

SECU Life Insurance Company

Raleigh, NC

Report on Limited-Scope Examination

As of December 31, 2013

SECU Life Insurance Company

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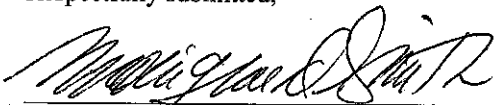
Honorable Wayne Goodwin
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted a limited-scope examination of SECU Life Insurance Company (“Company”) as of December 31, 2013. This limited-scope examination was performed to address specific areas of concern based on the Department’s review and analysis of the Company’s 2013 Annual Statement.

This examination was performed in accordance with auditing standards established by the Department. The purpose of this examination was to review specific aspects of the Company’s 2013 Annual Statement (“AS”) as specified in the Scope of the Examination on page 4. The scope of this examination was not comprehensive, but included a limited review of the Company’s practices and procedures, its corporate and accounting records, details of certain transactions, and an evaluation of certain assets and liabilities reported as of December 31, 2013. This report is not intended to communicate all matters of importance for an understanding of the Company’s financial condition as of December 31, 2013. Therefore, the findings and conclusions contained within this report are based solely on the work performed on the specific areas of concern and are provided in the Summary of Examination Objectives and Findings on page 4.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

July 8, 2014

STATE OF NORTH CAROLINA
COUNTY OF WAKE

Ke Xu, Assistant Chief Financial Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by her, is true and correct to the best of her knowledge and belief.

Signature:

Ke Xu
Ke Xu

Date:

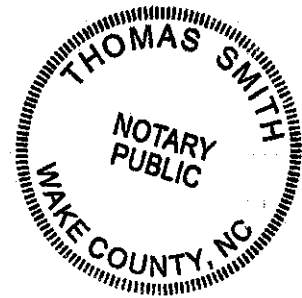
7/15/2014

Sworn and subscribed before me this 15 day of JULY, 2014.

Notary Public Signature:

Thomas Smith

Notary Public Seal:



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1. Company Background

SECU Life Insurance Company was incorporated on October 4, 2012. The Company became a licensed stock life insurance company on January 1, 2013, and commenced business on January 2, 2013. The Company is domiciled in the State of North Carolina.

The Company is a wholly-owned subsidiary of State Employees' Credit Union ("SECU") and was initially capitalized with \$25 million. SECU received 250,000 shares of the Company's common stock at \$10 per share par value. The Company recorded \$2,500,000 of common capital stock as a result of the stock issuance and reported the additional \$22.5 million as gross paid-in and contributed surplus.

The Company writes group life, individual life, deferred annuities, and immediate annuities and plans to distribute its products through licensed agents located in SECU branch offices. At this time, the Company only operates in North Carolina.

2. Scope of the Examination

The scope of this examination was limited to the following areas relative to the 2013 AS:

- a) Cash and short-term investments
- b) Common capital stock, gross paid-in and contributed surplus
- c) Related party transactions
- d) Compliance with specific GS governing the formation and licensing of domestic insurance companies
- e) Review of contracts and agreements

3. Examination Procedures

The examination procedures performed during this examination included the following:

- 1) Analytical review and verification of supporting documentation for reported balances;
- 2) Substantive testing of detailed transactions;
- 3) Reasonableness testing of balances in comparison to the reported amounts;
- 4) Confirmation of reported balances with third parties; and
- 5) Other examination procedures deemed necessary to meet the established objectives.

4. Summary of Examination Objectives and Findings

a) Cash and Short-Term Investments

Examination Objective: To verify the existence, accuracy, classification and ownership of cash and short-term investments totaling \$24,449,529 as reported on Schedule E Part 1 and Schedule DA of the Company's 2013 AS.

Findings

Examiners performed substantive testing of the Company's cash and short-term investment balances reported by agreeing amounts from third party statements or confirmations to the Company's bank reconciliations and reviewing the reconciling items. No adverse findings were noted in relation to the Company's cash and short-term investments.

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b) Capital common stock, gross paid-in and contributed surplus

Examination Objective: To determine whether capital common stock and gross paid-in and contributed surplus are properly stated in the Company's 2013 AS.

Findings

Examiners agreed the common stock subscriptions to the stock certificates. Examiners also verified the components of the 2013 capital and surplus accounts. Examiners identified no significant adjustments or adverse findings.

c) Related Party Transactions

Examination Objective: To determine whether the Company is properly reporting and disclosing related party transactions.

Findings

Examiners reviewed related party transactions and the affiliated contracts. Examiners noted no discrepancies or adverse findings.

d) Compliance with Specific GS Governing the Formation and Licensing of Domestic Insurance Companies

Examination Objective: To determine the Company's compliance with the statutes governing the formation and licensing of domestic insurance companies.

Findings

Examiners reviewed the Company's Board of Directors meeting minutes, various documentation submitted to the Department, and the Company's contracts and agreements. Examiners noted no adverse findings.

e) Review of Contracts and Agreements

Examination Objective: To determine whether the Company's active contracts and agreements have been properly approved by the Department, if required.

Findings

Examiners obtained a listing of all active contracts from the Company. Examiners identified affiliated party contracts and verified prior approval by the Department. Examiners interviewed the President/CEO and noted no activities that would require additional agreements. There were no discrepancies or adverse findings.

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Appendix A – Report Distribution

James Cyril Blaine
Chairman of the Board of Directors
PO Box 27626
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William Wallace Umphlett
President and Chief Executive Officer
PO Box 27626
Raleigh, NC 27611-7626

Michael James Lord
Chief Financial Officer
PO Box 27626
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Stacey June Waddell
Chief Operating Officer
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