

EXAMINATION REPORT OF  
GUARANTY INCOME LIFE INSURANCE COMPANY  
CEDAR RAPIDS, IOWA  
AS OF DECEMBER 31, 2021

Cedar Rapids, Iowa  
June 2, 2023

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

GUARANTY INCOME LIFE INSURANCE COMPANY

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2021

at its Statutory Home Office, 200 1<sup>st</sup> St SE, Suite 1300, Cedar Rapids, Iowa.

INTRODUCTION

Guaranty Income Life Insurance Company, hereinafter referred to as the “Company” or “GILICO”, was last examined, as of December 31, 2016 by the Louisiana Department of Insurance. The examination reported herein was conducted as an examination of an insurance holding company group by the contracting firm, Risk & Regulatory Consulting, LLC. In addition, the Company’s Iowa domiciled affiliate United Life Insurance Company, hereinafter referred to as “ULIC”, was also examined as part of the holding company group, with a separate examination report prepared for each entity. The examination was performed in coordination with the Nebraska Department of Insurance with its concurrent financial examination of the Nebraska domiciled subsidiaries Lincoln Benefit Life Company and Lancaster Re Captive Insurance Company, hereinafter referred to as “LBL” and LanRe, respectively.

SCOPE OF EXAMINATION

This is a multi-state comprehensive full-scope coordinated holding company group financial examination of the Company covering the period from January 1, 2017 to the close of business on December 31, 2021, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition.

## HISTORY

The Company was incorporated under the laws of the State of Louisiana on January 19, 1926, licensed on February 11, 1926, and commenced writing business in the same year as an annuity, life and accident and health insurer.

On October 1, 2016, Kuvare US Holdings, Inc. (Kuvare US) purchased the Company.

Effective November 8, 2018, the Company redomesticated from the State of Louisiana to the State of Iowa. The Company restated its Articles of Incorporation to complete the redomestication from the State of Louisiana to the State of Iowa.

On December 31, 2019, Kuvare US through the Company, acquired 100% of the outstanding shares of Lincoln Benefit Life Holding Company and its subsidiaries Lincoln Benefit Life Holding Company II, Inc., LBL, a Nebraska domiciled life insurance and annuity carrier, LanRe, a Nebraska domiciled captive insurance company, and Lanis LLC, a Delaware domiciled Limited Liability Company. LBL was acquired as a run-off book of balanced life and annuity policies, but during 2020 management converted LBL to a growth business by offering reinsurance protection solutions to the institutional markets. The acquisition of LBL is shown as an investment in subsidiary on the Company's balance sheet.

## CAPITAL STOCK AND DIVIDENDS

The Company has 2,000,000 shares of common stock authorized, 500,000 shares issued and outstanding with a par value of \$5 per share. No common stock dividend was paid during the period under examination.

During 2018, \$3 million of paid-in capital was contributed to the Company.

On December 26, 2019, the Company contributed \$55 million to Kuvare US in partial satisfaction of the Company's financial obligation with respect to the acquisition of LBL. On December 31, 2019, the Company issued a \$50 million surplus debenture to its affiliate Kuvare Life Re, Ltd (KLR), which paid \$50 million to Kuvare US in partial satisfaction of the Company's financial obligation with respect to the acquisition of LBL. On December 31, 2019, Kuvare US completed the acquisition of LBL on behalf of the Company, which the Company recorded \$264.3 million of contributed capital from Kuvare US. On December 31, 2019, the Company contributed \$20 million to LBL at the time of acquisition which is recorded as a payable. An additional \$10 million of paid-in capital was contributed to the Company from Kuvare US during 2019.

During 2020, the Company received \$100 million in capital contributions from Kuvare US, of which the Company contributed \$45 million to LBL.

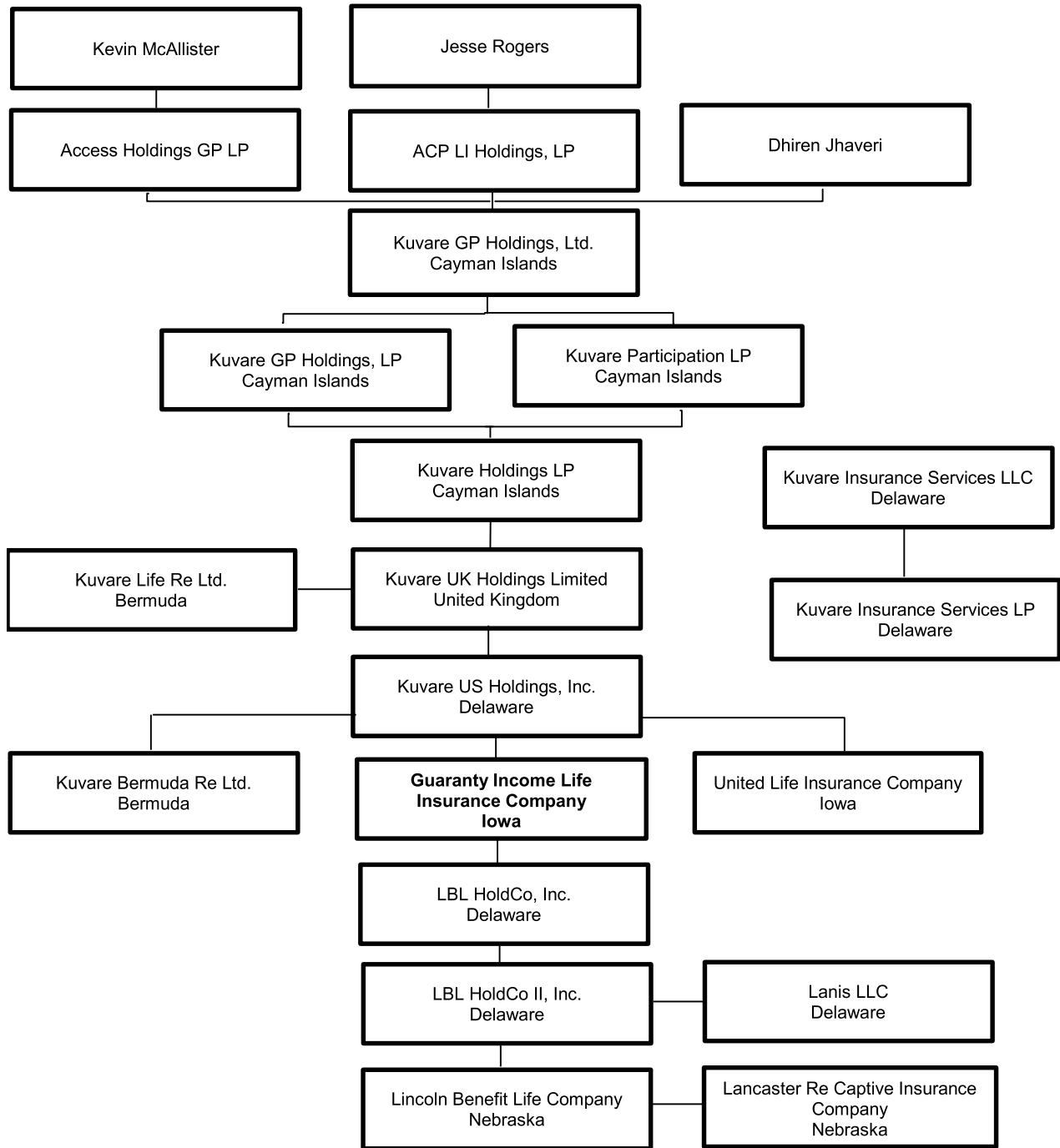
During 2021, Kuvare US made capital contributions of \$110 million to the Company, of which the Company contributed \$65 million to LBL.

## 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 Kuvare US.

Kuvare US is a Delaware corporation based in Chicago, Illinois. Kuvare US was founded in September of 2015 with a focus on building an insurance platform via the acquisition of life insurance and annuity companies.

A simplified organizational chart identifying the Holding Company System as of December 31, 2021:



## MANAGEMENT AND CONTROL

### SHAREHOLDERS

The Second Amended and Restated Bylaws provide that there shall be an annual meeting of the shareholders during the month of May, of each calendar year, on a date determined and notified to the shareholders at least sixty (60) days in advance of such meeting, for the election of directors and for the transaction of such other business as may properly come before the meeting.

In 2018, 2019, 2020, 2021, and 2022, GILICO held its annual shareholder meeting in the month of June rather than May as directed by Article II, Section 1 of the Bylaws.

### BOARD OF DIRECTORS

The Second Amended and Restated Bylaws provide that the Board of Directors shall consist of not less than five nor more than eleven directors. The regular meeting of the Board of Directors shall be held immediately following the annual meeting of the shareholders.

The Company's Board of Directors is currently comprised of representatives from each of the primary shareholders, as well as senior Kuvare US executives. Members of the Board of Directors, duly elected, qualified and serving as of December 31, 2021 were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Dhiren Jhaveri Chicago, IL	Chief Executive Officer Kuvare US Holdings, Inc.	2022
Bradley Rosenblatt Highland Park, IL	President, United Life Insurance Company Chief Revenue Officer, Kuvare US Holdings, Inc.	2022
Keoni Schwartz Menlo Park, CA	Managing Director Altamont Capital Partners	2022
Eric Becker Jupiter, FL	President and Chief Executive Officer Cresset Capital Management	2022
Kevin McAllister Owings Mills, MD	Founder and Investor Access Holdings	2022
Carlos Sierra Oakbrook, IL	Chief Operating Officer Kuvare US Holdings, Inc.	2022
Joseph Wieser Baton Rouge, LA	President Guaranty Income Life Insurance Company	2022

## COMMITTEES

The Company has designated the Kuvare US level board to have general oversight over the Company. The Board utilizes the following committees to oversee core governance functions at the Company: Executive Committee, Audit Committee, Compensation Committee, and an Investment Committee.

The committees and their membership as of December 31, 2021, are as follows:

<u>Audit Committee:</u>	<u>Compensation Committee:</u>
Dhiren Jhaveri <sup>1</sup>	Dhiren Jhaveri <sup>1</sup>
Keoni Schwartz	Keoni Schwartz
Kevin McAllister	Kevin McAllister
<u>Executive Committee:</u>	<u>Investment Committee:</u>
Dhiren Jhaveri <sup>1</sup>	Dhiren Jhaveri <sup>1</sup>
Keoni Schwartz	Carlos Sierra
Kevin McAllister	Bradley Rosenblatt
	Joseph Wieser

<sup>1</sup> Denotes Chairperson

During the examination, the following Iowa Administrative Code Violations were noted as it related to the Kuvare US Holdings, Inc. Audit Committee (Kuvare US Audit Committee), which is the designated Audit Committee for GILICO:

- a. The Kuvare US Audit Committee did not have the required number of independent members in accordance with Iowa Administrative Code §191-98.13(4) and §191-98.13(9). The Kuvare US Audit Committee did not have any members that qualify as independent.
- b. The Kuvare US Audit Committee was not able to demonstrate compliance with the following in accordance with Iowa Administrative Code §191- 98.13(1):
  - i. Approve/confirm the external auditors.
    - a. Ernst & Young (“EY”), an independent third-party accounting firm retained by Kuvare US Holdings, Inc., performed external audits of the Company and its subsidiaries for each of the years under examination. EY issued unmodified opinions for each respective year indicating the statutory-basis financial statements were presented fairly in all material respects.
  - ii. Approve the external auditors’ compensation.
  - iii. Approve the external auditors’ audit plan.
  - iv. Approve the external auditors’ audited financials for GILICO.
- c. The Kuvare US Audit Committee was not able to demonstrate compliance with Iowa Administrative Code §191- 98.13(2) requiring the review and approval of the internal audit plans.
- d. The Kuvare Group outsources the internal audit function to KPMG. There is no appointed individual to

head the internal audit function and to report directly to the Kuvare US Audit Committee, which is not in compliance with Iowa Administrative Code §191-98.14(3).

- e. The Kuvare US Audit Committee was not able to demonstrate that the internal audit plan, factors that may adversely impact the internal audit function's independence or effectiveness, material findings from completed audits and the appropriateness of corrective actions implemented by management as a result of audit findings are being presented and approved by Kuvare US Audit Committee, which is not in compliance with Iowa Administrative Code §191-98.14(4).

## OFFICERS

The Second Amended and Restated Bylaws provide that the officers of the Company shall be a President, one or more Vice Presidents, a Secretary, Treasurer and a Controller who shall be elected at the annual meeting of the directors for a period of one year and until their successors are elected and qualified.

Officers serving as of December 31, 2021 were:

<u>Name</u>	<u>Title</u>
Joseph Wieser	President of GILICO
Steven Fry	Vice President & Chief Financial Officer of GILICO and ULIC
David Goldberg	Secretary of GILICO and ULIC & General Counsel of Kuvare US Holdings, Inc.
Carlos Sierra	Vice President of GILICO and ULIC & Chief Operating Officer of Kuvare US Holdings, Inc.
Linda Lee	Vice President of GILICO & Partner Experience Director of GILICO
Terry Mason Ezell	Vice President of Operations of GILICO
Bradley William Rosenblatt	Vice President of GILICO & Chief Revenue Officer of Kuvare US Holdings, Inc.
Deborah Arlene Tatro	Vice President & Senior Vice President of Business Development and Compliance of GILICO

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

The Company's Officers elected by the Board of the Directors for 2019-2021 did not identify a Treasurer as required by Article IV, Section 1 of the Bylaws. Additionally, jurat pages of the 2019-2021 Annual Statements did not identify a Treasurer. Subsequent to the exam period at the December 15, 2022 Board meeting, Steve Fry was appointed Treasurer in addition to his Chief Financial Officer title.

## CONFLICT OF INTEREST

The Company has a formal Code of Conduct policy and has implemented policies and procedures for disclosure and reporting of conflicts of interest in compliance with the Code of Conduct policy. The Code of Conduct policy applies to all directors, officers, and employees. All covered persons are required to complete a Disclosure form. Examiners reviewed conflict of interest statements for all directors and officers for 2021.

## CORPORATE RECORDS

The Company restated its Articles of Incorporation September 29, 2020 to complete the redomestication from the State of Louisiana to the State of Iowa. The Amended and Restated Articles of Incorporation were filed with the Iowa Secretary of State and approved by the Iowa Insurance Commissioner. The Bylaws were amended and restated September 29, 2020 to correspond with the Amended and Restated Articles of Incorporation.

The recorded minutes of the meetings of the shareholders, board of directors, and committees of the board of directors were read and noted for the exam period.

The Company was not able to demonstrate compliance with their Audit Committee Charter:

### Audit Committee

- a. The Kuvare US Audit Committee did not maintain meeting minutes for all of 2020. Only minutes for May 2019, December 2021 and April 2022 meetings were provided.
- b. The Kuvare US Audit Committee's 2019-2021 meeting minutes do not adequately document all of the key duties and responsibilities outlined in the Audit Committee Charter.
- c. The Kuvare US Audit Committee did not meet the required four (4) times annually outlined in their charter.

The Company does not maintain a formalized and documented process which describes how effectiveness will be assessed as required by Iowa Administrative Code §191-97.4(1).

## RELATED PARTY AGREEMENTS

### Master Service Agreement

The Company has entered into a Master Services Agreement with Kuvare Insurance Services LP (KIS) effective January 1, 2017, which was approved on December 19, 2016 by the Louisiana Department of Insurance. Pursuant to this Agreement, KIS provides certain investment advisory and related services.

### Cost Sharing Agreement

The Company has entered into a Cost Sharing Agreement with Kuvare US effective October 1, 2016, which was approved by the Louisiana Department of Insurance on November 28, 2016. Under this agreement, the Company pays Kuvare US for certain services, resources, personnel and use of facilities.

## FIDELITY BOND AND OTHER INSURANCE

The Company and its affiliates are protected by an insurance company's fidelity bond in the amount of \$5,000,000 single limit and \$10,000,000 aggregate limit. Other coverages in place appear to adequately protect the interests of the Company. All policies are written with companies authorized to write in Iowa.



## EMPLOYEES' WELFARE

The Company compensates employees and executive officers through a combination of base salary and a performance bonus.

The Company offers employee benefits to all eligible employees. Benefits include comprehensive medical, dental, vision, life insurance and disability program benefits. The same benefits are offered to all employees, except for Executive Financial Counseling Services, which is only available to executive officers.

The Company sponsors a defined 401(k) contribution plan for all eligible employees and paid time off for vacations, holidays and parental leave.

## REINSURANCE

### ASSUMED

#### *Affiliated*

On December 31, 2019, the Company entered into reinsurance related transactions to assume inforce business from Lincoln Benefit Life (LBL) with an effective date of October 1, 2018 and concurrently cede the same business to affiliates of Global Atlantic. The Company entered into a coinsurance and modified coinsurance agreement with LBL, GILICO's affiliate company, to assume certain blocks of inforce fixed deferred annuities, fixed indexed annuities, current assumption universal life and variable universal life policies. The reinsurance assumed from LBL is then 100% retroceded to Commonwealth Annuity and Life Insurance Company (CwA), a Global Atlantic company. The current reserves assumed are \$1,112,872,212 on a coinsurance basis and \$353,418,930 on a modified coinsurance basis as of December 31, 2021.

#### *Non-Affiliated*

GILICO has a very small volume of assumed life business from a 1963 coinsurance agreement with Washington National Life Insurance Company. The assumed reserves are \$118,677 as of December 31, 2021.

### CEDED

#### *Affiliated*

Effective December 31, 2020, the Company entered into a reinsurance agreement with Kuvare Bermuda Re, Ltd. (KBR). The agreement covers certain deferred annuity business on a coinsurance with funds withheld basis. This reinsurance agreement with KBR was amended on September 30, 2021 to cover additional inforce and new business on certain deferred annuities. The business covered by this reinsurance agreement is modeled on a net retained basis to capture the economics of this treaty and amendments. The ceded reserves are \$537,910,879 as of December 31, 2021.

#### *Non-Affiliated*

The Company's reinsurance ceded program is made up of five separate non-affiliated reinsurance programs: Traditional, Inforce Block, LBL/GA, Hannover FIA Financing, and Annuicare®.

### Traditional

The Traditional program consists of a handful of Yearly Renewable Term (YRT) of mortality risk on Permanent products, primarily universal life. The current reserves ceded among the various reinsurers is immaterial as of December 31, 2021.

### Inforce Block

These are coinsurance transactions whereby GILICO cedes a portion of the risk on inforce blocks of business.

Effective September 30, 2004, GILICO ceded a portion of its fixed deferred annuities and related payout annuities to Southern Life and Health Insurance Company. The current reserves ceded are \$6,013,888 as of December 31, 2021.

Effective January 1, 2005, GILICO ceded most of its traditional life business and some other related policies to Madison National. Madison National was acquired by National Guardian Life during 2015. In mid-2011, the Company recaptured all of its registered traditional life policies from Madison National. The current reserves ceded are \$3,348,430 as of December 31, 2021.

Effective March 31, 2005, GILICO ceded a block of fixed deferred annuities and related payout annuities to LifeShield National Insurance Company (formerly Homeshield Insurance Company). The current reserves ceded are \$7,469,451 as of December 31, 2021.

### LBL/GA

As noted above in 'Assumed - Affiliated' area, effective December 31, 2019, the Company entered into a few related transactions to assume business from LBL and concurrently entered into a reinsurance agreement to fully retrocede this assumed business to a non-affiliated third-party reinsurer CwA. The current reserves ceded are \$1,112,872,212 on a coinsurance basis and \$353,418,930 on a modified coinsurance basis as of December 31, 2021.

### Hannover FIA Financing

Effective October 1, 2018, the Company entered into a combination coinsurance and indemnity reinsurance agreement with Hannover Life Reassurance Company of America (Hannover Re) to provide financing on the redundant reserves on a Fixed Indexed Annuity product issued on or after January 1, 2018. The Company cedes 6% of the coinsurance risk on the base policy and 80% of the indemnity risk on the rider. There is a calendar year maximum of \$600,000,000 of newly issued policy considerations. The current reserves ceded are \$60,032,524 as of December 31, 2021. GILICO also holds an experience account balance of approximately \$7 million for this business as of December 31, 2021.

### AnnuiCare®

GILICO's fixed deferred annuity sold with a long-term care (LTC) rider is a packaged product and referred to as AnnuiCare®. This product was launched in 1999. The LTC rider risk is coinsured with SCOR/Transamerica covering 75% of the LTC risk from 1999 through August 2004. From April 2007 through December 2011, GILICO coinsured 50% of the risk (both the deferred annuity and the LTC rider) to Munich Re. The business from September 2004 through March 2007 and the business issued beginning January 2012 is fully retained. The current reserves ceded are \$1,992,282 with Transamerica Life Insurance Company and \$18,359,818 with Munich American Reinsurance Company as of December 31, 2021.

### STATUTORY DEPOSIT

The book/adjusted carrying value of securities and assets, backing the Company's legal reserve, and vested to the Commissioner of the Iowa Insurance Division for the benefit of all policyholders, totaled \$2,265,373,623.

## TERRITORY AND PLAN OF OPERATION

The Company holds certificates of authority and was authorized to transact business in the following 47 jurisdictions, in 2021:

Alabama	Indiana	Nebraska	South Carolina
Arizona	Iowa	Nevada	South Dakota
Arkansas	Kansas	New Hampshire	Tennessee
California	Kentucky	New Jersey	Texas
Colorado	Louisiana	New Mexico	Utah
Connecticut	Maryland	North Carolina	Vermont
Delaware	Massachusetts	North Dakota	Virginia
District of Columbia	Michigan	Ohio	Washington
Florida	Minnesota	Oklahoma	West Virginia
Georgia	Mississippi	Oregon	Wisconsin
Idaho	Missouri	Pennsylvania	Wyoming
Illinois	Montana	Rhode Island	

The Company's products include fixed index annuity, multi-year guaranteed annuity and fixed rate deferred annuity. The Company also offers a combination deferred annuity with a policy rider for long term care coverage. The products are distributed primarily through independent marketing organizations and financial institutions.

In 2021, 42.6 percent of premium was written in five states: California, Florida, Texas, Washington and South Carolina.

## GROWTH OF COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Premium and Annuity Income</u>	<u>Net Income</u>	<u>Net Investment Income</u>
2017	\$ 664,525,746	\$ 56,608,753	\$116,895,186	\$ 3,887,155	\$ 21,894,171
2018	902,367,665	72,952,061	231,709,738	9,767,282	30,320,094
2019	1,790,698,511	455,893,430	517,121,317	10,190,768	48,587,129
2020	2,572,009,550	545,188,366	443,290,780	6,704,729	75,530,498
2021	3,458,117,086	631,728,482	552,355,614	25,462,530	133,268,595

## ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an electronic, accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income and disbursements.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement as of December 31, 2021.

## SUBSEQUENT EVENTS

Kuvare Holdings has formed Bermuda reinsurer Kindley Re Ltd., which will co-invest at least \$400 million with Kuvare Holdings in qualifying life insurance and annuity transactions. Kindley Re was formed in partnership with Davidson Kempner Capital Management LP and Kuvare Holdings and its affiliates.

Effective September 30, 2022, the Company established a revolving intercompany note of an amount not to exceed \$90 million with affiliated entity, KBR. As of December 31, 2022, KBR has withdrawn \$30 million. Interest will be accrued from the date of each draw at a rate equal to Term SOFR Reference rate, plus 375 basis points. As of December 31, 2022, \$311,567 of interest has been accrued on this note.

Effective December 31, 2022, Kuvare US executed the de-stacking of LBL from under the Company through a return of capital to its parent Kuvare US.

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, 2021. Schedules may not add or tie precisely due to rounding.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$2,269,923,360	-	\$2,269,923,360
Stocks:			
Preferred stocks	113,721,323	-	113,721,323
Common stocks	451,125,653	-	451,125,653
Mortgage loans on real estate:			
First liens	164,054,213	-	164,054,213
Real estate:			
Properties occupied by the company	3,198,349	-	3,198,349
Cash and cash equivalents	176,528,141	-	176,528,141
Contract loans	889,053	-	889,053
Derivatives	36,023,708	-	36,023,708
Other invested assets	116,340,370	-	116,340,370
Receivables for securities	495,950	-	495,950
Investment income due and accrued	16,691,500	65,648	16,625,852
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	348,540	332,399	16,141
Deferred premiums booked and not yet due	12,158	-	12,158
Reinsurance ceded:			
Amounts recoverable from reinsurers	117,033	-	117,033
Other amounts receivable under reinsurance contracts	616,227		616,227
Current federal and foreign income tax recoverable			
And interest thereon	2,674,156	-	2,674,156
Net deferred tax asset	11,363,258	4,990,233	6,373,025
Guaranty funds receivable or on deposit	9,223	-	9,223
Electronic data processing equipment and software	53,982	53,982	-
Furniture and equipment	150,997	150,997	-
Receivables from parent, subsidiaries, and affiliates	50,000,079	-	50,000,079
Aggregate write-ins for other than invested assets	<u>49,373,072</u>	-	<u>49,373,072</u>
 Total assets	 <u>\$3,463,710,345</u>	 <u>\$5,593,259</u>	 <u>\$3,458,117,086</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$1,968,631,524
Liability for deposit-type contracts	260,223,232
Contract claims:	
Life	873,433
Premiums and annuity considerations for life and accident and health contracts received in advance	283
Other amounts payable on reinsurance	8,554,642
Interest maintenance reserve	12,669,167
Commissions to agents due or accrued-life and annuity and accident and health contracts	1,046,687
General expenses due or accrued	2,312,052
Taxes, licenses, and fees due or accrued, excluding federal income taxes	83,000
Unearned investment income	20,354
Amounts withheld or retained by reporting entity as agent or trustee	728,563
Amounts held for agents accounts	21,006
Remittances and items not allocated	6,014,780
Miscellaneous liabilities:	
Asset valuation reserve	24,689,120
Funds held under reinsurance treaties with unauthorized and certified reinsurers	537,910,879
Payable to parent, subsidiaries, and affiliates	2,412,236
Payable for securities	12
Aggregate write-ins for liabilities	<u>197,635</u>
 Total liabilities	 <u>\$2,826,388,604</u>
 Common capital stock	 \$2,500,000
Surplus notes	62,000,000
Gross pain-in and contributed surplus	499,158,660
Unassigned funds (surplus)	<u>68,069,822</u>
 Capital and surplus	 <u>\$631,728,482</u>
 Total liabilities and surplus	 <u>\$3,458,117,086</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$552,355,614
Considerations for supplementary contracts with life contingencies	959,352
Net investment income	133,268,595
Amortization of Interest Maintenance Reserve	1,698,914
Commissions and expense allowances on reinsurance ceded	40,599,590
Aggregate write-ins from miscellaneous income	<u>66,019</u>
 Total	 \$728,948,084
 Death benefits	 \$3,067,071
Matured endowments	50
Annuity benefits	38,415,632
Disability benefits and benefits under accident and health contracts	1,058,897
Surrender benefits and withdrawals for life contracts	65,703,783
Interest and adjustments on contract or deposit-type contract funds	4,459,902
Payments on supplementary contracts with life contingencies	322,855
Increase in aggregate reserves for life and accident and health contracts	<u>483,137,911</u>
 Total	 \$596,166,101
 Commissions on premiums, annuity considerations, and deposit-type contract funds	 \$65,185,046
Commissions and expense allowances on reinsurance assumed	3,040,787
General insurance expenses and fraternal expenses	18,303,419
Insurance taxes, licenses, and fees, excluding federal income taxes	1,012,655
Increase in loading on deferred and uncollected premiums	643
Aggregate write-ins for deductions	<u>19,031,082</u>
 Total	 <u>\$702,739,733</u>
 Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	 \$26,208,351
Dividends to policyholders and refunds to members	7,386
Federal and foreign income taxes incurred	<u>6,450,949</u>
Net gain from operations after dividends to policyholders, refunds to members and Federal income taxes and before realized capital gains or (losses)	\$19,750,016
Net realized capital gains (losses)	<u>5,712,514</u>
Net income	<u>\$25,462,530</u>



CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2020	<u>\$545,188,366</u>
Net income	\$25,462,530
Change in net unrealized capital gains (losses)	(43,258,505)
Change in net deferred income tax	748,428
Change in nonadmitted assets	294,641
Change in asset valuation reserve	(11,282,442)
Surplus adjustment:	
Paid in	110,000,000
Change in surplus as a result of reinsurance	<u>4,575,464</u>
Net change in capital and surplus for the year	<u>\$86,540,116</u>
Capital and surplus, December 31, 2021	<u>\$631,728,482</u>

## CASH FLOW STATEMENT

### Cash from Operations

Premiums collected net of reinsurance	\$889,415,232	
Net investment income	128,168,030	
Miscellaneous income	<u>2,996,845</u>	
 Total		 \$1,020,580,107
 Benefit and loss related payments	 \$135,563,602	
Commissions, expenses paid and aggregate write-ins	91,895,471	
Dividends paid to policyholders	6,201	
Federal income taxes paid (recovered)	<u>9,800,000</u>	
 Total		 <u>\$237,265,274</u>
 Net cash from operations		 <u>\$783,314,833</u>

### Cash from Investments

Proceeds from investments sold, matured, or repaid:		
Bonds	\$526,946,892	
Stocks	17,314,016	
Mortgage loans	44,830,743	
Real estate	10,858,267	
Other invested assets	29,751,412	
Net gains (losses) on cash, cash equivalents and short-term investments	<u>15,530</u>	
 Total investment proceeds		 \$629,716,860
 Cost of investments acquired (long-term only):		
Bonds	\$1,009,468,424	
Stocks	143,205,487	
Mortgage loans	171,115,217	
Real estate	200,328	
Other invested assets	87,851,364	
Miscellaneous applications	<u>12,394,960</u>	
 Total investments acquired		 <u>\$1,424,235,781</u>
 Net increase (decrease) in contract loans and premium notes		 <u>28,143</u>

Net cash from investments	<u>(\$794,547,064)</u>
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Cash from Financing and Miscellaneous Sources

Capital and paid in surplus, less treasury stock	\$60,000,000	
Borrowed funds	19,000,000	
Net deposits on deposit-type contracts and other insurance liabilities	(875,568)	
Other cash provided (applied)	<u>(22,030,837)</u>	
Net cash from financing and miscellaneous sources		<u>\$56,093,595</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 44,861,364
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>131,666,777</u>
End of period	<u>\$176,528,141</u>

## CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

In addition to the undersigned, Jan Moenck, CFE, Phil McMurray, CISSP CISA CBCP AES, Hanna Roux, CPA, Paul Alaimo, CPA, Mary Miller, AFE, Edward Toy, Patricia Matson, FSA, MAAA and Andy Rarus, ASA, MAAA from Risk & Regulatory Consulting, LLC, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Chris Rushford  
Chris Rushford, CFE  
Examiner in Charge  
Risk & Regulatory Consulting, LLC  
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen  
Amanda Theisen, CFE, PIR, MCM  
Assistant Chief - Examinations  
Iowa Insurance Division