

JUN 14 2025

FILED

CERTIFICATION

June 14, 2025

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 FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS

AS OF

DECEMBER 31, 2023

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.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS

1932 WYNNNTON ROAD

COLUMBUS, GA 31999-0001

dated as of December 31, 2023, verified under oath by the examiner-in-charge on
April 16, 2025, and received by the company on May 20, 2025, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 4th day of June 2025.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink that reads "Tadd R. Wegner". The signature is written in a cursive style with a large, stylized 'W'.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS

as of

December 31, 2023

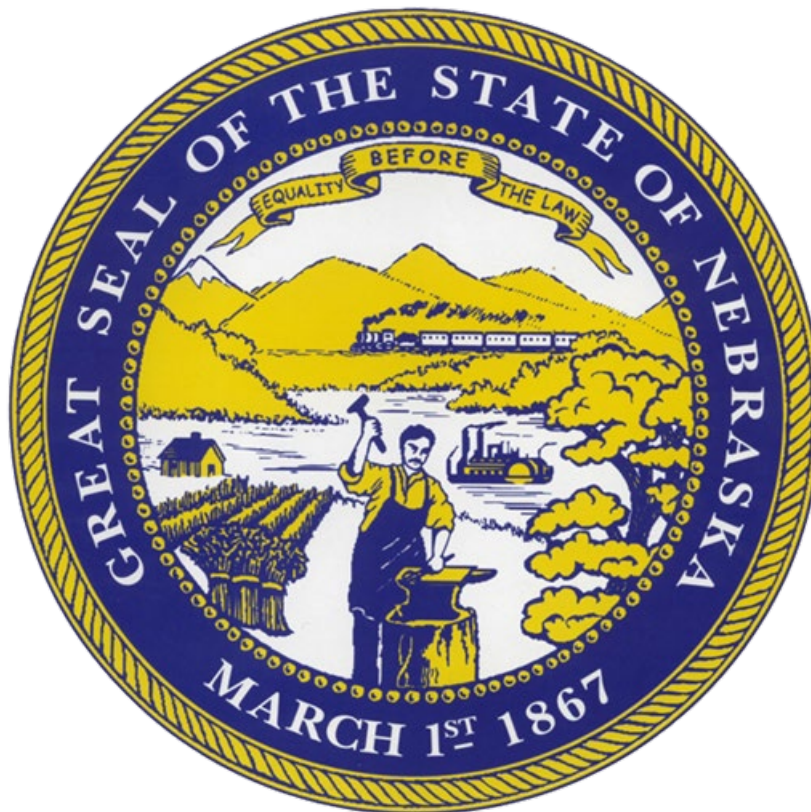


Table of Contents

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination	2
Description of Company	4
History	4
Management and Control	5
Holding Company	5
Shareholder.....	6
Surplus Note	7
Board of Directors	7
Officers	9
Committees.....	10
Transactions with Affiliates	11
Service Agreements.....	11
Intercompany Currency Conversion Agreement.....	14
Investment Management Agreements	14
Line of Credit Agreement.....	15
Intercompany Tax Allocation Agreement	15
Territory and Plan of Operation	15
Reinsurance	16
Assumed	16
Ceded.....	18
General	19
Body of Report.....	19
Growth.....	19
Financial Statements	20
Examination Changes in Financial Statements	23
Compliance with Previous Recommendations.....	24
Commentary on Current Examination Findings	24
Acknowledgment	25

Omaha, Nebraska
April 16, 2025

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 FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS which
has its Statutory Home Office located at

10306 Regency Parkway Drive
Omaha, Nebraska 68114-3743

with its Principal Executive Office located at

1932 Wynnton Road
Columbus, Georgia 31999-0001

(hereinafter also referred to as the “Company”), 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, 2023 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska and New York participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's subsidiary, American Family Life Assurance Company of New York (Aflac-NY), and affiliates, Continental American Insurance Company (CAIC) and Tier One Insurance Company (TOIC).

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the 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 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 as the coordinating state and the New York Department of Financial Services as the 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 Nebraska Department of Insurance made a general review of the Company's operations and the manner which its business has been conducted 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, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, 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, as were plans for employee welfare and pension. 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 KPMG, LLP, the Company's external auditors, during its audit of the Company's accounts for the years ended December 31, 2022, and 2023. 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 incorporated on November 17, 1955, and commenced operations on April 1, 1956. The Company is a wholly owned subsidiary of Aflac Incorporated (Aflac Inc.), a Georgia stock corporation. Aflac Inc.'s shares are traded on the New York Stock Exchange. Prior to April 1, 2018, the Company operated in two segments, in the United States and as a branch in Japan (Aflac Japan). Effective April 1, 2018, the Company entered a series of transactions to complete the conversion of Aflac Japan into a Japanese corporation, owned by the ultimate parent, Aflac Inc. In connection with the conversion of Aflac Japan's legal structure, Aflac Reinsurance Company (ARC) and Nebraska Life Assurance Company (NLAC) were merged into the Company.

The Company owns two insurance subsidiaries. Aflac-NY, a New York domestic insurance company and Aflac Re Bermuda Ltd., which is used to provide reinsurance to its affiliate, Aflac Japan.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person,” as reported in the 2023 Annual Statement, is represented by the following (subsidiaries are denoted through use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

Aflac Incorporated

Aflac Asset Management LLC

Aflac Asset Management Japan Ltd.

Global Alternatives Fund SPC

Global Alternatives Private Equity Portfolio SP

Global Alternatives Real Estate Portfolio SP

Aflac Benefits Advisors, Inc.

Aflac Global Ventures LLC

Aflac Ventures India Fund LLC

Aflac Ventures Japan KK

Hatch Healthcare Kk

Aflac Ventures LLC

Lapetus Solutions, Inc.

Medical Note, Inc.

Sensely Corporation

Aflac Ventures Labs LLC

Aflac Ventures Seed Fund LLC

Aflac GI Holdings LLC

Denham Sustainable Infra GP LLC

Denham Sustainable Infra Management LP

Sound Point Commercial Real Estate Finance LLC

Wildlife Direct Leading Management MGP, LLC

Aflac Holdings LLC

Aflac Life Insurance Japan Ltd.

Aflac Heartful Services Company, Ltd.*

Aflac Digital Services Company, Ltd.

Aflac Insurance Services Company, Ltd.

Aflac Payment Services Company, Ltd.

Aflac Pet Small-amount-and-Short-term Insurance Company, Ltd.
 Global Alternatives Private Equity Sub-Trust A**
 Global Alternatives Real Estate Equity Sub-Trust B**
 Global Investment Fund I
 Oconee Real Estate Holdings I LLC
 Oconee Real Estate Holdings II LLC ***
 Oconee Real Estate Holdings III LLC
 Taghkanic Real Estate Holdings I LLC ****
 Tsusan Co., Ltd.
 Aflac Information Technology, Inc.
 Simple Technology, LLC
 Aflac International, Inc.
 Aflac Northern Ireland, Ltd.
 American Family Life Assurance Company of Columbus
 Aflac InfoSec Services LLC
 Aflac Re Bermuda Ltd.
 American Family Life Assurance Company of New York
 Empoweredbenefits LLC
 Phoenicia Real Estate Holdings I LLC
 Communicorp, Inc.
 Continental American Insurance Company
 Continental American Group, LLC
 Empowered Insure LLC
 Tier One Insurance Company

** 79.4% owned by Aflac Life Insurance Japan, Ltd., 9.9% owned by Aflac Insurance Services Co., Ltd., 9.9% owned by Aflac Payment Services Co., Ltd., and 0.8% owned by Tsusan Co., Ltd.*

*** 90.1% owned by Aflac Life Insurance Japan, Ltd., and 9.9% owned by American Life Assurance Company of Columbus.*

**** 86.13% owned by Global Investment Fund I, and 13.87% owned by American Life Assurance Company of Columbus.*

***** 80.8% owned by Global Investment Fund I, and 19.2% owned by American Life Assurance Company of Columbus.*

Shareholder

Article III of the Company's Articles of Incorporation states that, "the aggregate number of shares which this Corporation shall have authority to issue is 7,500,000 shares of voting common stock of \$1.00 par value per share; and 500,000 shares of non-voting common stock of \$1.00 par value per share." The Company issued 7,025,039 shares of voting stock to its parent and sole shareholder, Aflac Inc.

Article 2, Section 2.1 of the Company’s By-Laws states that, “meetings of Shareholders may be held at any place within or without the State of Nebraska as set forth in the notice thereof or, in the event of a meeting held pursuant to waiver of notice, as set forth in the waiver, or if no place is so specified, at the principal office of the Corporation.” Further, Section 2.2 of the Company’s By-Laws states that, “the annual meeting of Shareholders shall be held on the first Monday in May of each year unless that day is a legal holiday, and in that event on the next succeeding business day, for the purpose of electing Directors and transacting any and all business that may properly come before the meeting.”

The Company paid dividends to the Shareholder during the examination period as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 852,998,500
2021	653,653,184
2022	593,861,672
2023	<u>893,526,653</u>
Total	<u>\$2,994,040,009</u>

Surplus Note

On September 28, 2020, the Board of Directors of the Company approved the issuance of a \$130 million surplus note to Aflac Inc. in exchange for cash of the principal balance owed on the note. The terms of the surplus note call for annual simple interest payments at a per annum of 1.10% subject to approval of the Director of Insurance for the State of Nebraska. The surplus note is five years in duration and is scheduled to mature on September 28, 2025.

Board of Directors

Article 3, Section 3.1 of the Company’s By-Laws states that, “the property, affairs and business of the Corporation shall be managed by or under the direction of its Board of Directors,

which may exercise all powers of the Corporation and do all lawful acts and things which are not by law, by the Articles of Incorporation or by these By-Laws directed or required to be exercised or done by the Shareholders.” Section 3.2 states that, “the number of Directors which shall constitute the whole Board shall be not less than five (5) or more than twenty-five (25); at least one of which must be a resident of the State of Nebraska.” Section 3.2 continues to state that, “each Director elected shall hold office until the next succeeding annual meeting of the Shareholders and thereafter until his successor is elected and qualified or until his earlier resignation, removal from office, disqualification, retirement or death.”

The following persons were serving as Directors on December 31, 2023:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Daniel Paul Amos Columbus, Georgia	Chairman of the Board and Chief Executive Officer, Aflac Incorporated
Max Kristian Brodén Columbus, Georgia	Executive Vice President, Chief Financial Officer, Aflac Incorporated
Lawrence Francis Harr Omaha, Nebraska	Partner, Lamson, Dugan and Murray
June Posey Howard* Cataula, Georgia	Senior Vice President, Financial Service and Chief Accounting Officer, Aflac Incorporated
Thomas Joseph Kenny Santa Barbara, California	Former Partner and Co-Head of Global Fixed Income, Goldman Sachs Asset Management
Karole Friday Lloyd Atlanta, Georgia	CPA and retired Managing Partner, Ernst & Young, LLP
Joseph Lee Moskowitz Marietta, Georgia	Retired Executive Vice President, Primerica, Inc.

* Robin L. Blackmon was appointed to replace June P. Howard effective January 1, 2024.

Officers

Article 4, Section 4.1 of the Company's By-Laws states that, "the Officers of the Corporation, who shall be chosen by the Board of Directors, are as follows: Chief Executive Officer, Chairman of the Board of Directors, Vice Chairman of the Board of Directors, President, First Executive Vice President, Executive Vice Presidents, Secretary, Assistant Secretary, Treasurer, and Assistant Treasurer." Section 4.1 of the By-Laws also states that, "the Board may, in its discretion, leave any of the above offices vacant for any length of time." Section 4.3 of the By-Laws states that, "unless otherwise provided by resolution of the Board of Directors, the principal Officers shall serve until their successors shall have been chosen and qualified, or until their death, resignation or removal as provided by these By-Laws."

The following is a listing of Officers elected and serving the Company on December 31, 2023:

<u>Name</u>	<u>Office</u>
Daniel P. Amos	Chairman of the Board of Directors and Chief Executive Officer
Virgil R. Miller	President
Max K. Brodén	Executive Vice President, Treasurer
Bradley E. Dyslin	Executive Vice President, Global Chief Investment Officer
Audrey B. Tillman	Executive Vice President, General Counsel
Steven K. Beaver	Senior Vice President, Chief Financial Officer
Scott A. Beeman	Senior Vice President, Premier Life Absence Disability
Keith P. Farley	Senior Vice President, Individual Voluntary Benefits
June P. Howard	Senior Vice President, Financial Services; Chief Accounting Officer
Thomas L. McDaniel, Jr.	Senior Vice President, Chief Auditor and Chief Compliance Officer
Robert R. Ruff	Senior Vice President, Brand and Creative Services
Nicholas G. Bettin	Vice President, Assistant Treasurer
Robin L. Blackmon	Vice President, Deputy Chief Accounting Officer
B. Michael DeVore	Vice President, Corporate Development
Jon A. Edgington	Vice President, Sales Operations

<u>Name</u>	<u>Office</u>
Maki Hishikawa	Vice President, International and Government Affairs
Tera N. Ladner	Vice President, Global Security Risk Management and Governance
J. Matthew Loudermilk	Vice President, Corporate Secretary
Mark C. Massey	Vice President, Appointed Actuary
X. May Liu	Global Head of Credit
Teresa Q. McTague	Chief Investment Officer
Brooke R. Phillips	Assistant Secretary
James M. Rizzo	Deputy U.S. Chief Investment Officer

Committees

Article 3, Section 3.11 of the Company’s By-Laws states that, “the Board of Directors may, by the greater of (a) a majority of all the Directors in office when the action taken or (b) the number of Directors required by the Articles of Incorporation or By-Laws to take action under Neb. Rev. Stat. §21-2093, designate from among its members one or more committees, each committee to consist of two or more Directors.”

The following persons were serving on the Executive Committee on December 31, 2023:

Daniel P. Amos, Chairman	Max K. Brodén
Joseph L. Moskowitz	

The following persons were serving on the Finance and Investment Committee on December 31, 2023:

Thomas J. Kenny, Chairman	Max K. Brodén
Karole F. Lloyd	

Aflac Inc. has a number of committees that assist in fulfilling the oversight responsibilities of the holding company and its insurance subsidiaries, including but not limited to an Audit and Risk Committee.

TRANSACTIONS WITH AFFILIATES

Service Agreements

Effective November 10, 2016, NLAC entered into a Master Intercompany Services and Facilities Agreement with Aflac Inc., whereby both companies provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient is an expense-based allocation that includes a small intercompany profit charge. On April 1, 2018, NLAC was part of a statutory merger with the Company.

Effective December 7, 2016, the Company entered into a Master Intercompany Services and Facilities Agreement with CAIC, whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective December 7, 2016, the Company entered into a Master Intercompany Services and Facilities Agreement with Aflac Benefits Advisors, Inc. (ABA), whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective December 7, 2016, the Company entered into Master Intercompany Services and Facilities Agreement with Aflac Global Ventures LLC (formerly Aflac Corporate Ventures LLC), whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective December 1, 2017, the Company entered into a Master Intercompany Services and Facilities Agreement with Aflac Holdings LLC, whereby the Company is able to provide

personnel services, certain property, equipment, and facilities to Aflac Holdings LLC. The service fee, paid by Aflac Holdings LLC, is an expense-based allocation that includes a small intercompany profit charge.

Effective January 1, 2018, the Company entered into a Master Intercompany Services and Facilities Agreement with Aflac Asset Management LLC (AAM), whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective April 2, 2018, the Company entered into a Transition Services Agreement whereby the Company provides Aflac Life Insurance Japan Ltd. with several transitional services and certain property, equipment, and facilities. The service fee, paid by Aflac Life Insurance Japan Ltd., is an expense-based allocation that includes a small intercompany profit charge. This agreement was terminated in 2020.

Effective September 1, 2019, the Company entered into a Master Intercompany Services and Facilities Agreement with TOIC, whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective October 18, 2019, the Company entered into a Master Intercompany Services and Facilities Agreement with Aflac Northern Ireland (formerly NIO Innovative Technologies Ltd.), whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective February 1, 2020, the Company entered into a Master Intercompany Services and Facilities Agreement with Aflac Benefits Solutions, Inc. (formerly Argus Dental & Vision, Inc.), whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is based on a defined percentage of earned premium.

Effective February 1, 2021, the Company entered into a Master Intercompany Services and Facilities Agreement with Communicorp, Inc., whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective January 1, 2022, the Company entered into two Administrative Services Agreements with Aflac-NY. The first of which Aflac-NY provides personnel services, certain property, equipment, and facilities to the Company. The second, the Company provides identical services to Aflac-NY. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective September 12, 2022, the Company entered into a Master Intercompany Services and Facilities Agreement with Aflac Re Bermuda Ltd. (Aflac Re), whereby the Company is able to provide personnel services, certain property, equipment, and facilities to Aflac Re. The service fee, paid by Aflac Re, is an expense-based allocation that includes a small intercompany profit charge.

Effective January 1, 2023, the Company entered into a Master Intercompany Services and Facilities Agreement with Empoweredbenefits, LLC, whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The

service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Effective January 1, 2023, the Company entered into a Master Intercompany Services and Facilities Agreement with Empowered Insure, LLC, whereby both companies are able to provide personnel services, certain property, equipment, and facilities to the other party. The service fee, paid by the recipient, is an expense-based allocation that includes a small intercompany profit charge.

Intercompany Currency Conversion Agreement

Effective November 14, 2016, the Company entered into an Intercompany Currency Conversion Agreement with Aflac Inc. The terms of the agreement enable both parties to purchase or sell yen and U.S. dollars from and to each other in order to settle other third-party obligations.

Investment Management Agreements

On January 1, 2018, the Company entered into an Investment Advisory Agreement with AAM. The terms of the agreement are that AAM will provide investment management services to the Company and is responsible to comply with the Company's investment objectives, policies, guidelines and restrictions, as well as applicable law and related regulations. Initially, the investment management fee was equal to the actual cost incurred by AAM plus 5% of such actual costs. This was amended effective January 1, 2020, to reflect a fee calculated by applying annual rates for each asset class managed by AAM.

Effective October 13, 2021, the Company entered into an Investment Management Agreement with Sound Point Commercial Real Estate Finance LLC (Sound Point), whereby an existing portfolio of loans was transferred from another investment manager to Sound Point. The

Company agreed to pay a quarterly management fee calculated by applying specified rates to the average value of the assets managed by Sound Point.

Effective December 23, 2021, the Company entered into an Investment Management Agreement with Denham Sustainable Infra Management LP (Denham), whereby Denham provides investment management services. For the services, the Company pays a quarterly management fee calculated by applying specific rates to the average value of the assets managed by Denham.

Line of Credit Agreement

Effective November 15, 2022, the Company and Aflac Inc. entered into a Line of Credit Agreement whereby Aflac Inc. serves as the guarantor and Mizuho Bank, Ltd. serves as the administrative agent. The agreement provides for borrowings of up to \$1 billion from a syndicate of financial institutions on a revolving basis.

Intercompany Tax Allocation Agreement

On January 1, 2019, the Company entered into a tax allocation agreement with its parent company and other eligible members of the consolidated federal income tax return of Aflac Inc. The agreement permits Aflac Inc. to file consolidated tax returns with the Company and other Aflac Inc. subsidiaries. Allocation is based upon separate return calculations, and the settlement of current income taxes, payable or refundable, is completed when Aflac Inc. makes payment to, or receives funds from, the Internal Revenue Service.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in the District of Columbia, American Samoa, Guam, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, and all states, except New York.

The Company's insurance products are designed to provide supplemental coverage for people who have major medical or primary insurance coverage. A majority of the products are individually underwritten and marketed through independent agents.

The Company sells the following products both on an individual and group basis: short-term disability benefits, term and whole-life coverage sold through payroll deduction at the worksite, accident coverage, critical illness and hospital indemnity. The Company's individually issued policies are portable and pay regardless of other insurance, while group coverage is generally not portable.

The Company's sales force is comprised of sales associates and brokers who are independent contractors licensed to sell accident and health insurance. Many of these independent contractors are also licensed to sell life insurance. During the examination period, the Company has not enhanced and increased the size of its traditional distribution system.

REINSURANCE

Assumed

On September 24, 2012, the Company executed a modified coinsurance (Modco) quota share treaty with CAIC. The treaty was retroactive to January 1, 2012. The terms of the treaty called for the Company to assume 50% of new and existing sales as they relate to CAIC's accident and critical illness products only. New sales consisted of all premiums on policies in duration for one year and considered "first year" for statutory reporting purposes while existing in-force were premiums on policies in duration for more than one year and considered to be "renewal" for statutory reporting purposes. The treaty also outlined that the Company would assume 50% of all paid claims, paid commissions, and changes in reserves on the above-mentioned sales. For the period ending December 31, 2023, the Company assumed

approximately \$264.1 million in earned premiums, while paying approximately \$100.4 million in incurred claims, \$66.5 million in incurred commissions, and \$79.1 million in operating expenses. Under the provisions of a Modco reinsurance agreement, CAIC maintains a segregated portfolio of securities that support the ceded policy liabilities. Net investment income in the amount of approximately \$6.6 million was credited to the Company in 2023.

Effective December 31, 2017, CAIC executed a coinsurance quota share treaty with ARC. On April 1, 2018, ARC was part of a statutory merger with the Company. The terms of the agreement call for the Company to assume 85% of the premiums assessed and 100% of the claims incurred on an existing block of whole life group business.

On November 30, 2018, the Company entered into a novation agreement with CAIC. The Company assumed the liabilities, related assets and future obligations from CAIC that resulted from its reinsurance agreements with Swiss Reinsurance Company Ltd., originally effective December 31, 2014, and Munich Re, originally effective April 1, 2015. As a result of these agreements, the Company received \$110.2 million in reserves and \$110.2 million of assets from CAIC and incurred \$10 million of commission expense.

On November 5, 2019, the Company entered into a novation agreement with Argus Patriot Reinsurance Company, Inc. (Argus). The Company assumed the underlying group dental and vision reinsurance agreement that Argus originally had with National Guardian Life Insurance Company, which was effective as of February 1, 2016.

On November 2, 2020, the Company completed the acquisition of Zurich American Life Insurance Company's (ZALICO) U.S. Corporate Life and Pensions business. The Company is reinsuring, on an indemnity basis, the acquired group life, disability and absence management products.

Ceded

Effective July 1, 2006, the Company entered into a reinsurance agreement with Swiss Re Life & Health America Inc. of Stamford, Connecticut (Swiss Re L&H). This is a Bulk Accidental Death Reinsurance Agreement reinsuring 100% of Accidental Death supplemental benefits on ordinary policies up to a maximum issue limit of \$500,000 per person.

Effective January 1, 2014, and later amended May 21, 2018, the Company entered into an Automatic Self-Administered Yearly Renewable Term Reinsurance Agreement with Swiss Re L&H. Pursuant to this agreement, from January 1, 2014, through May 20, 2018, the Company cedes 50% on the first dollar quota share basis up to a maximum of \$25,000 of face amount for guaranteed issue term, 25% on a first dollar quota share basis of the first \$25,000 of face amount plus 100% of the face amount in excess of the Company's maximum Corporate Retention Limit for simplified issue term, and 100% of each policy's face amount in excess of the Company's maximum Corporate Retention Limit for simplified issue whole life. From May 21, 2018, through December 31, 2022, the Company cedes 50% on the first dollar quota share basis up to a maximum of \$50,000 of face amount for guaranteed issue term, 25% on a first dollar quota share basis of the first \$50,000 of face amount plus 100% of the face amount in excess of the Company's maximum Corporate Retention Limit for simplified issue term or simplified issue whole life, and 100% of each policy's face amount in excess of the Company's maximum Corporate Retention Limit. Effective January 1, 2023, this treaty was terminated for new business. On December 31, 2023, there was \$2.4 billion of reinsured business in force and no reserve credit was taken for this treaty.

During the third quarter of 2021, the Company entered into two separate excess of loss reinsurance agreements with Munich American Reassurance Company to cover long-term

disability, and RGA Reinsurance Company to cover group life and accidental death business that was assumed from ZALICO. The agreements are effective as of January 1, 2021, and are being accounted for prospectively.

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 credits 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>	<u>2023</u>
(in thousands)				
Bonds	\$10,857,793	\$11,362,402	\$11,954,531	\$12,022,441
Admitted assets	14,656,626	15,626,615	16,435,957	16,242,641
Aggregate reserves for life contracts	743,535	803,613	865,077	917,463
Aggregate reserves for accident and health contracts	8,649,603	8,889,137	9,042,887	9,134,854
Total liabilities	12,568,579	13,000,060	13,339,194	13,362,078
Capital and surplus	2,088,048	2,626,554	3,096,763	2,880,562
Premium income	5,134,247	4,936,425	4,774,880	4,663,416
Net investment income	679,209	741,588	781,208	826,103
Disability benefits	2,083,639	1,799,156	1,842,475	1,853,270
Net income	871,540	1,146,075	1,133,527	1,106,141

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT **December 31, 2023**

<u>Assets</u>		<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
	<u>Assets</u>		
Bonds	\$12,022,441,072		\$12,022,441,172
Common stocks	411,228,847		411,228,847
Mortgage loans - first lien	1,643,206,481		1,643,206,481
Real estate – occupied by company	17,762,933		17,762,933
Real estate – for production of income	24,958,402		24,958,402
Cash, cash equivalents and short-term investments	180,752,094		180,752,094
Contract loans	19,300,614		19,300,614
Other invested assets	564,255,672	\$ 71,328,223	492,927,449
Receivables for securities	7,582,328		7,582,328
Securities lending reinvested collateral assets	263,732,129		263,732,129
Receivable for cash collateral pledged	<u>44,631,575</u>	<u> </u>	<u>44,631,575</u>
Subtotal, cash and invested assets	\$15,199,852,147	\$ 71,328,223	\$15,128,524,024
Investment income due and accrued	166,875,265		166,875,265
Uncollected premiums in course of collection	404,879,533	46,045,333	358,834,200
Deferred premiums not yet due	7,018,525		7,018,525
Amounts recoverable from reinsurers	2,180,777		2,180,777
Other amounts receivable under reinsurance contracts	4,662,971		4,662,971
Amounts receivable relating to uninsured plans	171,034		171,034
Federal income tax recoverable	118,964,592		118,964,592

Assets (cont.)

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Net deferred tax asset	872,931,393	528,088,446	344,842,947
Guaranty funds receivable	24,714,233		24,714,233
Electronic data processing equipment	1,895,028	1,127,041	767,987
Furniture and equipment	15,577,430	15,577,430	
Receivables from parent, subsidiaries and affiliates	71,118,242		71,118,242
Health care receivable	155,316,590	155,316,590	
Prepaid premium tax recoverable	13,965,878		13,965,878
Intangible assets	86,327,699	86,327,699	
Prepaid expenses	28,847,480	28,847,480	
Leasehold improvements	19,735,606	19,735,606	
Other assets	18,142,875	18,142,875	
Refundable deposits	<u>283,277</u>	<u>283,277</u>	
Total assets	<u>\$17,213,460,675</u>	<u>\$970,820,000</u>	<u>\$16,242,640,675</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$ 917,462,840
Aggregate reserve for accident and health contracts	9,134,853,898
Liability for deposit-type contracts	505,982,273
Life contract claims	47,412,033
Accident and health contract claims	1,331,320,029
Premiums received in advance	21,604,363
Other amounts payable on reinsurance	77,685,749
Interest maintenance reserve	51,078,054
Commissions to agents due or accrued	63,125,049
Commissions and expense allowance payable on reinsurance assumed	529,268
General expenses due or accrued	223,818,608
Taxes, licenses and fees	25,191,693
Amounts withheld as agent or trustee	3,147,723
Amounts held for agents' account	8,544,722
Remittances and items not allocated	31,388,331
Asset valuation reserve	238,812,180
Payable to parent, subsidiaries and affiliates	301,518,040
Derivatives	52,649,498
Payable for securities	6,138,210
Payable for securities lending	263,732,129
Other liabilities	20,400,945
Funds held for escheat	32,918,672
Payable for return of cash collateral	9,954,967
Pension liability	<u>(7,190,792)</u>

Liabilities, Surplus, and Other Funds (cont.)

Total liabilities	\$13,362,078,482
Common capital stock	7,025,039
Surplus notes	130,000,000
Gross paid in and contributed surplus	637,200,053
Unassigned funds (surplus)	<u>2,106,337,101</u>
Total capital and surplus	\$ 2,880,562,193
Total liabilities, capital and surplus	<u>\$16,242,640,675</u>

SUMMARY OF OPERATIONS – 2023

Premiums for life and accident and health contracts	\$4,663,416,166
Net investment income	826,102,801
Amortization of interest maintenance reserve	1,592,091
Commissions and expense allowances on reinsurance ceded	123,766
Reserve adjustments on reinsurance ceded	(25,068)
Administrative service fees from affiliates	11,397,698
Realized foreign exchange gain	7,445,154
Investment income from reinsurance assumed	6,563,623
Interest on agents' balances	1,098,084
Other income	346,350
Loss on disposal of equipment	<u>(188,991)</u>
Total income	\$5,517,871,674
Death benefits	94,189,020
Matured endowments	38,805
Disability benefits and benefits under accident and health contracts	1,853,270,322
Surrender benefits and withdrawals for life contracts	11,201,318
Interest and adjustments on contract or deposit-type contract funds	22,973,110
Increase in aggregate reserves for life and accident and health contracts	<u>158,907,426</u>
Total losses	\$2,140,580,001
Commissions on premiums	652,581,817
Commissions and expense allowances on reinsurance assumed	212,680,072
General insurance expenses	952,932,784
Insurance taxes, licenses and fees, excluding federal income taxes	126,359,620
Increase in loading on deferred and uncollected premiums	1,590,455
Reserve adjustment from reinsurance assumed	<u>762,794</u>
Total losses and expenses	\$4,087,487,543

SUMMARY OF OPERATIONS – 2023 (cont.)

Net gain from operations before dividends, federal income taxes and net realized capital gains	1,430,384,131
Dividends to policyholders	(2,506)
Federal income taxes incurred	(285,988,699)
Net realized capital losses	<u>(38,251,847)</u>
Net income	<u>\$1,106,141,079</u>

CAPITAL AND SURPLUS ACCOUNT

(in thousands)	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital and surplus, beginning	<u>\$2,121,533</u>	<u>\$2,088,048</u>	<u>\$2,626,554</u>	<u>\$3,096,763</u>
Net income	\$ 871,540	\$1,146,075	\$1,133,527	\$1,106,141
Change in net unrealized capital gains	35,519	42,059	(81,891)	(399,057)
Change in net deferred income tax	56,712	(22,605)	12,726	59,675
Change in nonadmitted assets	(273,274)	89,341	53,053	(256,046)
Change in asset valuation reserve	5,135	(67,116)	(60,975)	(783)
Change in surplus notes	130,000			
Surplus adjustment paid in				48,692
Dividends to stockholders	(852,999)	(653,653)	(593,862)	(893,527)
Minimum pension liability	(6,098)	4,427	7,669	2,349
Other surplus adjustment	(21)	(21)	(39)	19
Correction of error agent advance				142,746
Correction of error accrued commission	<u> </u>	<u> </u>	<u> </u>	<u>(26,409)</u>
Net change for the year	<u>\$ (33,485)</u>	<u>\$ 538,506</u>	<u>\$ 470,209</u>	<u>\$ (216,201)</u>
Capital and surplus, ending	<u>\$2,088,048</u>	<u>\$2,626,554</u>	<u>\$3,096,763</u>	<u>\$2,880,562</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$2,106,337,101, as reported in the Company's 2023 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:

Affiliated Transactions - It was recommended the Company file new related party agreements as a Form D with the Nebraska Department of Insurance in order to comply with Nebraska Rules and Regulations Title 210, Chapter 24.

Actions: The Company has complied with this recommendation.

Reinsurance Agreement - It was recommended that the existing reinsurance agreement between the Company and CAIC be amended to contain an entire agreement clause as required by Nebraska Rules and Regulations Title 210, Chapter 57.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

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

In addition to the undersigned, Alexis Anderson, AFE, Tyler Goodwater, Mark Haake, and Chloe Schaulis, Financial Examiners; and Gary Evans, CISA, AES, CFE, Information Systems Specialist; all with the Nebraska Department of Insurance, Actuarial Examiners contracted by the Nebraska Department of Insurance, and Financial Examiners contracted by the New York Department of Financial Services; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Isaak Russell', written in a cursive style.

Isaak Russell, CFE
Examiner-in Charge
Department of Insurance
State of Nebraska

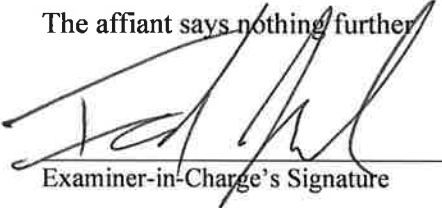
State of Nebraska,

County of Lancaster,

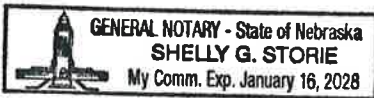
Isaak Russell, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of American Family Life Assurance Company of Columbus, Continental American Insurance Company and Tier One Insurance Company.
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 Family Life Assurance Company of Columbus, Continental American Insurance Company and Tier One Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

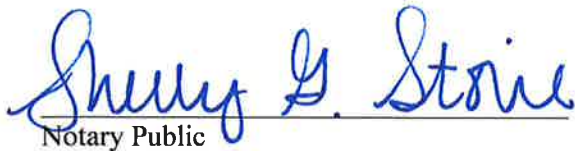
The affiant says nothing further


Examiner-in-Charge's Signature

Subscribed and sworn before me by Isaak Russell on this 16th day of April, 2025.



(SEAL)


Notary Public

My commission expires 1/16/28 [date].