

MAR 18 2021

FILED

CERTIFICATION

March 18, 2021

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

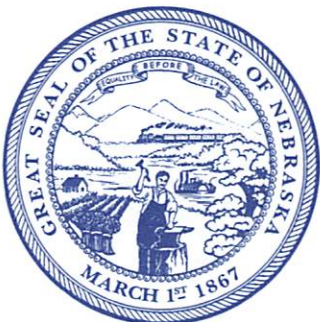
LIBERTY NATIONAL LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

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

Liberty National Life Insurance Company

3700 S. Stonebridge Drive

McKinney, TX 75070

dated as of December 31, 2019, verified under oath by the examiner-in-charge on February 22, 2021 and received by the company on February 22, 2021, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 8th day of March 2021.

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

LIBERTY NATIONAL LIFE INSURANCE COMPANY

as of

December 31, 2019



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Lincoln, NE
January 8, 2021

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:

LIBERTY NATIONAL LIFE INSURANCE COMPANY

which has its Statutory Home Office located at

**10306 Regency Parkway Drive
Omaha, NE 68114**

with its Principal Executive Office Located at

**3700 South Stonebridge Drive
McKinney, TX 75070**

(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, 2015 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including the close of business on December 31, 2019 and includes such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Indiana, New York, and Ohio 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 affiliates, American Income Life Insurance Company (American Income), Family Heritage Life Insurance Company of America (Family Heritage), Globe Life Insurance Company of New York (Globe Life New York), Globe Life and Accident Insurance Company (Globe), National Income Life Insurance Company (National Income), and United American Insurance Company (United American).

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 Indiana Department of Insurance, Ohio Department of Insurance, and the New York Department of Financial Services as participating states. 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.

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, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries 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 Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2019. 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, under the name Heralds of Liberty, was incorporated under the laws of the state of Alabama and commenced business on August 31, 1900. The incorporation of the Company was confirmed by a special act of the General Assembly of Alabama on February 12, 1901.

On October 5, 1925, the Declaration, Articles and Certificate of Incorporation were amended to change the corporate name from Heralds of Liberty to Liberty Life Assurance Society and to change the location of the principal office from Huntsville, Alabama to Birmingham, Alabama.

On September 6, 1927, the Alabama Legislature adopted an act designed to authorize and regulate the conversion of fraternal benefit societies into stock life insurance companies or mutual life insurance companies. Pursuant to this act, the Supreme Lodge of the Company, which was the supreme governing or legislative body, adopted a resolution on March 29, 1929, authorizing the conversion of the Company into a stock life insurance company, changing the corporate name from Liberty Life Assurance Society to Liberty National Life Insurance Company and providing for proper amendments to the Declaration, Articles and Certificate of Incorporation. The object of the Company, as stated in the Certificate of Incorporation, as amended, was to issue insurance upon the lives of persons and every insurance appertaining thereto or connected therewith, as permitted by the laws of the State of Alabama.

The Company began operations as a stock company on July 1, 1929, with paid-up capital of \$216,830 and paid-in-surplus of \$108,415. The authorized capital stock at the date of conversion to a stock company was \$306,125, comprised of 61,225 shares of common stock with a par value of \$5 per share.

The Company re-domiciled from the state of Alabama to Nebraska on March 28, 2008.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. The holding company, Torchmark Corporation, changed its corporate name to Globe Life Inc. effective August 8, 2019. An organizational listing flowing from the ‘Ultimate Controlling Person’, as reported in the 2019 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

Globe Life Inc.

- American Income Life Insurance Company
 - American Income Marketing Services, Inc.
 - National Income Life Insurance Company
 - AILO 1, LLC
- TMK Buildings Corporation
- Liberty National Life Insurance Company
 - Brown-Service Funeral Homes Company, Inc.
 - Liberty National Auto Club, Inc.
 - LND 01, LLC
- Torchmark Insurance Agency, Inc.
- Globe Life and Accident Insurance Company
 - Globe Marketing Services, Inc.
 - Family Heritage Life Insurance Company of America
 - Royalton 6001 Ltd. (50% owner)
 - Globe Marketing and Advertising Distributors, LLC
- TMK Re, Ltd.
- United American Insurance Company
 - Globe Life Insurance Company of New York
- Specialized Advertising Group, Inc.
- Globe Life Insurance Agency, Inc.
- AILIC Receivables Corporation
- TMK Properties LP*

*Globe Life Inc. is the Limited Partner, and TMK Buildings Corporation is the General Partner.

Shareholder

Article VI of the Articles of Incorporation states, “the authorized capital of this Corporation shall be \$44,000,000 consisting of 10,500,000 shares of common stock of the par value of \$4.00 per share and 2,000,000 shares of preferred stock of the par value of \$1.00 per share.” As of December 31, 2019, there were 10,265,177 common and 1,330,000 preferred shares of stock issued and outstanding. All of the outstanding preferred and common shares of the Company are held by the parent, Globe Life Inc., a financial services holding Company.

During the period under review the Company declared a \$3,990,000 ordinary dividend on its preferred capital stock to Globe Life Inc. each quarter.

The Company also declared ordinary dividends on its common capital stock to Globe Life Inc. in the following amounts during the current period under examination:

<u>Date</u>	<u>Amount</u>
September 6, 2019	\$16,051,000
August 1, 2019	41,855,000
March 15, 2019	34,060,000
September 6, 2018	16,051,000
August 1, 2018	41,855,000
March 15, 2018	56,690,000
September 6, 2017	16,051,000
August 1, 2017	41,855,000
March 15, 2017	57,392,000
September 6, 2016	16,051,000
August 1, 2016	41,855,000

Surplus Note

With prior approval from the Director of the Nebraska Department of Insurance (Director), the Company issued a surplus note in the amount of \$50,000,000 on December 23, 2009 at an interest rate of 9.25% to Globe Life Inc. In 2012, \$25,000,000 was repaid. At December 31, 2019, \$25,000,000 of the original surplus notes issued was outstanding. The

surplus note may only be repaid, in principal and/or interest, when the Company’s reported surplus in excess over all liabilities is double the amount of any principal and/or interest being paid. In addition, surplus note principal and interest payments can only be made by the Company upon prior approval being received from the Director. The surplus note calls for semi-annual interest payments due in April and October.

Board of Directors

The Company’s By-Laws state, “the number of Directors shall be five (5) but may, by resolution of the Board of Directors, be increased to any greater number of Directors. The Directors shall be elected at the annual meeting of the Stockholders and each Director shall be elected to serve until his successor shall be elected and shall qualify.”

The following persons were serving as Directors at December 31, 2019:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Michael Shane Henrie Plano, TX	Divisional Senior Vice President, Corporate Accounting
Robert Brian Mitchell MkKinney, TX	General Counsel and Executive Vice President Globe Life Inc.
William Michael Pressley Parker, TX	Executive Vice President, Globe Life Inc.
Joel P. Scarborough Frisco, TX	Divisional Senior Vice President, General Counsel and Secretary

The Company experienced the death of its Nebraska resident Board member in the 4th quarter of 2019. It was noted that the Board Member was replaced by a Nebraska resident, Carol Watson, in the 1st quarter of 2020.

According to Article III of the Company’s By-Laws, “Directors shall not receive any stated salaries for their services as Directors or as members of committees, except that by

resolution of the Board of Directors, retainer fees, meeting fees, expenses for attendance at meetings and other benefits and payments may be authorized. Nothing contained herein shall be construed to preclude any Director from serving the Corporation in any other capacity as an officer, agent, or otherwise, and receiving compensation therefor.”

Officers

According to Article IV, Section 1 of the By-Laws, “the Officers of the Corporation shall be a President and a Secretary, who shall be elected by the Board of Directors and who shall hold office until their successors are elected and qualified. In addition, the Board of Directors may elect one or more Vice Presidents, a Treasurer and such Assistant Secretaries and Assistant Treasurers as they may deem proper... More than one office may be held by the same person.” Article IV, Section 8 of the By-Laws states, “the Officers of the Corporation shall be elected annually by the Board of Directors at the first meeting held after each annual meeting of the Stockholders.”

The following is a partial listing of Senior Officers elected and serving the Company at December 31, 2019:

<u>Name</u>	<u>Office</u>
R. Brian Mitchell	President
M. Shane Henrie	Chief Financial Officer
John T. Daly	Vice President & Appointed Actuary
Joel P. Scarborough	Secretary

Committees

During the period covered by this examination, the Company appointed Subsidiary Audit and Subsidiary Risk Committees of the Board of Directors.

The following persons were serving on the Subsidiary Audit Committee at December 31, 2019:

Thomas P. Kalmbach
M. Shane Henrie

Joel P. Scarborough

The following persons were serving on the Subsidiary Risk Committee at December 31, 2019:

Emily C. Casso
Thomas P. Kalmbach

M. Shane Henrie
Saumil Patel

Board committees are appointed at the holding company level and perform centralized duties for all of the companies in the group. The following committees are in place at the holding company level: Audit, Compensation, and Governance & Nominating.

TRANSACTIONS WITH AFFILIATES

Tax Allocation Agreement

The Company and each of the subsidiaries of Globe Life Inc. are parties to a tax allocation agreement effective January 1, 1989. The agreement allocates the federal income tax liability in an amount equal to that which would have been reported had separate tax returns been filed.

Master Services Agreement

Effective June 1, 1994, the Company entered into a master service agreement with its ultimate parent, Globe Life Inc. Under this contract, each party agrees to provide each other on request the following services: executive, financial, legal, accounting, and other services. For all services provided by Globe Life Inc., the service fee is a portion of Globe Life Inc.'s total operating expenses for the immediately preceding calendar year determined as a percentage of salary and benefits of the Company to the consolidated salaries and benefits of Globe Life Inc. under the contract. During 2019, the total amount paid under this agreement was approximately \$10,128,000. The agreement includes an investment management arrangement with Globe Life

Inc. The Company is charged a fee based on the total value of the securities managed. During 2019, total investment management fees paid under this agreement was approximately \$11,076,000.

Bill Payment Services Agreement

Effective November 1, 2005, the Company entered into a bill payment service agreement with affiliates United American, Globe, and American Income, whereby each of the companies may, from time to time, elect to perform bill-paying services for one or more of the other companies. The cost incurred by each of the companies in providing these bill paying services is nominal and, thus such cost shall not be reimbursable.

Recruiting Agreement

Effective March 1, 2006, the Company entered into a recruiting agreement which provides that Globe will furnish agent recruiting services to United American, American Income, and the Company. Each of the respective companies agreed to pay its respective proportionate share of the salary and/or wage expenses incurred by Globe's employees in connection with providing such agent recruiting services.

Information Technology Services Agreement

Effective January 1, 2008, the Company and affiliate, United American, entered into an information technology and services agreement whereby United American provides various information technology and data processing services to the Company. These services include, but are not limited to: programming, processing, report preparation, data files, check writing, and other technology and data services as mutually agreed upon. These costs are calculated by including, but are not limited to: Salaries and benefits for information technology, personnel,

hardware, software, licensing, program development, testing, report production and operating overhead calculated by utilizing policy count.

Naming and Licensing Cost Sharing Agreement

Effective May 1, 2014 the Company, its affiliates Globe, United American, American Income, and Family Heritage, along with their ultimate parent Globe Life Inc., entered into a cost-sharing agreement related to a Naming and License Agreement dated January 29, 2014. This Naming and License Agreement was entered into by Globe Life Inc., Globe, and Rangers Baseball LLC, owner and operator of the Texas Rangers Baseball Club of MLB. In recognition of the benefits of the subsidiaries and the parent resulting from the Naming Rights Agreement, the companies are sharing in and allocating the costs (approximately \$46 Million over 10 years, with additional costs related to signage and the stadium suite) of the agreement amongst the participating affiliates. In general these allocations are as follows: 67.4% to Globe, 6.6% to Globe Life Inc., and the remaining 26% shared equally amongst the remaining affiliates. Cost allocations shall be made monthly and billed to the applicable subsidiary within 15 days of the end of each calendar month, and remitted to Globe Life Inc. within 5 days of receipt of the invoice.

Sponsorship Cost Sharing Agreement

Effective October 1, 2019, the Company entered into a cost sharing agreement with its affiliates, American Income, Globe, and Family Heritage, pursuant to a “Sponsorship Agreement” between Globe and The Dallas Football Club, Ltd. In recognition of the benefits to the Globe Life Inc. affiliates and the intended use of the “Globe Life” brand in relation to marketing and recruiting materials, the affiliates wished to share in and allocate amongst themselves the total costs incurred by Globe. Cost allocation shall be calculated monthly and

billed to the appropriate affiliate within 15 days of the end of each calendar month, and due with 15 days of the receipt of such invoice.

General Services Agreement

Effective January 1, 2011, the Company entered into a service agreement with affiliates American Income, Globe, and United American. Under the terms of this agreement, these affiliates, all being subsidiaries of Globe Life Inc., incur various costs which benefit not only the purchaser, but all of the affiliates. The agreement outlines terms by which these affiliates, who desire to establish ongoing terms for the provision of such services and allocation of costs, share costs amongst the service providers and service beneficiaries. These services include: underwriting, marketing, travel, sales support, quality assurance, agent supplies, information technology agency support, telecommunications, compliance, actuarial, and such additional services as the affiliates from time to time shall mutually agree. Effective January 1, 2015, affiliate Family Heritage was added via amendment to the agreement. This agreement was additionally amended on January 1, 2017, to add certain services.

Affiliate Loans

As of December 31, 2019, the Company had outstanding loan balances due from affiliates Torchmark Re Ltd. and AILIC Receivables Corporation in the amounts of \$16,000,000 and \$137,500,000, respectively, with interest rates of 5.25% and 4.75%, respectively. These loans were repaid in full on February 7, 2020, and June 15, 2020, respectively.

Globe Life Inc. affiliates borrow money within the holding company periodically throughout the year to meet cash flow needs which arise as a result of various investment opportunities.

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, Guam, and all states of the United States, except New York.

The Company markets term and whole life insurance products and supplemental health policies primarily through home and workplace marketing methods. The majority of the Company's premium production is created through two distribution channels: Liberty National Exclusive Agency and Liberty National General Agency. Liberty National Exclusive Agency's distribution system sells life and health insurance, primarily in the seven-state area of Alabama, Florida, Georgia, Tennessee, Mississippi, South Carolina, and North Carolina.

In recent years the Company has been expanding its footprint outside of its historical geographical areas listed above and improving efficiencies. In addition, the Company has restructured its agency operation from a fixed cost sales model to a variable cost model. At year-end 2019, the Company had 1,478 producing agents, up from 1,345 as of the last examination. The Company continues to execute its long term plan to grow its agency through expansion from small recruits and customers.

The Company has an agreement with First Command Financial Services to sell the Company's products predominately to military personnel. First Command Financial Services' sales force is comprised of former commissioned and non-commissioned military officers and their families. This business is comprised of whole life products with term insurance riders.

REINSURANCE

Assumed

The Company has an agreement with Security Benefit Life Insurance Company (SBLIC) which covers both bulk assumption and all future issues of SBLIC on a block of individual whole life and term insurance policies. The effective date of the treaty was December 31, 1995. On September 23, 1998 a successor trustee agreement naming Sterne, Agee, & Leach as successor trustee was issued without objection by SBLIC.

Pursuant to a stock purchase agreement entered into between the Company's parent, Globe Life Inc., and Protective Life Insurance Company, for the sale of United Investors Insurance Company (United Investors) dated September 13, 2010, the Company and United Investors have entered into a coinsurance and administrative services agreement. The terms of the agreement specify that the Company shall reinsure, on an indemnity coinsurance basis, 100% of the coinsured liabilities arising under coinsured business which consists of all non-variable life insurance policies, binders, slips, contracts, certificates, endorsements, supplements, riders, and all amendments thereto. This business is categorized as that which was sold either through the Direct Response (including certain agent-sold business) or Liberty National Exclusive Agency Distribution systems of the Company's affiliates.

Effective October 1, 2012 the Company entered into a reinsurance agreement with its affiliate Globe Life. Starting in the fourth quarter of 2012, a 90% quota share of Globe's direct response business was ceded to the Company. Beginning in 2013, the agreement was amended, and the quota share was reduced to 30% going forward.

Effective July 1, 2017 The Company entered into a 50% coinsurance reinsurance agreement whereby United American cedes to Liberty National 50% of annuity policies issued by United American either in force as of July 1, 2017 or issued subsequent.

Effective October 1, 2018, the Company, through a novation agreement between fellow Globe Life Inc. affiliates, Family Heritage and American Income, replaced Family Heritage in a reinsurance contract with American Income. As of October 1, 2018, Family Heritage transferred to the Company all of Family Heritage's past, present, and future interests, rights, duties, obligations, liabilities, claims, demands and causes of action whether express or implied, known or unknown, reported or unreported, and whether existing now or arising hereafter with respect to periods on, before or after the transfer date under the treaty. The Company agrees to transfer and will observe and perform all Family Heritage's novated liabilities. Pursuant to the original reinsurance agreement and novation agreement, American Income will cede to the Company on a 50% quota share basis those life insurance policies issued by American Income on or after January 1, 2014, in all states except New York.

Ceded – Affiliates

The Company entered into an agreement with Globe on July 1, 1981, whereby the Company cedes 100% of the gross premiums on all direct mail non-participation modified whole life insurance to Globe. Globe has full authority to administer and settle all claims and is responsible for holding and maintaining the required reserves. The contract was amended January 1, 2003 to include 3.31% ceding commission on all premiums collected.

The Company entered into a modified coinsurance agreement with TMK, Re, Ltd. (TMK Re) effective January 1, 2000. This agreement provides 100% coverage on both individual and group life insurance benefits on a block of whole life policies. TMK Re does not participate in

policy loans on the policies. The Company is responsible for claim settlements and maintains records to support its claim payments. The Company administers the policies reinsured and performs all accounting for the policies. TMK Re pays an experience refund when the formula described in the agreement produces a positive amount. When the formula produces a negative amount, the experience refund is zero and the remaining amount is carried forward and is offset against any future positive experience refund.

Effective July 1, 2017 the Company entered into an annuity coinsurance reinsurance agreement with its affiliate, Globe. Under the agreement the Company is ceding to Globe on a 25% quota share basis, annuity policies issued by the Company, and inforce as of the effective date or issued subsequent.

Effective July 1, 2017, the Company entered into an annuity coinsurance reinsurance agreement with its affiliate, American Income. Under the agreement the Company is ceding to American Income on a 25% quota share basis, annuity policies issued by the Company, and inforce as of the effective date or issued subsequent.

Ceded – Non-Affiliates

Effective September 1, 1989, the Company entered into a coinsurance agreement with The Lincoln National Life Insurance Company (Lincoln National). Under the terms of this agreement the Company cedes, and Lincoln National assumes, individual ordinary life insurance with face amounts less than \$500,000, submitted on a facultative basis.

The Company entered into an agreement with First Command Life Insurance Company (First Command) effective July 1, 2001 whereby First Command assumes a 3% quota share of preliminary term insurance, including riders and supplemental benefits. First Command participates in policy loans made but does not participate in any other reinsurance that the

Company may have on the policies. The Company is responsible for benefit payments to policyholders and claimants and the Company maintains records to support these payments.

The Company is a party to other reinsurance agreements which are not noted here due to the fact they are in various stages of runoff, and for which limited reserve credit is taken.

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$5,579,103,027	\$5,916,705,014	\$6,191,863,703	\$6,380,667,117
Admitted assets	7,820,780,349	7,411,619,732	7,793,015,959	8,043,501,246
Aggregate reserves for life contracts	6,637,857,877	6,249,991,160	6,596,296,840	6,822,561,187
Aggregate reserves for accident & health contracts	224,254,418	226,813,747	227,594,075	232,770,478
Total liabilities	7,247,108,328	6,869,329,810	7,222,951,624	7,487,557,101
Capital and surplus	573,672,021	542,289,922	570,064,335	555,944,145
Premium income	761,855,555	819,686,433	982,454,085	939,811,937
Net investment income	350,314,870	364,403,464	380,614,593	390,161,295
Death benefits	213,618,853	231,998,763	249,783,247	249,294,611
Net income	131,258,334	132,777,810	107,926,889	133,860,997
Life insurance in-force (000s)	60,852,475	64,396,146	68,002,179	71,357,140

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, 2019. 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, 2019

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$6,380,667,117		\$6,380,667,117
Preferred stocks	283,330,956		283,330,956
Common stocks	340,142	\$ 340,142	
First lien mortgage loans on real estate	66,775,470		66,775,470
Real estate held for the production of income	203,337		203,337
Cash, cash equivalents, & short-term investments	150,616,669		150,616,669
Contract loans	254,542,479	65,993	254,476,486
Other invested assets	<u>487,322,283</u>		<u>487,322,283</u>
Subtotal, cash and invested assets	\$7,623,798,453	\$ 406,135	\$7,623,392,318
Investment income due and accrued	103,026,379		103,026,379
Uncollected premiums and agents' balances in the course of collection	120,281,330		120,281,330
Deferred premiums and agents' balances and installments booked but deferred and not yet due	81,180,947		81,180,947
Amounts recoverable from reinsurers	22,076,990		22,076,990
Other amounts receivable under reinsurance contracts	7,798,008		7,798,008
Net deferred tax asset	112,683,000	40,245,000	72,438,000
Guaranty funds receivable or on deposit	752,071		752,071
Electronic data processing equipment and software	25,581,958	24,995,067	586,891
Furniture and equipment	2,244	2,244	
Receivables from parent, subsidiaries and and affiliates	503,998		503,998
Health care and other amounts receivable	32,086,204	32,086,204	
Prepaid pension contribution and employee benefits	40,295,003	40,295,003	
SERP Rabbi Trust – COLI cash value	11,464,314		11,464,314
Remittances and items not allocated	2,735,588	2,735,588	
Other prepaid contracts	<u>2,537,582</u>	<u>2,537,582</u>	
Totals	\$8,186,804,069	\$143,302,823	\$8,043,501,246

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$6,822,561,187
Aggregate reserve for accident and health contracts	232,770,478
Liability for deposit-type contracts	4,068,483
Life contract claims	79,972,490
Accident and health contract claims	27,075,000
Policyholders' dividends/refunds to members and coupons due and unpaid	51
Policyholders' dividends and refunds to members apportioned for payment	5,000
Premiums and annuity considerations for life and accident and health contracts received in advance	9,796,801
Other amounts payable on reinsurance	36,718,969
Interest maintenance reserve	73,531,730
Commissions and expense allowances payable on reinsurance assumed	63,031,694
General expenses due or accrued	11,084,035
Taxes, licenses and fees due or accrued	954,240
Current federal and foreign income taxes	2,225,826
Unearned investment income	806,417
Amounts withheld or retained by reporting entity as agent or trustee	5,145,338
Remittances and items not allocated	2,820,825
Borrowed money	488,194
Asset valuation reserve	107,412,010
Payable to parent, subsidiaries and affiliates	1,040,246
Payable for securities	<u>6,048,087</u>
Total liabilities	<u>\$7,487,557,101</u>
Common capital stock	\$ 41,060,708
Preferred capital stock	1,330,000
Surplus notes	25,000,000
Gross paid in and contributed surplus	169,629,174
Unassigned funds (surplus)	<u>318,924,263</u>
Total capital and surplus	<u>\$ 555,944,145</u>
Totals	<u>\$8,043,501,246</u>

SUMMARY OF OPERATIONS – 2019

Premiums and annuity considerations	\$ 939,811,937
Net investment income	390,161,295
Amortization of interest maintenance reserve	5,445,832
Commissions and expense allowances on reinsurance ceded	17,540,449
Reserve adjustments on reinsurance ceded	(61,472,644)
Amortize gain on inforce business ceded	2,884,627
Miscellaneous income (expense)	<u>(648,269)</u>
Totals	\$1,293,723,227
Death benefits	\$ 249,294,611
Matured endowments	1,439,969
Annuity benefits	68,292,434
Disability benefits	76,104,864
Surrender benefits and withdrawals for life contracts	55,620,563
Interest and adjustments on contract or deposit-type contract funds	167,488
Payments on supplementary contracts with life contingencies	55,526
Increase in aggregate reserves	<u>231,440,749</u>
Totals	\$ 682,416,204
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 115,106,323
Commissions and expense allowances on reinsurance assumed	249,533,735
General insurance expenses	85,545,416
Insurance taxes, licenses and fees	13,282,594
Increase in loading on deferred and uncollected premiums	<u>(5,585,442)</u>
Totals	\$1,140,298,830
Net gain from operations before dividends, federal income taxes and net realized capital gains	\$ 153,424,397
Dividends to policyholders	4,029
Federal income taxes incurred	17,960,418
Net realized capital losses	<u>(1,598,953)</u>
Net income	<u>\$ 133,860,997</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and surplus, beginning	\$525,782,548	\$573,672,021	\$542,289,922	\$570,064,335
Net income	\$131,258,334	\$132,777,810	\$107,926,889	\$133,860,997
Change in net unrealized capital gains	659,271	(1,548,976)	(2,900,757)	2,341,577
Change in net deferred income tax	(2,887,000)	(63,268,000)	18,139,000	20,000,000
Change in nonadmitted assets	6,748,830	28,171,502	(18,891,880)	(45,157,612)
Change in asset valuation reserve	(10,584,502)	1,705,054	1,540,372	(13,672,512)
Paid in surplus			55,000,000	
Change in surplus as result of reinsurance	(3,371,598)	(2,958,690)	(3,187,714)	(2,884,627)
Dividends to stockholders	(73,866,000)	(131,258,000)	(130,556,000)	(107,926,000)
Change in executive benefit plans	(67,862)	479,701	1,156,254	(230,264)
Surplus adjustment on initial ceding allowance		4,517,500		
Amortization of surplus adjustment in initial ceding allowance	_____	_____	(451,750)	(451,750)
Net change for the year	<u>\$ 47,889,473</u>	<u>\$ (31,382,099)</u>	<u>\$ 27,774,413</u>	<u>\$ (14,120,191)</u>
Capital and surplus, ending	<u>\$573,672,021</u>	<u>\$542,289,922</u>	<u>\$570,064,335</u>	<u>\$555,944,145</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$318,924,263, as reported in the Company's 2019 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

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

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

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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, Santosh Ghimire, CFE, Michael Sullivan, CFE, Financial Examiners; Gary Evans, CFE, CISA, AES, Information Systems Specialist; and Rhonda Ahrens, FSA, and Derek Wallman ASA, Actuarial Examiners; all with the Nebraska Department of Insurance and the Financial Examiners and Information Systems Specialists with or contracted by the Indiana Department of Insurance, New York Department of Financial Services, and Ohio Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Tadd K. Wegner, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Tadd K. Wegner, 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 the Nebraska domiciled companies of the Globe Life Inc. Group, Globe Life and Accident Insurance Company, Liberty National Life Insurance Company, and United American 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 Globe Life and Accident Insurance Company, Liberty National Life Insurance Company, and United American 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.

Tadd K. Wegner
 Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd K. Wegner on this 22 day of Feb, 2021.

(SEAL)

Patricia K. Hill
 Notary Public



My commission expires 8-8-23 [date].