

EXAMINATION REPORT OF
FIDELITY & GUARANTY LIFE INSURANCE COMPANY
DES MOINES, IOWA
AS OF DECEMBER 31, 2017

Des Moines, Iowa
May 16, 2019

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, affairs and financial condition of

Fidelity & Guaranty Life Insurance Company

Des Moines, Iowa

As of December 31, 2017

at the Company's Main Administrative Office located at 601 Locust Street; Des Moines, Iowa 50309. The report of such examination, containing applicable comments, explanations and financial data, is presented herein.

INTRODUCTION

Fidelity & Guaranty Life Insurance Company, hereinafter referred to as the ("Company"), was previously examined as of December 31, 2012 by the State of Maryland, and is domiciled and licensed as a life and annuity insurance company in the State of Iowa. The examination reported herein was conducted by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2013 to the close of business on December 31, 2017, including any material transactions and/or events occurring and noted subsequent to the examination date.

The examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"). The Handbook requires the examination to be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the organization were considered in accordance with the risk-focused examination process. The Company's assets were verified and evaluated and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2017.

HISTORY

The Company was incorporated as Fidelity and Guaranty Life Insurance Company in 1959 under the laws of Maryland and commenced business in 1960. The Company was primarily formed to write individual life insurance and annuity products. The Company currently writes fixed-indexed and fixed-rate deferred annuities, immediate annuities, and indexed universal life contracts. The Company also wrote term and whole life insurance prior to 2010.

Until June 1, 1995, the Company was a wholly-owned subsidiary of United States Fidelity and Guaranty Company ("USF&G Company"), a Maryland domiciled property and casualty insurer. Effective June 1, 1995, USF&G Company declared a dividend payable to USF&G Corporation consisting of all of the issued and outstanding capital stock of the Company. As a result, the Company became a direct, wholly-owned subsidiary of USF&G Corporation.

On April 24, 1998, as a result of the merger of its parent, USF&G Corporation, with the St. Paul Companies, Inc. ("St. Paul"), an insurance company incorporated in the state of Minnesota, the Company became an indirect subsidiary of St. Paul.

Effective November 1, 2013, the Company re-domesticated from Maryland to Iowa. The re-domestication was reflected in the Company's financial statements for the year ended December 31, 2013.

The Company became a controlled insurer of its current ultimate holding company on November 30, 2017, when CF Corporation ("CF Corp") completed its acquisition of all of the outstanding shares of capital stock of the Company's indirect parent pursuant to the Agreement and Plan of Merger, dated as of May 24, 2017, as amended, by and among CF Corp, FGL US Holdings, Inc., FGL Merger Sub, Inc., and Fidelity & Guaranty Life ("FGL"). A Form A for Acquisition or Control of a Domestic Insurer was filed by CF Corp on May 26, 2017; an Amended and Restated Application for Approval of Acquisition or Control of a Domestic Insurer was filed by CF Corp on August 10, 2017 and was subsequently approved by the Iowa Insurance Division on November 28, 2017. Upon completion of the acquisition of the Company, CF Corp changed its name to FGL Holdings ("F&G").

F&G, through its subsidiaries, indirectly owns 100 percent of the voting stock of the Company. The Company directly owns 100 percent of the voting stock of Fidelity & Guaranty Life Insurance Company of New York ("FGLIC-NY").

CAPITAL STOCK AND DIVIDENDS TO STOCKHOLDERS

Authorized capital consists of 50,000 shares of common stock, par value of \$100 per share. As of December 31, 2017, 30,000 shares were issued and outstanding, resulting in common capital stock of \$3,000,000. There are no preferred shares. Gross paid in and contributed surplus is \$812,597,494.

In 2017, the Company received a \$12 million capital contribution from its parent, Fidelity & Guaranty Life Holdings, Inc. ("FGLH").

Dividends paid to its parent for the years 2013 through 2017 were as follows:

<u>Year</u>	<u>Dividends Paid</u>
2013	\$ 40,000,000
2014	\$ 0
2015	\$ 0
2016	\$ 0
2017	\$ 700,000,000(*)

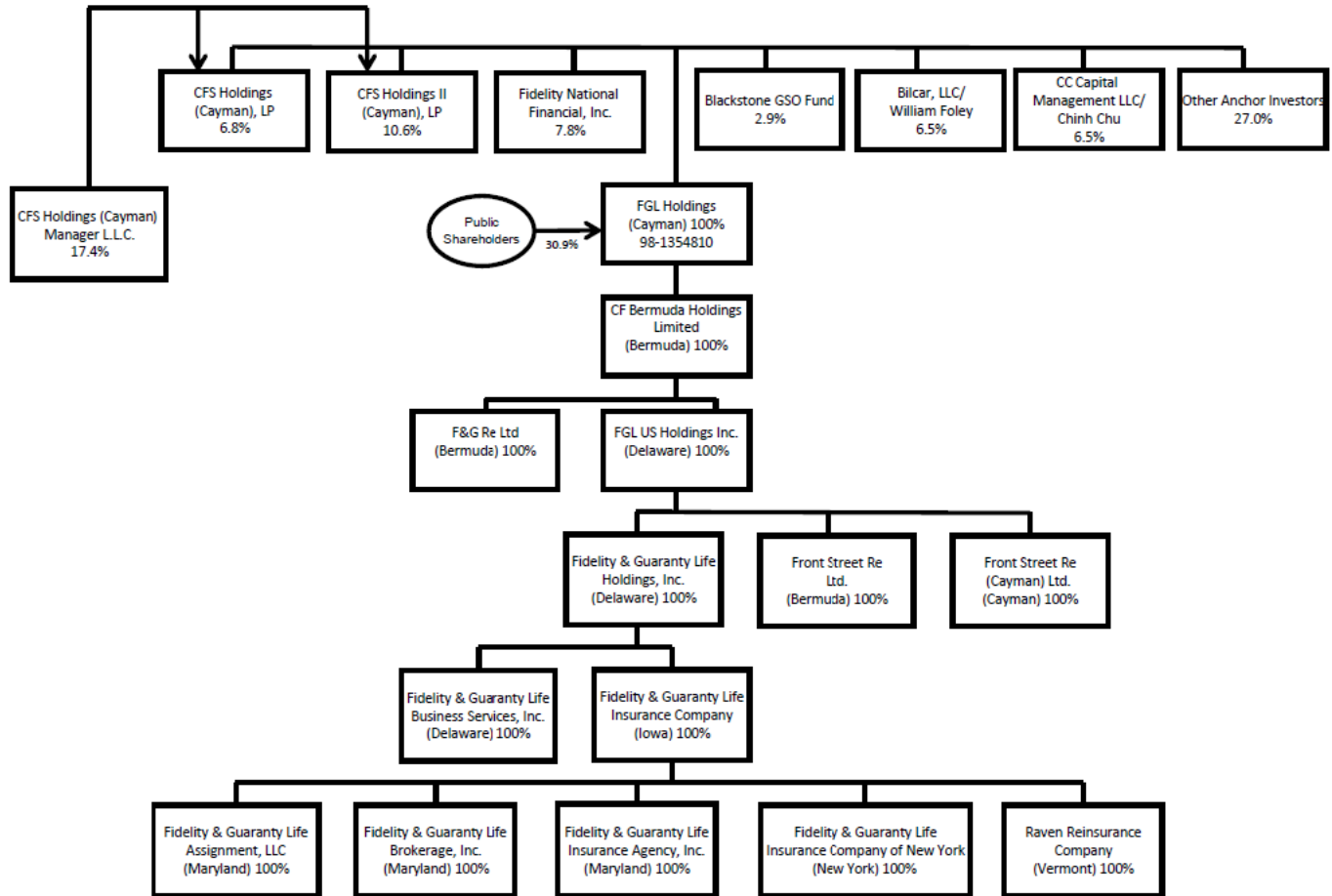
(*) - Comprised of an ordinary dividend of \$25 million paid on September 28, 2017 and an extraordinary dividend of \$675 million paid on December 4, 2017.

INSURANCE HOLDING COMPANY SYSTEM

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

An Insurance Holding Company System Registration Statement was filed annually with the Maryland Insurance Commissioner for the 2013 examination year and with the Iowa Insurance Division for each of the remaining years of the examination period.

An organizational chart, as of December 31, 2017, identifying the Company's holdings and its relationship to its parent and the other companies involved with this examination follows:



MANAGEMENT AND CONTROL

SHAREHOLDERS

The annual meeting of the shareholders of the Company 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 time within the month of May as shall be fixed by the Board of Directors at such place in the United States as set from time to time by the Board of Directors.

Special meetings of the shareholders, for the consideration of such matters as may be named in the call for such meetings, may be held at any time upon the call of the Chairman of the Board of Directors or by a majority of the Board of Directors by vote at a meeting

or in writing (addressed to the Secretary of the Company) with or without a meeting. A special meeting shall be called by the Secretary of the Company upon the request in writing of the holders of a majority of all the shares outstanding and entitled to vote on the business to be transacted at such meeting. Business transacted at all special meetings of stockholders shall be confined to the purpose or purposes stated in the notice of the meeting.

Notice of the place, date and times 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 (10) days nor more than ninety (90) days before each stockholders meeting, the Secretary shall give notice in writing or by electronic transmission of the meeting to each stockholder entitled to vote at the meeting and each other stockholder entitled to notice of the meeting. The notice shall state the time and place of the meeting and, if the meeting is a special meeting or notice of the purpose is required by statute, the purpose of the meeting. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

A shareholders' meeting, duly called, can be organized for the transaction of business whenever a quorum is present. The presence, in person or by proxy, of the holders of a majority of the voting power of all shareholders shall constitute a quorum; and the shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Each holder of stock shall at all times and for all purposes be entitled to one vote for each share of stock then of record in his name on the books of the Company. Every shareholder shall have the right to cast his vote either in person or by proxy. A stockholder may vote the stock he owns of record either in person or by written proxy signed and dated by the stockholder or by his duly authorized attorney in fact. Unless a proxy provides otherwise, it is not valid more than eleven (11) months after its date. A proxy shall be filed with the Secretary of the Company before or at the time of the meeting.

BOARD OF DIRECTORS

The business and affairs of the Company shall be managed under the direction of its Board of Directors. All powers of the Company may be exercised by or under authority of the Board of Directors, except as conferred on or reserved to the stockholders by statute or by the Articles of Incorporation or By-Laws.

The Company shall have at least nine (9) directors. A majority of the entire Board of Directors may alter the number of directors to not exceed twenty-five (25) or less than the minimum number permitted herein, but the action may not affect the tenure of office of any director.

At each annual meeting, the stockholders shall elect directors to hold office until the next annual meeting and until their successors are elected and qualify.

The stockholders may remove any director, with or without cause, by the affirmative vote of a majority of all the votes entitled to be cast for the election of directors.

The stockholders may elect a successor to fill a vacancy on the Board of Directors which results from the removal of a director. A majority of the remaining directors, whether or not sufficient to constitute a quorum, may fill a vacancy on the Board of Directors which results from any cause except an increase in the number of directors and a majority of the entire Board of Directors may fill a vacancy which results from an increase in the number of directors. A director elected by the Board of Directors to fill a vacancy serves until the next annual meeting of stockholders and until such director's successor is elected and

qualifies. A director elected by the stockholders to fill a vacancy which results from the removal of a director serves for the balance of the term of the removed director.

After each meeting of stockholders at which a Board of Directors shall have been elected, the Board of Directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business; and in the event that no other time is designated by the stockholders, the Board of Directors shall meet one hour after the time for such stockholders meeting or immediately following the close of such meeting, whichever is later, on the day of such meeting. Such first regular meeting shall be held at any place in or out of the State of Iowa as may be designated by the stockholders. No notice of such first meeting shall be necessary if held as hereinabove provided. Any other regular meeting of the Board of Directors shall be held on such date and at any place in or out of the State of Iowa as may be designated from time to time by the Board of Directors.

A majority of the Board of Directors shall constitute a quorum for the transaction of business. In the absence of a quorum, the directors present may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting, if a unanimous written consent which sets forth the action is given in writing or by electronic transmission by each member of the Board or Committee, and filed in paper or electronic form with the minutes of proceedings of the Board.

Members of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting.

The Board of Directors serving as on December 31, 2017 were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>
Chinh E. Chu, Co-Chair New York, New York	Founder and Managing Partner CC Capital
William P. Foley, II, Co-Chair Las Vegas Nevada	Director and Executive Officer Fidelity National Financial
Keith W. Abell New York, New York	Co-founder Sungate Properties, LLC
Patrick S. Baird Cedar Rapids, Iowa	President and Chief Executive Officer AEGON USA, LLC (Retired)
Menes O. Che New York, New York	Senior Managing Director Blackstone Group L.P.
Christopher J. Littlefield Des Moines, Iowa	President and Chief Executive Officer Fidelity & Guaranty Life Insurance Company
Richard N. Massey Little Rock, Arkansas	Partner Westrock Capital, LLC
James A. Quella Sharon, Connecticut	Senior Advisor Blackstone Group L.P. (Retired)
Timothy M. Walsh New York, New York	Managing Director Owl Rock Capital Partners

Directors hold such office until their successor shall have been duly elected and qualified, or until his earlier death, resignation or removal in the manner provided in the By-Laws of the Company.

COMMITTEES

The Board of Directors may appoint from among its members an Executive Committee and other committees composed of two (2) or more directors and delegate to these committees any of the powers of the Board of Directors, except the power to declare dividends or other distributions of stock, elect directors, issue stock, recommend to the stockholders any action which requires stockholder approval, adopt, amend or repeal the By-Laws, or approve any merger or share exchange which does not require stockholder approval.

The following are the Committees of the Board of Directors:

Audit Committee

The membership of the Audit Committee as of December 31, 2017 was as follows:

Timothy M. Walsh, Chairperson
Keith W. Abell
Patrick S. Baird

Nominating & Corporate Governance Committee

The membership of the Nominating & Corporate Governance Committee as of December 31, 2017 was as follows:

James A. Quella, Chairperson
Richard N. Massey
Patrick S. Baird

Compensation Committee

The membership of the Compensation Committee as of December 31, 2017 was as follows:

Keith W. Abell, Chairperson
Richard N. Massey
James A. Quella

Conflicts Committee

The purpose of the Conflicts Committee is to ensure that all "Affiliate Transactions" are subject to approval, or appropriately excluded or exempted, in each case, in accordance with the procedures established by the Company.

The membership of the Conflicts Committee as of December 31, 2017 was as follows:

Richard N. Massey, Chairperson
Keith W. Abell
James A. Quella

OFFICERS

The duly elected officers of the Company at December 31, 2017 are listed below:

<u>Name</u>	<u>Title</u>
Christopher J. Littlefield	President & Chief Executive Officer
Christopher S. Fleming	Senior Vice President - Operations & IT
Eric L. Marhoun	Executive Vice President - General Counsel & Secretary
Mark L. Wiltse	Vice President & Chief Accounting Officer
John A. Phelps, II	Senior Vice President & Chief Distribution Officer
John D. Currier, Jr.	Senior Vice President, Chief Actuary
Wendy J. Bitner-Young	Senior Vice President & Chief Risk Officer
Dennis R. Vigneau	Executive Vice President & Chief Financial Officer
Rajesh Krishnan	Executive Vice President and Chief Investment Officer
Michael P. Spurbeck	Vice President & Appointed Actuary

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

CONFLICT OF INTEREST

The Company has an established procedures 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. For the fiscal year ended December 31, 2017, an examination review of the available statements indicated there were no conflicts found that would appear to interfere with that person's official duties.

INTERCOMPANY AGREEMENTS

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

Services Agreement between Fidelity & Guaranty Life Business Services, Inc. and the Company with an effective date of January 1, 2004. Under the agreement, Fidelity & Guaranty Life Business Services, Inc. provides certain management and administrative services to the Company. An Amended and Restated Services Agreement was filed on December 21, 2007, approved on May 21, 2008, and executed during August 2008.

An investment management agreement by and between the Company and Blackstone ISG-I Advisors L.L.C. ("BISGA") dated as of November 30, 2017 whereby BISGA provides investment management services to the Company with respect to the assets in the Company's general account.

A side letter by and between CF Corp and BISGA, for the benefit of F&G and its subsidiaries that are a party to an investment management agreement with BISGA, including the Company, F&G Re Ltd, FGL US Holdings, Inc., Fidelity & Guaranty Life Holdings, Inc., Front Street Re (Cayman) Ltd., and CF Bermuda Holdings Limited, dated as of November 30, 2017 whereby the parties clarified the calculation of average month-end net asset value as defined in the investment management agreement.

CORPORATE RECORDS

The minutes of the meetings of the shareholders, the Board of Directors and the committees of the Board were reviewed for the examination period.

The examination report, for the period ending December 31, 2012, was received by the Audit Committee and approved by the Board of Directors at the August 4, 2014 meeting.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond. The limits on the bond are \$10 million per single loss limit with a \$200,000 deductible and a shared aggregate loss limit of \$20 million.

The Company does not have any employees and does not own any property that would require any additional coverages as of December 31, 2017.

EMPLOYEES' WELFARE

The Company does not have any employees and therefore does not provide any defined benefit pension plan benefits or other postretirement benefits.

STATUTORY DEPOSIT FOR LEGAL RESERVE

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

REINSURANCE

A review found that reinsurance agreements entered into during the examination years contained proper insolvency clauses and none of the contract provisions were noted to be outside the general practice of the industry. Specific reinsurance terms are as follows:

Fixed-Rate Deferred Annuities and Fixed-Indexed Annuities

The major types of reinsurance in place for deferred annuity policies are:

Hannover Reassurance Company (Hannover Re)

In March 2017, the Company entered into an indemnity reinsurance agreement with Hannover Re, an unaffiliated reinsurer, effective January 1, 2017, to reinsure 70 percent quota share of certain guaranteed minimum withdrawal benefit ("GMWB") riders and guaranteed minimum death benefit ("GMDB") riders. Under the reinsurance agreement, Hannover reimburses the Company for a quota share of the GMWB and GMDB benefits (i.e., income payments when the contract value is zero or death benefits in excess of the total account value). The indemnity agreement was amended on September 28, 2017 to include additional inforce and new business issued through December 31, 2017.

The agreement reinsures contracts with GMWB's sold in issue years 2011 and later, with the exception of Performance Pro and Retirement Pro products. The reinsurance agreement has an experience account that is held on the Company's balance sheet on a funds withheld basis that may accrue over time depending on the experience on the business. The Company

has the option to recapture the business one issue year at a time eight years after policy issue and the cash flow testing assumes it will do so.

Raven Re

The Company cedes 100 percent of surrender charges waived on death, full or partial surrender, or annuitization for FIA and DA products issued prior to December 31, 2016, to Raven Re, a wholly-owned subsidiary of the Company. Any policy that is part of the Hannover Re agreement described above is excluded from the Raven Re agreement.

Front Street Re

The Company cedes 10 percent of the FIA and DA blocks that were in force as of 6/30/2012 to Front Street Re (Cayman) Ltd. ("FSR"), an affiliate company. The Company also cedes 30 percent of most Multi-Year Guaranteed Deferred Annuity sales from September - November of 2014 to FSR. Both of these blocks are ceded on a funds withheld coinsurance basis.

F&G Re, Ltd. ("F&G Re")

Following the sale of the Company effective December 1, 2017, the Company reinsured a portion of the FIA and DA blocks to F&G Re, a Bermuda-based reinsurer, on a modified coinsurance basis. This reinsurance is applied after other existing reinsurance agreements discussed above have been incorporated. The business ceded to F&G Re was the following:

Line of Business	Issue Years		
	2010 and Earlier	2011- 2016	2017
FIA	100%	68%	60%
DA	40%	50%	60%

The agreement was terminated in 2018 and the business was re-captured.

Other Coinsurance

There are coinsurance agreements on annuities in place that cede a small amount of fixed deferred annuities to various reinsurers on a coinsurance basis.

Payout Annuities

Front Street Re

The Company cedes 10 percent of the direct payout annuity blocks that were in force as of 6/30/2012 to FSR, an affiliate company. These liabilities are ceded on a funds withheld coinsurance basis and include liabilities included in both Exhibit 5 and Exhibit 7 in the Blue Book.

Other Coinsurance

There is a limited amount of coinsurance in place on older payout annuities where agreements were put in place for a specific plan. The ceded reserves included in these agreements are approximately \$100 million.

Life Insurance

Traditional Yearly Renewable Term ("YRT") Agreements

There have been numerous YRT agreements in place over time as the Company managed to specific retention limits. The reinsurers have changed throughout the years. For new life insurance business there is a pool of three reinsurers that help the Company manage the remaining mortality risk within Company retention limits.

Wilton Re

The Company entered into a reinsurance agreement where all remaining risks associated with life insurance products sold prior to April 1, 2010 have been reinsured to Wilton Re ("Wilton") on a coinsurance basis. The one benefit that Wilton did not reinsure is the Return of Premium rider that was sold with many of the term products sold in the early

2000's. If a policyholder dies, Wilton is responsible for the death claim (along with other YRT reinsurers) and the Company pays nothing. If a policyholder elects to exercise the return of premium benefit then the Company must pay that benefit.

Other Coinsurance

There are a number of smaller existing coinsurance agreements in place where the Company has ceded risks on certain blocks of policies on a coinsurance basis.

Related Party Reinsurance

1. A life reinsurance agreement on a yearly renewable term basis effective March 18, 1970 by and between FGLIC-NY and F&G Life.
2. A life reinsurance agreement on a coinsurance basis effective March 18, 1970 by and between FGLIC-NY and F&G Life.
3. A life reinsurance agreement on a yearly renewable term basis effective October 1, 1984 by and between FGLIC-NY and F&G Life.
4. A life reinsurance agreement on a yearly renewable term basis effective November 1, 2004 by and between FGLIC-NY and F&G Life.
5. A trust agreement among F&G Life, Raven Re and US Bank, NA executed on October 5, 2012 and effective as of October 1, 2012 as approved by the Maryland Insurance Administration ("MIA") on September 10, 2012.
6. A reinsurance agreement between F&G Life and Raven Re effective as of October 1, 2012. The transaction was approved by the MIA on September 10, 2012 and a facility size notional increase was approved by the MIA on September 28, 2012.
7. A coinsurance agreement between F&G Life and FSR effective as of December 31, 2012. The coinsurance agreement was approved by the MIA on December 13, 2012.
8. On September 17, 2014, F&G Life entered into a reinsurance agreement with FSR (the "2014 FSR Agreement"). The 2014 FSR Agreement provides for 30 percent quota share coinsurance by FSR of multiyear guaranty annuity policies issued by F&G Life. The 2014 FSR Agreement was submitted to the IID by Form D on August 1, 2014 and was approved by the Division on September 11, 2014.
9. A modified coinsurance agreement effective as of October 1, 2017 by and between F&G Life and F&G Re under which F&G Life shall cede, and F&G Re shall reinsure, certain annuities and life insurance policies issued by F&G Life.

TERRITORY AND PLAN OF OPERATION

At December 31, 2017, the Company was authorized to transact business in all U.S. States, except New York, and is also licensed in Puerto Rico and District of Columbia.

GROWTH OF COMPANY

The growth of the Company is reflected by the following significant data taken from office copies of filed annual statements. No discrepancies were noted.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Separate Account Assets</u>	<u>Total Liabilities</u>	<u>Separate Account Liabilities</u>	<u>Capital And Surplus</u>	<u>Life Insurance In Force</u>
2013	\$16,847,828,540	\$574,687,722	\$15,820,326,722	\$493,934,781	\$1,108,254,759	\$81,035,963
2014	18,425,680,283	547,514,645	17,283,926,873	477,670,037	1,211,598,017	79,186,649
2015	19,308,679,263	501,388,242	18,135,812,017	435,297,752	1,238,957,738	74,889,851
2016	20,838,525,471	575,703,121	19,542,966,818	548,212,823	1,323,048,951	75,114,134
2017	21,732,035,226	648,780,901	20,835,635,411	626,181,228	918,999,486	73,729,046

<u>Year</u>	<u>Aggregate Life Reserves</u>	<u>Aggregate A & H Reserves</u>	<u>Asset Valuation Reserves</u>	<u>A & H Premium</u>	<u>Annuity Premium</u>	<u>Life Premium</u>
2013	\$12,643,389,205	\$93,007	\$ 82,421,319	\$91,056	\$216,327	\$122,295,399
2014	14,218,575,542	75,017	118,073,763	0	192,886	150,562,416
2015	15,436,116,005	56,178	105,686,442	0	189,639	162,085,913
2016	16,975,113,786	23,690	122,359,301	0	260,130	186,947,051
2017	18,177,535,702	46,346	150,203,066	0	149,168	167,879,611

ACCOUNTS AND RECORDS

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

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, 2017, were identified.

SUBSEQUENT EVENTS

The Chief Information Officer ("CIO") departed from the Company in September 2018. In late January 2019, the Company filled the position with the internal promotion of Kurt Labenz to the position of VP, Chief Information Officer.

The Company's financial strength rating was upgraded by A.M. Best to an "A-" on November 20, 2018. A.M. Best also assigned the outlook of "stable" to this credit ratings.

On December 19, 2018, F&G announced that Christopher Blunt has been appointed as President and Chief Executive Officer succeeding Christopher Littlefield.

FGL Holdings announced that Dennis Vigneau, the Company's Chief Financial Officer, has decided to retire at the end of 2019.

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 financial statements contained herein reflect only the transactions of the year ended December 31, 2017, and the assets and liabilities as of that date. Schedules may not add or tie precisely due to rounding.

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Net-Admitted</u>
Bonds	\$17,920,267,136	\$	\$17,920,267,136
Stocks:			
Preferred stocks	802,038,693		802,038,693
Common stocks	284,859,474	(8,854)	284,868,328
Mortgage loans on real estate:			
First liens	544,732,187		544,732,187
Cash, cash equivalents and short-term investments	872,650,567		872,650,567
Contract loans	16,144,577	37,227	16,107,350
Derivatives	157,873,623		157,873,623
Other invested assets	747,806,366		747,806,366
Receivables for securities	12,911,876	55,563	12,856,313
Investment income due and accrued	196,951,965		196,951,965
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	(151,569,475)	38,077,095	(189,646,570)
Deferred premiums and agents' balances not yet due	66,667,379		66,667,379
Accrued retrospective premiums			
Reinsurance Ceded:			
Amounts recoverable from reinsurers	49,609,843		49,609,843
Funds held with reinsured companies	540,000		540,000
Other amounts receivable under reinsurance contracts	137,078,533		137,078,533
Amounts receivable relating to uninsured plans			
Current federal and foreign income tax recoverable and interest	5,950,357		5,950,357
Net deferred tax asset	82,284,584		82,284,584
Guaranty funds receivable or on deposit	1,892,465		1,892,465
Electronic data processing equipment	24,902,156	24,902,156	0
Furniture and equipment	2,545,144	2,545,144	0
Receivable from parent, subsidiaries and affiliates	19,028,582		19,028,582
Aggregate write-ins for other than invested assets:			
Premium tax receivable	1,262,352		1,262,352
Prepaid expenses	1,651,411	1,651,411	0
R4 Housing Partners III LP	1,215,173		1,215,173
From Separate Accounts Statement	<u>648,780,901</u>		<u>648,780,901</u>
 Total Assets	 <u>\$22,448,075,869</u>	 <u>\$67,259,742</u>	 <u>\$22,380,816,127</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$18,177,535,702
Aggregate reserve for accident and health contracts	46,346
Liability for deposit-type contracts	379,201,687
Contract claims:	
Life	8,522,244
Accident and health	
Provision for policyholders' dividends apportioned for payment	
Premiums and annuity considerations for life and A&H contracts received in advance	159,751
Other amounts payable on reinsurance including assumed and ceded	14,865,618
Interest maintenance reserve	408,644,588
Commissions to agents due or accrued	11,054,864
General expenses due or accrued	6,632,924
Transfers to Separate Accounts due or accrued(net)	
Taxes, licenses and fees due or accrued	4,567,485
Unearned investment income	
Amounts withheld or retained by company as agent or trustee	427,543
Amounts held for agents' account	
Remittances and items not allocated	27,735,317
Miscellaneous liabilities:	
Asset valuation reserve	150,203,066
Funds held under reinsurance treaties	959,169,441
Payable to parent, subsidiaries and affiliates	160
Liability for amounts held under uninsured plans	
Funds held under coinsurance	17,893,877
Derivatives	
Payable for securities	81,515,978
Aggregate write-ins for liabilities:	
Retained asset account	189,968,175
Unpresented drafts pending escheatment	20,415,534
Agents' deferred compensation plan liability	27,732,985
Miscellaneous other liabilities	2,208,049
Options collateral liabilities	345,103,194
Due to futures brokers	166,348
Liability for synthetic reinsurance derivative	1,864,535
From Separate Accounts Statement	<u>626,181,228</u>
 Total Liabilities	 <u>\$21,461,816,639</u>
 Common capital stock	 \$ 3,000,000
Surplus notes	225,000,000
Gross paid in and contributed surplus	812,597,494
Deferred reinsurance gain net of amortization	223,317,087
Unassigned funds (surplus)	<u>(344,915,095)</u>
 Total Capital and Surplus	 <u>\$ 918,999,486</u>
 Total Liabilities, Capital and Surplus	 <u>\$22,380,816,125</u>

SUMMARY OF OPERATIONS

(Excluding Unrealized Capital Gains and Losses)

Premiums and annuity considerations	\$2,392,427,805
Considerations for supplementary contracts with life contingencies	13,991,023
Net investment income	1,325,958,907
Amortization of interest maintenance reserve (IMR)	121,334,770
Separate accounts net gain from operations	8,735,996
Commissions and expense allowances on reinsurance ceded	(171,621,499)
Reserve adjustments on reinsurance ceded	64,076,872
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	
Aggregate write-ins for miscellaneous income:	
Interest maintenance reserve adjustment related to reinsurance	9,195,449
Miscellaneous income	556,265
Total	<u>\$3,764,655,588</u>
Death benefits	\$ 19,706,895
Matured endowments(excluding guaranteed annual pure endowments)	(106,404)
Annuity benefits	580,429,105
Disability benefits and benefits under accident and health policies	(2,441,527)
Surrender benefits and withdrawals for life contracts	1,012,300,187
Interest and adjustments on contracts or deposit-type contract funds	21,109,181
Payments on supplementary contracts with life contingencies	12,379,343
Increase in aggregate reserves for life and accident and health	<u>1,202,444,573</u>
Total	<u>\$2,845,821,353</u>
Commissions on premiums, annuity considerations and deposit-type contract funds(direct business only)	241,429,591
Commissions and expense allowances on reinsurance assumed	191,105
General insurance expenses	182,231,330
Insurance taxes, licenses and fees, excluding federal income taxes	8,575,545
Increase in loading on deferred and uncollected premiums	(1,995,609)
Net transfers to or (from) separate accounts net of reinsurance	
Aggregate write-ins for deductions:	
Interest expense on surplus notes	14,475,000
Risk charge ceded	3,287,500
Policy settlements	318,445
Investment return transferred to reinsurer on funds held	112,788,571
Miscellaneous expense	483,804
Interest maintenance reserve adjustment related to reinsurance	44,474
Total	<u>\$3,407,651,109</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 357,004,479
Dividends to policyholders	<u>0</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 357,004,479
Federal and foreign income taxes incurred	<u>75,205,818</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 281,798,661
Net realized capital gains or (losses)	<u>(59,383,800)</u>
Net income	<u>\$ 222,414,861</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and Surplus, December 31, 2016	<u>\$1,323,048,950</u>
Net income	\$ 222,414,861
Change in net unrealized capital gains(losses)	(69,056,699)
Change in net unrealized foreign exchange capital gain (loss)	419,390
Change in net deferred income tax	(124,187,625)
Change in non-admitted assets	60,717,596
Change in liability for reinsurance in unauthorized and certified Companies	
Change in reserve on account of change in valuation basis (increase)	
Change in asset valuation reserve	(27,843,765)
Surplus withdrawn from Separate Accounts during period	13,626,621
Other changes in surplus in Separate Account Statement	(13,626,620)
Cumulative effect of changes in accounting principles	6,660,281
Surplus adjustments:	
Paid in	12,000,000
Dividends to stockholders	(700,000,000)
Aggregate write-ins for gains and losses in surplus:	
Annuity reserve corrections, net of tax	<u>214,826,496</u>
Net change in capital and surplus for the year	<u>(404,049,464)</u>
Capital and Surplus, December 31, 2017	<u>\$ 918,999,486</u>

CASH FLOW

CASH FROM OPERATIONS

Premiums collected net of reinsurance	\$2,535,487,624
Net investment income	980,678,426
Miscellaneous income	76,938,200
Total	<u>\$3,593,104,250</u>
Benefit and loss related payments	1,612,878,840
Net transfers to Separate Accounts	
Commissions, expenses paid and aggregate write-ins for deductions	702,997,632
Dividends paid to policyholders	
Federal and foreign income taxes paid(excluding tax on capital gains)	103,242,528
Total	<u>\$2,419,119,000</u>
Net cash from operations	<u>\$1,173,985,250</u>

CASH FROM INVESTMENTS

Proceeds from investments sold, matured or repaid:	
Bonds	\$2,560,272,227
Stocks	77,126,637
Mortgage loans	37,687,973
Other invested assets	22,324,666
Net gains on cash, cash equivalents and short-term investments	58,935
Miscellaneous proceeds	656,582,200
Total investment proceeds	<u>\$3,354,052,637</u>
Cost of investments acquired (long-term only):	
Bonds	\$3,571,107,993
Stocks	169,273,083
Mortgage loans	
Other invested assets	250,440,732
Miscellaneous applications	216,497,531
Total investments acquired	<u>\$4,207,319,339</u>
Net increase (or decrease) in contract loans and premium notes	<u>3,598,186</u>
Net cash from investments	<u>(\$856,864,888)</u>

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash provided (applied):	
Capital and paid in surplus, less treasury stock	12,000,000
Net deposits on deposit-type contracts and other liabilities	(57,430,708)
Dividends to stockholders	109,474,467
Other cash provided (applied)	88,850,159
Net cash from financing and miscellaneous sources	<u>(\$66,055,016)</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 251,065,346
Cash, cash equivalents and short-term investments:	
Beginning of year	621,585,220
End of year	<u>\$ 872,650,567</u>

CONCLUSION

The 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; Joshua Johnson, CFE; Kathleen Wilson; Alan Griffieth, CFE, CPA; Bill Meaney, CFA; LeeAnne Creevy, CPA, CISA, CITP, CRMA, MCM; Philip McMurray, CISSP, CISA, AES; and Kristina Gaddis, CFE, CISA, AES of Risk & Regulatory Consulting, LLC participated in the examination and the preparation of this report.

Both the Financial and IT portions of this examination were completed by Risk & Regulatory Consulting, LLC. The IID engaged Insurance Strategies Consulting to perform the actuarial components of the examination. This work was led by Carl Harris, FSA, MAAA and Steven Chamberlin, FSA, MAAA.

Respectfully submitted,

 /s/ John J. D'Amato
John J. D'Amato, CFE, CPA, MCM
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
State of Iowa