



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

June 30, 2020

MAILING ADDRESS
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Jackson, Mississippi 39205-0079
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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Scott Monroe Intravia, President & CEO
Magna Insurance Company
895 Park Avenue
Mandeville, LA 70448

RE: Report of Examination as of December 31, 2018

Dear Mr. Intravia:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
Senior Attorney

MC/CJK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF
 MAGNA INSURANCE COMPANY**

CAUSE NO. 20-7526

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

II.

That Magna Insurance Company is a Mississippi-domiciled Company licensed to write Life; Accident and Health; and Credit Life, Credit Health and Accident coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Magna Insurance Company and appointed R. Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about April 15, 2020, the draft Report of Examination concerning Magna Insurance Company for the period of January 1, 2014 through December 31, 2018, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about May 13, 2020, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 30-day period to submit any rebuttal to the draft report. The Company responded to the draft by email on or about June 12, 2020.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination and all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of Magna Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Magna Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Magna Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 30th day of June, 2020.




Mark Haire
MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 30th day of June, 2020, to:

Mr. Scott Monroe Intravia, President & CEO
Magna Insurance Company
895 Park Avenue
Mandeville, LA 70448



Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

MAGNA INSURANCE COMPANY

as of

December 31, 2018

TABLE OF CONTENTS

Examiner Affidavit	1
Salutation	2
Scope of Examination	3
Comments and Recommendations of Previous Examination	3
History of the Company	3
Corporate Records	4
Management and Control	5
Stockholders	5
Board of Directors	5
Committees	5
Officers	6
Conflict of Interest	6
Holding Company Structure	6
Organizational Chart	6
Affiliated and Related Party Transactions	7
Fidelity Bond and Other Insurance	8
Pensions, Stock Ownership and Insurance Plans	8
Territory and Plan of Operation	8
Growth of Company	9
Mortality and Loss Experience	9
Reinsurance	10
Accounts and Records	11
Statutory Deposits	11

Financial Statements	12
Introduction	12
Statement of Admitted Assets, Liabilities, Capital and Surplus – Statutory	13
Statement of Revenue and Expenses – Statutory	14
Reconciliation of Capital and Surplus – Statutory	15
Reconciliation of Examination Adjustments to Surplus	16
Market Conduct Activities	17
Commitments and Contingent Liabilities	17
Subsequent Events	17
Comments and Recommendations.....	18
Acknowledgment	21

**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,

County of Madison,

R. Dale Miller, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Magna Insurance Company as of December 31, 2018.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Magna Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

R. Dale Miller

R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge

Subscribed and sworn before me by R. Dale Miller on this 12th day of

May of 2020.



April D. McDonald

Notary Public

My commission expires October 10, 2020 [date]



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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April 15, 2020

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

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

MAGNA INSURANCE COMPANY

190 Capitol Street, Suite 800
Jackson, Mississippi 39201

License #	NAIC Group #	NAIC #	FEETS #
7700104	N/A	61018	61018-MS-2018-1

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 *et seq.* The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed a full scope examination of Magna Insurance Company ("Company" or "Magna"). The last examination covered the period of January 1, 2009 through December 31, 2013. This examination covers the period of January 1, 2014 through December 31, 2018.

We conducted our examination in accordance with the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. 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, as mentioned in Miss. Code Ann. §83-5-201, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

The Company complied with the comments and/or recommendations made by the Mississippi Insurance Department ("MID") examination team in the previous examination report, except for the following: the Company require its senior management and key personnel to sign conflict of interest statements on an annual basis. A recommendation regarding conflict of interest statements was included within this examination report. (Page 6)

HISTORY OF THE COMPANY

On June 13, 1960, the Company was formed under the laws of the state of South Carolina as Argus Life Insurance Company ("Argus") and commenced its business on November 27, 1962. In December 1994, Magna Bancorp, Inc. ("MBI") acquired the Company and re-domiciled its operations to the State of Mississippi. Thereafter, by Articles of Merger executed on June 13, 1995,

the former Magna Insurance Company was merged with and into Argus with Argus being the surviving entity, and the corporate name being changed to its current title.

In 1997, MBI merged into Union Planters Corporation (“Union Planters”), leaving the Company as an indirect subsidiary of Union Planters, and in December of 2003, the Company was purchased by Hancock Holding Company. Effective March 1, 2004 and January 1, 2005, the Company assumed group credit life and credit accident & health insurance from Harrison Life Insurance Company, and, effective March 1, 2004, the Company assumed insurance business from Family Financial Life Insurance Company. On December 1, 2011, the Company entered into an assumptive reinsurance agreement with Life of the South Insurance Company (“Life of the South”) whereby all policies and their related reserves were assumed by Life of the South with certificates of assumption issued to policyholders. On December 29, 2011, 100% of the stock was purchased by LOTS Intermediate Company, a wholly owned subsidiary of Fortegra Financial Corporation (“Fortegra”).

On April 26, 2013, a Form A filing was filed on behalf of PRAM LLC (“PRAM”) to acquire 100% ownership of the Company; the Form A was approved by the MID. The order was signed on June 27, 2013, and on June 28, 2013, PRAM purchased the Company’s stock from Fortegra.

PRAM was formed for the purpose of acquiring and managing an insurance company which would underwrite or assume risks associated with certain insurance business produced and administered by Professional Risk and Asset Management Insurance Services, Inc., (“PRAM, Inc.”) a California corporation and affiliate of PRAM.

Effective November 21, 2018, the owners of PRAM, among others, entered into a Settlement Agreement and Mutual Release resolving any claims of rights to ownership of PRAM. As part of this settlement agreement, PRAM’s name was changed to Magna Holding Company, LLC. At December 31, 2018, the membership interests of Magna Holding Company, LLC was owned 84% by Scott M. Intravia and 16% by Mark C. Kuhls.

At December 31, 2018, the Company was authorized to write the following lines of business: accident & health, credit life, credit accident & health and life. The Company has continued its existing assumed reinsurance agreement with an insurance carrier partner that has strategic business relationships with affiliated companies of the Company. Beginning in the 4th quarter of 2018, the Company began writing on a direct basis fully insured group out-patient prescription drug business as well as excess loss reimbursement business on employer groups' self-funded health plans.

CORPORATE RECORDS

The Company’s Articles of Association and Bylaws, as amended, were reviewed for the period under examination. Based upon this review, it was noted that the Company was not in compliance with Article VI, Section 1 of its Articles of Association regarding the annual appointment of officers. It is recommended the Board of Directors (“Board”), in accordance with Article VI,

Section 1 of its Articles of Association, annually appoint company officers. Further it is recommended the Company ensure that all appointed officers are appropriately reported on the Jurat page of the filed quarterly and annual statements.

The exam period minutes for the meetings of the Stockholders and Board were also reviewed and it was noted there was no documentation of discussion and approval of the annual audit results or of the issued required communication letters by the Board. It is recommended the Board minutes include documentation of the Board’s review and approval of the annual audit results and the issued required communication letters.

Additionally, there was no formal evidence within the minutes of the Board’s review of the investment guidelines as required within the Investment Policy and Guidelines document. It is recommended the Company document within the Board minutes its annual review of the investment guidelines. Documentation should provide for formal evidence of the guidelines annual review in accordance with the terms of the Investment Policy and Guidelines document.

MANAGEMENT AND CONTROL

Stockholders

See the Organizational Chart under the Holding Company Structure section. The Company did not pay any dividends during the period covered by this examination.

Board of Directors

The Board for Magna was composed of three directors as of December 31, 2018. The Directors were as follows:

Board Member	Year Elected/Appointed	Principal Occupation
Scott Monroe Intravia	2013	President & CEO of Magna Holdings, LLC and Magna Insurance Company
Mark Christopher Kuhls	2013	Senior Vice President & General Counsel of Magna Holdings, LLC and Magna Insurance Company
Bradley Willard Bone	2016	Vice President of Magna Insurance Company

Committees

During the examination period the Company’s Board performed the functions of the audit committee and a separate committee was not appointed.

Officers

The senior officers of Magna as of December 31, 2018, were:

Name of Officer	Number of Years with Company	Title
Scott Monroe Intravia	6	President & CEO
Susan Annette Sweeney	6	CFO
Mark Christopher Kuhls	6	Senior Vice President, General Counsel & Secretary
Bradley Willard Bone	3	Vice President
Robin Holloway Intravia	1	Treasurer

Conflict of Interest

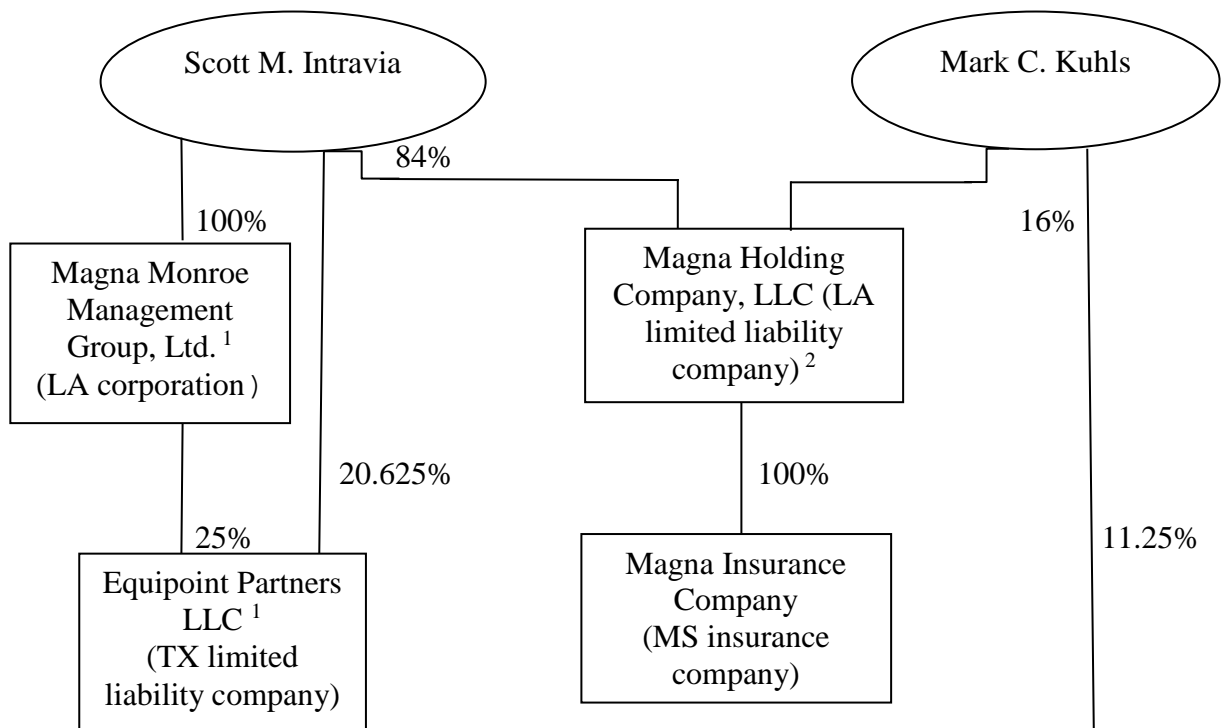
The Company has a formal code of ethics in place, which addresses the conflict of interest policies. In response to a recommendation given during the prior exam, the Company began executing conflict of interest forms in 2015. However, it was noted that not all of the officer's conflict of interest forms were completed in a timely manner. It is recommended that the Company obtain signed conflict of interest statements for all officers in the year for which it applies.

HOLDING COMPANY STRUCTURE

During the time period covered by this examination, the Company reported as a member of an insurance company holding system as defined by Miss. Code Ann. §83-6-1. Holding Company Registration Statements, for the period under examination, were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9.

Organizational Chart

The following chart depicts the Company's ownership as of December 31, 2018:



¹ The remaining voting securities of Equipoint Partners LLC are owned by Matt Snyder (20.625%), Roy Hahn (11.25%) and James Holder (11.25%).

² The name of PRAM LLC was changed to Magna Holding Company, LLC effective November 30, 2018.

Affiliated and Related Party Transactions

Various related party agreements were in place during the examination period, of which several were amended and/or terminated with new agreements taking the place of the prior terminated agreements. Due to this reason, the most recent changes to the agreements in place at December 31, 2018 are discussed below.

Magna and Equipoint Partners, LLC (“Equipoint”) entered into a Marketing and Administrative Services Agreement effective January 1, 2017, and Amendment No. 1 to Marketing and Administrative Services Agreement effective April 1, 2018, whereby Equipoint performs certain sales, administrative and underwriting services with respect to fully insured prescription drug coverage of Magna. Compensation to be paid to Equipoint pursuant to this agreement shall be (i) commissions of up to twenty percent (20%) of gross collected premium and (ii) administrative and management fee of up to ten percent (10%) of gross collected premium and up to \$2.00 per employee per month on aggregate only stop loss prescription drug business. The Company incurred expenses to Equipoint in the amount of \$61,877 during 2018 related to this agreement.

Magna and Magna Monroe Management Group, Ltd., (“Magna Monroe”) entered into an Administrative Services Agreement effective January 1, 2017, pursuant to which Magna Monroe

provides certain management and administrative services to Magna. Compensation to be paid to Magna Monroe pursuant to this agreement shall be a percentage of net written premium. The agreement was terminated as of the end of October 2017 and replaced by a Management and Administrative Services Agreement between the Company and Magna Monroe effective November 1, 2017. The Company incurred expenses to Magna Monroe in the amount of \$693,026 during 2018 under this agreement.

Magna, Equipoint, and Magna Monroe entered into a Surplus Contribution Agreement dated November 6, 2017, and First Amendment to Surplus Contribution Agreement dated January 30, 2018. The Surplus Contribution Agreement, as amended, provides for the sale and purchase of surplus notes with the maximum aggregate original principal amount of all surplus notes issued pursuant to the Surplus Contribution Agreement not to exceed \$2,000,000. At December 31, 2018, the Company had issued \$1,712,300 in surplus notes.

Effective January 1, 2019, the Company and Magna Holding Company, LLC, entered into an Amended and Restated Management and Administrative Services pursuant to which Magna Holding Company, LLC would provide the management and administrative services to the Company. This replaced the prior management administrative services agreement with Magna Monroe. In addition, the percentage of fees subject to the management agreement was amended from 5.5% to 2.5% of the first \$10 million in premium and from 5% to 2% for premium in excess of \$10 million.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2018, the Company maintained a fidelity bond with an aggregate limit of liability \$1,000,000, which exceeds the NAIC's suggested minimum amount of \$175,000-\$200,000.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees. As such, no provision was made in the financial statements for obligations under any benefit plan.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed in 12 states and was authorized to write the following lines of business: accident & health, credit life, credit accident & health and life in the state of Mississippi. The Company has continued its existing assumed reinsurance agreement with an insurance carrier partner that has strategic business relationships with affiliated companies of the Company. Beginning in the 4th quarter of 2018, the Company commenced writing on a direct basis fully insured group out-patient prescription drug business as well as excess loss reimbursement business for employer groups' self-funded health plans.

GROWTH OF COMPANY

	2018	2017	2016	2015	2014
Balance Sheet					
Total admitted assets	\$ 6,018,998	\$ 4,054,558	\$ 2,712,132	\$ 3,026,382	\$ 2,610,565
Total liabilities	\$ 2,789,258	\$ 1,780,691	\$ 312,402	\$ 415,100	\$ 257,575
Statutory minimum capital and surplus requirement	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total capital and surplus	\$ 3,229,739	\$ 2,273,869	\$ 2,399,730	\$ 2,611,280	\$ 2,352,990
Income Statement					
Total revenues	\$ 12,600,410	\$ 4,359,515	\$ 362,269	\$ 2,754,922	\$ 877,333
Total medical, hospital and/or underwriting expenses	\$ 7,640,114	\$ 3,492,975	\$ 133,688	\$ 1,482,074	\$ 786,015
Total administrative expenses	\$ 5,206,501	\$ 2,002,878	\$ 285,151	\$ 934,968	\$ 204,038
Net underwriting gain (loss)	\$ (246,205)	\$ (1,136,338)	\$ (56,570)	\$ 337,880	\$ (158,780)
Net investment gain (loss)	\$ 29,606	\$ 24,592	\$ 17,128	\$ 17,004	\$ 40,938
Total other income	\$ 60,306	\$ -	\$ -	\$ -	\$ -
Net income or (loss)	\$ (447,039)	\$ (726,079)	\$ (19,864)	\$ 259,717	\$ (158,750)
Cash Flow					
Net cash from operations	\$ (664,975)	\$ (1,202,393)	\$ (131,734)	\$ 30,017	\$ (64,530)
Risk-Based Capital Analysis					
Total Adjusted capital	\$ 3,229,739	\$ 2,273,869	\$ 2,399,730	\$ 2,548,640	\$ 2,356,158
Authorized control level risk-based capital	\$ 877,084	\$ 254,562	\$ 45,885	\$ 188,332	\$ 111,341
Operating Percentage					
Premiums earned plus risk revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Total hospital and medical plus other non-health	60.6%	80.1%	36.9%	87.7%	107.8%
Total underwriting deductions	102.0%	126.1%	115.6%	87.7%	107.8%
Total underwriting gain (loss)	-2.0%	-26.1%	-15.6%	12.9%	-3.4%
Unpaid Claims Analysis					
Total claims incurred for prior years	\$ 1,191,228	\$ -	\$ -	\$ (5,000)	\$ (29,817)
Estimated liability of unpaid claims	\$ 1,152,000	\$ 50,179	\$ 29,112	\$ 5,000	\$ 29,817

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Risk & Regulatory Consulting, LLC (“RRC”) to review the actuarial analysis supporting the Company’s carried loss and loss adjustment expense reserves. Based on the examination actuarial evaluation, the Company’s estimates for gross and net unpaid loss and loss adjustment expenses appeared to be reasonably stated in all material respects. However, the following comments and recommendations were made based upon this review:

The Board meeting minutes in 2017 and 2018 did not indicate that the Actuarial Opinion and Actuarial Memorandum were presented or made available for review. It is recommended that the Company abide by the Annual Statement instructions which require the minutes of the Board (or committee thereof) indicate the Actuarial Reports have been presented, received, reviewed or made available for review. In addition, it is recommended that the appointed actuary add a cover

page (executive summary or presentation) to the Actuarial Reports for the Board, drawing attention to any actuarial items of significance for the year and giving guidance to the Board about how to note the presentation in its minutes. In this way the Board has access to important reserving or actuarial issues.

The Company did not post an Unearned Claims Adjustment Expense Reserve (“UCAE”) at year-end 2018. Miss. Code Ann. §83-5-23 requires that UCAE be posted for health insurance coverages. There is no exception to the Statute that the use of a TPA negates the statutory requirement to carry UCAE. Therefore, it is recommended that a UCAE be established for assumed as well as direct premium without regard to contractual obligations with administrators.

REINSURANCE

The following reinsurance agreements were in place as of December 31, 2018:

Effective September 1, 2015, the Company executed a reinsurance agreement with National Guardian Life Insurance Company (“NGL”). The Company assumes a 100% risk position on a Group Supplemental Medical Benefits. The agreement was modified on April 1, 2016, to take risk on the business administered by Planned Administrators, Inc., as well as the business administered by Thomas H. Cooper and Co., Inc. The Company expanded the agreement, effective August 1, 2016, to include Out-Patient Prescription Drug Benefits. NGL cedes from 75% to 100% of the underwriting risk depending upon if the business is sold on a stand-alone or bundled basis. Effective January 1, 2019, the agreement was modified to include S&S HealthCare Strategies, Ltd., which will act as an ancillary administrator in addition to Planned Administrators, Inc. and Thomas H. Cooper and Co., Inc. as a licensed Third Party Administrator. Premiums assumed by the Company under the terms of this agreement totaled approximately \$12.4 million during 2018.

Effective October 1, 2018, the Company executed a quota share reinsurance agreement with Greenlight Reinsurance Ireland, DAC. The Company cedes 100% liability under contracts of excess loss reinsurance, providing specific and aggregate excess loss coverage for non-occupational medical benefits to eligible to self-insured employers or entities underwritten and administered on behalf of the Company by Sana Benefits, Inc., the managing general underwriter. During 2018, the Company ceded approximately \$49,000 under the terms of this agreement.

Effective October 1, 2018, the Company and Odyssey Reinsurance Company entered into a Self-Funded Medical Specific Excess of Loss Reinsurance Agreement. The Company cedes 100% of all new and renewal business on a risk attaching basis for losses in excess of \$1,000,000 inclusive of a specific retention amount of \$10,000. The agreement covers excess loss medical expense benefits provided under self-funded group medical benefit plans sponsored by employers which have purchased Excess Loss Reimbursement Policies which are underwritten, issued and administered on behalf of the Company by Sana Benefits, Inc., the managing general underwriter.

ACCOUNTS AND RECORDS

The Company's 2018 trial balances were tied to the original financial statements within the statutory Annual Statements filed with the MID; however, due to recorded adjustments by the independent auditor, the Company refiled its 2014, 2015, 2017, and 2018 Annual Statements with the MID.

The Company was audited annually by an independent CPA firm, and the Company's aggregate reserve liability was calculated by a consulting actuarial firm. The Company was a party to a custodian agreement with Hancock Bank; the custodial agreement complied with all provisions, as required by the NAIC Examiners Handbook.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's deposits at December 31, 2018.

State	Type of Deposit	Book/Adjusted Carrying Value	Fair Value
Arkansas	Certificate of deposit	\$ 102,140	\$ 102,140
Florida	Short-term investment	226,086	226,086
Mississippi	Bonds	1,585,541	1,573,169
South Carolina	Bonds	160,233	181,018
Texas	Bonds	56,069	53,885
Total		\$ 2,130,069	\$ 2,136,298

MAGNA INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2018

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2018, a Statement of Income - Statutory for year ended December 31, 2018, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2018, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2018.

**Statement of Admitted Assets, Liabilities, Capital and Surplus – Statutory
December 31, 2018**

Admitted Assets

Bonds	\$	1,669,293
Cash, cash equivalents and short-term investments		677,966
Investment income due and accrued		17,784
Uncollected premiums and agents' balances in the course of collection		1,062,388
Funds held by or deposited with reinsured companies		1,856,870
Other amounts receivable under reinsurance contracts		312,214
Current federal income tax recoverable		108,936
Claim settlement receivable		284,550
Due from TPA		28,997
Total admitted assets	\$	6,018,998

Liabilities, Surplus and Other Funds

Claims unpaid	\$	2,299,000
General expenses due or accrued		375,776
Amounts due to parent, subsidiaries and affiliates		114,483
Total liabilities		2,789,259
Common capital stock		1,203,750
Gross paid in and contributed surplus		100,001
Surplus notes		1,712,300
Unassigned funds (surplus)		213,688
Surplus as regards policyholders		3,229,739
Total liabilities and surplus as regards policyholders	\$	6,018,998

**Statement of Revenue and Expenses – Statutory
For the Examination Period Ended December 31, 2018**

Total premiums	\$	12,600,410
<hr/>		
Benefits and Expenses		
Prescription drugs		106,278
Net reinsurance expenses (recoveries)		7,533,836
<hr/>		
Total hospital and medical		7,640,114
General administrative expenses		5,206,501
<hr/>		
Total underwriting deductions		12,846,615
<hr/>		
Net underwriting gain		(246,205)
<hr/>		
Net investment income earned		29,606
<hr/>		
Fee income		3,203
Net loss from dispute settlement		(30,483)
Claim settlement income		87,586
Total other income		60,306
<hr/>		
Net loss after capital gains tax and before all other federal income taxes		(156,293)
Federal and foreign income taxes incurred		290,746
<hr/>		
Net Income	\$	(447,039)
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**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2018**

	2018	2017	2016	2015	2014
Capital and surplus prior reporting year	\$ 2,273,867	\$2,399,730	\$ 2,611,280	\$ 2,352,991	\$2,423,996
Net income or (loss)	(447,039)	(726,079)	(19,864)	259,717	(158,750)
Change in net deferred income tax	-	(102)	102	-	-
Change in nonadmitted assets	690,611	(399,682)	(191,788)	(41,334)	87,719
Change in asset valuation reserve	-	-	-	-	26
Cumulative effect of changes in accounting principles	-	-	-	39,906	-
Change in surplus notes	712,300	1,000,000	-	-	-
Capital and surplus end of reporting period	\$ 3,229,739	\$2,273,867	\$ 2,399,730	\$2,611,280	\$2,352,991

Reconciliation of Examination Adjustments to Surplus For the Examination Period Ended December 31, 2018

There were instances where the Company had difficulty in providing detail records which tied to the amount included in the trial balance and filed annual statements. Due to the aforementioned inability in certain cases to provide adequate supporting documentation, providing for specific adjustments and/or changes to existing financial statement balances reported by the Company was not feasible. Therefore no changes were made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2018. The surplus as regards policyholders reported by the Company, which totaled \$3,229,739 as of the examination date, was in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A market conduct examination was not requested and, thus, not performed.

COMMITMENTS AND CONTINGENT LIABILITIES

No commitments or contingent liabilities were noted during the course of this examination that would require inclusion within this examination report.

SUBSEQUENT EVENTS

The following items were noted during the examination subsequent event review:

Effective January 1, 2019, the Company and Magna Holding Company, LLC, entered into an Amended and Restated Management and Administrative Services pursuant to which Magna Holding Company, LLC would provide the management and administrative services to the Company. This replaced the prior management administrative services agreement with Magna Monroe. In addition, the percentage of fees subject to the management agreement was amended from 5.5% to 2.5% of the first \$10 million in premium and from 5% to 2% for premium in excess of \$10 million.

Effective January 29, 2019, the Company amended its Amended and Restated Articles of Association to reduce the par value of the Company's common stock shares from \$37.50 per share to \$31.16 per share. The financial impact to the Company was to increase gross paid in and contributed surplus by \$203,514 and decreased the value of common stock by \$203,514.

On March 20, 2019, Thomas H. Cooper & Company, a claims administrator on the NGL Group Supplemental Benefit Insurance Program, paid NGL the sum of \$284,550 to settle a contractual dispute between the parties involving claim payments. In turn, NGL paid the Company the entire settlement amount of \$284,550 on March 21, 2019 as it was obligated to do per the terms of the reinsurance agreement between NGL and the Company.

On June 20, 2019, Magna Monroe Management Group, LTD funded a surplus note in the amount of \$75,000 and Magna Holding Company, LLC funded a surplus note in the amount of \$75,000. On August 27, 2019 Magna Monroe Management Group, LTD funded a surplus note in the amount of \$137,700. On September 17, 2019, the Company received regulatory approval from the Mississippi Insurance Department for the Surplus Contribution Agreement dated November 6, 2017 to increase the maximum aggregate principal amount of surplus notes that may be issued to allow for an increase to the Company's statutory surplus through the issuance of surplus notes up to \$3,000,000. On December 23, 2019 Magna Holding Company, LLC funded a surplus note in the amount of \$75,000. As of December 31, 2019, the Company had outstanding surplus notes of \$2,075,000.

During each quarter of 2019, the Company triggered certain Hazardous Financial Condition Standards pursuant to Regulation 19 Miss. Admin. Code, Pt. 1, R. 39. As a result, the MID provided notice after each quarter to the Company and requested that an updated business plan along with financial projections be provided which included corrective actions the Company was taking to avoid triggering these standards in the future. The Company complied with each of these requests as the financial condition of the Company was discussed with the MID either through written communication or verbally during meetings with Company officers.

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, uncertainties have arisen that may have a significant negative impact on the Company. The occurrence and extent of such impact will depend on future developments including, but not necessarily limited to (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel and/or meetings, (iv) the effects on the financial markets and (v) the effects on the economy overall.

COMMENTS AND RECOMMENDATIONS

1. Appointment of Officers

Pursuant to Article VI, Section 1, of the Articles of Association, the Board of Directors is responsible for annually electing and appointing a Secretary, a Treasurer, and such other officers. The role of Treasurer was not assigned prior to November 2017. During the December 1, 2017 Board meeting, Ms. Robin Intravia was elected as Treasurer. Ms. Intravia is not shown on the Jurat page as an officer of the Company. In addition, the Board did not annually elect a Secretary and other officers.

Recommendation:

It is recommended the Board, in accordance with Article VI, Section 1 of its Articles of Association, elect annually a Secretary, a Treasurer and other officers. In addition, it is recommended that the Treasurer be listed on the Jurat page. (Page 5)

2. Board review of Auditor Reports

Per review of the Board minutes it does not appear that the required communication letters or audit reports were discussed in the Board meetings.

Recommendation:

It is recommended the Board both review and discuss the reports and required communication letters prepared by the auditors and document the Board approval in the minutes. (Page 5)

3. Conflict of Interest Statements

During the examination period, signed conflict of interest statements were not available for certain directors and officers of the Company. Further, the Chief Financial Officer's 2016

conflict of interest form was signed on March 20, 2017, and the 2017 conflict of interest form was signed on November 1, 2017.

Recommendation:

It is recommended that the Company obtain signed conflict of interest statements for officers and directors on an annual basis and maintain adequate records of statements and any noted conflicts. In addition, the conflict of interest forms should be signed in the year for which it applies. (Page 6)

4. Actuarial Finding - Actuarial Communications with the Board

Annual Statement Instructions require the following: "The Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The Actuarial Opinion and the Actuarial Memorandum must be made available to the Board. The minutes of the Board should indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee and that the Actuarial Opinion and the Actuarial Memorandum were made available."

Board meeting minutes in 2017 and 2018 do not indicate that the Actuarial Opinion and Actuarial Memorandum ("Actuarial Reports") were presented or made available for review.

Recommendation:

It is recommended that the Company abide by the Annual Statement instructions which require the minutes of the Board (or committee thereof) indicate the Actuarial Reports have been presented, received, reviewed or made available for review. In addition, the exam actuary recommends that the appointed actuary add a cover page (executive summary or presentation) to the Actuarial Reports for the Board, drawing attention to any actuarial items of significance for the year and giving guidance to the Board about how to note the presentation in its minutes. In this way the Board has access to important reserving or actuarial issues. (Page 9)

5. Actuarial Finding - Unearned Claims Adjustment Expense Reserve ("UCAE")

The Company did not post UCAE at YE2018. Appointed actuary ("AA") commented that a reserve for unpaid loss adjustment expenses should be held if the company will incur expenses to adjudicate and pay future losses. In the case of Magna, there are administrative agreements in place to pay claims on the two blocks of business on which Magna maintains reserves without further compensation by Magna for run-out. The AA concluded that additional loss adjustment expense reserves are unnecessary due to contractual obligations in these administrative agreements.

Recommendation:

While there may be no accounting requirement for UCAE, Miss. Code Ann. §83-5-23 requires that UCAE be posted for health insurance coverages. There is no exception to the Statute that the use of a TPA negates the statutory requirement to carry UCAE. Therefore

UCAE should be established for assumed as well as direct premium without regard to contractual obligations with administrators. (Page 9)

6. Annual Review of Investment Guidelines

Per the Company's Investment Policies and Guidelines, the investment guidelines are to be reviewed annually. The exam team noted no formal evidence of the Board's review of these guidelines.

Recommendation:

It is recommended the Company document within the Board minutes its annual review of the investment guidelines. Documentation should provide for formal evidence of the guidelines annual review in accordance with the terms of the Investment Policy and Guidelines document. (Page 5)

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

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Examiner:	Robin Brown, CFE

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



R. Dale Miller, CPA, CFE, CFF
Examiner-in-Charge



Mark Cooley, CFE
MS Insurance Department Designee