

JUN 25 2019

FILED

CERTIFICATION

June 25, 2019

I, Bruce R. Ramage, 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

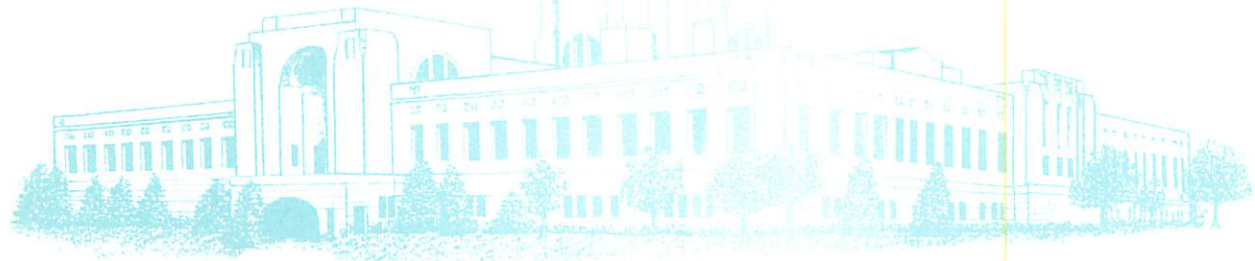
FIRST NATIONAL LIFE INSURANCE COMPANY

121 SOUTH 13TH STREET, SUITE 900

LINCOLN, NE 68508

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.



Bruce R. Ramage

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

FIRST NATIONAL LIFE INSURANCE COMPANY OF THE U.S.A.

121 SOUTH 13TH STREET, SUITE 900

LINCOLN, NE 68508

dated as of December 31, 2017 verified under oath by the examiner-in-charge on
June 5, 2019 and received by the company on June 10, 2019, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 24th day of June 2019.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

FIRST NATIONAL LIFE INSURANCE COMPANY OF THE U.S.A.

as of

December 31, 2017



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Lincoln, Nebraska
April 29, 2019

Honorable Bruce R. Range
Director of Insurance
Nebraska Department of Insurance
1135 M Street, Suite 300
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:

**FIRST NATIONAL LIFE INSURANCE COMPANY OF THE U.S.A.
121 South 13th Street, Suite 900
Lincoln, Nebraska 68508**

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

INTRODUCTION

The Company was last examined as of December 31, 2013 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2017, and includes 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.

SCOPE OF EXAMINATION

This 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.

A general review was made 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 and the Board of Directors, 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. 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 did not include a review of workpapers prepared by the Company's external auditors because the Company has been granted an exemption from filing an audited financial report for each year under the exam.

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 March 27, 1908, and commenced business on August 8, 1908 as a burial association. The Company was originally organized as the Western Indemnity Company. In 1937, the Company's name was changed to the First National Life Insurance Company (Limited) of the U.S.A. On August 8, 1956, the name of the Company was changed to its present form.

Effective as of January 1, 1957, the Company merged its business with that of Public Life Insurance Company, Lincoln, Nebraska, and became the surviving corporation.

In November 1978, 100% ownership of the Company was acquired by Packers Service Group, Inc. (at that time, Packers Insurance Agency, Inc.). Effective January 1, 1979, Packers

Reinsurance Company, an Arizona corporation owned by the Company's parent, was merged into the Company by means of a stock exchange.

Effective as of May 31, 2007, the Company's parent, Packers Service Group, Inc., merged its business into Nelnet Academic Services, LLC, a wholly owned subsidiary of Nelnet, Inc. (Nelnet).

Under the provisions of its current charter, and in conformity with Nebraska Statutes, the Company is authorized to conduct the business of a stock life insurance company. The Amended Articles of Incorporation provide that the Company shall have a perpetual existence.

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 2017 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned). The listing includes an abbreviated chart of all insurance related entities.

Nelnet, Inc. (Michael Dunlap owns approximately 41.6% of outstanding shares and 77.6% of all votes)

 National Education Loan Network, Inc.

 Nelnet Academic Services, LLC

 First National Life Insurance Company of the U.S.A., Inc.

 Rainbow Ridge LLC (42.5%)

Shareholder

Article VI of the Company's Articles of Incorporation states, "the total number of shares of capital stock which the Corporation is authorized to issue is 50,000 shares with a par value of \$10.00 per share, representing an aggregate par value of \$500,000". At the date of this examination, all of the Company's issued and outstanding shares of stock (17,500) were owned

and held by Nelnet. No changes have occurred in the capital stock and gross paid-in and contributed surplus of the Company during the period covered by this examination.

The Company paid one ordinary dividend during the examination period in the amount of \$100,000, on September 26th, 2017.

Regarding the annual meeting, the By-Laws state that, “the annual meeting of the Shareholders shall be held on such date and time as may be fixed by the Board of Directors, President, or Secretary...”

Board of Directors

Article II, Section 1, of the By-Laws states, “the business and affairs of the Corporation shall be managed by a Board of Directors consisting of no less than five (5) nor more than twenty-one (21) Directors... The Board of Directors shall meet at least quarterly.” Section 2 states, “...the Shareholders shall elect Directors who shall hold office until the next succeeding annual meeting...” In addition, Section 6 states, “the annual meeting of the Board of Directors shall be held without notice other than By-Law immediately following adjournment of the annual meeting of Shareholders...”

The following persons were serving as Directors at December 31, 2017:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Todd M. Eicher Lincoln, Nebraska	Chief Executive Officer, TME Ventures, LLC & Co-Founder of ClearDegree.com
Jeffrey L. Jobs Lincoln, Nebraska	Internal Auditor, Horizon Bank
James D. Kruger Lincoln, Nebraska	Chief Financial Officer, Nelnet
Jane L. Mach Lincoln, Nebraska	Partner, Rembolt Ludtke LLP

<u>Name and Residence</u>	<u>Principal Occupation</u>
Thomas K. Massey Lincoln, Nebraska	President of the Company
Charles R. Norris Lincoln, Nebraska	Managing Director, Nelnet
Timothy A. Tewes Lincoln, Nebraska	President, Nelnet

The Company only pays Director fees for the independent members of the Board, Todd Eicher, Jeffrey Jobes, and Jane Mach. Each independent director receives \$150 per Board meeting.

Officers

Per Article III, Section 1, of the By-Laws, “the Officers of the Corporation shall be a President, one or more Vice Presidents (as the Board of Directors determines), a Secretary and a Treasurer and such other Officers and agents as may be deemed necessary by the Board of Directors. Any two or more offices may be held by the same person.”

The following is a listing of Officers elected and serving the Company at December 31, 2017:

<u>Name and Residence</u>	<u>Office</u>
Jeffrey Jobes	Chairman
Thomas Massey	President and Secretary
Charles Norris	Treasurer and Assistant Secretary
James Kruger	Vice President
James Wickham	Vice President

TRANSACTIONS WITH AFFILIATES

Intercompany Services Agreement

The Company entered into an Intercompany Services Agreement with Nelnet. Under the terms of the agreement, Nelnet agrees to provide staffing for the services provided and will provide consultation, support, advice and assistance as needed. Services that are to be provided

include infrastructure, corporate communication, enterprise risk management, people services, cash, accounts payable, fixed asset accounting, and facilities.

The Company agrees to pay Nelnet a fee commensurate with the actual time spent or expenses incurred by Nelnet personnel or via other mechanisms, such as a percentage of fixed assets or square foot allocation. Fees are to be settled on a quarterly basis and shall be made within 30 days of receipt of the settlement request from Nelnet. The Company may terminate the agreement by providing 90 days written notice to Nelnet.

Custodial Agreement

The Company entered into a custodial agreement with Union Bank, effective May 3, 2010. Union Bank opened and maintains an agency account in the name of the Company. The agreement was found to be in compliance with Nebraska Rules and Regulations, Chapter 81 of Title 210.

TERRITORY AND PLAN OF OPERATION

As evidenced by a current Certificate of Authority, the Company is licensed to transact business in Nebraska.

The production of business is supervised and directed by the Company's President. The primary thrust of marketing effort is the writing of credit life and disability insurance on loans to borrowers made by banks and financial institutions. This production is generated through home office employees working directly with approximately 1,144 licensed agents in 391 banks and branches.

REINSURANCE

Assumed

The Company entered into a coinsurance agreement for indemnity reinsurance with Assurity Life Insurance Company. The agreement reinsures two products, Peace of Mind (POM) and CollegeInsure.

POM provides benefits for the payment of private school (K-12) tuition for the remainder of the school year upon the death of the person that signed the tuition agreement, up to a maximum of \$30,000. Underwriting guidelines are limited and the only condition for coverage is the insured person, or the spouse of the person that signed the tuition payment agreement for the current school year, must be under the age of 70 on the later of the day insurance is elected or the tuition payment agreement is signed.

The amount of benefit payable is limited to the outstanding balance owed for the students' education, up to a maximum benefit amount of \$30,000. The Company assumes 90% of each certificate. Plans under this agreement are reinsured on a coinsurance basis and reinsurance premiums are proportionate to the gross premiums charged of \$11.00 per certificate for the first 100,000 agreements and \$10.30 per certificate for agreements greater than 100,000.

CollegeInsure is a term life insurance product payable on the death of the covered student. The Company assumes 90% of each certificate. The school is the policyholder and the maximum benefit payable is \$40,000. Premium rates are \$0.20 per month per thousand of coverage.

The CollegeInsure Plan is subject to an annual experience refund. The experience refund is based upon a 60% claims-to-premiums loss ratio during each calendar year. If claims paid are less than 60% of premiums received for the preceding calendar year, an experience refund shall be paid up to that amount and the Company's share of the refund is 90%.

Ceded Credit Life and Accident & Health

An automatic reinsurance agreement is in place with Munich American Reassurance Company providing automatic excess coverage of new credit life and credit A&H business written directly by the Company on or after January 1, 2000, or existing credit life business written prior thereto. Plans covered include Level Term - Single or Joint Life, Decreasing Term - Single or Joint Life, Credit - A&H, and Outstanding Balance - Credit Life. The maximum amount retained by the Company per individual is: Life - \$20,000, A&H - \$300 per month and Outstanding Balance - \$15,000. On outstanding balance business, for amounts up to \$15,000 the Company retains 100% of the risk. For amounts in excess of \$15,000 but not more than \$30,000, the entire risk is shared equally. All amounts in excess of \$30,000 will be ceded to a binding limit of \$20,000. On level and decreasing term single and joint life plans, the reinsurer will accept up to \$105,000 in excess of retention through age 65 and up to \$1,200 per month on A&H. Reinsurance premiums under this agreement are subject to an experience refund computed at the end of each calendar year. Reinsurance premiums for credit life are based on monthly renewable term, payable in advance. Credit A&H premiums are on a quota share coinsurance basis.

Ceded Ordinary Life

An automatic coinsurance agreement with Optimum Re Insurance Company provides coverage on Universal Life plans. The total amount of automatic life coverage ceded shall be up to four (4) times the Company's retention for age and classification, up to a maximum of \$60,000 on any one life. The Company's retention is \$15,000 per life all ages and ratings. The treaty contains an automatic jumbo limit that provides that the Company shall not automatically cede any risk where the amount in force would exceed \$2,000,000 on any one individual. The minimum amount of insurance ceded shall not be less than \$2,000. The treaty allows for

facultative options. Life and accidental death benefits under this agreement are on a Yearly Renewable Term basis and rate. The treaty contains a production/persistency bonus on the in-force business. Coverage includes both standard and substandard lives, accidental death benefits, and waiver of premium disability benefits.

An automatic coinsurance agreement with Optimum Re Insurance Company provides coverage on business referred to as the Annual Renewable Term - "ART 100" Plan. The treaty provides for automatic cessions not to exceed four (4) times the Company's maximum retention of \$15,000 for all ages. The treaty contains an automatic jumbo limit that provides that the Company shall not automatically cede any risk where the amount in force would exceed \$2,000,000 on any one individual. The minimum amount of insurance ceded shall not be less than \$2,000. The treaty allows for facultative options. Life and accidental death benefits under this agreement are on a Yearly Renewable Term basis and rate. The treaty contains a production/persistency bonus on the in-force business. Coverage includes both standard and substandard lives, accidental death benefits, and waiver of premium disability benefits.

An automatic bulk accidental death agreement, referred to as agreement No. 3412, with Swiss Re Life & Health America, Inc. covers all accidental death risks on either a standard or substandard basis when issued as a supplementary benefit to a life insurance policy. The maximum amount on any one life that may be ceded shall not exceed \$20,000. The treaty provides for facultative options. This agreement is in run-off status.

A Simplematic Individual Excess (SIE) agreement with Swiss Re Life & Health America, Inc. is in run-off with limited renewal business remaining. This is an automatic excess treaty on standard and substandard lives ceded on a YRT basis. Jumbo limits include \$3,500,000 ages 0 –

60, and \$2,000,000 ages 61 –65. The minimum risk reinsured was not less than \$5,000 or 10% of the initial face amount of any policy issued.

The Company has an agreement covering life, waiver of premium disability and accidental death and dismemberment benefits with Ameritas Life Insurance Corporation that is in run-off.

The Company has an agreement with Lincoln National Life Insurance Company covering life benefits in excess of \$10,000, waiver of premium disability and double indemnity. This agreement is in run-off status.

General

All contracts reviewed contained standard insolvency, arbitration, 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$3,019,638	\$2,498,381	\$2,283,303	\$1,846,239
Admitted assets	5,875,344	5,472,816	5,834,077	6,643,280
Aggregate reserves for life contracts	1,663,768	1,237,277	1,462,291	1,304,455
Aggregate reserves for accident & health contracts	1,037,031	975,457	743,998	624,320
Total liabilities	3,890,582	3,420,886	3,667,585	4,285,178
Capital and surplus	1,984,762	2,051,932	2,166,492	2,358,102
Premiums earned	1,022,548	1,013,136	1,817,116	1,728,292
Net investment income	71,303	86,889	143,287	96,057
Death benefits	154,953	252,856	755,826	933,594
Disability benefits	140,905	161,409	160,689	140,083
Net income	(30,820)	86,407	111,051	(50,717)
Life Insurance in-force (in thousands)	56,543	55,448	806,280	701,350

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, 2017. 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.

FINANCIAL STATEMENT **December 31, 2017**

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,846,239		\$1,846,239
Common stocks	2,814,954		2,814,954
Cash and short-term investments	1,063,399		1,063,399
Contract loans	2,034		2,034
Other invested assets (Schedule BA)	<u>832,643</u>		<u>832,643</u>
Subtotal, cash and invested assets	\$6,559,268		\$6,559,268
Investment income due and accrued	2,456		2,456
Uncollected premiums	23,414		23,414
Deferred premiums	4,839		4,839
Amounts recoverable from reinsurers	7,734		7,734
Current federal income tax recoverable	45,455		45,455
Repayment in transit	<u>114</u>		<u>114</u>
Totals	<u>\$6,643,280</u>		<u>\$6,643,280</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$1,304,455
Aggregate reserve for accident and health contracts	624,320
Contract claims:	
Life	67,375
Accident and health	28,037
Other amounts payable on reinsurance	27,227
Interest maintenance reserve	268,231
General expenses due or accrued	39,753
Taxes, licenses and fees due or accrued	1,793
Net deferred tax liability	569,786
Amounts held for agents' account	195
Borrowed money	903,048
Asset valuation reserve	417,487
Payable to parent, subsidiaries and affiliates	33,472
Total liabilities	<u>\$4,285,178</u>
Common capital stock	\$ 175,000
Gross paid in and contributed surplus	114,863
Unassigned funds (surplus)	<u>2,068,239</u>
Total capital and surplus	<u>\$2,358,102</u>
Totals	<u>\$6,643,280</u>

SUMMARY OF OPERATIONS – 2017

Premiums and annuity considerations	\$1,728,292
Net investment income	96,057
Amortization of interest maintenance reserve	7,242
Commission and expense allowances on reinsurance ceded	<u>137,354</u>
Totals	<u>\$1,968,945</u>
Death benefits	933,594
Matured endowments (excluding guaranteed annual pure endowments)	1,375
Disability benefits and benefits under accident and health contracts	140,083
Surrender benefits and withdrawals for life contracts	150
Increase in aggregate reserves for life and accident and health contracts	<u>(277,516)</u>
Totals	\$ 797,686
Commissions on premiums, annuity considerations and deposit-type contract funds	\$ 221,154
Commissions and expense allowances on reinsurance assumed	231,818
General insurance expenses	780,764
Insurance taxes, licenses and fees, excluding federal income taxes	36,116
Increase in loading on deferred and uncollected premiums	<u>(53)</u>
Totals	\$2,067,485
Net gain from operations before federal income taxes	\$ (98,541)
Federal income taxes incurred	<u>(47,824)</u>
Net income	<u>\$ (50,717)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and surplus, beginning	<u>\$1,843,382</u>	<u>\$1,984,762</u>	<u>\$2,051,932</u>	<u>\$2,166,491</u>
Net income	\$ (30,820)	\$ 86,407	\$ 111,051	\$ (50,717)
Change in net unrealized capital gains	188,135	(88,251)	274,615	192,701
Change in net deferred income tax	(6,707)	12,716	(147,543)	218,264
Change in asset valuation reserve	(9,228)	56,304	(123,564)	(68,637)
Dividends to stockholders	<u> </u>	<u> </u>	<u> </u>	<u>(100,000)</u>
Net change for the year	<u>\$ 141,380</u>	<u>\$ 67,176</u>	<u>\$ 114,559</u>	<u>\$ 191,611</u>
Capital and surplus, ending	<u>\$1,984,762</u>	<u>\$2,051,938</u>	<u>\$2,166,491</u>	<u>\$2,358,102</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$2,068,239 as reported in the Company's 2017 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:

Management Services Agreement – It is recommended that the Company prepare a written management services agreement that provides and clearly identifies the entity providing services, the nature of the services provided and a listing of the entities that are party to the agreement. Furthermore, in order to be in compliance with SSAP No. 25, paragraph 7, the agreement should set forth appropriate methods to allocate costs between parties for services rendered and provide for timely settlements of amounts owed. Lastly, the agreement should be written in accordance with Nebraska Revised Statute 44-2133 and submitted to the Nebraska Department of Insurance for approval in accordance with Nebraska Revised Statute 44-2133.

Action: The Company has complied with this recommendation.

Stockholder Minutes – It is recommended that the Company record and retain the minutes of the Stockholder in order to be in compliance with Nebraska Revised Statute 44-210.

Action: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Election of Officers

During review of the Board of Directors minutes it was noted that the election of Officers was documented in 2014, 2015 and 2017. The documentation reviewed did not show the election of Officers took place in 2016. It is recommended that the Board of Directors conduct an annual election of Officers in accordance with their stated By-Laws.

Appointed Actuary Reporting

Review of the Board of Directors minutes indicated that the Appointed Actuary only participated in one Board meeting during the examination period. NAIC Annual Statement Instructions state, “the Appointed Actuary must report to the Board of Directors or the Audit Committee each year on the items within the scope of the Actuarial Opinion. The minutes of the Board of Directors shall indicate that the Appointed Actuary has presented such information to the Board of Directors or the Audit Committee.”

It is recommended the Company work with its Appointed Actuary to ensure a presentation is given to the Board of Directors each year on the items within the scope of the Actuarial Opinion. The presentation conducted by the Appointed Actuary should be robust and include discussion of all relevant risks.

Stockholder Meeting

During the examination period, the Company held its annual Stockholder meeting in September. Nebraska Revised Statutes §44-210 requires the meeting to be, “on or before the 30th day of June in each and every calendar year for the purpose of receiving the report of its Officers and Directors, to elect Directors whose terms expire, and to transact such other business as may be lawful for it to do.” It is recommended the Company hold its Stockholder meeting on or before June 30th each calendar year as required by Nebraska Revised Statutes §44-210.

Auction Rate Security Classification

The Company reported auction rate securities with the designation of NAIC 1Z. The securities are rated by independent rating agencies and it appears a more appropriate classification would be filing exempt (FE) and the ratings assigned by the independent rating agencies would govern their NAIC equivalent rating. Following the ratings process in the SVO Manual, when

three or more ratings are available, the second highest rating should be used. The SVO process lowered two of the securities ratings to below investment grade as NAIC 3's.

Examiner reviewed the 2018 Annual Statement filing and the Company has subsequently corrected its reporting of the aforementioned auction rate securities. All of the holdings were classified as FE securities and the two securities noted in the finding were correctly rated as NAIC 3's. Since the Company has corrected its reporting in subsequent filings, no recommendation will be made in this report.

Note 14 Disclosure

Note 14 A(2) of the Annual Statement Notes to Financials indicates, "FNL may be required, by a majority vote of the members of Rainbow Ridge, LLC, to contribute not more than 25% of the Member's initial capital contribution, equal to 25% of \$1,236,750, or \$309,187.50." Examiners could not substantiate this disclosure upon review of the Rainbow Ridge LLC Operating Agreement. Article 6.5 of the agreement stated the Company would be required to contribute 25% of any capital contribution approved by a majority of the members (2/3) but did not limit the contribution to 25% of its initial investment.

A review of the Note 14 disclosure in the 2018 Annual Statement filing noted that the Company has corrected its reporting to be consistent with the language in the Rainbow Ridge LLC Operating Agreement. Since the Company has corrected its reporting in subsequent filings, no recommendation will be made in this report.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Election of Officers – It is recommended that the Board of Directors conduct an annual election of Officers in accordance with their stated By-Laws.

Appointed Actuary Reporting – It is recommended the Company work with its Appointed Actuary to ensure a presentation is given to the Board of Directors each year on the items within the scope of the Actuarial Opinion. The presentation conducted by the Appointed Actuary should be robust and include discussion of all relevant risks.

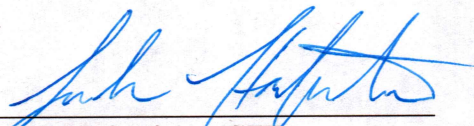
Stockholder Meeting – It is recommended the Company hold its Stockholder meeting on or before June 30th each calendar year as required by Nebraska Revised Statutes §44-210.

ACKNOWLEDGMENT

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

In addition to the undersigned, Joel Tapsoba, APIR, CFE, and Santosh Ghimire, CISA, AFE, APIR, Financial Examiners; Gary Evans, CISA, CFE, Information Systems Specialist; and Derek Wallman, Actuarial Examiner; all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

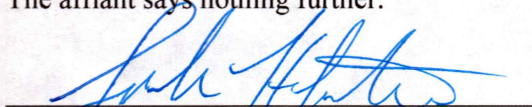
State of Nebraska,

County of Lancaster,

Joseph Hofmeister, being duly sworn, states as follows:

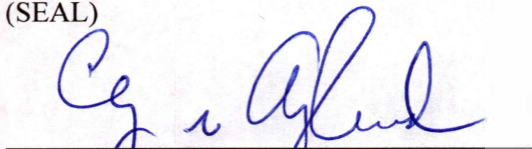
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of First National Life Insurance Company of the USA.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation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

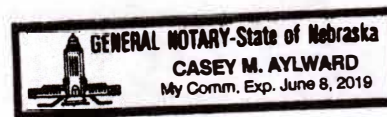
The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Joseph Hofmeister on this 5 day of June, 20 19.

(SEAL)


Notary Public



My commission expires 06/08/2019 [date].