

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF
LIMITED-SCOPE EXAMINATION

OF

UNITED TRUST INSURANCE COMPANY
BIRMINGHAM, ALABAMA

AS OF
DECEMBER 31, 2009

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EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF JEFFERSON**

Lori Wright, CFE, being first duly sworn, states as follows:

1. I have the authority to represent the State of Alabama in the examination of United Trust Insurance Company.
2. The Alabama Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of United Trust Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.



Examiner-in-Charge

Subscribed and sworn before me by Lori Wright on this
21st day of May, 2010.

(SEAL)



(Signature of Notary Public)

My Commission expires 2-11-14.



BOB RILEY
GOVERNOR

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May 21, 2010

Honorable Jim L. Ridling, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a limited-scope examination as of December 31, 2009 has been made to determine compliance with recommendations made in the 2007 Report of Examination of

United Trust Insurance Company
Birmingham, Alabama

at its home office located at 450 Riverchase Parkway East, Birmingham, Alabama 35244.

Where the description "Company" or "UTIC" appears herein without qualification, it will be understood to indicate United Trust Insurance Company.

SCOPE OF EXAMINATION

The Company was last examined for the five years ended December 31, 2007 by examiners representing the Alabama Department of Insurance. The current limited-scope examination is as of December 31, 2009 and was conducted by examiners representing the State of Alabama. Where deemed appropriate, transactions subsequent to December 31, 2009 were reviewed.

This limited-scope examination was authorized pursuant to the instructions of the Alabama Insurance Commissioner and in accordance with the statutory requirements of the Alabama Insurance Code and the regulations and bulletins of the State of Alabama Department of Insurance in accordance with the guidelines and procedures promulgated by the NAIC and in accordance with generally accepted examination standards.

This limited-scope examination is not intended to communicate all matters of importance for an understanding of the Company's financial condition. The examination is limited to determining if the Company complied with recommendations made in the 2007 Report of Examination.

A signed certificate of representation was obtained during the course of the examination. In this certificate, management attests to the Company having valid title to all its reported assets, and that it did not have unreported liabilities as of December 31, 2009.

Within this report, discussion of the Company's accounts has been confined to those items for which a material change in the financial statements has been noted or for which comments and/or recommendations have been made.

ORGANIZATION AND HISTORY

The Company was incorporated on January 31, 1964 in Birmingham, Alabama as the Modern American Life Insurance Company, a legal reserve life company. It commenced business with 10,000 shares of \$1 par value (\$10,000) common stock and 1,700 shares of \$55 par value preferred stock (\$93,500), which resulted in \$103,500 aggregate capital.

The following summary chronologically presents various changes affecting the Company prior to the current examination period:

1966 – Articles of Incorporation were amended. The number of shares of common stock was increased and par value was increased. The preferred stock was retired and converted to common stock.

1968 - Acquired by Veterans Life Insurance Company in Atlanta, Georgia, and its name was changed to Physicians and Educators Life Insurance Company.

1972 - Merged with United Trust Life Insurance Company, a subsidiary of United Financing and was relocated to Opp, Alabama. The surviving company was United Trust Life Insurance Company.

1982 - Acquired by Columbia Life Insurance Company and Peoples Savings Life Insurance (Peoples Savings), each owning 50% of the outstanding stock, and the home office moved to Tuscaloosa, Alabama.

1983 - Peoples Savings assumed all of the Company's insurance business, and Willoughby and Association, Inc. acquired all of the capital stock.

1984 - Acquired by Alabama Industries Financial Corporation (AIFC).

1986 - AIFC was acquired by Blue Cross and Blue Shield of Alabama (BCBSAL).

1986 - The Articles of Incorporation were amended to increase the authorized shares of common stock from 40,000 to 400,000 shares of \$2.50 par value. The Company's home office was moved to Birmingham, Alabama, and AIFC contributed \$875,000 as additional paid-in surplus that same year.

1988 - The Certificate of Authority was changed from life to disability coverage only following a lawsuit filed in January 1986 by Protective Life Insurance Company in which the Circuit Court entered an order holding that BCBSAL could not own and operate a life insurance company.

1988 - Amended its Articles of Incorporation to change its name to United Trust Insurance Company.

During the third quarter of 2008, Sherrie Dumas LeMier became the Treasurer, Terry Dee Kellogg, FSA became the Vice President and Carol Downer Mackin became the Secretary of the Company. During the second quarter 2009, Cynthia Mizell Vice became the Treasurer. During the third quarter 2009, Noel Winfred Carden became the Actuary.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws and amendments thereto were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practice and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

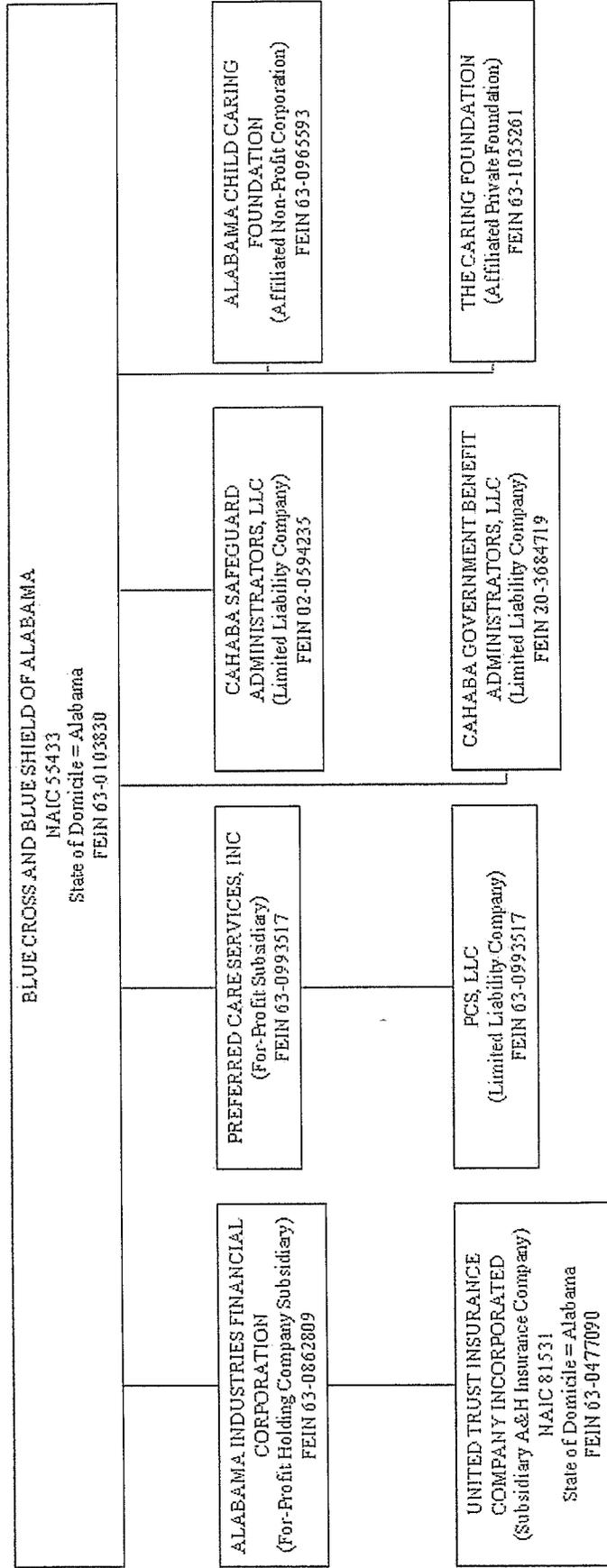
Holding Company

The Company, a wholly-owned subsidiary of Alabama Industries Financial Corporation (AIFC), is deemed to be subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as a registrant of an Insurance Holding Company System.

The Company is owned by Alabama Industries Financial Corporation (AIFC), which is owned by Blue Cross and Blue Shield of Alabama (BCBSAL). Affiliated companies of AIFC include Preferred Care Services, Inc., which is the parent of PCS, LLC; Cahaba Safeguard Administrators, LLC; Cahaba Government Benefit Administrators, LLC; Alabama Child Caring Foundation; and The Caring Foundation. See the Company's organizational chart, which presents affiliated corporate relationships.

Organizational Chart

The following chart presents the corporate affiliations of the Company as of December 31, 2009.



FINANCIAL STATEMENT INDEX

The Financial Statements included in this report were prepared on the basis of the Company's filed 2009 Annual Statement. The statements are presented in the following order:

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**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART THEREOF.**

United Trust Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
For the Year Ended December 31, 2009

<u>ASSETS</u>	<u>Assets</u>	<u>Nonadmitted</u>	<u>Net Admitted</u>
	Assets	Assets	Assets
Bonds	\$ 2,803,232	\$ -	\$ 2,803,232
Cash, cash equivalents and short-term investments	3,465,251	-	3,465,251
Subtotal, cash and invested assets	\$ 6,268,483	\$ -	\$ 6,268,483
Investment income due and accrued	31,741	-	31,741
Premium considerations:			
Uncollected premiums and agents' balances in the course of collection	535	-	535
Amounts recoverable from reinsurers	1,705	-	1,705
Health care and other amounts receivable	384,178	-	384,178
Premium tax recoverable	1,074	-	1,074
TOTAL	<u>\$ 6,687,716</u>	<u>\$ -</u>	<u>\$ 6,687,716</u>
 <u>LIABILITIES</u>			<u>2009</u>
Aggregate reserves for accident and health contracts			\$ 221,140
Contract claims: Accident and health			59,058
Interest maintenance reserve			(5,849)
General expenses due or accrued			18,709
Taxes, licenses and fees due and accrued			8,856
Current federal and foreign income taxes			451,847
Amounts withheld or retained by company as agent or trustee			3,334
Asset valuation reserve			11,510
Payable to parent, subsidiaries or affiliates			11,119
TOTAL LIABILITIES			<u>\$ 779,724</u>
 <u>CAPITAL AND SURPLUS</u>			
Common capital stock			1,000,000
Gross paid in and contributed surplus			986,029
Unassigned funds (surplus)			3,921,963
TOTAL CAPITAL AND SURPLUS			<u>5,907,992</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS			<u>\$ 6,687,716</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART THEREOF.**

United Trust Insurance Company
Summary of Operations and Statement of Changes in Capital and Surplus
For the Years Ended December 31, 2009, 2008 and 2007

<u>Summary of Operations</u>	2009	2008	2007
Premium and annuity considerations for life and accident and health contracts	\$ 211,312	\$ 235,822	\$ 275,067
Net investment income	124,426	196,896	220,411
Amortization of IMR	(2,727)	(18,207)	(17,383)
Fees earned under agency agreement	<u>3,586,871</u>	<u>3,141,959</u>	<u>1,991,327</u>
Totals	<u>\$ 3,919,882</u>	<u>\$ 3,556,470</u>	<u>\$ 2,469,422</u>
Disability benefits and benefits under accident and health contracts	\$ 202,714	\$ 130,699	\$ 165,510
Increase in aggregate reserves for life and accident and health contracts	<u>4,023</u>	<u>(3,951)</u>	<u>(5,239)</u>
Totals	<u>\$ 206,737</u>	<u>\$ 126,748</u>	<u>\$ 160,271</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 8,579	\$ 9,242	\$ 10,842
General insurance expenses	1,273,947	901,734	754,957
Insurance taxes, licenses and fees, excluding federal income taxes	<u>32,622</u>	<u>29,761</u>	<u>13,899</u>
Totals	<u>\$ 1,521,885</u>	<u>\$ 1,067,485</u>	<u>\$ 939,969</u>
Net gain from operations before dividends policyholders and federal income taxes	\$ 2,397,997	\$ 2,488,985	\$ 1,529,453
Federal and foreign income taxes	503,363	873,801	542,449
Net realized capital gains (losses)	<u>-</u>	<u>(5,320)</u>	<u>-</u>
Net income	<u>\$ 1,894,634</u>	<u>\$ 1,620,504</u>	<u>\$ 987,004</u>
 <u>Statement of Changes in Capital and Surplus</u>	 2009	 2008	 2007
Capital and surplus, December 31, prior year	\$ 4,013,484	\$ 6,404,194	\$ 5,419,043
Net income	1,894,634	1,609,864	987,043
Change in asset valuation reserve	(126)	(574)	(1,853)
Dividends to stockholders	<u>-</u>	<u>(4,000,000)</u>	<u>-</u>
Totals	<u>\$ 5,907,992</u>	<u>\$ 4,013,484</u>	<u>\$ 6,404,233</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART THEREOF.**

NOTES TO FINANCIAL STATEMENTS AND RESULTS OF THE LIMITED-SCOPE EXAMINATION

There were no Notes to Financial Statements. The Company complied with all recommendations in the 2007 Report of Examination.

SUBSEQUENT EVENTS

No subsequent events were noted.

COMMENTS AND RECOMMENDATIONS

The Company complied with all recommendations made in the 2007 Report of Examination. There are no recommendations.

CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by all persons representing United Trust Insurance Company during the course of this examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent deemed appropriate in connection with this limited-scope examination.

The undersigned examiner for the State of Alabama Department of Insurance participated in this examination of Blue Cross and Blue Shield of Alabama.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Lori Wright", is written over a solid horizontal line.

Lori Wright, CFE
Examiner-in-charge
State of Alabama
Department of Insurance