

REPORT ON EXAMINATION OF  
BERKLEY LIFE AND HEALTH INSURANCE COMPANY  
URBANDALE, IOWA  
AS OF DECEMBER 31, 2018

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

Urbandale, Iowa  
April 17, 2020

Commissioner:

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

BERKLEY LIFE AND HEALTH INSURANCE COMPANY

URBANDALE, IOWA

AS OF DECEMBER 31, 2018

at the Company's Home Office located at 11201 Douglas Avenue, Urbandale, Iowa. The report of such examination, containing applicable comments, explanations and financial data, is presented herein.

Berkley Life and Health Insurance Company, hereinafter referred to as the ("Company"), was previously examined as of December 31, 2013, and is domiciled and licensed as a life insurance company in the State of Iowa. In conjunction with this examination, a coordinated examination of the W. R. Berkley Corporation's property and casualty companies ("WRBC") was conducted in cooperation with direction of the Delaware Insurance Department, the lead state.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2014 to the close of business on December 31, 2018, 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

On May 8, 1998, John Hancock Mutual Life Insurance Company, a Massachusetts insurer, purchased all of the issued and outstanding shares of the common stock of Investors Guaranty Life Insurance Company (now known as Berkley Life and Health Insurance Company) from Great-Southern Life Insurance Company. The sale was approved by the California Department of Insurance on May 5, 1998.

On January 19, 2001, Oxford Health Plans, Inc., a health insurer with subsidiaries operating in Connecticut, New York and New Jersey, entered into a stock purchase agreement with John Hancock, to acquire all of the outstanding shares of common stock of the Company. The sale was approved by the California Department of Insurance and became final on May 22, 2001.

On July 29, 2004, upon approval from the California Department of Insurance, the Company became part of the UnitedHealth Group Incorporated via a merger of Oxford Health Plans, LLC into Ruby Acquisition, LLC, a Delaware limited liability company. The Company changed its name to Oxford Health Plans LLC, and was controlled by UnitedHealth Group Incorporated.

On September 20, 2007, W. R. Berkley Corporation, an insurance holding company domiciled in the state of Delaware, acquired all of the issued and outstanding stock of Oxford Health Plans, LLC from UnitedHealth Group Incorporated. The Company became a 100% owned subsidiary of W. R. Berkley Corporation. On March 7, 2008, the Company applied for and received approval from the Iowa Insurance Division to re-domesticate from the State of California to the State of Iowa, and to change its name to Berkley Life and Health Insurance Company.

On November 1, 2011, following the approval by the Iowa Insurance Division, ownership of the Company's common stock was transferred from W. R. Berkley Corporation to Berkley Insurance Company. W. R. Berkley Corporation remains the ultimate parent and controlling party of the Company.

The Company was established for the purpose of transferring business produced by an affiliate, Berkley Accident and Health, to a fully licensed life, accident and health insurer and to improve product identity and distribution. Berkley Accident and Health began writing accident and health business on Berkley Life and Health Insurance Company paper throughout the United States commencing in the third quarter of 2010.

Presently, the Company writes group accident and health insurance, which includes principally Employer Stop Loss, Group Captive, Managed Care Excess, and Special Risk product lines, resulting in gross accident and health premium writings of \$398 million for the year ended December 31, 2018. Between year-end 2017 and 2018, the Company's admitted assets increased by \$46.8 million. Cash and invested assets increased primarily due to an increase in bonds of \$31.4 million, increase in cash of \$5.7 million and an increase in receivables of \$5.1 million. Direct written premium increased \$73 million largely due to an increase in sales related to Employer Stop Loss and Group Captive product lines. The life and annuity business is presently in run-off.

## CAPITAL STOCK AND DIVIDENDS THEREON

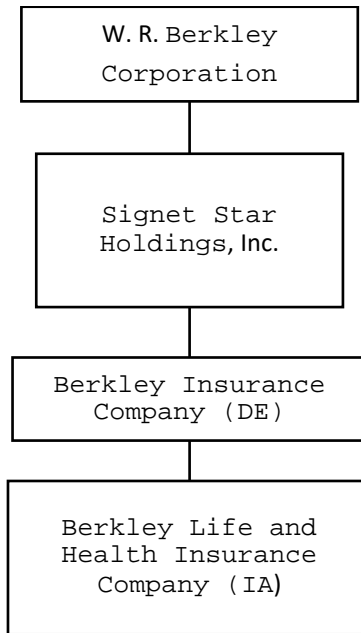
As of December 31, 2018, the Company had 8,500,000 shares of \$3.00 par value common stock authorized and 833,334 shares issued and outstanding. The Company has no shares of preferred stock authorized, issued and outstanding. Common capital stock

and gross paid in and contributed surplus totaled \$2,500,002 and \$73,126,628 respectively. During 2018, the Company did not pay any dividends

HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, of Code of Iowa. The ultimate controlling entity is W. R. Berkley Corporation, a Delaware corporation based in Greenwich, Connecticut and traded on the New York Stock Exchange under the symbol WRB.

An abbreviated version of the organizational chart identifying the Company's holdings and its relationship to its parent and the other companies involved with this examination follows:



Shareholders

The corporate bylaws provide that the annual meeting of the shareholders shall be held not sooner than the 15th day of March nor later than the 30th day of June in each year, the date of the meeting within such period is to be determined by the Board of Directors of the corporation, and with proper notice to be provided to shareholders and directors. At each annual meeting, the election of the directors shall occur. If the election of the directors is not held on the designated day, the Board of Directors shall cause the election to be held during a special meeting of the shareholders.

Special Meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President and Secretary pursuant to resolution of the Board of Directors, or at the request in writing of shareholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote.

Board of Directors

The business and affairs of the corporation shall be managed by its Board of Directors. The number of directors which shall constitute the whole Board of Directors

shall be five (5), who shall be elected by the shareholders of the corporation at the regular annual shareholder meeting of the corporation as hereinafter provided for a term of one (1) year, and shall hold such office until the next annual meeting of the shareholders or until their successors shall have been elected and qualified. Directors need not be residents of the state of Iowa.

The number of directors may be increased or decreased from time to time by written consent of all of the shareholders or the Board of Directors, provided that at no time shall the number of directors be less than five or more than twenty-one, and provided further that no decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

The Bylaws call for the regular annual meeting of the Board of Directors to be held without notice following the Annual Meeting of shareholders. The Board of Directors may provide by resolution the time and place, either within or outside the City of Urbandale, Iowa, and either within or outside of the State of Iowa, for the holding of additional regular meetings without notice other than through a resolution of the Board of Directors. Special meetings of the Board of Directors may be called by the President or by a majority of the Board of Directors who may fix any place, either within or outside the City of Urbandale, Iowa, and either within or outside of the State of Iowa, as the place for holding any special meeting. A majority of the number of directors duly elected and qualified shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Members of the Board of Directors, duly elected, qualified and serving as of December 31, 2018 were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
William R. Berkley, Jr. Greenwich, Connecticut	President - Chief Executive Officer W. R. Berkley Corporation
Richard M. Baio West Harrison, New York	Senior Vice President - Treasurer W. R. Berkley Corporation
Paul J. Hancock Brookfield, Connecticut	Senior Vice President - Chief Actuary W. R. Berkley Corporation
Carol J. LaPunzina Demarest, New Jersey	Senior Vice President - Human Resources W. R. Berkley Corporation
Ira S. Lederman Bedford, New York	Executive Vice President - Secretary W. R. Berkley Corporation
Matthew M. Ricciardi Port Washington, New York	Senior Vice President - General Counsel W. R. Berkley Corporation
James G. Shiel Pound Ridge, New York	Executive Vice President - Investments W. R. Berkley Corporation

The bylaws provide that the officers of the Company shall consist of a President, one or more Vice Presidents, a Secretary, and a Treasurer, and such assistant secretaries and assistant treasurers or any other officers as may be elected or appointed by the board by resolution. Any two or more offices may be held by the same person, except for the offices of President and Secretary. No officer need be a director or shareholder.

The principal officers elected and serving as of December 31, 2018, were as follows:

<u>Officers</u>	<u>Title</u>
William R. Berkley, Jr.	President
Richard M. Baio	Treasurer
Ira S. Lederman	Secretary
Bertram A. Braud, Jr.	Assistant Treasurer
Ann M. Collins	Assistant Treasurer
Susan P. Tingleff	Assistant Treasurer

#### 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, or likely to, conflict with the official duties of such person.

#### CORPORATE RECORDS

Under Unanimous Written Consent the Bylaws, Article III, Section 9, Vacancies were amended January 1, 2017 to read "Any vacancy in the Board of Directors or newly created directorships resulting from any increase in authorized number of directors may be filled by the affirmative vote of the remaining Directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office"

The Articles of Incorporation and Bylaws were amended and restated March 7, 2008 related to the re-domestication of the Company from the state of California to the state of Iowa and the change in corporate name from Investors Guaranty Life Insurance Company to Berkley Life and Health Insurance Company.

The recorded corporate minutes of the meetings of the shareholders and directors were read and noted. The Company was found to be operating in compliance with its Bylaws. The minutes were silent to the review of the examination report dated as of December 31, 2013.

#### RELATED PARTY AGREEMENTS

##### Net Worth Agreement

The Company and W. R. Berkley Corporation, the ultimate parent, entered into a Net Worth Maintenance Agreement, effective May 1, 2010. Pursuant to the agreement, W. R. Berkley Corporation will ensure that the Company maintains 450% of the NAIC Risk Based Capital Authorized Control Level. The Company exceeded the 450% threshold each year since the agreement became effective.

##### Investment Advisory Agreement

The Company and Berkley Dean & Company, Inc., an affiliate, entered into an Investment Advisory Agreement, effective March 7, 2008. Pursuant to the terms of the agreement, Berkley Dean & Company, Inc. acts as investment manager for the Company and manages the Company's portfolio of investment securities in accordance with corporate investment guidelines and prescribed procedures. In turn, the Company pays Berkley Dean & Company, Inc. for such management services a fee equal to 1/4 of 1% of the first \$10,000,000.00 and 1/5 of 1% thereafter, of the net asset value of the portfolio at the end of each quarter. At December 31, 2018 and 2017, the Company incurred investment advisory fees of \$560,933 and \$537,231 respectively.

### Service Agreement

The Company and W. R. Berkley Corporation entered into a Service Agreement, effective October 27, 2008. Pursuant to the terms of the agreement, W. R. Berkley Corporation maintains certain professional personnel and support facilities, and provides professional advice with respects to data processing, legal, accounting and actuarial matters. This agreement is to remain in effect until terminated by either party upon giving 90 days prior notice.

### Federal Income Tax Allocation Agreement

The Company and W. R. Berkley Corporation entered into a Tax Allocation Agreement, effective March 7, 2008. Pursuant to the terms of the agreement, W. R. Berkley Corporation is authorized to file a consolidated federal income tax return on behalf of the Company and its affiliates for the current and future taxable years.

### Computer Services Agreement

The Company entered into a Computer Services Agreement with Berkley Technology Services, LLC an affiliate, to provide the Company with computer and data processing services, including programming, operations and consulting services effective for one year and to renew automatically on each anniversary until terminated by either party.

## AGREEMENTS WITH NON-AFFILIATES

### Service Agreement with United Fidelity Life Insurance Company

The Company is a party to a service agreement with United Fidelity Life Insurance Company whereby United Fidelity Life Insurance Company agrees to perform for the Company all of the administrative services necessary to process, administer and account for a small block of life and annuity business of the Company. This agreement pertains only to a closed block of life and annuity business which is currently in run-off.

### Third Party Administrator Agreements

The Company and affiliated company Starnet Insurance Company, an affiliate, entered into an agreement with the Third Party Administrator Health Special Risk, Inc., effective August 15, 2007. Under the terms of the agreement, Health Special Risk, Inc., provided claims adjudication and payment processing services related to claims associated with certain special risk and accident lines of business, including participant accident and student accident K-12<sup>th</sup> grade coverages. Such claim payments may not exceed \$15,000 without prior approval by the Company.

The Company and affiliated company Starnet Insurance Company, an affiliate, entered into an agreement with the Third Party Administrator Cambridge Administrators, LLC, effective July 1, 2012. Under the terms of the agreement Cambridge Administrators, LLC provided claims adjudication and payment processing services related to claims associated with certain special risk and accident lines of business, including participant accident and student athlete accident coverages. Such claim payments may not exceed \$10,000 without prior approval by the Company.

The Company and Starnet Insurance Company, an affiliate, entered into an agreement with the Third Party Administrator A-G Administrators, Inc., effective March 11, 2012. Under the terms of the agreement A-G Administrators, Inc. provided claims adjudication and payment processing services related to claims associated with certain special risk and accident lines of business, including participant accident, student accident, and college sports coverages. Such claim payments may not exceed \$20,000 without prior approval by the Company.

The Company and Starnet Insurance Company, an affiliate, entered into an agreement with the Third Party Administrator BMI Benefits, LLC, effective January 1, 2009. Under the terms of the agreement BMI Benefits, LLC provided claims adjudication and payment processing related to claims associated with certain special risk and accident lines of business, including participant accident, student accident, and college sports coverages. Such claims payments may not exceed \$15,000 without prior approval by the Company.

#### FIDELITY BONDS AND OTHER INSURANCE

W. R. Berkley Corporation, along with its subsidiaries as named insured's, is protected by a blanket bond which covers the fidelity of each officer and employee up to \$15,000,000 for any one occurrence. The bond is written by an authorized insurer with a closed expiration date. The coverage meets the NAIC suggested minimum amount of fidelity insurance for the Company.

The other insurable interests appeared to be adequately protected by insurance policies currently in force with policies written by companies authorized to transact business in the state of Iowa.

#### EMPLOYEES' WELFARE

The Company has no direct employees. All management and administrative services are provided by the parent and other affiliated companies under the administrative service agreement and management agreement.

#### TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2018, the Company is licensed in all fifty states and the District of Columbia. The Company distributes through large and regional brokers and product specialists including third party administrators, consultants and managing general underwriters. The Company does not anticipate direct marketing to individual customers.

The Company's product lines are segregated into four segments, Employer Stop Loss ("ESL"), providing specific stop loss and aggregate stop loss, Group Captive ("GC"), consisting of stop loss coverage reinsured through captive arrangements, Managed Care ("MC"), providing excess of loss and HMO reinsurance, and Special Risk ("SR"), specializing primarily in participant accident, student accident, intercollegiate sports accident, and corporate accident coverages. The Company's business approach is focused on building its four core segments (ESL, GC, MC, and SR) by providing brand identity as a "direct writer", distribution through preferred relationships, building a reputation for risk management and experienced leadership. The Company's pricing and product offerings are in-line with competitors and the Company does not chase underpriced business. The Company competes nationwide in a market that is extremely competitive and is challenged by the dynamics of healthcare, increased regulation at the state level, the growth of self-funded plans, and medical inflation. The Company's underwriting is performed centrally through its offices located in Hamilton, New Jersey and Marlborough, Massachusetts.

#### REINSURANCE

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

For the year ending 2018, the following reinsurance arrangements were in place for each business line.

#### Whole Life and Annuities

Prior to 1997, the Company's primary business was the sale of whole life and annuity insurance to individuals and groups. The Company ceased writing life and annuity business in 1997 when the Company was purchased by John Hancock Life Insurance Company. Concurrent with the purchase made by John Hancock, the Company entered into a coinsurance agreement with Employers Reassurance Corporation, an Overland Park, Kansas reinsurance company, to reinsure all active life and annuity policies, including deposit term business and flexible premium deferred annuities. The agreement provides for 100% of all individual and group insurance and annuity plans and riders to be reinsured by Employers Reassurance Corporation.

On September 20, 2007, the Company entered into a 100% Quota Share Reinsurance and Administration Agreement with a non-affiliated reinsurer. Under the terms of the agreement the Company ceded a 100.0% quota share liability of its insurance inforce to the reinsurer, and appointed the reinsurer to provide administrative services related to a small block of business which is in run-off.

#### Accident and Health

For the entire Employer Stop Loss line of business the Company has entered into an Excess of Loss Reinsurance Agreement with Swiss Re Life and Health America Inc. Under the terms of the agreement Swiss Re Life and Health America Inc. are liable for 100% of the ultimate net loss per covered person for all claims in excess of \$4,000,000.

The Company entered into fully funded reinsurance agreements with several non-affiliated captive reinsurers. Each agreement covers specific contracts. The agreements specify different amounts of retention by reinsurer. Amounts in excess of the reinsurers' retention are subject to the Employer Stop Loss Excess of Loss Reinsurance Agreement with Swiss Re Life and Health America Inc. referenced in the above paragraph.

For the entire Managed Care line of business, the Company entered into an Excess of Loss Reinsurance Agreement with Swiss Re Life and Health America Inc. Under the terms of the agreement Swiss Re Life and Health America Inc. is liable for 100% of the ultimate net loss per covered person for each of the following applicable layers:

- \$1,000,000 in excess of \$4,000,000
- \$1,000,000 in excess of \$5,000,000
- 100 percent of claims in excess of \$10,000,000

For the entire Special Risk line of business, the Company entered into an Excess of Loss Reinsurance Agreement with various reinsurers. Under the terms of the agreement the reinsurers are liable for 100% of the ultimate net loss per covered person for each of the following applicable layers:

- Per Person: \$4,000,000 in excess of \$1,000,000
- Per Accident Per Occurrence: \$73,000,000 in excess of \$2,000,000

STATUTORY DEPOSIT

As of December 31, 2018 the book/adjusted carrying value of special deposits held in trust for the benefit of all policyholders totaled \$83,741,583. The book/adjusted carrying values of special deposits held in trust totaling \$979,950 and not held for the protection of all policyholders of the Company, are as follows:

Arkansas	\$150,000	North Carolina	\$431,195
Georgia	33,338	South Carolina	143,163
New Mexico	222,254		

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital and Surplus</u>
2014	\$ 197,606,088	\$ 91,608,657	\$ 105,997,431
2015	223,850,525	94,678,001	129,172,524
2016	267,746,004	124,013,556	143,732,448
2017	277,343,041	126,617,469	150,725,572
2018	324,157,136	157,545,745	166,611,391

ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an accrual basis. A trial balance was prepared for 2018. 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 or disbursements. During the course of the examination, no differences with the amounts in the financial statements, as presented in the annual statement at December 31, 2018, were noted.

SUBSEQUENT EVENTS

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.

F I N A N C I A L   S T A T E M E N T S  
A N D   C O M M E N T S   T H E R E O N

NOTE: The 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, 2018.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Net Admitted</u>
Bonds	\$ 296,485,430	\$	\$ 296,485,430
Cash, cash equivalents and short-term Investments	1,203,123		1,203,123
Receivable for securities	1,088		1,088
Investment income due and accrued	2,227,810		2,227,810
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	9,942,198	448,504	9,493,694
Deferred premiums, agents' balances and installments booked but differed and not yet due	994,340		994,340
Reinsurance Ceded:			
Amounts recoverable from reinsurers	11,711,939		11,711,939
Net deferred tax asset	1,952,355		1,952,355
Guaranty funds receivable or on deposit	537,078	537,078	
Electronic data processing equipment and software	87,357		87,357
Furniture and equipment, including health care delivery assets	333,918	333,918	
Aggregate write-ins for other than invested assets:			
Prepaid expenses	1,715,547	1,715,547	
Interest Maintenance Reserve	<u>14,278</u>	<u>14,278</u>	
 Total Assets	 <u>\$ 327,206,461</u>	 <u>\$ 3,049,325</u>	 <u>\$ 324,157,136</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for accident and health contracts	\$ 12,140,717
Contract claims: accident and health	100,777,868
Premiums and annuity considerations for life and accident and health contract received in advance	2,980,222
Other amounts payable on reinsurance ceded	12,464,759
Commissions to agents due or accrued-accident and health contracts	1,741,963
Commissions and expense allowances payable reinsurance assumed	90,814
General expenses due or accrued	6,130,228
Taxes, licenses and fees due and accrued	1,798,339
Current federal and foreign income taxes	1,555,860
Amounts withheld or retained by company as agent or trustee	30,902
Remittances and items not allocated	509,705
Asset valuation reserve	837,798
Reinsurance in unauthorized and certified companies	107,482
Funds held under reinsurance treaties with unauthorized and certified reinsurers	15,689,677
Payable to parent, subsidiaries and affiliates	253,108
Aggregate write-ins for liabilities:	
Deferral of realized capital gain on investment transfer to affiliate	436,302
	<hr/>
Total liabilities	\$ 157,545,745
Common capital stock	2,500,002
Gross paid in and contributed surplus	73,126,628
Unassigned funds (surplus)	90,984,761
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Total Capital and Surplus	166,611,391
Total Liabilities, Capital and Surplus	\$ 324,157,136

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$ 267,991,106
Net Investment Income	7,611,340
Amortization interest maintenance reserve	18,988
Commissions and expense allowances on reinsurance ceded	29,012,638
Total	<u>\$ 304,634,071</u>
Disability benefits and benefits under accident and health contracts	\$ 218,488,129
Increase in aggregate reserves for life and accident and health contracts	1,729,664
Total	<u>\$ 220,217,793</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 23,380,645
Commissions and expense allowances on reinsurance assumed	195,425
General insurance expenses	30,427,587
Insurance taxes, licenses and fees, excluding federal income taxes	9,578,571
Total	<u>\$ 283,800,020</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 20,834,051
Dividends to policyholders	0
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 20,834,051
Federal and foreign income taxes incurred	<u>4,328,775</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ 16,505,276
Net realized capital gains or (losses)	0
Net Income	<u>\$ 16,505,276</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2017	<u>\$ 150,725,572</u>
Net Income	16,505,276
Change in net unrealized capital gains(losses)	3,342
Change in net deferred income tax	482,715
Change in non-admitted assets	
Change in liability for reinsurance in unauthorized and certified companies	(101,666)
Change in asset valuation reserve	
Aggregate write-ins for gains and losses in surplus:	
Change in deferral of realized gains on investment transfer to affiliate	(138,265)
Net change in capital and surplus for the year	\$ 15,885,819
Capital and surplus, December 31, 2018	<u>\$ 166,611,391</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 265,142,292	
Net investment income	9,269,026	
Miscellaneous income	<u>29,012,638</u>	
Total		<u>\$ 303,423,956</u>
Benefit and loss related payments	\$ 194,832,315	
Commissions, expenses paid and aggregate write-ins for deductions	61,826,384	
Federal income taxes paid (excluding tax on capital gains)	<u>2,338,999</u>	
Total		<u>\$ 258,997,698</u>
Net cash from operations		<u>\$ 44,426,258</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 109,116,486	
Real Estate	1,638	
Miscellaneous proceeds	15,233	
Total investment proceeds	<u>\$ 109,133,357</u>	
Cost of investments acquired (long-term only):		
Bonds	<u>\$ 142,885,998</u>	
Total investments acquired		<u>\$ 142,885,998</u>
Net cash from investments		<u>\$ (33,752,641)</u>

Cash from Financing and Miscellaneous Sources

Cash provided:		
Other cash provided (applied)	<u>\$ (4,967,014)</u>	
Net cash from financing and miscellaneous sources		<u>\$ (4,967,014)</u>

Reconciliation of Cash and Short-Term Investments

Net change in cash, cash equivalents and short-term investments		<u>\$ 5,706,603</u>
Cash, cash equivalents and short-term investments:		
Beginning of year		<u>\$ (4,503,480)</u>
End of year		<u>\$ 1,203,123</u>

CONCLUSION

The assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, Chineta Alford, CFE, MCM, and Ralph Romano, AFE, AIE, MCM, FLMI, with INS Regulatory Insurance Services, Inc. participated in the examination and the preparation of this report. The information technology portion of this examination was completed by INS Services, Inc.

Respectfully submitted,

\_\_\_\_/s/ Richard Foster\_\_\_\_\_  
Richard Foster, CFE  
INS Regulatory Insurance Services, Inc.  
On behalf of the  
Insurance Division State of Iowa

\_\_\_\_/s/ Daniel Mathis\_\_\_\_\_  
Daniel Mathis, CFE  
Assistant Chief Examiner  
Iowa Insurance Division