5,562	(154,370)
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	512,600	(3,624,780)	(405,030)	210,526	(511,855)
Net realized capital gains or (losses) less capital gains tax (excluding gains/losses transferred to the IMR)	638,821	146,392	52,869	14,486	(19,474)
Net income	\$ 1,151,421	\$ (3,478,388)	\$ (352,161)	\$ 225,012	\$ (531,329)

Teachers Protective Mutual Life Insurance Company

-14-

Comparative Statement of Capital and Surplus
For the Year Ended December 31,

	2014	2013	2012	2011	2010
Capital and surplus, December 31, previous year	\$ 3,443,574	\$ 6,262,056	\$ 6,843,905	\$ 7,002,742	\$ 7,470,369
Net income	1,151,421	(3,478,388)	(352,161)	225,012	(531,329)
Change in net unrealized capital gains or (losses)	(348,310)	377,123	114,637	(29,685)	202,053
Change in net deferred income tax	(71,341)	(830,472)	6,828	(3,149)	3,421
Change in nonadmitted assets	161	836,523	(107,886)	(46,109)	(6,482)
Change in asset valuation reserve	174,097	(84,620)	(63,686)	16,721	(51,758)
Aggregate write-ins for gains and losses in surplus	(818,357)	361,352	(179,581)	(321,627)	(83,532)
Net change in capital and surplus for the year	87,671	(2,818,482)	(581,849)	(158,837)	(467,627)
Capital and surplus, December 31, current year	\$ 3,531,245	\$ 3,443,574	\$ 6,262,056	\$ 6,843,905	\$ 7,002,742

For Informational Purposes Only

Teachers Protective Mutual Life Insurance Company

-15-

Comparative Statement of Cash Flow For the Year Ended December 31,

	2014	2013	2012	2011	2010
Cash from Operations					
Premiums collected net of reinsurance	\$ 12,867,311	\$ 17,129,893	\$ 17,994,012	\$ 20,322,196	\$ 22,280,874
Net investment income	2,776,419	2,759,692	2,867,386	2,915,924	2,766,731
Miscellaneous Income	823,973	330,406	472,768	231,012	451,866
Total	16,467,703	20,219,991	21,334,166	23,469,132	25,499,471
Benefit and Loss related Payments	20,227,611	14,905,861	17,805,313	16,634,360	17,776,858
Commissions, expenses paid and aggregate write-ins for deductions	3,492,283	4,862,204	5,188,441	5,576,809	5,609,237
Dividends paid to policyholders	48,871	29,694	32,418	29,070	31,046
Federal and foreign income taxes paid (recovered)	66,701	(3)	(133,526)	(13,940)	(101,846)
Total deductions	23,835,466	19,797,756	22,892,646	22,226,299	23,315,295
Net Cash from Operations	(7,367,763)	422,235	(1,558,480)	1,242,833	2,184,176
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	10,041,930	7,844,288	9,271,586	7,382,443	8,589,748
Stocks	1,954,457	382,204	213,813	230,860	175,019
Mortgage loans	0	5,548	10,147	9,393	8,695
Total investment proceeds	11,996,387	8,232,040	9,495,546	7,622,696	8,773,462
Cost of investments acquired (long-term only):					
Bonds	3,163,199	10,692,588	8,621,745	7,080,597	10,404,006
Stocks	608,977	515,521	551,218	386,979	180,124
Real estate	9,750	0	0	2,085	105,131
Miscellaneous applications	0	52,361	0	0	0
Total investments acquired	3,781,926	11,260,470	9,172,963	7,469,661	10,689,261
Net increase (decrease) in policy loans and premium notes	(10,911)	4,518	(25,434)	(2,744)	(18,466)
Net cash from investments	8,225,372	(3,032,948)	348,017	155,779	(1,897,333)
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Net deposits on deposit-type contracts and other insurance liabilities	(8,841)	(26,003)	(1,017)	10,406	19,619
Other cash provided or (applied)	(6,817)	424,260	59,175	(20,317)	(128,179)
Net cash from financing and miscellaneous sources	(15,658)	398,257	58,158	(9,911)	(108,560)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	841,951	(2,212,456)	(1,152,305)	1,388,701	178,283
Cash and short-term investments:					
Beginning of the year	1,136,253	3,348,709	4,501,014	3,112,313	2,934,030
End of the year	\$ 1,978,204	\$ 1,136,253	\$ 3,348,709	\$ 4,501,014	\$ 3,112,313

Teachers Protective Mutual Life Insurance Company

-16-

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL ITEMS

ASSETS

INVESTMENTS

As of December 31, 2014, the Company's invested admitted assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 50,929,114	90.8 %
Preferred stocks	518,840	0.9 %
Common stocks	2,428,394	4.3 %
Real estate occupied by Company	65,681	0.1 %
Cash	1,978,204	3.5 %
Contract loans	199,605	0.4 %
Totals	<u>\$ 56,119,838</u>	<u>100.0 %</u>

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 43,536,763	85.5 %
2 - high quality	7,392,351	14.5 %
Totals	<u>\$ 50,929,114</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 3,645,713	7.2 %
2 to 5 years	15,005,282	29.5 %
6 to 10 years	15,944,802	31.3 %
11 to 20 years	16,113,822	31.6 %
over 20 years	219,495	0.4 %
Totals	<u>\$ 50,929,114</u>	<u>100.0 %</u>

The total invested assets represent approximately 98.3% of admitted assets as of December 31, 2014.

The Company had a \$300,000 line of credit with Fulton Bank as of December 31, 2014. This line of credit was renewed annually over the exam period.

The Company has an investment advisory services agreement with O'Brien Greene & Co., Inc. since October 1994.

Teachers Protective Mutual Life Insurance Company

-17-

The Company has a written investment policy as required by 40 P.S. § 504.1(c). At December 31, 2014, the Company was following its investment policy. The investment policy however was not reviewed and approved on an annual basis by the Board as required by 40 P.S. § 504.1(c).

It is recommended that the Company's Board at a minimum review and approve its Investment Plan on a yearly basis as required by 40 P.S. § 504.1(c).

The Company made changes to its custodial agreement in 2011 to bring it into compliance with 31 Pa. Code § 148a.3. It was noted during a review of both the Board and Finance Committee minutes that there was no resolution nor passed motions approving the revision to the Company's custodial agreement as required by 31 Pa. Code § 148a.3(a)(2).

It is recommended that when the Company updates its custodial agreement, that the Board or authorized committee pass a resolution approving the change in accordance with 31 Pa. Code § 148a.3(a)(2).

POLICYHOLDER AND CLAIM RESERVES

The Company filed an Actuarial Opinion Memorandum for each year of the period under examination. The reported amounts were opined on as reasonable by the Company's Appointed Actuary, Cabe W. Chadick, FSA, MAAA of Lewis & Ellis, Inc.

The Company reported the following net loss reserves on its 2014 Annual Statement:

Aggregate Reserve for Life Contracts -	\$ 3,065,754
Aggregate Reserve for Accident and Health Contracts -	\$ 44,605,737
Contract Claims Reserves -	\$ 3,410,185

The Department's analysis included reviewing the documentation and underlying support provided by the Company to their CPAs. Based upon the procedures performed and results obtained, the Department believes that the Company's reported Policyholder and Claim Reserves make a reasonable provision for all unpaid Policyholder and Claim Reserves of the Company as of December 31, 2014.

SUBSEQUENT EVENTS

During the examination period, the Company was located at 116-118 North Prince Street, Lancaster, PA. This building was sold for \$875,000 (book value of \$65,000), and the Company signed a lease agreement to relocate to Greenfield Industrial Park in June of 2015.

The following life and accident and health insurance programs were still active as of December 31, 2014, but at their renewal dates, they were non-renewed and/or were terminated as of December 1, 2015: Group Dental/Vision, Group Disability, Group HERO (gap product) and Group Life. The Group Medical program was terminated as of November 30, 2014.

The Company performed some third party services for several small self-funded businesses until December 31, 2015.

Teachers Protective Mutual Life Insurance Company

-18-

On November 23, 2015, the Department received a request from TPM and Senior Health Insurance Company of PA (“SHIP”) to enter into an indemnity and assumption reinsurance and administrative services agreement (“Agreement”), whereby SHIP would indemnify reinsure all of TPM’s in-force LTC business as of October 1, 2015, and would assume administration of the LTC business at the time of closing of the Agreement. The Department issued a letter to TPM on December 23, 2015, advising that there were no objections to the Agreement. On the same day, the Department issued an approval letter to SHIP. The Department received notice that closing of the transaction occurred on December 30, 2015.

On December 7, 2015, the Department received a request from TPM to convert from a mutual to a stock company form pursuant to the Insurance Company Mutual-to-Stock Conversion Act (“Conversion Act”). A majority of TPM’s assets were transferred to SHIP to cover the reserves on the Company’s LTC policies under the Agreement. All of TPM’s remaining assets are utilized as reserves for the liabilities associated with the non-LTC business. The result is a policyholder surplus as of October 31, 2015, of \$0, showing the Company to be in hazardous financial condition as defined in 31 Pa. Code §160.3. Section 814-A of Conversion Act provides the Pennsylvania Insurance Commissioner with discretion and waiver authority when a mutual insurer desires to convert to a stock company and is insolvent or in hazardous financial condition.

On December 15, 2015, the Department received a Form A filing from AmFirst requesting approval for the acquisition of all the newly created common stock of the new company, to be known as TPM Life Insurance Company, pursuant to the Insurance Holding Companies Act. The conversion was approved by the Department. The acquisition is to be consummated immediately upon the conversion of the Company to a stock company.

The Company was converted from a mutual company to a stock company by Order of the Department entered December 30, 2015. The Department also approved the renaming of the Company to TPM Life Insurance Company (“TPML”) and approved the acquisition of TPML by AmFirst Insurance Company. As part of the acquisition, all employees and officers of TPML, with the exception of Mr. Young, became employees of Morgan White Group (“MWG”), an affiliate of AmFirst. Pursuant to the terms of a management agreement, MWG supplies employees and services to TPML.

Mr. Luciotti became an employee of MWG in the summer of 2015 in anticipation of the afore-described transaction and Mr. Morley became an employee of MWG at the end of 2015, contemporaneous with the Department’s approval of the conversion and acquisition of TPML. Mr. Young retired at the end of 2015 and agreed to serve as a consultant to MWG in January and February, 2016.

The following is the officer structure of the newly formed TPML:

David White, President

John Morgan, Vice President

Ryan Eaton, Vice President

Jason Peets, Vice President

Teachers Protective Mutual Life Insurance Company

-19-

Richard Eaton, Secretary/Treasurer

Upon acquisition, AmFirst intends to use the licenses of TPML to write very low limit dental and vision plans (maximum risk per policy is \$3,000). AmFirst also plans to write a "premium saver" product targeted to the small group market and described as a supplemental medical product that is used in conjunction with a major medical policy that will cover the high deductible portion of the major medical policy.

The pension plan for the employees of the Company has been terminated under a standard termination. All plan participants were given the opportunity to elect the method of payment of benefits. On December 30, 2015, pension checks were mailed to all participants who elected a lump-sum payment. Also, on December 30, 2015, the funds were electronically transferred to United of Omaha Life Insurance Company and Principal Life Insurance Company for the purchase of annuities for all participants who elected an annuity payment.

The Company's remaining net reserves at December 31, 2015, consisted of a de minimis amount for Life Insurance; \$252,000 for Payout Annuity; \$1,400,000 for Disability Income; and \$520,000 for Other Accident and Health, which totals to approximately \$2,172,000 in net reserves.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained no recommendations.

CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. It is recommended that the Company maintain copies of its standing committees meeting minutes, including, but not limited to, its Compensation and Executive Committees in accordance with the Company's by-laws Article III section 1. (See "Minutes," page 4)
2. It is recommended that the Company's Board at a minimum review and approve its Investment Plan on a yearly basis as required by 40 P.S. § 504.1(c). (See "Notes to Financial Items - Assets," page 17)
3. It is recommended that when the Company updates its custodial agreement, that the Board or authorized committee pass a resolution approving the change in accordance with 31 Pa. Code § 148a.3(a)(2). (See "Notes to Financial Items - Assets," page 17)

Teachers Protective Mutual Life Insurance Company

-20-

CONCLUSION

As a result of this examination, the financial condition of Teachers Protective Mutual Life Insurance Company, as of December 31, 2014, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 57,103,961	100.0 %
Liabilities	\$ 53,572,716	93.8 %
Capital and Surplus	3,531,245	6.2 %
Total liabilities, capital and surplus	\$ 57,103,961	100.0 %

Since the previous examination, made as of December 31, 2009, the Company's assets decreased by \$4,599,699, its liabilities decreased by \$660,575, and its surplus decreased by \$3,939,124.

This examination was conducted by Ryan Monahan and Gary L. Greenaway Jr., CFE, with the latter in charge.

Respectfully,



Melissa Greiner

Director Bureau of Financial Examinations



David R. Evans, CFE
Examination Manager



Gary L. Greenaway Jr., CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.