

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American Income Life Insurance Company)
1200 Wooded Acres)
Waco, Texas 76710)

Examination of: **American Income Life Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Income Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 11, 2021, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Income Life Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 18, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 7479 8407

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FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Income Life Insurance Company (hereinafter “Company”) for the time period January 1, 2016 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on March 8, 2021.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 11, 2021 and was received by the Company on May 17, 2021.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Income Life Insurance Company as of December 31, 2019.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the American Income Life Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 18 day of
June, 2021.



Amy L. Beard
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION

OF

AMERICAN INCOME LIFE INSURANCE COMPANY

NAIC Co. CODE 60577
NAIC GROUP CODE 0290

As of

December 31, 2019

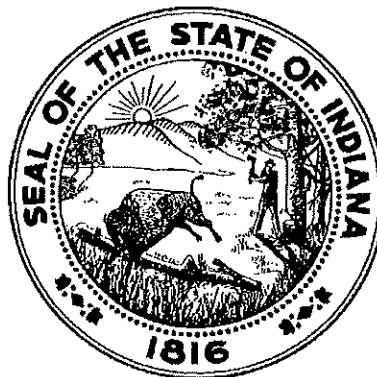


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

March 8, 2021

Honorable Amy L. Beard, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4043, an examination has been made of the affairs and financial condition of:

American Income Life Insurance Company
1200 Wooded Acres
Waco, Texas 76710

hereinafter referred to as the "Company", or "AIL", an Indiana domestic stock, life insurance company. The examination was conducted remotely with support from the corporate offices of the Company in Waco, Texas, and the corporate offices of Globe Life, Inc. in McKinney, Texas.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2011 through December 31, 2015. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2016 through December 31, 2019, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, 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.

The examination of the Nebraska domestic insurance companies of Globe Life, Inc. (GLI) was called by the Nebraska Department of Insurance (NEDO) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The NEDO served as the lead state on the examination, and the INDOI, the New York State Department of Financial Services, and the Ohio Department of Insurance served as participants.

The NEDO staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2019.

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, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated on July 16, 1954, as a stock, life insurance company under the laws of the state of Indiana and commenced business on August 1, 1954.

The Company began operations issuing primarily accident and health insurance and in the early 1970's made the transition to issuing predominantly life insurance products. In 1989, all outstanding shares of the Company's common stock were acquired by Trust Life Insurance Company (Trust Life), which in turn was simultaneously acquired by American Income Holding, Inc. (AI Holding). In November 1994, Torchmark Corporation (TMK), a publicly traded insurance and diversified financial services holding company, acquired 100% interest in AI Holding.

On November 16, 1995, the Board of Directors (Board) approved a Plan of Reorganization and Liquidation (Plan) involving TMK, AI Holding, Trust Life, and the Company. The Plan resulted in eliminating Trust Life and AI Holding as intermediate holding companies of the Company and making the Company a direct subsidiary of TMK. On November 5, 1998, TMK contributed 100% of the common stock of the Company to Globe Life and Accident Insurance Company (GLA), an insurance company domiciled in the state of Nebraska. On November 7, 2013,

GLA transferred ownership of the Company back to TMK. On August 8, 2019, TMK was officially renamed GLI. The name change was part of a brand alignment strategy to build name recognition with prospective customers and agent recruits through the use of a single brand among the companies in the group.

CAPITAL AND SURPLUS

The Company has 23,360,214 shares authorized, and 11,680,107 shares of common stock issued and outstanding as of the examination date. All shares are Class A shares. The Company has no preferred stock.

The Company issued a \$25.0 million surplus note to TMK (now GLI) in 2012. The surplus note pays 5.25% interest semi-annually and matures in 2042. The Company paid interest of \$1.3 million during each of the years under examination, with the proper approval by the INDOI, in accordance with IC 27-1-7-19. The note was sold by GLI to an affiliate of the Company, GLA on September 13, 2017.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to GLI and TMK during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends
2019	\$ 191,362	\$ 191,362	\$ -
2018	143,651	143,651	-
2017	123,204	52,508	70,696
2016	141,707	90,056	51,651
Total	<u>\$ 599,924</u>	<u>\$ 477,577</u>	<u>\$ 122,347</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net gain from operations of such insurer of the prior year. The Company paid three (3) extraordinary dividends during the examination period with the prior approval of the INDOI. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

During 2016, TMK made a capital contribution of \$25.0 million to AIL.

On December 21, 2018, TMK made a capital contribution in the form of transferred assets (software) to AIL in the amount of \$11.9 million.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed and authorized to transact business in all states except New York. The Company is also licensed in the District of Columbia, Canada, and New Zealand. The Company's primary products are traditional whole life and term insurance and accident insurance. Products are marketed only by the Company's captive agency force which consists of 7,201 agents. The Company's target markets are moderate income wage earners through the cooperation of labor unions, credit unions, and other associations. The Company's top jurisdictions based upon direct premiums written were California (11.4%), Canada (8.7%), and Ohio (7.7%). AIL has 700 full time employees, three (3) of which are located in Indiana. AIL has eleven (11)

employees and 703 independent agents located in Canada. AIL has 120 independent agents located in New Zealand with premiums accounting for approximately 1.2% of AIL's direct written premium.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums and Annuity Considerations	Net Income
2019	\$ 4,391,103	\$ 4,043,817	\$ 347,285	\$ 847,519	\$ 198,470
2018	4,156,790	3,813,820	342,971	800,680	190,696
2017	3,919,733	3,649,395	270,338	811,658	141,531
2016	3,385,202	3,116,355	268,847	767,519	147,406

Admitted Assets and Liabilities have increased throughout the examination period, primarily due to gains from operations.

Capital and surplus needs for the growth in business continue to be covered by net income, offset by dividends, paid to the Company's parent, GLI. (formerly TMK).

Premiums have increased during the examination period due to increases in direct renewal premiums and increases in the production of new business.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the Board shall be composed of six (6) directors. At least one (1) of the directors must be a resident of the state of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2019, and their principal occupations as of that date:

Name and Address	Principal Occupation
James Darden Dallas, Texas	Executive Vice President and Chief Strategy Officer Globe Life, Inc.
Charles Deppert Indianapolis, Indiana	Retired Former President of Indiana AFL-CIO
Michael Henrie Plano, Texas	Corporate Senior Vice President and Chief Accounting Globe Life, Inc.
Thomas Kalmbach McKinney, Texas	Executive Vice President and Chief Actuary Globe Life, Inc.
William Pressley	Executive Vice President and Chief Investment Officer

Parker, Texas

Globe Life, Inc.

Joel Scarborough
Frisco, Texas

Assistant Secretary
Globe Life, Inc.

Officers

The Bylaws state that the officers of the Company shall consist of a Chairman of the Board, a Chief Executive Officer, a President, one (1) or more Vice-Presidents, a Secretary, a Treasurer, and any such additional officers as may be authorized from time to time by resolution of the Board. Any two (2) or more of such offices may be held by the same person, except the duties of the Chief Executive Officer and Secretary, or President and Secretary, which shall not be performed by the same person. All officers shall be appointed by resolution of the Board and shall hold such office until either termination of employment or removal by resolution of the Board.

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Office</u>
James Darden	President
Steven Greer	Chief Executive Officer, American Income Life Division
David Zophin	President, American Income Life Division
Domenico Bertini	Division Executive Vice President
Susan Allen	Divisional Senior Vice President
David Carlson	Divisional Senior Vice President
David Cochrane	Divisional Senior Vice President
Diana Crosby	Divisional Senior Vice President
Debra Gamble	Divisional Senior Vice President
James Gentile	Divisional Senior Vice President
Mary Henderson	Divisional Senior Vice President
Michael Henrie	Divisional Senior Vice President, Chief Financial Officer and Treasurer
Corey Jones	Divisional Senior Vice President
Thomas Kalmbach	Divisional Senior Vice President and Chief Actuary
Travis Korth	Divisional Senior Vice President
Eric Lenz	Divisional Senior Vice President
Michael LiBassi	Division Senior Vice President
Jeffrey Morris	Divisional Senior Vice President and Actuary
John Norton	Divisional Senior Vice President and Actuary
John Rogers, Jr.	Divisional Senior Vice President
Joel Scarborough	Divisional Senior Vice President, General Counsel and Secretary
Dolores Skarjune	Divisional Senior Vice President
Duaine Styles	Divisional Senior Vice President, Chief Security Officer
Rebecca Zorn	Divisional Senior Vice President, Chief Talent Officer
Bobby Gattis, Jr.	Divisional Vice President and Controller
Pamela Miller	Divisional Vice President
William Pressley	Divisional Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2019.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2019.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period. The Bylaws were amended in June 2020 to restate the schedule of the meetings for the AIL Board. See subsequent events section below.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws state the annual meeting of shareholders is to be held on the last Monday in April. For each year under review, the annual meeting of shareholders was held on the last Monday in April. The Company is in compliance with their Bylaws and IC 27-1-7-7(b).

The GLI committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, and Governance and Nominating Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2019. The affiliated insurance companies in the group are included with only the insurance subsidiaries of the affiliates.

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Globe Life, Inc. (formerly Torchmark Corporation)		DE
American Income Life Insurance Company	60577	IN
American Income Marketing Services, Inc.		TX
National Income Life Insurance Company	10093	NY
AILO 1, LLC		TX
Liberty National Life Insurance Company	65331	NE
Globe Life and Accident Insurance Company	91472	NE
Family Heritage Life Insurance Company of America	77968	OH
United American Insurance Company	92916	NE
Globe Life Insurance Company of New York	74101	NY

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Services Agreement

Effective December 31, 1995, and as amended on January 1, 1999 and January 1, 2001, AIL entered into a Service Agreement with GLI (formerly TMK). Pursuant to the agreement, each company provides to the other, on request, accounting, aviation, banking, cash management, employee benefit, financial, investment, legal, management advisory, strategic planning, and other services. Effective January 1, 2012, Amendment No. 3 was entered into, providing for the express provision to AIL of the services by GLI (formerly TMK) of its payroll department for advice and assistance in connection with all matters related to payroll and payroll tax processing, disbursements, accounting, and reporting as well as all other associated payroll services. The agreement was non-disapproved on October 12, 2012. During 2019, AIL reported \$0 due from GLI and AIL paid GLI \$21.8 million pursuant to this agreement.

Services Agreement

Effective July 1, 1999, AIL entered into a Services Agreement with National Income Life Insurance Company (NILICO), whereby AIL provides marketing, actuarial, claims, underwriting, information technology, and administrative services to NILICO. Addendum 1 to this agreement was made effective March 1, 2001 to add a provision regarding the retention of NILICO applications and claim files by AIL. Addendum 2 to this agreement was entered into, effective June 1, 2003, to amend a provision related to actuarial/finance services and was non-disapproved on February 26, 2003. Addendum 3 to this agreement was entered into, effective January 1, 2006, to allow for the provision of certain office, secretarial, administrative support, outside payroll and employee benefit plan services. During 2019, NILICO owed AIL \$2.0 million and AIL received \$9.1 million from NILICO pursuant to this agreement.

Receivables Sale Agreement

Effective December 21, 1999, and as amended and restated March 31, 2000, AIL entered into a Receivables Sale Agreement with its affiliate, AILIC Receivables Corporation (ARC). Pursuant to the agreement, AIL sells its qualified agent receivables to ARC, who in turn sells them to TMK Re Ltd (TMK Re). The agreement was non-disapproved on June 5, 2000. During 2019, AIL owed ARC \$4.2 million and ARC paid AIL \$1.7 million to service such agent balance receivables on behalf of AIL pursuant to this agreement.

Consolidated Federal Income Tax Allocation Agreement

AIL continues to be a party to a consolidated federal income tax allocation agreement with certain affiliates on a consolidated basis with GLI (formerly TMK), according to generally accepted accounting principles. This master agreement between GLI (formerly TMK) and its affiliates was dated August 29, 1990. AIL became a party to this agreement in 1999 and it was non-disapproved on June 24, 2002. Pursuant to the terms of this agreement, each company pays a share of the total tax liability determined as if computed on a separate return basis.

Recruiting Agreement

Effective March 1, 2006, AIL entered into a Recruiting Agreement with GLA, UA, and Liberty National Life (LNL). Pursuant to the agreement, GLA agrees to perform agent recruiting services for AIL. The agreement as well as Amendment No. 1 effective July 15, 2013, with respect to billing and payment practices to the Recruiting Agreement were non-disapproved on October 2, 2013. During 2019, AIL paid GLA \$.6 million pursuant to this agreement.

Medical Records Agreements

Effective February 1, 2007, AIL entered into a series of separate Medical Records Agreements with GLA, UA and LNL pursuant to which upon request, AIL will obtain medical records to be used by GLA, UA or LNL in that Company's underwriting and claims investigations. AIL receives an \$11.00 service fee for each set of medical records requested and is reimbursed for the actual cost of the medical records received from the provider. These agreements were non-disapproved on December 5, 2007. During 2019, AIL received \$.4 million pursuant to these agreements.

Receivables Purchase Agreement

Effective December 31, 2008, ARC entered into a five-year agreement with an affiliate, TMK Re, pursuant to which TMK Re will purchase up to \$125.0 million of AIL's qualified agent receivables from ARC. The parties entered into Amendment No. 1 to that agreement, effective as of December 31, 2013, which extended the original agreement for five (5) years until December 31, 2018. Effective as of December 31, 2018, the parties entered into Amendment No. 2 to the agreement, extending the agreement for an additional five (5) years, until December 31, 2023. AIL continues to service such qualified agent receivables for ARC pursuant to the Receivable Sale Agreement (above) which was non-disapproved on June 5, 2000.

Service Agreement

Effective January 1, 2011, and as amended January 1, 2015 and January 1, 2017, AIL, GLA, UA, LNL, Family Heritage Life (FHL) and TMK (now GLI) entered into a Service Agreement which established the ongoing terms of, and to allocate pursuant to generally accepted statutory accounting practices, the salary expense, employee benefit costs and costs of goods and services purchased from independent third parties related to the provision of certain services by one (1) affiliate which benefit not only the affiliate providing the service but other affiliates to varying degree. Such services include underwriting, marketing (including design and support), travel, sales support, quality assurance, agent supplies, information technology, agent support, telecommunications, compliance and actuarial. It may also include other services, as mutually agreed by the affiliates, so long as the services are not the subject of an existing agreement with an affiliate or TMK (now GLI). The agreement was non-disapproved on February 18, 2015 and March 6, 2017. During 2019, AIL paid \$27.4 million to affiliates and received \$0 in payments from affiliates pursuant to this agreement.

Cost-Sharing Agreement

Effective May 1, 2014, AIL, FHL, GLA, UA, LNL and TMK (now GLI) entered into a Cost-Sharing agreement providing for the allocation of costs incurred by TMK (now GLI) in relation to the Naming Rights Agreement for Globe Life Park in Arlington, Texas as well as costs incurred by TMK (now GLI) to remodel the Rangers' ballpark suite and for ballpark signage. The agreement was non-disapproved on August 5, 2014. During 2019, AIL paid \$.7 million in allocated costs pursuant to this agreement.

Information Technology Cost-Sharing Agreement

Effective October 1, 2014, AIL, UA, LNL and GLA entered into an Information Technology Cost-Sharing Agreement providing for cost allocations related to the purchase of computer software and implementation services associated with an insurance agent compensation system. The agreement was non-disapproved on December 29, 2014. Effective July 1, 2015, the parties entered into Amendment No. 1 to the Information Technology Cost-Sharing Agreement to provide for cost allocations related to the purchase of computer hardware, hardware maintenance services, computer software and software maintenance services associated with a policy administration system. Amendment No. 1 was non-disapproved on October 2, 2015. During 2019, there were no costs allocated to AIL pursuant to this agreement.

Service Agreement

Effective February 1, 2019, AIL, GLA and AILO 1, LLC (AILO 1) entered into a Service Agreement to establish the ongoing terms of, and to allocate pursuant to generally accepted statutory accounting practices, the salary expense and other costs related to the provision of certain enumerated services by AIL and GLA to, and for the benefit of, AILO 1, upon request, including: accounting, agent/agency administration, agency services, agent recruiting, business innovation, commission accounting, compliance, federal/state tax services, financial reporting, human resources, internal audit, information security, information technology, lead generation and lead sales, legal, marketing and advertising (including design and support), payroll, quality assurance, sales management, sales reporting, telecommunications, travel, treasury, cash management and such additional services as mutually agreed by the parties. The agreement was non-disapproved on February 8, 2019. During 2019, AILO 1 owed AIL \$.2 million pursuant to this agreement.

Cost-Sharing Agreement

Effective October 1, 2019, AIL, GLA, LNL and FHL entered into a Cost Sharing Agreement in order to share in and allocate among themselves costs incurred by GLA to obtain certain rights and benefits associated with the Dallas Cowboys Football Club, Ltd., granted pursuant to certain sponsorship agreements entered into on or about July 24, 2019, by and between GLA and unaffiliated third parties. The agreement was non-disapproved on December 26, 2019. During 2019, AIL paid \$.3 million in allocated costs pursuant to this agreement.

Affiliated Reinsurance Agreements

See the Reinsurance section of this Report of Examination.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Great American Insurance Company. The bond has a single loss coverage limit of \$5.0 million with a \$100,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2019, including but not limited to cyber liability, directors and officers liability, excess liability, fiduciary liability, general liability, property liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has a funded noncontributory defined benefit plan for all hourly employees who have completed one (1) year of service with the Company. Certain assets of the Company, in the form of a guaranteed investment contract in the amount of \$28.3 million, were allocated in 2019 to pay future benefits. The benefits are set up as a monthly amount for each year of service with the Company. Cost for the plan has been calculated on the projected unit credit funding actuarial method. Contributions are made periodically to fund plan obligations. The amount of the accumulated benefit obligation for defined benefit pension plans was \$42.2 million for 2019.

The Company's exempt employees are covered by a qualified defined contribution pension plan. Contributions of 6% of each exempt employee's compensation are made each year, subject to limitation. All Company contributions are subject to a vesting schedule based on the employee's years of service. The Company's contribution for the plan was \$.7 million for 2019.

Certain executive officers are covered by a postretirement life insurance plan sponsored by GLI. The Company was allocated \$.2 million in 2019 for its annual share of the plan. The Company's liability under this plan was \$0 as of December 31, 2019.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, (in 000s), as of December 31, 2019:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,370	\$ 2,371
Canada	319,989	357,641
New Zealand	66,356	68,698
All Other Special Deposits:		
Georgia	35	36
New Mexico	205	210
North Carolina	420	420
Total Deposits	<u>\$ 389,375</u>	<u>\$ 429,376</u>

REINSURANCE

Below is a summary of the Company's material reinsurance transactions.

Effective July 1, 2013, AIL entered into a reinsurance agreement with UA. The agreement is on a modified coinsurance basis and AIL cedes to UA on a 90% quota share basis, the risks on life policies issued in the United States between July 1, 2013 and December 31, 2013. AIL will retain, control, and own all assets for the modified coinsurance reserve. This agreement was non-disapproved on October 4, 2013. Pursuant to this agreement, the Company had premiums ceded payable of \$5.6 million as of December 31, 2019.

Effective January 1, 2014, AIL entered into a reinsurance agreement with FHL. The agreement is on a coinsurance basis and AIL cedes to FHL on a 50% quota share basis, the risks on life policies issued in the United States on or after January 1, 2014. This agreement was non-disapproved on April 17, 2014. AIL, FHL and LNL entered into a Novation Agreement, effective October 1, 2018, in order to amend the Reinsurance Agreement between AIL and FHL to substitute LNL as the reinsurer in place of FHL with respect to such Reinsurance Agreement, as if LNL were the original party thereunder instead of FHL. The Novation Agreement was non-disapproved on November

20, 2018. Pursuant to this agreement, AIL had premiums ceded payable of \$76.1 million as of December 31, 2019.

Effective July 1, 2017, AIL entered into an annuity coinsurance agreement with LNL pursuant to which LNL shall cede and AIL shall reinsure on a 25% quota share basis those annuity policies issued by LNL in all states excluding New York either in force as of July 1, 2017 or issued after such date, with the plan codes identified therein. The agreement was non-disapproved on October 10, 2017. Pursuant to this agreement, AIL had due premiums receivable of \$.2 million as of December 31, 2019.

Effective July 1, 2017, AIL entered into an annuity coinsurance agreement with UA pursuant to which UA shall cede and AIL shall reinsure on a 25% quota share basis those annuity policies issued by UA in all states excluding New York either in force as of July 1, 2017 or issued after such date, with the plan codes identified therein. The agreement was non-disapproved on October 10, 2017. Pursuant to this agreement, AIL had due premiums receivable of \$1.0 million as of December 31, 2019.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2018 and December 31, 2019, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2016 through December 31, 2019, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

AMERICAN INCOME LIFE INSURANCE COMPANY

Assets

As of December 31, 2019

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 3,502,377
Stocks:	
Preferred stocks	39,169
Common stocks	41,414
Mortgage loans on real estate:	
First liens	37,002
Real estate:	
Properties occupied by the company	535
Cash, cash equivalents and short-term investments	35,991
Contract loans	215,996
Other invested assets	164,506
Subtotals, cash and invested assets	4,036,990
Investment income due and accrued	56,244
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	13,584
Deferred premiums, agents' balances and installments booked but deferred and not yet due	181,268
Reinsurance:	
Amounts recoverable from reinsurers	7,556
Other amounts receivable under reinsurance contracts	54,135
Current federal and foreign income tax recoverable and interest thereon	3,083
Net deferred tax asset	25,434
Guaranty funds receivable or on deposit	736
Electronic data processing equipment and software	1,196
Receivables from parent, subsidiaries and affiliates	5,065
Aggregate write-ins for other than invested assets	5,812
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts**	4,391,103
Total**	\$ 4,391,103

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

**The amounts include immaterial rounding differences.

AMERICAN INCOME LIFE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2019
(in 000s)

	Per Examination*
Aggregate reserve for life contracts	\$ 3,522,452
Aggregate reserve for accident and health contracts	133,176
Liability for deposit-type contracts	87,385
Contract Claims:	
Life	46,487
Accident and health	16,768
Provision for policyholders' dividends and coupons payable in the following calendar year – estimated amounts:	
Dividends apportioned for payment	13
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	1,069
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	81,752
Interest maintenance reserve	34,646
Commissions to agents due or accrued-life and annuity contracts accident and health and deposit-type contract funds	462
Commissions and expense allowances payable on reinsurance assumed	73
General expenses due or accrued	11,048
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,736
Amounts withheld or retained by reporting entity as agent or trustee	778
Amounts held for agents' account, including agents' credit balances	6,550
Remittances and items not allocated	3,317
Liability for benefits for employees and agents if not included above	44,199
Borrowed money and interest thereon	277
Miscellaneous liabilities:	
Asset valuation reserve	40,447
Payable to parent, subsidiaries and affiliates	4,968
Payable for securities	99
Aggregate write-ins for liabilities	4,118
Total liabilities excluding Separate Accounts business	4,043,817
Total liabilities	4,043,817
Common capital stock	11,680
Surplus notes	25,000
Gross paid in and contributed surplus	66,889
Unassigned funds (surplus)	243,716
Surplus	335,605
Totals	347,285
Totals**	\$ 4,391,103

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The amounts include immaterial rounding differences.

AMERICAN INCOME LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2019
(in 000s)

	<u>Per Examination*</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 847,519
Net investment income	176,107
Amortization of Interest Maintenance Reserve	3,328
Commissions and expense allowances on reinsurance ceded	192,099
Reserve adjustments on reinsurance ceded	5,830
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	17,524
Total	<u>1,242,408</u>
Death benefits	155,142
Matured endowments	441
Annuity benefits	30,476
Disability benefits and benefits under accident and health contracts	25,157
Surrender benefits and withdrawals for life contracts	63,893
Interest and adjustments on contract or deposit-type contract funds	6,236
Payments on supplementary contracts with life contingencies	12
Increase in aggregate reserves for life and accident and health contracts	199,273
Totals	<u>480,630</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	371,348
Commissions and expense allowances on reinsurance assumed	136
General insurance expenses	140,699
Insurance taxes, licenses and fees, excluding federal income taxes	20,615
Increase in loading on deferred and uncollected premiums	(7,342)
Totals	<u>1,006,086</u>
Net gain from operations before dividends to policyholders and federal income taxes	236,322
Dividends to policyholders	18
Net gain from operations after dividends to policyholders and before federal income taxes	236,304
Federal and foreign income taxes incurred	37,240
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	199,064
Net realized capital gains (losses) less capital gains tax	(594,858)
Net income**	<u>\$ 198,470</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The amounts include immaterial rounding differences.

AMERICAN INCOME LIFE INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2019	2018	2017	2016
Capital and surplus, December 31, prior year	\$ 342,971	\$ 270,338	\$ 268,847	\$ 242,521
Net income	198,470	190,696	141,531	147,406
Change in net unrealized capital gains or (losses) less capital gains tax	(4,390)	6,655	(1,333)	6,403
Change in net unrealized foreign exchange capital gain (loss)	938	(1,229)	7,047	(493)
Change in net deferred income tax	10,453	16,432	(11,773)	(2,220)
Change in nonadmitted assets	(3,936)	(6,758)	(8,249)	(1,945)
Change in reserve on account of change in valuation basis, (increase) or decrease	-	-	-	(1,068)
Change in asset valuation reserve	(5,705)	(1,249)	(4,056)	(5,050)
Surplus adjustments:				
Paid in	-	11,889	-	25,000
Dividends to stockholders	(191,362)	(143,651)	(123,204)	(141,707)
Aggregate write-ins for gains and losses in surplus	(153)	(153)	1,528	-
Net change in capital and surplus for the year	4,315	72,632	1,491	26,326
Capital and surplus, December 31, current year**	<u>\$ 347,285</u>	<u>\$ 342,971</u>	<u>\$ 270,338</u>	<u>\$ 268,847</u>

** The amounts include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2019, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

No significant issues were noted in the examination.

SUBSEQUENT EVENTS

Effective January 1, 2020, AIL and NILICO entered into a Service Agreement pursuant to which NILICO will utilize certain of its personnel and/or resources to provide certain customer identification and lead generation services to AIL. This agreement was non-disapproved by the INDOI on December 26, 2019.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on AIL's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on this entity are not fully addressed within this examination report.

On June 30, 2020, the Board of Directors amended and updated the Bylaws for AIL to adjust and correct the schedule of the months that the meetings occur. The amendment coincides with the months that the board of directors' meetings are actually being held for AIL.

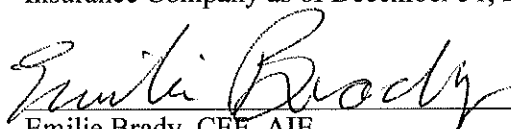
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from the Nebraska Department of Insurance, performed an examination of American Income Life Insurance Company, as of December 31, 2019.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.


This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of American Income Life Insurance Company as of December 31, 2019, as determined by the undersigned.



Emilie Brady, CFE, AIE
Noble Consulting Services, Inc.

Under the Supervision of:



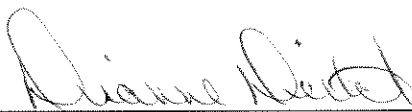
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

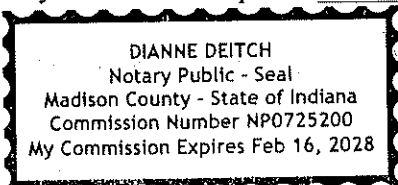
On this 31 day of March, 2021, before me personally appeared, Emilie Brady and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: February 16, 2028



Notary Public





Notary Public

