



MISSISSIPPI INSURANCE DEPARTMENT

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

January 11, 2023

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
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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, 2020

Dear Mr. Intravia:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2022), 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.

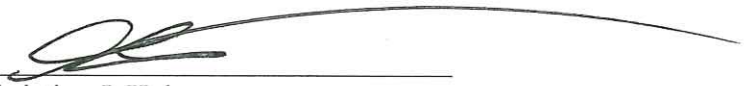
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2022), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department 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
General Counsel

MC/CJK/de
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. 23-7754

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. 2022). 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. 2022).

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. 2022), called for an examination of Magna Insurance Company and appointed Ryne Davison, Examiner-In-Charge, to conduct said examination.

IV.

That on or about April 18, 2022, the draft Report of Examination concerning Magna Insurance Company for the period of January 1, 2019 through December 31, 2020, was submitted to the Department by the Examiner-In-Charge, Ryne Davison.

V.

That on or about September 9, 2022, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2022), 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 submitted a response on or about October 19, 2022.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2022), 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.

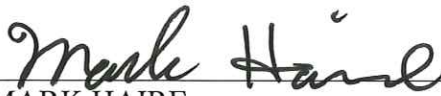
IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2022).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2022), 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 11th day of January 2023.




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 11th day of January, 2023, to:

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


Christina J. Kelsey
General Counsel

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

Limited Scope Report of Examination

of

MAGNA INSURANCE COMPANY

as of

December 31, 2020

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

State of MS

County of Madison

Ryne Davison, 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, 2020.
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.

[Signature]
Examiner's Signature

Subscribed and sworn before me by Ryne Davison on this 4 day of January 2023.

(SEAL)

L. Herr
Notary Public

My commission expires 7/1/26 [date].



Magna Insurance Company
MID Limited Scope Examination as of December 31, 2020



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of

MISSISSIPPI INSURANCE DEPARTMENT

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April 18, 2022

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, a limited scope examination has been conducted, as of December 31, 2020, of the affairs and financial condition of:

MAGNA INSURANCE COMPANY

190 E. Capital Street, Suite 800
Jackson, MS 39201

License #	NAIC Group #	NAIC #	FEETS#	MATS#
7700104	N/A	61018	61018-MS-2020-5	N/A

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 et seq. and was performed remotely due to COVID-19 related travel restrictions. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed a limited scope financial examination of Magna Insurance Company (“Company”). The last examination covered the period of January 1, 2014, through December 31, 2018. To the extent applicable, the limited scope examination was conducted in accordance with the guidance of the National Association of Insurance Commissioners (NAIC) Financial Condition Examiner’s Handbook, the NAIC Accounting Practices and Procedures Manual, and Mississippi laws and regulations. This examination was limited to particular risk areas of operational processes and the focus is less comprehensive than a full-scope examination. This report is for a limited-scope examination and is not intended to communicate all matters of importance for an understanding of the Company’s financial condition.

This limited scope examination report includes significant findings of fact 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.

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, 2020, the membership interests of Magna Holding Company, LLC was owned 84% by Scott M. Intravia and 16% by Mark C. Kuhls.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board of Directors (“Board”). The members of the duly elected Board, along with their place of residence, and principal occupation, at December 31, 2020, were as follows:

Name and Residence	Principal Occupation
Scott Monroe Intravia	President & CEO of Magna Holdings, LLC and Magna Insurance Company
Mark Christopher Kuhls	Senior Vice President & General Counsel of Magna Holdings, LLC and Magna Insurance Company
Bradley Willard Bone	Vice President of Magna Insurance Company

Committees

The Company’s Board performed the functions of the audit committee and a separate committee as not appointed.

Officers

The following are officers served for the Company at December 31, 2020:

Name	Title
Scott Monroe Intravia	President & Chief Executive Officer
Susan Annette Sweeney	Chief Financial Officer
Mark Christopher Kuhls	Senior Vice President, General Counsel & Secretary
Bradley Willard Bone	Vice President
Robin Holloway Intravia	Treasurer

Conflict of Interest

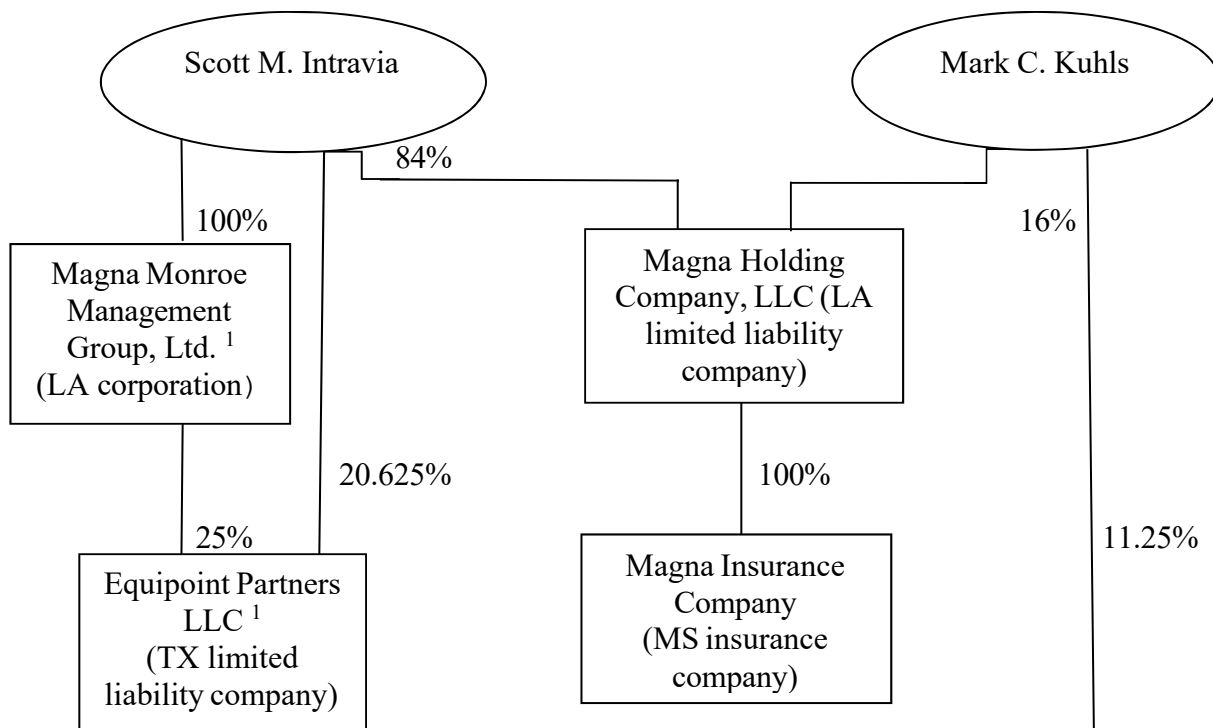
The Company has formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company’s policies were noted.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

Organizational Chart

The following chart depicts the Company’s ownership as of December 31, 2020:



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%).

Affiliated and Related Party Transactions

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.

TERRITORY AND PLAN OF OPERATION

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. At December 31, 2020, the Company was licensed in 12 states and 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.

FOLLOW UP ON PRIOR EXAMINATION 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.

Limited Scope Examination Results:

The 2020 Board of Director minutes were reviewed and the minutes documented the election of officers. The 2020 Annual Statement was reviewed and Robin Intravia was listed as Treasurer on the Jurat Page along with all of the other officers elected for 2020. The Company complied with the prior examination recommendation.

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.

Limited Scope Examination Results:

The unanimous written consents of the Board were reviewed and documented the Board of Directors approved the 2019 and 2020 audited financial reports and the supplementary information. The Company complied with the prior examination recommendation.

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.

Limited Scope Examination Results:

The 2019 and 2020 conflict of interest statements for the officers and directors of the Company were reviewed. The Company complied with the prior examination recommendation.

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.

Limited Scope Examination Results:

The 2021 Board minutes were reviewed and documented the 2020 Actuarial Opinion had been distributed to the directors prior to the meeting. The Company complied with the prior examination recommendation.

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.

Limited Scope Examination Results:

The 2020 Annual Statement was reviewed and noted a Claims Unpaid (Page 3, Line 3) reported of \$46,755, an increase from YE2019 (\$6,500). The Company's Appointed Actuary began incorporating unpaid claim adjustment expenses (UCAE) as a result of the prior examination findings in 2019 commensurate with the exposure to loss adjustment expense on incurred but unpaid claims. UCAEs are established at 0.3% for ceded and assumed claim reserves (stop-loss and Assumed GAP) and at 3.0% for direct business (Direct GAP and Direct Prescription Drugs). Total UCAE for 2020 was \$73,255 gross and \$46,155. The Company complied with the prior examination recommendation.

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.

Limited Scope Examination Results:

The Board of Director minutes were reviewed and the minutes documented the review and approval of the investment policy. The Company complied with the prior examination recommendation.

ACKNOWLEDGMENT

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

Supervising Examiner: David Palmer, CFE

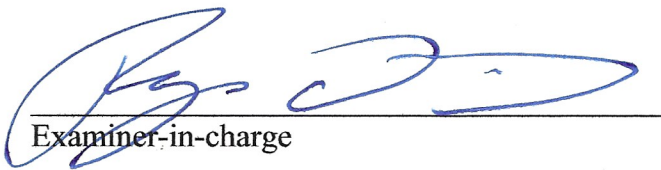
Examiner-in-charge: Ryne Davison, CFE

Actuary: Mike Presley, FSA, MAAA

Department Designee: Mark Cooley, CFE

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

Respectfully submitted,



Examiner-in-charge



Department Designee