

EXAMINATION REPORT OF
ACCORDIA LIFE AND ANNUITY COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2019

Des Moines, Iowa
May 26, 2021

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 business affairs and financial condition of

ACCORDIA LIFE AND ANNUITY COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2019

at its home office located at 215 10TH Street, Suite 1100, Des Moines, Iowa.

INTRODUCTION

Accordia Life and Annuity Company, hereinafter referred to as the “Company”, was previously examined as of December 31, 2014, by the Iowa Insurance Division. The examination reported herein was conducted as a coordinated examination of an insurance holding company group with the Indiana Department of Insurance acting as the Lead State. The Company’s subsidiaries Cape Verity I, Inc. (CV1), and Cape Verity III, Inc. (CV3) were examined concurrently with this examination.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2015 to the close of business on December 31, 2019, 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. 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 and the insurer and its financial condition.

HISTORY

On October 1, 2013, Commonwealth Annuity and Life Insurance Company(CwA) closed a multi-step transaction with Athene Holding Ltd. (Athene) that resulted in: a) the purchase of Presidential Life Insurance Company – USA (PLIC) by CwA; b) Athene's acquisition of Aviva USA Corporation (Aviva USA); c) the assumption from Athene of Aviva USA's indexed universal life, universal life, whole life, term (open block) and the closed blocks; and d) the purchase of the new business distribution network related to the reinsured policies in a separate agreement. Throughout 2019, the Company continued to assume the non-New York life business of Athene and novate portions of the business. Aviva's New York business was assumed by an affiliate, First Allmerica Financial Life Insurance Company (FAFLIC) (the Transaction).

Immediately subsequent to the Transaction, PLIC was renamed Accordia Life and Annuity Company. The closed blocks included the policies of the Indianapolis Life Insurance Company closed block and the Amerus closed block which has been ceded to the Company on a coinsurance and excess of existing reinsurance basis, respectively.

Also, immediately subsequent to the Transaction, the Company assumed a portion of the Aviva USA New York business previously assumed by FAFLIC. The Company then entered into reinsurance agreements with four wholly owned captive life insurance companies, Cape Verity I, Inc. (CV1), Cape Verity II, Inc.(CV2), Cape Verity III, Inc.(CV3), and Gotham Re, Inc. (Gotham), to cede certain term and indexed universal life business with no lapse guarantees. The purpose of the arrangement with the captives was to secure financing of the non-economic reserves. The captives further collateralized the non-economic reserves with contingent notes backed by reinsurance agreements with authorized third-party reinsurers.

The Company began writing direct business on May 1, 2014.

On April 1, 2019, CV2 was recaptured and that business was retroceded to CV3. This activity resulted in a capital decrease of (\$46,019,028). CV3 was subsequently dissolved on June 26, 2019.

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

There are 200,000 shares of common stock authorized, issued and outstanding, with a par value of \$12.50 per share. CwA owns 100% of the common stock. The Company paid a \$25,000,000 dividend to CwA in 2015. No other dividends were paid during the examination period.

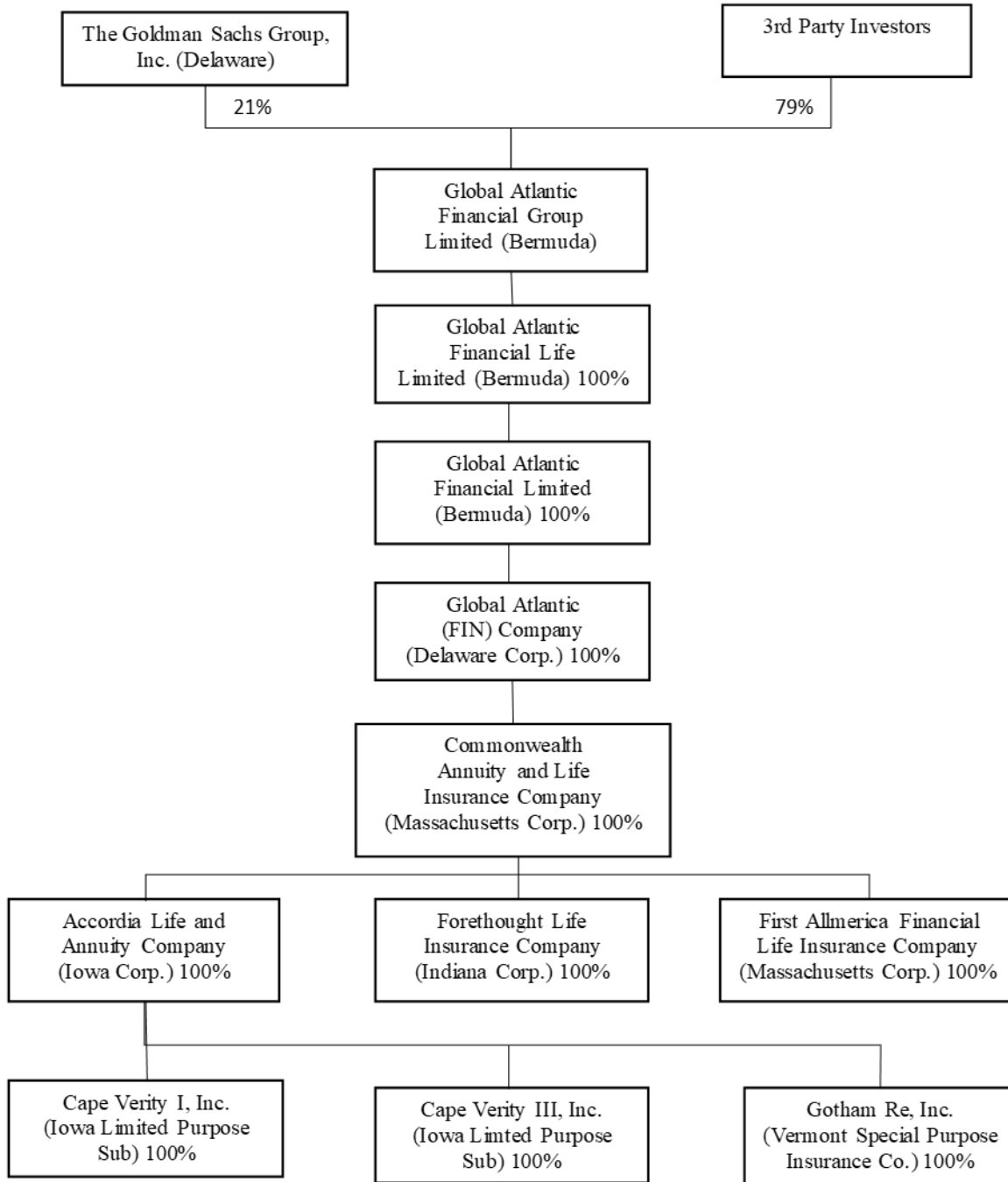
Capital contributions received from CwA during the examination period were as follows:

<u>Year</u>	<u>Capital Contributions</u>
2015	\$ 0
2016	100,000,000
2017	140,000,000
2018	30,000,000
2019	100,000,000

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System as defined by Chapter 512A, Code of Iowa. The Goldman Sachs Group, Inc. is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

An abbreviated organizational chart identifying the Companies within the Holding Company System follows:



MANAGEMENT AND CONTROL

Shareholders

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 shall be held at such place (within or without the State of Iowa), time and date as the Board of Directors shall fix, which date shall be within the earlier of the first six months after the end of the Company's fiscal year or 15 months after the shareholders' last annual meeting.

Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by law, may be called by the Chief Executive Officer, the President or the Board of Directors, and shall be called by the Board of Directors upon the written demand, signed, dated and delivered to the Secretary, of the holders of at least ten percent of all the votes entitled to be cast on any issued proposed to be considered at the meeting.

Notice of the place, date and time of all meetings of shareholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be communicated not fewer than ten days nor more than 60 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. Every shareholder entitled to vote may vote in person or by proxy. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote at a meeting at which a quorum is present.

Any action required or permitted by law to be taken at a meeting of the shareholders may be taken without a meeting or vote if one or more consents in writing setting forth the action taken is signed and dated by the holders of outstanding shares having not less than 90% of the votes entitled to be cast at a meeting at which all shares entitled to vote on the action were present and voted.

BOARD OF DIRECTORS

The business and affairs of the Company shall be managed under the direction, and subject to the oversight, of the Board of Directors. No director is required to be an officer, employee, or shareholder of the Company or to be a resident of the State of Iowa.

The number of directors of the Company shall be not less than five nor more than 15, with the specific number to be determined from time to time by resolution of the Board of Directors. Each director will hold office until the next succeeding annual meeting of shareholders and until his or her successor shall have been elected and qualifies, or until his or her death, resignation or removal.

Any vacancy occurring in the Board of Directors through death, resignation, removal, or any other cause, including an increase in the number of directors, may be filled by the shareholders or by the Board of Directors.

A quorum of the Board of Directors consists of a majority of the total number of directors. 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 of Directors.

The Board of Directors shall hold its annual meeting at the same place where the annual meeting of the shareholders adjourned, for the purpose of organization, the election of officers and the transaction of other business. Notice of such meeting need not be given.

Regular meetings of the Board of Directors shall be held at such place and at such times as the Board of Directors shall by resolution fix and determine. No notice is required for any such regular meeting of the Board.

Special meetings of the Board of Directors shall be held whenever called by the Chief Executive Officer, the President or a majority of the directors at the time being in office. Any and all business may be transacted at a special meeting that may be transacted at regular meeting of the Board. Notice of the date, time and place of a special meeting shall be delivered to each director at least two days before the date on which the meeting is to be held.

The directors duly elected and serving as of December 31, 2019 were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Robert Michael Arena Jr. Farmington, CT	President Global Atlantic Financial Group	2020
David Allen Jacoby New York, NY	Chief Accounting Officer Global Atlantic Financial Group	2020
Hanben Kim Lee New York, NY	Chief Financial Officer Global Atlantic Financial Group	2020
Eric David Todd Indianapolis, IN	President Global Atlantic Investment Advisors	2020
David Paul Wilken Medina, MN	President, Traditional Life Global Atlantic Financial Group	2020

All directors were re-elected at the annual meeting of the shareholder held on May 5, 2020.

COMMITTEES

The Board of Directors, by resolution adopted by the affirmative vote of a majority of the number of directors then in office, may establish one or more committees, including an executive committee, each committee to consist of two or more directors with powers and duties delegated to it by the Board of Directors.

The Board of Directors, along with the other Global Atlantic insurance operating company boards, has established an Executive Product Committee and Investment Management Committee, comprised of members of management.

The Executive Product Committee oversees development and approval of new products and manages resource allocation to support product strategy and development initiatives.

The membership of the Committee as of December 31, 2019 was as follows:

<u>Name</u>	<u>Title in Global Atlantic Financial Group</u>
Eric Todd, Chair	President, Global Atlantic Investment Advisors
Anupam Agarwal	Deputy Chief Investment Officer
Robert Arena	President
Tom Doruska	Head of Life Product Development
Ilya Finkler	Head of Insurance Risk Management
Jonathan Hecht	Chief Actuary, Finance
Rodney Howard	Head of Retirement Product Development
Sarah Patterson	Legal Officer

Kevin Query	Vice President, Retirement Product Development
Andrew Shainberg	Chief Compliance Officer
Philip Sherrill	Head of Corporate Development

The Investment Management Committee oversees and manages the investment activities of each Global Atlantic insurance operating company, pursuant to the investment laws of its respective states of domicile and other applicable law.

The membership of the Committee as of December 31, 2019 was as follows:

<u>Name</u>	<u>Title in Global Atlantic Financial Group</u>
Anupam Agarwal, Chair	Deputy Chief Investment Officer
Kim Lee	Chief Financial Officer
Allan Levine	Chairman and Chief Executive Officer
Philip Sherrill	Head of Corporate Development
Gary Silber	Legal Officer
Sarah Williams	Head of Enterprise Risk Management
Edward Wilson	Chief Risk Officer

Ultimate governance responsibility and oversight of Global Atlantic's businesses is vested in the Board of the ultimate corporate parent, Global Atlantic. The Board of Global Atlantic has established an Investment Committee; Compensation Committee; Risk Committee; Operations, Technology and Data Committee; Audit Committee; and Nominating Committee. Global Atlantic has assigned its independent Audit Committee as the audit committee for each of its domestic insurance operating company subsidiaries.

OFFICERS

The Bylaws provide that the executive officers of the Company shall be a President, a Secretary, a Treasurer, and such Vice Presidents, Assistant Secretaries, Assistant Treasurers or other officers as may from time to time be elected by the Board of Directors.

The officers of the Company are elected at the annual meeting of the Board of Directors. Each officer shall hold office until the next succeeding annual meeting of the Board of Directors and until his or her successor shall have been duly chosen and shall qualify, or until his or her earlier death, resignation or removal.

The elected officers serving at December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
David Paul Wilken	President
David Allen Jacoby	Chief Financial Officer
Robert Michael Arena Jr.	Chief Executive Officer
Virginia Hope Johnson	Senior Vice President, Associate General Counsel and Secretary
Samuel Ramos	Chief Legal Officer and General Counsel
Justin David MacNeil	Managing Director and Assistant Treasurer
Maureen Helen Henderson	Senior Vice President
John Nicholas Giamalis	Senior Vice President and Treasurer
Hanben Kim Lee	Executive Vice President

Gary Philip Silber	Managing Director, Associate General Counsel and Assistant Secretary
Natalie Rose Wagner	Vice President, Privacy Officer, Anti-Money Laundering Officer and Special Investigative Unit Officer
Michael Alan Link	Chief Underwriter
Bryan Edward Nelson	Vice President and Appointed Actuary
Lori Ann LaForge	Chief Marketing Officer
Jonathan Hecht	Managing Director
Charles Wayne VanDevander	Senior Vice President
Brian Michael Hendry	Chief Audit Executive
Dean Pentikis	Managing Director
Jason Michael Roach	Senior Vice President
Dan Patrick O'Shea	Chief Human Resources Officer
Leah Marie Hoppe	Senior Vice President
Samuel Rawlings Barnett	Senior Vice President
Mark Francis Ericson	Senior Vice President
Andrew Mead Shainberg	Chief Compliance Officer
Susan Lorraine Fiengo	Senior Vice President
Sarah Anne Williams	Senior Vice President
Philip William Sherrill	Managing Director
April Elizabeth Galda	Managing Director
Eric David Todd	Managing Director
Kevin Michael Kimmerling	Senior Vice President, Associate General Counsel and Assistant Secretary
Jason Alexander Bickler	Managing Director
Anupum Agarwal	Chief Investment Officer
Barrie Ribet Moskovich	Managing Director
Ilya Grigoryevich Finkler	Senior Vice President
Edward Clive Wilson	Chief Risk Officer
Padma Elmgart	Chief Technology Officer
Victoria May Lau	Senior Vice President
Emily Anne LeMay	Senior Vice President
Sarah Marie Patterson	Managing Director, Associate General Counsel and Assistant Secretary
Juan Ignacio Mazzini	Senior Vice President
Peter John Rugel	Chief Operations Officer

On June 17, 2020, Kathryn Lauren Freund was elected Vice President, Assistant General Counsel and Secretary of the Company replacing Virginia Hope Johnson, who assumed the position of Assistant Secretary.

Also on August 21, 2020, Douglas Robert Jaworski was elected Senior Vice President and Chief Information Security Officer of the Company.

The officers are employees of the Company's affiliate, Global Atlantic Financial Company (GAFC). The salaries of these officers are paid by GAFC.

The salaries of the above officers are shown in Exhibit A, found immediately following the signature page of this report.

CONFLICT OF INTEREST

The Company has an established procedure for the annual disclosure to its Board of Directors 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.

The Company requires its officers and directors to complete conflict-of-interest statements and disclose any known or potential conflict of interest as part of the annual disclosure process.

The examiners requested to review the conflict of interest statements completed by the Company's officers and directors for each year of the period covered by this examination. The Company was not able to produce a statement for one of its officer-directors for 2016, five other officers for 2016, one of its officers for 2017 and one of its officers for 2018. No exceptions were noted in review of conflict of interest statements completed by the other officers and directors.

CORPORATE RECORDS

The Articles of Incorporation were not amended during the examination period.

The Bylaws were amended on March 24, 2016 including but not limited to changes associated with participation in annual and special meetings (Article 3); the maximum number of directors (Article 4); powers and duties of vice presidents (Article 5); electronic transmissions and delivery of financial statements (Article 8); and indemnification of directors and officers (Article 9).

The recorded minutes of the meetings of the shareholders, the Board of Directors, and committees were read and noted.

The minutes of the Board meetings did not show that the Report of Examination as of December 31, 2014 by the Iowa Insurance Division was received by the Board.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond up to a single loss limit of \$15,000,000. This coverage is for all companies of GAFC. Other coverages in place appear to adequately protect the interests of the Company.

RELATED PARTY AGREEMENTS

SERVICES AND EXPENSE AGREEMENT WITH FINCO AND GAFC

The Company has entered into a Services and Expense Agreement with Global Atlantic (Fin) Company (FinCo), an indirect parent, and GAFC under which the parties will second their employees and provide various administrative, legal, compliance, technology, operations, financial reporting, human resources, risk management and other functions to each other as the parties may agree. The agreement was approved by the Iowa Insurance Division effective October 2, 2013.

The Services and Expense Agreement was amended on May 14, 2018 to clarify that GAFC is the owner of the Company's intellectual property assets (primarily, U.S. trademarks), and that the Company has royalty-free licenses to use the intellectual property assets. The amendment was approved by the Iowa Insurance Division on June 22, 2018.

SERVICES AND EXPENSE AGREEMENTS WITH CAPTIVE SUBSIDIARIES

The Company has entered into a Services and Expense Agreement with each of its captive subsidiaries, CV1, CV3 and Gotham to provide services consistent with the plan of operation for each captive. The agreements were approved by the Iowa Insurance Division effective October 2, 2013.

INVESTMENT MANAGEMENT AGREEMENT

The Company has entered into a Discretionary Advisory Agreement with Goldman Sachs Asset Management (GSAM) under which GSAM will manage certain assets of the Company. The agreement was approved by the Iowa Insurance Division effective October 1, 2013.

The agreement was amended on May 13, 2016 to extend the term of the agreement until April 1, 2021, and adjust fees on assets managed under the agreement. The amendment was approved by the Iowa Insurance Division effective September 12, 2016.

The agreement was amended again on May 14, 2018 to extend the term of the agreement and adjust the structure of fees on assets managed under the agreement. The amendment was approved by the Iowa Insurance Division effective June 20, 2018.

The agreement was terminated on February 1, 2021 following the acquisition of Global Atlantic by KKR & Co., Inc. (KKR) The Company entered into a new investment management agreement with a KKR affiliate on February 1, 2021. See additional details in the Subsequent Events section of this report.

TAX ALLOCATION AGREEMENT

Effective October 2, 2013, and January 2, 2014, under a joinder agreement, the Company became party to a Tax Allocation Agreement with various affiliates within the GAFG holding company system. This agreement provides for the filing of consolidated federal income tax returns by GAFG on behalf of the insurers and non-insurer affiliates in the holding company system, and the allocation of tax liabilities among those entities. Under the agreement, each party's respective obligation or benefit is calculated on a separate return basis. The agreement was approved by the Iowa Insurance Division effective October 2, 2013.

MARKETING AGREEMENT

Effective December 23, 2014, the Company entered into a First Amended and Substituted Marketing Agreement with Forethought Life Insurance Company (FLIC), whereby the Company would license to FLIC certain of the Company's trademarks and provide FLIC access to the Company's network of independent insurance producers for the sale of certain of FLIC's annuity products. This agreement was approved by the Iowa Insurance Division effective October 23, 2014.

On July 7, 2017, the Company and FLIC terminated the Marketing Agreement pursuant to a Termination Agreement.

EMPLOYEES' AND AGENTS' WELFARE

EMPLOYEES' WELFARE

The Company provides qualified employees access to retirement benefits, group health, dental, disability income, life insurance and, for eligible dependents, group life insurance on a non-contributory basis. Benefits under the group health and dental coverages are extended to the dependents of the employee on a contributory basis.

AGENTS' WELFARE

The Company has a nonqualified defined contribution pension plan for career agents that qualify. The Company had nonqualified supplemental defined benefit pension plans to provide retirement benefits to certain agents. In conjunction with a reinsurance agreement the Company entered into on October 1, 2013, all changes in the pension liability subsequent to October 1, 2013, are funded by a reinsurer.

Effective May 1, 2014, the Company assumed, and received assets for, the sponsorship of non-qualified defined contribution pension plans covering career distribution system agents from Athene.

Effective May 1, 2014, the Company assumed, and received assets for, obligations arising from non-qualified defined contribution pension plans for agents that are now in payout status. The periodic payments to agents are fixed in amount and the payment terms are either term certain or life contingent.

REINSURANCE

All the Company's reinsurance contracts contained the necessary insolvency clauses and all significant contracts were placed with authorized reinsurers.

REINSURANCE ASSUMED

On October 1, 2013, the Company assumed, through a coinsurance reinsurance arrangement, the life insurance business of Aviva Life and Annuity Company ("ALAC"), a subsidiary of Athene Annuity and Life Assurance Company ("Athene"), including indexed universal life, universal life, whole life, term ("open block") and the closed blocks. Reserves of approximately \$7,500,000,000 were ceded.

The closed blocks that include the policies of the Indianapolis Life Insurance Company ("ILICO") and the Amerus closed block were ceded to the Company on a coinsurance and excess of existing reinsurance basis, respectively.

Effective October 1, 2013, a wholly owned subsidiary of the Company's parent, Commonwealth Annuity, First Allmerica Financial Life Insurance Company ("FAFLIC"), entered into a funds withheld coinsurance agreement with Aviva Life and Annuity Company of New York ("ALACNY"). The agreement covers all single life 10-, 20-, and 30-year level premium term life policies and contracts as well as all single and joint-life universal life with no-lapse guarantee policies and contracts issued by ALACNY during the period from June 1, 2008 through December 31, 2009. Subsequently the Company entered into a funds withheld retrocession agreement with FAFLIC to assume all the same lives and contracts. Effective October 1, 2013 this business was concurrently ceded in a funds withheld retrocession agreement with Gotham Re, Inc. ("Gotham Re"), a newly established wholly owned special purpose financial life insurance company domiciled under the laws of the state of Vermont. Reserves of approximately \$300,000,000 were ceded to Gotham Re.

Subsequent to the reinsurance arrangements, through 2019, the Company continues to assume the non-New York life business of Athene and began the legal and regulatory process to novate portions of the business.

REINSURANCE CEDED

Effective October 1, 2013, the Company entered into a coinsurance agreement with Cape Verity I, Inc. (Cape Verity I), a wholly owned limited purpose subsidiary life insurance company domiciled under the laws of the state of Iowa. The agreement covers individual indexed universal life with no-lapse guarantee policies issued between 2005 and 2008 by ALAC. Reserves of approximately \$1,000,000,000 were ceded to Cape Verity I.

Effective October 1, 2013, the Company entered into a funds withheld retrocession agreement with Cape Verity II, Inc. (Cape Verity II), a newly established wholly owned limited purpose subsidiary life insurance

company domiciled under the laws of the state of Iowa. The agreement covers individual term and indexed universal life with no-lapse guarantee policies issued between 2010 and 2012 by ALAC. Reserves of approximately \$1,700,000,000 were ceded to Cape Verity II.

Effective October 1, 2013, the Company entered into a funds withheld retrocession agreement with Cape Verity III, Inc. (Cape Verity, III), a newly established wholly owned limited purpose subsidiary life insurance company domiciled under the laws of the state of Iowa. The agreement covers individual term and indexed universal life with no-lapse guarantee policies issued between 2008 and 2009 by ALAC. Reserves of approximately \$755,000,000 were ceded to Cape Verity III. This agreement was amended effective October 1, 2014 to also cover individual term and indexed universal life with no-lapse guarantee policies issued in 2013 and 2014.

Effective May 1, 2014, the Company entered into a First Dollar Quota Share pooling agreement with three unaffiliated companies. Under the agreement, the Company cedes 75% of certain universal life and indexed universal life policies up to a maximum retention of \$1,250,000. On March 21, 2016, the agreement was amended to include certain corporate owned life insurance policies.

Effective April 1, 2015, the Company entered into a Monthly Renewable Term reinsurance agreement to cede risks associated with certain universal life policies with Lincoln National Life Insurance Company. Under the agreement, the Company received consideration of \$49,800,000 to cede a 100% block of business that is not covered under any other agreement.

Effective December 1, 2015, the Company entered into a coinsurance agreement with Ameritas Life Insurance Corp (“Ameritas”) to retrocede 100% of the closed block assumed from Athene. As a result of the transaction, the Company ceded \$753,706,134 of policyholder liabilities and transferred associated assets. The Company retains all servicing of the closed block and provides services on an ongoing basis, as agreed to in the Administrative Services Agreement between the Company and Ameritas, dated December 1, 2015 and the Company and Athene dated October 1, 2013.

Effective July 1, 2016, the Company entered into an Excess of Loss Reinsurance Agreement with Partner Reinsurance Europe SE, an unauthorized non-US reinsurer. The business covered under this agreement consists of interest sensitive life, index universal life, universal life, whole life and term in force policies as of June 30, 2016, and new business issued after June 30, 2016 through June 30, 2021. The reinsurance percentage is 100% in excess of 125% of expected quarterly claims, up to 205% of expected quarterly claims. Favorable experience below 91% of expected quarterly claims is included in the quarterly premium paid to the reinsurer. Effective July 1, 2018, the favorable experience sharing is floored at 70% of expected quarterly claims.

On April 1, 2019, the Company recaptured Cape Verity II, and that business was retroceded to a different subsidiary, Cape Verity III. This activity resulted in a capital decrease of (\$46,019,028). Cape Verity II was subsequently dissolved on June 26, 2019.

FINANCING ARRANGEMENTS

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated captive reinsurers. As of December 31, 2019, the financing arrangements with third parties were \$577,691,725 for CV1, \$1,264,036,340 for CV3, and \$165,357,198 for Gotham. There were no outstanding balances from these financing arrangements as of December 31, 2019.

STATUTORY DEPOSIT FOR LEGAL RESERVE

The Company had securities on deposit with the Iowa Insurance Division in excess of the minimum statutory requirement.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was authorized to transact business in the District of Columbia and all other states except New York.

The Company sells universal life, term, and traditional life insurance products primarily through retail distribution channels.

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>Life Aggregate Reserves</u>	<u>Life Claim Reserves</u>	<u>Life Premium Income</u>	<u>Life Insurance Inforce Ordinary</u>
2015	\$ 7,674,856	\$611,963	\$3,675,291	\$39,331	\$(467,996)	\$89,341,221
2016	8,041,033	665,702	3,807,557	32,972	423,412	90,747,603
2017	8,916,159	684,927	4,069,320	35,190	380,798	87,958,901
2018	9,098,672	765,617	4,186,000	44,230	329,784	83,916,754
2019	10,071,711	736,268	4,404,888	37,019	547,686	83,255,563

ACCOUNTS AND RECORDS

The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. In certain areas, an imaging system is used to maintain documents on the computer system rather than maintaining the original documents (paper) or other media (microfilm, microfiche etc.). The Information Systems controls were reviewed by this examination. No material exceptions were noted to accepted control practices and procedures.

The trial balance of the Company's general ledger was taken for 2019 and was found to be in agreement with the office copy of the filed annual statement.

The records in the Company's policy master file were sampled and tested by comparing data contained in supporting documents to data contained in the computer records. No material discrepancies were noted.

During the course of examination, no statutory violations or material differences with the amounts reflected in the financial statements, as presented in the annual statement at December 31, 2019, were identified.

SUBSEQUENT EVENTS

COVID-19 Pandemic

The Iowa Insurance Division is monitoring the impact of the COVID-19 global pandemic. The Iowa Insurance Division recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Iowa Insurance Division will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

Acquisition of GAFGL by KKR

On February 1, 2021, KKR & Co., Inc. (KKR) completed the acquisition of Global Atlantic Financial Group Limited (GAFGL), the Company's indirect parent, by Magnolia, a KKR subsidiary. The Company does not expect the acquisition to materially impact its operations. The transaction was approved by the Iowa Insurance Division and other interested regulators.

Capital Contribution

In Q4 2020, the Company received a capital contribution of \$250,000,000 from its parent, CwA.

Funds Withheld Retrocession Agreement

Effective October 1, 2020, the Company entered into a funds withheld retrocession agreement with First Allmerica Financial Life Insurance Company, an affiliated insurance company organized under the laws of the Commonwealth of Massachusetts. The agreement covers whole life, term and universal life policies assumed under the Non-NLG, Non-Financed NLG and JANY reinsurance agreements and novated from Athene Life Insurance Company of New York (ALICNY) with varying issue years. Reserves of approximately \$885 million were assumed by the Company.

Investment Management Agreement

Effective February 1, 2021, the Company terminated its investment management agreement with Goldman Sachs Asset Management and, on the same day, entered an investment management agreement with Kohlberg Roberts & Co. L.P. (KKR IM) which provides that KKR IM and its subsidiaries will provide the Company with discretionary investment management for all asset classes in its general account (Applicable IMA).

In accordance with KKR IM's authority under the Applicable IMA, KKR IM entered into a sub-advisory agreement with Goldman Sachs Asset Management (GSAM) whereby GSAM continues to provide investment management services with respect to certain assets of the Company. Such services are similar to those GSAM provided to the Company prior to the acquisition of GAFGL by KKR.

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, 2019.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Non Admitted</u>	<u>Admitted</u>
Bonds	\$ 6,321,882,645	\$	\$ 6,321,882,645
Preferred stocks	14,681,892		14,681,892
Common stocks	476,461,887		476,461,887
Mortgage loans on real estate	1,070,109,453		1,070,109,453
Cash, cash equivalents and short-term investments	825,313,792		825,313,792
Contract loans	260,582,148	2,353,622	258,228,526
Derivatives	130,847,769		130,847,769
Other invested assets	324,614,252	270	324,613,982
Receivables for securities	1,738,485		1,738,485
Investment income due and accrued	111,915,830		111,915,830
Uncollected premiums and agents' balances in course of collection	17,892,217	9,714,534	8,177,683
Deferred premiums	24,610,409		24,610,409
Amounts recoverable from reinsurers	57,337,967		57,337,967
Funds held by reinsured companies	276,737,262		276,737,262
Other amounts receivable under reinsurance contracts	105,372,558	8,564,881	96,807,677
Net deferred tax asset	44,497,343		44,497,343
Guaranty funds receivable or on deposit	1,004,715		1,004,715
Health care and other amounts receivable	9,808,442	9,808,442	
Investment in pension annuity	22,533,129		22,533,129
Miscellaneous accounts receivable	146,796		
TPA funding deposit	1,744,002	146,796	1,744,002
Prepaid assets	258,510		
Third party receivable	2,466,220	258,510	2,466,220
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Total Assets	\$10,102,557,723	\$30,847,055	\$10,071,710,668

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$ 4,404,887,656
Liability for deposit-type contracts	501,944,554
Life contract claims reserve	37,019,318
Policyholder dividends	46,794
Provision for policyholder dividends	6,869,174
Premium and annuity considerations for life contracts received in advance	953,434
Other amounts payable on reinsurance	124,010,626
Interest maintenance reserve	228,116,892
Commissions to agents due and accrued	5,259,622
Commissions and expense allowances payable on reinsurance assumed	191,813
General expenses due and accrued	65,996,458
Taxes, licenses and fees due and accrued, excluding federal income taxes	4,733,384
Current federal and foreign income taxes	31,732,394
Amounts withheld or retained by the Company as agent or trustee	195,785
Remittances and items not allocated	33,717,824
Liability for benefits for employees and agents	57,231,526
Borrowed money and interest thereon	50,002,222
Asset valuation reserve	88,049,240
Payable to parent, subsidiaries and affiliates	7,971,947
Funds held under coinsurance	3,247,462,955
Derivatives	6,847,738
Payable for securities	20,407,232
Derivative collateral	377,197,868
Litigation reserves	34,517,690
Miscellaneous liabilities	78,616
	<hr/>
Total Liabilities	\$9,335,442,762
	<hr/>
Common capital stock	\$ 2,500,000
Gross paid in and contributed surplus	676,818,899
Unassigned funds	56,949,007
	<hr/>
Total Capital and Surplus	\$ 736,267,906
	<hr/>
Total Liabilities, Surplus and Other Funds	\$10,071,710,668
	<hr/>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life contracts	\$547,686,133
Net investment income	527,572,670
Amortization of interest maintenance reserve	14,520,395
Commissions and expense allowances on reinsurance ceded	19,775,091
Funds withheld net investment income	665,068
Miscellaneous income	95,688
Total	\$1,110,315,045
Death benefits	\$ 129,093,912
Matured endowments	14,245
Disability benefits	2,275,450
Surrender benefits and withdrawals for life contracts	233,828,925
Interest and adjustments on contract or deposit-type contract funds	11,447,467
Increase in aggregate reserves for life contracts	214,265,501
Commissions on premiums and deposit-type contract funds	135,417,885
Commissions and expense allowances on reinsurance assumed	5,894,525
General insurance expenses	129,423,848
Insurance taxes, licenses and fees, excluding federal income taxes	22,344,792
Increase in loading on deferred and uncollected premiums	13,050,111
Funds withheld miscellaneous expense	169,901,554
Financing fee	6,203,308
Recaptured ceded IMR	44,283,809
Total	\$1,117,445,332
Net gain (loss) from operations before dividends to policyholders and federal income taxes	\$ (7,130,287)
Dividends to policyholders	4,834,882
Net gain (loss) from operations after dividends to policyholders and before federal income taxes	\$ (11,965,169)
Federal and foreign income taxes incurred	(47,582,551)
Net gain from operations after dividends to policyholders and federal income taxes and before net realized capital gains	\$ 35,617,382
Net realized capital gains less capital gains tax	13,275,647
Net Income	\$ 48,893,029

CAPITAL AND SURPLUS

Capital and Surplus, December 31, 2018	<u>\$765,617,186</u>
Net income	48,893,029
Change in net unrealized capital gains (losses)	(124,308,246)
Change in net deferred income tax	(60,987,158)
Change in non-admitted assets	26,151,835
Change in asset valuation reserve	6,669,684
Surplus paid in	100,000,000
Change in surplus as a result of reinsurance	(2,800,464)
Tax sharing	(27,148,872)
Prior year correction	<u>4,180,912</u>
Net change in capital and surplus for the year	<u>\$ (29,349,280)</u>
Capital and Surplus, December 31, 2019	<u>\$ 739,267,906</u>

CASH FLOW

CASH FROM OPERATIONS

Premiums collected net of reinsurance	\$ 641,083,436	
Net investment income	404,866,711	
Miscellaneous income	(36,844,302)	
Total		\$1,009,105,845
Benefit and loss related payments	463,484,516	
Commissions and expenses paid	444,000,816	
Dividends paid to policyholders	5,072,625	
Federal and foreign income taxes paid	(82,055,269)	
Total		\$ 830,502,688
Net cash from operations		\$ 178,603,157

CASH FROM INVESTMENTS

Proceeds from investments sold, matured or repaid:		
Bonds	\$2,866,075,592	
Stocks	105,957,103	
Mortgage loans	43,285,186	
Other invested assets	441,397,615	
Total investment proceeds		\$3,456,715,496
Cost of investments acquired (long-term only):		
Bonds	\$2,908,233,830	
Stocks	176,365,194	
Mortgage loans	161,900,000	
Other invested assets	62,161,517	
Total investments acquired		\$3,308,660,541
Net increase in contract loans and premium notes		\$ 319,887,865
Net cash from investments		\$ (171,832,910)

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash provided (applied):

Capital and paid in surplus, less treasury stock	\$100,000,000
Borrowed funds	50,002,222
Net deposits in deposit-type contracts	80,024,520
Other cash provided (applied)	471,672,743

Net cash from financing and miscellaneous sources \$701,699,485

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents, and short-term investments

\$708,469,732

Cash, cash equivalents and short-term investments:

Beginning of year	<u>\$ 16,844,060</u>
End of year	<u>\$825,313,792</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, JP Consulting, investment specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

The Information Systems portion of this examination was performed by The Thomas Consulting Group, Inc., on behalf of the Indiana Department of Insurance as Lead State for the holding company group examination.

Respectfully submitted,

/s/ Thomas Allen

Thomas Allen, CFE
Examiner-in-Charge
Examination Resources, LLC on behalf of the
Iowa Insurance Division

/s/ Daniel Mathis

Daniel Mathis, CFE
Supervisor and Assistant Chief Examiner
Iowa Insurance Division