Trustmark Life Insurance Company
Year Ended December 31, 2017

Management's Discussion & Analysis (MD&A) presents management's view of the financial position and results of operations of Trustmark Life Insurance Company (the Company) for the years ended December 31, 2017, and December 31, 2016. The MD&A should be read in conjunction with the Company's statutory annual statement.

History

Originally incorporated in 1925 as Employees Mutual Benefit Association of St. Paul, a cooperative assessment plan accident and health association. In 1930, it converted to a mutual casualty company, and in 1952, it converted to a mutual legal reserve life company. In 1985, Trustmark Insurance Company acquired the Company. The present name was adopted in 1986. In 1991, the Company re-domiciled from Minnesota to Illinois.

Parent, Subsidiaries, and Affiliates

Trustmark Group, Inc. owns Trustmark Insurance Group, Inc. and Trustco Holdings, Inc. Trustmark Insurance Company, Trustmark Life Insurance Company, and Trustmark Life Insurance Company of New York are subsidiaries of Trustmark Insurance Group, Inc. Until early 2003, the Company had been a wholly owned subsidiary of Trustmark Insurance Company. The Company spun off in the first quarter of 2003, through an extraordinary dividend by its then parent company. The entities are now sister companies. While its primary role within the organization had historically been the assumption of a portion of its former parent's business, the spinoff better aligned the organizational structure with Trustmark Group's developing business strategy. This is discussed further in "Operations and Products." Trustco is a holding company responsible for Star Marketing and Administration, Inc., MultiBenefit Services, Inc., CoreSource, Inc., Trustmark Voluntary Benefit Solutions, Inc., and Health Fitness Corporation.

Operations and Products

The Company holds licenses in all states (New York, reinsurance only) and the District of Columbia.

In 2017 and 2016, the majority of the Company's direct premium was derived from the Employer Medical division. Trustmark Employer Medical focuses on employer-sponsored health benefits for smaller companies. In 2017 and 2016, Employer Medical revenue totaled $181.3 and $221.2 million, respectively.

The following section is a description of the multitude of benefits and services employers can receive from Employer Medical self-funded plan designs for smaller employers:

- Expertise in self-funded plans for small to mid-size businesses, which helps companies save money while maintaining traditional health benefits for employees.
- Flexible plan choices through traditional PPO and consumer-directed plan designs.
- National and regional PPO networks that give members more provider choices and discounts on in-network services.
- Health and wellness services through the Healthy Foundations suite includes an outreach program, 24/7 nurse line, maternity wellness program, online health and wellness tools, and an e-newsletter.
- Election to add Your Care program with personalized outreach to help members protect their health.
- Optional CareChampion 24/7 advocacy program supports members as they navigate the healthcare system, including searching for a specialist, identifying cost-saving opportunities for senior citizens, and much more.
- Customer-centric approach, including easy paperless enrollment online or via telephone for members, easy online plan administration tools, and courtesy calls for employers which helps ensure customer satisfaction.
- Popular ancillary products, including dental, life, disability, and accidental death and dismemberment (AD&D) coverage help complete the benefits package.

Reinsurance

Life Insurance Ceded

As of December 31, 2017 and 2016, the Company's maximum retention for group life is $200,000. Waiver of premium benefits cede on the same basis as the associated life benefits. The Company cedes group life and AD&D business automatically to a reinsurer authorized to do business in Illinois. Effective July 1, 2015, the Catastrophic Life Reinsurance coverage previously provided by Special Pooled Risk Administrators was replaced by 50% coverage by RGA Reinsurance and 50% by Sirius International.

Accident and Health Ceded

Until September 23, 2010, the maximum retention for individual and group insurance was $5.0 million lifetime benefit. With the adoption of PPACA, most of our major medical maximums were eliminated, providing unlimited lifetime benefits. Effective January 1, 2011, reinsurance was obtained so our maximum retention was $3.0 million ($1.0 million stop loss and $3.0 million group medical fully insured). The maximum retention of $3.0 million reduced to $2.0 million on January 1, 2013 and further reduced to $1.0 million in 2015.The maximum amount retained for individual and group disability insurance is $3,000 monthly indemnity. The Company cedes about 40% of these risks to a reinsurer.

In August 2009, the Company entered into a 50% coinsurance reinsurance arrangement for a program providing medical insurance to foreign students studying in American schools. Effective August 1, 2014, reinsurance was obtained so the maximum retention was $1.0 million. As of December 31, 2017, all business subject to this agreement has lapsed; only runout claims are expected in the future.

Outside Audits

Deloitte and Touche, LLP will conduct the 2017 annual independent audit of the Company. The Illinois Department of Insurance completed a regulatory financial examination of the Company in October 2017. The exam covered the period January 1, 2012 through December 31, 2016. There were no reportable findings.

Ratings

Assigned by Independent Analysts as of March 2018:

A.M. Best Company	A- (Excellent)

A.M. Best Co. affirmed the financial strength rating (FSR) of A- (Excellent) and issuer credit ratings (ICR) of "a-" of Trustmark Insurance Company and Trustmark Life Insurance Company (Trustmark Life) (both of Lake Forest, IL). Concurrently, A.M. Best has affirmed the ICR of "bbb-" of the holding company, Trustmark Group, Inc. (Trustmark). The outlook for all ratings is stable.

The ratings affirmation reflects the Company's balance sheet strength, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management.

Financial Position

Assets

Bond holdings decreased $11.8 million to $253.3 million in 2017 ($265.1 million in 2016). The portfolio decreased approximately $10 million due to investment activity and $2 million in net accretion of discount and amortization of premium. There were no impairments in 2017 or 2016.

The liquidity and overall credit quality of the portfolio remained high, with 78.7% of the bond portfolio held in investment grade publicly traded bonds and short-term investments (82.6% in 2016). In addition, 13.7% of the long-term bond portfolio held investments in freely tradable SEC Rule 144A privately placed securities (10.0% in 2016). As of year-end, 12.8% of the long-term bond portfolio were rated NAIC 3 to 6 (11.5% in 2016).

During 2017, preferred stocks decreased to $10.6 million from $13.6 million in 2016 due to investment activity. There were no impairments in 2017 or 2016.

Common stocks increased by $1.0 million to $3.9 million primarily due to $0.8 million of market appreciation. There were no impairments in 2017 or 2016.

The Company does not own mortgages.

Cash and short-term investments increased to $14.2 million from $11.5 million at year-end 2016 due to normal fluctuations in investment activity.

Other invested assets increased by $1.7 million due to the investment in a new real estate fund.

Line 16.1, Amounts recoverable from reinsurers, decreased by $1.2 million from 2016. In 2015, the Company purchased reinsurance from Swiss Re for Starmark stop-loss and a student health insurance block of business, which limits our liability to $1.0 million. During 2017, we received a reimbursement payment of $1.3 million per the reinsurance agreement.

Line 24, Health care and other amounts receivable, decreased by $1.3 million. This decrease is primarily due to improved collection results of receivables.

No other material changes occurred in the non-invested asset categories.

Liabilities

The majority of the Company's liabilities consist of aggregate reserves for life and accident and health policies, fund deposits, and contract claims. The computation of these liabilities is in accordance with commonly accepted actuarial standards. Refer to the Company's Statement of Actuarial Opinion included in its statutory Annual Statement.

Line 2, Aggregate reserve for accident and health contracts, decreased $0.6 million due standard claim run out from a number of products.

Line 9.2, Provision for experience rating refunds, decreased by $0.8 million, due to the decline in the size of the life, accident & health large group block of business that is no longer actively marketed.

Line 9.4, Interest maintenance reserve decreased $0.4 million. During 2017, $2.8 million of amortized net capital gains were released to income, which decreased the reserve. This was partially offset by the interest-related 2017 capital gains of $2.4 million.

Line 15.2, Net deferred tax liability, is $0.3 million representing a shift from a Net deferred tax asset of $0.9 million in 2016, to a Net deferred tax liability in 2017. The shift is primarily due to the recognition of a tax deduction related to the Company's corporate insurance program in 2017.

There were no material changes between years in any of the other liability categories.

Capital and Surplus Account

The Company does not generally enter into material commitments for capital expenditures. With the ability to generate internal cash flow and to liquidate investments, the Company believes it has the capacity to fund all capital requirements.

In December 2017 and December 2016, the Company paid an ordinary dividend of $16.6 million and $15.5 million, respectively, to Trustmark Insurance Group, Inc. The Illinois Department of Insurance approved these transactions.

Total capital and surplus (including asset valuation reserves) was $168.4 million and $166.4 million as of December 31, 2017 and 2016, respectively, an increase of 1.2%.

The Company considers its surplus position to be adequate by industry standards and by its own risk analysis to absorb reasonably adverse experience.

Results of Operations

During the second quarter 2016, the Company determined that its accounting for administering self-funded plans was not correct. Previously, the Company disclosed the Administrative Services Only revenue as a contra expense on page 4, line 23, General Insurance Expenses, and corresponding commissions on page 4, line 21. Administrative Services Only revenue and corresponding commissions will now be reported by the Company's Third Party Administrator affiliate. An adjustment was made in the third quarter 2016 to reflect this change, which does not have a material impact to the company's financial position, results of operations, or cash flows. The Illinois Department of Insurance approved this change.

Income for 2017 after dividends to policyholders and before federal income taxes was $17.6 million, a decrease from $18.8 million in 2016.

Line 1, Premium income, decreased by $25.0 million to $112.6 million in 2017. The decrease was due to less first year stop loss business ($6.0 million), a decline in the size of the Company's inforce block ($12 million), and a $7.0 million decrease due to the exit of the student health insurance block of business in August 2016.

Line 6, Commission and expense allowances on reinsurance ceded, decreased $1.7 million due to the exit of the student health insurance block of business in August 2016.

Total revenue decreased from $150.0 million to $124.5 million in 2017 primarily for reasons stated in the preceding paragraphs.

Line 13, Disability benefits and benefits under accident and health contracts, decreased by $30.3 million to $73.1 million. The decrease is attributable to less stop loss business, positive claim experience in 2017, and the exit of the student health insurance block of business in August 2016.

Line 23, General insurance expenses, increased $4.0 million driven by higher employee costs and increased corporate overhead expenses being allocated to the Company.

Line 27, Aggregate write-ins for deductions, increased $3.2 million from 2016, due to less of a decline of experience rating refunds.

Significant Trends

The Company is subject to the risk-based capital (RBC) requirements developed by the NAIC and adopted by the State of Illinois for statutory accounting. RBC is a measure that quantifies the appropriate amount of capital an insurance company needs to support business operations taking into consideration the relative size and risk profile of the organization. The risk profile takes into account asset quality, underwriting, mortality, morbidity, interest rates, provider agreements, and other business factors. The minimum requirements for compliance are determined by the ratio of the regulatory total adjusted capital to the authorized control level RBC, both as defined by the NAIC. Corrective action steps are required for companies that have a ratio less than 200%. As of December 31, 2017, the Company's RBC ratio was 1,115% versus 1,033% the previous year.

Liquidity, Asset/Liability Matching and Capital Resources

Cash flows from core operations in 2018 are expected to be positive, with benefit payments, expenses, and taxes not exceeding revenues and interest income:

Revenue	$ 162.0 million
Interest Income	12.0
Benefit Payments	(77.0)
Expenses	(85.0)
Taxes	(4.0)
	$ 8.0 million

Reserves are expected to decrease $1.0 million, resulting in net operating gain of $9.0 million.

Short-term liquidity as of December 31, 2017 was provided by the following:

Cash on hand in bank accounts	$ (5.5) million
Institutional money market funds/other short-term	19.6
U.S. Government and Agency securities available for same day settlement	7.9
Other securities maturing within one year	17.3
Total short-term liquidity	$ 39.3 million

Long-term liquidity is addressed in part by the composition of the investment portfolio, and by the investment policy itself, which emphasizes liquidity. Public and highly marketable securities are $284.0 million, 100% of the total fixed income portfolio.

Participation in High Yield Financings, Highly Leveraged Transactions or Non-Investment Grade Loans and Investment

The Investment Policy approved by the Board of Directors of Trustmark Life Insurance Company, limit the purchase of below investment grade securities to 15% of admitted assets. As of December 31, 2017, Trustmark Life Insurance Company held 12% of admitted assets in below investment grade securities.