

EXAMINATION REPORT OF  
UNITED LIFE INSURANCE COMPANY  
CEDAR RAPIDS, IOWA  
AS OF DECEMBER 31, 2021

Cedar Rapids, Iowa  
June 2, 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

UNITED LIFE INSURANCE COMPANY

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2021

at its Statutory Home Office, 200 1<sup>st</sup> St SE, Suite 1300, Cedar Rapids, Iowa.

#### INTRODUCTION

United Life Insurance Company, hereinafter referred to as the “Company” or “ULIC”, was last examined, as of December 31, 2018. The examination reported herein was conducted as an examination of an insurance holding company group by the contracting firm, Risk & Regulatory Consulting, LLC. In addition, the Company’s Iowa domiciled affiliate Guaranty Income Life Insurance Company, hereinafter referred to as “GILICO”, was also examined as part of the holding company group, with a separate examination report prepared for each entity. The examination was performed in coordination with the Nebraska Department of Insurance with its concurrent financial examination of the Nebraska domiciled subsidiaries Lincoln Benefit Life Company and Lancaster Re Captive Insurance Company, hereinafter referred to as “LBL” and LanRe, respectively.

#### SCOPE OF EXAMINATION

This is a multi-state comprehensive full-scope coordinated holding company group financial examination of the Company covering the period from January 1, 2019 to the close of business on December 31, 2021, 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 organized on May 8, 1962, under Chapters 491 and 508, Code of Iowa, for the purpose of engaging in the business of a stock legal reserve life insurance company. Authorization was also obtained at this time to write accident and health insurance. The original Articles of Incorporation provided for authorized capital stock in the amount of \$1,000,000 divided into 100,000 shares of common stock with a par value of \$10 per share. The first amended and restated Articles of Incorporation, amended August 20, 2010, provided for authorized capital stock in the amount of \$7,500,000 divided into 500 shares of common stock with a par value of \$15,000 per share.

On September 18, 2017, United Fire & Casualty signed a definitive agreement to sell the Company to Kuvare US Holdings, Inc. (Kuvare US), for \$280 million in cash, subject to specified adjustments as set forth in the definitive agreement. The Company's acquisition by Kuvare US was finalized on March 30, 2018.

### CAPITAL STOCK AND DIVIDENDS

The Company has 500 shares of common stock authorized, 351 shares issued and outstanding with a par value of \$15,000 per share. No common stock dividend was paid during the period under examination.

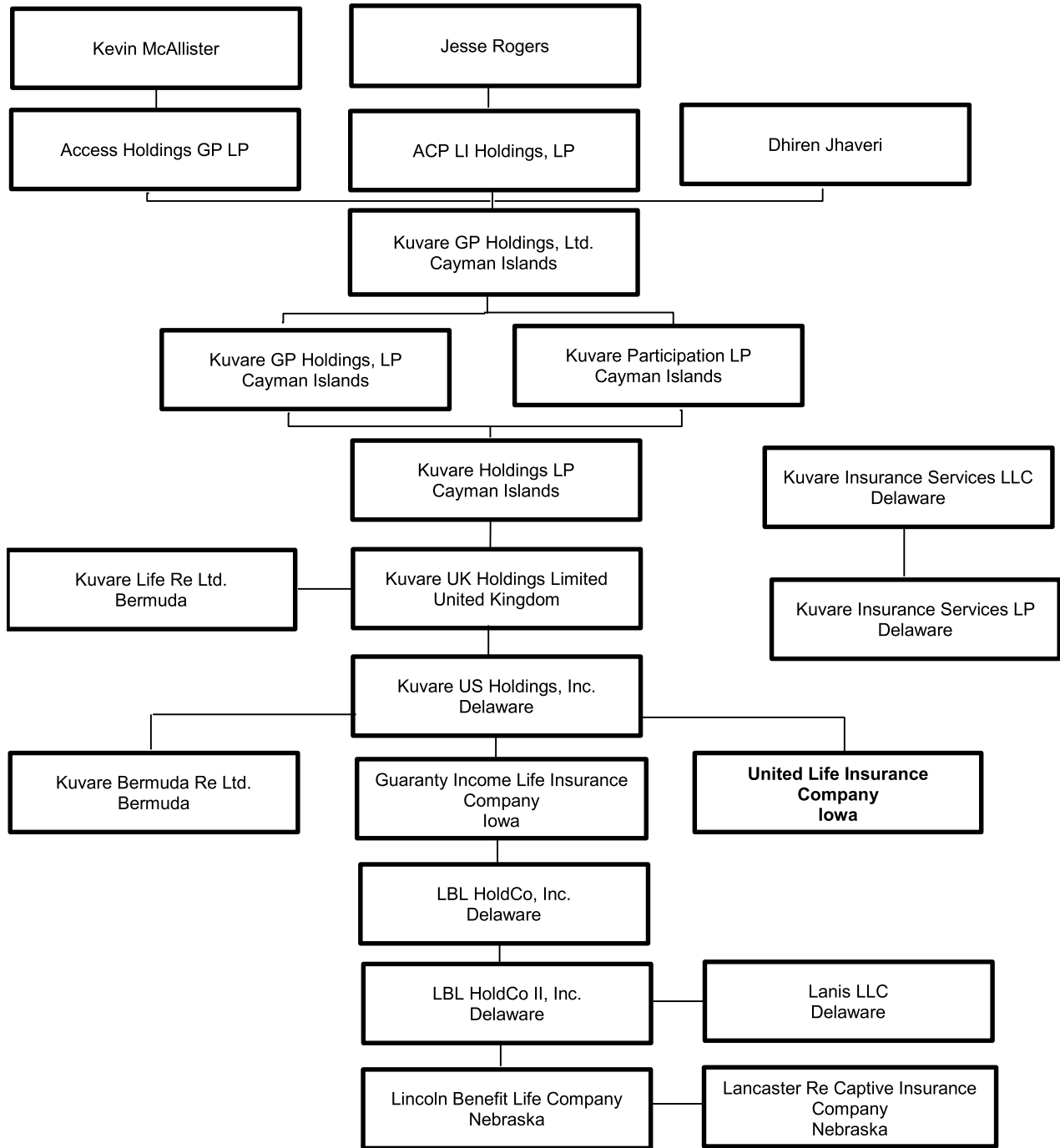
During 2021, the Company received a capital contribution of \$60 million from Kuvare US.

### INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System as defined by Chapter 521A, Code of Iowa, and is a wholly owned subsidiary of Kuvare US.

Kuvare US is a Delaware corporation based in Chicago, Illinois. Kuvare US was founded in September of 2015 with a focus on building an insurance platform via the acquisition of life insurance and annuity companies.

A simplified organizational chart identifying the Holding Company System as of December 31, 2021:



## MANAGEMENT AND CONTROL

### SHAREHOLDERS

The Second Amended and Restated Bylaws provide that the annual meeting of the shareholders shall be held during the month of May, of each calendar year, on a date determined and notified to the shareholders at least sixty (60) days in advance of such meeting, for the election of directors and for the transaction of such other business as may properly come before the meeting.

In 2019, 2020, 2021, and 2022, ULIC held its annual shareholder meeting in the month of June rather than May as directed by Article II, Section 1 of the Bylaws.

### BOARD OF DIRECTORS

The Second Amended and Restated Bylaws provide that the Board of Directors shall consist of not less than five nor more than eleven directors. The regular meeting of the Board of Directors shall be held immediately following the annual meeting of the shareholders.

The Company's Board of Directors is currently comprised of representatives from each of the primary shareholders, as well as senior Kuvare US executives. Members of the Board of Directors, duly elected, qualified and serving as of December 31, 2021 were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Dhiren Jhaveri Chicago, IL	Chief Executive Officer Kuvare US Holdings, Inc.	2022
Bradley Rosenblatt Highland Park, IL	President, United Life Insurance Company Chief Revenue Officer, Kuvare US Holdings, Inc.	2022
Keoni Schwartz Menlo Park, CA	Managing Director Altamont Capital Partners	2022
Eric Becker Jupiter, FL	President and Chief Executive Officer Cresset Capital Management	2022
Kevin McAllister Owings Mills, MD	Founder and Investor Access Holdings	2022
Carlos Sierra Oakbrook, IL	Chief Operating Officer Kuvare US Holdings, Inc.	2022

## COMMITTEES

The Company has designated the Kuvare US level board to have general oversight over the Company. The Board utilizes the following committees to oversee core governance functions at the Company: Executive Committee, Audit Committee, Compensation Committee, and an Investment Committee.

The committees and their membership as of December 31, 2021, are as follows:

### Audit Committee:

Dhiren Jhaveri<sup>1</sup>  
Keoni Schwartz  
Kevin McAllister

### Compensation Committee:

Dhiren Jhaveri<sup>1</sup>  
Keoni Schwartz  
Kevin McAllister

### Executive Committee:

Dhiren Jhaveri<sup>1</sup>  
Keoni Schwartz  
Kevin McAllister

### Investment Committee:

Dhiren Jhaveri<sup>1</sup>  
Carlos Sierra  
Bradley Rosenblatt  
Joseph Wieser

<sup>1</sup> Denotes Chairperson

During the examination, the following violations were noted as it related to the Kuvare US Holdings, Inc. Audit Committee (Kuvare US Audit Committee), which is the designated Audit Committee for ULIC. The Kuvare US Audit Committee did not have the required majority (50% or more) of independent members for 2022 in accordance with Iowa Administrative Code §191-98.13(4) and §191-98.13(9). The Kuvare US Audit Committee did not have any members that qualified as independent.

## OFFICERS

The Second Amended and Restated Bylaws provide that the officers of the Company shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer who shall be elected at the annual meeting of the directors for a period of one year and until their successors are elected and qualified.

Officers serving as of December 31, 2021 were:

<u>Name</u>	<u>Title</u>
Bradley Rosenblatt	President of ULIC & Chief Revenue Officer of Kuvare US Holdings, Inc.
Steven Fry	Vice President & Chief Financial Officer of ULIC and GILICO
Carlos Sierra	Vice President of ULIC and GILICO & Chief Operating Officer of Kuvare US Holdings, Inc.
Erik Braun	Vice President of ULIC, Chief Financial Officer of LBL and LanRe & Controller of Kuvare US Holdings, Inc.

<u>Name</u>	<u>Title</u>
David Goldberg	Secretary of GILICO and ULIC & General Counsel of Kuvare US Holdings, Inc.

The salaries of these officers are shown in Exhibit A to be found immediately following the signature page of this report.

The Company's Officers elected by the Board of the Directors for 2019-2021 did not identify a Treasurer as required by Article IV, Section 1 of the Bylaws. Additionally, jurat pages of the 2019-2021 Annual Statements did not identify a Treasurer. Subsequent to the exam period at the December 15, 2022 Board meeting, Steve Fry was appointed Treasurer in addition to his Chief Financial Officer title.

#### CONFLICT OF INTEREST

The Company has a formal Code of Conduct policy and has implemented policies and procedures for disclosure and reporting of conflicts of interest in compliance with the Code of Conduct policy. The Code of Conduct policy applies to all directors, officers, and employees. All covered persons are required to complete a Disclosure form. Examiners reviewed conflict of interest statements for all directors and officers for 2021.

#### CORPORATE RECORDS

The Company moved its home office in 2020 and restated its Articles of Incorporation and Bylaws after completion of the move. The Second Amended and Restated Articles of Incorporation were amended on September 29, 2020 and filed with the Iowa Secretary of State and approved by the Iowa Insurance Commissioner. No material changes were noted. The First Amended and Restated Bylaws were amended on September 29, 2020 to correspond with the Second Amended and Restated Articles of Incorporation.

The recorded minutes of the meetings of the shareholders, board of directors, and committees of the board of directors were read and noted for the exam period. The ULIC Board of Directors minutes did not document the review and adoption of the 2018 ULIC examination report by each member of the Board in accordance with Iowa Code §507.10(4)(a).

The Company was not able to demonstrate compliance with their Audit Committee charter:

#### Audit Committee

- a. The Kuvare US Audit Committee did not maintain meeting minutes for all of 2020. Only minutes for May 2019, December 2021 and April 2022 meetings were provided.
- b. The Kuvare US Audit Committee's 2019-2021 meeting minutes do not adequately document all of the key duties and responsibilities outlined in the Audit Committee Charter.
- c. The Kuvare US Audit Committee did not meet the required four (4) times annually outlined in their charter.

The Company does not maintain a formalized and documented process which describes how hedge effectiveness will be assessed as required by Iowa Administrative Code § 191-97.4(1).

## RELATED PARTY AGREEMENTS

### Investment Management Agreement

The Company has entered into an Investment Management agreement effective March 30, 2018 with Kuvare Insurance Services LP (KIS), which was approved on March 2, 2018 by Iowa Insurance Division. Pursuant to this Agreement, KIS provides certain investment advisory and related services.

### Cost Sharing Agreement

The Company has entered a Cost Sharing Agreement effective August 2, 2018 with related parties KIS and Kuvare US, which was approved on July 27, 2018 by Iowa Insurance Division. Under this Agreement, the Company pays KIS and Kuvare US for certain services, resources, personnel, and use of facilities.

## FIDELITY BOND AND OTHER INSURANCE

The Company and its affiliates are protected by an insurance company's fidelity bond in the amount of \$5,000,000 single limit and \$10,000,000 aggregate limit of liability which meets the NAIC recommended minimum amount.

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

## EMPLOYEES' WELFARE

The Company compensates employees and executive officers through a combination of base salary and a performance bonus.

The Company offers employee benefits to all eligible employees. Benefits include comprehensive medical, dental, vision, life insurance and disability program benefits. The same benefits are offered to all employees, except for Executive Financial Counseling Services, which is only available to executive officers.

The Company sponsors a defined 401(k) contribution plan for all eligible employees and paid time off for vacations, holidays and parental leave.

## REINSURANCE

### ASSUMED

The Company has no assumed reinsurance as of December 31, 2021.

### CEDED

#### *Affiliated*

Effective December 31, 2020, the Company entered into a reinsurance agreement with Kuvare Bermuda Re Ltd. (KBR), an affiliated Bermuda based reinsurance company. The agreement is on a coinsurance with funds withheld basis and initially ceded 70% of the Company's single premium fixed deferred annuities. On September 30, 2021, the Company amended this agreement to include an additional block of single premium fixed deferred annuities, ceding the current inforce as of September 30, 2021, as well as the new business. The treaty was further amended March 31, 2021 to add a block of inforce indexed universal life insurance, as well as the new business. The ceded reserves are \$885,041,708 as of December 31, 2021.



### *Non-Affiliated*

The Company's traditional reinsurance program consists of various Coinsurance or Yearly Renewable Term (YRT) for mortality risk on term products or permanent products, including universal life, single premium whole life, and indexed universal life. The current total reserves ceded are \$4,345,805 as of December 31, 2021.

The Company also has reinsurance for catastrophic coverage whereby the reinsurer shall be liable for \$5,000,000 in excess of the Company's \$1,000,000 retention for three or more risks resulting from one loss occurrence event.

### STATUTORY DEPOSIT

The book/adjusted carrying value of securities and assets, backing the Company's legal reserve, and vested to the Commissioner of the Iowa Insurance Division for the benefit of all policyholders, totaled \$1,867,823,182.

### TERRITORY AND PLAN OF OPERATION

The Company holds certificates of authority and was authorized to transact business in the following 46 jurisdictions, in 2021:

Alabama	Indiana	Nebraska	South Carolina
Arizona	Iowa	Nevada	South Dakota
Arkansas	Kansas	New Hampshire	Tennessee
California	Kentucky	New Jersey	Texas
Colorado	Louisiana	New Mexico	Utah
Connecticut	Maryland	North Carolina	Virginia
Delaware	Massachusetts	North Dakota	Washington
District of Columbia	Michigan	Ohio	West Virginia
Florida	Minnesota	Oklahoma	Wisconsin
Georgia	Mississippi	Oregon	Wyoming
Idaho	Missouri	Pennsylvania	
Illinois	Montana	Rhode Island	

The Company's products include universal life, traditional term and whole life, single premium whole life, deferred annuity and single pay immediate annuity. The products are distributed primarily through the Personal Producing General Agency and financial institutions.

In 2021, 36.7 percent of premium was written in five states: Florida, Illinois, Iowa, Michigan, and Missouri.

### GROWTH OF COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Premium and Annuity Income</u>	<u>Net Income</u>	<u>Net Investment Income</u>
2019	\$1,763,519,717	\$157,595,261	\$240,971,557	\$ 7,675,668	\$69,375,037
2020	2,084,612,561	156,364,516	29,801,138	2,054,378	73,274,448
2021	2,915,096,941	256,814,542	279,135,003	(2,884,054)	99,821,749

## ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an electronic, accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income and disbursements.

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 as of December 31, 2021.

## SUBSEQUENT EVENTS

Kuvare Holdings has formed Bermuda reinsurer Kindley Re Ltd., which will co-invest at least \$400 million with Kuvare Holdings in qualifying life insurance and annuity transactions. Kindley Re was formed in partnership with Davidson Kempner Capital Management LP and Kuvare Holdings and its affiliates.

Effective September 30, 2022, the Company established a revolving intercompany note of an amount not to exceed \$80 million with affiliated entity, KBR. As of December 31, 2022, KBR has withdrawn \$7 million. Interest will be accrued from the date of each draw at a rate equal to Term SOFR Reference rate, plus 375 basis points. As of December 31, 2022, \$187,197 of interest has been accrued on this note.

Effective December 31, 2022, LBL, an affiliated entity, issued a surplus note in the amount of \$60 million to the Company. The surplus note bears a 7.75% interest rate and interest will be paid semi-annually. The maturity date of the surplus note is December 31, 2052.

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. Schedules may not add or tie precisely due to rounding.

## STATEMENT OF ASSETS AND LIABILITIES

### ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$2,204,404,684	\$ -	\$2,204,404,684
Stocks:			
Preferred stocks	100,319,687	-	100,319,687
Common stocks	7,581,870	-	7,581,870
Mortgage loans on real estate:			
First liens	110,845,218	-	110,845,218
Cash and cash equivalents	236,216,760	-	236,216,760
Contract loans	4,779,613	-	4,779,613
Derivatives	5,582,785	-	5,582,785
Other invested assets	149,002,569	-	149,002,569
Receivables for securities	3,388,492	-	3,388,492
Investment income due and accrued	15,110,731	-	15,110,731
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	151,110	48,581	102,529
Deferred premiums booked and not yet due	8,730,037	-	8,730,037
Reinsurance ceded:			
Amounts recoverable from reinsurers	3,590,972	526,382	3,064,590
Current federal and foreign income tax recoverable And interest thereon	333,239	-	333,239
Net deferred tax asset	35,826,658	25,207,704	10,618,954
Guaranty funds receivable or on deposit	25,469	-	25,469
Electronic data processing equipment and software	296,925	296,925	-
Furniture and equipment	83,830	83,830	-
Receivables from parent, subsidiaries, and affiliates	35,000,000	-	35,000,000
Aggregate write-ins for other than invested assets	<u>19,989,715</u>	<u>-</u>	<u>19,989,715</u>
 Total assets	 <u>\$2,941,260,363</u>	 <u>\$26,163,422</u>	 <u>\$2,915,096,941</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$1,366,445,434
Aggregate reserve for accident and health contracts	6,092,203
Liability for deposit-type contracts	111,454,233
Contract claims:	
Life	8,361,862
Accident and health	155,340
Premiums and annuity considerations for life and accident and health contracts received in advance	37,091
Other amounts payable on reinsurance	616,377
Interest maintenance reserve	20,083,512
Commissions to agents due or accrued-life and annuity and accident and health contracts	1,971,667
General expenses due or accrued	3,251,223
Taxes, licenses, and fees due or accrued, excluding federal income taxes	2,500,774
Amounts withheld or retained by reporting entity as agent or trustee	712,301
Amounts held for agents accounts	507,800
Remittances and items not allocated	11,403,045
Miscellaneous liabilities:	
Asset valuation reserve	32,990,694
Reinsurance in authorized and certified companies	1,668,748
Funds held under reinsurance treaties with unauthorized and certified reinsurers	885,041,708
Payable to parent, subsidiaries, and affiliates	2,234,645
Payable for securities	2,246,638
Aggregate write-ins for liabilities	<u>200,507,104</u>
 Total liabilities	 <u>\$2,658,282,399</u>
 Common capital stock	 \$5,265,000
Surplus notes	50,000,000
Gross pain-in and contributed surplus	123,783,300
Unassigned funds (surplus)	<u>77,766,242</u>
 Capital and surplus	 <u>\$256,814,542</u>
 Total liabilities and surplus	 <u>\$2,915,096,941</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$279,135,003
Considerations for supplementary contracts with life contingencies	1,420,772
Net investment income	99,821,749
Amortization of Interest Maintenance Reserve	2,315,244
Commissions and expense allowances on reinsurance ceded	7,697,073
Charges and fees for deposit-type contracts	316,073
Aggregate write-ins from miscellaneous income	<u>13,255</u>
 Total	 \$390,719,168
 Death benefits	 \$44,574,926
Matured endowments	175,534
Annuity benefits	26,838,936
Disability benefits and benefits under accident and health contracts	998,518
Surrender benefits and withdrawals for life contracts	29,599,921
Interest and adjustments on contract or deposit-type contract funds	2,944,551
Payments on supplementary contracts with life contingencies	3,566,746
Increase in aggregate reserves for life and accident and health contracts	<u>199,495,652</u>
 Total	 \$308,194,784
 Commissions on premiums, annuity considerations, and deposit-type contract funds	 33,955,879
General insurance expenses and fraternal expenses	20,885,108
Insurance taxes, licenses, and fees, excluding federal income taxes	4,229,177
Increase in loading on deferred and uncollected premiums	(9,536)
Aggregate write-ins for deductions	<u>25,180,443</u>
 Total	 \$392,435,855
 Net loss from operations after dividends to policyholders, refunds to members and before federal income taxes	 \$(1,716,687)
Federal and foreign income taxes incurred	<u>3,263,782</u>
Net loss from operations after dividends to policyholders, refunds to members and Federal income taxes and before realized capital gains or (losses)	\$(4,980,469)
Net realized capital gains (losses)	<u>2,096,415</u>
Net loss	<u><u>\$(2,884,054)</u></u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2020	<u>\$156,364,516</u>
Net income	\$(2,884,054)
Change in net unrealized capital gains (losses)	(1,032,721)
Change in net deferred income tax	4,883,110
Change in nonadmitted assets	(2,794,168)
Change in liability for reinsurance in unauthorized and certified companies	(1,668,748)
Change in asset valuation reserve	(6,053,393)
Change in surplus notes	50,000,000
Surplus adjustment:	
Paid in	<u>60,000,000</u>
Net change in capital and surplus for the year	<u>\$100,450,026</u>
Capital and surplus, December 31, 2021	<u>\$256,814,542</u>

## CASH FLOW STATEMENT

### Cash from Operations

Premiums collected net of reinsurance	\$827,796,400	
Net investment income	99,434,320	
Miscellaneous income	<u>638,556</u>	
Total		\$927,869,276
Benefit and loss related payments	164,629,610	
Commissions, expenses paid and aggregate write-ins	55,857,061	
Federal income taxes paid (recovered)	<u>6,003,339</u>	
Total		<u>\$226,490,010</u>
Net cash from operations		<u>\$701,379,266</u>

### Cash from Investments

Proceeds from investments sold, matured, or repaid:		
Bonds	\$512,644,419	
Stocks	4,830,491	
Mortgage loans	23,164,103	
Other invested assets	<u>32,522,145</u>	
Total investment proceeds		\$573,161,158
Cost of investments acquired (long-term only):		
Bonds	\$978,083,241	
Stocks	37,893,780	
Mortgage loans	100,890,649	
Other invested assets	61,314,825	
Miscellaneous applications	<u>9,038,160</u>	
Total investments acquired		<u>\$1,187,220,655</u>
Net increase (decrease) in contract loans and premium notes		<u>\$ (180,674)</u>
Net cash from investments		<u>\$(613,878,823)</u>



Cash from Financing and Miscellaneous Sources

Surplus notes, capital notes	\$15,000,000	
Capital and paid in surplus, less treasury stock	\$60,000,000	
Net deposits on deposit-type contracts and other insurance liabilities	(5,503,200)	
Other cash provided (applied)	<u>(9,264,247)</u>	
Net cash from financing and miscellaneous sources		<u>\$60,232,553</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$147,732,996
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>88,483,764</u>
End of period	<u>\$236,216,760</u>

## CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

In addition to the undersigned, Jan Moenck, CFE, Phil McMurray, CISSP CISA CBCP AES, Hanna Roux, CPA, Paul Alaimo, CPA, Mary Miller, AFE, Edward Toy, Patricia Matson, FSA, MAAA and Andy Rarus, ASA, MAAA from Risk & Regulatory Consulting, LLC, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Chris Rushford  
Chris Rushford, CFE  
Examiner in Charge  
Risk & Regulatory Consulting, LLC  
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen  
Amanda Theisen, CFE, PIR, MCM  
Assistant Chief - Examinations  
Iowa Insurance Division