

EXAMINATION REPORT OF  
TRANSAMERICA LIFE INSURANCE COMPANY  
CEDAR RAPIDS, IOWA  
AS OF DECEMBER 31, 2019

HONORABLE DOUG OMMEN  
Commissioner of Insurance  
State of Iowa  
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an Examination has been made of the records, business affairs and financial condition of

TRANSAMERICA LIFE INSURANCE COMPANY

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2019

at its Home Office located at 4333 Edgewood Road, Northeast, Cedar Rapids, Iowa.

INTRODUCTION

Transamerica Life Insurance Company, hereinafter referred to as the "Company," was last examined as of December 31, 2014. The examination reported herein was conducted by the Iowa Insurance Division (the Division).

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2015, to the close of business on December 31, 2019, including any material transactions and events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, 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 and general information about the insurer and its financial condition.

HISTORY

The Company was originally licensed on March 19, 1962, following incorporation on April 19, 1961, in the state of Wisconsin, as a legal reserve life insurance company. The Company's original name was American Public Life Insurance Company, Inc. and it operated as a member of the Northwestern National Insurance Group. At the annual meeting of the shareholders held on April 9, 1968, the name change to NN Investors Life Insurance Company, Inc., was approved.

Life Investors Insurance Company of America acquired 100% of the outstanding stock of the Company from NN Corporation on December 31, 1975, and the executive office was moved to Cedar Rapids, Iowa. On June 30, 1976, the domicile

of the Company was changed from the state of Wisconsin to the state of Iowa pursuant to the provisions of Chapter 508, Code of Iowa.

At a special meeting of the shareholders on June 28, 1982, Articles of Merger between the Company and Investors Fidelity Life Insurance Company were approved with the Company being the survivor. The effective date of the merger was June 30, 1982, and the assets were transferred at their pre-merger book value.

During 1984, the directors of the Company declared a stock dividend on the then issued capital stock of the Company of 150,000 common shares at par value of \$10 per share to the Company's sole stockholder.

At a special meeting of the shareholders on September 30, 1985, Articles of Merger between the Company and Investors Life of Florida Insurance Company were approved with the Company being the survivor. The effective date of the merger was January 24, 1986, with assets transferred at their book value before the merger.

At the annual meeting on April 26, 1990, the shareholders approved changing the name of the Company to PFL Life Insurance Company effective January 1, 1991. The Company merged with two affiliated life insurers, National Old Line Life Insurance Company, domiciled in the state of Arkansas, and Pacific Fidelity Life Insurance Company, domiciled in the state of California, with the Company being the surviving entity. Effective dates of these mergers were January 1, 1991, and March 31, 1991, respectively. The requisite approvals by the appropriate regulatory authorities were obtained.

Effective March 1, 2001, the Company's name was changed to Transamerica Life Insurance Company. The requisite approvals by the appropriate regulatory authorities were obtained.

Effective October 1, 2004, an affiliated Missouri domiciled life insurer, Transamerica Assurance Company, was merged into the Company. All the necessary Board approvals were given, and the requisite domiciliary regulatory approvals were received.

Effective October 1, 2005, the common stock of Transamerica Life Insurance Company that was owned by AEGON USA, Inc., was transferred to Transamerica Occidental Life Insurance Company.

Effective October 1, 2005, Transamerica Life Insurance and Annuity Company merged into Transamerica Life Insurance Company. In exchange for its agreement to merge Transamerica Life Insurance and Annuity Company into Transamerica Life Insurance Company, Transamerica Occidental Life Insurance Company received 316,955 shares of Transamerica Life Insurance Company common stock. The 223,500 shares of Transamerica Life Insurance Company common stock that were held by AEGON USA, Inc., were exchanged for 87,755 shares of Series B preferred stock. As a result, Transamerica Occidental Life Insurance Company owned all of the outstanding common stock (316,955 shares) of Transamerica Life Insurance Company and AEGON USA, Inc., owned all of the preferred stock (42,500 shares of Series A and 87,755 shares of Series B) of Transamerica Life Insurance Company.

Effective December 26, 2006, the series A preferred stock (42,000 shares) of the Company owned by AEGON USA, Inc., was redeemed.

Effective December 19, 2007, 57,340 series B preferred shares of the Company owned by AEGON USA, Inc., were redeemed leaving AEGON USA, Inc., with 30,415 series B preferred shares of the Company.

Effective October 1, 2008, an affiliated Iowa-domiciled life insurer, Transamerica Occidental Life Insurance Company (TOLIC), was merged into the Company. As a result, 100% of the Company's common stock owned by Transamerica Occidental Life Insurance Company (TOLIC) (316,955 shares) was transferred to Transamerica International Holdings, Inc., and Transamerica Corporation (sole shareholder of TOLIC preferred stock) was issued 86,590 Series B preferred shares of the Company in exchange for the merger. Effective October 2, 2008, an affiliated Iowa-domiciled life insurer, Life Investors Insurance Company of America, was also merged into the Company. Effective October 1, 2009, an affiliated Arizona-domiciled life insurer, Iowa Fidelity Life Insurance Company, was merged into the Company. As a result, 149 series B preferred shares of the Company were issued to AEGON USA, LLC (sole shareholder of Iowa Fidelity Life) in exchange for the merger. All three mergers were given all the necessary Board approvals and received the requisite domiciliary regulatory approvals.

Pursuant to the approvals of the Iowa Insurance Division and the New York State Department of Financial Services, the Transamerica Reinsurance Division was sold by the Company, Transamerica Financial Life Insurance Company (TFLIC) and other affiliates to SCOR S.E., a global reinsurance company in 2011.

Effective September 30, 2015, Transamerica International Holdings, Inc. merged into Commonwealth General Corporation with Commonwealth General Corporation being the survivor of the merger. As a result of the merger, 100% of the Company's common stock and Series B preferred stock owned by Transamerica International Holdings, Inc. was transferred to Commonwealth General Corporation.

Effective October 1, 2015, Stonebridge Life Insurance Company was merged into the Company. The outstanding stock of Stonebridge Life Insurance Company was deemed cancelled by operation of law.

Effective January 1, 2016, Global Preferred Re Limited was merged into the Company.

Effective December 22, 2016, 31,437 series B preferred shares of the Company owned by Commonwealth General Corporation were redeemed leaving Commonwealth General Corporation with 85,717 series B preferred shares of the Company.

Effective December 27, 2017, 29,787 series B preferred shares of the Company owned by Commonwealth General Corporation were redeemed leaving Commonwealth General Corporation with 55,930 series B preferred shares of the Company.

Effective October 1, 2018, Firebird Re Corp. merged into the Company.

Effective December 31, 2018, the remaining 55,930 series B preferred shares of the Company owned by Commonwealth General Corporation that were outstanding were redeemed.

Effective July 1, 2019, Transamerica Advisors Life Insurance Company was merged into the Company. The outstanding stock of Transamerica Advisors Life Insurance Company was deemed cancelled by operation of law.

#### CAPITAL STOCK AND DIVIDENDS

The Amended Articles of Incorporation provide for authorized capital in the amount of \$12,925,000, consisting of 1,000,000 common shares of common capital stock with a par value of \$10 per share, 42,500 shares of non-voting Series A preferred stock of \$10 par value per share, and 250,000 shares of non-voting Series B preferred stock with a par value of \$10 per share. As of December 31, 2019, there were 676,910 common shares issued and outstanding representing \$6,761,900 in common capital stock. Issued and outstanding common shares did not change during the period under review. All previously issued and outstanding shares of Series A and B preferred stock, totaling \$1,596,540, had been redeemed by year-end 2019. All shares of the Company's common capital stock are owned by Commonwealth General Corporation.

As of December 31, 2019, the Company reported a balance of gross paid-in and contributed surplus of \$2,610,712,954. The following changes were made to this account during the examination period:

Balance, December 31, 2014	\$	3,380,503,516
2015	(1)	(277,802,394)
2016	(2)	(313,188,839)
2017	(3)	(308,881,511)
2018	(4)	193,835,582
2019	(5)	(63,753,400)
Balance, December 31, 2019	\$	<u>2,610,712,954</u>

- (1) Represents the combination of a \$300,000,000 return of capital, a \$13,395,243 change in long-term compensation plan expenses, the receipt of \$10,000 from an affiliate, and a \$35,582,850 increase resulting from the merger of Stonebridge Life Insurance Company into the Company.
- (2) Represents the combination of a \$314,055,630 return of capital from the redemption of Series B preferred stock, a \$16,793,735 change in long-term compensation plan expenses, and a \$17,660,526 increase resulting from the merger of Global Preferred Re Limited into the Company.
- (3) Represents the combination of a \$297,572,130 return of capital from the redemption of Series B preferred stock, and an \$11,309,381 change in long-term compensation plan expenses.

- (4) Represents the combination of a \$558,740,700 return of capital from the redemption of Series B preferred stock, a \$2,576,282 change in long-term compensation plan expenses, and a \$750,000,000 increase resulting from the merger of Firebird Re Corp. into the Company.
- (5) Represents the combination of a \$250,000,000 return of capital from the redemption of Series A treasury stock, a \$1,623,797 change in long-term compensation plan expenses, and a \$242,197,803 increase resulting from the merger of Transamerica Advisors Life Insurance Company into the Company.

During the period under examination, the Company paid the following dividends to its immediate parents, Commonwealth General Corporation and Transamerica Corporation:

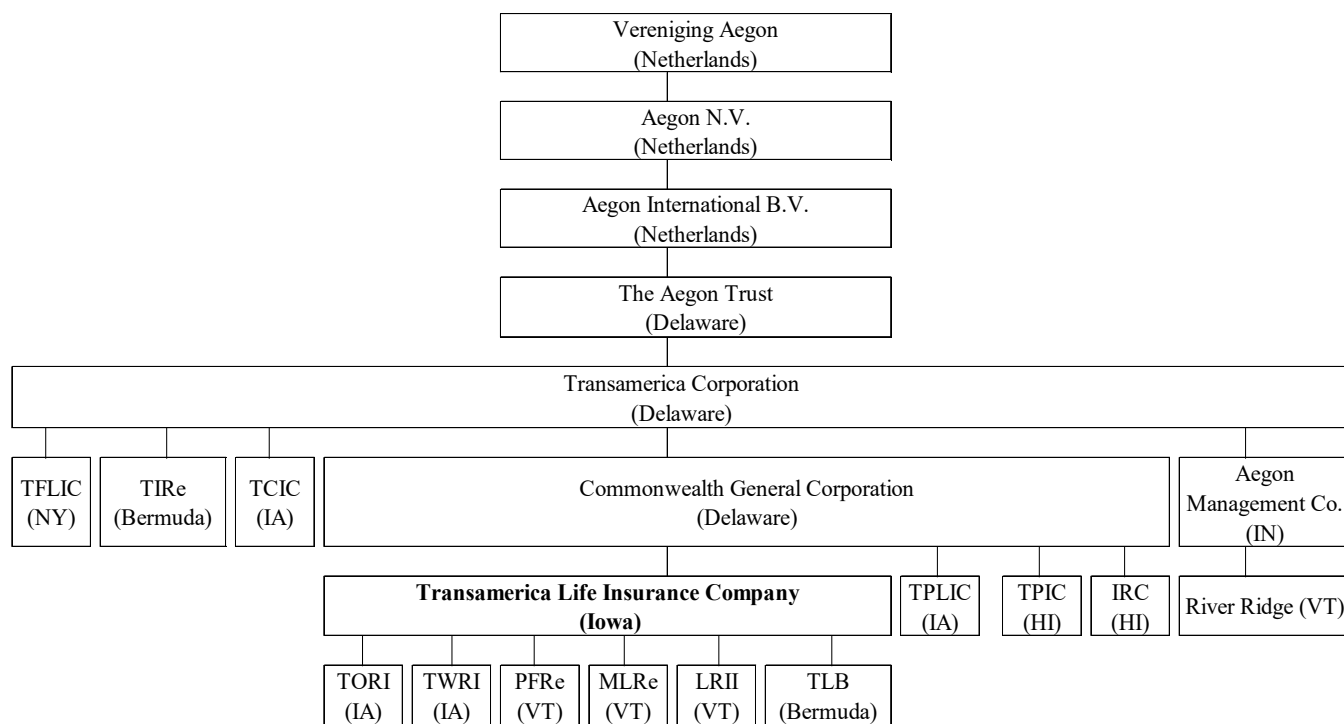
<u>Date Paid</u>	<u>Amount</u>
June 20, 2016	\$ 104,555,005 (A)
June 20, 2016	245,444,995 (B)
December 22, 2016	<u>35,630,000 (A)</u>
Total 2016	385,630,000
June 28, 2017	188,393,236 (B)
September 12, 2017	240,000,000 (B)
December 27, 2017	<u>52,130,000 (A)</u>
Total 2017	480,523,236
June 29, 2018	16,920,000 (A)
June 29, 2018	283,080,000 (B)
December 13, 2018	16,732,317 (C)
December 13, 2018	47,487,683 (C)
December 31, 2018	<u>60,347,089 (D)</u>
Total 2018	424,567,089
December 20, 2019	<u>725,000,000 (C)</u>
Total 2019	<u>725,000,000</u>
Total	<u>\$ 2,015,720,325</u>

- (A) Ordinary preferred stock dividend.  
 (B) Ordinary common stock dividend.  
 (C) Extraordinary dividend approved by the Division.  
 (D) Non-cash dividend as part of resolution to merge pension plans.

All ordinary dividends were paid in accordance with Chapter 521A.5(3)c., Code of Iowa, and all extraordinary dividends were paid in accordance with Chapter 521A.5(3)b.

## HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by Chapter 521A, Code of Iowa. A simplified organizational chart as of December 31, 2019, reflecting the ultimate parent and holding company system, is shown below:



### Primary Regulated Entities (Abbreviated above)

TFLIC	Transamerica Financial Life Insurance Company
TIRe	Transamerica International Re (Bermuda) Ltd.
TCIC	Transamerica Casualty Insurance Company
TPLIC	Transamerica Premier Life Insurance Company
TPIC	Transamerica Pacific Insurance Company, Ltd.
IRC	Ironwood Re Corp.
River Ridge	River Ridge Insurance Company
TORI	TLIC Oakbrook Reinsurance, Inc.
TWRI	TLIC Watertree Reinsurance, Inc.
PFRe	Pine Falls Re, Inc.
MLRe	MLIC Re I, Inc.
LRII	LIICA Re II, Inc.
TLB	Transamerica Life (Bermuda) Ltd.

Other significant affiliated organizations with whom the companies transact business include the following:

- AEGON USA Investment Management, LLC (Investment Management)
- Transamerica Capital, Inc. (Wholesaling Distribution)
- AEGON USA Realty Advisors, LLC (Mortgage Loan Operations)
- Transamerica Asset Management, Inc. (Administrative Services)

All ownership is 100%, with the exception of Vereniging Aegon, which owns 31.5% of Aegon N.V., and Transamerica Financial Life Insurance Company, which is owned 92.3% by Transamerica Corporation and 7.7% by Transamerica Life Insurance Company. No other person or entity was identified as owning or controlling 10% or more of Aegon, N.V. As of December 31, 2019, there were approximately 360 U.S. and international legal entities comprising the holding company system.

TPIC, IRC, TORI, TWRI, PFR, MLR and LR II are all reinsurers under Transamerica's captive financing program, with each representing a specific business and/or solution type.

Prior to December 31, 2015, the Company was directly owned by Transamerica International Holdings, Inc. who, in turn, was owned by AEGON USA, LLC. Effective December 31, 2015, AEGON USA, LLC merged into Transamerica Corporation. Other changes made to the holding company structure during the examination period, primarily to aid in simplifying the structure, included merging Stonebridge Reinsurance Company into LR II, merging TLIC Riverwood Reinsurance, Inc., into TORI, merging Firebird Re Corp. into TLIC, merging Harbor View Re Corp. into IRC, and dissolving LIICA Re I, Inc. (all captives related to the reinsurance operations) during 2017-2019, and merging Transamerica Advisors Life Insurance Company into TLIC in 2019.

## MANAGEMENT AND CONTROL

### Shareholders

The Articles of Incorporation prescribe that the annual meeting of the shareholders shall be held at the offices of the Company unless otherwise specified by the Board of Directors, on the last Thursday in April of each year. No notice of said meeting is required if held at the Company's office. If held elsewhere or in the event of a special meeting, a written notice must be given at least ten days prior to the date of that meeting. Five percent of all the outstanding shares entitled to vote at the meeting shall constitute a quorum.

### Board of Directors

The Bylaws state that the business and affairs of the Company shall be managed by a Board of Directors consisting of not less than five nor more than twelve directors. The Bylaws state that regular meetings of the Board of Directors shall be held without notice at some place within the State of Iowa, as the Board shall determine, immediately following the annual shareholders meeting or, at the discretion of the President, not later than thirty days subsequent to the annual meeting with five days written notice of the time and place of such special meeting being given.

Special meetings of the Board of Directors may be called by the President and shall be called by him upon the written request of two directors specifying the purpose for which the meeting is to be called, by giving three days written notice thereof to each director, specifying the time and place of the meeting.

Special meetings of the directors may be held at any time and place and for any purpose, without notice, when all the directors have executed written waivers consenting to said meeting and when a quorum of directors is present.

Any action which may be taken at a meeting of the shareholders or directors or a committee of directors may be taken without a meeting if a consent in writing shall be signed by all of the shareholders or directors or members of the committee of directors.

A majority of all directors shall be requisite to constitute a quorum for the transaction of business at all meetings of the Board.

The directors serving as of December 31, 2019, were as follows.

<u>Name and Address</u>	<u>Primary Occupation</u>	<u>Term Expires</u>
Blake S. Bostwick Denver, CO	Chief Executive Officer-Individual Solutions Transamerica Corporation	2020
C. Michiel van Katwijk Baltimore, MD	Executive Vice President and Chief Financial Officer Transamerica Corporation	2020
Mark W. Mullin Baltimore, MD	Chairman of the Board Transamerica Corporation	2020

<u>Name and Address</u>	<u>Primary Occupation</u>	<u>Term Expires</u>
Jay Orlandi Baltimore, MD	Chief Operating Officer Transamerica Corporation	2020
David Schulz Cedar Rapids, IA	Senior Vice President and Chief Tax Officer Transamerica Corporation	2020

Effective September 14, 2020, Jay Orlandi resigned as a Director and Karyn S.W. Polak was appointed as a Director. Effective March 31, 2021, Mark Mullin resigned as a Director and Fredrick J. Gingerich was appointed as a Director.

### Committees

The Bylaws state that the Board of Directors may appoint an Executive Committee of three or more directors and/or officers. The Board may also establish such other committees as it deems appropriate.

The membership of the Executive, Investment Committee and Separate Accounts Compliance Committees as of December 31, 2019, was as follows:

<u>Executive</u>	<u>Investment</u>	<u>Separate Accounts Compliance</u>
Blake S. Bostwick	Gregory E. Miller-Breetz	Mark W. Mullin
Mark W. Mullin	Joel L. Coleman	Mark Pinocci
Jay Orlandi	David Schulz	Allison Ryan

### Officers

The Articles of Incorporation and Bylaws provide that the officers of the Company shall be elected for a term of one year by the Board of Directors at its regular meeting and shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as they see fit. One person may hold more than one office, except that the offices of the President, Secretary and Treasurer may not be combined.

Principal officers serving as of December 31, 2019, were as follows:

<u>Officer</u>	<u>Office</u>
Blake S. Bostwick	President
Jay Orlandi	Executive Vice President and Secretary
Fredrick J. Gingerich	Vice President and Controller

Effective September 14, 2020, Jay Orlandi resigned as Executive Vice President and Secretary and Karyn S.W. Polak was appointed as Secretary. Effective March 31, 2021, Mark Mullin resigned as Chairman of the Board and Fredrick J. Gingerich was named Chairman of the Board.

The salaries of the officers shown on the jurat page of the annual statement are contained in Exhibit A which will be found immediately following the signature page of this report.

### CONFLICT OF INTEREST STATEMENTS

Transamerica Corporation has a Code of Conduct Policy, which addresses conflicts of interest and is acknowledged by key employees on an annual basis. No significant conflicts of interest were reported in the Conflict of Interest Statements reviewed by examiners.



## CORPORATE RECORDS

The minutes of the shareholder and Board of Directors meetings were reviewed for the period under examination. The meeting minutes of the Board appeared to adequately document its meetings and approval of Company transactions and events.

The Articles of Incorporation and Bylaws were not amended during the examination period.

## INTERCOMPANY AGREEMENTS

The Company is a party to a number of agreements with its affiliates. Where required, all agreements have been filed with and approved by the Division. Agreements considered to be significant are described in more detail in the following:

### Administration Agreement

Effective January 1, 2017, a group of fifty-five Transamerica companies entered into an agreement under which five companies were designated to provide a full range of services necessary for the day-to-day operations of each participating company. The Company has been designated as both a providing and receiving company. As applicable, such services include accounting, actuarial and product development, administrative services, advisory, billing/premium collection, capital management, claims adjustment/processing, customer service, employee services, executive benefits, facilities, transportation and real estate management, financial and regulatory reporting, information security, information technology, internal audit, legal/compliance & government affairs, licensing/marketing, procurement and vendor management, public relations and communications, reinsurance, risk management and internal controls, sales and distribution, tax, treasury, and underwriting.

### Service Agreement

Effective August 1, 2003, the Company and TFLIC entered into a service agreement under which the Company provided designated services to TFLIC. Such services include accounting, data processing, legal, actuarial, claims, underwriting, marketing, policy administration, printing and other related services. This agreement was subsequently replaced by a new agreement made effective August 1, 2020.

### Second Amended and Restated Investment Management Agreement

Effective October 1, 2019, the Company and Aegon USA Investment Management, LLC (AUIM) entered into an investment management agreement under which AUIM provides advice and services necessary for the sound management of the designated assets, including supplying investment research portfolio management in accordance with Investment Guidelines attached to the agreement (including, the selection of securities to purchase, hold, sell or otherwise effect transactions, as well as the selection of brokers to execute portfolio transactions), directing the investment and reinvestment of the assets in securities, cash or cash equivalents, and periodic reporting to the Board of Directors.

### Management and Administrative and Advisory Agreement

Effective January 1, 2008, the Company and Aegon USA Realty Advisors, Inc. (AURA) entered into an investment management agreement under which AURA is to administer the day-to-day real estate and mortgage loan operations of the Company.

### Amended and Restated Principal Underwriting Agreement

Effective March 1, 2013, the Company and Transamerica Capital, Inc. (TCI) entered into a principal underwriting agreement under which the Company authorized TCI as exclusive distributor and principal underwriter for the sale of certain variable insurance and annuity products.

### Tax Allocation Agreement

The Company, along with various other subsidiaries of the Transamerica Corporation holding company system, is a party to a Federal Income Tax Allocation Agreement with its parent, Transamerica Corporation. An agreement was originally entered into effective for tax years commencing 2005 and after, and the agreement was amended/restated effective for tax years commencing 2013 and after.

Transamerica Corporation agrees to file a consolidated federal income tax return and make payment on behalf of this affiliated group. Amounts payable by the Company will be equal to that which would be payable had the Company filed a separate income tax return. The Company will pay interim payments due within fifteen days following the due date for estimated payment filings and within thirty days of the final federal income tax filing.

#### FIDELITY BONDS AND OTHER INSURANCE

The Company's parent, Transamerica Corporation, maintains fidelity bond coverage up to \$5,000,000, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC. The Company is identified as a named insured in the fidelity bond policy.

The Company also maintains Errors and Omissions Liability, Professional Liability, Commercial General Liability, along with an overall Umbrella Limit of Liability in the amount of \$25,000,000.

#### EMPLOYEES' WELFARE

All U.S. employees in the Transamerica group are employed by one of five companies, with the Company being the largest single employer. Eligible Company employees participate in one or more compensation programs related to base salary as well as other forms of incentive pay and deferred compensation, all in accordance with Transamerica Corporation guidelines and oversight.

Eligible Company employees also participate in various defined contribution and benefit plans, as well as other postretirement benefit plans, all of which are sponsored by Transamerica Corporation. As appropriate, plans are actuarially evaluated annually or when significantly amended. Pension and postretirement expenses are allocated to the Company based on actuarial participant benefit calculations.

Among the available benefit plans are a contributory defined contribution 401(k) plan, a qualified defined benefit pension plan, and four other supplemental retirement plans. In addition to pension and supplemental retirement benefits, Transamerica Corporation sponsors unfunded plans that provide health care and life insurance benefits to retired Company employees meeting certain eligibility requirements. Certain portions of the medical and dental plans are contributory.

#### REINSURANCE

##### General

All significant reinsurance agreements reviewed were noted to include an insolvency clause that is in compliance with Iowa Code section 521.B. Where required, all agreements have been filed with and approved by the Division. Agreements considered to be significant are described in more detail in the following.

##### Assumed

The Company no longer assumes new reinsurance business and all existing assumed reinsurance business is in run-off. For 2019, the Company reported total assumed life reserves of \$10.4 billion. Of this amount, \$2.9 billion was assumed from the Company's affiliates, primarily Transamerica Life (Bermuda) Ltd., under an agreement made effective in 2006.

Prior to 2011, Aegon N.V., provided reinsurance products and solutions to life insurance and financial services companies through its Transamerica Reinsurance (TARe) operating unit. In the U.S., TARe provided reinsurance solutions to primary insurers to support their risk management, financing and capital needs. TARe provided mortality risk reinsurance for term, universal, variable universal and whole life portfolios. Reinsurance products include coinsurance as well as yearly renewable term and modified coinsurance agreements. TARe also offered traditional and modified coinsurance programs for the annuity market, as well as reinsurance of general account guarantees on variable annuity products. On April 26, 2011, Aegon, N.V., announced the disposition of its life reinsurance operations, TARe, to SCOR, which was effective August 9, 2011. SCOR has been retained as third-party administrator of the business that flows through via retrocession, as well as that retained by the Company. All treaties are closed to new business. As of December 31, 2019, the TARe operating unit oversaw the assumption of approximately \$10.5 billion in reserves from external clients into the Transamerica legal entities, including the Company. Of

this amount, \$10.4 billion was retroceded to SCOR legal entities, with the remaining \$0.08 billion retained in Transamerica legal entities.

#### Ceded - Life

Under the terms of an agreement with TORI, made effective September 30, 2011, the Company ceded a 100% quota share liability on scheduled term life insurance policies. The agreement calls for the establishment of a funds withheld balance whose assets are to be held and invested in accordance with investment guidelines made part of the agreement. The agreement was originally executed with TLIC Riverwood Reinsurance, Inc. (TRRI) who merged into TORI during 2019.

Under the terms of an agreement with TORI, made effective June 30, 2014, the Company ceded a 100% quota share liability on scheduled term life and universal life insurance policies and riders with issue dates up to and including December 31, 2014. The agreement calls for the establishment of a funds withheld balance whose assets are to be held and invested in accordance with investment guidelines made part of the agreement.

Under the terms of an agreement with TWRI, made effective September 30, 2016, the Company ceded a 100% quota share liability on a funds withheld basis, on scheduled term life insurance policies and riders with issue dates from January 1, 2015, through no later than June 30, 2017, inclusive.

Under the terms of an agreement with LIICA Re II, made effective December 31, 2006, the Company ceded a 100% quota share liability on scheduled universal life insurance policies with issue dates from July 1, 2000, up to and including December 31, 2006. LIICA Re II is an accredited reinsurer in the State of Iowa. The agreement was originally executed between LIICA Re II and Transamerica Occidental Life Insurance Company (TOLIC), who merged into the Company during 2008.

Under the terms of an agreement with LIICA Re II, made effective December 30, 2005, the Company ceded a 100% quota share liability, on a funds withheld basis, on scheduled universal life policies issued on or between January 1, 2003, and June 30, 2004, and term life policies issued before July 1, 2005, and assumed by under a series of scheduled reinsurance agreements. The agreement was originally executed between Stonebridge Reinsurance Company and TOLIC. Stonebridge Reinsurance Company merged into the LIICA Re II during 2019.

Under the terms of an agreement with Pine Falls Re, Inc., made effective December 31, 2007, the Company ceded a 100% quota share of the covered losses on scheduled universal life insurance policies with issue dates on and after January 1, 2000, up to and including December 31, 2008.

Under the terms of an agreement with Transamerica Pacific Insurance Company, Ltd. (Transamerica Pacific), made effective July 1, 2009, the Company ceded a 100% quota share of the covered losses on scheduled universal life insurance policies with issue dates on and after January 1, 2007. Transamerica Pacific is an accredited reinsurer in the State of Iowa.

Under the terms of an agreement with Transamerica Pacific, made effective July 1, 2009, the Company ceded a 100% quota share of the covered losses on scheduled universal life insurance policies and any associated riders with issue dates on and after July 1, 2009.

Under the terms of an agreement with an unaffiliated third-party, made effective April 1, 2017, the Company ceded 100% of a scheduled closed block of payout annuity business and scheduled Bank Owned Life Insurance/Corporate Owned Life Insurance (BOLI/COLI). Reinsurance is ceded on a 100% coinsurance basis for general account liabilities and a modified coinsurance basis for separate account liabilities. The unaffiliated third-party is an authorized insurer in the State of Iowa.

Prior to 2011, Aegon N.V., provided reinsurance products and solutions to life insurance and financial services companies through TARE. In August of 2011, Aegon divested TARE to the SCOR SE group, which included SCOR Global Life Americas Reinsurance Company (SGLA). Approximately 98% of the reserve credits taken for business ceded to SGLA were under the terms of an August 9, 2011 retrocession agreements, in combination with separate retrocession agreements executed with effective dates of October 1, 2017, and July 1, 2018. Under the terms of each of the agreements, the Company retroceded 100% of the liability under scheduled assumed affiliated and unaffiliated reinsurance contracts. SGLA is an authorized insurer in the State of Iowa.

Under the terms of an agreement with Commonwealth Annuity and Life Insurance Company (Commonwealth Annuity), made effective June 30, 2011, the Company ceded 100% of the liabilities on scheduled fixed annuity plans. Commonwealth Annuity is an authorized insurer in the State of Iowa.

Under the terms of an agreement with Commonwealth Annuity, made effective November 6, 2014, the Company ceded a varying quota share percentage of the liabilities on scheduled fixed annuity plans.

Under the terms of an agreement with Commonwealth Annuity, made effective October 1, 2015, the Company ceded 50% of the liabilities on scheduled fixed annuity plans.

#### Ceded – Accident and Health

Under the terms of an agreement with the American Long Term Care Reinsurance Group (ALTCRG), made effective July 1, 1993, the Company ceded 100% of the liability on scheduled long-term care policies in excess of the Company's net retention of 25% of the benefits payable to each insured. The original agreement was executed between ALTCRG and Transamerica Occidental Life Insurance Company, who merged into the Company effective October 1, 2008. The original agreement named ten pool participants with participation percentages ranging from 5% to 15%. In addition to its 50% net retention, the Company originally had a 10% level of participation in the ceded amounts. Beginning in 2001, American United Life Insurance Company was the only participant at 100% of the ceded liability. The agreement was terminated with respect to new business effective January 1, 2006.

Under the terms of an agreement with TPLIC, made effective December 1, 2017, the Company ceded 100% of the liabilities on scheduled long-term care policies on a quota share/funds withheld basis. This agreement amended and restated an earlier agreement, made effective December 31, 2014, under which the business was ceded to TPLIC on a modified coinsurance basis.

Under the terms of an agreement with an unaffiliated third-party, made effective April 1, 2017, the Company ceded 100% of a scheduled closed block of payout annuity business and scheduled Bank Owned Life Insurance/Corporate Owned Life Insurance (BOLI/COLI). Reinsurance is ceded on a 100% coinsurance basis for general account liabilities and modified coinsurance basis for separate account liabilities. The unaffiliated third-party is an authorized insurer in the State of Iowa.

#### STATUTORY DEPOSIT

As of December 31, 2019, the book/adjusted carrying value of securities that were held as special deposits in the states of Massachusetts, Nevada, and North Carolina for the benefit of all policyholders totaled \$4,262,748. As of December 31, 2019, the book/adjusted carrying value of securities that were held as special deposits by Arkansas, New Mexico, Texas, Guam, Puerto Rico, and the U.S. Virgin Island totaled \$39,550,288. The State of Iowa does not have a statutory deposit requirement.

#### TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to transact life and accident and health business in forty-nine of the United States, the District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. There were no changes made to the jurisdictions in which the Company is licensed to write business during the period under examination.

#### Lines of Business

The Company offers a comprehensive portfolio of protection solutions to customers in a broad range of market segments. Life products include term life, group life, universal life, index universal life, and whole life insurance. The Company also sells pension products and a broad line of annuity products. The Company also sells synthetic guaranteed interest contracts.

Supplemental health insurance products also made available by the Company include accidental death and dismemberment, accidental injury, cancer, critical illness, disability, hospital indemnity, Medicare Supplement, retiree medical, and supplemental medical expense indemnity.

During the examination period, the Company’s long-term care product was offered as a standalone product or as a rider to certain life insurance products.

The Company’s products are distributed through large and diverse distribution channels that include affiliated and non-affiliated sales outlets. Depending on the nature of the product, the Company makes use of independent broker-dealers, banks, wirehouses, independent financial planners, and independent insurance producers. Products are also offered through institutions, including large broker-dealer research and advisory platforms, and registered investment advisers. Additionally, certain protection products (life insurance, supplemental health insurance and long-term care insurance products) are sold through third-party distribution outlets known as “Brokerage General Agents” or “Independent Marketing Organizations.” These are predominantly non-registered products sold through independent insurance producers. This channel offers life insurance (term life, universal life, index universal life, and whole life insurance), long-term care insurance and supplemental health products and services (Medicare Supplement, accident, and cancer insurance) through approximately 25,000 independent brokerage distributors and financial institutions that operate in the affluent, emerging affluent and middle markets.

The Company utilizes its retail affiliate distribution group, “Transamerica Financial Network” (TFN), to provide advice and guidance to individuals to meet their protection and investment needs. TFN consists of World Financial Group Insurance Agency (WFGIA), Transamerica Agency Network (TAN) and Transamerica Financial Advisors, Inc. (TFA). TFN, through licensed agents and registered representatives/investment advisor representatives, offers insurance, annuities, mutual funds, retirement plans and advisory account solutions. There are approximately 50,000 independent insurance agents associated with WFGIA in the United States and its affiliated insurance agency operating in Canada. There are approximately 2,000 insurance agents associated with TAN. TAN provides the same life and health products as the brokerage channel, with a focus on middle and emerging affluent markets. The TAN agent field is comprised of both employees and independent producers. Approximately 3,400 WFGIA and TAN agents are associated with TFA as registered representatives, of which approximately 1,200 are registered as investment advisor representatives.

#### GROWTH OF COMPANY

A summary of significant financial data (*000's*) for the past five years is presented below (Separate Accounts are excluded):

Year	Total Admitted Assets	Aggregate Life Reserves	Capital and Surplus	Life and Annuity Premium	A&H Premium	Deposit Type Funds	Life Insurance In-Force
2015	\$ 53,907,227	\$ 30,049,657	\$ 5,458,642	\$ 14,005,071	\$ 771,929	\$ 530,269	\$ 1,068,012,856
2016	58,015,739	32,264,381	5,234,756	13,319,072	624,248	21,491	1,054,772,412
2017	44,488,138	24,196,516	5,411,709	(2,115,043)	(1,144,710)	343,518	1,017,654,926
2018	45,097,999	25,224,688	5,778,294	10,747,751	573,864	282,359	972,796,627
2019	44,470,661	25,525,787	6,560,750	12,155,270	514,141	21,009	925,150,891

#### ACCOUNTS AND RECORDS

The Company’s accounting records were maintained on a computerized system. The Company’s balance sheet accounts were verified with the line items of the annual statement submitted to the Division.

During the course of the examination, no statutory compliance issues were noted nor were there material aggregate surplus differences were identified from the amount reflected in the financial statements, as presented in the annual statement as of December 31, 2019.

#### SUBSEQUENT EVENTS

##### COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the impact the pandemic will have on the economy, insurance industry and the

Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Iowa Insurance Division will continue to monitor COVID-19 developments.

### Merger Activity

During 2020, the Company was a party to several merger transactions within the holding company system where it was the surviving entity in each merger. These merger transactions are listed as follows:

1. Effective October 1, 2020, TPLIC merged with and into the Company, with the Company being the surviving entity.
2. Effective October 1, 2020, MLIC Re I, Inc., merged with and into the Company, with the Company being the surviving entity.
3. Effective December 31, 2020, Pine Falls Re, Inc., merged with and into the Company, with the Company being the surviving entity.

FINANCIAL STATEMENTS  
AND COMMENTS THEREON

Note: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division in 2020 and present the financial condition of the Company for the period ending December 31, 2019.

## ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 25,412,466,696	\$	\$ 25,412,466,696
Preferred stocks	111,630,341		111,630,341
Common stocks	3,217,206,850		3,217,206,850
Mortgage loans on real estate:			
First liens	5,096,613,043		5,096,613,043
Real estate:			
Properties occupied by the company	45,830,826		45,830,826
Properties held for sale	5,714,583		5,714,583
Cash and cash equivalents	1,383,321,762		1,383,321,762
Short-term investments	310,481,180		310,481,180
Contract loans	1,099,595,502		1,099,595,502
Derivatives	1,718,025,058		1,718,025,058
Other invested assets	2,031,393,252	6,709,886	2,024,683,366
Receivables for securities	18,535,382		18,535,382
Securities lending reinvested collateral assets	1,246,826,709		1,246,826,709
Receivable for derivative cash collateral posted to counterparty	80,992,928		80,992,928
Subtotals, cash and invested assets	41,778,634,112	6,709,886	41,771,924,226
Investment income due and accrued	407,764,273	2,918,016	404,846,257
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	164,190,167	144,815	164,045,352
Deferred premiums, agents' balances and installments booked but deferred and not yet due	122,797,614		122,797,614
Reinsurance:			
Amounts recoverable from reinsurers	114,274,805		114,274,805
Funds held by or deposited with reinsured companies	225,182,947		225,182,947
Other amounts receivable under reinsurance contracts	263,438,808	3,649,291	259,789,517
Current federal and foreign income tax recoverable	136,525,690		136,525,690
Net deferred tax asset	466,697,456		466,697,456
Guaranty funds receivable or on deposit	13,000,584		13,000,584
Health care and other amounts receivable	24,656,230	20,278,095	4,378,135
Company owned life insurance	371,780,284		371,780,284
Hedge reserve offset	195,067,121		195,067,121
Accounts receivable	155,848,360	30,363,073	125,485,287
General agents pension fund	56,462,293		56,462,293
Investment receivables	25,549,290	1,652,709	23,896,581
State transferable tax credits	7,964,032		7,964,032
Estimated premium tax offsets related to the provision for future Amounts incurred under modified coinsurance agreement	5,401,792 1,140,698		5,401,792 1,140,698
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	44,536,376,556	65,715,885	44,470,660,671
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	85,720,688,849	0	85,720,688,849
Total Assets	\$ 130,257,065,405	\$ 65,715,885	\$ 130,191,349,520



**LIABILITIES, SURPLUS AND OTHER FUNDS**

Aggregate reserve for life contracts	\$	25,525,786,604
Aggregate reserve for accident and health contracts		670,909,611
Liability for deposit-type contracts		591,569,794
Contract claims:		
Life		400,329,647
Accident and health		78,896,056
Policyholders' dividends/refunds to members		1,159,063
Provision for policyholders' dividends and coupons payable in following calendar year-estimated amounts:		
Dividends apportioned for payment		9,112,409
Premiums and annuity considerations for life and accident and health contracts received in advance		11,559,068
Contract liabilities not included elsewhere:		
Provision for experience rating refunds		6,602,318
Other amounts payable on reinsurance, including \$1,038,835 assumed and \$20,873,744 ceded		21,912,609
Interest maintenance reserve (IMR)		308,452,863
Commissions to agents due or accrued - life and annuity contracts		36,771,175
Commissions and expense allowances payable on reinsurance assumed		19,712,094
General expenses due or accrued		217,053,313
Transfers to Separate Accounts due or accrued (net)		(898,596,591)
Taxes, licenses and fees due or accrued, excluding federal income taxes		12,566,825
Unearned investment income		73,420,519
Amounts withheld or retained by company as agent or trustee		221,857,942
Amounts held for agents' account		16,505,996
Remittances and items not allocated		324,312,059
Liability for benefits for employees and agents		69,420,047
Borrowed money \$1,268,829,078 and interest thereon \$5,674,657		1,274,503,734
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		879,142,576
Reinsurance in unauthorized companies		13,217,801
Funds held under reinsurance treaties with unauthorized reinsurers		897,341,514
Payable to parent, subsidiaries and affiliates		29,972,455
Funds held under coinsurance		3,197,071,749
Derivatives		1,851,801,488
Payable for securities		215,891,810
Payable for securities lending		1,246,826,709
Payable for derivative cash collateral		484,637,375
Funding and municipal reverse repurchase agreements		97,857,540
Deferred derivative gain		2,333,998
Total Liabilities excluding Separate Accounts business		37,909,912,170
From Separate Accounts Statement		85,720,687,733
Total Liabilities		123,630,599,903
Common capital stock	\$	6,761,900
Gross paid in and contributed surplus		2,610,712,954
Hedge reserve offset		195,067,121
ACA section 9010 estimated assessment		366,790
Unassigned funds (surplus)		3,747,840,852
Total capital and surplus		6,560,749,617
Total Liabilities, Capital and Surplus	\$	130,191,349,520

## SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health policies and contracts	\$ 12,669,410,634
Considerations for supplementary contracts with life contingencies	129,898,581
Net investment income	1,605,138,617
Amortization of interest maintenance reserve (IMR)	39,186,199
Separate accounts net gain from operations	7
Commissions and expense allowances on reinsurance ceded	527,859,759
Reserve adjustments on reinsurance ceded	(83,492,036)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	1,542,781,722
Miscellaneous income	310,672,091
Funds withheld assumed investment income	29,294,476
Consideration received on reinsurance recaptured and novations	15,485,272
Income earned on company owned life insurance	8,266,081
Surrender charges	752,746
Totals	<u>16,795,254,149</u>
Death benefits	1,706,779,402
Matured endowments	205,852
Annuity benefits	1,173,639,339
Disability benefits and benefits under accident and health contracts	281,434,666
Surrender benefits and withdrawals for life contracts	14,884,588,405
Interest and adjustments on contract or deposit type contract funds	37,024,927
Payments on supplementary contracts with life contingencies	131,031,478
Increase in aggregate reserves for life and accident and health contracts	<u>(2,318,803,684)</u>
Totals	15,895,900,385
Commissions on premiums, annuity considerations and deposit-type contract funds	860,579,613
Commissions and expense allowances on reinsurance assumed	47,941,470
General insurance expenses and fraternal expenses	620,393,925
Insurance taxes, licenses and fees, excluding federal income taxes	107,293,326
Increase in loading on deferred and uncollected premiums	12,268,300
Net transfers from Separate Accounts net of reinsurance	(3,868,616,989)
Funds withheld ceded investment income	201,380,972
Interest expense on surplus notes	4,275,000
Administrative fee expense	2,668,896
Fines and penalties	345,186
Consideration paid on reinsurance	250,000
Reinsurance transaction - Modco reserve adjustment assumed	<u>(115,467,193)</u>
Totals	<u>13,769,212,891</u>
Net gain from operations before dividends to policyholders and federal income taxes	3,026,041,258
Dividends to policyholders	<u>9,236,186</u>
Net gain from operations after dividends to policyholders and before federal income taxes	3,016,805,072
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>(77,932,831)</u>
Net gain from operations after dividends and taxes	3,094,737,903
Net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax of \$30,363,856	<u>240,524,195</u>
Net Income	<u>\$ 3,335,262,098</u>

## CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2018 \$ 6,277,433,077

### GAINS AND (LOSSES) IN SURPLUS

Net income	\$ 3,335,262,098	
Change in net unrealized capital gains, less capital gains tax of \$(82,967,210)	(327,554,325)	
Change in net unrealized foreign exchange capital gain (loss)	92,856	
Change in net deferred income tax	(173,472,216)	
Change in nonadmitted assets	105,654,365	
Change in liability for reinsurance in unauthorized and certified companies	(9,990,610)	
Change in reserve on account of change in valuation basis (increase) or decrease	(1,248,411,198)	
Change in asset valuation reserve	(184,754,360)	
Change in treasury stock	58,000,000	
Other changes in surplus in Separate Accounts Statement	194	
Change in surplus notes	(150,000,000)	
Capital changes:		
Paid in	(425,000)	
Surplus adjustment:		
Paid in	(305,951,203)	
Change in surplus as a result of reinsurance	(146,952,196)	
Dividends to stockholders	(725,000,000)	
Correction of error	57,740,374	
Increase (decrease) in fair value of general agent pension fund	(922,239)	
	<hr/>	
Net change in capital and surplus for the year		283,316,540
Capital and surplus, December 31, 2019		<u><u>\$ 6,560,749,617</u></u>

## CASH FLOW

### **Cash from Operations**

Premiums collected net of reinsurance	\$ 12,612,257,752	
Net investment income	1,853,705,845	
Miscellaneous income	2,295,448,278	
Total	\$ 16,761,411,875	
Benefit and loss related payments	18,088,920,967	
Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	(4,005,481,677)	
Commissions, expenses paid and aggregate write-ins for deductions	1,898,768,650	
Dividends paid to policyholders	5,888,579	
Federal and foreign income taxes paid	139,991,700	
Total	16,128,088,219	
Net cash from operations		633,323,656

### **Cash from Investments**

Proceeds from investments sold, matured, or repaid:		
Bonds	13,779,872,014	
Stocks	301,768,329	
Mortgage loans	278,504,695	
Real estate	67,290,080	
Other invested assets	267,511,088	
Net gains or (losses) on cash, cash equivalents and short-term investments	207,795	
Miscellaneous proceeds	1,256,575,562	
Total investment proceeds	15,951,729,563	
Cost of investments acquired (long-term only):		
Bonds	11,374,696,505	
Stocks	50,193,435	
Mortgage loans	776,471,884	
Real estate	661,204	
Other invested assets	683,355,956	
Miscellaneous applications	142,790,160	
Total investments acquired	13,028,169,144	
Net increase (decrease) in contract loans and premium notes		(40,257,594)
Net cash from investments		2,963,818,013

**CASH FLOW (continued)**

**Cash from Financing and Miscellaneous Sources**

Cash provided (applied):	
Surplus notes, capital notes	(150,000,000)
Capital and paid in surplus, less treasury stock	(248,376,203)
Borrowed funds	(1,765,528,341)
Net deposits on deposit-type contracts and other insurance liabilities	(380,156,658)
Dividends to stockholders	725,000,000
Other cash applied	<u>(965,745,747)</u>
Net Cash from Financing and Miscellaneous sources	<u>(4,234,806,949)</u>

**RECONCILIATION OF CASH, CASH EQUIVALENTS  
AND SHORT-TERM INVESTMENTS**

Net change in cash, cash equivalents and short-term investments	(637,665,280)
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>2,331,468,222</u>
End of year	<u>\$ 1,693,802,942</u>

RESTATED  
FINANCIAL STATEMENTS  
REFLECTING MERGER ACTIVITY AS OF DECEMBER 31, 2020

Note: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division in 2021 and present the restated financial condition of the Company for the period ending December 31, 2019.

## ASSETS

	Restated <u>Net Admitted Assets</u>
Bonds	\$ 43,976,268,910
Preferred stocks	116,585,434
Common stocks	3,375,632,208
Mortgage loans on real estate:	
First liens	7,833,722,116
Real estate:	
Properties occupied by the company	45,830,826
Properties held for the production of income	186,893,998
Properties held for sale	6,459,226
Cash, cash equivalents and short-term investments	2,441,632,383
Contract loans	2,062,003,022
Derivatives	1,743,555,903
Other invested assets	3,070,230,556
Receivables for securities	18,652,260
Securities lending reinvested collateral assets	2,004,012,937
Receivable for derivative cash collateral posted to counterparty	80,992,928
Subtotals, cash and invested assets	<u>66,962,472,707</u>
Investment income due and accrued	637,376,211
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	202,925,448
Deferred premiums, agents' balances and installments booked but deferred and not yet due	235,056,172
Reinsurance:	
Amounts recoverable from reinsurers	117,367,051
Funds held by or deposited with reinsured companies	749,249,585
Other amounts receivable under reinsurance contracts	310,103,349
Current federal and foreign income tax recoverable	171,063,783
Net deferred tax asset	733,075,799
Guaranty funds receivable or on deposit	18,961,315
Health care and other amounts receivable	4,378,135
Company owned life insurance	541,903,975
Hedge reserve offset	195,067,121
Accounts receivable	227,575,264
General agents pension fund	56,462,293
Investment receivables	24,602,083
State transferable tax credits	8,532,001
Estimated premium tax offsets related to the provision for future	7,526,448
Long-term letter of credit	1,870,000,000
Amounts incurred under modified coinsurance agreement	<u>1,140,698</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	73,074,839,438
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>112,229,023,106</u>
Total Assets	<u><u>\$ 185,303,862,544</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	Restated Amounts
Aggregate reserve for life contracts	\$ 39,439,066,031
Aggregate reserve for accident and health contracts	6,737,002,095
Liability for deposit-type contracts	947,879,124
Contract claims:	
Life	526,894,385
Accident and health	407,754,667
Policyholders' dividends/refunds to members	1,217,037
Provision for policyholders' dividends and coupons payable in following calendar year-estimated amounts:	
Dividends apportioned for payment	10,044,033
Premiums and annuity considerations for life and accident and health contracts received in advance	20,359,635
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	17,400,280
Other amounts payable on reinsurance assumed and ceded	216,052,820
Interest maintenance reserve (IMR)	1,356,884,810
Commissions to agents due or accrued - life and annuity contracts	52,827,399
Commissions and expense allowances payable on reinsurance assumed	23,476,104
General expenses due or accrued	224,284,506
Transfers to Separate Accounts due or accrued (net)	(925,074,324)
Taxes, licenses and fees due or accrued, excluding federal income taxes	30,101,848
Unearned investment income	87,254,111
Amounts withheld or retained by company as agent or trustee	258,880,366
Amounts held for agents' account	22,883,889
Remittances and items not allocated	406,025,695
Liability for benefits for employees and agents	69,420,047
Borrowed money and interest thereon	2,708,919,840
Miscellaneous liabilities:	
Asset valuation reserve (AVR)	1,266,567,341
Reinsurance in unauthorized companies	15,354,302
Funds held under reinsurance treaties with unauthorized reinsurers	1,316,878,068
Payable to parent, subsidiaries and affiliates	1,257,745
Funds held under coinsurance	3,419,393,668
Derivatives	1,932,873,683
Payable for securities	300,682,678
Payable for securities lending	2,004,012,937
Payable for derivative cash collateral	686,935,487
Funding and municipal reverse repurchase agreements	97,857,540
Interest payable on surplus notes	300,000
Deferred derivative gain	3,519,780
Total Liabilities excluding Separate Accounts business	63,685,187,627
From Separate Accounts Statement	112,229,021,990
Total Liabilities	175,914,209,617
Common capital stock	6,761,900
Surplus notes	60,000,000
Gross paid in and contributed surplus	3,856,961,427
Hedge reserve offset	195,067,121
ACA section 9010 estimated assessment	1,700,814
Unassigned funds (surplus)	5,269,161,665
Total capital and surplus	9,389,652,927
Total Liabilities, Capital and Surplus	\$ 185,303,862,544



## SUMMARY OF OPERATIONS

	Restated Amounts
Premiums and annuity considerations for life and accident and health policies and contracts	\$ 16,180,455,237
Considerations for supplementary contracts with life contingencies	180,688,287
Net investment income	2,655,845,020
Amortization of interest maintenance reserve (IMR)	109,030,932
Separate accounts net gain from operations	7
Commissions and expense allowances on reinsurance ceded	563,596,900
Reserve adjustments on reinsurance ceded	(371,179,951)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	1,827,244,657
Miscellaneous income	310,294,451
Funds withheld assumed investment income	104,062,079
Consideration received on reinsurance recaptured and novations	15,696,162
Income earned on company owned life insurance	11,264,000
Surrender charges	792,145
Totals	21,587,789,926
Death benefits	2,349,726,119
Matured endowments	6,708,216
Annuity benefits	1,492,030,629
Disability benefits and benefits under accident and health contracts	1,112,492,566
Surrender benefits and withdrawals for life contracts	16,954,524,599
Interest and adjustments on contract or deposit type contract funds	49,967,245
Payments on supplementary contracts with life contingencies	173,265,891
Increase in aggregate reserves for life and accident and health contracts	(1,370,509,756)
Totals	20,768,205,509
Commissions on premiums, annuity considerations and deposit-type contract funds	1,371,414,522
Commissions and expense allowances on reinsurance assumed	202,830,080
General insurance expenses and fraternal expenses	1,001,456,028
Insurance taxes, licenses and fees, excluding federal income taxes	164,248,785
Increase in loading on deferred and uncollected premiums	8,547,715
Net transfers from Separate Accounts net of reinsurance	(5,129,694,585)
Funds withheld ceded investment income	248,060,413
Interest expense on surplus notes	13,708,333
Administrative fee expense	2,668,896
Fines and penalties	388,532
Write-ins other	355,629
Change in provision for liquidity guarantees	(1,170,194)
Consideration paid on reinsurance	42,366,335
Reinsurance transaction - Modco reserve adjustment assumed	(365,857,172)
Totals	18,327,528,826
Net gain from operations before dividends to policyholders and federal income taxes	3,260,261,100
Dividends to policyholders	10,266,273
Net gain from operations after dividends to policyholders and before federal income taxes	3,249,994,827
Federal and foreign income taxes incurred (excluding tax on capital gains)	(37,395,594)
Net gain from operations after dividends and taxes	3,287,390,421
Net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax	469,598,596
Net Income	\$ 3,756,989,017

## CAPITAL AND SURPLUS ACCOUNT

	<u>Restated Amounts</u>
Capital and surplus, December 31, 2018	\$ 8,884,892,161
<b>GAINS AND (LOSSES) IN SURPLUS</b>	
Net income	3,756,989,017
Change in net unrealized capital gains, less capital gains tax	(277,844,177)
Change in net unrealized foreign exchange capital gain (loss)	2,080,553
Change in net deferred income tax	(168,908,884)
Change in nonadmitted assets	123,499,407
Change in liability for reinsurance in unauthorized and certified companies	(461,028)
Change in reserve on account of change in valuation basis (increase) or decrease	(1,217,959,314)
Change in asset valuation reserve	(251,774,006)
Change in treasury stock	58,000,000
Other changes in surplus in Separate Accounts Statement	194
Change in surplus notes	(250,000,000)
Cumulative effect of change in accounting principles	1,224,188
Capital changes:	
Paid in	(11,062,150)
Surplus adjustment:	
Paid in	(295,309,656)
Change in surplus as a result of reinsurance	(142,916,432)
Dividends to stockholders	(733,444,338)
Long-term letter of credit	(160,000,000)
Correction of error	73,569,631
Increase (decrease) in fair value of general agent pension fund	(922,239)
Net change in capital and surplus for the year	<u>504,760,766</u>
Capital and surplus, December 31, 2019	<u>\$ 9,389,652,927</u>

## CASH FLOW

	<u>Restated Amounts</u>	
<b>Cash from Operations</b>		
Premiums collected net of reinsurance	\$ 16,203,873,827	
Net investment income	2,930,945,427	
Miscellaneous income	2,414,560,001	
Total	<u>21,549,379,255</u>	\$ 21,549,379,255
Benefit and loss related payments	21,981,354,249	
Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	(5,282,090,502)	
Commissions, expenses paid and aggregate write-ins for deductions	2,878,270,902	
Dividends paid to policyholders	6,979,447	
Federal and foreign income taxes paid	166,092,969	
Total	<u>19,750,607,065</u>	<u>19,750,607,065</u>
Net cash from operations		1,798,772,190
<b>Cash from Investments</b>		
Proceeds from investments sold, matured, or repaid:		
Bonds	17,085,358,014	
Stocks	320,831,753	
Mortgage loans	432,997,666	
Real estate	122,797,923	
Other invested assets	377,571,095	
Net gains or (losses) on cash, cash equivalents and short-term investment	240,133	
Miscellaneous proceeds	1,562,050,872	
Total investment proceeds	<u>19,901,847,456</u>	19,901,847,456
Cost of investments acquired (long-term only):		
Bonds	15,720,665,597	
Stocks	58,841,597	
Mortgage loans	1,234,745,016	
Real estate	15,124,999	
Other invested assets	992,641,212	
Miscellaneous applications	328,698,302	
Total investments acquired	<u>18,350,716,723</u>	<u>18,350,716,723</u>
Net increase (decrease) in contract loans and premium notes		(14,733,768)
Net cash from investments		1,565,864,501

## CASH FLOW (continued)

### Cash from Financing and Miscellaneous Sources

Cash provided (applied):		
Surplus notes, capital notes	(250,000,000)	
Capital and paid in surplus, less treasury stock	(248,371,806)	
Borrowed funds	(1,620,753,944)	
Net deposits on deposit-type contracts and other insurance liabilities	(617,791,932)	
Dividends to stockholders	725,000,000	
Other cash applied	(709,517,356)	
Net Cash from Financing and Miscellaneous sources		(4,171,435,038)

### RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	(806,798,347)	
Cash, cash equivalents and short-term investments:		
Beginning of year		3,248,430,730
End of year	\$	2,441,632,383

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

The following examiners from INS Regulatory Insurance Services, Inc., assisted the Iowa Insurance Division:

Sarah Lucibello	Field Manager
Jerry L. Kennedy, CFE, CPA	Lead Examiner-in-Charge
Robert J. Rodack, CFE	Financial Regulation Senior Specialist
Mary L. Rodack, CFE, CPA, CPCU	Financial Regulation Senior Specialist
Donna Letterio, CFE, CPA	Financial Regulation Senior Examiner
Dawn B. Harlow, CFE, CPA, CGMA	Financial Regulation Senior Examiner
James W. Davis, CFE, MBA	Financial Regulation Senior Examiner

A review of the information technology system was performed under the direction of David Gordon, of INS Services, Inc.

A review of the Company's reserves was performed under the direction of Frank Edwards, FSA, MAAA of INS Consultants, Inc.

Respectfully submitted,

/s/ Jerry Kennedy  
Jerry L. Kennedy, CFE  
Examiner-in-Charge  
INS Regulatory Insurance Services, Inc. on behalf of the  
Iowa Insurance Division

/s/ Daniel Mathis  
Daniel Mathis, CFE  
Assistant Chief Examiner  
Iowa Insurance Division