

SEP 27 2024

FILED

CERTIFICATION

September 27, 2024

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

AMERICAN LIFE & SECURITY CORP.

AS OF

DECEMBER 31, 2022

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



STATE OF NEBRASKA
DEPARTMENT OF INSURANCE
I hereby certify that this is a full
and correct copy of the document
now on file and forming a part of
the records of this Department.

Date: *September 27, 2024*

Director of Insurance

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

AMERICAN LIFE & SECURITY CORP.

2900 SOUTH 70TH STREET, SUITE 400

LINCOLN, NEBRASKA 68506

dated as of December 31, 2022, verified under oath by the examiner-in-charge on August 27, 2024, and received by the company on September 17, 2024, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 27th day of September 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink that reads "Tadd R. Wegner". The signature is written in a cursive, flowing style.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

AMERICAN LIFE & SECURITY CORP.

as of

December 31, 2022

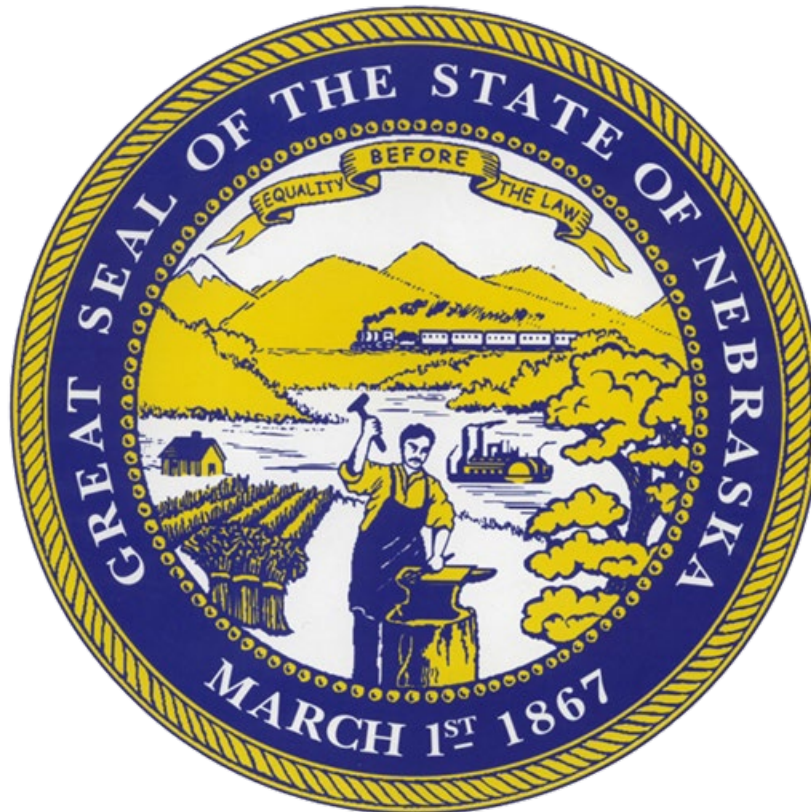


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Lincoln, Nebraska
August 21, 2024

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

AMERICAN LIFE & SECURITY CORP.
2900 South 70th Street, Suite 400
Lincoln, Nebraska 68506

(hereinafter also referred to as the “Company” or “American Life”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2019. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2022 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report. The State of Vermont participated in the examination of Seneca Reinsurance Company, LLC (“Seneca Re”), a Vermont limited liability company and an affiliate, and its three protected cells, Cell-2020-01 (“SRC1”), Cell 2021-03 (“SRC3”), and Cell 2022-04 (“SRC4”) for the same period.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with Statutory Accounting Principles and NAIC Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance (“NDOI”) as the coordinating state and the Vermont Department of Financial Regulation (“VDFR”) as a participating state. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their

respective companies' financial condition and to summarize key results of examination procedures.

The NDOI made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors, Audit Committee and Investment Committee held during the examination period were read and noted. Attendance at meetings, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination

process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Mazars USA, LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2022. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was organized and originally incorporated under the name Old Reliance Insurance Company ("Old Reliance") as a domestic limited capital stock life and disability insurer under the laws of the State of Arizona on September 15, 1960, and received its first Certificate of Authority on October 16, 1961.

On July 28, 2011, the Arizona Department of Insurance ("ADOI") approved the acquisition of Old Reliance by Midwest Holding Inc. ("MHI") (25%) and American Life & Security Corp. (75%), a Nebraska domestic insurance company which is wholly owned by MHI. Also, on July 28, 2011, the ADOI approved the merger of Old Reliance and American Life & Security Corp. with Old Reliance being the surviving corporation. The NDOI approved the

merger on August 3, 2011. On August 4, 2011, Old Reliance amended its Articles of Incorporation and By-Laws to change its corporate name to American Life & Security Corp.

On June 14, 2016, the NDOI approved the redomestication of the Company from Arizona to Nebraska. First Wyoming Life Insurance Company (“First Wyoming”) and Great Plains Assurance Company (“Great Plains”), both affiliates, were merged into the Company effective September 1, 2016 and December 1, 2016, respectively.

On June 28, 2018, MHI was acquired by Xenith Holdings LLC (“Xenith”), a Delaware limited liability company, which was wholly owned by Vespoint LLC, also a Delaware limited liability company. As part of the agreement, \$20,500,000 was contributed to the Company, and \$100,000 was paid to MHI to cover a portion of the expenses. In August 2020, Xenith distributed all of its shares of MHI voting common stock to its members, including Vespoint, and Xenith was dissolved. On November 10, 2020, Vespoint distributed all of its shares of MHI voting common stock to its members, including Rendezvous Capital LLC (“Rendezvous”). As of the examination date, MHI was owned directly by Rendezvous, Crestline Assurance Holdings LLC (“Crestline”), a Delaware limited liability company, and public shareholders.

In April 2019, MHI obtained a 51% ownership in 1505 Capital LLC (“1505 Capital”), a Delaware limited liability company, to provide financial and investment advisory and management services in-house, as well as to third-party clients. In June 2020, MHI purchased the remaining 49% ownership in 1505 Capital. 1505 Capital serves as the primary asset manager for the Company’s portfolio and offers asset management services to other investors and reinsurance partners.

Effective March 2020, Seneca Re was formed by MHI to operate as a sponsored captive insurance company for the purpose of insuring and reinsuring various types of risks of its

participants through one or more protected cells and to conduct any other business or activity that is permitted for sponsored captive insurance companies under Vermont insurance regulations. In March 2020, Seneca Re received its Certificate of Authority to transact the business of a captive insurance company. MHI initially contributed \$3,000,000 to capitalize the initial cell, SRC1, with an additional \$12,000,000 contributed throughout 2020 for a total of \$15,000,000 in 2020. During 2021, MHI contributed an additional \$6,400,000 to SRC1 for a total contribution from inception of \$21,400,000. In September 2021, SRC1 paid a \$2,500,000 dividend to MHI.

In April 2020, MHI entered into a Securities Purchase Agreement with Crestline, an institutional alternative investment management firm, under which MHI issued 444,444 shares of voting common stock to Crestline for aggregate proceeds of \$10,000,000. Also, in April 2020, MHI issued 231,655 shares of voting common stock to various other investors in separate transactions for approximately \$5,300,000. MHI contributed \$5,000,000 of the net proceeds to American Life and used \$3,300,000 of the proceeds to capitalize Seneca Re and its first protected cell. MHI also entered into a Stockholders Agreement that grants Crestline certain rights including appointing Douglas K. Bratton, a principal of Crestline, a director of both MHI and American Life, as well as appoints Vespoint its proxy with respect to that number of shares of the Common Stock owned by Crestline in excess of the Ownership Limit (the “Proxy Shares”), to vote or act by written consent to which the Proxy Shares are entitled to vote. Douglas K. Bratton has voting and investment power over all securities held by Crestline, except for, with respect to voting power, the Proxy Shares.

On December 21, 2020, MHI completed a public offering of 1,000,000 shares of its voting common stock to the public. MHI used the net proceeds of the offering to support the growth of the Company with a \$50,000,000 contribution.

In December 2021, MHI closed the sale of approximately 70% of the Class B (non-voting) membership interests in SRC1 to a subsidiary of ORIX Corporation USA (“ORIX USA”) for \$15,000,000. MHI retained 100% of the Class A (voting) interests. Under the terms of the agreement, MHI holds a 30% Class B ownership interest in SRC1. ORIX Advisers, LLC, another subsidiary of ORIX USA, is the manager of the assets underlying SRC1’s reinsurance obligations, replacing 1505 Capital.

On September 16, 2022, MHI and Crestline executed a Letter of Understanding (the “Understanding”) relating to the Stockholders Agreement. The Company and Crestline agreed that Mr. Bratton would resign from the Board of Directors of American Life. Notwithstanding the foregoing, the parties agreed Mr. Bratton’s resignation and Crestline’s decision to no longer appoint a director does not constitute a permanent waiver of Crestline’s rights under the Agreement to appoint a Crestline Designated Director. The Company and Crestline agreed the foregoing described agreement will remain in place until the earlier to occur of the date (i) the parties reach written agreement otherwise, (ii) Crestline is no longer an affiliate of a life insurance entity it recently acquired and (iii) on which Crestline no longer has the right to elect or appoint a member and Observer to the Board.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Revised Statutes. An organizational listing flowing from the “Ultimate Controlling

Person,” as reported in the 2022 Annual Statement, is represented by the following (unless otherwise indicated, all subsidiaries are 100% owned):

Michael Minnich

Rendezvous Capital, LLC

Midwest Holding, Inc. (11.1% owned by Rendezvous Capital, LLC)

1505 Capital LLC (100% owned by MHI)

American Life & Security Corp. (100% owned by MHI)

Midwest Capital Corp. (100% owned by MHI)

Seneca Reinsurance Company, LLC (100% owned by MHI)

Seneca Incorporated Cell, LLC 2020-01 (100% owned by MHI)

Seneca Incorporated Cell, LLC 2021-03 (100% owned by Midwest Capital Corp.)

Seneca Incorporated Cell, LLC 2022-04 (100% owned by MHI)

Shareholder

The Company is 100% wholly owned by its sole Shareholder and parent, MHI. Article I, Section 2 of the Company’s By-Laws provides that, “the annual meeting of the Shareholders of the Corporation shall be held at its principal place of business in Lincoln, Nebraska, or at such other place or places within or without the State of Nebraska which its Board of Directors may designate in a notice duly provided by the terms of Article I, Section 3, at which time there shall be elected a Board of Directors for the ensuing year and any other business properly coming before said meeting transacted.”

Article V of the Company’s Articles of Incorporation states that, “the aggregate number of shares which this corporation shall have authority to issue is 10,000 shares consisting only of common stock with a par value of \$250.00 per share.” As of the examination date 2,500 shares were issued and outstanding.

During the exam period, no dividends were issued by the Company. Paid in and contributed surplus was \$53,550,000 for the year ended December 31, 2020, \$0 for the year

ended December 31, 2021, and \$24,500,000 for the year ended December 31, 2022. The total paid in and contributed surplus for the Company, as of the examination date, was \$117,625,587.

Board of Directors

Article II, Section 1 of the Company’s By-Laws provides that, “the number of Directors which shall constitute the whole Board shall be not fewer than five (5) nor more than fifteen (15), with at least one of the Directors being a Nebraska resident. The Directors shall be elected at the annual meeting of the Shareholders, except as provided in Section 3 of this Article, and each Director elected shall hold office until his or her successor is elected and qualified.”

The following persons were serving as Directors at December 31, 2022:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Todd Christopher Boeve Lincoln, Nebraska	Vice President Operations, American Life
Nancy Lyons Callahan St. Petersburg, Florida	Global Vice President, Next-Generation Cloud Delivery, SAP
Diane Carol Davis Fall City, Washington	Board Member, Various Companies
John Thomas Hompe Stamford, Connecticut	Retired Investment Managing Partner
Firman Leung New York, New York	Investment Banker, Weild & Co.
Michael Wayne Minnich Greenwich, Connecticut	President, American Life
Georgette Cecelia Nicholas Lincoln, Nebraska	Chief Executive Officer, American Life
Yadin Rozov Armonk, New York	Financial Advisor, Terrace Edge Ventures LLC
Kevin Martin Sheehan Bedford, New York	Investment Professional, Mellon Stud Ventures, LLC

Officers

Article III, Section 1 of the Company’s By-Laws provides that, “the Officers of the corporation shall be chosen by the Board of Directors and shall be a [Chief Executive Officer] CEO, a President, a Secretary and a Treasurer. The Board of Directors may also choose one or more Executive Vice Presidents, one or more Vice Presidents or Assistant Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers.”

The following is a listing of Officers elected and serving the Company at December 31, 2022:

<u>Name</u>	<u>Office</u>
Georgette Cecelia Nicholas	Chief Executive Officer
Michael Wayne Minnich	President and Chief Investment Officer
Eoin John Elliffe	Chief Risk Officer
Daniel Scott Maloney	Treasurer; Acting Corporate Secretary; and Executive Vice President of Accounting and Finance

Committees

Article II, Section 12 of the Company’s By-Laws provides that, “the Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an Executive Committee and one or more other committees each of which, to the extent provided in such resolution or in the Articles of Incorporation or the By-Laws of the corporation, shall have and may exercise all the authority of the Board of Directors, but no such committee shall possess any authority of the Board of Directors prohibited by law.” As of the examination date, the Company did not designate an Executive Committee but has designated an Audit Committee and Investment Committee. The Company shares an Enterprise Risk

Management Committee, Management Committee, Information Technology (“IT”) Steering Committee, IT Governance Committee, and Valuations Committee with its parent, MHI.

The following persons were serving on the Audit Committee at December 31, 2022:

Diane Carol Davis, Chair
John Thomas Hompe

Firman Leung
Yadin Rozov

The following persons were serving on the Investment Committee at December 31, 2022:

Michael Wayne Minnich, Chair
Georgette Cecelia Nicholas

Firman Leung
Yadin Rozov

TRANSACTIONS WITH AFFILIATES

Cost Sharing Agreement

The Company executed a Cost Sharing Agreement, effective January 3, 2017 with MHI, whereby MHI provides shared office space and equipment, as well as the provision of services such as policy underwriting and issuance, product development and reporting, and other specified services. The Company, in return, makes an advance payment towards its fees and expenses for the month. The advance payment is 90% of a rolling-average of previous 90 days’ average total fees due to MHI and due by the 5th day of the month. The parties agree to settle any fees or reimbursements within thirty days following the end of the calendar month in which they are earned. The agreement carried an initial five-year term but shall automatically renew for additional five-year terms unless terminated by either party.

Promissory Notes

Effective May 15, 2019, the Company issued a five-year Promissory Note to its parent, MHI. This Promissory Note was issued for \$125,000 plus interest on the unpaid principal balance at a rate of 6.5% annually. Annual installments of interest shall be due on each anniversary, and principal shall be due at maturity on May 15, 2024. The first interest installment

was due on May 15, 2020 and was to be made within ten days of its due date. An additional Promissory Note was issued to MHI on July 8, 2019 with the same five-year duration and a 6.5% interest rate. The amount of the July Promissory Note was for \$375,000, with principal due at maturity on July 8, 2024 and annual interest installments beginning on July 8, 2020. On December 22, 2022, the two MHI promissory notes of \$375,000 and \$125,000, were paid in full.

Investment Advisory Agreements

Effective June 30, 2019, the Company entered into an Investment Advisory Agreement with 1505 Capital, whereby 1505 Capital manages certain Funds Withheld and Modco Deposit assets held by the Company. The assets are subject to investment guidelines adopted by the Company's Board of Directors and additional maximum allocations to secure a specific reinsurance agreement with Ironbound Reinsurance Company Limited ("Ironbound"). A similar Investment Advisory Agreement was executed on November 7, 2019 between the Company and 1505 Capital to manage Funds Withheld and Modco Deposits, securing a reinsurance agreement with SDA Annuity & Life Re ("SDA").

Effective August 1, 2019, the Company entered into an Investment Management Agreement with 1505 Capital for the management of the Company's general account. The assets are subject to the investment guidelines adopted by the Company's Board of Directors and additional maximum parameters included within the agreement.

On June 8, 2020, the Company entered into an investment management agreement with GoldenTree Asset Management, LP. This investment management agreement was terminated on March 31, 2024.

On August 28, 2020, the Company entered into an investment management agreement with Crestline Management, L.P. (“Crestline Management”) for investment into Crestline Management’s “SLF” (specialty lending fund) and “PFF” (portfolio finance fund) strategies.

On September 21, 2020, the Company entered into an investment management agreement with Crestline Management for potential investment in various opportunistic deals identified by the manager.

On October 2, 2020, the Company entered into an investment management agreement with Temple View Capital, LLC, for the management of certain mortgage loans originated by Temple View Capital and its affiliates.

On December 8, 2020, the Company entered into an investment management agreement with Crestline Management to manage certain assets held by the Company on behalf of Crestline Re SP1 (“Crestline SP1”) pursuant to a reinsurance agreement between the Company and Crestline SP1.

On June 16, 2021, the Company entered into an investment management agreement with PineBridge Investments LLC focused on senior secured direct loan investments (including first lien and unitranche) in middle market companies.

On June 23, 2021, the Company entered into an investment management agreement with ORIX Advisers, LLC (“ORIX Advisers”). On December 30, 2021, the Company entered into another investment management agreement with ORIX Advisers for the management of certain assets held by the Company on behalf of SRC1 pursuant to a reinsurance agreement between the Company and SRC1.

On September 30, 2022, the Company entered into an investment management agreement with CoVenture Management, LLC (“CoVenture”) naming CoVenture as the manager of certain

assets held by the Company on behalf of SRC4 pursuant to a reinsurance agreement between the Company and SRC4.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, as of December 31, 2022, the Company is licensed to transact business in Arizona, Colorado, District of Columbia, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Texas, and Utah. After the examination date, the Company gained licenses in Georgia and Kentucky.

The Company has implemented a business plan to leverage technology to develop, sell, and administer competitive life and annuity products through independent marketing organizations. The Company's goal is to reinsure substantially all of its insurance policies written with third-party reinsurers. The third-party reinsurers assume the financial risk of the insurance and annuity policies, and the Company earns up front ceding commissions from the reinsurer as well as policy administration fees. As of the exam date, the Company offers a multi-year guaranteed annuity ("MYGA") and a fixed indexed annuity ("FIA") product through three independent marketing organizations. Since the examination date, the Company has increased its utilization to nine independent marketing organizations. A new hybrid product with both MYGA and FIA features ("MYGIA") named "Fusion" was introduced to the market in conjunction with a key independent marketing organization distribution partner in mid-2023.

REINSURANCE

Ceded - Legacy

As part of the merger with Old Reliance, the Company maintains various reinsurance contracts with Optimum Re Insurance Company ("Optimum Re"), Security Life of Denver

Insurance Company, and Swiss Re Life & Health America, Inc. with effective dates ranging between 1976 and 2003, whereby the Company cedes closed blocks of Yearly Renewable Term (“YRT”) life and Accidental Death Benefit (“ADB”) business.

The Company is party to two Master Reinsurance Agreements with Sagicor Life Insurance Company (“Sagicor”), formerly known as American Founders Life Insurance Company, an authorized insurer domiciled in Texas. Under the combined 75% and 25% coinsurance agreements effective December 30, 1999, and April 1, 2000, respectively, Sagicor agreed to assume 100% of the Company’s life insurance risks on a closed block of Old Reliance business written prior to its merger with the Company.

Effective August 1, 2009, the Company entered into an automatic and facultative excess of loss contract with Optimum Re, whereby the Company cedes YRT life in excess of \$40,000.

The Company entered into an excess of loss reinsurance agreement with Optimum Re, effective January 1, 2010, whereby Great Plains cedes YRT life in excess of \$55,000 on an automatic and facultative basis. Effective August 1, 2012, the Company assumes YRT business from Great Plains on an automatic and facultative basis in excess of \$30,000 up to the \$55,000 retention of the Optimum Re agreement. Since Great Plains merged into the Company, an amendment, effective December 6, 2016, removed Great Plains and changed Optimum Re’s attachment point to \$30,000.

First Wyoming entered an automatic and facultative excess of loss contract with Optimum Re, effective May 1, 2012, whereby First Wyoming cedes YRT life in excess of \$40,000. Since First Wyoming merged into the Company, the agreement was amended on September 1, 2016 to continue the agreement with the Company as the cedent.

Effective September 30, 2017, the Company entered into a quota share coinsurance agreement with US Alliance Life and Security Company (“US Alliance”), whereby the Company ceded 100% of all risks and liabilities associated with the reinsured policies. The reinsured policies consisted of all policies, riders, amendments, or endorsements in-force as of the effective date that were originally issued by First Wyoming and Great Plains, which became contracts of the Company through mergers. Subsequently, US Alliance and the Company (the US Parties) entered into a series of amendments, including a second amendment effective as of December 31, 2020 whereby the US Parties partially terminated the coinsurance agreement with regard to the policies originally issued by Great Plains. Concurrently, on December 31, 2020, the Company executed an assumption reinsurance agreement with Dakota Capital Life Insurance Company (“Dakota Capital”) with regard to the Great Plains policies, as well as a related guaranty by US Alliance Corporation, of which US Alliance and Dakota Capital are wholly owned subsidiaries. Finally, also on December 31, 2020, the US Parties entered into a settlement agreement.

Effective July 1, 2018, the Company entered into a quota share agreement with Unified Life Insurance Company (“Unified”), whereby the Company cedes 100% of the liabilities associated with various life, annuity, and health insurance policies included in an exhibit to the agreement.

Ceded - New Program

The Company entered into an automatic funds withheld and modified coinsurance agreement with Ironbound, effective July 25, 2019, whereby the Company ceded 95% of all in-force and new MYGA policies. Initially, the business was ceded on a 60% funds withheld and 40% modified coinsurance basis. 1505 Capital performs the investment management services,

and Ironbound maintains a separate trust to support the reinsured business. The total amount of premium ceded to Ironbound through December 31, 2022 was \$158,035,135. The quota share was reduced to zero effective March 11, 2020.

The Company entered into an automatic funds withheld and modified coinsurance agreement with SDA, effective September 30, 2019, whereby the Company ceded 5% of all in-force and new MYGA policies and 95% of all FIA policies. Initially, the business was ceded on a 60% funds withheld and 40% modified coinsurance basis. 1505 Capital performs the investment management services, and SDA (now known as “Ascendant Re”) maintains a separate trust to support the reinsured business. The total amount of premium ceded to Ascendant Re through December 31, 2022 was \$60,125,019.

The Company entered into a funds withheld and funds paid coinsurance agreement with US Alliance, effective January 1, 2020, whereby the Company cedes 100% of the liabilities associated with MYGA and FIA annuity policies based on a quota share schedule included in an exhibit to the agreement. 1505 Capital performs the investment management services, and US Alliance also maintains a separate trust to support the reinsured business. The total amount of premium ceded to US Alliance through December 31, 2022 was \$50,127,278. The quota share was reduced to zero effective June 30, 2020.

Effective January 1, 2020, the Company entered into an automatic funds withheld and modified coinsurance agreement with Seneca Re on behalf of, and for the exclusive benefit of, SRC1, whereby the Company cedes 100% of the liabilities associated with MYGA and FIA annuity policies based on a quota share schedule included in an exhibit to the agreement. SRC1 maintains a separate trust to support the reinsured business. The total amount of premium ceded

to SRC1 through December 31, 2022 was \$185,265,763. The quota share was reduced to zero effective April 8, 2021.

Effective April 24, 2020, the Company entered into an automatic funds withheld and modified coinsurance agreement with Crestline Re SPC (“Crestline SPC”), as successor by novation to Seneca Incorporated Cell, LLC 2020-02 (“SRC2”). The Company initially agreed to a quota share of 25% of all MYGA policies, and 40% of all FIA policies, and the business was ceded on a 40% funds withheld and 60% modified coinsurance basis. Crestline also maintains a separate trust to support the reinsured business. The Crestline affiliate contributed \$40,000,000 of assets to capitalize a new cell, now known as Crestline SP1.

In July 2020, the NDOI approved the Funds Withheld Co-insurance and Modified Coinsurance Agreement with SRC2 of Seneca Re, now known as Crestline SP1. In December 2020, the Company entered into a novation agreement with SRC2 and Crestline SPC, an exempted segregated portfolio company incorporated under the laws of the Cayman Islands, for and on behalf of Crestline SP1, a segregated portfolio company of Crestline SPC, under which reinsurance, trust and related asset management agreements were novated and replaced with substantially similar agreements entered into by the Company and Crestline SP1. The total amount of premium ceded to Crestline SP1 through December 31, 2022 was \$440,946,687.

The Company entered into an automatic modified coinsurance agreement with American Republic Insurance Company (“American Republic”), effective January 1, 2021, whereby the Company cedes 100% of the liabilities associated with MYGA and FIA annuity policies based on a quota share schedule included in an exhibit to the agreement. 1505 Capital performs the investment management services. The total amount of premium ceded to American Republic through December 31, 2022 was \$168,675,599.

In November 2021, MHI purchased 1,000 shares of Common Stock, \$.01 par value per share, for a total purchase price of \$5,701,000 for 100% ownership in an intermediary holding company Midwest Capital Corporation. Also, on November 10, 2021, SRC3 was granted a Certificate of Authority by the VDFR. The intermediary holding company contributed capital of \$5,500,000 to purchase 100% of SRC3 Class A and B capital stock. Also, in November 2021, the Company and SRC3 entered into a Funds Withheld and Modified Coinsurance Agreement, whereby, SRC3 agreed to provide reinsurance funding for a quota share percentage of 45% of the liabilities of the Company arising from its MYGA and quota share percentage of 45% of the Company's FIA products. The total amount of premium ceded to SRC3 through December 31, 2022 was \$124,289,734.

On September 21, 2022, the NDOI issued its non-disapproval of the conversion of the Company's agreement with US Alliance to convert its block of business from a Funds Withheld agreement to a Funds Paid Coinsurance agreement. The conversion was effective as of October 1, 2022 and was triggered by US Alliance becoming a Qualified Institutional Buyer as specified in the original agreement. Upon conversion, the Company began transferring assets held on behalf of US Alliance to the reinsurer, with a corresponding entry made to Amounts Recoverable. The approximate value of assets transferred was approximately \$49,700,000.

On September 30, 2022, the Company entered into a reinsurance agreement with SRC4. The reinsurance agreement was effective as of July 1, 2022 among the Company and Seneca Re. The reinsurance agreement supports the Company's new business production by providing reinsurance capacity for the Company to write certain kinds of fixed and multi-year guaranteed annuity products. Under the reinsurance agreement, SRC4 agreed to provide reinsurance funding for a quota share percentage of 45% of the liabilities of the Company arising from its MYGA-5

products and a quota share percentage of 10% for MYGA-3 products. The Company has established a Modco Deposit Account, a Funds Withheld custody account, and a Trust Account pursuant to the reinsurance agreement. The total amount of premium ceded to SRC4 through December 31, 2022 was \$59,376,801.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credit could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$366,947,599	\$ 682,075,700	\$1,279,651,197
Admitted assets	654,556,890	1,121,138,404	1,870,429,007
Aggregate reserves for life contracts	314,348,575	658,208,015	1,268,397,058
Total liabilities	577,110,353	1,047,127,886	1,800,493,437
Capital and surplus	77,446,537	74,010,518	69,935,570
Premium income	39,934,151	107,767,334	369,240,571
Net investment income	15,565,964	43,737,826	90,454,925
Death benefits	(2,518)	5,609	2,216
Annuity benefits	89,449	737,252	1,155,147
Net income	3,893,041	(6,354,951)	2,329,921

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the NDOI and present the financial condition of the Company for the period ending December 31, 2022. There were no examination adjustments to the amounts reported in

the annual statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2022

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,279,651,197		\$1,279,651,197
Stocks – preferred	19,532,202		19,532,202
Stocks – common	1,312,600		1,312,600
Mortgage loans – first liens	127,088,593		127,088,593
Cash	149,015,131		149,015,131
Cash equivalents	35,391,462		35,391,462
Short-term investments	99,718,761		99,718,761
Derivatives	15,732,122		15,732,122
Other invested assets	115,485,143		115,485,143
Receivables for securities	1,281,149		1,281,149
Funds in escrow - mortgage	<u>783,590</u>		<u>783,590</u>
Subtotal, cash and invested assets	\$1,844,991,949		\$1,844,991,949
Investment income due and accrued	24,994,928		24,994,928
Premiums and considerations – uncollected	294,728	\$294,728	
Electronic data processing equipment	12,829		12,829
Furniture and equipment	6,390	6,390	
Receivables from parent/subsidiary	197,664		197,664
Miscellaneous receivable	231,637		231,637
Prepaid expenses	<u>325,574</u>	<u>325,574</u>	<u>0</u>
Total assets	<u>\$1,871,055,699</u>	<u>\$626,692</u>	<u>\$1,870,429,007</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$1,268,397,058
Liability for deposit-type contracts	29,000,000
Other amounts payable on reinsurance	57,678,159
Interest maintenance reserve	544,503
General expenses due or accrued	5,378,409
Taxes, licenses and fees due or accrued	323,039
current federal and foreign income taxes	4,052,432
Unearned investment income	1,304,823
Remittances and items not allocated	31,947,372
Asset valuation reserve	12,045,166
Funds held under reinsurance treaties with unauthorized reinsurers	<u>389,822,476</u>
Total liabilities	\$1,800,493,437
Common capital stock	2,500,000
Gross paid in and contributed surplus	117,625,587
Unassigned funds	(50,190,017)
Surplus	<u>67,435,570</u>
Total capital and surplus	\$ 69,935,570
Total liabilities, capital and surplus	<u>\$1,870,429,007</u>

SUMMARY OF OPERATIONS – 2022

Premiums and annuity considerations	\$369,240,571
Net investment income	90,454,925
Amortization of interest maintenance reserve	(114,769)
Commissions and expense allowances on reinsurance ceded	34,802,099
Reserve adjustments on reinsurance ceded	211,333,144
Miscellaneous income	<u>25,591,487</u>
Total income	\$731,307,456
Death benefits	2,216
Annuity benefits	1,155,147
Surrender benefits and withdrawals	6,061,329
Increase in aggregate reserves	<u>606,308,172</u>
Total losses	\$613,526,864
Commissions on premiums and annuity considerations	38,512,843
General insurance expenses	27,428,633
Insurance taxes, licenses and fees, excluding federal income taxes	2,271,869
Funds withheld interest due	<u>30,905,062</u>
Total losses and expenses	\$712,645,271
Net gain from operations before federal income taxes and net realized capital gains	\$ 18,662,185
Federal and foreign income taxes incurred	(5,734,944)
Net realized capital losses	<u>(10,597,320)</u>
Net income	<u>\$ 2,329,921</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	\$19,507,325	\$77,446,537	\$ 74,010,518
Net income	\$ 3,893,041	\$ (6,354,951)	\$ 2,329,921
Change in net unrealized capital gains	2,744,320	5,720,738	(28,592,931)
Change in net unrealized foreign exchange capital gain (loss)	1,288,557	(355,729)	2,944,778
Change in nonadmitted assets	(933,721)	744,580	276,943
Change in asset valuation reserve	(2,911,861)	(3,146,496)	(5,497,871)
Capital changes – paid in	1,450,000		
Surplus adjustment – paid in	53,550,000		24,500,000
Change in surplus – as a result of reinsurance	<u>(1,141,124)</u>	<u>(44,161)</u>	<u>(35,789)</u>
Net change for the year	<u>\$57,939,212</u>	<u>\$ (3,436,019)</u>	<u>\$ (4,074,948)</u>
Capital and surplus, ending	<u>\$77,446,537</u>	<u>\$74,010,518</u>	<u>\$ 69,935,570</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(50,190,017), as reported in the Company's 2022 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Cost Sharing Agreement – It is recommended that the Company comply with all settlement provisions of the Cost Sharing Agreement with MHI.

Actions: The Company has complied with this recommendation.

Promissory Notes – It is recommended that the Company work with its parent to comply with the settlement provisions of the Promissory Notes.

Actions: The Company has complied with this recommendation. In December 2022 the Promissory Notes were paid in full.

Investment Transaction Approval - It is recommended that the Company comply with Nebraska Insurance Statute §44-5105(3) and approve its investment activity at each quarterly Board meeting.

Actions: The Company has complied with this recommendation.

Actuarial Opinion - It is recommended that the Company document the presentation of the Appointed Actuary in the appropriate meeting minutes. It was noted that the Company did document this presentation subsequent to the examination date at the March 11, 2021 Board of Directors meeting.

Actions: The Company has complied with this recommendation.

General Interrogatories - It is recommended that the Company not disclose 1505 Capital as an unaffiliated investment manager in the General Interrogatories in the Annual Statement. Additionally, it is recommended that the Company disclose unaffiliated investment managers engaged through sub-advisory agreements with 1505 Capital in the General Interrogatories in the Annual Statement.

Actions: The Company has complied with this recommendation.

Schedule Y Part 2 - It is recommended that the Company completes Schedule Y Part 2 in accordance with the Annual Statement instructions.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Compliance with Nebraska Revised Statute Section §44-5105(2)

The Company was not in compliance with Nebraska Revised Statute Section §44-5105(2) as of December 31, 2020 and 2021 as the Board did not adopt the Investment Policy and Guidelines. However, the Company now appears to be in compliance for the year ended December 31, 2022.

Compliance with Nebraska Revised Statute Section §44-5105(3)

The Company was not in compliance with Nebraska Revised Statute Section §44-5105(3) as of December 31, 2020 as the Board was not provided investment reporting consistently on a quarterly basis nor approving the investment transactions on a quarterly basis. However, the Company now appears to be in compliance beginning with the June 28, 2021 Board of Directors meeting.

Compliance with Cost Sharing Agreement

MHI and the Company did not prepare a detailed study to support the cost sharing allocation in 2022. Instead, MHI and the Company relied on the 2021 allocation. However, this 2021 allocation did not support all of the cost sharing allocations in 2022.

It is recommended that MHI and the Company develop and maintain appropriate documentation to support future allocations under the Cost Sharing Agreement, to the extent the Cost Sharing Agreement is utilized in the future.

Additionally, the Company is not in compliance with Statement of Statutory Accounting Principles (“SSAP”) No. 25, *Affiliates and Other Related Parties*, and certain provisions of its Cost Sharing Agreement, as MHI allocated 100% of payroll expenses to the Company, under the notion that all employees are employees of the Company. There is no allocation of payroll expenses to MHI, although employees do spend time on tasks that are solely for MHI.

It is recommended that MHI and the Company document how the current regime of having all payroll expenses borne by the Company is in accordance with SSAP No. 25. If MHI and the Company determine that they will allocate payroll expenses, such methodology should be specifically memorialized in the Cost Sharing Agreement and appropriate documentation

maintained by MHI and the Company to support this allocation in accordance with SSAP No. 25.

Inaccurate Reporting within the Investment Schedules

The Company inaccurately reported certain investments in the Investment Schedules in its Statutory Financial Statements as of December 31, 2022. Based on examination procedures, two investments were inaccurately reported on Schedule BA as Collateral Loans but did not meet the requirements under SSAP No. 21 - Revised, *Other Admitted Assets*. For the first investment, it should have been reported as a bond on Schedule D in accordance with the provisions in SSAP No. 26 – Revised, *Bonds*, and submitted to the Securities Valuation Office (“SVO”) for a rating. For the second investment, the Company did not classify this investment accurately and, as a result, the Company is currently pursuing a rating from a rating agency to determine if the investment qualifies as an investment under SSAP No. 43 – Revised, *Loan-Backed and Structured Securities*.

It is recommended that the Company perform a thorough and detailed accounting analysis of its investments to ensure accurate reporting of its investments in its Annual Statement. Such analysis should entail a detailed review of the deal documents in conjunction with appropriate Statutory Accounting Principles. Further, it is recommended that the Company review its Statutory accounting for the first investment and submit it for review by the SVO for a rating.

Specific to the second investment, it is recommended that the Company develop a plan to obtain this rating within a reasonable timeframe by a rating agency deemed acceptable by the NDOI. Further, it is recommended that such plan and timeframe are shared with the NDOI,

along with providing periodic updates, as they are known. If the Company chooses another rating agency, it is requested the Company obtain approval from the NDOI in advance.

Valuation of Investments Reported on Schedule BA

The Company does not follow all statutory accounting requirements nor prepare/maintain sufficient analysis and support for the valuation of all of its investments reported on Schedule BA. Specifically, the Company does not obtain audited financial statements on an annual basis for its Joint Venture (“JV”) and Limited Liability Company (“LLC”) investments in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*. Rather, the Company is relying on the investment manager or sub-advisor to obtain the audited financial statements for these investments. Further, the Company does not obtain audited financial statements to support its valuation for Collateral Loan investments reported as equity. Recently, the NAIC’s Statutory Accounting Principles (E) Working Group released some clarifications to the statutory literature. One such clarification was related to equity investments that are considered to be Collateral Loans where insurers are required to obtain audited financial statements to support the valuation.

It is recommended that the Company obtain the annual audited financial statements for its JV and LLC investments as well as Collateral Loan investments reported as equity.

SUBSEQUENT EVENTS

ACQUISITION BY ANTARCTICA CAPITAL, LLC

On April 30, 2023, MHI entered into an Agreement and Plan of Merger with Midas Parent, L.P. (“Parent”), an affiliate of Antarctica Capital, LLC (“Antarctica”), and Midas Merger Acquisition Sub, Inc., a wholly owned subsidiary of Parent (“Merger Sub”). As part of the

merger, all the outstanding shares of MHI were acquired for \$27 per share. The transaction received approval from the VDFR on May 14, 2023 and from Shareholders on July 26, 2023.

On May 26, 2023, a Form A Statement Regarding the Acquisition of Control for American Life was filed with the NDOI. The filing was subsequently supplemented multiple times, with the final supplement being received by the NDOI on or about November 14, 2023. A public hearing was held on December 12, 2023, and an approval order was issued by the Director of Insurance effective the same day.

Effective December 20, 2023, all Board of Directors members other than Georgette Nicholas and Michael Minnich resigned from the Board in connection with the acquisition of MHI by Antarctica.

Based on the receipt of all approvals, the transaction was completed on December 21, 2023. At that time, the change of control occurred, with Chandra Patel becoming the ultimate controlling party given his ownership in Antarctica Investment Advisors.

At the completion of the transaction, MHI was delisted from NASDAQ and converted to a Delaware Limited Liability Company, Midwest Holding LLC (“Midwest Holding”).

American Life is 100% owned and controlled by Midwest Holding. By virtue of ownership, Chandra Patel is the ultimate controlling party of Midwest Holding and therefore American Life as of December 31, 2023.

On December 21, 2023, MHI completed the Merger with Merger Sub and, as of the same date, converted from MHI to Midwest Holding in the State of Delaware.

Effective as of December 31, 2023, the following persons were serving as Directors:

Name and Residence

Principal Occupation

Georgette Cecelia Nicholas
Lincoln, Nebraska

Chief Executive Officer, American Life

<u>Name and Residence</u>	<u>Principal Occupation</u>
Michael Wayne Minnich Greenwich, Connecticut	President, American Life
Dorothea Elisabeth Mell Toronto, Ontario, Canada	Corporate Director, Mining/Investing Firm
Robert Vincent Stefanowski Madison, Connecticut	Consultant
David Michael Harris Colts Neck, New Jersey	Retired Financial Services Director
Chandravaden Kumar Ramanbhai Patel (Chandra Patel) New York, New York	Investment Professional / Attorney
Inho Choi New York, New York	Managing Director, Investment Firm
David Douglas Stortz Hampstead, North Carolina	Managing Director, Investment Firm
Matthew Goldfarb Westport, Connecticut	Managing Director, Investment Firm

Effective December 29, 2023, the Company entered into an investment management agreement with Antarctica Investment Advisors, LLC to provide management of the Company's general account.

On January 3, 2024, pursuant to two Orders entered by the NDOI dated January 3, 2024 (which authorized the notes to be included as capital as of December 31, 2023), the Company issued two 10-year surplus notes bearing interest at 10%, each with an affiliate of Antarctica – one in the principal sum of \$8,000,000 issued to Antarctica Special Opportunities Partners VI, LP and the other in the principal sum of \$12,000,000 issued to Antarctica Special Opportunities Partners VII, LP.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Compliance with Cost Sharing Agreement - It is recommended that MHI and the Company develop and maintain appropriate documentation to support future allocations under the Cost Sharing Agreement, to the extent the Cost Sharing Agreement is utilized in the future.

It is also recommended that MHI and the Company document how the current regime of having all payroll expenses borne by the Company is in accordance with SSAP No. 25. If MHI and the Company determine that they will allocate payroll expenses, such methodology should be specifically memorialized in the Cost Sharing Agreement and appropriate documentation maintained by MHI and the Company to support this allocation in accordance with SSAP No. 25.

Inaccurate Reporting within the Investment Schedules - It is recommended that the Company perform a thorough and detailed accounting analysis of its investments to ensure accurate reporting of its investments in its Annual Statement. Such analysis should entail a detailed review of the deal documents in conjunction with appropriate Statutory Accounting Principles.

Specific to the second investment, it is recommended that the Company develop a plan to obtain this rating within a reasonable timeframe by a rating agency deemed acceptable by the NDOI. It is recommended that such plan and timeframe are shared with the NDOI, along with providing periodic updates, as they are known. If the Company chooses another rating agency, it is requested the Company obtain approval from the NDOI in advance.

Valuation of Investments Reported on Schedule BA - It is recommended that the Company obtain the annual audited financial statements for its JV and LLC investments as well as Collateral Loan investments reported as equity in accordance with statutory accounting requirements.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Jamie Taylor, CFE, MCM, Deepika Roy, CPA, John Bunce, CFE, and Andrew Calamita, AFE, Financial Examiners; LeeAnne Creevy, CISA, CPA, CITP, CRMA, MCM and David Hall, CISA, CPA, CITP, Information Systems Specialists; and Tricia Matson, FSA, MAAA, Janine Bender, ASA, MAAA, Leslie Jones, ASA, MAAA, Vadim Marchenko, ASA, MAAA, Actuarial Examiners; Ben Leiser, FSA, MAAA and Vadim Marchenko, ASA, MAAA, Reinsurance Specialists; and Edward Toy, Investment Specialist, all contracted by the Department of Insurance, and the Financial Examiners with the Vermont Department of Financial Regulation participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

Laura Clark

Laura Clark, CFE, CPA
Examiner-in Charge
Risk & Regulatory Consulting, LLC
Representing Department of Insurance
State of Nebraska

Andrea Johnson

Andrea Johnson, CFE
Deputy Chief Financial Regulator
Department of Insurance
State of Nebraska

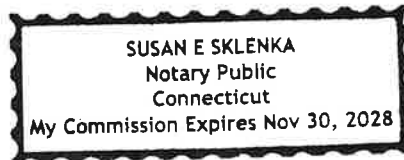
State of Connecticut,

County of Hartford,

Laura Clark, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of American Life & Security Corp.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of American Life & Security Corp. was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.



Laura Clark

Examiner-in-Charge's Signature

Subscribed and sworn before me by Laura Clark on this 27th day of August, 2024.

(SEAL)

Susan E. Sklenka
Notary Public

My commission expires November 30, 2028 [date].