

EXAMINATION REPORT OF
MIDLAND NATIONAL LIFE INSURANCE COMPANY
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

MIDLAND NATIONAL LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2021

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

INTRODUCTION

Midland National Life Insurance Company, hereinafter referred to as the “Company” or “MNL”, was previously examined as of December 31, 2016 by the Iowa Insurance Division.

The Company’s wholly-owned subsidiaries, MNL Reinsurance Company (“MNL Re”), Solberg Reinsurance Company (“Solberg Re”), and Canal Reinsurance Company (“Canal Re”), along with affiliate, North American Company for Life and Health Insurance (“NAC”), 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 as The Dakota Mutual Life Insurance Company under the laws of the State of South Dakota on August 30, 1906 and commenced business on September 4, 1906. On February 26, 1909, a stock company was formed with an authorized capital of \$200,000. The stock company acquired the assets and assumed the liabilities and the name of the mutual company. On January 25, 1915, the name of the company was changed to Dakota Life Insurance Company. On July 1, 1925, the Articles of Incorporation were amended to change the Company's name to Midland National Life Insurance Company ("MNL").

At a special stockholders' meeting on September 13, 1952, The Articles of Incorporation were amended authorizing MNL to write life, accident and disability insurance on both a participating and non-participating basis.

On April 8, 1958, control (99.9 percent of shares) of MNL was acquired by Sammons Enterprises, Inc. ("SEI"), a Delaware corporation. Reserve Life Insurance Company ("RLI"), a wholly-owned subsidiary of SEI, gained control of MNL on December 1, 1962.

On May 14, 1968, MNL acquired all the outstanding stock of North American Management, Inc., a broker-dealer that serves as a mutual funds outlet for the sales representatives of MNL.

Under the terms of a Plan and Agreement of Merger, Investors Life Insurance Company of Nebraska was merged with and into Midland National Life Insurance Company effective January 1, 1997. MNL was the surviving corporation.

On October 31, 1998, the Company acquired the remaining .1% of its stock from its prior owner.

Effective July 1, 1999, Midland National Life Insurance Company changed the state of its corporate domicile from South Dakota to Iowa. Prior to such change, the Company received the requisite regulatory approvals.

Effective January 3, 2002, the Company's immediate parent's name of Sammons Financial Holdings, Inc. was changed to Sammons Financial Group, Inc. ("SFG")

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 October 28, 2013, the Company issued a \$142 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 \$200 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 \$295 million surplus note to SFG (Surplus Note No. 3) which bears interest at 6.0% per annum. Interest payments are due on November 12 and May 12 of each year beginning in November 2017. The note matures June 30, 2047 and may not be prepaid prior to June 30, 2027.

On December 30, 2017, the Company issued a \$200 million surplus note to SFG (Surplus Note No. 4) which bears interest at 6.0% per annum. Interest payments are due on June 30 and December 30 of each year beginning in June 2018. The note matures December 30, 2047 and may not be prepaid prior to December 30, 2027.

On December 30, 2020, the Company issued a \$200 million surplus note to SFG (Surplus Note No. 5) which bears interest at 6.5% per annum. Interest payments are due on April 30 and October 31 of each year beginning in April 2021. The note matures December 31, 2050 and may not be prepaid prior to December 30, 2030.

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

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

Interest Paid on Surplus Notes

<u>Year</u>	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 4</u>	<u>No.5</u>
2017	10,650,000	14,000,000	6,546,573		
2018	10,650,000	14,000,000	17,700,000	12,000,000	
2019	10,650,000	14,000,000	17,700,000	12,000,000	
2020	10,650,000	14,000,000	17,700,000	12,000,000	
2021	10,650,000	14,000,000	17,700,000	12,000,000	10,863,014

No principal repayments were made.

CAPITAL STOCK AND DIVIDENDS

The Company has 2,549,439 shares of common stock authorized, issued and outstanding, with a par value of \$1.00 per share. At December 31, 2021, common capital stock amounted to \$2,549,439 and gross paid-in and contributed surplus amounted to \$3,414,965,638. 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	\$ 21,325,121
2018	24,241,177
2019	-
2020	175,000,000
2021	-

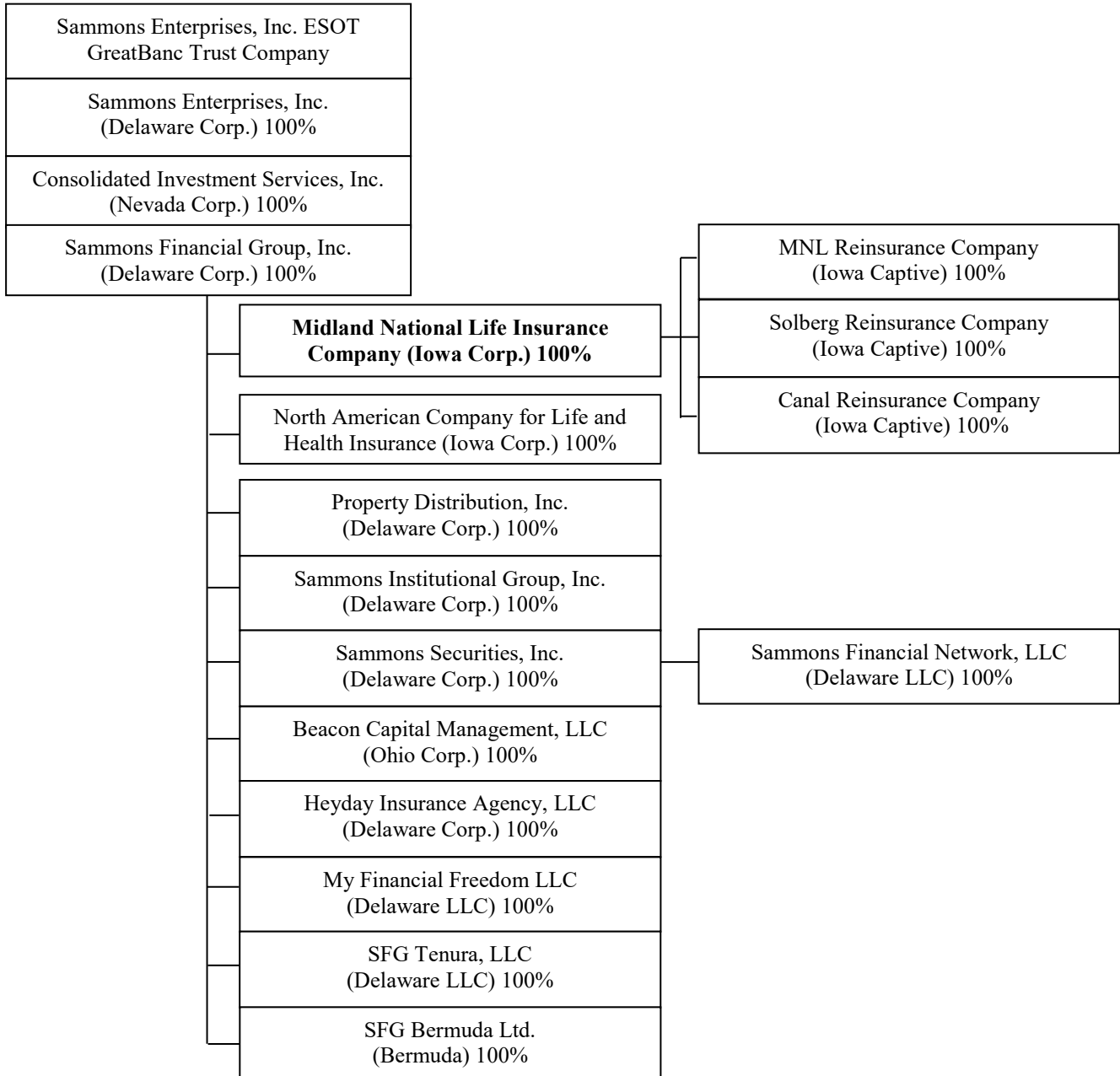
Dividends paid to SFG during the examination period were as follows:

<u>Year</u>	<u>Dividends Paid</u>
2017	\$ 387,122,570
2018	232,437,000
2019	222,306,000
2020	205,109,205
2021	299,652,000

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. SEI 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 Tuesday in April, 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. If a quorum be not present at any annual or special meeting, or, if on vote of the stockholders present, it shall be deemed expedient or advisable to adjourn said meeting, said meeting may be adjourned to such other time as shall be agreed upon by them.

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 Clark Dallas, TX	President-Retired Baker Hughes, Inc.	2022
George 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>
Esfandiyar Dinshaw	Chairman and Chief Executive Officer
Steven Palmitier*	President and Chief Operating Officer
David Attaway	Senior Vice President, Chief Financial Officer/Treasurer
Brian Hansen	Senior Vice President, General Counsel and Secretary
Anne Cooper	Senior Vice President, Chief Human Resources Officer
John Melvin	Senior Vice President, Chief Investment Officer
Eric Yung Hsi Lin	Senior Vice President and Corporate Actuary
Robert TeKolste	President – Sammons Independent Annuity Group
Teri Ross	President – Shared Services
Ronovan Ottenbacher	President – Sammons Corporate Markets
William Lowe	President – Sammons Institutional Group

*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 the Bylaws were amended during the examination period on February 1, 2021 to change the address and registered agent of the Company. The Bylaws were also amended to change the date of the annual meeting of stockholders.

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

Consulting, Management, and Administrative Agreements, Service Contracts

MNL and Sammons Corporate (SC), a subsidiary of SEI, entered a consulting service agreement effective March 1, 1991, under which SC provides certain management, accounting, and benefit services agreement to MNL and for a fee. The Agreement was restated January 1, 1998.

MNL and Guggenheim Partners Investment Management (GPIM) entered into an investment management agreement effective February 1, 1996, under which GPIM provides investment management services to MNL and MNL pays a quarterly management fee. The original agreement was terminated January 1, 2009 and replaced by an investment management services agreement effective January 1, 2009. The agreement was amended on September 29, 2021.

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.

MNL and MNL Re entered into an administrative services agreement, effective December 31, 2010, under which MNL provides administrative support services for MNL Re's business operations including compliance and regulatory reporting, management, legal, actuarial, accounting, financial and tax reporting, and policy administration for a fee. The agreement was amended December 31, 2012.

MNL, Solberg Re, and Midland National Services Corporation (MNSC) entered into an administrative services agreement effective December 31, 2011 under which MNL provides administrative support services including compliance and regulatory reporting, management, legal, actuarial, accounting, financial and tax reporting, and policy administration for Solberg Re's and MNSC's business operations. Solberg Re and MNSC, respectively, pay a quarterly fee to MNL. Effective December 31, 2018, MNSC was dissolved, and MNL and Solberg Re remained parties to the agreement.

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.

MNL 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 MNL on loans funded or acquired by MNL. Annual service fees under this agreement will be in accordance to the terms specified in the agreement.

MNL and SEI entered a services agreement effective June 1, 2016, under which provides for the payment of a service fee for SEI's service of providing the ESOP benefit to MNL's employees.

MNL and SFN entered into a marketing and payment agent agreement effective January 1, 2018, whereby MNL provides marketing support services for selling firms and SFN acts as a payment agent for the payment of fees to selling firms.

MNL and KDC Des Moines Development One LLC entered into a development management agreement effective September 20, 2018, under which the developer administers and manages the design, development, and construction of the project in accordance with the agreement. The owner shall pay for compensation as set forth in the agreement.

MNL and Canal Re entered into an administrative services agreement effective September 30, 2019, under which MNL provides administrative support services including compliance and regulatory reporting, management, legal, actuarial, accounting, financial and tax reporting, and policy administration for a fee.

MNL and SFG Bermuda Ltd. entered into an administrative service and expense agreement pursuant effective September 15, 2021, which MNL provides including accounting, tax, and other financial services; auditing; operations; personnel, employee relations, and other human resources services; legal services; compliance services; and such other administrative services to SFG Bermuda Ltd. for a fee.

Consolidated Tax Allocation Agreements

MNL and MNL Re entered into a consolidated federal income tax agreement effective December 31, 2010, pursuant to which the parties agree to consolidate income, expenses, assets and liabilities for federal income tax purposes and each party agreed to pay the amount of tax liability allocated to it under agreement. The agreement as amended December 31, 2012.

MNL and Solberg Re entered into a consolidated federal income tax agreement effective December 31, 2011, pursuant to which the parties agree to consolidate income, expenses, assets, and liabilities for federal income tax purposes and each party agreed to pay the amount of tax liability allocated to it under the agreement.

MNL and Canal Re entered into a consolidated federal income tax agreement effective September 30, 2019, to provide for the manner and computation of tax payments between affiliated companies, which file as parties to a consolidated tax return under the Internal Revenue Code.

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

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

ASSUMED

Individual Annuity

The Company entered into a quota share reinsurance agreement with NAC, an affiliated authorized reinsurer, on March 31, 2014. The Company assumes 80% of all policies of specific annuity plans issued by NAC on or after January 1, 2014. This business is in turn retroceded to an unaffiliated unauthorized reinsurer through a modified coinsurance agreement.

CEDED

Individual Annuity

The Company entered into a modified coinsurance agreement with an unaffiliated unauthorized reinsurer on January 1, 2014 covering 80% of all policies of specific annuity plans issued by the Company on or after January 1, 2014 along with 100% of the business assumed from NAC. The Company retains, on behalf of the reinsurer, assets equal to the statutory liabilities associated with the reinsured policies.

The Company entered into a coinsurance agreement with an unaffiliated authorized reinsurer on January 1, 2003 for certain life and annuity policies that were acquired from an acquisition in 2002. The reinsurer assumes 30% of the net premiums and benefits related to this block of business and reimburses the Company for various expenses related to this business through the expense allowances provided for in the agreement.

The Company entered into two funds withheld coinsurance agreements with an unaffiliated authorized reinsurer on April 1, 2005 and July 1, 2010 whereby the Company cedes 50% of substantially all policies of specific annuity plans issued from January 1, 2002 through March 31, 2005, 60% of substantially all policies of specific annuity plans issued from April 1, 2005 through February 29, 2008 and 50% of substantially all policies of specific annuity plans issued from March 1, 2008 through November 30, 2012.

The Company entered into a coinsurance agreement with an unaffiliated authorized reinsurer, on October 1, 2009 whereby the Company cedes 100% of all policies of specific annuity plans issued from January 1, 2008 through September 30, 2009.

The Company entered into a coinsurance and yearly renewable term agreement on January 1, 2016 with an unaffiliated authorized reinsurer whereby the Company cedes to the reinsurer 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 100% of an in-force block of certain annuity policies along with 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 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 the Company, on December 31, 2010. The agreement has been 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 the Company, 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 Canal Re, a limited purpose subsidiary of the Company, on September 30, 2019. The Company ceded term policies issued between January 1, 2015 and December 31, 2019 under AG 48. 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 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 \$61,602,376,432.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact business in 49 jurisdictions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, Northern Mariana Island and Anguilla. The Company is not licensed to conduct its business in the state of New York. The Company is also authorized by the Department of Defense to solicit life insurance on defense installations in foreign territories.

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 distributes its life products primarily through approximately 3,650 personal producing general agents (PPGAs) centered on a value-driven approach. The distribution system consists primarily of approximately 24 Regional Sales Directors (RSDs) who are responsible for recruiting and developing relationships with PPGAs.

The majority of the fixed annuities are marketed through national annuity marketing organizations and annuity brokerage agencies. Mutual fund IRAs and variable annuities are distributed through a network of broker-dealers. 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	\$ 1,009,828,174	12.7%
Florida	709,368,034	8.9
Texas	533,501,014	6.7
Pennsylvania	499,269,015	6.3
Ohio	382,314,361	4.8
Total all states	\$7,973,867,227	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>---Insurance In Force---</u>	
			<u>Life</u>	<u>Annuity</u>	<u>A & H</u>	<u>Ordinary</u>	<u>Group</u>
2017	\$ 56,495,203	\$ 3,414,063	\$ 1,419,169	\$ 2,620,471	\$ 11	\$153,932,251	\$ 156,056,140
2018	57,914,703	3,571,208	1,154,338	2,526,365	10	154,996,057	160,969,132
2019	60,416,250	3,852,432	832,311	2,421,598	8	160,117,623	165,842,694
2020	67,262,503	4,205,059	860,980	5,587,095	8	168,358,353	173,852,408
2021	74,313,640	5,248,442	2,900,035	1,173,790	4	178,986,092	184,254,885

*Includes Separate Accounts

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	\$ 52,703,582,945	\$	\$ 52,703,582,945
Preferred stocks	1,920,571,729		1,920,571,729
Common stocks	871,533,901		871,533,901
Mortgage loans on real estate: First liens	3,633,080,543		3,633,080,543
Mortgage loans on real estate: Other than first liens	30,253,625		30,253,625
Real estate: Properties occupied by the company	100,145,076		100,145,076
Cash, cash equivalents and short-term investments	2,053,849,828		2,053,849,828
Contract loans	418,366,773	1,567,233	416,799,540
Derivatives	519,979,352		519,979,352
Other invested assets	3,130,363,056	372,152	3,129,990,904
Receivables for securities	4,863,902		4,863,902
Collateral asset	1,385,000		1,385,000
Investment income due and accrued	520,054,641		520,054,641
Uncollected premiums and agents' balances in the course of collection	19,471,396	14,189,062	5,282,334
Deferred premiums, agents' balances and installments booked but deferred and not yet due	159,539,280		159,539,280
Amounts recoverable from reinsurers	26,523,631	6,622,957	19,900,674
Other amounts receivable under reinsurance contracts	14,735,685		14,735,685
Net deferred tax asset	473,343,318	134,105,430	339,237,888
Guaranty funds receivable or on deposit	620,433		620,433
Electronic data processing equipment and software	28,445,521	24,087,028	4,358,493
Furniture and equipment	422,307	422,307	
Receivables from parent, subsidiaries and affiliates			
Company owned life insurance	28,964,952		28,964,952
Miscellaneous assets	23,799,538	23,799,538	
Funding allowance	7,769,608	7,769,608	
Additional write-ins for assets	3,840,843	171,030	3,669,813
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	6,530,758,836		6,530,758,836
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 74,526,746,445	\$ 213,106,345	\$ 74,313,640,100

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 43,928,138,213
Aggregate reserve for accident and health contracts	111,005
Liability for deposit-type contracts	585,758,726
Life contract claims	240,682,768
Accident and health contract claims	323,838
Policyholders' dividends	478
Dividends apportioned for payment	688,180
Coupons and similar benefits	1,021
Premiums and annuity considerations for life and accident and health contracts received in advance less discount	2,430,883
Other amounts payable on reinsurance	48,214,100
Interest Maintenance Reserve	85,174,221
Commissions to agents due or accrued	1,998,498
General expenses due or accrued	134,742,187
Transfers to Separate Accounts due or accrued (net)	(43,889,994)
Taxes, licenses and fees due or accrued, excluding federal income taxes	34,002,332
Current federal and foreign income taxes	56,525,095
Unearned investment income	2,173,255
Amounts withheld or retained by reporting entity as agent or trustee	3,517,655
Amounts held for agents' account	68,197
Remittances and items not allocated	735,709,257
Liability for benefit for employees and agents if not included above	202,353
Asset valuation reserve	689,593,259
Reinsurance in unauthorized and certified companies	246,352
Funds held under reinsurance treaties with unauthorized and certified reinsurers	3,915,683,193
Payable to parent, subsidiaries and affiliates	2,526,739
Funds held under coinsurance	3,993,393,976
Derivatives	158,438,233
Payable for securities	184,504,415
Payable for securities lending	4,508,905,288
FHLB advances	3,072,795,000
Derivative collateral liability	350,758,995
Agent non-qualified deferred compensation	97,755,216
Additional write-ins for liabilities	33,299,797
	<hr/>
Total liabilities excluding Separate Accounts business	\$ 62,824,472,732
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From Separate Accounts	6,240,725,056
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Total Liabilities	\$ 69,065,197,788
	<hr/>
Common capital stock	2,549,439
Surplus notes	1,037,000,000
Gross paid in and contributed surplus	793,927,235
Unassigned funds (surplus)	3,414,965,638
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Total Surplus and Other Funds	\$ 5,248,442,313
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Total Liabilities, Surplus and Other Funds	\$ 74,313,640,100
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SUMMARY OF OPERATIONS

Premiums and annuity considerations for life, accident and health contracts	\$ 4,077,708,894
Considerations for supplementary contracts with life contingencies	14,077,697
Net investment income	3,450,756,219
Amortization of Interest Maintenance Reserve	23,475,942
Separate Accounts net gain from operations excluding unrealized gains or losses	51,742,570
Commissions and expense allowances on reinsurance ceded	243,438,178
Reserve adjustments on reinsurance ceded	(1,576,570,293)
Income from fees associated with investment management, administration and contract	
Guarantees from Separate Accounts	32,464,309
Company owned life insurance	175,757,057
Reinsurance experience refund	35,791,451
Reinsurance recapture settlement	31,000,000
Other miscellaneous income	10,911,682
Total	\$ 6,570,553,705
Death benefits	\$ 414,447,569
Matured endowments	640,958
Annuity benefits	636,101,323
Disability benefits and benefits under accident and health contracts	2,289,193
Surrender benefits and withdrawals for life contracts	2,184,375,571
Interest and adjustments on contract or deposit-type contract funds	22,783,471
Payments on supplementary contracts with life contingencies	16,373,614
Increase in aggregate reserves for life, accident and health contracts	704,774,663
Total	\$ 3,981,786,363
Commissions on premiums, annuity considerations and deposit-type contract funds	432,408,8347
Commissions and expense allowances on reinsurance assumed	2,326,673
General insurance expenses	265,280,217
Insurance taxes, licenses and fees, excluding federal income taxes	76,271,061
Increase in loading on deferred and uncollected premiums	(2,596,809)
Net transfers to Separate Accounts net of reinsurance	256,997,109
Funds withheld coinsurance - ceded	967,336,005
Transfer to IMR – ceded	(513,281,420)
Reinsurance ceded risk charge	12,571,828
Additional aggregate write-ins for deductions	(17,394,923)
Total	\$ 5,431,704,940
Net gain from operations before dividends to policyholders and federal income taxes	\$ 1,108,848,765
Dividends to policyholders and refunds to members	654,144
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 1,108,194,621
Federal and foreign income taxes incurred	122,814,434
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$985,380,187
Net realized capital gains or (losses)	(28,783,413)
Net income	\$ 956,596,774

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 4,205,059,218</u>
Net income	956,596,744
Change in net unrealized capital gains (losses) less capital gains tax	(35,536,456)
Change in net unrealized foreign exchange capital gain (loss)	(4,425,307)
Change in net deferred income tax	54,769,054
Change in non-admitted assets	26,860,729
Change in liability for reinsurance in unauthorized and certified companies	(25,258)
Change in asset valuation reserve	(182,834,503)
Cumulative effect of changes in accounting principles	60,650,001
Change in surplus as a result of reinsurance	464,271,944
Dividends to stockholders	(299,652,000)
OPEB SSAP92 adjustment	<u>2,708,117</u>
Net change in capital and surplus for the year	<u>\$ 1,043,383,095</u>
Capital and surplus end of reporting period	<u>\$ 5,248,442,313</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 4,088,512,920	
Net investment income	3,243,915,027	
Miscellaneous income	876,650,356	
Total		<u>\$ 8,209,078,303</u>
Benefit and loss related payments	\$ 4,850,647,449	
Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	257,987,648	
Commissions, expenses paid and aggregate write-ins for deductions	1,708,219,617	
Dividends paid to policyholder	679,476	
Federal and foreign income taxes paid (recovered)	172,759,637	
Total		<u>6,990,293,827</u>
Net cash from operations		<u>\$ 1,218,784,476</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 14,481,359,059	
Stocks	235,377,806	
Mortgage loans	1,115,347,807	
Other invested assets	707,969,445	
Net gains or (losses) on cash, cash equivalents and short- term investments	599,334	
Miscellaneous proceeds	73,687,577	
Total investment proceeds		<u>\$ 16,614,341,028</u>
Cost of investments acquired:		
Bonds	\$ 18,064,480,025	
Stocks	1,499,971,591	
Mortgage loans	358,166,581	
Real estate	1,717,275	
Other invested assets	1,303,835,112	
Miscellaneous applications	61,317,467	
Total investments acquired		<u>21,289,488,050</u>
Net cash from investments		<u>\$ (4,687,842,065)</u>

Cash from Financing and Miscellaneous Sources

Capital and paid in surplus, less treasury stock	\$ 175,000,000	
Net deposits on deposit-type contracts and other insurance liabilities	226,724,051	
Dividends to stockholders	299,652,000	
Other cash provided (applied)	3,972,799,658	
Net cash from financing and miscellaneous sources		<u>\$ 4,074,871,710</u>

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

Net change in cash, cash equivalents and short-term investments	\$ 605,814,121
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>1,448,035,707</u>
End of year	<u>\$ 2,053,849,828</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