

EXAMINATION REPORT OF
NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2021

West Des Moines, Iowa
May 31, 2023

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

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2021

at its home office located at 8300 Mills Civic Pkwy, West Des Moines, Iowa.

INTRODUCTION

North American Company for Life and Health Insurance, hereinafter referred to as the “Company” or “NAC”, was previously examined as of December 31, 2016 by the Iowa Insurance Division.

The Company’s affiliates, Midland National Life Insurance Company (“MNL”), MNL Reinsurance Company (“MNL Re”), Solberg Reinsurance Company (“Solberg Re”), and Canal Reinsurance Company (“Canal Re”) were examined concurrently with this examination with separate reports prepared for each entity.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2017 to the close of business on December 31, 2021, including any material transactions and events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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 Illinois on May 13, 1886 under the name North American Accident Association, a mutual assessment company. It was reincorporated as a stock company on August 16, 1899 under the title North American Accident Insurance Company. In 1958, the Company was purchased by CIT Financial Corporation. The Company's name was changed to The North American Company for Life, Accident and Health Insurance on January 1, 1960. The Company's present title, North American Company for Life and Health Insurance was adopted September 30, 1967.

In 1984, the Company was acquired by RCA Corporation. In 1986, General Electric purchased RCA Corporation of which the Company was a part. In the same year, the Company was sold by RCA Corporation to a private investor group, who had direct ownership of Institutional Founders Life Insurance Company ("IFLIC"), a Texas corporation. At that time, IFLIC became the Company's parent corporation.

In 1996, Sammons Enterprises, Inc. ("SEI"), a Texas general business corporation, acquired NACOLAH Holding Corporation, the parent company of IFLIC. Effective January 1, 2002, NACOLAH Holding Corporation was merged into its parent, Sammons Financial Group, Inc., formerly Sammons Financial Holdings, Inc., whose name was changed to Sammons Financial Group, Inc. ("SFG") effective January 3, 2002; thereby making SFG the parent company of IFLIC.

As a result of the transfer of Sammons Enterprises, Inc. ("SEI") stock in compliance with the last will and testament of Charles A. Sammons, effective February 28, 2002, the Ultimate Controlling Person of SEI is The Charles A. Sammons 1987 Charitable Remainder Trust Number Two, dated July 8, 1987 ("the Trust"). Previously the Estate of Charles A. Sammons ("the Estate") had been the Ultimate Controlling Person of SEI. The trustees for the Trust are the same as the persons who acted as executors for the Estate.

Effective April 1, 2003, IFLIC was voluntarily dissolved and the Company assumed all of its policies pursuant to an assumption reinsurance agreement and all of IFLIC's remaining assets and liabilities were transferred to SFG, its parent.

The Company redomesticated to Iowa on September 27, 2007. The redomestication was made in order to simplify regulatory compliance for the Company's holding company system by utilizing a common regulator for the Company and its affiliates and to reduce current taxes and future tax costs related to the anticipated growth of the Company's annuity business.

In January 2010, the Ultimate Parent, The Charles A. Sammons 1987 Charitable Remainder Trust Number Two, transferred all stock in the organization to the SEI Employee Stock Ownership Trust ("ESOT").

SURPLUS NOTES

On December 1, 2010, the Company issued a \$35 million surplus note to Guggenheim Life and Annuity Company ("GLAC") which bears interest at 6.75% per annum. Interest payments are due annually beginning in October 2011. The note matures December 1, 2040 and may be prepaid at any time without penalty. On June 30, 2017, the Company paid off the \$35 million surplus note issued to GLAC.

On October 28, 2013, the Company issued a \$55 million surplus note to SFG (Surplus Note No.1) which bears interest at 7.5% per annum. Interest payments are due annually beginning in October 2014. The note matures October 31, 2043 and may not be prepaid prior to October 28, 2023.

On December 30, 2014, the Company issued a \$100 million surplus note to SFG (Surplus Note No. 2) which bears interest at 7.0% per annum. Interest payments are due on June 30 and December 30 of each year beginning in June 2015. The note matures December 30, 2044 and may not be prepaid prior to December 30, 2024.

On June 30, 2017, the Company issued a \$200 million surplus note to SFG (Surplus Note No. 3) which bears interest at 6.0% per annum. Interest payments are due on May 12 and November 12 of each year beginning in November 2017. The note matures June 30, 2047 and may not be prepaid prior to June 30, 2027.

All payments of principal and interest are subject to regulatory approval.

Interest payments made to GLAC and SFG during the examination period, approved by the Iowa Insurance Division, were as follows:

Interest Paid on Surplus Notes

<u>Year</u>	<u>GLAC</u>	<u>No.1</u>	<u>No.2</u>	<u>No.3</u>
2017	\$ 1,171,541.10	\$ 4,125,000.00	\$ 7,000,000.00	\$ 4,438,356.16
2018		4,125,000.00	7,000,000.00	12,000,000.00
2019		4,125,000.00	7,000,000.00	12,000,000.00
2020		4,125,000.00	7,000,000.00	12,000,000.00
2021		4,125,000.00	7,000,000.00	12,000,000.00

CAPITAL STOCK AND DIVIDENDS

The Company has 100,000 shares of common stock authorized, issued and outstanding, with a par value of \$25.00 per share. At December 31, 2021, common capital stock amounted to \$2,500,000 and gross paid-in and contributed surplus amounted to \$627,491,131. The Company is 100% owned by SFG. Surplus contributions received from SFG during the examination period were as follows:

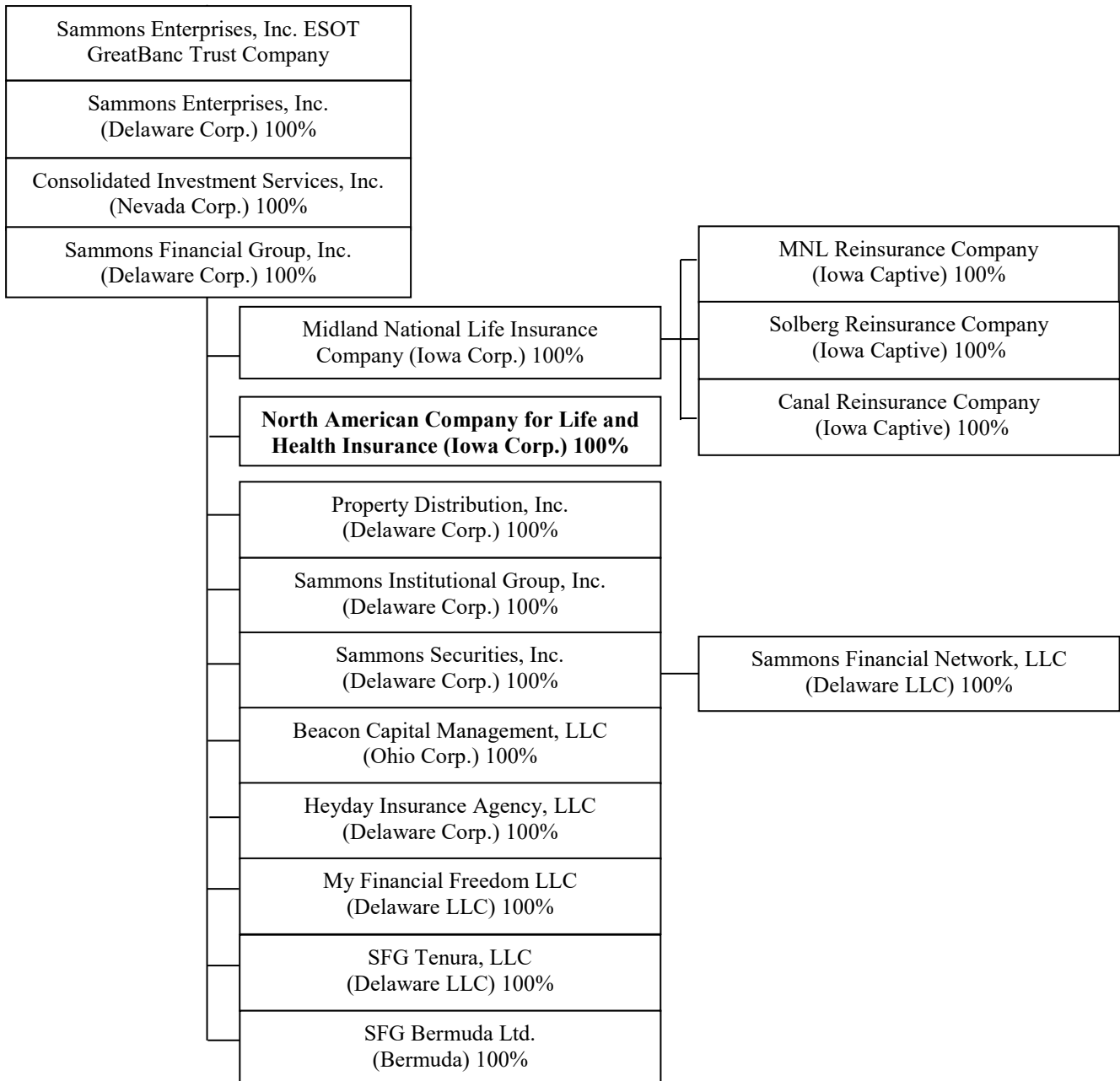
<u>Year</u>	<u>Contributions Received</u>
2017	\$ -
2018	
2019	
2020	
2021	37,000,000

No dividends were paid ordinary or extraordinary during the period of exam.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. SEI Employee Stock Ownership Trust (“ESOT”) 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:



MANAGEMENT AND CONTROL

STOCKHOLDERS

The annual meeting of the stockholders of the Company shall be held in the City of West Des Moines, Dallas County, Iowa, on the second Wednesday in May at such time and place as shall be determined by the Company, to elect a Board of Directors and for the transaction of such other business as shall properly come before the meeting.

Notice of the annual meeting of the stockholders shall be given by the Secretary to each stockholder appearing as such on the books of the Company, by duly mailing notice of said meeting to his or her address as shown by the books and records of said Company, at least ten and not more than 60 days prior to such annual meeting.

Special meetings of the stockholders of the Company may be called by the President, the Board of Directors or whenever called in writing by stockholders holding not less than a majority of shares entitled to vote at the meeting, provided that written notice of such special meeting, stating the day, hour, and place thereof and stating in general terms, the business to be transacted thereat, shall be mailed at least ten and not more than 60 days prior to such meeting to each stockholder at his or her address as the same appears on the books of the Company.

A majority of the common stock issued and outstanding, represented either in person or by proxy, shall constitute a quorum for the transaction of business and each stockholder shall be entitled to one vote for each share of common stock outstanding in his or her name on the books of the Company, whether represented in person or by proxy. No person shall be entitled to vote by virtue of any proxy unless the proxy shall have been on file with the Secretary at least one day before the meeting at which it is to be used.

BOARD OF DIRECTORS

The Board of Directors shall exercise the corporate powers of the Company, and shall, with the Executive Committee thereof, be the governing body thereof, and shall have general management of the business and property of the Company. The directors shall be elected at the annual meeting and the number to be elected, not less than five nor more than 21, shall be determined annually by the stockholders.

Each director shall serve for a period of one year or until the election and qualification of his or her successor or the Director's earlier resignation, death, disability or removal. The directors shall act only as a Board and the individual directors shall have no power as such. Any Director or the entire Board of Directors may be removed, with or without cause, by vote of the holders of the majority of shares then entitled to vote at an election of directors.

Meetings of the Board of Directors shall be held at such place within or without the State of Iowa as may from time to time be fixed by resolution of the Board or as may be specified in the call of any meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board, and special meetings may be held at any time upon the call of the President or a Vice President or of the Secretary by oral, electronic or written notice duly served on each director not less than one day before such meeting.

The annual meeting of the Board will be held without notice immediately after the annual meeting of shareholders at the same place at which such meeting was held. Notice need not be given of regular meetings of the Board held at times fixed by resolution of the Board. Meetings may be held at any time if all the directors are present or if those not present waive notice of the meeting in writing.

The Board of Directors at each annual meeting in April shall select one of their number as Chairman of the Board of Directors during the ensuing year, and said Chairman shall preside at each regular or special meeting of the Board of Directors. If the Chairman of the Board shall at any time be absent, then the President or any Vice President shall preside at said meeting. Regular minutes of the proceedings of the Board of Directors shall be kept by the Secretary, or such other persons as may be designated by the Board.

At all meetings of the Board of Directors, the presence of a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation or by the Bylaws.

The directors duly elected and serving as of December 31, 2021 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Esfandyar Dinshaw Urbandale, IA	Chairman and Chief Executive Officer Sammons Financial Group, Inc.	2022
Steven Palmitier* Chicago, IL	President and Chief Operating Officer Midland National Life Insurance Company	2022
Darron Ash Dallas, TX	Chief Executive Officer Briggs International	2022
Thomas Corcoran Jr. Irving, TX	Chairman FelCor Lodging Trust	2022
Willard Bunn, III Lake Forest, IL	Vice Chairman Baytree Bank	2022
William Heinz Chicago, IL	Law Partner Jenner & Block, LLP	2022
Heather Kreager** Dallas, TX	Chief Executive Officer Sammons Enterprises, Inc.	2022
Michael Masterson Chicago, IL	Retired Insurance Executive	2022
James R. Clark Dallas, TX	President-Retired Baker Hughes, Inc.	2022
George A. Fisk Dallas, TX	CEO-Owner Accounting/Banking Industry	2022

*Effective December 31, 2021, Director Steven C. Palmitier retired.

**Effective December 31, 2022, Director Heather Kreager retired.

Director James Parker who was elected as an independent director to the MNL, NAC, and Sammons Financial Group boards of directors as of March 17, 2017, passed away on January 26, 2019.

Effective January 1, 2022, William Lowe and Robert Tekolste were elected as Directors of the Company. The Company continues to maintain the appropriate number of directors and independent directors, in accordance with respective bylaws and Iowa law.

COMMITTEES

The Board of Directors may, by a resolution adopted by a majority thereof, designate three or more of its members to act as an Executive Committee, of whom three shall constitute a quorum, which Committee shall have full power to conduct the general business of the Company and otherwise conduct its affairs and attend to its interests during the interim between meetings of the Board. The Board has not appointed an Executive Committee.

The Board of Directors may, by resolution passed by a majority of the directors, designate one or more committees, in addition to the Executive Committee, each committee to consist of two or more of the directors of the Company, which, to the extent provided in said resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Company.

The Board has appointed the Audit Committee of SFG's Board of Directors as its Audit Committee. The SFG Audit Committee's primary function is to assist the Board in fulfilling its financial oversight for SFG and its subsidiaries with regard to their accounting and financial reporting processes, audits of their financial statements, and performance of the internal audit process and of the external independent financial auditor. The membership of the Audit Committee as of December 31, 2021 was as follows:

<u>Member</u>	<u>Position</u>
Willard Bunn, III	Director and Chairperson
Thomas Corcoran	Director
George Fisk	Director
James Clark	Director

The Risk and Compliance Committee is a Board Committee whose function is to assist the Board in overseeing management's setting of risk appetite and tolerances as well as overseeing management's responsibility to manage the Company's risk profile and implement the Company's risk program. The Committee also oversees the Company's management of the compliance program with emphasis on compliance with legal and regulatory requirements. The membership of the Risk and Compliance Committee as of December 31, 2021 was as follows:

<u>Member</u>	<u>Position</u>
Robert Tekolste	Director and Chairperson
Esfandyar Dinshaw	Director and Officer
Darron Ash	Director
William Heinz	Director
Heather Kreager	Director
William Lowe	Director
Michael Masterson	Director

The Company has appointed the Investment Committee of SFG as its Investment Committee. The SFG Investment Committee's primary function is to invest or direct the investment of funds of SFG and its subsidiaries with regard to investments, investment portfolio processes, investment decisions, and to monitor the performance of the investments of the Company and of the Company's investment managers. The membership of the Investment Committee as of December 31, 2021 was as follows:

<u>Member</u>	<u>Position</u>
John Melvin	Chairperson and Officer
Esfandyar Dinshaw	Director and Officer
Darron Ash	Director
Heather Kreager	Director
Donald Lyons	Officer

OFFICERS

The Bylaws provide that the officers of the Company shall consist of a President, one or more Vice Presidents, the number of which shall be determined by the Board of Directors, a Chief Financial Officer, a Secretary, one or more Assistant Secretaries and a Treasurer and such other officers as may be determined by said Board, each of whom shall hold his office during the pleasure of the Board, and until his or her successor is elected and qualified. The Board of Directors may employ officers or other employees of the Company for a longer term than one year if it seems advisable. The same person may hold one or more offices.

The officers duly elected and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Esfandyar Dinshaw	Chairman and Chief Executive Officer
Steven Palmitier*	President and Chief Operating Officer
Brian Hansen	Senior Vice President, General Counsel and Secretary
David Attaway	Senior Vice President, Chief Financial Officer/Treasurer
Eric Lin	Senior Vice President & Corporate Actuary
Robert TeKolste	President – Sammons Independent Annuity Group
Anne Cooper	Senior Vice President and Chief Human Resources Officer
Ronovan Ottenbacher	President, Sammons Corporate Markets
Teri L. Ross	President, Shared Services
John D. Melvin	Senior Vice President & Chief Investment Officer

*Effective December 31, 2021, Steven Palmitier retired as President & Chief Operating Officer.

The compensation of the Senior Management Team 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. An examination review of these statements indicated there were no conflicts of interest reported during the period covered by this examination.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws were amended February 1, 2021 to change the address and registered agent of the company.

The minutes of the meetings of the stockholders, the Board of Directors and the committees of the Board were reviewed for the examination period. All minutes provided were signed and properly attested.

The minutes of the Board meetings showed that the Report of Examination as of December 31, 2016 by the Iowa Insurance Division was received by the Board.

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 \$15,000,000 each loss occurrence and \$30,000,000 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.

INTERCOMPANY AGREEMENTS

Administrative and Management Agreements, Service Contracts

SFG, MNL and NACOLAH Holding (NAC Holding), NAC, NACOLAH Life Insurance Company (NALIF), and Institutional Founders Life Insurance Company (IFLIC) entered into an agreement effective May 1, 1997, under which the affiliates agree to provide various services necessary for the business operations and affairs necessary for the business, operations and affairs, including financial, accounting, tax, auditing, operations, general management consulting services, electronic data processing, actuarial services, records and facilities management, claims evaluation, management and payment services, personnel, employee relations and human resources services, copying and printing services, and such other administrative services. As consideration for providing these services, each party agrees to pay the providing party a quarterly fee. NAC Holding and NALIF are no longer parties to this agreement as a result of mergers with SFG and NAC respectively. IFLIC is no longer a party to this agreement as a result of its voluntary dissolution, effective April 1, 2003.

NAC and Sammons Corporation (SC) entered into a consulting services agreement effective January 1, 2002, as a result of the merger of NAC Holding into SFG, under which SC provides certain management, accounting, and benefit services to NAC, for which NAC pays SC a monthly retainer.

NAC and Guggenheim Partners Investment Management (GPIM) entered into an investment management services agreement effective January 1, 2009, under which GPIM provides investment management services to NAC for a quarterly management fee.

MNL, NAC, Sammons Financial Network (SFN), and Sammons Institutional Group (SIG) entered into an administrative and expense sharing agreement effective July 1, 2011, under which the affiliates will provide certain services for one another in connection with the business, operations, and affairs including accounting, tax, and other financial services; auditing; operations; general management consulting services; electronic data processing services; actuarial services; records and facility management; claims evaluation; management and payment services; human resources services, copying and printing services; legal services; compliance services; and policyowner services. Each party agrees to pay the party providing services a monthly fee. This agreement was amended in August 2011.

MNL and NAC entered into a commercial mortgage loan participation agreement on November 21, 2011, whereas with respect to participation, MNL, the lender, desires to sell, transfer, and assign to the participant, NAC, certain participation interests in loans, which interests are governed by and subject to the terms of the agreement.

MNL and NAC entered into a commercial mortgage participation agreement on June 15, 2012, whereas with respect to participation, NAC, the lender, desires to sell, transfer, and assign to the participant, MNL, certain participation interests in loans, which interests are governed by and subject to the terms of the agreement.

NAC and Guggenheim Partners Real Estate Finance LLC (GCREF) entered an origination and servicing agreement effective March 31, 2013, for loan sourcing, origination, and administration services.

NAC and Guggenheim Real Estate, LLC (GRE) entered into an origination and service agreement effective March 31, 2013, under which GRE provides loan sourcing, origination, and administration services to NAC on loans funded or acquired by NAC. Annual service fees under this agreement will be in accordance to the terms specified in the agreement.

EMPLOYEE WELFARE

The Company provides a variety of different incentives for their employees including group insurance for health, dental, vision, long-term disability, and life insurance, a 401(k) savings plan, an ESOP plan, an FSA plan, and an HSA plan.

REINSURANCE

ASSUMED

The Company did not enter into any new assumption reinsurance contracts during the exam period.

CEDED

Individual Annuity

The Company entered into a quota share reinsurance agreement with MNL, an affiliated authorized reinsurer, on March 31, 2014. The Company cedes 80% of all policies of specific annuity plans issued on or after January 1, 2014. MNL retrocedes this business to an unaffiliated unauthorized reinsurer through a modified coinsurance agreement.

The Company entered into a coinsurance agreement with an unaffiliated authorized reinsurer, on October 1, 2009 whereby the Company cedes to Guggenheim Life and Annuity Company (GLAC) 100% of all policies of specific annuity plans issued from January 1, 2008 through September 30, 2009. The Company also entered into a coinsurance agreement with an unaffiliated authorized reinsurer on July 1, 2010 whereby the Company cedes to GLAC 90% of all policies of specific annuity plans issued after July 1, 2010.

The Company also entered into a coinsurance and YRT agreement with the reinsurer on January 1, 2016 whereby the Company cedes policies for specific annuity plans issued between January 1, 2016 and December 31, 2016.

The Company entered into a funds withheld coinsurance agreement with SFG Bermuda Ltd., an affiliated unauthorized reinsurer, on November 12, 2021 whereby the Company cedes 80% of all policies of specific annuity plans issued on or after October 1, 2021.

Individual Life

At December 31, 2021, the Company was ceding new business to up to five authorized reinsurers. The risks are split between reinsurers on a yearly renewable term or coinsurance basis depending upon the plan of insurance. The Company's maximum retention is \$2,500,000 on any one life and \$2,500,000 for survivor life plans.

The Company entered into a coinsurance agreement with MNL Re, a limited purpose subsidiary of MNL, on December 31, 2010. The agreement was subsequently amended to extend the term and increase the life insurance policies covered under the agreement. The Company ceded certain excess Actuarial Guideline 38 (AG38) reserves for a defined block of permanent life (AXXX) insurance products issued prior to December 31, 2014 under Actuarial Guideline 48 (AG48). The agreement provides for the reserves on a certain portion of this business to be held by the Company on a funds withheld basis.

The Company entered into a coinsurance agreement with Solberg Re, a limited purpose subsidiary of MNL, on December 31, 2011. The agreement was subsequently amended to extend the term and increase the life insurance policies covered under the agreement. The Company ceded certain excess Valuation of Life Insurance Policies Model Regulation reserves for a defined block of term life (XXX) insurance policies issued prior to December 31, 2014 under AG48. The agreement provides for the reserves on a certain portion of this business to be held by the Company on a funds withheld basis.

The Company entered into a coinsurance agreement with an unaffiliated authorized reinsurer on October 1, 1993. The Company cedes 67% of certain traditional life insurance policies issued and retained by the Company prior to 1993.

The Company entered into a funds withheld coinsurance agreement with a third-party reinsurer on December 31, 2020. The Company ceded certain permanent life insurance products issued between January 1, 2015 and December 31, 2019.

STATUTORY DEPOSIT

The book/adjusted carrying value of securities held in a custodial account and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders, totaled \$32,515,882,173.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in 49 jurisdictions, the District of Columbia and Puerto Rico. The Company is not licensed to conduct its business in the state of New York.

The Company sells a variety of individual life insurance and annuity products with significant accumulation components to a middle- and upper-income market. The Company markets its life insurance products through distribution channels including brokerage general agents and independent marketing organizations. The majority of the annuities are marketed through national annuity marketing organizations and annuity brokerage agencies. In addition, the company leverages the expertise of SFG to maintain its strong position in the corporate markets segment. Management plans to continue to expand its distribution network through leveraging multiple distribution channels with unique strategies.

The five states with the largest direct premium and annuity considerations collected in 2021 were:

<u>State</u>	<u>Direct Premium Collected</u>	<u>Percentage of Total</u>
California	\$334,299,691	10.0%
Florida	268,081,007	8.0
Texas	223,299,292	6.6
Georgia	173,077,738	5.2
Pennsylvania	167,057,221	5.0
Total all states	\$3,358,408,003	100.0%

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 for the years indicated.

(000's Omitted)

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>---- Premium Income ----</u>		<u>Life Insurance In Force</u>	<u>Aggregate Life Reserves</u>
			<u>Life</u>	<u>Annuity</u>		
2017	\$25,607,482	\$1,361,379	\$529,636	\$1,908,107	\$120,637,053	\$19,374,073
2018	27,330,486	1,431,173	565,440	2,116,845	121,120,037	21,111,432
2019	29,479,087	1,539,744	272,861	2,209,592	121,765,359	22,661,580
2020	32,392,292	1,584,682	(428,614)	2,961,671	136,367,969	24,190,372
2021	35,313,301	1,930,924	596,196	2,024,407	156,472,919	25,726,076

ACCOUNTS AND RECORDS

Trial balances of the Company's general ledgers were taken 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.

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, 2021.

SUBSEQUENT EVENTS

No subsequent events were noted during the examination.

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, 2021.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$ 28,320,072,961	\$	\$ 28,320,072,961
Preferred stocks	1,064,428,721		1,064,428,721
Common stocks	286,749,585		286,749,585
Mortgage loans on real estate: First liens	2,047,335,323		2,047,335,323
Mortgage loans on real estate: Other than first liens	14,694,618		14,694,618
Cash, cash equivalents and short-term investments	680,465,795		680,465,795
Contract loans	120,403,833	860,998	119,542,835
Derivatives	351,574,495		351,574,495
Other invested assets	1,740,813,759	100,668	1,740,713,092
Receivables for securities	3,522,828		3,522,828
Collateral asset	225,000		225,000
Investment income due and accrued	286,341,101		286,341,101
Uncollected premiums and agents' balances in the course of collection	41,771,895	27,145,734	14,626,161
Deferred premiums, agents' balances and installments booked but deferred and not yet due	80,291,132		80,291,132
Amounts recoverable from reinsurers	33,884,462	3,288,825	30,595,637
Funds held by or deposited with reinsured companies	3,297,263		3,297,263
Other amounts receivable under reinsurance contracts	32,948,511		32,948,511
Current federal and foreign income tax recoverable	50,530,295		50,530,295
Net deferred tax asset	250,079,672	65,288,322	184,791,350
Guaranty funds receivable or on deposit	553,831		553,831
Miscellaneous assets	1,431,304	1,431,304	-
IMR asset	356,950	356,950	-
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 35,411,773,335	\$ 98,472,800	\$ 35,313,300,535

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 25,726,075,508
Liability for deposit-type contracts	281,228,964
Life contract claims	186,748,304
Premiums and annuity considerations for life and accident and health contracts received in advance less discount	2,353,447
Other amounts payable on reinsurance	18,559,038
Commissions to agents due or accrued	2,176,547
General expenses due or accrued	11,771,193
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,935,271
Unearned investment income	189,713
Amounts withheld or retained by reporting entity as agent or trustee	771,589
Amounts held for agents' account	1,756,245
Remittances and items not allocated	121,583,180
Asset valuation reserve	363,737,643
Reinsurance in unauthorized and certified companies	66,916
Funds held under reinsurance treaties with unauthorized and certified reinsurers	1,137,723,202
Payable to parent, subsidiaries and affiliates	21,519,696
Funds held under coinsurance	1,102,495,154
Derivatives	108,806,151
Payable for securities	68,635,454
Payable for securities lending	2,389,500,368
FHLB advances	1,526,357,000
Derivative collateral liability	283,016,116
Abandoned property	14,158,571
Additional write-ins for liabilities	5,210,961
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Total Liabilities	\$ 33,382,376,229
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Common capital stock	2,500,000
Surplus notes	355,000,000
Gross paid in and contributed surplus	627,491,131
Unassigned funds (surplus)	945,933,175
	<hr/>
Total Surplus	\$ 1,928,424,306
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Total Liabilities, Surplus and Other Funds	\$ 35,313,300,535
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SUMMARY OF OPERATIONS

Premiums and annuity considerations for life, accident and health contracts	\$ 2,637,412,496
Considerations for supplementary contracts with life contingencies	6,797,612
Net investment income	1,926,308,937
Amortization of Interest Maintenance Reserve	8,709,876
Commissions and expense allowances on reinsurance ceded	99,578,559
Experience refund on reinsurance ceded	35,844,554
Miscellaneous income	3,726,267
Investment income – funds withheld coinsurance assumed	379,436
Other miscellaneous income	(276,979)
Total	\$ 4,718,480,759
Death benefits	\$ 252,708,203
Matured endowments	100,593
Annuity benefits	357,628,115
Disability benefits and benefits under accident and health contracts	977,617
Surrender benefits and withdrawals for life contracts	1,532,708,627
Interest and adjustments on contract or deposit-type contract funds	10,471,424
Payments on supplementary contracts with life contingencies	6,643,501
Increase in aggregate reserves for life, accident and health contracts	1,535,703,078
Total	\$ 3,696,941,159
Commissions on premiums, annuity considerations and deposit-type contract funds	328,048,141
Commissions and expense allowances on reinsurance assumed	78,011
General insurance expenses	182,154,472
Insurance taxes, licenses and fees, excluding federal income taxes	27,504,188
Increase in loading on deferred and uncollected premiums	(6,288,744)
Funds withheld coinsurance - ceded	83,224,457
Transfer to IMR – ceded	166,230
Transfer to IMR - MVA	(18,796,312)
Total	\$ 4,293,031,603
Net gain from operations before dividends to policyholders and federal income taxes	\$ 425,449,165
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 425,449,156
Federal and foreign income taxes incurred	45,234,107
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 380,215,049
Net realized capital gains or (losses)	(18,647,063)
Net income	\$ 361,567,986

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 1,584,682,115</u>
Net income	361,567,986
Change in net unrealized capital gains (losses) less capital gains tax	3,784,562
Change in net unrealized foreign exchange capital gain (loss)	(3,009,129)
Change in net deferred income tax	32,254,548
Change in non-admitted assets	(16,859,281)
Change in liability for reinsurance in unauthorized and certified companies	371,152
Change in asset valuation reserve	(91,252,954)
Cumulative effect of changes in accounting principles	34,577,977
Paid in surplus	37,000,000
Change in surplus as a result of reinsurance	(16,374,398)
Prior year correction	<u>4,181,728</u>
Net change in capital and surplus for the year	<u>\$ 346,242,191</u>
Capital and surplus end of reporting period	<u>\$ 1,930,924,306</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 2,612,602,620	
Net investment income	1,816,155,239	
Miscellaneous income	172,021,491	
Total		<u>\$ 4,600,779,349</u>
Benefit and loss related payments	\$ 2,145,937,300	
Commissions, expenses paid and aggregate write-ins for deductions	624,125,286	
Federal and foreign income taxes paid (recovered)	57,000,000	
Total		<u>2,827,062,586</u>
Net cash from operations		<u>\$ 1,773,716,763</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 4,935,025,036	
Stocks	105,096,174	
Mortgage loans	292,489,516	
Other invested assets	255,991,004	
Net gains or (losses) on cash, cash equivalents and short- term investments	285,659	
Miscellaneous proceeds	26,119,014	
Total investment proceeds		<u>\$ 5,615,005,404</u>
Cost of investments acquired:		
Bonds	\$ 6,559,085,641	
Stocks	780,896,723	
Mortgage loans	18,818,457	
Other invested assets	685,525,725	
Miscellaneous applications	41,915,556	
Total investments acquired		<u>8,086,242,102</u>
Net cash from investments		<u>\$ (2,465,515,255)</u>

Cash from Financing and Miscellaneous Sources

Capital and paid in surplus, less treasury stock	\$ 37,000,000	
Net deposits on deposit-type contracts and other insurance liabilities	12,232,203	
Other cash provided (applied)	893,292,222	
Net cash from financing and miscellaneous sources		<u>\$ 942,524,425</u>

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

Net change in cash, cash equivalents and short-term investments	\$ 250,725,934
Cash, cash equivalents and short-term investments:	
Beginning of year	429,739,861
End of year	<u>\$ 680,465,795</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, JP Consulting, investment specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Bob Wong
Bob Wong, CFE
Examiner-in-Charge
Iowa Insurance Division
State of Iowa