

EXAMINATION REPORT OF  
MEDICO CORP LIFE INSURANCE COMPANY  
DES MOINES, IOWA  
AS OF DECEMBER 31, 2020

Des Moines, Iowa  
June 7, 2022

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

Commissioner:

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

MEDICO CORP LIFE INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2020

with its home office located at 601 6<sup>th</sup> Ave, Des Moines, Iowa.

INTRODUCTION

Medico Corp Life Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2015 by examiners of the Nebraska Department of Insurance (“NE DOI”).

In conjunction with the examination of the Company as of December 31, 2020 by the Iowa Insurance Division (“Division”), affiliates American Republic Insurance Company (“ARIC”), American Republic Corp Insurance Company (“ARCIC”), Medico Insurance Company (“MIC”), Medico Life and Health Insurance Company (“MLHIC”) and Great Western Insurance Company (“GWIC”) were also examined by the Division.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2016 to the close of business on December 31, 2020, 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 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 about the insurer and its financial condition.

## HISTORY

The Company was incorporated on March 16, 1960 under the laws of the State of North Carolina as a stock accident and health insurance company under the name Mid-South Insurance Company, with its home office in Fayetteville, North Carolina. In 1972, the Articles of Incorporation were amended to include authority to write life insurance in all forms, including annuities.

Effective February 20, 1996, the stockholders of the Company approved and adopted an Agreement and Plan of Merger with Trigon Insurance Company (“TIC”) (d/b/a Trigon Blue Cross Blue Shield, formerly Blue Cross Blue Shield of Virginia). Under the terms of the agreement, the Company became a wholly-owned subsidiary of TIC, Virginia’s largest managed healthcare company. Each share of the Company’s common stock was canceled and converted into \$15.67 in cash.

Effective 1, 2000, World Insurance Company (“World”) entered into a Stock Purchase Agreement, dated as of March 1, 2000, by and between World as a buyer, MSA as seller, and THI to acquire 100% of the stock of the Company. Effective June 1, 2000 and pursuant to a Re-Domestication Order entered by the Nebraska Department of Insurance, the Company was re-domiciled as a Nebraska corporation with its home office and principal executive office in Omaha, Nebraska.

On January 13, 2004, ultimate control changed to American Republic Holding Co. (“AR Mutual”) via a merger with the Company’s ultimate parent and AR Mutual, with AR Mutual as the surviving entity. Effective March 2, 2004, AR Mutual filed its Amended Articles of Incorporation with the Iowa Insurance Division and Iowa Secretary of State to change its name to American Enterprise Mutual Holding Company.

Effective March 17, 2006, the Company filed its Amended Articles of Incorporation with the Nebraska Department of Insurance and the Secretary of State of Nebraska to change its name to World Corp Insurance Company.

Effective March 13, 2013, the Company’s parent, World, completed a merger with an affiliate, ARIC, with ARIC emerging as the surviving entity. As a result of the merger, the Company became a wholly-owned subsidiary of ARIC.

Effective October 30, 2013, the Company filed its Amended Articles of Incorporation with the NE DOI and Secretary of State of Nebraska to change its name to Medico Corp Life Insurance Company.

Following approval from the Division and the NE DOI, the Company re-domesticated from Nebraska to Iowa, effective January 1, 2017.

## CAPITAL STOCK AND DIVIDENDS

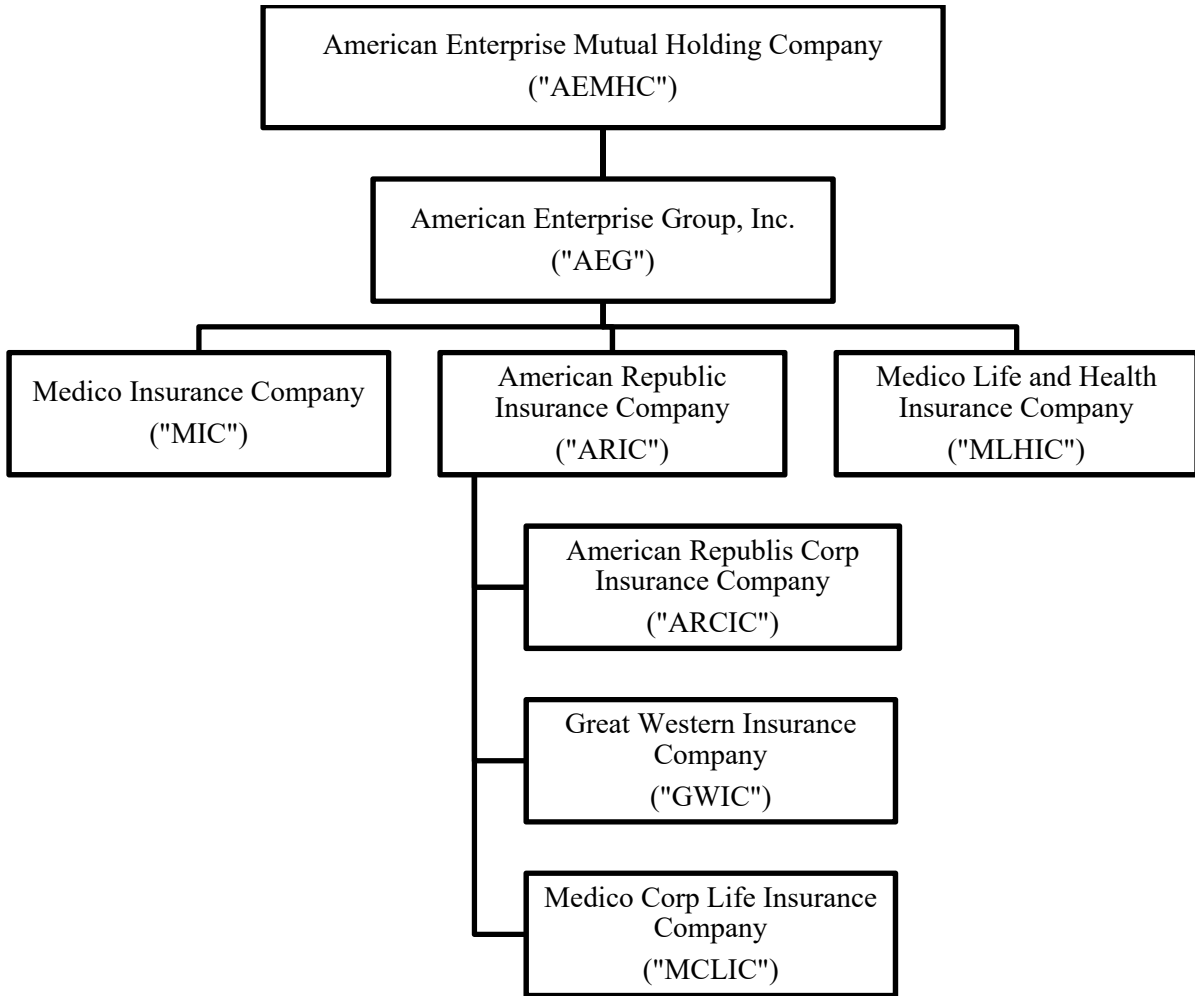
The Company has 6,000,000 shares authorized, 5,446,696 shares issued, and 5,446,696 shares outstanding of \$1.00 per share common stock. All shares of stock outstanding are held by ARIC.

The Company did not pay dividends to ARIC during the current examination period.

MUTUAL INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. AEMHC, an Iowa mutual insurance holding company, 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

### SHAREHOLDER

The annual meeting of the shareholder for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held on the first Tuesday in March of each year at such place as the Board of Directors shall each year fix, or at such other place, time and date as the Board of Directors shall fix, which date shall be within the earlier of the first six (6) months after the end of the Company's fiscal year or fifteen (15) months after the shareholder's last annual meeting.

Special meetings of the shareholder, for any purpose or purposes, unless otherwise prescribed by law, may be called by the Chairman of the Board, Chief Executive Officer 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 (10) percent of all the votes entitled to be cast on any issue proposed to be considered at the meeting. The time, date and place of any special meeting shall be determined by the Board of Directors or, at its direction, by the Chief Executive Officer.

Notice of the place, date and time of all meetings of the shareholder 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 sixty (60) days before the date of the meeting to each shareholder entitled to vote at such meeting.

Every shareholder entitled to vote may vote in person or by proxy. Except as provided in subsection (c) or unless otherwise provided by law, each outstanding share, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholder. Directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number is required by law.

Except as otherwise set forth in this Section 3.12, any action required or permitted by law to be taken at a meeting of the shareholder may be taken without a meeting or vote if one or more consents in writing setting forth the action taken shall be signed and dated by the holders of outstanding shares having not less than ninety percent (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, and are delivered to the Corporation for inclusion in the minutes or filing with the Corporation's records. Written consents may be delivered to the Corporation by electronic transmission.

### BOARD OF DIRECTORS

The Bylaws state that the business and affairs of the Company shall be managed by a Board of Directors consisting of not less than five (5) nor more than twenty-one (21) directors, who shall be individuals nominated and elected as provided in the Articles and further subject to the provisions of the Bylaws.

Directors shall be elected for three-year (3-year) terms and, as nearly as may be, one-third (1/3) shall be elected annually and shall serve until the annual meeting following the term for which each was elected and until his successor is qualified.

The Board of Directors shall hold an annual meeting for the purpose of organization, the election of officers and the transaction of other business. 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 from time to time. No notice shall be required for any such regular meeting of the board.

Special meetings of the directors may be called by the Chairman of the Board, Chief Executive Officer or one-third (1/3) of the directors at the time being in office at least one (1) day before the date on which the meeting is to be held.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Board has general charge of the business and affairs of the Company including the power to adopt, amend or alter Bylaws unless otherwise specified by the shareholders.

The directors duly elected and serving as of December 31, 2020 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
David John Keith Des Moines, Iowa	American Enterprise Services Company President of Insurance Solutions	2021
Sara Elaine Lehan Des Moines, Iowa	American Enterprise Services Company Vice President, Chief Investment Officer	2021
Thomas Anthony Swank Des Moines, Iowa	American Enterprise Services Company Chief Executive Officer and President	2022
Jeffrey Scott Harms Des Moines, Iowa	American Enterprise Services Company Assistant Vice President, Financial Planning and Reporting	2023
Scott Michael Haugh Des Moines, Iowa	American Enterprise Services Company Senior Vice President, Chief Financial Officer, Chief Actuary, and Treasurer	2023

David John Keith and Sara Elaine Lehan were re-elected at the annual meeting of the shareholders of the Company on March 4th, 2021 for a three-year term, expiring in 2024.

Thomas Anthony Swank was re-elected at the annual meeting of the shareholders of the Company on March 2, 2022 for a three-year term, expiring in 2025.

#### 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 an Executive Committee and one or more other committees of the Board of Directors, each to consist of one (3) or more directors appointed by the Board of Directors. Any such committee shall serve at the will of the Board of Directors. As of December 31, 2020, the Board of Directors has not adopted a resolution establishing an Executive Committee or any other committees.

The following committees of the Board of Directors of AEMHC serve for all entities within the holding company group.

The membership of the committees as of December 31, 2020 was as follows:

Governance Committee

<u>Name</u>	<u>Principal Business Affiliation</u>
James A. Walker*	Heim-Walker President and Chief Executive Officer
Kathy M. Collins	Massage Envy Chief Marketing Officer
Kathleen M. Redgate	Global Atlantic Financial Group Limited Former Executive Vice President

\*Chair

Investment Committee

<u>Name</u>	<u>Principal Occupation</u>
John L. Maginn*	Maginn Associates President
Craig W. Bainbridge, M.D.	Retired Physician, Private Practice
Thomas A. Swank	American Enterprise Mutual Holding Company President and Chief Executive Officer

\*Chair

Audit Committee

<u>Name</u>	<u>Principal Occupation</u>
Donna J. Blank*	National Financial Partners Corp. Former Chief Financial Officer
Michael E. Abbott	American Enterprise Mutual Holding Company Retired Chief Executive Officer
Terrance J. Lillis	Principal Financial Group Retired Chief Financial Officer

\*Chair

OFFICERS

The Bylaws provide that the executive officers of the Company shall be a Chairman of the Board, a President, one of whom shall be designated by the Board of Directors as the Chief Executive Officer, and a Secretary. The Chief Executive Officer, the President, and the Secretary are elected annually by the Board of Directors at their annual

meeting. The Company shall have other officers as may be appointed by the Chief Executive Officer. One person may hold two or more offices at the same time.

The principal officers serving at December 31, 2020 were as follows:

<u>Name</u>	<u>Title</u>
Thomas Swank	President and Chief Executive Officer
Scott Haugh	Senior Vice President, Chief Actuary, Chief Financial Officer and Treasurer
Eric Nemmers	Vice President, General Counsel and Secretary
David Keith	President of Insurance Solutions
Dennis Case	Senior Vice President and Chief Sales Officer
Debbie DeCamp	Vice President, Corporate Marketing and Communications
Margaret Brown	Vice President, Chief Human Resources Officer and Assistant Secretary
Sara Lehan	Vice President, Chief Investment Officer
Kim Barney	Vice President, Chief Administration Officer
Julie Larson	Vice President, Chief Technology and Innovation Officer
Julie Pearce	Assistant Vice President, AE Ventures
Chris Axiotis	Director Audit Services and Risk Management

Effective January 1, 2022, AEMHC adopted a co-Chief Actuary model. Matt Johnson was named the co-Chief Actuary and his focus is on the Health business. At that time, Dale Ward, who had served as Chief Actuary of the Company since October 15, 2021, became co-Chief Actuary and his focus is on the Life business. Scott Haugh retained his role as Chief Financial Officer and Treasurer.

The salaries for 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 annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors or key employees 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 reviewed the conflict of interest statements completed by the Company's officers and directors for each year of the period covered by this examination. No exceptions were noted.

#### CORPORATE RECORDS

Effective January 1, 2017, the Articles of Incorporation of the Company were restated and refiled to complete the re-domestication of the Company from Nebraska to Iowa.

The Bylaws of the Company were amended on January 1, 2017 as a result of the amendments to the Articles of Incorporation which were refiled in connection with the re-domestication.

The recorded minutes of the meetings of the Shareholder, Board of Directors, and Committees were read and noted. They appeared to be complete and were found to be properly attested.



The Board of Directors of the Company acknowledged and accepted the 2015 Examination Report of the Company through written consent without a meeting on August 16, 2017.

### FIDELITY BOND AND OTHER INSURANCE

Under a financial institution bond, AEMHC and affiliated companies are protected against loss from any fraudulent or dishonest act of any employee up to \$5,000,000 each loss occurrence and \$10,000,000 aggregate limit of liability which meets the NAIC recommended minimum amount.

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

### RELATED PARTY AGREEMENTS

#### Shared Services Agreement

Effective July 1, 2015, AEMHC and all of its subsidiary companies became parties to a Shared Services Agreement. The Agreement allows American Enterprise Services Company (“AES”), as the employer of all employees in the AEMHC system and wholly owned subsidiary of AEG, to provide employee services and then allocate related employee expenses to all other affiliate companies. The Agreement details the procedure for the affiliate companies to determine expense allocations annually related to these services, as well as for their review and reconciliation.

#### Consolidated Tax Allocation Agreement

AEMHC, AEG, the Company and its affiliates are parties to a Tax Allocation Agreement that provides for the allocation of certain tax benefits in the filing of a consolidated tax return.

### EMPLOYEE WELFARE

AES is the sponsor of the American Enterprise 401(k) savings plan, under which the employees of the Company participate in a qualified defined contribution plan. Disability, dental and health insurance benefits are provided on a contributory basis through a cafeteria plan.

### REINSURANCE

The reinsurance contracts of the Company were reviewed and no contract provisions were found to be outside the custom of the industry. All contracts had acceptable insolvency clauses and transfer of risk.

Effective April 1, 2010, the Company entered into an intercompany coinsurance agreement to cede a 100% quota share of major medical and Medicare supplement products to ARIC.

Effective October 1, 1998, the Company and United Teachers Associates Insurance Company entered into a quota share reinsurance agreement that cedes 100% of certain annuity, supplementary, and life contracts.

### STATUTORY DEPOSIT

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

## TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in 44 states and the District of Columbia. The Company offers primarily Medicare supplement insurance. Except for a small block of annuities, the Company cedes all of its business to ARIC.

## GROWTH OF COMPANY

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

(000's omitted)

<u>Year</u>	<u>Admitted</u>	<u>Capital and</u>	<u>Premium Income*</u>		
	<u>Assets</u>	<u>Surplus</u>	<u>Life</u>	<u>Annuity</u>	<u>A&amp;H</u>
2016	\$53,706	\$21,773	\$ -	\$ -	\$ -
2017	65,574	22,324	-	-	-
2018	73,543	24,957	-	-	-
2019	48,375	25,807	-	-	-
2020	47,014	27,107	-	-	-

\*See April 1, 2010 ceded reinsurance agreement with ARIC described in the Reinsurance section above.

## ACCOUNTS AND RECORDS

The Company uses electronic data processing equipment and related software for processing and maintaining its accounts, records and files. In most 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 2020 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, 2020, were identified.

## SUBSEQUENT EVENTS

### 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.

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, 2020.

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$26,530,786	\$	\$26,530,786
Preferred stocks	200,000		200,000
Cash, cash equivalents and short-term investments	4,363,900		4,363,900
Investment income due and accrued	191,857		191,857
Amounts recoverable from reinsurers	9,995,817		9,995,817
Other amounts receivable under reinsurance contracts	4,428,785		4,428,785
Net deferred tax asset	1,382,381	800,926	581,455
Guaranty funds receivable or on deposit	475,054		475,054
Health care and other amounts receivable	605,340	605,340	
Miscellaneous receivable	253,313	6,665	246,648
Prepaid expenses	44,202	44,202	
	<hr/>	<hr/>	<hr/>
Total Assets	\$48,471,434	\$1,457,133	\$47,014,301

LIABILITIES, SURPLUS AND OTHER FUNDS

Other amounts payable on reinsurance	\$14,910,030
Interest maintenance reserve	294,091
Commissions to agents due or accrued	24,727
General expenses due or accrued	470,410
Taxes, licenses and fees due or accrued, excluding federal income taxes	542,503
Current federal and foreign income taxes	444,571
Amounts held for agents' account	591,245
Remittances and items not allocated	72,675
Asset valuation reserve	287,582
Payable to parent, subsidiaries and affiliates	2,204,867
Unclaimed property	64,545
	<hr/>
Total Liabilities	\$19,907,246
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Common capital stock	\$ 5,446,696
Gross paid in and contributed surplus	25,436,438
Unassigned funds (surplus)	(3,776,079)
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Total Surplus and Other Funds	\$27,107,055
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Total Liabilities, Surplus and Other Funds	\$47,014,301

SUMMARY OF OPERATIONS

Net investment income	\$ 942,277
Amortization of Interest Maintenance Reserve	32,249
Commissions and expense allowances on reinsurance ceded	48,148,313
Miscellaneous income	53,418
Total	<u>\$49,176,257</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	\$27,108,591
General insurance expenses	20,234,163
Insurance taxes, licenses and fees, excluding federal income taxes	865,458
Fines/penalties	306
Total	<u>\$48,208,518</u>
Net gain from operations before federal income taxes	\$ 967,739
Federal and foreign income taxes incurred	<u>398,974</u>
Net Income	<u>\$ 568,765</u>

CAPITAL & SURPLUS

Capital and surplus, December 31, 2019	<u>\$25,806,520</u>
Net Income	\$ 568,765
Change in net deferred income tax	(3,216)
Change in non-admitted assets	811,543
Change asset valuation reserve	<u>(76,556)</u>
Net change in capital and surplus for the year	<u>\$ 1,300,535</u>
Capital and Surplus, December 31, 2020	<u>\$27,107,055</u>

## CASH FLOW

### Cash from Operations

Premiums collected net of reinsurance	\$ (285,096)	
Net investment income	956,075	
Miscellaneous income	48,212,749	
Total		\$ 48,883,728
Benefit and loss related payments	\$ (1,415,120)	
Commissions, expenses paid and aggregate write-ins for deductions	47,924,768	
Total		46,509,648
Net cash from operations		\$ 2,374,080

### Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 8,480,131	
Total investment proceeds		\$ 8,480,131
Cost of investments acquired:		
Bonds	\$ 5,579,117	
Total investments acquired		5,579,117
Net cash from investments		\$ 2,901,014

### Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	(2,381,516)	
Net cash from financing and miscellaneous sources		\$ (2,381,516)

### Reconciliation of Cash, Cash Equivalents, and Short-Term Investments

Net change in cash, cash equivalents and short-term investments		\$ 2,893,578
Cash, cash equivalents and short-term investments:		
Beginning of year		1,470,322
End of year		\$ 4,363,900

## 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, INS Services, Inc., information systems specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Thomas Allen

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

/s/ Amanda Theisen

Amanda Theisen, CFE  
Supervisor, Assistant Chief Examiner  
Iowa Insurance Division  
State of Iowa