

EXAMINATION REPORT OF
NIPPON LIFE INSURANCE COMPANY OF AMERICA
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2020

Des Moines, Iowa
May 18, 2022

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

Commissioner Ommen:

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

NIPPON LIFE INSURANCE COMPANY OF AMERICA

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2020

At its statutory home office, 7115 Vista Drive, West Des Moines, Iowa and its executive headquarters, 655 Third Avenue, 16th Floor, New York, New York.

INTRODUCTION

Nippon Life Insurance Company of America, hereafter referred to as the “Company,” was last examined as of December 31, 2015, by the Iowa Insurance Division and Examination Resources, LLC.

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 we 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 incorporated August 23, 1972 as the New England General Life Insurance Company under the laws of the State of Delaware with an authorized capital of \$4,000,000 divided into 40,000 shares of \$100 par value common stock.

The Company re-domesticated and reincorporated as an Iowa corporation on December 17, 1991, and on December 20, 1991, Nippon Life Insurance Company of Japan (“Nippon Life of Japan”), a Japanese insurance corporation, purchased all of the outstanding stock of the Company and changed the name of the Company to Nippon Life Insurance Company of America.

On January 10, 1997, Nippon Life of Japan contributed an additional \$50,000,000 in capital which the Company applied to the growth of its group insurance business in its targeted market.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The aggregate number of shares of stock the Company is authorized to issues is 40,000 shares of \$100 par value common stock. Issued and outstanding capital stock, as of December 31, 2020, consists of 36,000 shares with \$3,600,000 in common capital stock and \$94,953,992 in gross paid-in and contributed surplus. The Company is 97% owned by Nippon Life of Japan and 3% owned by Principal Financial Group.

The payment of dividends by the Company to its stockholders is regulated under Iowa law. Under Iowa law, the Company may pay dividends only from the earned surplus arising from its business and must receive prior approval of the Commissioner of Insurance of the State of Iowa to pay any dividend that would exceed certain statutory limitations.

Dividends paid to stockholders during the examination period:

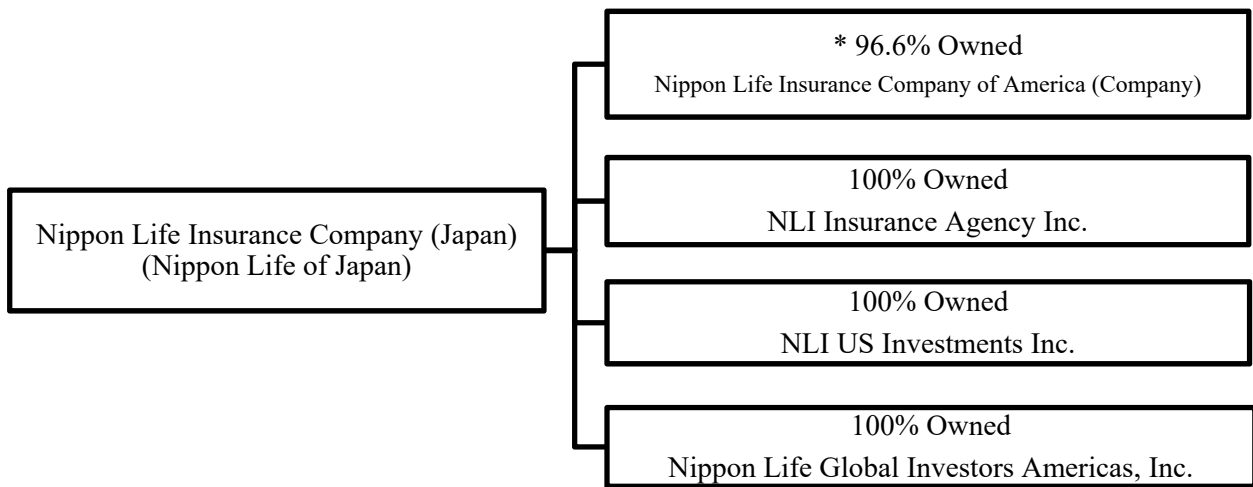
<u>Year</u>	<u>Dividends Paid</u>
2016	\$ 2,313,000
2017	270,000
2018	729,000
2019	2,268,000
2020	1,764,000

All dividends paid during the examination period were considered ordinary dividends.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. Nippon Life of Japan is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed with the Iowa Insurance Division for each year of the examination period.

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



* 3.4% owned by Principal Financial Group, Inc., an unaffiliated company.

MANAGEMENT AND CONTROL

Stockholders

As stated in the Bylaws, the annual meeting of the stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Iowa, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Special meetings of the stockholders may be called at any time by the Chairman of the Board, the Vice Chairman of the Board, the President or the Board of Directors, to be held at such time and place either within or without the State of Iowa as may be stated in the notice of the meeting. A special meeting of stockholders shall be called by the Secretary upon the written request, stating the purpose of the meeting, of stockholders who together own a record 25% of the outstanding stock of any class entitled to vote at such meeting.

A written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than 50 days before the date of the meeting to each stockholder entitled to vote at such meeting.

Each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him or her which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

The holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time until a quorum shall attend. Notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Company may transact any business which might have been transacted at the original meeting.

Meetings of stockholders shall be presided over by the Chairman of the Board, or in his or her absence by the Vice Chairman of the Board, or in his or her absence by the President, or in his or her absence by a Vice President, or in the absence of the foregoing persons, by a Chairman designated by the Board of Directors, or in the absence of such designation by a Chairman chosen at the meeting. The Secretary shall act as Secretary of the meeting, but in his or her absence the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

Any action required by law to be taken at any annual or special meeting of stockholders of the Company, or any action which may be taken at any annual or special meeting, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having no less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Board of Directors

The affairs of the Company shall be managed by a Board of Directors of not less than five (5) nor more than twenty-one (21), the exact number of directors to be specified from time to time as set forth in the By-Laws of the Corporation. The Directors shall elect such officers as they see fit or as may be provided for in the By-Laws of the Corporation. The number of directors shall consist of five or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

At each annual meeting of the stockholders, the stockholders shall elect directors, each to hold office until the next succeeding annual meeting or until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any director may resign at any time upon written notice to the Company. The stockholders may remove any director with or without cause at any time. Any vacancy occurring in the Board of Directors for any cause may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of the stockholders. Directors and officers shall serve until their successors have been elected and qualified or until his earlier resignation or removal.

Regular meetings of the Board of Directors may be held at such places within or without the State of Iowa and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Special meetings of the Board of Directors may be held at any time or place within or without the State of Iowa whenever called by the Chairman of the Board, by the Vice Chairman of the Board, by the President or by one-third of the members of the Board of Directors.

One-third of the entire Board shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

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>
Minoru Kimura, Chairman New York, New York	Nippon Life Insurance Company (Japan) Executive Officer, Regional CEO for the Americas and Europe	2020
Gregory J. Burrows Scottsdale, Arizona	Principal Financial Group Retired Senior Vice President, Retirement and Income Solutions	2020
John M. Egan Des Moines, Iowa	Principal Financial Group Vice President, Investor Relations	2020
Takashi Nakayama Eastchester, New York	Nippon Life Insurance Company of America President and Chief Executive Officer	2020
Akira Tsuzuki Tokyo, Japan	Nippon Life Insurance Company (Japan) General Manager, Global Business Planning	2020
Francine J. Young Atlantic Highlands, New Jersey	Nippon Life Insurance Company of America Executive Vice President and Chief Operating Officer	2020

Committees and Advisory Groups

The Board may designate one or more committees, each committee to consist of one or more of the directors of the Company. Any such committee, to the extent provided in the resolution, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the Articles of Domestication and Reincorporation of the Company, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Company's property and assets, recommending to the stockholders a dissolution of the Company or a revocation of dissolution, or amending the Bylaws, and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

As of December 31, 2020, the committees designated include the Audit Committee and the Executive Oversight and Compensation Committee.

The membership of the Executive Oversight and Compensation Committee as of December 31, 2020 was as follows:

<u>Member</u>	<u>Position</u>
Minoru Kimura	Chairman
Gregory J. Burrows	Director
John M. Egan	Director
Akira Tsuzuki	Director

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

<u>Member</u>	<u>Position</u>
Akira Tsujki	Director
John M. Egan	Director

The Company's Board of Directors, by resolution dated July 24, 2018, discharged and dissolved the Enterprise Risk Management Committee, the Investment Committee, and the Strategic Committee. By resolution the

same day, the Board approved the Company's formation of the Enterprise Risk Management Advisory Group, Investment Advisory Group, and Strategic Advisory Group. The Advisory Groups are not Committees of the Board as defined by the Company's By-Laws or applicable law, are not delegated any power or authority by the Board of Directors, and shall not have or exercise any such powers or authority of the Board of Directors. The Board approved the Guidelines of the Enterprise Risk Management Advisory Group, the Investment Advisory Group, and the Strategic Advisory Group the same day.

Officers

The Board of Directors shall choose a President and a Secretary, and it may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person.

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

<u>Name</u>	<u>Title</u>
Minoru Kimura	Chairman
Takashi Nakayama	President and Chief Executive Officer
Francine J. Young	Executive Vice President and Chief Operating Officer
Bruce J. Walker	Senior Vice President, Chief Financial Officer and Secretary
Aimee Averill	Senior Vice President, Service, IT Strategy and Project Management
James G. Brone	Vice President and Chief Actuary
Yasuharu Fujioka	Vice President, Treasury, Investment and Corporate Planning
Jeffrey Landsman	Vice President and Chief Accounting Officer
Joseph R. McLaughlin	Vice President, Chief Business Development Officer
Kelly A. Peters	Vice President, Product Development, Network Management and Marketing
Audrey S. Tomlinson	Vice President, Human Resources and General Services
Yuichi Nakai	Vice President, Global Desk and Global Service
Kei Tanaka	Corporate Planning

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 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, or likely to, conflict with the official duties of such person. The Company requires its officers and directors to sign conflict-of-interest statements and disclose any known or potential conflict of interest as part of the annual disclosure process.

The examiners reviewed the signed conflict of interest statements for the Company's officers and directors for each year of the period covered by this examination. An examination review of statements for all years under examination indicated there were no conflicts found that would appear to interfere with that person's official duties.

CORPORATE RECORDS

The Articles of Domestication and Reincorporation were amended on May 18, 2018 to change the number of Directors to not less than five nor more than twenty-one from not less than seven nor more than twenty-one. The Bylaws were similarly amended effective July 23, 2018.

The recorded minutes of the meetings of the stockholders, Board of Directors, and Committees were read and noted. The Audit Committee of the Board of Directors of the Company reviewed and approved the 2015 Iowa Insurance Division's Financial Examination Report at the meeting held on June 27, 2017. The Board of Directors received the report from the Audit Committee at their meeting the same date.

RELATED PARTY AGREEMENTS

The Company has no management or service contracts or cost sharing arrangements with any of its affiliates as of the exam date. The Company had a cost allocation agreement with NLI Insurance Agency, Inc. ("Agency") that was terminated in 2018. The Agency was inactive and in the process of dissolution at the examination date.

The Company and Nippon Life of Japan entered into a Tangible Net Worth Maintenance Agreement on January 1, 1998, whereby Nippon Life of Japan will cause the Company to have a tangible net worth equal to a risk-based capital ratio of at least 200% and will make available to the Company funds sufficient to meet any of its payment obligations as they fall due. The agreement will remain in force indefinitely.

FIDELITY BONDS AND OTHER INSURANCE

Under a financial institution bond, the Company is protected against loss from any fraudulent or dishonest act of any employee up to \$3,000,000 each loss occurrence and \$6,000,000 aggregate limit of liability. This meets the NAIC recommended minimum coverage.

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 several retirement contribution plans to employees, including optional defined contribution profit-sharing plans that include features under Section 401 (k) of the Internal Revenue Code, a qualified 401 (k) contribution plan sponsored by the Company, and a Money Purchase Defined Contribution Plan with mandatory contributions based on all participants' compensation. The Company has also established a nonqualified executive benefit program for select members of management. The plan is designed to comply with Section 409A of the Internal Revenue Code and is considered to be a deferred compensation plan.

The Company provides group life, health, dental and disability income insurance.

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. The Company has no reinsurance contracts with unauthorized reinsurers.

CEDED

Group Life and Accidental Death and Dismemberment Insurance

The Company has a Group Per-Life Excess of Loss Reinsurance Contract with an authorized insurer covering all policies classified by the Company as basic and supplemental Group Life or Group Accidental Death and Dismemberment that were in force at the inception of the contract or are written with a policy period effective during the period of the contract. The Company's retention is \$850,000 per person. The reinsurer's share is the net loss in excess of the Company's retention, however the maximum recoverable amount per person shall be \$1,150,000 per Group Life insurance and \$2,000,000 per Group Accidental Death and Dismemberment insurance, not more than \$3,150,000 per insured.

The Company also has an Accidental Death and Dismemberment Carve-Out Pro Rata Reinsurance Contract with an authorized insurer which provides an 80% quota share of the Company's net loss, each loss occurrence, under all covered policies. The reinsurer's share of the Company's net loss on any one person is limited to 80% of \$850,000, regardless of whether an insured person has coverage under more than one policy or is covered under several.

Long-Term Disability Insurance

The Company has a 50% coinsurance agreement with an authorized reinsurer covering all long-term disability claims incurred on or after June 1, 2002 through December 31, 2004. The Company also has a Reinsurance Contract with an authorized insurer which applies to long-term disability business in-force on or after January 1, 2005. The Company's retention is 50% of each covered employee eligible for up to \$6,000 of gross monthly benefit. For all other covered employees, the Company's retention is determined by dividing \$3,000 by the amount of the employee's gross monthly benefit. The Company's retained amount of liability for any single claim would not exceed \$3,000 of gross monthly benefit unless the total gross monthly benefit for the insured exceeded \$15,000. The Company is liable for gross monthly benefit amounts per insured over \$15,000.

The Company also has a Reinsurance Contract with an authorized insurer which applies to certain long-term disability business underwritten by an unaffiliated insurer in-force on or after February 1, 2007. The Company's retention is 50% of each covered employee eligible for up to \$6,000 of gross monthly benefit. For all other covered employees, the Company's retention is determined by dividing \$3,000 by the amount of the employee's gross monthly benefit. The Company's retained amount of liability for any single claim would not exceed \$3,000 of gross monthly benefit unless the total gross monthly benefit for the insured exceeded \$15,000. The Company is liable for gross monthly benefit amounts per insured over \$15,000.

Finally, the Company has a Reinsurance Contract with an authorized insurer which applies to long-term disability policies which are inforce or which come into force on or after December 1, 2019, the effective date. The Reinsurer shall be the sole reinsurer of the policies in force on or after the effective date, unless specifically excluded, as long as the contract is in effect. The Company's retention is 50% of the first \$6,000 of covered benefit per month on any one insured and 0% for contractual liability in excess of \$6,000 per month on any one insured. The Reinsurer's limit of liability is 50% of the first \$6,000 of covered benefit per month on any one insured and 100% for contractual liability in excess of \$6,000 per month on any one insured. Maximum benefits are \$15,000 per month per insured.

Indemnity Reinsurance

The Company has a Reinsurance Agreement with an authorized insurer which provides indemnity reinsurance with respect to certain medical insurance policies classified as Group Insurance policies and Stop Loss Insurance policies issued or renewed by the Company on or after January 1, 2017, the effective date. The Company's retention is \$1,000,000 per participant per agreement year. The Reinsurer's limit of liability is \$9,000,000 of eligible claim expenses per participant per agreement year in excess of \$1,000,000 per participant per agreement year with individual lifetime reinsurance limit of \$9,000,000.

The Company does not have any assumed reinsurance agreements

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 47 states and the District of Columbia. The Company markets its products nationwide through its branch offices and general agents utilizing brokers and agents.

The Company provides employee benefit plan products including group medical, group life, group vision and group disability insurance. Beginning in 2014, the Company stopped writing community-rated business in New York and California and redefined its health insurance sales efforts to the 51+ member life market. The Company is actively pursuing a business diversification strategy through increasing sales in its ancillary product lines.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the Company's copies of the filed annual statements. (000's omitted)

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus</u>	<u>Life Premium Income</u>	<u>A&H Premium Income</u>	<u>Insurance In-Force (Group)</u>
2016	\$212,259	\$135,956	\$1,353	\$284,311	\$ 541,646
2017	220,701	136,107	1,630	309,836	778,545
2018	224,133	139,706	2,188	347,834	989,763
2019	226,481	140,571	2,382	357,636	1,256,995
2020	236,470	140,964	2,893	326,096	1,314,174

ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an accrual basis. The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. The Information Systems controls were reviewed by this examination. No material exceptions were noted to accepted control practices and procedures.

Trial balances of the Company's general ledger accounts were prepared for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

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 differences 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

Dividends

On March 8, 2021, the Company declared a dividend of \$356.86 per share to all shareholders of record as of March 8, 2021. The dividend totaled \$12,846,960 and was paid on April 9, 2021.

On March 14, 2022, the Company's Board of Directors approved a dividend of \$386.99 per share to all shareholders of record as of March 14, 2022. The dividend totaled \$13,931,640 and was paid on April 11, 2022.

Health Annual Statement Blank

The Company transitioned to a Health Blank for Statutory reporting beginning with the March 31, 2021 filing as a result of the Annual Health Statement test. The Company's Interest Maintenance Reserve of \$1,084,776 and Asset Valuation Reserve liabilities of \$2,382,329 were written off through the current period Surplus as a cumulative effect of changes in accounting principles.

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.

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>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$183,913,368	\$	\$183,913,368
Common stocks	7,869,255		7,869,255
Cash, cash equivalents and short-term investments	33,656,543		33,656,543
Investment income due and accrued	1,189,560		1,189,560
Receivables for securities	718,616		718,616
Uncollected premiums and agents' balances in the course of collection	1,836,213	220,591	1,615,622
Amounts recoverable from reinsurers	4,499,415		4,499,415
Current federal and foreign income tax recoverable	25,201		25,201
Net deferred tax asset	4,869,296	4,168,703	700,593
Guaranty funds receivable or on deposit	516,671	516,671	
Electronic data processing equipment and software	59,710	1,955	57,755
Furniture and equipment	301,231	301,231	
Receivables from parent, subsidiaries and affiliates	317,936		317,936
Health care and other amounts receivable	1,752,000		1,752,000
Prepaid expenses	1,316,697	1,316,697	
Prepaid defined contribution plan assets	758,428	758,428	
Suspense items	63,220		63,220
Other assets	46,199		46,199
Refundable deposits	<u>45,121</u>	<u> </u>	<u>45,121</u>
 Total Assets	 <u>\$243,754,680</u>	 <u>\$7,284,276</u>	 <u>\$236,470,404</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 2,121,755
Aggregate reserve for accident and health contracts	6,981,948
Life contract claims	775,000
Accident and health contract claims	30,239,250
Premiums and annuity considerations for life and accident and health contracts received in advance (including \$3,993,481 accident and health premiums)	4,029,224
Provision for experience rating refunds, including liability of \$26,448,134 accident and health experience rating refunds of which \$14,500,000 is for medical loss ratio rebate per the Public Health Service Act	26,448,134
Interest maintenance reserve	1,084,776
Commissions to agents due or accrued	783,965
General expenses due or accrued	15,206,717
Taxes, licenses and fees due or accrued, excluding federal income taxes	225,231
Amounts withheld or retained by company as agent or trustee	25,679
Remittances and items not allocated	133,120
Asset valuation reserve	2,382,329
Uncashed drafts and checks pending escheatment to a state	1,129,471
Deferred rent concessions	269,699
ACA Risk summary adjustment	42,000
Deposit real estate	25,930
Advanced payments received	1,684
Total Liabilities	<u>\$ 91,905,912</u>
Common capital stock	\$ 3,600,000
Gross paid in and contributed surplus	94,953,992
Unassigned funds (surplus)	<u>46,010,500</u>
Total Surplus and Other Funds	<u>\$144,654,492</u>
Total Liabilities, Surplus and Other Funds	<u>\$236,470,404</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$328,989,006
Net investment income	3,304,007
Amortization of interest maintenance reserve	261,895
Service fee income	54
Total Income	<u>\$332,554,962</u>
Death benefits	\$ 2,635,180
Disability benefits and benefits under accident and health contracts	234,920,070
Group conversions	55,762
Interest and adjustments on contract or deposit-type contract funds	98,140
Increase in aggregate reserves for life and accident and health contracts	<u>(1,219,416)</u>
Total Policy Benefits	<u>\$236,498,736</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	20,212,006
General insurance expenses	44,408,445
Insurance taxes, licenses and fees, excluding federal income taxes	13,528,839
Regulatory fines and penalties	168
Total Expenses	<u>\$314,639,194</u>
Net gain from operations before federal and foreign income taxes	<u>\$ 17,915,768</u>
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>5,294,271</u>
Net gain from operations after federal and foreign income tax and before realized capital gains	\$ 12,621,497
Net realized capital gains	<u>225,735</u>
Net Income	<u>\$ 12,847,232</u>

CAPITAL AND SURPLUS

Capital and Surplus, December 31, 2019	<u>\$144,170,652</u>
Net Income	\$ 12,847,232
Change in net unrealized capital gains (losses) less capital gains tax of \$60,485	631,479
Change in net deferred income tax	2,643,201
Change in non-admitted assets	(1,645,819)
Change in asset valuation reserve	(370,119)
Dividends to Stockholders	(1,764,000)
Correction of prior period	<u>(11,948,134)</u>
Net change in capital and surplus for the year	<u>393,840</u>
Capital and Surplus, December 31, 2020	<u>\$144,564,492</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$336,149,477	
Net investment income	5,093,638	
Miscellaneous income	<u>54</u>	
Total		\$341,243,169
Benefit and loss related payments	\$247,700,032	
Commissions, expenses paid and other deductions	78,318,732	
Federal and foreign income taxes paid	<u>5,066,068</u>	
Total		<u>\$331,084,832</u>
Net cash from operations		<u>\$ 10,158,337</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 49,757,927	
Stocks	<u>268,004</u>	
Total investment proceeds		\$ 50,025,931
Cost of investments acquired:		
Bonds	\$ 52,701,103	
Stocks	1,025,204	
Misc. Applications	<u>718,616</u>	
Total investments acquired		<u>\$ 54,444,923</u>
Net cash from investments		<u>\$ (4,418,992)</u>

Cash from Financing and Miscellaneous Sources

Dividends to stockholders	\$ 1,764,000	
Other cash applied	<u>(158,413)</u>	
Net cash used in financing and miscellaneous activities		<u>\$ (1,922,413)</u>

Reconciliation of Cash, Cash Equivalents, and S/T Investments

Net change in cash, cash equivalents and short-term investments	\$ 3,816,932
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>29,839,611</u>
End of year	<u>\$ 33,656,543</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, Bob Burch, CFE, Michael Nadeau, CFE, AES and Robin Roberts, CFE, examiners for Eide Bailly, LLP, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ James Menck

James Menck, CFE
Examiner-in-Charge
Eide Bailly, LLP on behalf of the
Iowa Insurance Division
State of Iowa

/s/ Amanda Theisen

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