

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

IN THE MATTER OF:)
)
Heartland National Life Insurance Company)
401 Pennsylvania Parkway, Suite 300)
Indianapolis, Indiana 46280)

Examination of: **Heartland National Life Insurance Company**

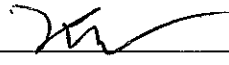
NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Heartland National 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 28, 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 Heartland National 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 14, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 5898

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 14 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

HEARTLAND NATIONAL LIFE INSURANCE COMPANY
NAIC COMPANY CODE 66214

As of

December 31, 2019

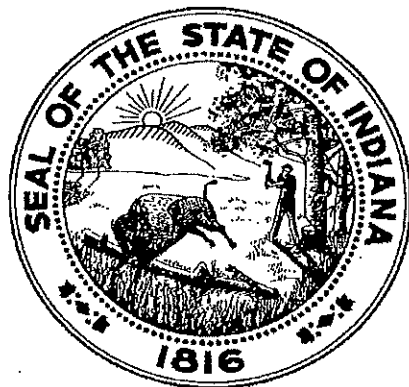


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STATE OF INDIANA

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

April 15, 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 4057, an examination has been made of the affairs and financial condition of:

Heartland National Life Insurance Company
401 Pennsylvania Parkway, Suite 300
Indianapolis, Indiana 46280

an Indiana domestic life and health insurance company, hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 1600 NE Coronado Drive, Blue Springs, Missouri 64014.

The Report of Examination, showing 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) as of December 31, 2014. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2015 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.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Larson & Company PC for 2015, 2016, and 2017 of the examination period and BKD, LLP for 2018 and 2019 of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The actuarial firm of Merlinos & Associates, Inc. was appointed by the INDOI and conducted a review of the following accounts as of December 31, 2019: Aggregate Reserves for Life Contracts, Aggregate Reserves for Accident and Health Contracts, Liability for Deposit Type Contracts, and Contract Claims for Accident and Health.

Brandon Thomas, HISP, MCM, of Thomas Consulting, performed an evaluation of the Company's information technology (IT) controls.

In accordance with the 2019 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on April 12, 1965, as Modern Dixie Life Insurance Company and commenced business on July 14, 1965, under the State of Mississippi laws. On August 12, 1969, the Company's name was changed to Dixie National Life Insurance Company (Dixie). On October 2, 1995, Standard Life Insurance Company of Indiana acquired 99.5% of the Company's issued and outstanding shares. The Company's state of domicile was changed from Mississippi to Indiana effective June 30, 2004. Effective September 24, 2008, Heartland Holding Company, Inc. (HHC) purchased 99.5% of the total 1,500,000 outstanding shares of the Company. The acquisition of the Company by HHC was approved by the INDOI through a Form A Filing on September 10, 2008. HHC renamed the Company Heartland National Life Insurance Company.

CAPITAL AND SURPLUS

Pursuant to its Amended Articles of Incorporation, the Company has 5,000 authorized shares of common capital stock with a par value of \$1,000 per share. As of December 31, 2019, the Company's total capital and surplus was \$5,407,884, which included: common capital stock of \$1,500,000, consisting of 1,500 issued and outstanding shares; surplus notes of \$750,000; gross paid-in contributed surplus of \$9,473,909; and unassigned funds (surplus) of (\$6,316,025). As of December 31, 2019, HHC owned 100% of the outstanding shares.

Surplus Note

On June 25, 2019, the Company issued a surplus note of \$750,000 to HHC at the fixed rate of 5% per annum, until the principal is paid in full with conditions stipulated in the surplus note. The surplus notes further states that subject to the Commissioner's prior written approval, payments of interest shall be made semi-annually in arrears on January 1st and July 1st of each year, commencing January 1, 2020. Interest on this surplus note shall be calculated on the actual number of days in the period for which interest is charged. The principal amount of this surplus note shall be due and subject to the Commissioner's prior written approval, and payable on January 1, 2021.

By a letter dated June 20, 2019, the INDOI approved this surplus note with the following conditions: "No payment of principal or interest may be made upon the surplus note without the prior approval of the Department. Notwithstanding the provisions of Section 27-1-7-19 of the Indiana Code, which specifies the conditions under which payment on the surplus note will be approved, or the Company's satisfaction of the conditions identified therein, the Commissioner may refuse to approve payment of interest on or principal of the Surplus Note (1) based on statutory or regulatory grounds or (ii) if, in the determination of the Commissioner, the financial condition of the Company would not warrant payment."

DIVIDENDS TO STOCKHOLDERS

On August 28, 2018, the Board of Directors (Board) declared common stock dividends for \$3,000,000 to its sole shareholder HHC, which was paid on October 31, 2018. The INDOI approved this extraordinary dividend by a letter dated September 27, 2018.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in thirty-seven (37) states, with Florida, Indiana, Mississippi, South Carolina, and Texas accounting for approximately 60% of its total business produced during 2019. The Company's primary business had been the sale of Medicare supplement, hospital indemnity, and cancer business through independent agents. Effective January 1, 1999, the Company ceased selling new life and annuity business.

The Company has agreements with third-party administrators (TPA) to provide services for its current policyholders and service its legacy life and annuity business. Equitable Life & Casualty Insurance Company (ELCIC) has been the Company's TPA for all new business written since 2009. ELCIC handled policy issuance functions, underwriting, policy administration, and claims processing. Guggenheim Life and Annuity Company, which acquired the Company's former parent, Standard Life Insurance Company of Indiana, continues to service a small block of life, annuity, and supplementary contract business. Madison

National Life Insurance Company also continues to service and reinsure a small block of life and annuity business on a 100% coinsurance basis.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the period of examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2019	\$11,086,554	\$5,678,670	\$5,407,884	\$6,137,171	\$(133,042)
2018	10,276,943	5,282,805	4,994,138	4,934,262	605,845
2017	12,868,887	5,208,292	7,660,595	5,030,027	566,733
2016	12,201,636	5,128,315	7,073,320	5,313,978	765,427
2015	10,859,158	5,295,916	5,563,242	5,494,403	1,035,624

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The steady growth in net premiums earned during the period covered by this examination was primarily attributed to the Company's increased sales and renewal premiums associated with its Medicare supplement product. In addition, the increases in admitted assets and capital & surplus between 2018 and 2019 were mainly due to the issuance of a surplus note for \$750,000 to HHC. The decreases in admitted assets and capital & surplus between 2017 and 2018 were primarily due to dividends paid to the stockholders for \$3,000,000. The increases in admitted assets and capital & surplus between 2015 and 2016 were primarily due to net income and net deferred income tax changes.

MANAGEMENT AND CONTROL

Directors

The Company's Restated Articles of Incorporation stipulate that its Board shall manage the business and affairs of the Company and that the number of directors of the corporation shall not be less than five (5), nor more than eleven (11). The following is a listing of persons serving as directors as of December 31, 2019:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Bernard Allen Garner Independence, Missouri	President and Owner Allen Garner Law, LLC
Todd Chadrick Hill Springfield, Missouri	Chief Marketing Officer Heartland National Life Insurance Company
Gregory Duncan Jacobs Zionsville, Indiana	Retired, Actuary

Christopher Michael McDaniel
Lees Summit, Missouri

President and Chief Executive Officer
Heartland National Life Insurance Company

Dennis Alan Taylor
Noblesville, Indiana

Retired, President
Heartland National Life Insurance Company

Gary Alan Walter
Manhattan, Kansas

Retired, Insurance Executive

Vernon Ray Woelke
Colleyville, Texas

General Partner
Woelke Family Limited Partnership

Officers

The Company's Bylaws state that the officers shall consist of a President, one (1) or more Vice-Presidents, a Treasurer, a Secretary, and such Assistant Treasurers, Assistant Secretaries, or other officers as may be elected or appointed by the Board. The following is a listing of persons serving as officers as of December 31, 2019:

<u>Name</u>	<u>Title</u>
Christopher Michael McDaniel	President and Chief Executive Officer
Dennis Eugene Carter	Secretary and Treasurer
Todd Chadrick Hill	Chief Marketing Officer
Nicholas James Micheletti	Assistant Secretary and Assistant Treasurer

Corporate Governance

As of December 31, 2019, members serving on the committees of the Board were as follows:

Executive Committee:

Bernard Allen Garner	Chairman
Todd Chadrick Hill	
Dennis Alan Taylor	

Investment Committee:

Gregory Duncan Jacobs	Chairman
Bernard Allen Garner	
Dennis Alan Taylor	
Vernon Allen Woelke	

Audit Committee:

Bernard Allen Garner	Chairman
Dennis Alan Taylor	
Vernon Ray Woelke	

Marketing Committee:

Todd Chadrick Hill	Chairman
Gregory Duncan Jacobs	
Dennis Alan Taylor	
Gary Alan Walter	

CONFLICT OF INTEREST

The Company's conflict of interest disclosure process requires directors and officers to complete a conflict-of-interest statement on an annual basis. From a review of the directors and officers signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) requires 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 corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving during the examination period signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

The Company amended and re-stated its Articles of Incorporation on May 16, 2018 to update the address for its principal place of business, change the size of the Board, and change the authorized common capital stock to 5,000 shares with a par value of \$1,000 dollars per share.

Bylaws

There were no amendments made to the Company's Bylaws during the period covered by this examination.

Minutes

The Annual Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions during each meeting were noted. A review of the minutes noted that the 2015 Annual Shareholders Meetings were not held within the first five (5) months of the year, contrary to IC 27-1-7-7(b). **(Please see the "Other Significant Findings" section of this Report of Examination.)**

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement has been filed annually with the INDOI for each year of the examination period. All companies are 100% owned unless otherwise indicated by the ownership footnotes. The following organizational chart depicts the Company's relationship within the holding company system:

	<u>Domicile State</u>
Christopher M. McDaniel (Ultimate Controlling Person)	MO
Heartland Properties of Missouri, LLC	MO
Equitable Investment Holdings, LLC	DE
Source One Group, LLC	DE
Heartland Holding Company, Inc.	MO
Heartland National Life Insurance Company	IN
Heartland Financial Group	MO
One Life America, Inc.	MS
Heartland Farm & Ranch, LLC	MO
SIM Direct, LLC (51% ownership)	MO
George Brett & Associates (40% ownership)	MO

Affiliated Agreements

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

National Marketing Services Agreement

Effective April 20, 2009, the Company and Heartland Financial Group (HFG) entered into a National Marketing Services Agreement, whereby the Company's insurance products are marketed and sold by HFG in return for an agreed commission schedule. In 2019, the Company paid \$462,161 as sales commissions to HFG under this agreement.

Management Services Agreement

Effective January 1, 2014, the Company and HFG entered into a Management Services Agreement. Under this agreement, HFG provides management and administrative services to the Company including product development, finance, treasury management, accounting, financial reporting, reinsurance sourcing, facilities management, legal and compliance, other tax reporting and compliance, marketing, sales management, technology, human resources, disaster recovery, and purchasing. On May 4, 2018, this agreement was filed with, and not disapproved by, the INDOI and went into effect on May 28, 2018. During 2019, the Company paid HFG \$579,170 for services received under the terms of the Management Services Agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from fraudulent or dishonest acts through a fidelity bond issued by the National Union Fire Insurance Company of Pittsburgh, Pa. The bond provides coverage with a single and aggregate loss limit of \$250,000 and a deductible of \$25,000. The fidelity bond exceeds the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

Contrary to the requirements of IC 27-1-7-14, the Company's Fidelity Bond was not approved by the Company's Board at any time during the examination period, nor filed with the INDOI on a timely basis for 2016, 2017, 2018, and 2019. (Please see "Other Significant Findings" section of this Report of Examination.)

STATUTORY AND SPECIAL DEPOSITS

The Company reported statutory and special deposits held by various Departments of Insurance as of December 31, 2019:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the Benefit of all Policyholders:		
Indiana	\$ 1,516,247	\$ 1,514,277
All Other Special Deposits:		
Arkansas	114,638	115,775
Florida	105,705	105,705
Georgia	50,000	50,000
Kansas	257,211	256,022
Nevada	204,908	199,618
New Mexico	227,958	224,272
North Carolina	419,936	417,838
South Carolina	149,977	149,228
Virginia	259,913	261,060
Total Deposits	<u>\$ 3,306,493</u>	<u>\$ 3,293,795</u>

Note: Amounts are shown in whole dollars and columns may not total due to rounding.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance business during the period covered by this examination.

Reinsurance Ceded

Life Insurance

All of the Company's life business is associated with a closed block of business issued by its predecessor, Dixie. On September 1, 2006, Dixie entered into a Coinsurance Agreement and an Administration Agreement with Madison National Life Insurance Company (Madison) by which Madison agreed, respectively, to fully reinsure on a 100% coinsurance basis and to administer all coinsured individual life insurance policies and annuity contracts issued or assumed by Dixie.

Accident and Health Insurance

Effective January 1, 2009, the Company entered into an Automatic Reinsurance Coinsurance Agreement with ELCIC, whereby ELCIC agreed to reinsure the Company's standardized Medicare supplement business on a 95% coinsurance basis. The agreement is subject to an overall reinsured limit of \$20,000,000 in annualized premium.

Effective December 1, 2010, the Company entered into a coinsurance treaty with Mutual of Omaha (MOO), whereby MOO agreed to reinsure the Company's modernized Medicare supplement business on a 95% coinsurance basis. The treaty had six (6) amendments during the examination period.

RESERVES

Bryan R. Neary, FSA, MAAA, Consulting Actuary, CSG Consulting, LLC, is the Company's Appointed Actuary. The Board of Directors appointed Mr. Neary to render an actuarial opinion on the Company's statutory-basis reserves for all years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2019. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such a review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

The 2019 opinion stated that the amounts carried in the balance sheet on account for policy reserves and related actuarial items: (a) are computed in accordance with presently accepted Actuarial Standards of Practice consistently applied and are fairly stated in accordance with sound actuarial principles, (b) are based on assumptions and methods that produce reserves at least as great as those called for in any policy or contract provision as to reserve basis and method, and are in accordance with all other contract provisions, (c) meet the requirements of the insurance law and regulations of the State of Indiana and are at least as great as the minimum aggregate amounts required by any state in which the Company is licensed, (d) are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the Annual Statement of the preceding year-end, and (e) include provisions for all actuarial reserves and related statement items that ought to be established.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detailed trial balance prepared from the Company's general ledger for the year ending December 31, 2019, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2019, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination.

The Company's accounts and records are maintained using electronic data processing except for certain items entered manually into the general ledger. The Company maintains adequate supporting work papers, which were reviewed during the examination. The Information Systems controls were reviewed in this examination, and no material exceptions were noted to the control practices and procedures.

From a review of the internal controls, it was determined that the Company's current Information Systems possess an adequate number of physical and internal controls as prescribed by the NAIC.

Overall, Thomas Consulting determined the Company's accounting procedures, practices, and accounting records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Summary of Operations
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

HEARTLAND NATIONAL LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2019

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 6,381,295	\$ -	\$ 6,381,295	\$ 6,496,639
Mortgage loans on real estate:				
First liens	329,106	-	329,106	-
Cash, cash equivalents and short-term investments	<u>1,135,395</u>	<u>-</u>	<u>1,135,395</u>	<u>946,749</u>
Subtotals, cash and invested assets	<u>\$ 7,845,796</u>	<u>\$ -</u>	<u>\$ 7,845,796</u>	<u>\$ 7,443,388</u>
Investment income due and accrued	\$ 45,240	\$ -	\$ 45,240	\$ 60,529
Uncollected premiums and agents' balances in the course of collection	1,142,710	-	1,142,710	585,711
Amounts recoverable from reinsurers	1,450,109	-	1,450,109	1,171,296
Other amounts receivable under reinsurance contracts	237,558	-	237,558	164,264
Current federal and foreign income tax recoverable and interest thereon	42,492	-	42,492	46,103
Net deferred tax asset	190,234	-	190,234	663,380
Guaranty funds receivable or on deposit	<u>132,415</u>	<u>-</u>	<u>132,415</u>	<u>142,272</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 11,086,554</u>	<u>\$ -</u>	<u>\$ 11,086,554</u>	<u>\$ 10,276,943</u>
Total Admitted Assets	<u><u>\$ 11,086,554</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,086,554</u></u>	<u><u>\$ 10,276,943</u></u>

HEARTLAND NATIONAL LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus, and Other Funds

As of December 31, 2019

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Aggregate reserve for life contracts	\$ 182,435	\$ -	\$ 182,435	\$ 220,435
Aggregate reserve for accident and health contracts	1,839,783	-	1,839,783	1,646,952
Liability for deposit-type contracts	20,975	-	20,975	23,688
Contract claims: Accident and Health	802,126	-	802,126	660,319
Policyholder dividends	-	-	-	30,913
Premiums and annuity considerations for life and accident and health received in advance	52,233	-	52,233	33,249
Other amounts payable on reinsurance	1,551,348	-	1,551,348	1,624,471
General expenses due or accrued	318,570	-	318,570	276,507
Taxes, licenses, and fees due or accrued, excluding federal income taxes	158,377	-	158,377	104,266
Amounts held for agents' account, including agents' credit balances	518,436	-	518,436	484,080
Remittances and items not allocated	47,482	-	47,482	23,667
Asset valuation reserve	14,042	-	14,042	12,867
Payable to parent, subsidiaries, and affiliates	66,106	-	66,106	35,981
Escheat funds	106,757	-	106,757	105,410
Total liabilities excluding Separate Accounts business	\$ 5,678,670	\$ -	\$ 5,678,670	\$ 5,282,805
Total liabilities	\$ 5,678,670	\$ -	\$ 5,678,670	\$ 5,282,805
Common capital stock	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 1,492,000
Surplus note	750,000	-	750,000	-
Gross paid in and contributed surplus	9,473,909	-	9,473,909	9,473,909
Unassigned funds (surplus)	(6,316,025)	-	(6,316,025)	(5,971,771)
Surplus	\$ 3,907,884	\$ -	\$ 3,907,884	\$ 3,502,138
Total capital and surplus	\$ 5,407,884	\$ -	\$ 5,407,884	\$ 4,994,138
Totals	\$ 11,086,554	\$ -	\$ 11,086,554	\$ 10,276,943

HEARTLAND NATIONAL LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

As of December 31, 2019

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums for life and accident and health contracts	\$ 6,137,171	\$ -	\$ 6,137,171	\$ 4,934,262
Net investment income	267,368	-	267,368	254,461
Amortization of Interest Maintenance Reserve	(7,708)	-	(7,708)	(3,770)
Commission and expense allowances on reinsurance ceded	3,480,049	-	3,480,049	4,366,627
Aggregate write-ins for miscellaneous income	<u>2,376</u>	-	<u>2,376</u>	<u>3,260</u>
Total	<u>\$ 9,879,256</u>	<u>\$ -</u>	<u>\$ 9,879,256</u>	<u>\$ 9,554,840</u>
Disability benefits and benefits under accident and health contracts	\$ 2,083,528	\$ -	\$ 2,083,528	\$ 1,685,852
Surrender benefits and withdrawals for life contracts	19,302	-	19,302	15,992
Interest and adjustments on contract or deposit-type contract funds	(2,717)	-	(2,717)	(3,239)
Payments on supplementary contracts with life contingencies	28,464	-	28,464	32,726
Increase in aggregate reserves for life and accident and health contracts	<u>154,883</u>	-	<u>154,883</u>	<u>195,035</u>
Totals	<u>\$ 2,283,410</u>	<u>\$ -</u>	<u>\$ 2,283,410</u>	<u>\$ 1,926,366</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	3,561,907	-	3,561,907	3,448,328
General insurance expenses	3,065,390	-	3,065,390	2,592,723
Insurance taxes, licenses and fees, excluding federal income taxes	732,024	-	732,024	696,334
Aggregate write-ins for deductions	<u>999</u>	-	<u>999</u>	<u>14</u>
Totals	<u>\$ 9,643,730</u>	<u>\$ -</u>	<u>\$ 9,643,730</u>	<u>\$ 8,663,765</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 235,526	\$ -	\$ 235,526	\$ 891,075
Dividends to policyholders	-	-	-	30,900
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 235,526	\$ -	\$ 235,526	\$ 860,175

Federal and foreign income taxes incurred	<u>368,610</u>	<u>-</u>	<u>368,610</u>	<u>246,381</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ <u>(133,084)</u>	\$ <u>-</u>	\$ <u>(133,084)</u>	\$ <u>613,794</u>
Net realized capital gains (losses)	42	-	42	(7,949)
Net Income	<u>\$ (133,042)</u>	<u>\$ -</u>	<u>\$ (133,042)</u>	<u>\$ 605,845</u>

HEARTLAND NATIONAL LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital and Surplus Account:					
Capital and surplus, December 31, prior year	<u>\$ 4,994,138</u>	<u>\$ 7,660,595</u>	<u>\$ 7,073,320</u>	<u>\$ 5,563,242</u>	<u>\$ 4,297,079</u>
Net income	\$ (133,042)	\$ 605,845	\$ 566,733	\$ 765,427	\$ 1,035,624
Change in net deferred income tax	261,656	74,551	53,099	642,198	(35,061)
Change in nonadmitted assets	(471,693)	(345,006)	52,517	106,140	265,725
Change in asset valuation reserve	(1,175)	(1,847)	(3,557)	(3,567)	(125)
Change in surplus notes	750,000	-	-	-	-
Capital changes:					
Paid in	8,000	-	(8,000)	-	-
Change in treasury stock	-	-	296	(120)	-
Dividends to stockholders	-	(3,000,000)	-	-	-
Surplus adjustment:					
Paid in	-	-	(73,813)	-	-
Change in capital and surplus for the year	<u>\$ 413,746</u>	<u>\$ (2,666,458)</u>	<u>\$ 587,275</u>	<u>\$ 1,510,078</u>	<u>\$ 1,266,164</u>
Capital and surplus, December 31, current year	<u>\$ 5,407,884</u>	<u>\$ 4,994,138</u>	<u>\$ 7,660,595</u>	<u>\$ 7,073,320</u>	<u>\$ 5,563,242</u>

COMMENTS ON THE FINANCIAL STATEMENTS

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

OTHER SIGNIFICANT FINDINGS

Minutes

During 2015 the Company's Annual Shareholders Meetings were not held within the first five (5) months of the year, contrary to IC 27-1-7-7(b) (See Page 6).

It is recommended that the Company comply with the provisions of IC 27-1-7-7(b).

Fidelity Bond and Other Insurance

During the review of the Company's Fidelity Bond, it was noted that the Board did not pass resolutions pertaining to the amount and form of Fidelity Bond coverage. Accordingly, the policy was not filed with the INDOI on a timely basis per provisions of IC 27-1-7-14 (See Page 8).

It is recommended that the Company's Board approved the Fidelity Bond coverage on an annual basis and file it with INDOI on a timely basis as required by IC 27-1-7-14.

SUBSEQUENT EVENTS

Surplus Note

By a letter dated May 8, 2020, the INDOI approved the Company's request to record a receivable in to the amount of \$600,000 as a capital infusion on its March 31, 2020 financial statement.

By a letter dated June 10, 2020, the INDOI approved the Company's request to convert the \$600,000 capital contribution received on May 14, 2020 to a surplus note issued to HHC at a fixed rate of 3% per annum with other conditions similar to the first surplus note stated on page 3 of this report under the "CAPITAL AND SURPLUS" section.

Third-Party Administrator

The Company and Actuarial Management Resources, Inc. Winston-Salem, North Carolina, entered into a Third-Party Administrative Services Agreement with a go-live date for delivering complete services by April 1, 2020. The initial term will be for forty (40) months. Effective March 31, 2020, the Company ceased utilizing Equitable Life & Casualty Insurance Company as its Third-Party Administrator.

Pandemic Risk

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus (COVID-19). The extent of the impact of COVID-19 on the Company'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 fieldwork, the effects of COVID-19 on this entity are not fully addressed within this examination report.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc. and Merlinos & Associates, Inc., performed an examination of the **Heartland National Life Insurance Company** as of **December 31, 2019**.

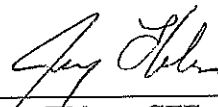
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2019 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 standard 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 condition of the **Heartland National Life Insurance Company** as of **December 31, 2019**, as determined by the undersigned.



David L. Daulton, CFE
The Thomas Consulting Group, Inc.



Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

State of:
County of:

On this 14th day of June, 2021, before me personally appeared, David L. Daulton 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 October 4, 2025



Notary Public

Darcy L. Shawver

