EXAMINATION REPORT OF

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2018

West Des Moines, Iowa
May 29, 2020

HONORABLE DOUG OMMEN
Insurance Commissioner
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, affairs and financial condition of the

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2018

at the Company's Home Office located at 6000 Westown Parkway, West Des Moines, Iowa 50266. The report of examination, containing applicable comments, explanations and financial data, is presented herewith.

INTRODUCTION

American Equity Investment Life Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2013. The examination reported herein was conducted by examiners for the Iowa Insurance Division, with assistance from the New York State Department of Financial Services.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2014 to the close of business on December 31, 2018, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

The Company was incorporated December 19, 1980 with the name Century Life Insurance Company. It was established as a legal reserve stock life insurance company under the provisions of Chapters 491 and 508 of the Iowa Code. Initial authorized capital was $1,500,000 divided into 750,000 shares with a par value of $2 per share.

On September 30, 1996, Century Life Insurance Company merged with American Equity Investment Life Insurance Company with the Company being the surviving entity. The Company simultaneously changed its name to American Equity Investment Life Insurance Company. All the requisite approvals were received for the merger.

American Equity Investment Life Insurance Company was incorporated on December 28, 1995 under the provisions of Chapters 490 and 508 of the Iowa Code as a stock life insurance company and commenced business on December 29, 1995. At incorporation, the authorized capital consisted of 4,000,000 shares of common stock with a par value of $1.00 per share and 500,000 shares of preferred stock with a par value of $1.00 per share.

American Equity Investment Life Insurance Company acquired, on December 28, 1995, a block of group life and individual accident and health (mostly long-term disability and cancer) business from American Life and Casualty Insurance Company, Des Moines, Iowa. On January 1, 1996 the Company acquired a block of individual life business from the same company.

In March 2001, the Company contributed $2,000,000 of capital and $8,000,000 of additional paid-in surplus to form a wholly-owned subsidiary, American Equity Investment Life Insurance Company of New York (“American Equity of New York”).

On December 9, 2003, American Equity Investment Life Holding Company (“AEL”), an insurance holding company domiciled in the state of Iowa and sole owner of the Company, completed an initial public offering of 18,700,000 shares of its common stock at a price of $9.00 per share. An over-allotment option was granted to the underwriters in the offering, allowing them to purchase an additional 2,000,000 shares on December 29, 2003 and an additional 805,000 shares on January 7, 2004. Net proceeds from the initial public offering were approximately $178 million, of which $125 million was contributed to the Company to fund the future growth of the business.

On September 17, 2008, the Company formed an Iowa domiciled insurance company named Eagle Life Insurance Company (“Eagle Life”). The Company owns 100% of the outstanding stock of Eagle Life.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

Authorized capital consists of 4,000,000 shares of common stock, par value of $1 per share. As of December 31, 2018, 2,500,000 shares were issued and outstanding, resulting in common capital stock of $2,500,000. The Company is authorized to issue 500,000 preferred shares. As of December 31, 2018, no preferred shares have been issued. Gross paid in and contributed surplus is

$1,307,188,767. The immediate parent of the Company owned all issued and outstanding shares at December 31, 2018. The Company paid no dividends to stockholders during the period under review.

CAPITAL CONTRIBUTIONS

The Company received the following capital contributions during the exam period:

Year	Contribution
2015	$120,000,000
2016	255,000,000

SURPLUS NOTES

Five surplus notes have been issued to the Company's immediate parent, AEL. The notes bear interest at eight percent annually, which will be paid quarterly. The notes have no maturity date. All principal and interest payments on the notes require permission for such payment from the Iowa Insurance Division. The following table summarizes the surplus notes:

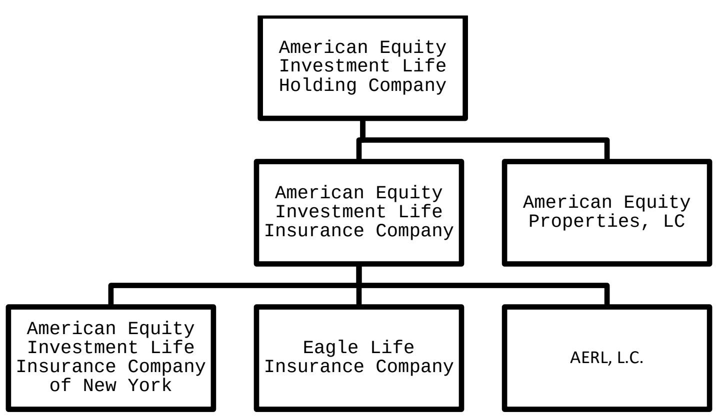
Date Issued	Amount of Notes
October 8, 1996	$ 2,500,000
December 30, 1998	5,500,000
September 9, 1999	17,000,000
June 19, 2001	16,000,000
December 31, 2002	10,000,000

HOLDING COMPANY ACT

The Company is a member of an Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. The Company is a wholly-owned subsidiary of AEL, a publicly held insurance holding company domiciled in the state of Iowa. The organizational chart that follows shows all companies that were a member of the holding company as of December 31, 2018.

For each year during the examination period, the Company filed the appropriate statements as required by statute for insurance holding company systems and was in compliance with statutory limitations.

ORGANIZATIONAL CHART



MANAGEMENT AND CONTROL

As stated in the Restated Articles of Incorporation, the annual meeting of the stockholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, may be held on the third Tuesday in May of each year at such place as may be designated from time to time by the Board of Directors ("Board").

No proxy shall be valid for more than eleven months unless a longer period is expressly provided in the appointment form. A proxy may be revoked at any time by the stockholder who executed it. All proxies must be filed with the Secretary at least one day prior to an election or meeting at which they are to be used or such additional time as may be provided by the Bylaws.

According to the Bylaws, special meetings of the shareholders shall be held at the principal offices of the corporation, upon the call of the Chairman of the Board, President, a majority of the stockholders or a majority of the Board. Such call shall state the time, place and purposes of the meeting. Notwithstanding the previous, a meeting of the shareholders may be held in some other place in the county where the corporation has its principal place of business if notice is mailed at least twenty days prior to the meeting informing the shareholders of the place, time and hour of the meeting. Except as required in the Restated Articles of Incorporation, notice of every meeting of the shareholders and of the business to be acted on at such meeting shall be given personally or mailed by the Secretary or an Assistant Secretary, at least twenty days before the meeting, to each stockholder of record voting power and entitled to such notice. However, if a stockholder be present at a meeting, or in writing waives notice thereof, notice of the meeting to such stockholder shall be unnecessary.

At any meeting of the shareholders, holders of the stock of the corporation having a majority of the voting power present, in person or by proxy, shall constitute a quorum. Except as otherwise provided in the Restated Articles of Incorporation, the holders of a majority of the stock present and entitled to vote at a duly qualified meeting of stockholders shall have the power to act.

At every meeting of stockholders, each stockholder entitled to vote shall be entitled to one vote for each share of stock held by him. A stockholder may vote and otherwise act in person or by proxy, but no proxy shall be voted more than three years after its date unless such proxy provides for a longer period.

According to the Bylaws, the number of directors of the corporation shall be not less than five nor more than fifteen, the exact number to be fixed from time-to-time by the Board pursuant to a resolution adopted by a majority of the entire Board. Any vacancies in the Board shall be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum of the Board, or by a sole remaining director. The term of any director chosen to fill a vacancy shall expire at the next annual meeting of stockholders and until that director's successor shall be elected and qualified.

Meetings of the Board shall be held at any place or places within or out of the State of Iowa. A meeting may be held without notice immediately after the annual election. Meetings of the Board shall be held at the times fixed by resolution of the Board or upon the call of the Chairman of the Board, President, or any two of the directors. The Secretary or officer performing his duties shall give reasonable notice (which need not exceed two days) of all meetings and notice need not be given of regular meetings held at times fixed by resolution of the Board.

A majority of the directors then in office shall constitute a quorum of the Board. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board.

The Board may take action without a meeting and without notice if consent to such action is executed by all of the directors. The Board may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation therein shall constitute presence in person at such meeting.

The directors duly elected and serving on the Board as of December 31, 2018 were as follows:

Name and Address	Primary Occupation and Employer	Term Expires
John Michael Matovina* Johnston, Iowa	Chairman, President, & Chief Executive Officer ("CEO") AEL	2019
Ted Morris Johnson Des Moines, Iowa	Chief Financial Officer and Treasurer AEL	2019
Renee Denise Montz Urbandale, Iowa	Executive Vice President, General Counsel and Secretary AEL	2019
Jeff David Lorenzen Des Moines, Iowa	Executive Vice President, Chief Investment Officer AEL	2019
Ronald James Grensteiner Urbandale, Iowa	Executive Vice President AEL	2019

*Mr. Matovina retired as CEO for AEL on March 1, 2020. Anant Bhalla was named CEO and assumed Mr. Matovina's committee assignments.

COMMITTEES

As stated in the Bylaws, the Board may establish one or more committees, including an Executive Committee, each committee to consist of two or more directors appointed by the Board. Any such committee shall serve at the will of the Board. Each committee shall have the powers and duties delegated to it by the Board.

A committee shall not: (a) authorize distributions by the Company; (b) approve or propose to shareholders of the Company action that the law requires be approved by shareholders; (c) fill vacancies on the Board of the Company or on any of its committees; (d) amend Articles of Incorporation; (e) adopt, amend or repeal Bylaws of the Company; (f) approve a plan of merger not requiring shareholder approval; (g) authorize or approve reacquisition of shares by the Company, except according to a formula or method prescribed by the Board; and (h) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board may authorize a committee or a senior executive officer of the Company to do so within limits specifically prescribed by the Board.

At December 31, 2018, the committees established by the Board were as follows:

Executive Committee	Investment Committee
John M. Matovina, Chairman	John M. Matovina, Chairman
Ronald J. Grensteiner	Ted M. Johnson
Ted M. Johnson	Jeff D. Lorenzen

The Audit Committee and Nominating-Corporate Governance Committees are held at the Holding Company level. The members of the Holding Company's Audit Committee, which consists of Committee Chairman David S. Mulcahy, Robert L. Howe and Brenda J. Cushing, shall act and function as the Audit Committee for the Company until the annual meeting of the Board of Directors in 2019.

OFFICERS

The officers of the Company, as defined in the Bylaws, shall be a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as may from time-to-time be appointed by the Board. One person may hold the offices and perform the duties of any two or more of said offices. The officers shall be appointed annually by the Board at its annual meeting.

The Bylaws provide that the President shall be the CEO of the Company unless otherwise designated by the Board. Subject to the provisions of the Bylaws and the direction of the Board, the President shall have the responsibility for the general management and control of the business and affairs of the Company. He or she shall have power to sign contracts and instruments of the Company which are authorized and shall have general supervision and direction of all the other officers, employees and agents of the Company.

In the absence, death or incapacitation of the President, the Vice President shall perform the duties of the President and when so acting shall have the power of and be subject to all the restrictions upon the President. The Vice President shall perform all duties incident to the office of President, as defined by the Bylaws, and shall perform such other duties and have such authority as from time-to-time may be assigned by the President or the Board.

The Secretary shall keep minutes of all shareholders and Board meetings, authenticate the records of the Company, attend to giving and serving notices, be custodian of the corporate seal, keep a stock record, and, in general, perform all duties incident to the office of the Secretary and all such other duties as from time-to-time may be assigned by the President or the Board.

The Treasurer shall have custody of and be responsible for all monies and securities of the Company, keep full and accurate records and accounts in books, deposit all its monies in Company depositories, prepare annual financial statements and, in general, perform all duties incident to the office of the Treasurer and all such other duties as from time-to-time may be assigned by the President or the Board.

The duly elected officers of the Company at December 31, 2018 were:

Name	Title
John M. Matovina*	Executive Chairman of the Board & CEO
Ronald J. Grensteiner	President
Ted M. Johnson	Chief Financial Officer and Treasurer
Renee D. Montz	Executive Vice President, General Counsel and Secretary
Jeff D. Lorenzen	Executive Vice President and Chief Investment Officer
John R. Miller	Senior Vice President and Chief Actuary

The salaries of the above named officers can be found in Exhibit A immediately following this report.

*John M. Matovina retired as President of AEL on January 27, 2020 and Anant Bhalla became President on the same day.

CONFLICT OF INTEREST

The Company has an established procedure for the annual disclosure to its Board of any material interest or affiliation on the part of the directors, officers, responsible employees and members of their immediate family, which is in conflict with, or is likely to be in conflict with the official duties of such person. An examination review of these statements indicated there were no conflicts found that would appear to interfere with that person's official duties.

INTERCOMPANY COST ALLOCATION AGREEMENTS

The following significant transactions were entered into with related parties and affiliates:

Effective March 19, 2001, the Company entered into a Management Services Agreement with American Equity of New York. Under this agreement, American Equity of New York reimburses the Company on a quarterly basis for actual costs incurred as arrived at in a fair and equitable manner.

Effective November 1, 2002 and as amended effective October 1, 2013, the Company entered into an Investment Advisory Agreement with AEL. Under this agreement, the Company pays an investment advisory fee at an annual rate of 25 basis points on its invested assets up to $100 million and at an annual rate of 20 basis points on its invested assets in excess of $100 million in exchange for investment management services. The Company also reimburses AEL for any custodial, brokerage or transaction expenses incurred.

Effective August 1, 2008, the Company entered into a Management Services Agreement with Eagle Life. Under this agreement, the Company provides Eagle Life with administrative functions related to agent licensing, payment of commissions, actuarial services, annuity policy issuance and service, accounting and financial, compliance, market conduct, shared services and marketing. Eagle Life reimburses the Company on a quarterly basis for actual costs incurred as arrived at in a fair and equitable manner.

Effective April 11, 2011, the Company and its affiliates entered into a Tax Allocation Agreement with AEL. Under this agreement, AEL annually files the group’s consolidated federal income tax return. AEL collects from or refunds to its subsidiaries the amount of federal income taxes or benefits based on each company’s proportionate share of the consolidated federal income tax liability computed as if the companies filed separate returns.

Effective February 8, 2013, the Company entered into an International Swaps and Derivatives Association, Inc. Master Agreement with Eagle Life. Under this agreement, the Company purchases options to fund Eagle life’s index credits due to fixed indexed annuity (“FIA”) contract holders on the contract anniversary date. At the same time, the Company writes an identical option facing Eagle Life and the Company collects a premium from Eagle Life equal to what was paid for such option.

CORPORATE RECORDS

The minutes of the meetings of the shareholders, the Holding Company, the Board and the committees of the Board were reviewed for the examination period. All minutes were signed and properly attested.

The recorded minutes of the meetings of the Board and its committees were read and noted. The Company accepted the Iowa Insurance Division’s Examination Report as of December 31, 2013 at the Board of Directors’ meeting held on June 4, 2015.

FIDELITY BONDS AND OTHER INSURANCE

Adequate coverage is maintained with licensed insurers to protect the Company’s assets and interests.

EMPLOYEES’ WELFARE

The Company provides full-time employees with vacation, sick leave, group disability income and term life insurance benefits on a non-contributory basis. Benefits under the group health and dental coverages for qualified employees and a 401(k) retirement plan are on a contributory basis.

REINSURANCE

The review found that the Company’s reinsurance agreements contained the proper insolvency clause. The current retention level is $100,000.

Individual Life and Annuity Ceded

Effective January 1, 1997, the Company has an automatic coinsurance agreement with Optimum Re Insurance Company (“Optimum Re”) for term life insurance policies (SELECT 5/10/15/20). Under the agreement, the Company has a 50% quota share with 100% quota share for amounts in excess of the Company’s retention of $100,000. As of July 1, 2014, the Company no longer issues individual term life insurance products.

The Company entered into two coinsurance agreements with EquiTrust Life Insurance Company (“EquiTrust”). Under these agreements, the Company ceded 70% of certain fixed rate and fixed index annuities issued from August 1, 2001 through December 31, 2001; 40% of those contracts issued during calendar years 2002 and 2003; and 20% of those contracts issued from January 1, 2004 to July 31, 2004, when the agreement was suspended by mutual consent of the parties. As a result of the suspension, new business will no longer be ceded to EquiTrust unless the parties mutually agree to resume the coinsurance of new business.

Effective December 30, 1998, the Company has an automatic coinsurance agreement with Hannover Life Reassurance Company of America (“Hannover”) for simplified issued whole life (“SIWL”) individual policies. Under the agreement, the Company has a 50% quota share of $50,000 maximum issue for SIWL-1 and 50% quota share of $35,000 maximum issue amount for SIWL-2 and SIWL-2GDB policies. As of July 1, 2014, the Company no longer issues these individual whole life products.

Effective February 1, 2007, the Company entered into a reinsurance agreement with Ace Tempest Life Reinsurance Ltd. Under this agreement, the Company ceded 50% of the risk associated with the Company’s original versions of the life income benefit rider (“LIBR”)on certain annuities issued beginning in 2007 that is a closed block of business. Effective July 1, 2007, the Company also entered into a reinsurance agreement with Hannover for this same business. Under this agreement, the Company ceded 50% of the risk associated with the Company’s original versions of the LIBR on this closed block of business.

Effective March 31, 2011, the Company entered into a coinsurance and Yearly Renewable Term (“YRT”) reinsurance agreement with Hannover. Under this agreement, Hannover agreed to coinsure a certain percentage (3.11% as of December 31, 2013) of certain annuity business issued from April 1, 2010 to September 30, 2010. In addition, Hannover agreed to reinsure, on a YRT basis, a certain percentage (96.89% as of December 31, 2013) of surrender charges waived upon the death of the contract holder of certain business issued from April 1, 2010 to September 30, 2010. This business was recaptured by the Company on October 1, 2015.

Effective July 1, 2013, the Company entered into a YRT reinsurance agreement with Hannover covering in-force and new business net of any existing reinsurance agreements. Under this agreement, Hannover agreed to reinsure 45.6% of waived surrender charges on free partial withdrawals, LIBR payments, death claim payments, and LIBR payments greater than the fund value of the underlying contract.

Effective July 1, 2009, the Company entered into two annuity modified coinsurance funds withheld coinsurance agreements with Athene Life Re Ltd. (“Athene”), an unauthorized Bermuda life insurer. One agreement ceded 20% of certain indexed annuities issued from January 1, 2009 through December 31, 2009. The other agreement cedes 80% of the Company’s multi-year rate guaranteed annuities issued on or after July 1, 2009 through December 31, 2013.

Effective July 1, 2014, the Company entered into a modified coinsurance agreement with Athene. The amended agreement cedes 80% of the Company’s multi-year guaranteed deferred annuity (“MYGA”) business issued on or after January 1, 2014 (both direct and business assumed from Eagle Life) and 80% of certain of the Company’s indexed annuities issued from August 1, 2016 through December 31, 2016. In addition, the agreement cedes 100% of the fixed indexed annuities the Company assumes from Eagle Life.

Effective January 1, 2010, the Company entered into a coinsurance agreement with Eagle Life covering 100% of certain fixed annuity policies issued by the Company on or after January 1, 2010 through December 31, 2020. In June of 2012, this coinsurance agreement was amended to eliminate the one percent marketing allowance paid by Eagle Life to the Company on the reinsured contracts for premiums received after July 1, 2012. Effective January 1, 2014, the assumption of new business by Eagle Life/ceding of new business by the Company ceased under this agreement.

Group Term Life and AD&D Ceded

Group and individual accidental death and dismemberment risks were ceded on a 100 percent quota share basis under two contracts with an authorized reinsurer. Group term life was reinsured on a fifty percent quota share basis under one of those contracts. The group and individual accidental death and dismemberment risks are no longer ceded.

Group Accident and Health Ceded

Group disability income coverages were ceded seventy percent under a quota share agreement with an authorized reinsurer. The group disability income coverages are no longer ceded.

Life and Annuity Business Assumed

The Company has a quota share reinsurance agreement with Washington National Insurance Company, formerly Conseco Insurance Company, related to blocks of individual life policies, group term life policies, group disability income coverage, and accident and health ("A&H") policies. These agreements date back to 1995 when the Company was formed. These are considered immaterial and continue to decrease each year.

Effective October 1, 2013 and as amended November 20, 2013, January 1, 2014, December 1, 2014, February 19, 2015, December 31, 2015 and July 1, 2016, the Company is party to a coinsurance agreement with Eagle Life. Under this agreement, the Company assumes 100% of the risk associated with MYGA contracts issued by Eagle Life on or after October 1, 2013 through January 1, 2014. The Company also assumed 80% of the FIAs issued by Eagle Life from January 1, 2014 to December 31, 2016, 50% of the FIAs issued by Eagle Life from January 1, 2017 to December 31, 2018 and 20% of the FIAs issued by Eagle Life on or after January 1, 2019.

Effective January 1, 2014, the Company entered into a block coinsurance agreement with Eagle Life. Under this agreement, the Company assumes 80% of the risk associated with Eagle Life's FIA business issued prior to or on December 31, 2018.

Note that 80% of the MYGA business and 100% of the FIA business ceded by Eagle Life to the Company is ceded by the Company to an unaffiliated entity.

STATUTORY DEPOSIT

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

TERRITORY AND PLAN OF OPERATION

At December 31, 2018, the Company was authorized to transact business in the District of Columbia and all fifty states except New York.

The five states with the largest amounts of direct premium writings in 2018 were:

State	Direct Premium Collected	% of Total
Florida	$ 292,623,211	8.1%
Texas	290,337,204	8.0
Pennsylvania	212,003,044	5.9
Illinois	206,503,394	5.7
California	200,058,789	5.5
Total premium	$3,623,108,820	100.0%

GROWTH OF COMPANY

The growth of the Company is reflected by the following significant data taken from office copies of filed annual statements. Admitted assets exclude separate accounts assets. (000’s omitted)

Year	Total Admitted Assets	Total Liabilities	Capital and Surplus	Life Insurance In Force	Aggregate Life Reserves
2014	36,129,668	33,957,214	2,172,455	2,216,391	30,680,714
2015	41,615,584	39,200,165	2,415,419	2,082,898	36,488,698
2016	47,580,207	44,853,543	2,726,664	2,044,252	41,930,470
2017	51,891,655	48,886,001	3,005,654	1,990,718	45,266,058
2018	53,705,158	50,453,277	3,251,881	110,374	48,131,996

Year	Aggregate A&H Reserves	Life Claims Reserves	A&H Premium	Annuity Premium	Life Premium
2014	1,004	346	178	3,855,885	10,563
2015	953	566	145	6,398,952	10,537
2016	898	598	146	5,149,637	10,281
2017	847	306	129	3,382,895	10,480
2018	685	127,269	98	3,518,126	2,625

ACCOUNTS AND RECORDS

Trial balances of the Company’s general ledgers were taken for each year under the examination and were found to be in agreement with the office copies of the filed annual statements for those years.

During the course of the examination no statutory violations or material differences with the amounts reflected in the financial statements, as presented in the annual statement at December 31, 2018, were identified.

Subsequent Events

Capital Contributions

The Company received capital contributions of $50 million in 2019 and $200 million in 2020 from AEL.

Reinsurance

Effective April 1, 2019, the Company recaptured all risks ceded under a 2013 YRT agreement with Hannover and simultaneously entered into a new coinsurance funds withheld agreement with Hannover. Under the new agreement, Hannover assumes an 80% quota share of future claims associated with the LIBR and waived surrender charges on certain fixed indexed annuity products. In addition, Hannover accepts risks on newly issued policies through at least the end of December 31, 2021.

COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the impact the pandemic will have on the economy, insurance industry and the Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Iowa Insurance Division will continue to monitor COVID-19 developments.

F I N A N C I A L   S T A T E M E N T S

A N D   C O M M E N T S   T H E R E O N

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, 2018.

ASSETS

	Ledger	Not Admitted	Admitted
Bonds	$47,431,178,282		$47,431,178,282
Preferred stocks	30,590,638		30,590,638
Common stocks	220,026,551		220,026,551
Mortgage loans	3,472,037,890		3,472,037,890
Cash and cash equivalents	266,051,062		266,051,062
Contract loans	725,902		725,902
Derivatives	428,979,750		428,979,750
Other invested assets	936,534,367	499,820	936,034,547
Receivables for securities	6,055,114		6,055,114
Investment income due and accrued	482,347,522		482,347,522
Uncollected premiums and agents balances in the course of collection	3,692,943	882,033	2,810,911
Deferred premiums	1,254,916		1,254,916
Other amounts receivable under reinsurance contracts	8,742,287		8,742,287
Current federal income tax recoverable and interest	41,364,798		41,364,798
Net deferred tax asset	133,384,197	10,386,830	122,997,367
Guaranty funds receivable or on deposit	153,881	153,881	
Electric data processing equipment and software	4,275,225	2,808,194	1,467,031
Furniture and equipment	1,999,919	1,999,919	
Receivables from parent, subsidiaries and affiliates	1,257,748		1,257,748
COLI	250,592,731		250,592,731
Prepaid assets	4,096,968	4,096,968	
Other assets	642,032		642,032
Miscellaneous receivables	214,712	213,452	1,260
Total	$53,726,199,437	$21,041,097	$53,705,158,340

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	$48,131,995,654
Aggregate reserve for accident and health contracts	685,370
Liability for deposit-type contracts	248,269,700
Life claims	127,268,529
Accident and health claims	3,400
Premiums and annuity considerations received in advance	24,219
Interest maintenance reserve	22,482,781
Commissions to agents due or accrued	21,812,172
Commissions and expense allowances payable on reinsurance assumed	494
General expenses due or accrued	10,394,366
Taxes, licenses and fees due or accrued	396,552
Amounts withheld or retained by company as agent or trustee	8,114,471
Remittances and items not allocated	61,574,216
Asset valuation reserve	284,707,835
Funds held under reinsurance treaties with unauthorized reinsurers	1,049,359,156
Payable to parent, subsidiaries and affiliates	1,178,139
Payable for securities	121,047,009
Amount due reinsurers	31,425,578
Amount due under repurchase agreements	109,298,000
Interest rate derivative collateral	190,752,805
Lawsuit settlement	1,342,000
Regulatory Settlement - Surrender Charges	31,145,000
Total liabilities	$50,453,277,445
Common capital stock	$ 2,500,000
Surplus notes	51,000,000
Gross paid in and contributed surplus	1,307,188,767
Unassigned funds	1,891,192,128
Total Capital and Surplus	$ 3,251,880,895
Total Liabilities, Capital and Surplus	$53,705,158,340

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	$ 3,520,848,692
Considerations for supplementary contracts with life contingencies	12,489,759
Net investment income	2,800,649,556
Amortization of interest maintenance reserve	996,346
Commissions and expense allowances on reinsurance ceded	41,664,621
Reserve adjustment on reinsurance ceded	266,887,820
Miscellaneous income	239,419
Total	$6,643,776,213
Death benefits	2,555,198
Annuity benefits	815,157,687
Disability benefits and benefits under accident and health contracts	153,240
Surrender benefits and withdrawals for life contracts	1,959,349,471
Interest and adjustments on contract or deposit-type contracts	10,477,467
Payments on supplementary contracts with life contingencies	36,287,830
Increase in aggregate reserves for life and accident and health contracts	2,865,776,675
Total	$5,689,757,567
Commission on premiums, annuity considerations, and deposit type funds	368,988,428
Commissions and expense allowances on reinsurance assumed	26,293,144
General insurance expenses	86,903,843
Insurance taxes, licenses and fees	13,127,245
Increase in loading on deferred and uncollected premiums	(199,644)
Income on funds held under reinsurance treaties with unauthorized reinsurers	72,058,372
Lawsuit settlement	(1,589,991)
Interest on surplus notes	4,080,000
Decrease in experience refund reserves	(612,000)
Regulatory Settlement - Surrender Charges	31,145,000
Total	$6,289,951,964
Net gain from operations after dividends to policyholders and before federal income taxes	353,824,249
Federal and foreign income taxes	125,339,034
Net gain from operations after dividends to policyholders and federal income taxes	$ 228,485,215
Net realized capital losses	(18,436,338)
Net income	210,048,877

CAPITAL AND SURPLUS

Capital and surplus, December 31, 2017	$ 3,005,654,080
Net income	210,048,877
Change in net unrealized capital gains	13,678,225
Change in net deferred income tax	59,970,877
Change in net admitted assets	(11,555,837)
Change in asset valuation reserve	(34,458,238)
Stock-based compensation	8,527,672
Acquisition of parent company common stock	15,238
Net change in capital and surplus for the year	$ 246,226,814
Capital and surplus, December 31, 2018	$3,251,880,895

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	$3,533,963,724	
Net investment income	3,516,172,214	
Miscellaneous income	41,904,040	
Total		$ 7,092,039,979
Benefit and loss related payments		2,686,556,582
Commissions, expenses paid and aggregate write-ins for deductions		482,066,634
Federal and foreign income taxes paid		169,066,048
Net cash from operations		$ 3,754,350,715

Cash from Investments

Proceeds from investments sold, matured or repaid

Bonds	$5,202,747,207	
Stocks	350,015,058	
Mortgage loans	473,162,783	
Other invested assets	90,746,361	
Net gains on cash and cash equivalents	6,500	
Total investment proceeds		$ 6,116,677,909

Cost of investments acquired

Bonds	$7,963,717,630	
Stocks	68,340,239	
Mortgage loans	785,706,134	
Other invested assets	288,653,970	
Miscellaneous applications	841,135,687	
Total investments acquired		$ 9,947,553,660
Net decrease in contract loans and premium notes		(13,440)
Net cash from investments		($3,830,862,311)

Cash from Financing and Miscellaneous Sources

Net deposits on deposit-type contracts	(18,142,384)
Other cash applied	(1,185,108,626)
Net cash from financing and miscellaneous sources	$(1,203,251,010)

Reconciliation of Cash and Cash Equivalents

Net change in cash and cash equivalents	(1,279,762,605)
Cash and cash equivalents:	
Beginning of year	$ 1,545,813,666
End of year	$ 266,051,061

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, Jan Moenck, CFE, CIA, CBA, CFSA; LeeAnne Creevy, CPA, CISA, CITP, CRMA, MCM; Tricia Matson, FSA, MAAA; John D'Amato, CPA, CFE, MCM; Alan Griffieth, CFE, CPA; Sara Schumacher, CFE, CPA, CIE, CPCU, MCM; Jaki Garner, CFE, FLMI; Edward Toy, MBA; Andy Rarus, ASA, MAAA; Jack Kerbeshian, FSA, MAA; Nan Nguyen, ASA, MAAA; Lisa Parker, ASA, MAAA; David Hall, CISA, CPA; and Kristina Gaddis, CFE, CISA, AES of Risk & Regulatory Consulting, LLC participated in the examination and the preparation of this report.

Risk & Regulatory Consulting, LLC also completed the Information Security and actuarial portion of this examination.

Chong Kim, Anthony Mauro, Denise Saunders and Contract Actuary Alice Fontaine from the New York Department of Financial Services also participated in the examination.

Respectfully submitted,

__/s/__Darin Benck ___________
Darin Benck, CFE, CPA, CIA
Examiner-In-Charge
Risk & Regulatory Consulting,
LLC on behalf of the
Iowa Insurance Division
State of Iowa

___/s/ Daniel Mathis________
Daniel Mathis, CFE
Assistant Chief Examiner
Iowa Insurance Division