

EXAMINATION REPORT OF
EAGLE 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

EAGLE 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

Eagle 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 on August 28, 2008. It is a wholly owned subsidiary of American Equity Investment Life Insurance Company ("AEILIC"), a life insurance company domiciled in the state of Iowa.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

The Company has 25,000,000 shares of common stock authorized and 2,500,000 shares issued and outstanding, at a price of \$1.00 per share. The Company also has authorized 5,000,000 shares of series preferred stock with a par value of \$1.00 per share, but no shares have been issued or are outstanding. Capital paid up and gross paid in and contributed surplus totaled \$2,500,000 and \$168,604,031, respectively. The immediate parent of the Company, AEILIC, owned all issued and outstanding shares at December 31, 2018. There were no dividends paid during the examination period.

CAPITAL CONTRIBUTIONS

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

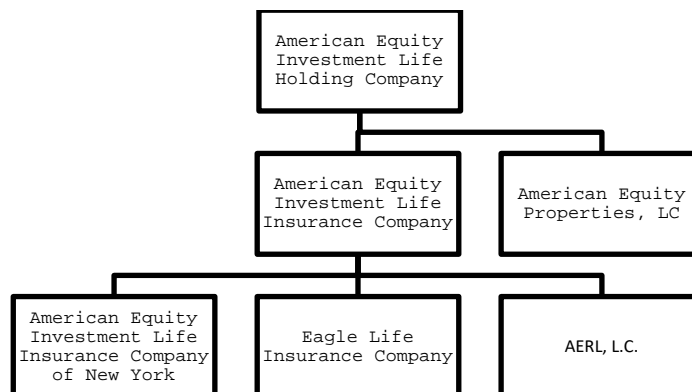
<u>Year</u>	<u>Contribution</u>
2015	\$ 20,000,000
2016	100,000,000

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 wholly owned by AEILIC. AEILIC is wholly owned by American Equity Investment Life Holding Company ("AEL"), an insurance holding company domiciled in the state of Iowa. AEL is the ultimate Parent Company for the group. 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 Articles of Incorporation, the annual meeting of the shareholders, for the election of directors and for the transaction of such other business as may properly come before the meeting, may be held at such place, time and date as may be designated from time to time by the Board of Directors ("Board"). The Articles of Incorporation further specify that the date shall be within the earlier of the first six months after the end of the Corporation's fiscal year, or within fifteen months after the shareholder's last annual meeting.

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 may be called by the Chairman of the Board, Chief Executive Officer ("CEO") or the Board. The time, date and place of any special meeting shall be determined by the Board or by the CEO.

Notice of the place, date and time of all meetings of shareholders and, in the case of a special meeting, the purpose for which the meeting is called, shall be communicated not fewer than ten days nor more than sixty days before the date of the meeting to each shareholder entitled to vote at such meeting.

At any meeting of the shareholders, a majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum.

BOARD OF DIRECTORS

As recorded in the Articles of Incorporation, the affairs of this corporation shall be managed by a Board of not less than five nor more than fifteen, the exact number of directors to be specified from time-to-time as set forth in the Bylaws. The directors shall elect such officers as they see fit or as may be provided for by the Bylaws.

Directors shall serve until the next succeeding annual meeting and until their successors have been elected and qualified. The Board shall have the authority to fill all vacancies for the unexpired portion of a term.

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, the CEO, or one-third of the directors at the time being in office. Notice of each meeting shall be communicated to each director at least two days before the date on which the meeting is to be held.

A majority of the directors then in office shall constitute a quorum of the Board. If at any meeting of the Board there be less than a quorum present, a majority of the directors present may adjourn the meeting until a quorum is present. At all meetings of directors, a quorum being present, the act of the majority of the directors present at the meeting shall be the act of the Board.

The Board may participate in any meeting by any means of communication, including a telephone conference call, by 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:

<u>Name and Address</u>	<u>Primary Occupation and Employer</u>	<u>Term Expires</u>
John M. Matovina* Johnston, Iowa	Chairman, President, & CEO AEL	2019
Ted M. Johnson Des Moines, Iowa	Chief Financial Officer and Treasurer AEL	2019
Renee D. Montz Urbandale, Iowa	Executive Vice President, General Counsel and Secretary AEL	2019
Jeff D. Lorenzen Des Moines, Iowa	Executive Vice President, Chief Investment Officer AEL	2019
Ronald J. 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.

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

<u>Executive Committee</u>	<u>Investment Committee</u>
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 Eagle Life Insurance 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 Chairman of the Board, a Chief Executive Officer, 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 Board may leave unfilled for any such period as it may fix any offices except those of Chairman of the Board, CEO, President, Treasurer and Secretary.

Elected officers serving as of December 31, 2018 were:

<u>Name</u>	<u>Title</u>
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

*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 ALLOCATION AGREEMENTS

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

Effective August 1, 2008, the Company entered into a Management Services Agreement with AEILIC. Under this agreement, AEILIC provides the Company 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. The Company reimburses AEILIC on a quarterly basis for actual costs incurred as arrived at in a fair and equitable manner.

Effective June 9, 2009 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 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 January 1, 2013, the Company entered into a Service Agreement with American Equity Capital, Inc. ("AE Capital"), an affiliated broker/dealer. Under this agreement, AE Capital provided certain training and educational services to the Company. This service agreement was canceled upon dissolution of AE Capital during 2018.

Effective February 8, 2013, the Company entered into an International Swaps and Derivatives Association, Inc. Master Agreement with AEILIC. Under this agreement, AEILIC purchases options to fund the Company's index credits due to fixed indexed annuity ("FIA") contract holders on the contract anniversary date. At the same time, AEILIC writes an identical option facing the Company and collects a premium for the option from the Company equal to what AEILIC 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 of Directors, and 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 did not have any employees as of December 31, 2018.

REINSURANCE

Annuity Business Ceded

Effective November 15, 2012, the Company entered into a coinsurance agreement with Athene Annuity & Life Assurance Company ("Athene"). Under this agreement, the Company ceded 80% of the risk associated with certain indexed annuities issued or after November 15, 2012. The business ceded under this agreement was recaptured effective January 1, 2014 and no business issued after December 31, 2013 is being ceded to Athene.

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 AEILIC, its parent company. Under this agreement, the Company cedes 100% of the risk associated with multi-year guaranteed deferred annuity ("MYGAs") contracts issued on or after October

1, 2013 through January 1, 2014. The Company also ceded 80% of the FIAs issued by the Company from January 1, 2014 to December 31, 2015, 50% of the FIAs issued from January 1, 2016 to December 31, 2018 and 20% of the FIAs issued on or after January 1, 2019.

Effective January 1, 2014, the Company entered into a block coinsurance agreement with AEILIC. Under this agreement, the Company cedes 80% of the risk associated with the Company's FIA business issued prior to or on December 31, 2018. This included the business that recaptured under the previous agreement with Athene reported in #1 above.

Annuity Business Assumed

Effective January 1, 2010, the Company entered into a coinsurance agreement with AEILIC. Under this agreement, the Company assumed 100% of the risk associated with certain fixed rate annuities issued on or after January 1, 2010. In June of 2012, this coinsurance agreement was amended to eliminate the one percent marketing allowance paid by the Company to AEILIC on the reinsured contracts for premiums received after July 1, 2012. Effective January 1, 2014, the Company is no longer assuming new business under this agreement.

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 all states except for Idaho and New York.

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

<u>State</u>	<u>Direct Premium Collected</u>	<u>% of Total</u>
Florida	\$95,568,824	12.4%
North Carolina	94,158,518	12.2
Virginia	77,968,956	10.1
Pennsylvania	69,152,489	9.0
Texas	61,182,732	7.9
Total premium	\$771,052,678	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.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital and Surplus</u>	<u>Aggregate Life Reserves</u>	<u>Annuity Premium</u>
2014	\$ 216,379,485	\$174,103,699	\$ 42,275,787	\$169,091,350	\$ 23,961,873
2015	313,936,840	251,071,038	62,865,802	238,460,992	74,828,411
2016	527,620,587	361,012,989	166,607,598	349,187,963	122,311,007
2017	810,284,989	637,912,940	172,372,049	616,330,722	284,325,649
2018	1,151,374,609	968,785,871	182,588,738	939,940,065	342,525,455

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 Contribution

The Company received a \$10 million capital contribution from AEILIC in 2019.

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 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.

	<u>ASSETS</u>	
	<u>LEDGER</u>	<u>NOT ADMITTED</u>
Bonds	\$1,049,021,173	\$ 1,049,021,173
Mortgage Loans - first liens	44,789,170	44,789,170
Cash and cash equivalents	31,586,242	31,586,242
Derivatives	12,635,953	12,635,953
Other invested assets	1,082,719	1,082,719
Receivables for securities	38	38
Investment income due and accrued	9,304,536	9,304,536
Uncollected premiums and agents balances in course of collection	14,983	14,983
Net deferred tax asset	4,294,646	1,339,868
Electronic data processing equipment and software	104,357	104,357
Miscellaneous assets	244,171	244,171
Negative interest maintenance reserve	52,877	52,877
Total Assets	<u>\$1,153,130,865</u>	<u>\$1,756,256</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 939,940,065
Liability for deposit-type contracts	36,118
Contract claims - life	5,574,895
Commissions to agents due to accrued - life and annuity contracts	868,866
General expenses due or accrued	294,507
Taxes, license and fees due or accrued	31,624
Current federal income taxes	5,509,085
Amounts withheld or retained by company as agent or trustee	62,404
Remittances and items not allocated	6,067,436
Asset valuation reserve	4,455,538
Payable to parent, subsidiaries and affiliates	436,169
Payable for securities	2,459,025
Amount due reinsurers	3,050,139
Total liabilities	<u>\$ 968,785,871</u>
Common capital stock	2,500,000
Gross paid in and contributed surplus	168,604,031
Unassigned funds	11,484,707
Total capital and surplus	<u>\$ 182,588,738</u>
Total	<u>\$1,151,374,609</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$342,525,455
Considerations for supplementary contracts with life contingencies	279,160
Net Investment Income	43,618,409
Amortization of interest maintenance reserve	(46,060)
Commissions and expense allowances on reinsurance ceded	<u>26,281,525</u>
Total	<u>\$412,658,489</u>
Annuity benefits	5,844,950
Surrender benefits and withdrawals for life contracts	17,312,324
Interest and adjustments on contract or deposit-type contract funds	43
Payments on supplementary contracts with life contingencies	5,711
Increase in aggregate reserves for life and accident and health contracts	<u>323,609,343</u>
Total	<u>\$346,772,371</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	42,490,108
Commissions and expense allowances on reinsurance assumed	79,268
General insurance expenses	6,297,751
Insurance taxes, licenses and fees	<u>1,014,635</u>
Totals	<u>\$396,654,133</u>
Net gain from operations after dividends to policyholders and before federal income taxes	16,004,356
Federal income taxes incurred (excluding tax on capital gains)	<u>5,560,771</u>
Net gain from operations after dividends to policyholders and federal income taxes	\$ 10,443,585
Net realized capital losses	<u>(180,622)</u>
Net income	<u>\$ 10,262,963</u>

CAPITAL AND SURPLUS

Capital and surplus, December 31, 2017	\$172,372,049
Net income	10,262,963
Change in net realized capital losses	(86,900)
Change in net deferred income tax	2,189,148
Change in non-admitted assets	(793,398)
Change in asset valuation reserve	(1,416,121)
Stock based compensation	<u>60,997</u>
Capital and surplus, December 31, 2018	<u>\$182,588,738</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 342,804,613	
Net investment income	<u>56,792,192</u>	
Total		\$ 399,596,805

Benefit and loss related payments		17,588,089
Commissions, expenses paid and aggregate write-ins for deductions		22,892,807
Federal income taxes paid		<u>6,136,958</u>
Net cash from operations		<u>\$ 352,978,951</u>

Cash from Investments

Proceeds from investments sold, matured or repaid

Bonds	\$ 50,249,233	
Mortgage loans	<u>2,596,761</u>	
Total investment proceeds		<u>\$ 52,845,994</u>

Cost of investments acquired

Bonds	\$ 413,675,622	
Mortgage loans	3,400,000	
Miscellaneous applications	<u>23,439,355</u>	
Total investments acquired		<u>\$ 440,514,977</u>
Net cash from investments		<u>\$ (387,668,983)</u>

Cash from Financing and Miscellaneous Sources

Net deposits on deposit type contracts and other insurance liabilities		36,075
Other cash provided		<u>702,355</u>
Net cash from financing and miscellaneous sources		<u>\$ 738,430</u>

Reconciliation of Cash and Cash Equivalents

Net change in cash and cash equivalents		\$ (33,951,602)
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Cash and cash equivalents:

Beginning of year	<u>\$ 65,537,844</u>
End of year	<u>\$ 31,586,243</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, 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,

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