

EXAMINATION REPORT OF
AMERICAN REPUBLIC INSURANCE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2020

Des Moines, Iowa
June 7, 2022

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

AMERICAN REPUBLIC INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2020

with its home office located at 601 6th Ave, Des Moines, Iowa.

INTRODUCTION

American Republic Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2015 by examiners of the Iowa Insurance Division (“Division”).

In conjunction with the examination of the Company as of December 31, 2020, affiliates American Republic Corp Insurance Company (“ARCIC”), Medico Insurance Company (“MIC”), Medico Corp Life Insurance Company (“MCLIC”), Medico Life and Health Insurance Company (“MLHIC”) and Great Western Insurance Company (“GWIC”) were also examined by the Division.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2016 to the close of business on December 31, 2020, including any material transactions and/or 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.

The examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

The Company was incorporated in accordance with the laws of the State of Iowa for a twenty-year period on April 4, 1929 and commenced business May 10, 1929 as a mutual casualty insurance company under what is now known as Chapter 515, Code of Iowa. Business at that time was limited to writing individual accident and health risks. A subsequent amendment to the Articles of Incorporation provided for perpetual corporate existence.

By amendment to the Articles of Incorporation at an annual meeting of the policyholders on February 13, 1951, the Company was authorized to write life insurance on the legal reserve or legal premium plan under provisions of Chapter 508, Code of Iowa.

On September 21, 1999, the Board of Directors adopted a plan to reorganize into a mutual insurance holding company structure. Effective December 28, 1999, the Company formed a mutual insurance holding company, American Republic Mutual Holding Company, (now known as American Enterprise Mutual Holding Company (“AEMHC”), and an intermediate holding company, American Republic Group, Inc., (now known as American Enterprise Group, Inc. (“AEG”)), and converted to a stock life insurance company.

On January 1, 2008, World Insurance Company (“WIC”), an affiliate, made a stock dividend of 100% of the stock of ARCIC to AEG. Immediately subsequent to this dividend, AEG contributed 100% of the stock of ARCIC to the Company. As a result of these transfers, ARCIC became a wholly owned subsidiary of the Company.

On March 31, 2013, WIC merged into the Company with the Company as the surviving Company.

The Company entered into a formal stock purchase agreement on December 29, 2017, with JAMEL LTD to purchase 100% of the outstanding shares of GWIC, an insurance company domiciled in the State of Utah. The purchase was finalized on January 26, 2018 and GWIC became a wholly-owned subsidiary of the Company. Effective December 1, 2019, GWIC was re-domesticated from Utah to Iowa.

CAPITAL STOCK AND DIVIDENDS

The Company has 5,000,000 shares of common stock with a par value of \$1.00 per share authorized, issued and outstanding as of December 31, 2020. All shares of stock outstanding are held by AEG.

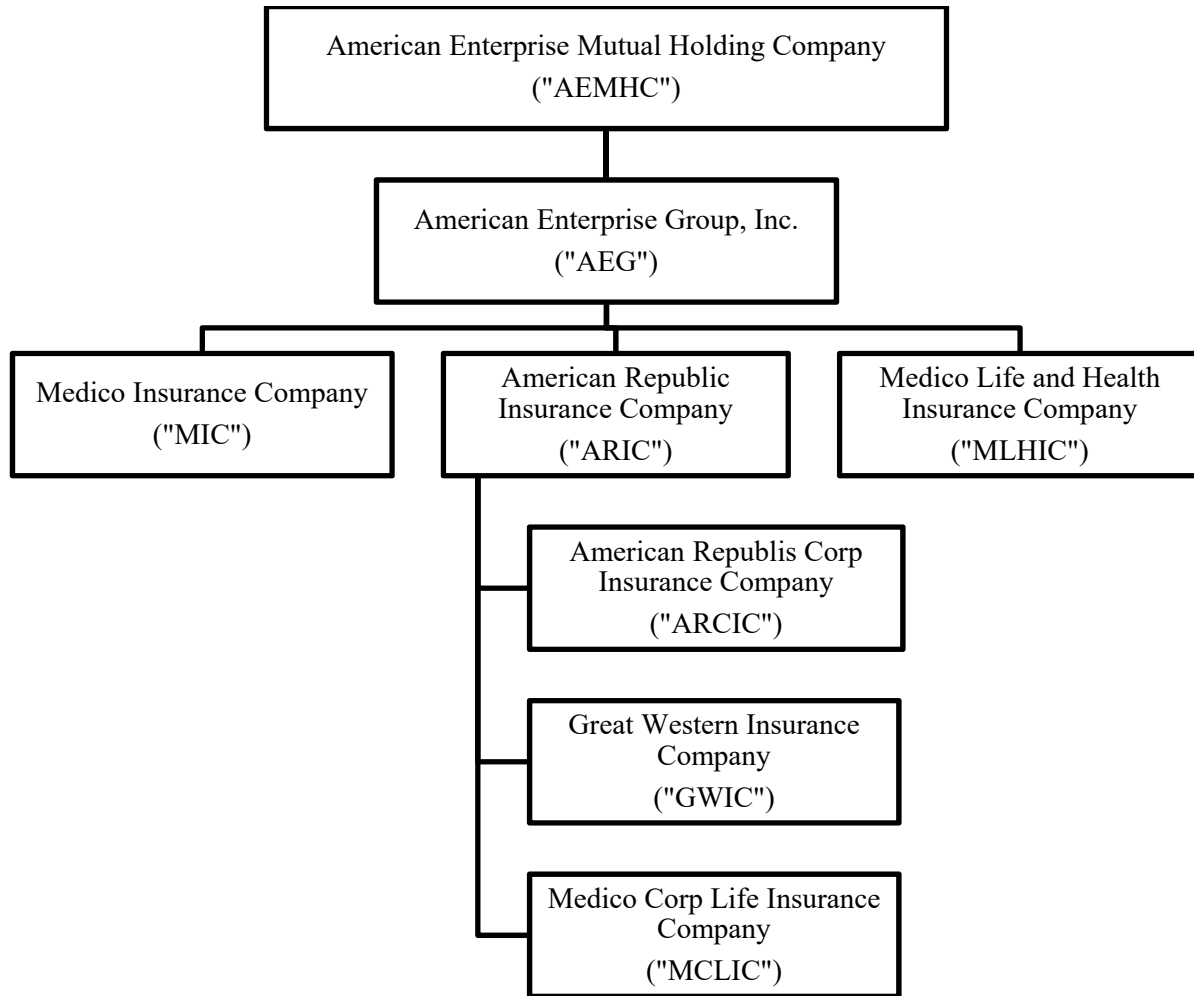
Dividends paid to AEG during the examination period were as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 0
2017	24,233,213
2018	0
2019	0
2020	4,000,000

MUTUAL INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. AEMHC, an Iowa mutual insurance holding company, is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

An abbreviated organizational chart identifying the Companies within the Holding Company System follows:



MANAGEMENT AND CONTROL

SHAREHOLDER

The annual meeting of the shareholder for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on the first Tuesday in March of each year at such place as the Board of Directors shall each year fix, or at such other place, time and date as the Board of Directors shall fix, which date shall be within the earlier of the first six (6) months after the end of the Company's fiscal year or fifteen (15) months after the shareholder's last annual meeting.

Special meetings of the shareholder, for any purpose or purposes, unless otherwise prescribed by law, may be called by the Chairman of the Board, Chief Executive Officer or the Board of Directors, and shall be called by the Board of Directors upon the written demand, signed, dated and delivered to the Secretary, of the holders of at least ten (10) percent of all the votes entitled to be cast on any issue proposed to be considered at the meeting. The time, date and place of any special meeting shall be determined by the Board of Directors or, at its direction, by the Chief Executive Officer.

Notice of the place, date and time of all meetings of the shareholder and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be communicated not fewer than ten (10) days nor more than sixty (60) days before the date of the meeting to each shareholder entitled to vote at such meeting.

Every shareholder entitled to vote may vote in person or by proxy. Except as provided in subsection (c) or unless otherwise provided by law, each outstanding share, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholder. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number is required by law.

Except as otherwise set forth in this Section 3.12, any action required or permitted by law to be taken at a meeting of the shareholder may be taken without a meeting or vote if one or more consents in writing setting forth the action taken shall be signed and dated by the holders of outstanding shares having not less than ninety percent (90%) of the votes entitled to be cast at a meeting at which all shares entitled to vote on the action were present and voted, and are delivered to the Corporation for inclusion in the minutes or filing with the Corporation's records. Written consents may be delivered to the Corporation by electronic transmission.

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 (5) nor more than twenty-one (21) directors, who shall be individuals nominated and elected as provided in the Articles and further subject to the provisions of the Bylaws.

Directors shall be elected for three-year (3-year) terms and, as nearly as may be, one-third (1/3) shall be elected annually and shall serve until the annual meeting following the term for which each was elected and until his successor is qualified.

The Board of Directors shall hold an annual meeting for the purpose of organization, the election of officers and the transaction of other business. Regular meetings of the Board of Directors shall be held at such place and at such times as the Board of Directors shall by resolution fix and determine from time to time. No notice shall be required for any such regular meeting of the board.

Special meetings of the directors may be called by the Chairman of the Board, Chief Executive Officer or one-third (1/3) of the directors at the time being in office at least one (1) day before the date on which the meeting is to be held.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Board has general charge of the business and affairs of the Company including the power to adopt, amend or alter Bylaws unless otherwise specified by the shareholders.

The directors duly elected and serving as of December 31, 2020 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
David John Keith Des Moines, Iowa	American Enterprise Services Company President of Insurance Solutions	2021
Sara Elaine Lehan Des Moines, Iowa	American Enterprise Services Company Vice President, Chief Investment Officer	2021

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Thomas Anthony Swank Des Moines, Iowa	American Enterprise Services Company Chief Executive Officer and President	2022
Jeffrey Scott Harms Des Moines, Iowa	American Enterprise Services Company Assistant Vice President, Financial Planning and Reporting	2023
Scott Michael Haugh Des Moines, Iowa	American Enterprise Services Company Senior Vice President, Chief Financial Officer, Chief Actuary, and Treasurer	2023

David John Keith and Sara Elaine Lehan were re-elected at the annual meeting of the shareholders of the Company on March 4th, 2021 for a three-year term, expiring in 2024.

Thomas Anthony Swank was re-elected at the annual meeting of the shareholders of the Company on March 2, 2022 for a three-year term, expiring in 2025.

COMMITTEES

The Board of Directors, by resolution adopted by the affirmative vote of a majority of the number of directors then in office, may establish an Executive Committee and one or more other committees of the Board of Directors, each to consist of one (1) or more directors appointed by the Board of Directors. Any such committee shall serve at the will of the Board of Directors. As of December 31, 2020, the Board of Directors has not adopted a resolution establishing an Executive Committee or any other committees.

The following committees of the Board of Directors of AEMHC serve for all entities within the holding company group.

The membership of the committees as of December 31, 2020 was as follows:

Governance Committee

<u>Name</u>	<u>Principal Business Affiliation</u>
James A. Walker*	Heim-Walker President and Chief Executive Officer
Kathy M. Collins	Massage Envy Chief Marketing Officer
Kathleen M. Redgate	Global Atlantic Financial Group Limited Former Executive Vice President

*Chair

Investment Committee

<u>Name</u>	<u>Principal Occupation</u>
John L. Maginn*	Maginn Associates President
Craig W. Bainbridge, M.D.	Retired Physician, Private Practice
Thomas A. Swank	American Enterprise Mutual Holding Company President and Chief Executive Officer

*Chair

Audit Committee

<u>Name</u>	<u>Principal Occupation</u>
Donna J. Blank*	National Financial Partners Corp. Former Chief Financial Officer
Michael E. Abbott	American Enterprise Mutual Holding Company Retired Chief Executive Officer
Terrance J. Lillis	Principal Financial Group Retired Chief Financial Officer

*Chair

OFFICERS

The Bylaws provide that the executive officers of the Company shall be a Chairman of the Board, a President, one of whom shall be designated by the Board of Directors as the Chief Executive Officer, and a Secretary. The Chief Executive Officer, the President, and the Secretary are elected annually by the Board of Directors at their annual meeting. The Company shall have other officers as may be appointed by the Chief Executive Officer. One person may hold two or more offices at the same time.

The principal officers serving at December 31, 2020 were as follows:

<u>Name</u>	<u>Title</u>
Thomas Swank	President and Chief Executive Officer
Scott Haugh	Senior Vice President, Chief Actuary, Chief Financial Officer and Treasurer
Eric Nemmers	Vice President, General Counsel and Secretary
David Keith	President of Insurance Solutions
Dennis Case	Senior Vice President and Chief Sales Officer
Debbie DeCamp	Vice President, Corporate Marketing and Communications
Margaret Brown	Vice President, Chief Human Resources Officer and Assistant Secretary
Sara Lehan	Vice President, Chief Investment Officer
Kim Barney	Vice President, Chief Administration Officer

<u>Name</u>	<u>Title</u>
Julie Larson	Vice President, Chief Technology and Innovation Officer
Julie Pearce	Assistant Vice President, AE Ventures
Chris Axiotis	Director Audit Services and Risk Management

Effective January 1, 2022, AEMHC adopted a co-Chief Actuary model. Matt Johnson was named the co-Chief Actuary and his focus is on the Health business. At that time, Dale Ward, who had served as Chief Actuary of the Company since October 15, 2021, became co-Chief Actuary and his focus is on the Life business. Scott Haugh retained his role as Chief Financial Officer and Treasurer.

The salaries for the above officers are shown in Exhibit A, found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors or key employees which is in conflict with, or is likely to be in conflict with the official duties of such person.

The Company requires its officers and directors to complete conflict-of-interest statements and disclose any known or potential conflict of interest as part of the annual disclosure process. The examiners reviewed the conflict of interest statements completed by the Company's officers and directors for each year of the period covered by this examination. No exceptions were noted.

CORPORATE RECORDS

Neither the Articles of Incorporation nor the Bylaws of the Company were amended or restated during the period under examination.

The recorded minutes of the meetings of the Shareholder, Board of Directors, and Committees were read and noted. They appeared to be complete and were found to be properly attested.

The Board of Directors of the Company acknowledged and accepted the 2015 Examination Report of the Company through written consent without a meeting on August 16, 2017.

FIDELITY BOND AND OTHER INSURANCE

Under a financial institution bond, AEMHC and affiliated companies are protected against loss from any fraudulent or dishonest act of any employee up to \$5,000,000 each loss occurrence and \$10,000,000 aggregate limit of liability which meets the NAIC recommended minimum amount.

The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

RELATED PARTY AGREEMENTS

Shared Services Agreement

Effective July 1, 2015, AEMHC and all of its subsidiary companies became parties to a Shared Services Agreement.

The Agreement allows American Enterprise Services Company (“AES”), as the employer of all employees in the AEMHC system and wholly owned subsidiary of AEG, to provide employee services and then allocate related employee expenses to all other affiliate companies.

The Agreement details the procedure for the affiliate companies to determine expense allocations annually related to these services, as well as for their review and reconciliation.

Consolidated Tax Allocation Agreement

AEMHC, AEG, the Company and its affiliates are parties to a Tax Allocation Agreement that provides for the allocation of certain tax benefits in the filing of a consolidated tax return.

EMPLOYEE WELFARE

AES is the sponsor of the American Enterprise 401(k) savings plan, under which the employees of the Company participate in a qualified defined contribution plan. Disability, dental and health insurance benefits are provided on a contributory basis through a cafeteria plan.

REINSURANCE

The reinsurance contracts of the Company were reviewed and no contract provisions were found to be outside the custom of the industry. All contracts had acceptable insolvency clauses and transfer of risk.

Assumed

Effective January 1, 2020, the Company entered into an intercompany coinsurance funds withheld agreement to assume a 100% quota share of remaining business not subject to other existing reinsurance agreements from MIC.

Effective January 1, 2018, the Company entered into an intercompany coinsurance agreement to assume all policies issued after December 31, 2017 from GWIC.

Effective December 31, 2017, the Company entered into an intercompany modified coinsurance agreement to assume all policies issued on and prior to December 31, 2017 from GWIC.

Effective January 1, 2016, the Company entered into an intercompany coinsurance agreement to assume a 100% quota share of remaining business not subject to other existing reinsurance agreements from MLHIC.

Effective July 1, 2012, the Company entered into an intercompany coinsurance agreement to assume a 100% quota share of certain accident and health and life products from MIC.

Effective April 1, 2010, the Company entered into an intercompany coinsurance agreement to assume a 100% quota share of Medicare supplement and life riders’ business from ARCIC.

Effective April 1, 2010, the Company entered into an intercompany coinsurance agreement to assume a 100% quota share of major medical and Medicare supplement products from MCLIC.

Effective January 1, 2009, the Company entered into a coinsurance agreement with American Family Insurance Company (“AmFam”) to assume on a 50% quota share basis a closed block of health policies consisting of both comprehensive major medical and Medicare supplement business. The Company receives a fee for the

administration of this block of business. The run-off of this business was accelerated in 2013 when AmFam announced their exit from the comprehensive major medical line of the business.

Effective November 10, 2008, the Company entered into an intercompany coinsurance agreement to assume a 50% quota share of Medicare supplement policies sold by AmFam agents from ARCIC.

Effective August 1, 2006, the Company entered into three new coinsurance agreements with Provident American Life & Health Insurance Company, Continental General Insurance Company, and CIGNA National Health Insurance Company to assume a 100% quota share of major medical business. All three treaties were part of a larger merger between three non-affiliates the Company had previous treaties in place with. The new treaties covered business agreed to by previous treaties.

Effective April 1, 1996, the Company entered into a coinsurance agreement to assume a 100% quota share of major medical business from RVI National Insurance Company.

Effective September 1, 1993, the Company entered into an indemnity reinsurance agreement on a risk premium basis to assume a 100% quota share of variable annuity business from UBS Life Insurance Company, USA ("UBS"). As part of the arrangement, the Company has on deposit with UBS an amount equal to the reinsured portion of the difference between the account value and the reserve. Simultaneously, a treaty was entered into by the Company providing coverage, on a yearly renewable term basis, for its portion of the risk assumed in conjunction with the guaranteed minimum death benefit of the variable annuity business.

Effective January 1, 1970, the Company entered into an indemnity reinsurance agreement to assume a 100% quota share of group life insurance from Lincoln National Life Insurance Company ("LNL").

Ceded

Effective July 1, 2019, the Company entered into a coinsurance agreement with General Re Life Corporation ("GRLC"). This agreement cedes approximately 15% of Medicare supplement business in force as of July 1, 2019.

The Company acquired through a merger in 1998 a block of life and annuity business. The business was originally reinsured through a 100% quota share reinsurance agreement with Memorial Life Insurance who went out of business in 2009. The business was then transferred to North American Life Insurance Company and then transferred on January 1, 2015 to Security National Life Insurance Company (Security National), who also administers the business.

A trust agreement between the Company, Security National and Zions Bank has been established to hold deposits on not less than 100% of the reserves on the reinsured policies.

In August 2010, the Company acquired a block of major medical business from Central Reserve Life Insurance Company, Continental General Insurance Company and Provident American Life and Health. In addition, selective coverages under this agreement were ceded to Hannover Life Reassurance Company of America under a 50% quota share coinsurance agreement effective August 1, 2010.

Effective November 10, 2008, the Company entered into a coinsurance agreement to cede a 50% quota share of the Company's Medicare supplement policies sold by American Family agents to American Standard Insurance Company of Wisconsin.

October 31, 2005, the Company entered into an indemnity reinsurance agreement to cede a 100% quota share of credit life and disability insurance to Canada Life Reinsurance Company (formerly London Life Reinsurance Company).

Effective October 1, 2003, the Company entered into an indemnity reinsurance agreement to cede whole life products to SCOR Global Life USA Reinsurance Company

Effective June 22, 2001, the Company entered into a coinsurance agreement to cede a 75% quota share of critical illness and cancer only business to SLD. This contract was terminated for new business on January 1, 2005.

Effective September 1, 2000, the Company entered into an indemnity reinsurance agreement to cede a 100% quota share of credit life and disability insurance, written by particular producer owned companies, to Life of the South Insurance Company.

Effective January 1, 2000 and September 1, 2011, the Company entered into two coinsurance agreements to cede a 50% quota share of dental business to Ameritas. Reinsurance limits are 50% on all insurance policies issued or renewed providing comprehensive dental benefit under both group and individual policies.

Effective January 1, 2000, the Company entered into a coinsurance agreement to cede term life business to Transamerica Life Insurance Company (Transamerica). The Company has multiple other small agreements with Transamerica which cede accidental death products and other life products.

Effective April 1, 1999, the Company entered into a coinsurance agreement to cede a 100% quota share of long-term care business to John Hancock Mutual Life. A trust agreement has been established for the benefit of the Company to hold deposits not less than 102% of reserves. Executed concurrently with this agreement is a modified coinsurance agreement whereby 25% of this long-term care business is retroceded back to the Company.

Effective January 1, 1997, the Company entered into an indemnity reinsurance agreement ceding accidental death benefits to Swiss Re Life & Health America, Inc.

Effective January 1, 1997, the Company entered into a coinsurance agreement to cede a 100% quota share on a block of disability income and various other sickness and accident policy forms to United Teachers Associates Insurance Company.

Effective January 1, 1997, the Company entered into an indemnity reinsurance agreement to cede universal life products to GRLC.

The Company cedes its excess of \$50,000 retention to reinsurers participating from 25% to 100% on cessions of various policy forms. Run-off continues at the date of this report.

Effective January 29, 1996, the Company entered into a coinsurance agreement to cede a 100% quota share of Ultima flexible premium annuity products to LNL. The Company has multiple other small agreements with LNL which cede universal life and traditional whole life products.

Effective September 1, 1993, the Company entered into a coinsurance agreement to cede a 90% quota share of the Company's liability for certain long-term care contracts to Genworth Life Insurance Company. The coinsurer performs all administrative functions on these policies. A trust agreement has been established for the benefit of the Company to hold deposits not less than 105% of reserves.

Effective January 1, 1993 and February 1, 1993, the Company entered into two indemnity agreements with Security Life of Denver (SLD) to provide 50/50 coverage on traditional whole life and universal life products. The Company retains the first \$100,000 of benefits under the policies and automatically cedes 100% of the excess not to exceed \$400,000 for Ages 0 through 70. Waiver of premium and accidental death benefits are not reinsured under

these agreements. The Company has multiple other small indemnity reinsurance agreements with SLD which cede universal life, term life, and disability products.

Effective March 18, 1988, the Company entered into a reinsurance agreement to cede a 100% quota share of the liability for certain group term life and disability income policies to Union Fidelity Life Insurance Company.

Effective February 9, 1987, the Company entered into a reinsurance agreement to cede a 100% quota share of the liability for certain disability income policies to Union Central Life Insurance Company/Ameritas Life Insurance Corporation. This agreement has been terminated as to new business.

STATUTORY DEPOSIT

The Company had securities on deposit with the Iowa Insurance Division in excess of the minimum statutory requirement.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in 49 states and the District of Columbia (the Company is not licensed in New York). The Company offers Medicare supplement and other individual and family health coverages, as well as single premium whole life, and has closed blocks of universal life. The products are primarily marketed through career agents, managing general agents, and general agents.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the annual statements for the years indicated.

(000's omitted)

<u>Year</u>	<u>Admitted Assets*</u>	<u>Capital and Surplus</u>	<u>Premium Income Life</u>	<u>Life Insurance Inforce Annuity</u>	<u>A&H</u>	<u>Ordinary</u>	<u>Group</u>
2016	\$ 936,807	\$511,112	\$ 17,392	\$ 48	\$ 374,632	\$1,432,868	\$ 73,995
2017	936,608	444,980	18,367	46	423,568	1,564,169	1,239,684
2018	1,056,343	481,824	236,316	3,030	436,578	1,489,374	1,302,617
2019	1,135,278	519,659	213,808	3,028	410,080	1,401,414	1,332,511
2020	1,267,079	569,486	201,585	2,907	371,268	1,334,599	1,346,617

* Excludes Separate Accounts

ACCOUNTS AND RECORDS

The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. In most areas, an imaging system is used to maintain documents on the computer system rather than maintaining the original documents (paper) or other media (microfilm, microfiche, etc.). The Information Systems controls were reviewed by this examination. No material exceptions were noted to accepted control practices and procedures.

The trial balance of the Company's general ledger was taken for 2020 and was found to be in agreement with the office copy of the filed annual statement.

The records in the Company's policy master file were sampled and tested by comparing data contained in supporting documents to data contained in the computer records. No material discrepancies were noted.

During the course of examination, no statutory violations or material differences with the amounts reflected in the financial statements, as presented in the annual statement at December 31, 2020, were identified.

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.

Assumed Reinsurance Agreement

Effective January 1, 2021, the Company entered into a modified coinsurance agreement with American Life and Security Corporation ("ALSC") to assume a 20% quota share of both Fixed Indexed Annuity business and Multi-Year Guaranteed Annuity business. ALSC reported net reserves of \$75,292,076 as of December 31, 2021. Gross premium assumed by the Company under the agreement in 2021 was \$79,346,063.

Dividend Paid

The Company paid a cash dividend of \$5,000,000 to AEG on June 18, 2021.

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 and present the financial condition of the Company for the period ending December 31, 2020.

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$ 879,933,803	\$	\$ 879,933,803
Preferred stocks	1,000,000		1,000,000
Common stocks	96,161,743		96,161,743
Mortgage loans on real estate – first liens	99,875,541		99,875,541
Real estate properties occupied by the company	29,897,456		29,897,456
Cash, cash equivalents and short-term investments	26,249,736		26,249,736
Contract loans	6,176,211		6,176,211
Other invested assets	16,125,284	517,774	15,607,510
Receivables for securities	86,669		86,669
Investment income due and accrued	7,736,234		7,736,234
Uncollected premiums and agents' balances in the course of collection	844,037		844,037
Deferred premiums booked but deferred and not yet due	11,621,106		11,621,106
Amounts recoverable from reinsurers	3,325,756		3,325,756
Funds held by or deposited with reinsured companies	5,549,337		5,549,337
Other amounts receivable under reinsurance contracts	48,149,843		48,149,843
Net deferred tax asset	12,444,570	5,316,417	7,128,153
Guaranty funds receivable or on deposit	2,395,055		2,395,055
Electronic data processing equipment and software	910,879	748,143	162,736
Furniture and equipment	2,908,654	2,908,654	
Health care and other amounts receivable	169,574	169,574	
Miscellaneous receivable	292,048	130,165	161,883
Prepaid expenses	13,600	13,600	
Cash value corporate owned life insurance	25,016,266		25,016,266
Autos	23,679	23,679	
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$1,276,907,080</u>	<u>\$9,828,006</u>	<u>\$1,267,079,074</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 394,914,983
Aggregate reserve for accident and health contracts	87,102,054
Liability for deposit-type contracts	58,308,788
Life contract claims	5,541,418
Accident and health contract claims	26,943,360
Policyholders' dividends and refunds to members apportioned for payment	1,499,859
Premiums and annuity considerations received in advance	20,888,362
Other amounts payable on reinsurance	43,318,197
Interest maintenance reserve	2,444,549
Commissions to agents due or accrued-life and annuity contracts	9,413
Commissions and expense allowances payable on reinsurance assumed	13,001,339
General expenses due or accrued	11,934,221
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,454,699
Current federal and foreign income taxes	338,521
Unearned investment income	105,725
Amounts withheld or retained by company as agent or trustee	3,772,759
Amounts held for agents' account	84,345
Remittances and items not allocated	671,269
Asset valuation reserve	14,869,140
Payable to parent, subsidiaries and affiliates	1,466,202
Payable for securities	1,165,000
Unclaimed property	527,635
Liability for pension	5,230,770
	<hr/>
Total Liabilities	\$ 697,592,607
	<hr/>
Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	13,995,517
Unassigned funds (surplus)	550,490,950
	<hr/>
Total Surplus and Other Funds	\$ 569,486,467
	<hr/>
Total Liabilities, Surplus and Other Funds	\$1,267,079,074
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SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$575,760,091
Considerations for supplementary contracts with life contingencies	164,078
Net investment income	33,067,990
Amortization of Interest Maintenance Reserve	824,551
Commissions and expense allowances on reinsurance ceded	15,641,330
Miscellaneous income	2,102,796
Total	<u>\$629,560,837</u>
Death benefits	\$168,965,375
Matured endowments	461,838
Annuity benefits	3,257,001
Disability benefits and benefits under accident and health contracts	233,649,814
Surrender benefits and withdrawals for life contracts	3,593,429
Interest and adjustments on contract or deposit-type contract funds	1,580,566
Payments on supplementary contracts with life contingencies	108,955
Increase in aggregate reserves for life and accident and health contracts	81,393,387
Total	<u>\$493,010,365</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	\$ 5,125,667
Commissions and expense allowances on reinsurance assumed	165,497,367
General insurance expenses	5,990,590
Insurance taxes, licenses and fees, excluding federal income taxes	2,031,094
Increase in loading on deferred and uncollected premiums	3,171,415
Fines/penalties	2,859
Modco Reserve Adjustment - Affiliated	(99,839,837)
Total	<u>\$574,989,520</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 54,571,317
Dividends to policyholders	<u>1,430,994</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 53,140,323
Federal and foreign income taxes incurred	<u>10,806,437</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 42,333,886
Net realized capital gains or (losses)	<u>160,567</u>
Net Income	<u>\$ 42,494,453</u>

CAPITAL & SURPLUS

Capital and surplus, December 31, 2019	<u>\$519,659,334</u>
Net income	\$ 42,494,453
Change in net unrealized capital gains (losses) less capital gains tax	14,332,229
Change in net deferred income tax	165,629
Change in non-admitted assets	1,617,761
Change in asset valuation reserve	(3,796,841)
Dividends to stockholders	(4,000,000)
Unrecognized pension liability	<u>(986,098)</u>
Net change in capital and surplus for the year	<u>\$ 49,827,133</u>
Capital and Surplus, December 31, 2020	<u>\$569,486,467</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$562,764,501	
Net investment income	35,276,314	
Miscellaneous income	19,028,569	
Total		\$617,069,384
Benefit and loss related payments	\$407,025,299	
Commissions, expenses paid and aggregate write-ins for deductions	78,163,932	
Dividends paid to policyholders	1,437,433	
Federal and foreign income taxes paid (recovered)	12,861,515	
Total		499,488,179
Net cash from operations		\$117,581,205

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 95,431,268	
Stocks	772,624	
Mortgage loans	2,438,940	
Other invested assets	1,552,999	
Miscellaneous proceeds	362,920	
Total investment proceeds		\$100,558,751
Cost of investments acquired:		
Bonds	\$161,512,208	
Stocks	12,391,958	
Mortgage loans	19,141,205	
Other invested assets	2,721,400	
Total investments acquired		195,766,771
Net increase (or decrease) in contract loans and premium notes		(452,250)
Net cash from investments		\$(94,755,770)

Cash from Financing and Miscellaneous Sources

Net deposits on deposit-type contracts and other liabilities	(62,951)	
Dividends to stockholders	4,000,000	
Other cash provided (applied)	(5,650,531)	
Net cash from financing and miscellaneous sources		\$ (9,713,482)

Reconciliation of Cash, Cash Equivalents, and Short-Term Investments

Net change in cash, cash equivalents and short-term investments	\$ 13,111,953
Cash, cash equivalents and short-term investments:	
Beginning of year	13,137,782
End of year	\$ 26,249,736

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, examiners from the Iowa Insurance Division, INS Services, Inc., information systems specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Thomas Allen

Thomas Allen, CFE
Examiner-in-Charge
Examination Resources, LLC on behalf of the Iowa Insurance
Division
State of Iowa

/s/ Amanda Theisen

Amanda Theisen, CFE
Supervisor, Assistant Chief Examiner
Iowa Insurance Division
State of Iowa