

EXAMINATION REPORT OF
MEDICO 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 INSURANCE COMPANY

DES MOINES, IOWA

AS OF DECEMBER 31, 2020

with its home office located at 601 6th Ave, Des Moines, Iowa.

INTRODUCTION

Medico 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 Corp Life Insurance Company (“MCLIC”), 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, formerly Mutual Projective Insurance Company and originally Central Catholic Casualty Company, was incorporated under the laws of the State of Nebraska on April 26, 1930, as a mutual assessment health and accident association and commenced business as such on that same date. By amendment to the Articles of Incorporation on May 20, 1946, the plan of operation was changed from that of a mutual assessment association to a mutual legal reserve casualty company.

By amendment to the Articles of Incorporation on March 14, 1952, the name of the Company was changed from Central Catholic Casualty Company to Central Catholic Insurance Company. On February 15, 1957, the Articles of Incorporation were again amended to change the name to Mutual Protective Insurance Company.

The Company amended its Articles of Incorporation and By-Laws on March 26, 2003 and May 9, 2003, respectively, to authorize the writing of life insurance business. Prior to this, the Company was authorized to write only accident and health insurance.

As part of its efforts to convert to a mutual insurance holding company structure, the Company, on August 4, 2005, amended its Articles of Incorporation and By-Laws to reorganize to form a stock insurance company and change its name to Medico Insurance Company. On September 19, 2005, the NE DOI approved the Company's application to reorganize and to change its name. Additionally at that time, the Department approved the creation of an intermediary stock holding company (Medico Holdings, Inc.), and a mutual insurance holding company (Medico Mutual Holding Company). These changes became effective on January 1, 2006.

On September 28, 2007, the Company and Ability Resources, Inc. completed a transaction through which the Company sold its long term care insurance block and its subsidiary Medico Life Insurance Company to Ability Resources, Inc. The sale of the subsidiary was approved by the NE DOI on September 26, 2007.

On July 1, 2012, the Company became part of the American Enterprise Mutual Holding Company organization ("AEMHC") after approval by the NE DOI and the Division. Upon consummation of the transaction, the Company became a direct owned subsidiary of American Enterprise Group, Inc. ("AEG").

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 50,000 shares of common stock with a par value of \$100.00 per share authorized, issued and outstanding as of December 31, 2020. All shares of stock outstanding are held by AEG.

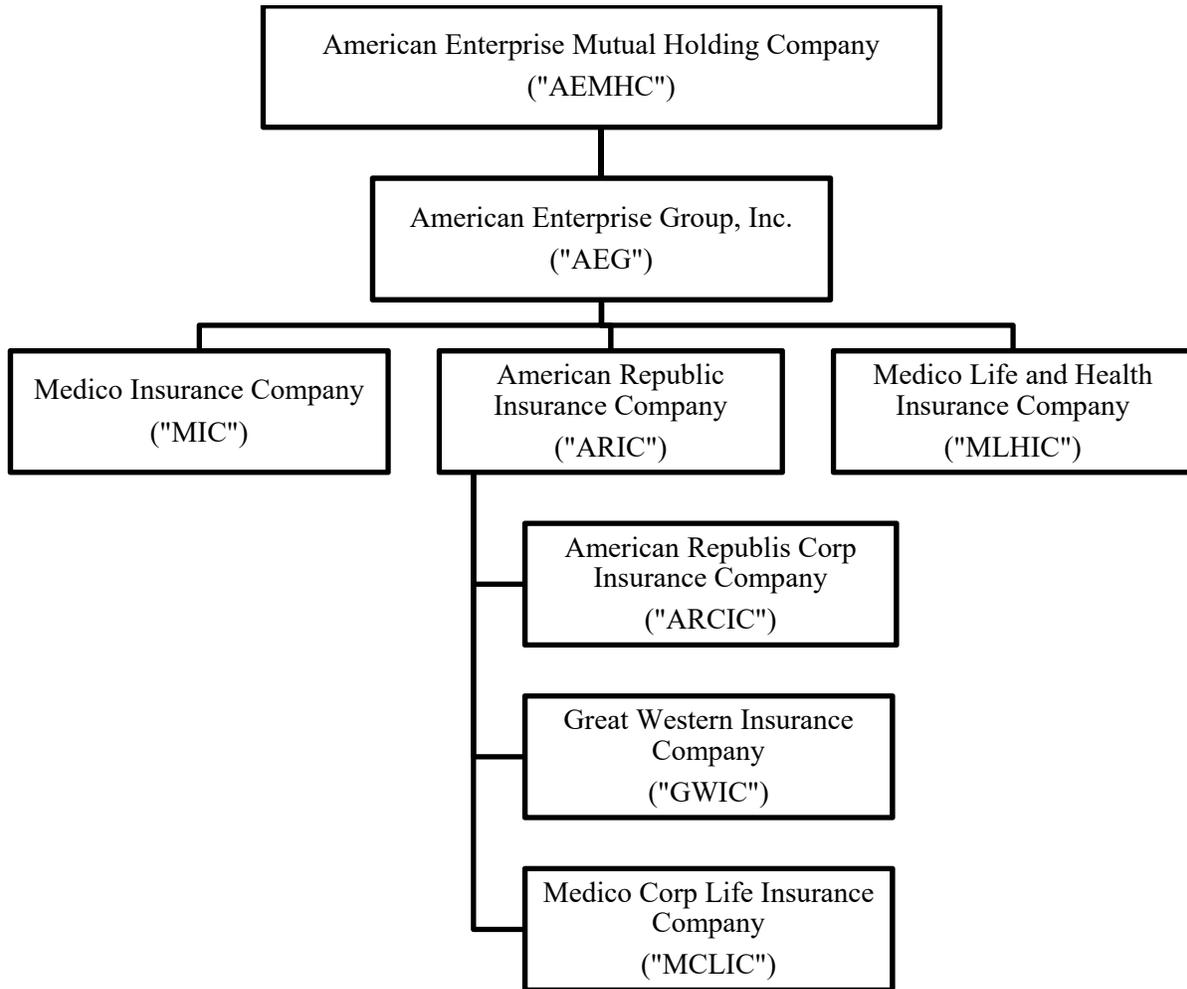
Dividends paid to AEG during the examination period were as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 0
2017	3,875,289
2018	3,482,054
2019	5,500,000
2020	0

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

On March 25, 2016, the Company amended its Articles of Incorporation to amend its registered agent, as was required under Nebraska law. On January 1, 2017, the Company amended and restated both its Bylaws and its Articles of Incorporation as part of the Company's re-domestication to Iowa.

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.

Assumed

Immediately prior to the stock sale transaction of Medico Life Insurance Company (“MLIC”), now Ability Insurance Company (“Ability”), to Ability Resources, Inc., the Company entered into a definitive agreement dated September 28, 2007 to purchase MLIC’s non-long-term care business, which includes Medicare supplement, short term care, final expense, and other health and life business. The agreement was initially recorded as a 100% indemnity reinsurance agreement.

As part of this agreement, the Company and Ability have undertaken a joint novation program to novate all non-long-term care policies from Ability to the Company. This novation process was expected to occur over a period of two years, but was never fully completed due to lack of regulatory and/or policyholder approval. As a result, the Company and Ability entered into a 100% quota share reinsurance agreement, also effective September 28, 2007. The

purpose of this agreement is for the Company to assume 100% of the liability for policies which have not been novated, and to ensure the liability related to policyholders who decline to novate their policies is transferred to the Company.

As of December 31, 2020, the novation process had ceased, and no states have approved novation since 2012. There were 1,116 policies still in force of the original 44,209.

In coordination with the Company assuming all of Ability's non-long-term care business, the Company, Ability, and the applicable reinsurers entered into an assignment of reinsurance on life and annuity reinsurance that was currently running off to replace Ability with the Company as the reinsured.

Effective February 2, 1961 the Company entered into a quota share reinsurance agreement that assumed 100% of the Knights of Columbus business. The agreement was cancelled on May 31, 1967. This agreement is in runoff and as of the exam date there were still several policies in-force.

Ceded

Effective January 1, 2020, the Company entered into an intercompany coinsurance funds withheld agreement to cede a 100% quota share of the Company's remaining retained business to ARIC.

Effective July 1, 2012, the Company entered into an intercompany coinsurance agreement to cede a 100% quota share of certain A&H and life products to ARIC.

Effective July 1, 2011, the Company entered into a quota share reinsurance agreement with General Re Life Corporation ("GRLC"). The Company cedes 50% of certain Medicare supplement products. There is a 5.5% ceding allowance with a 1.75% premium tax allowance based on earned premium. Commissions are paid on a pro-rata basis. This agreement was terminated for new business on and after December 31, 2014.

Effective December 1, 2009, the Company entered into an automatic coinsurance reinsurance agreement with RGA Reinsurance Company ("RGA"). This quota share agreement cedes 40% of the Company's Short-Term Recovery Care product, including survivorship and inflation protection riders. There is a ceding allowance of 21.5% on renewal policies based upon collected premium. This agreement is active with no new business effective on or after January 1, 2013.

Effective April 1, 2008, the Company entered into a Medicare Supplement Reinsurance Agreement with RGA. The reinsurance agreement is a 50% quota share whereby the Company cedes 50% of liabilities associated with Medicare Supplement Policy forms MSA 10 and 11. The agreement is still active but is terminated on new business on and after May 31, 2010. There is a ceding allowance of 2.3% to 3.3% based upon collected premium and the in-force amounts.

Effective September 28, 2007, the Company entered into a Medicare supplement quota share reinsurance agreement with GRLC. The Company is ceding 90% of the business in force issued on or after that date which is specifically related to the Medicare supplement that is assumed from Ability. There is a ceding commission that ranges from 1.5% to 3.5%. There is also a premium tax allowance of 2.5% based on the earned premium. In addition, GRLC pays the Company \$6.25 per policy with an annual 4% increase. Commissions are paid on a pro-rata share basis. This agreement is terminated for new business on and after December 31, 2004.

Effective September 28, 2007, the Company entered into a facultative excess of loss reinsurance agreement with American United Life Insurance Company. The agreement was originally set up with MLIC in 1969 and then was transferred to the Company upon the sale of MLIC in 2007. The agreement was terminated for new business effective October 1, 1995. Reinsurance ended in 2019 when the net amount of life reinsurance became less than \$1,000.

Effective September 28, 2007, the Company entered into a quota share reinsurance agreement with Reliastar Life Insurance Company (“RLIC”). Under this agreement, the Company cedes 90% of the flexible premium annuity policies. RLIC administers this business.

Effective September 28, 2007, the Company entered into an excess loss reinsurance agreement with Swiss Re Life & Health America. This agreement was originally between MLIC and Republic National Life Insurance Company with an effective date of November 21, 1969. Upon the sale of MLIC in 2007, the agreement was transferred to the Company. The agreement has retention rates for standard and substandard life policies and all based on tables within the agreement.

The Company retains anywhere from \$1,000 to \$10,000, depending on policy type and age issuance. The net amount of life reinsurance is reinsured by the initial amount of reinsurance less the interpolated cash value accumulated under the original policy. Reinsurance is terminated when the net amount of Life reinsurance becomes less than \$1,000. Agreement also has AD&D coverage with no retention by the Company.

In conjunction with the assumption reinsurance agreement between the Company and Ability entered into on September 28, 2007, discussed above, the Company entered into a 100% quota share reinsurance agreement with Ability, also effective September 28, 2007, to cede 100% of the liability for long-term care policies underwritten by the Company, which have not been novated, and to ensure the liability related to long-term care policyholders who decline to novate their policies is transferred to Ability.

Effective April 1, 2000, the Company entered into a Medicare supplement quota share reinsurance agreement with GRLC. The Company is ceding 90% of the business in force issued on or after that date. There is a ceding commission that ranges from 1.5% to 3.5%. There is also a premium tax allowance of 2.5% based on the earned premium. In addition, GRLC pays the Company \$6.25 per policy with an annual 4% increase. Commissions are paid on a pro-rata share basis. This agreement is terminated for new business on and after December 31, 2004.

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 47 states and the District of Columbia. Its primary lines of business are Medicare supplement, dental, vision, hearing, and hospital indemnity policies written through an independent agency network.

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>Life Insurance Inforce</u>	
	<u>Assets</u>	<u>Surplus</u>	<u>Life</u>	<u>Annuity</u>	<u>A&H</u>	<u>Ordinary</u>	<u>Group</u>
2016	\$87,269	\$38,753	\$ 527	\$ -	\$100	\$48,327	\$ -
2017	81,908	34,821	438	-	92	43,295	-
2018	83,686	37,725	404	-	73	38,557	-
2019	52,700	32,785	334	-	58	34,510	-
2020	56,682	34,507	(5,108)*	(298)*	(56)*	30,518	-

*See January 1, 2020 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.

Dividend Paid

The Company paid a cash dividend of \$2,200,000 to AEG on June 18, 2021.

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	\$38,917,212	\$	\$38,917,212
Preferred stocks	200,000		200,000
Common stocks	68,200		68,200
Cash, cash equivalents and short-term investments	3,602,617		3,602,617
Contract loans	135,535		135,535
Investment income due and accrued	286,273		286,273
Amounts recoverable from reinsurers	7,265,800		7,265,800
Other amounts receivable under reinsurance contracts	3,332,566		3,332,566
Net deferred tax asset	1,652,389	760,138	892,251
Guaranty funds receivable or on deposit	1,775,662		1,775,662
Health care and other amounts receivable	2,363,935	2,363,935	
Miscellaneous receivable	226,838	21,433	205,405
Prepaid expenses	42,502	42,502	
	<hr/>	<hr/>	<hr/>
Total Assets	\$59,869,529	\$3,188,008	\$56,681,521

LIABILITIES, SURPLUS AND OTHER FUNDS

Other amounts payable on reinsurance	\$11,400,417
Interest maintenance reserve	114,367
Commissions to agents due or accrued	34,183
General expenses due or accrued	342,316
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,648,578
Current federal and foreign income taxes	8,372
Unearned investment income	4,979
Amounts withheld or retained by reporting entity as agent or trustee	(47)
Amounts held for agents' account	496,744
Remittances and items not allocated	75,033
Asset valuation reserve	243,550
Payable to parent, subsidiaries and affiliates	1,949,006
Funds held under coinsurance	5,549,337
Unclaimed property	307,789
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Total Liabilities	\$22,174,624
	<hr/>
Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	25,000,000
Unassigned funds (surplus)	4,506,897
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Total Surplus and Other Funds	\$34,506,897
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Total Liabilities, Surplus and Other Funds	\$56,681,521

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$ (5,461,206)
Net investment income	1,089,129
Amortization of Interest Maintenance Reserve	117,651
Commissions and expense allowances on reinsurance ceded	37,204,728
Miscellaneous income	225,822
Total	<u>\$33,176,124</u>
Death benefits	\$ (266,180)
Disability benefits and benefits under accident and health contracts	(4,146)
Increase in aggregate reserves for all life and accident and health contracts	(5,100,646)
Total	<u>\$ (5,370,972)</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	\$16,221,375
Commissions and expense allowances on reinsurance assumed	12,658
General insurance expenses and fraternal expenses	20,348,105
Insurance taxes, licenses and fees, excluding federal income taxes	681,537
Increase in loading on deferred and uncollected premiums	(14,601)
Fines/penalties	1,196
Total	<u>\$31,879,298</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 1,296,826
Dividends to policyholders	<u>(11,142)</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 1,307,968
Federal and foreign income taxes incurred	<u>35,259</u>
Net Income	<u>\$ 1,272,709</u>

CAPITAL & SURPLUS

Capital and surplus, December 31, 2019	<u>\$32,784,910</u>
Net income	\$ 1,272,709
Change in net deferred income tax	(389,375)
Change in non-admitted assets	894,196
Change asset valuation reserve	<u>(55,543)</u>
Net change in capital and surplus for the year	<u>\$ 1,721,987</u>
Capital and Surplus, December 31, 2020	<u>\$34,506,897</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ (152,418)	
Net investment income	1,085,622	
Miscellaneous income	37,934,870	
Total		\$38,868,074
Benefit and loss related payments	\$ 5,043,053	
Commissions, expenses paid and aggregate write-ins for deductions	36,812,271	
Dividends paid to policyholders	64,491	
Total		41,919,815
Net cash from operations		\$ (3,051,741)

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 6,881,677	
Stocks	36,700	
Total investment proceeds		\$ 6,918,377
Cost of investments acquired:		
Bonds	\$10,152,022	
Stocks	200,000	
Total investments acquired		10,352,022
Net increase (or decrease) in contract loans and premium notes		(28,802)
Net cash from investments		\$(3,404,843)

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	\$ 8,526,411	
Net cash from financing and miscellaneous sources		\$ 8,526,411

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

Net change in cash, cash equivalents and short-term investments		\$ 2,069,827
Cash, cash equivalents and short-term investments:		
Beginning of year		1,532,792
End of year		\$ 3,602,619

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