

Report  
of the  
Examination of  
Requia Life Insurance Corporation  
Madison, Wisconsin  
As of December 31, 2010

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# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

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February 7, 2012

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Honorable Theodore K. Nickel  
Commissioner of Insurance  
State of Wisconsin  
125 South Webster Street  
Madison, Wisconsin 53703

Commissioner:

In accordance with the Office of the Commissioner of Insurance a compliance examination has been made of the affairs and financial condition of:

REQUIA LIFE INSURANCE CORPORATION  
Madison, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

This is the first examination of Requia Life Insurance Corporation (Requia or the corporation) and was conducted in 2011 as of December 31, 2010. The examination covers the period since its inception until December 31, 2010, and included a review of such 2011 transactions as deemed necessary to complete the examination.

The examination was conducted using a specific risk approach in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement

presentation and management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Employees' Welfare and Pension Plans
- Territory and Plan of Operations
- Affiliated Companies
- Growth of Company
- Financial Statements
- Accounts and Records
- Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

#### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

Requia Life Insurance Corporation was incorporated on March 27, 2009, as a Wisconsin-domiciled stock life insurance company. Requia received its Certificate of Authority to write insurance business in the state of Wisconsin on October 23, 2009. No life or annuity policies were issued prior to December 31, 2009. Requia is 100% owned by the Wisconsin Funeral Trust (the Trust). Initially, the Trust owned 3,200,000 shares issued and outstanding Requia common stock. On September 21, 2011, Requia issued an additional 1,000,000 shares to the Trust upon the Trust board of directors approving an additional \$1 million capital contribution to Requia.

Requia was formed when the Wisconsin Funeral Directors Association (hereafter the Association) saw an opportunity to create a preneed life insurance company that would be owned by the Trust. In June of 1998, the Wisconsin Funeral Directors Association formed a preneed committee to oversee the development and implementation of a "Master Trust Program" similar to the Master Trust Program established by the Illinois Funeral Directors Association in 1979. The Association controls Requia through common management, the right to vote 100% of Requia's shares, its ability to appoint the Trustee of the Trust and through services provided to the Trust and Requia. The Association owns 100% of the Wisconsin Funeral Directors Services, Inc. (hereinafter Services). Requia has a management service agreement with Services. Requia also pays a royalty fee to Services for use of the Association's name, logo, and membership mailing list.

Requia writes life and annuity products in Wisconsin only. For the year ending 2010, Requia collected the following direct premium:

Life	\$1,499,702	63%
Annuity	<u>894,214</u>	<u>37</u>
Total	<u>\$2,393,916</u>	<u>100%</u>

Requia's business is acquired through 65 agents comprised of funeral director agents, independent agents, and agents who are also officers and directors of Requia. One of the largest funeral homes in the state of Wisconsin writes approximately 56% of Requia's premium volume.

A majority of the preneed contracts are issued to individuals greater than 70 years old (over 90%). A standard whole life policy is issued. This product has a simplified underwriting process and generally a \$1,000 face value policy costs the consumer \$1,000. Requia offers single pay and multi-pay options, with 90% of the policies being single pay.

There is a non-guaranteed growth factor built into the policies intended to cover the inflation costs of the planned funeral services. The growth factor is determined annually by the Requia board of directors after consideration of the investment rate of return on Requia's portfolio.

Requia reported a total of 123 annuity policies in force and a total of 325 life policies in force at year-end 2010. The following chart is a summary of premium income as reported by the company in 2010. The growth of the company is discussed in the "Financial Data" section of this report.

**Premium Income**

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Ordinary life Annuities	\$1,508,233 <u>894,213</u>	\$0 <u>0</u>	\$0 <u>0</u>	\$1,508,233 <u>894,213</u>
Total All Lines	<u>\$2,402,446</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,402,446</u>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors of Requia is comprised of the Chief Executive Officer of the Association and four funeral directors that are members of the Association. Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Board members currently receive no compensation for serving on Requia's board.

Currently the board of directors consists of the following persons:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Scott W. Peterson Verona, Wisconsin	Executive Director Requia Life Insurance Corporation and Wisconsin Funeral Directors Association	2011
Peter J. Gunderson Middleton, Wisconsin	Owner and Funeral Home Director Gunderson Funeral Home	2011
Paul J. Andrus Middleton, Wisconsin	Funeral Home Director/Agent Becker-Ritter Funeral Home National Guardian Life and Requia Life Insurance Corporation	2011
Charles E. Myrhum West Bend, Wisconsin	President/Agent Myrhum-Patten Funeral & Cremation Services and Requia Life Insurance Corporation	2011
John J. Buettgen Schofield, Wisconsin	Owner and Funeral Home Director Hayden-Buettgen Funeral Home Agent Requia Life Insurance Corporation	2011

## Officers of the Company

The officers serving at the time of this examination are as follows:

<b>Name</b>	<b>Office</b>	<b>2010 Compensation</b>
Scott W. Peterson	Chief Executive Officer	\$ 84,000
Peter J. Gunderson	Secretary	0
Paul J. Andrus *	Director	0
Charles E. Myrhum *	Chairman of the Board	0
John J. Buettgen *	Treasurer	7,299
Richard L. Vanderhoef *	Vice President - Sales and Marketing	122,582
Kevin J. Seubert **	Vice President - Operations	6,667

\* Officers who are also agents for Requia.

\*\* Kevin J. Seubert became Requia's Vice President - Operations on December 1, 2010.

In August of 2011, Gary Wodka became the corporation's Director of Education. Gary Wodka also serves as the Association's Director of Education.

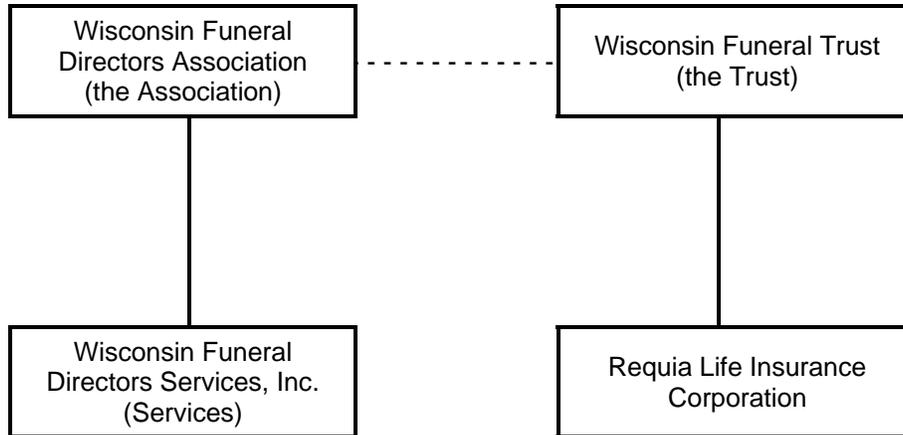
## Committees of the Board

Requia's bylaws allow for the formation of certain committees by the board of directors. At the time of the examination the board of directors also serves as the Audit Committee.

#### IV. AFFILIATED COMPANIES

Requia Life Insurance Corporation is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates follows the organizational chart.

**Organizational Chart  
As of December 31, 2010**



#### **Wisconsin Funeral Directors Association**

The Association was established in 1881 under the laws of Wisconsin as a not-for-profit, non-stock corporation. The Association controls Requia through its ability to appoint the Trustee of the Trust, through a common Executive Director, its right to vote 100% of Requia's shares, and through services provided to the Trust and Requia. The Association owns 100% of the Wisconsin Funeral Director Services, Inc.

The Association currently represents funeral homes in 12 districts throughout the state of Wisconsin with approximately 1,190 members. The purpose of the Association is to:

- a) seek, create and adopt programs and policies to mark appropriately the passage of persons' lives with dignity and proper ceremony and to meet the needs of those who survive;
- b) strive continuously for excellence in the technical aspects of funeral service, seeking and implementing those methods and procedures required for proper care of the dead;
- c) act and react aggressively to the demands of a changing society by educating and training funeral service professionals to perform their appropriate responsibilities during times of dying, death and bereavement with the

highest principles and dignity; and d) research, write, publish and disseminate materials for its members and the public to further the above-mentioned goals.

In 2008 the Association's board of directors approved changing the financial statement reporting date from a calendar year basis to a fiscal year-end of June 30th. The financial statements are prepared on a consolidated basis with its wholly owned subsidiary, Services. As of June 30, 2010, the audited financial statements of the Association reported assets of \$511,733, liabilities and deferred revenues of \$223,239, and unrestricted net assets of \$288,494. Operations for 2010 produced an increase in net assets of \$47,113.

### **Wisconsin Funeral Trust**

The Wisconsin Funeral Trust was established on March 29, 1999, as a non-profit organization. In June of 1998 the Association formed a preneed committee (comprised of the Association's board of directors) to oversee the development and implementation of a Master Trust Program similar to the Master Trust Program established by the Illinois Funeral Directors Association in 1979. Utilizing the services of the General Counsel for the National Funeral Directors Association, an analysis of Wisconsin state laws was conducted to determine how the Trust would be structured. Shortly after the Trust's establishment, the committee made a decision to hire Morgan Stanley Smith Barney of Madison, Wisconsin, to administer the investments of the Trust.

The purpose of the Trust is to provide funeral directors and the families they serve with an investment option for pre-paid funeral expenses. The Trust is operated by the Association. The participant obligation process is as follows: a) Wisconsin residents, upon signing a preneed contract with one of the Trust's participating funeral homes, deposit funds into the Trust to provide for future funeral expenses; b) the funds, although set aside as payment for funeral expenses, remain the property of the purchaser, until the date of death; c) at the date of death, the participating funeral home will notify the Trust and the participant's account balance (including investment income credited to the account) is distributed to the funeral home.

The stated goal of the Trust is to credit participant's deposits with a return which is 1% more than the state average three-year certificate of deposit rate. This rate is adjusted every

six months and published on October 1st and April 1st. Interest is compounded daily and added to the participant's account balance. The rate offered at March 2010 was 3.5%.

On September 26, 2005, the Trust's board of directors approved changing the financial statement reporting date from a calendar year basis to a fiscal year-end of March 31st. As of March 31, 2010, the audited financial statements of the Trust reported total assets of \$36,996,888, and board designated - available for participants of \$54,876,466, and Undesignated of \$(17,879,578). Operations for 2010 produced an increase in net assets of \$8,264,776.

#### **Wisconsin Funeral Directors Services, Inc.**

In 2007, the Association formed a 100% wholly owned subsidiary, Wisconsin Funeral Directors Services, Inc. The purpose of Services is to promote and manage several for-profit activities that the Association had previously managed. Requia employees, through a management agreement with Services, are allowed to participate in the Services defined contribution plan.

The financial statements are prepared on a consolidated basis with the Association.

#### **Agreements with Affiliates**

Requia has entered into numerous affiliated agreements. Requia has no employees. Administrative services are provided by employees of Services. Affiliated agreements are described below.

Effective April 25, 2009, Requia entered into a Services Agreement with Services. Under this agreement, Services agrees to provide Requia administrative, managerial and professional services as requested by Requia's board of directors or officers. Such services may include, without limitation, information services, general management services, financial reporting or audit services, marketing and sales services, and any other services agreed upon by the parties. Services also provides to Requia sufficient telephone services for Requia to conduct its business, as well as all postage, office supplies and office equipment. Services provides for the payment of all employment, income and social security taxes arising in conjunction with the compensation payable to its personnel involved in the provision of its services. All reimbursable

expenses due under the Services Agreement are due and payable within 30 days after request for payment from Services, not less often than quarterly.

Effective April 25, 2009, Requia entered into a Royalty Agreement with Association and Services to allow Requia to use the Association's name, logo, and membership mailing list in connection with its marketing of insurance to members of the Association.

Royalty payments due by Requia to Services are based on the percentage of gross premiums written by the Corporation ("Royalty Percentage") as indicated below:

<b>Year</b>	<b>Royalty Percentage</b>
1	1%
2	2
3	3

Rates for any subsequent years shall be based on reasonable market value of the licenses granted as determined by the parties but shall be 3% unless otherwise specified in writing by the parties.

Effective March 20, 2009, Requia entered into a Stock Subscription Agreement with the Trust. Effective as of March 27, 2009, the Trust subscribed to 3,200,000 shares of Requia's \$1.00 par value common stock. The Trust paid Requia \$3,200,000 in consideration for the stock. In the Stock Subscription Agreement the Trust acknowledges that the stock was sold by Requia without registration under the Securities Act of 1933 or securities laws in reliance on the exemptions from registration in sections 3(b) or 4(2) of the 1933 Act, Regulation D. The Trust further acknowledged that Requia will not be obligated in the future to register any of the stock under the 1933 Act or the Securities and Exchange Act of 1934 or under any state securities laws, or to provide the information necessary to facilitate a public disposition of any of the stock. In the Stock Subscription Agreement the Trust asserts it has the ability to bear the economic risk of the investment in Requia, including the ability to hold the stock indefinitely and to bear a complete loss of the Trust's investment in Requia. The Stock Subscription Agreement gives the Association, its affiliates and/or individual members the right of refusal to purchase the common stock of Requia should the Trust desire to sell, transfer, or dispose of any part of its common

stock ownership at the price and terms offered to the Trust by the prospective third-party purchaser.

## **V. REINSURANCE**

Currently Requia does not have a reinsurance program. Requia's board of directors has decided that implementation of a reinsurance program was not considered necessary for the corporation's products and business model.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of Requia as reported to the Commissioner of Insurance in the December 31, 2010, annual statement. Also included in this section are schedules which reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

**Requia Life Insurance Corporation**  
**Assets**  
**As of December 31, 2010**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$3,525,858	\$ 0	\$3,525,858
Cash, cash equivalents, and short-term investments	723,693		723,693
Investment income due and accrued	28,815		28,815
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	134		134
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	4,370		4,370
Electronic data processing equipment and software	2,536		2,536
Furniture and equipment, including health care delivery assets	10,754	10,754	0
Health care and other amounts receivable	<u>3,399</u>	<u>2,414</u>	<u>985</u>
<b>Total Assets</b>	<b><u>\$4,299,559</u></b>	<b><u>\$13,168</u></b>	<b><u>\$4,286,391</u></b>

**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2010**

Aggregate reserve for life contracts		\$1,926,553
Contract claims:		
Life		45,607
Premiums and annuity considerations received in advance		3,497
Contract liabilities not included elsewhere:		
Interest maintenance reserve		2,727
Commissions to agents due or accrued		467
General expenses due or accrued		5,087
Taxes, licenses, and fees due or accrued, excluding federal income taxes		922
Remittances and items not allocated		53,272
Miscellaneous liabilities:		
Asset valuation reserve		4,132
Payable to parent, subsidiaries and affiliates		<u>26,835</u>
<b>Total liabilities</b>		<b>2,069,099</b>
Common capital stock	\$3,200,000	
Unassigned funds (surplus)	<u>(982,708)</u>	
<b>Total capital and surplus</b>		<b><u>2,217,292</u></b>
<b>Total Liabilities, Capital and Surplus</b>		<b><u>\$4,286,391</u></b>

**Requia Life Insurance Corporation  
Summary of Operations  
For the Year 2010**

Premiums and annuity considerations for life and accident and health contracts		\$2,402,446
Net investment income		34,259
Amortization of interest maintenance reserve		<u>109</u>
Total income items		2,436,814
Death benefits	\$ 100,514	
Annuity benefits	154,904	
Increase in aggregate reserves for life and accident and health contracts	<u>1,926,553</u>	
Subtotal	2,181,971	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	219,917	
General insurance expenses	475,545	
Insurance taxes, licenses, and fees excluding federal income taxes	16,117	
Increase in loading on deferred and uncollected premiums	<u>7,523</u>	
Total deductions		<u>2,901,073</u>
Net gain (loss) from operations before dividends to policyholders and federal income taxes		<u>(464,259)</u>
Net Gain (Loss)		<u>\$ (464,259)</u>

**Requia Life Insurance Corporation**  
**Cash Flow**  
**For the Year 2010**

Premiums collected net of reinsurance		\$ 2,394,048
Net investment income		<u>21,683</u>
Total		2,415,731
Benefit- and loss-related payments	\$ 209,811	
Commissions, expenses paid, and aggregate write-ins for deductions	<u>756,111</u>	
Total deductions		<u>965,922</u>
Net cash from operations		1,449,809
Proceeds from investments sold, matured, or repaid:		
Bonds	\$ <u>589,362</u>	
Total investment proceeds		589,362
Cost of investments acquired (long-term only):		
Bonds	<u>4,128,199</u>	
Total investments acquired		<u>4,128,199</u>
Net cash from investments		(3,538,837)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>87,459</u>	
Net cash from financing and miscellaneous sources		<u>87,459</u>
<b>Reconciliation:</b>		
Net change in cash, cash equivalents, and short-term investments		(2,001,569)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>2,725,262</u>
End of year		<u>\$ 723,693</u>

**Requia Life Insurance Corporation  
Compulsory and Security Surplus Calculation  
December 31, 2010**

Assets		\$4,286,391
Less liabilities		<u>2,069,099</u>
Adjusted surplus		2,217,292
Annual premium:		
Individual life and health	\$1,499,702	
Factor	<u>15%</u>	
Total		\$224,955
Greater of 7.5% of consideration or 2% of reserves for annuities and deposit administration funds		<u>67,066</u>
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>2,000,000</u>
Compulsory Surplus Excess or (Deficit)		<u>\$ 217,292</u>
Adjusted surplus (from above)		\$2,217,292
Security surplus: (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>2,800,000</u>
Security Surplus Excess or (Deficit)		<u>\$ (582,708)</u>

**Requia Life Insurance Corporation  
Reconciliation and Analysis of Surplus  
For the Two-Year Period Ending December 31, 2010**

The following schedule is a reconciliation of total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	<b>2010</b>	<b>2009</b>
Capital and surplus, beginning of year	\$2,696,725	\$ 0
Net income	(464,259)	(501,149)
Change in nonadmitted assets and related items	(13,168)	0
Change in asset valuation reserve	(2,006)	(2,126)
Capital changes:		
Paid in	<u>                    </u>	<u>3,200,000</u>
Capital and Surplus, End of Year	<u>\$2,217,292</u>	<u>\$2,696,725</u>

**Requia Life Insurance Corporation  
Insurance Regulatory Information System  
For the Two-Year Period Ending December 31, 2010**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

<b>Ratio</b>	<b>2010</b>	<b>2009</b>
#1 Net change in capital and surplus	-18%*	NR
#2 Gross change in capital and surplus	-18*	NR
#3 Net income to total income	-19*	21,435%*
#4 Adequacy of investment income	83*	NR
#5 Nonadmitted to admitted assets	0	0
#6 Total real estate and mortgage loans to cash and invested assets	0	0
#7 Total affiliated investments to capital and surplus	0	0
#8 Surplus relief	0	0
#9 Change in premium	999*	NR
#10 Change in product mix	NR	NR
#11 Change in asset mix	11.9*	U*
#12 Change in reserving	80*	0

The above IRIS ratios do not lend themselves to traditional analysis since the corporation commenced business on October 23, 2009, and only one complete year of experience has been reported. As a result, many of the IRIS ratios show exceptional results over what would be expected of an established entity

### Growth of Requia Life Insurance Corporation

Year	Admitted Assets	Liabilities	Capital and Surplus
2010	\$4,286,391	\$2,069,099	\$2,217,292
2009	2,735,706	38,981	2,696,725

### Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2010	\$1,499,702	\$894,214	\$0
2009	0	0	0

### Life Insurance In Force (in thousands)

Year	Gross Risk In Force	Ceded	Net
2010	\$1,543	\$0	\$1,543
2009	0	0	0

Requia began its operations on October 23, 2009. There were no policies in force at year-end December 31, 2009; writing policies began in 2010. First-year results reflect legal fees and start-up costs incurred during the formation of Requia.

### Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2010, is accepted.

## **VII. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendations**

This is the introductory examination of Requia for the year-ended December 31, 2010. No prior examination reports have been issued and therefore no prior examination report recommendations have been reported.

### **Summary of Current Examination Results**

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

### **Trust Deficit and Operation**

During the course of the examination it was noted that the Trust, which is the parent of the corporation, had a \$17.9 million deficit between assets held and its obligations to participants as of March 31, 2010. The deficit resulted from the Trust crediting participant's individual accounts with higher returns than the actual investment results realized by the Trust. According to the Trust's audited financial statements, the interest rate credited to participant's individual account balances at March 31, 2010 and 2009, was 3.50% and 5.54%, respectively. Net investment gain realized by the Trust at March 31, 2010 and 2009, was 12.48% and (27.49%), respectively.

During the course of the examination it was noted that s. 445.125 (1), Wis. Stat., requires that all payments made under a burial agreement be maintained as a trust fund and be deposited in trust with a federally insured bank or trust company within the state. The examination noted that the Trust does not limit its investments of participant funds to insured bank accounts but invests in other investments such as corporate bonds, derivatives, limited partnerships, and common stock. The examination noted that the Trust has invested approximately 42% of its funds held in equity investments, 20% of its held assets in hedge funds and managed futures, and an additional 22% in illiquid private equity investments. It does not appear that the Trust is investing participant funds in compliance with s. 445.125 (1), Wis. Stat.

Additionally, s 445.125 (1), Wis. Stat., does not have any provision to allow burial trust funds to credit participant accounts at a different rate than actual earnings on funds held.

The examination noted that the trust agreement dated March 29, 1999, between the Stephenson National Bank & Trust and the Association establishing the Trust was subsequently amended to change the trustee from Stephenson National Bank & Trust to Fiduciary Partners, Inc. Fiduciary Partners, Inc., is not a bank with federally insured bank accounts and therefore is not qualified to be a trustee for burial agreements under s. 445.125, Wis. Stat.

The Wisconsin Funeral Directors Association has multi-part "Wisconsin Funeral Trust Preneed Funeral Contract" forms it makes available to its member funeral directors for their use. During the course of the examination it was noted that these forms list the Stephenson National Bank & Trust as the trustee and were not updated for the change in trustee to Fiduciary Partners, Inc. The use of these outdated forms is misleading to funeral directors and participants regarding the actual operation of the Trust. The examination brought this issue to the attention of the Wisconsin Funeral Directors Association and the Association has indicated it is in the process of having these forms reprinted.

### **Insurance Operations**

It is the purpose and duty of the Office of the Commissioner of Insurance to ensure the solidity of insurers doing business in the state and to ensure that policyholders, claimants and insurers are treated fairly and equitably. During the course of the examination it was determined that the parent and sole stockholder of Requia has a deficit of \$17,879,578 as of March 31, 2010, and may not be operating in accordance with the Wisconsin Statutes applicable to burial trusts. Additionally, the examination noted that Requia has not reached a break-even point and may require additional capital contributions. Therefore, in order to protect the interests of current and future policyholders it is recommended that Requia Life Insurance Corporation pursue its sale to a new owner that is in a positive equity position.

## VIII. CONCLUSION

This was the first examination of Requia Life Insurance Corporation. Requia was incorporated on March 27, 2009, as a Wisconsin-domiciled stock life insurance company. Requia received its Certificate of Authority to write insurance business in the state of Wisconsin on October 23, 2009. No life or annuity policies were issued prior to December 31, 2009. Requia is 100% owned by the Wisconsin Funeral Trust. On September 21, 2011, Requia issued an additional 1,000,000 shares to the Trust upon the Trust board of directors approving an additional \$1 million capital contribution to Requia.

During the course of the examination it was determined that the parent and sole stockholder of Requia is in a deficit position and may not be operating in accordance with the Wisconsin Statutes applicable to burial trusts. Additionally, the examination noted that Requia has not reached a break-even point and may require additional capital contributions. Therefore, in order to protect the interests of current and future policyholders the examination report contains a recommendation that Requia Life Insurance Corporation pursue its sale to a new owner that is in a positive equity position.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

1. Page 21 - Insurance Operations—Therefore, in order to protect the interests of current and future policyholders it is recommended that Requia Life Insurance Corporation pursue its sale to a new owner that is in a positive equity position.

**X. ACKNOWLEDGMENT**

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

<b>Name</b>	<b>Title</b>
Derek Sliter	Insurance Financial Examiner

Respectfully submitted,

DuWayne Kottwitz  
Examiner-in-Charge

## **XI. SUBSEQUENT EVENTS**

Subsequent to the date of this report, but prior to the report's issue, it was discovered that the Wisconsin Funeral Directors Association and the Wisconsin Funeral Trust are prohibited by statute from controlling and owning a life insurer that funds preneed funeral contracts. Requira has voluntarily agreed to explore a sale to an entity unaffiliated with funeral homes or funeral directors in order to come into compliance with the Wisconsin Statutes.