

EXAMINATION REPORT OF
HOMESTEADERS LIFE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2020

West Des Moines, Iowa
May 26, 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

HOMESTEADERS LIFE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2020

with its principal place of business at 5700 Westown Parkway, West Des Moines, Iowa, 50266.

INTRODUCTION

Homesteaders Life Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2015. The examination reported herein was conducted by examiners of the Iowa Insurance Division (“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 (“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 organization 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 on January 5, 1906 as a fraternal benefit association under the name of the “Homesteaders Life Association”. The Articles of Incorporation were amended and substituted on March 8, 1948. The Amended and Substituted Articles of Incorporation changed the corporate structure to a legal reserve or level premium company doing business as a mutual life insurance company under the name of “Homesteaders Life Company”. The effective date of becoming a mutual life insurance company was July 1, 1948.

The Company purchased all of the outstanding stock of the McNabb Insurance Company of Pocahontas, Arkansas in December 1972.

The Company reinsured the Standard Mutual Association, an assessment life insurance company of Cassville, Missouri in October 1974.

Effective January 1, 1995, the Company assumed all policies and contracts written or reinsured by American Farmers Mutual Life Insurance Company, Des Moines, Iowa pursuant to a Reinsurance and Assumption Agreement.

Effective November 30, 2004, the Company assumed certain insurance policies written by National Mutual Life Insurance Company, an Indiana corporation, pursuant to a Reinsurance and Assumption Agreement.

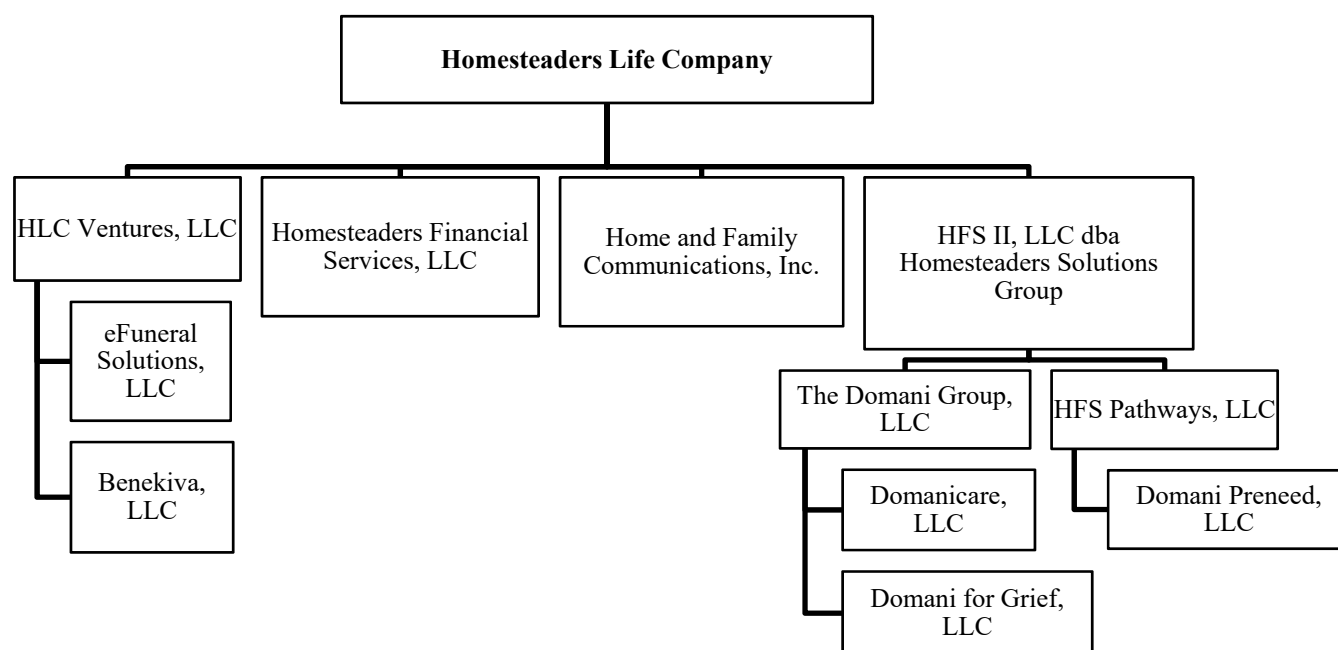
SURPLUS NOTES

A surplus note at face value of \$5,000,000 for a cash payment less transaction expenses was issued on September 30, 2003. The note bears interest at an eight percent (8%) fixed rate for five years, then a variable rate equal to the six month LIBOR plus 3.95%. Principal and/or interest paid in 2020 was \$280,508, and total principal and/or interest paid was \$13,647,337. The note matures on September 30, 2033. All principal and interest payments on the note require permission from the Iowa Insurance Commissioner.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The Company owns 100 percent of Home and Family Communications, Inc., a downstream non-insurance subsidiary. The Company is a single member owner of Homesteaders Financial Services, LLC. The Company has investments in multiple Single Member Limited Liability Companies. The financial statements for these entities are un-audited, so the equity value is recorded as a non-admitted asset and charged to surplus. The Company has been granted an exemption from filing under the holding company act.

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



RELATED PARTY AGREEMENTS

Management Services Agreement

The Company entered into a Management Services Agreement, effective August 2, 2016, with its wholly owned subsidiary, eFuneral Solution, LLC, which provides for the provision of certain accounting financial, compliance, legal, general services, and physical resources.

Management and Administrative Services Agreement

The Company entered into a Management and Administrative Services Agreement, effective March 15, 2018, with its affiliate, Benekiva, LLC, which provides for the provision of certain accounting and financial services, general services and physical resources, and use of certain office space facilities.

Management and Administrative Services Agreement

The Company entered into a Management and Administrative Services Agreement, effective January 1, 2020, with its wholly owned subsidiary, HFS II, LLC, which provides for the provision of certain accounting and financial services, general services and physical resources, compliance, and legal services.

Management and Administrative Services Agreement

The Company entered into a Management and Administrative Services Agreement, effective January 1, 2020, with its affiliate, HFS Pathways, LLC, providing for the provision of certain accounting, financial compliance, legal, general services, and physical resources.

Management and Administrative Services Agreement

The Company entered into a Management and Administrative Services Agreement, effective April 24, 2020, with its affiliate, The Domani Group LLC, including subsidiaries Domanicare, LLC and Domani for Grief, LLC, providing for the provision of certain accounting, financial, compliance, legal general services, and physical resources.

Shared Services Agreement

Preneed Funeral Programs, LLC, (a subsidiary of HFS III, LLC, as of March 31, 2021) entered into a Shared Services Agreement with its wholly owned subsidiary, Pre-Need Funeral Programs, Inc., effective March 31, 2021, providing for the provision of accounting, marketing, financial, compliance, legal, general services, and other resources.

MANAGEMENT AND CONTROL

MEMBERSHIP

The annual meeting of the members of the Company for the election of Directors and for the transaction of such other business as properly may come before such meeting shall be held on the third Monday of February of each year at 10:00 a.m. at the principal offices of the Company, or within the sole discretion of the Board of Directors, as such other date and as such time as may be fixed from time to time by resolution of the Board of Directors and set forth in a notice or waiver of notice of the meeting.

Special meetings of the members, may be called at any time by the Board of Directors and shall be called by the Board at the request of twenty percent (20%) of the voting members. A quorum for any meeting of the members of the Company shall consist of that number of voting members holding in person or by proxy of at least (20) twenty votes.

BOARD OF DIRECTORS

The By-Laws provide that the business and affairs of the Company shall be managed by or under the direction of the Board of Directors. The number of Directors of the Company shall be at least seven (7) and no more than fifteen (15) members. No Director shall serve as a member of the Board of Directors beyond the first Board meeting after the Director's 72nd birthday.

The Directors shall serve staggered terms of five (5) years each. The term of each Director shall be five (5) years unless he or she shall be elected or appointed to complete the unexpired portion of a term. Special meetings of

the Board of Directors may be held at any time, on the call of the Chairman of the Board or the President-Chief Executive Officer.

The Directors duly elected and serving at December 31, 2020 were as follows:

<u>Name and Address:</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
John M. Paule West Des Moines, IA	Retired Executive FBL Financial Group, Inc.	2022
Peter A. Brown Des Moines, IA	Commercial Real Estate Broker Peter A. Brown Commercial Real Estate Services	2023
Stephen R. Lang Des Moines, IA	Retired-Chairman of the Board, President-CEO Homesteaders Life Company	2023
Mary K. Roth Des Moines, Iowa	President RC Search Group	2023
David E. Watson West Des Moines, Iowa	Partner LWBJ Financial	2025
Stephen M. Shaffer Waukee, IA	Chairman of the Board President and CEO of HLC	2026
John W. Chandler Des Moines, IA	Speaker/Advisor Self-Employed/Prior SVP Mass Mutual	2026
Maria Ferrante-Schepis Des Moines, IA	President Maddock Douglas	2026

All directors eligible for re-election at the policyowner's annual meeting held on February 15, 2021 were re-elected.

As of March 1, 2016, outside directors receive an annual retainer of \$32,500 for their services. In addition to the annual retainer, each outside director is paid \$1,500 for each quarterly and special board meeting attended and \$1,500 for each special and regular board committee meeting attended. The Chairperson fee is \$1,000 per meeting.

COMMITTEES

Per the Amended and Substituted Articles of Incorporation and the Restated Bylaws, the Board of Directors may designate three (3) or more of its members to constitute an Executive Committee. The Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee. The Executive Committee shall not have the authority of the Board of Directors in reference to amending the Articles of Incorporation. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his or her designation. An Executive Committee is not currently established.

The Board of Directors may, from time to time, by resolution adopted by a majority of the full Board of Directors, appoint from its members, a committee or committees, temporary or permanent, and to the extent permitted

by law and these Bylaws, may designate the duties, powers and authorities of such committee. In May of 2015, the Board of Directors passed resolutions to reconstitute or establish the Audit, Corporate Governance/Nominating, Investment, and Compensation committees.

The Committees and their membership as of December 31, 2020 are as follows:

Corporate Governance/Nominating Committee

Stephen R. Lang, Chairperson
William H. Newland M.D., Former Director
Peter A. Brown
John M. Paule
Stephen M. Shaffer
Marla G. Lacey (Management Liaison)

Audit Committee

David E. Watson, Chairperson
John Chandler
Maria Ferrante-Schepis
William H. Newland M.D., Former Director
Mary K. Roth
Steve W. Pick (Management Liaison)

Investment Committee

John M. Paule, Chairperson
Stephen R. Lang
Mary K. Roth
Stephen M. Shaffer
Doug S. Earney (Management Liaison)

Compensation Committee

Peter A. Brown, Chairperson
David E. Watson
John W. Chandler
Maria Ferrante-Schepis
Judith A. Ralston-Hanson (Management Liaison)

OFFICERS

The Officers of the Company shall be a President-Chief Executive Officer, one or more Vice Presidents (the number thereof to be determined by the President), a Secretary, a Treasurer, and such other officers as may be necessary as determined by the President-Chief Executive Officer. The President-Chief Executive Officer shall be elected by the Board of Directors. The President-Chief Executive Officer shall appoint all other officers and assistant officers as may be deemed necessary.

Duly elected officers at December 31, 2020 are as follows:

<u>Name</u>	<u>Title</u>
Stephen M. Shaffer	Chairman of the Board, President, Chief Executive Officer
Stephen W. Pick	Executive Vice President, Treasurer, Chief Financial Officer
Judith A. Ralston-Hansen	Executive Vice President, Human Resources & Corporate Secretary
Wade J. Comstock	Executive Vice President, Operations
Nicholas C. Gerhart	Executive Vice President, Chief Innovation Officer
James P. Koher*	Executive Vice President, Chief Actuary
Marla G. Lacey	Executive Vice President, General Counsel
Lyndon T. Peterson	Executive Vice President, Sales & Marketing
Krista J. Celsi-Frank	Senior Vice President, Customer Service
Doug S. Earney	Senior Vice President, Chief Investment Officer
Wayne J. Huegerich	Senior Vice President, Accounting & Controller
Dean A. Lambert	Senior Vice President, Marketing & Communications
Kim M. Medici Shelquist	Senior Vice President, Planning & Development
William J. Bischoff	Vice President, Strategic Markets
Laurie S. Covington	Vice President, Application Delivery
Daniel R. Lodermeier	Vice President, Field Sales
Jill M. Muenich	Vice President, Field Sales
Joseph E. Sherrard	Vice President, Networking & Security

Name

Title

Tracy A. Whitaker

Vice President, Legal, Compliance & Assistant General Counsel

*James P. Koher, Appointed Actuary of Homesteaders Life Company, was replaced by Judith A. Naanep on February 17, 2021.

The compensation for the above officers is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure for the annual disclosure to the Board of Directors of any material interest or affiliation on the part of directors, officers and key employees, which is in conflict with, or is likely to be in conflict with the official duties of such person. No conflicts were noted in the signed statements that were reviewed for each of the years in the examination period.

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 requested to review the conflict-of-interest statements completed by the Company's officers and directors for each year of the period covered by this examination. No material exceptions were noted.

CORPORATE RECORDS

The Articles and Bylaws were amended and restated February 22, 2016.

On August 8, 2017, the Board of Directors authorized the First Amendment of the Restated Bylaws of February 22, 2016 to correct an error regarding the affirmative vote required by the Bylaws, Actions Requiring Supermajority Board Vote to include specific actions that require the affirmative vote of two-thirds of all Directors, and to provide for each director to be paid expenses for participation at each meeting of the Board.

FIDELITY BONDS AND OTHER INSURANCE

The NAIC suggested minimum coverage is \$2,000,000 for the fidelity bond. The Company carries \$2,250,000 and \$4,000,000 aggregate limit of liability. The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

EMPLOYEES' WELFARE

The Company provides its employees with group life, health, dental and long-term disability insurance, a 401K profit sharing plan with an annual discretionary profit-sharing component, and a flexible benefits plan.

REINSURANCE

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

Life Assumed

Effective October 1, 2000, the Company assumed fifty percent of the risk from the first dollar for an unaffiliated insurer's limited pay whole life policy. This agreement was terminated effective December 31, 2004, with

the exception of new business written in groups that were in existence at the end of 2004. Effective December 4, 2006, the treaty was terminated for all new business, regardless of relationship to an existing group.

Life Ceded

Effective June 30, 1989, the Company entered into a 100% coinsurance agreement with an authorized reinsurer, under which a specified block of paid-up life insurance policies administered by the Company were ceded to the reinsurer. 11,378 policies were originally reinsured with a face amount of \$8.6 million and statutory reserves of \$6.1 million.

Effective January 1, 1995, the Company entered into a 90% modified coinsurance agreement with an authorized reinsurer, under which a specified block of single premium deferred annuities and annual premium deferred annuities issued after January 1, 1990 were ceded to the reinsurer.

Effective March 1, 2009, the Company entered into a yearly renewable term agreement with an authorized reinsurer, under which a specified block of life policies issued under the Company's "Assurance Select" product were ceded to the reinsurer at 50% on a first dollar quota share basis.

Effective January 1, 2002, the Company entered into a coinsurance agreement with Scottish Re Inc. Scottish Re Inc.'s share for modal premium reinsured policies is as follows: 50% for issue year 2002, 33% for issue year 2003, 25% for issue year 2004, 15% for issue year 2005, and 0% for issue years after 2005. Scottish Re Inc.'s share for single premium reinsured policies is as follows: 26% for issue year 2002 and 0% for issue years after 2002. Scottish Re Inc. will accept up to \$15,000 of death benefit on any one life for issue year 2002. For issue years after 2002, Scottish Re Inc. will accept up to \$10,000 of death benefit on any on life.

Scottish Re was ordered into receivership on March 26, 2019 for the purpose of rehabilitation by the State of Delaware, with the Insurance Commission of the State of Delaware appointed as its statutory receiver. It is not known what impact, if any, the receivership will have on the Company's recoverability of the reserve credit of \$32.3 million and the recoverable on paid losses of \$1.1 million as of December 31, 2020. The Company has non-admitted \$7.14 million of recoverable losses relating to activity in 2019 and the first nine months of 2020.

STATUTORY DEPOSIT

The Company had securities and other assets on deposit with the Division in excess of the minimum statutory requirements.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in 49 states and the District of Columbia. The Company is not authorized to write business in New York.

GROWTH OF COMPANY

The growth of the Company is reflected by the following significant data taken from the office copies of the filed annual statements for the years indicated (000's omitted):

Year	Net Investment Income	Admitted Assets	Capital and Surplus	Life Insurance	Annuity Premiums	Life Insurance In-force	Aggregate Life Reserves
2016	\$121,416	\$2,771,528	\$180,484	\$443,623	\$13,129	\$3,588,668	\$2,521,108
2017	124,968	2,921,342	193,242	467,180	12,805	3,744,307	2,654,639
2018	128,409	3,068,849	207,001	478,766	13,396	3,898,384	2,785,444
2019	132,992	3,213,162	215,334	477,082	12,965	4,044,120	2,910,719
2020	132,928	3,249,408	209,947	438,333	11,491	4,093,300	2,956,800

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 for 2020 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 the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2020.

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. The Company experienced COVID-driven pressures on mortality and sales; however, the Company finished the year with solid results in the face of the pandemic. As such, the Division will continue to monitor COVID-19 developments.

Scottish Re Receivership

The Company has a \$32.3 million reinsurance reserve credit with Scottish Re (U.S) (SRUS). SRUS was placed under rehabilitation in Delaware in March of 2019 which may impact the Company's ability to maintain the full reserve credit going forward. The Division suspended SRUS's certificate of authority in May of 2019 and, until further notice, is allowing Iowa domestic insurers to continue taking the reserve credit subject to the insurer's

performing an impairment analysis each quarter supporting such position. As of the date of this report, the Rehabilitation Plan has not been finalized and management is continually monitoring the Delaware Court's proceedings. As such, the Division will continue to monitor the SRUS developments.

Capital Funding

The Company authorized additional capital funding of \$9.3 million for subsidiaries HLC Ventures LLC, HFS II, and HFS III LLC to cover the period up to and including first quarter 2023, to be allocated between the designated subsidiaries and the subsidiaries of those subsidiaries.

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.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

<u>Ledger</u>	<u>Admitted</u>	<u>Not Admitted</u>	<u>Total</u>
Bonds	\$ 2,887,242,220	\$ -	\$ 2,887,242,220
Common stocks	3,971,500	102,000	3,869,500
Mortgage loans on real estate first liens	171,084,477		171,084,477
Real estate properties occupied by the company	9,737,580		9,737,580
Cash, cash equivalents, short-term investments	65,502,124		65,502,124
Contract loans	1,533,083		1,533,083
Other invested assets	47,144,851	6,064,763	41,080,088
Investment income due and accrued	29,364,762		29,364,762
Uncollected premiums and agents balances in the course of collection	394,475		394,475
Deferred premiums, booked but deferred, not due	18,049,650	1,109,607	16,940,043
Amounts recoverable from reinsurers	7,653,693	6,494,677	1,159,017
Other amounts receivable under reinsurance contracts	866,381	645,758	220,623
Current federal and foreign income tax recoverable and interest thereon	1,151,005		1,151,005
Net deferred tax asset	25,898,452	6,493,315	19,405,137
Guarantee funds receivable or on deposit	459,289	0	459,289
Electronic data processing equipment and software	327,570	86,594	240,976
Furniture and equipment	32,197	32,197	0
Receivables from parent, subsidiaries, and affiliates	23,648		23,648
Negative IMR	2,490,741	2,490,741	0
Prepaid expenses	<u>234,788</u>	<u>234,788</u>	<u>0</u>
Total assets	<u>\$ 3,273,162,486</u>	<u>\$ 23,754,439</u>	<u>\$ 3,249,408,047</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 2,956,800,193
Liability for deposit type contracts	1,771,861
Life contract claims	5,204,415
Premiums and annuity considerations received in advance	218,819
Commissions to agents due or accrued life and annuity contracts	1,912,386
General expenses due or accrued	7,005,769
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,743,494
Unearned investment income	3,163
Amounts withheld or retained by company as agent or trustee	2,096,654
Amounts held for agents account	9,304,744
Remittances and items not allocated	884,716
Asset valuation reserve	22,903,690
Customer Loyalty Program	25,959,736
Liability for deferred compensation agreements	3,627,532
Miscellaneous liability	<u>23,648</u>
 Total liabilities	 \$ <u>3,039,460,820</u>
 Surplus notes	 5,000,000
Unassigned Funds (Surplus)	<u>204,947,230</u>
 Total Surplus and Other Funds	 \$ <u>209,947,230</u>
 Total Liabilities, Surplus and Other Funds	 \$ <u>3,249,408,050</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life, accident and health contracts	\$ 449,823,767
Net investment income	132,928,444
Amortization of Interest Maintenance Reserve	8,846
Commissions and expense allowances on reinsurance ceded	397,982
Other miscellaneous income	<u>330,684</u>
Total	<u>\$ 583,489,722</u>
Death benefits	401,922,428
Matured endowments	4,739
Annuity benefits	14,698,688
Disability benefits and benefits under accident and health contracts	36
Surrender benefits and withdrawals for life contracts	1,969,227
Interest and adjustments on contract or deposit-type contract funds	106,957
Increase in aggregate reserves for life, accident and health contracts	<u>46,081,277</u>
Total	<u>\$ 464,783,352</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	56,799,543
General insurance expenses	32,190,437
Insurance taxes, licenses and fees, excluding federal income taxes	10,151,413
Increase in loading on deferred and uncollected premiums	(637,029)
Aggregate write-ins for deductions	<u>3,894,145</u>
Total	<u>\$ 567,181,861</u>
Net gain from operations before dividends to policyholders and federal income taxes	<u>\$ 16,307,861</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 16,307,861
Federal and foreign income taxes incurred	<u>4,608,858</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 11,699,003
Net realized capital gains or (losses)	<u>(1,256,332)</u>
Net Income	<u>\$ 10,442,672</u>

CAPITAL & SURPLUS

Capital and surplus, December 31, 2019	<u>\$ 215,334,477</u>
Net income	\$ 10,442,672
Change in net unrealized capital gains (losses) less capital gains tax	(5,477,805)
Change in net deferred income tax	4,471,901
Change in non-admitted assets	(12,400,521)
Change in surplus notes	<u>(2,423,495)</u>
Net change in capital and surplus for the year	<u>\$ (5,387,248)</u>
Capital and Surplus, December 31, 2020	<u>\$ 209,947,229</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 451,006,661	
Net investment income	146,629,693	
Miscellaneous income	<u>346,554</u>	
Total		\$ 597,982,908
Benefit and loss related payments	\$ 421,003,860	
Commissions, expenses paid and aggregate write-ins	107,958,107	
Dividends to policyholders	0	
Federal income taxes (paid) recovered	<u>6,300,000</u>	
Total		<u>535,261,967</u>
Net cash from operations		<u>\$ 62,720,940</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 237,985,253	
Stocks	1,204,000	
Mortgage loans	8,899,047	
Other invested assets	<u>376,150</u>	
Total investment proceeds		<u>\$ 248,464,450</u>
Cost of investments acquired (long-term only):		
Bonds	\$ 247,702,901	
Stocks	1,306,500	
Mortgage loans	9,167,270	
Real estate	45,538	
Other invested assets	<u>12,964,695</u>	
Total investments acquired		<u>271,186,903</u>
Net increase (decrease) in contract loans and premium notes	(62,562)	<u>(62,562)</u>
Net cash from investments		<u>\$ (22,659,892)</u>

Cash from Financing and Miscellaneous Sources

Cash provided:		
Net deposits on deposit-type contracts and other insurance liabilities	\$ (388,962)	
Other cash provided (applied)	<u>(5,669,340)</u>	
Net cash from financing and miscellaneous sources		<u>\$ (6,058,302)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 34,002,746
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>31,499,378</u>
End of year	<u>\$ 65,502,124</u>

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 Regulatory Insurance 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/ Cecilee Diamond-Houdek

Cecilee Diamond-Houdek, CFE, CPA, MCM
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
on behalf of the Iowa Insurance Division
State of Iowa

/s/ Amanda Theisen

Amanda Theisen, CFE, PIR, MCM
Supervisor and Assistant Chief – Examinations
Iowa Insurance Division
State of Iowa