

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 24 2025

FILED

CERTIFICATION

June 24, 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

LIBERTY NATIONAL LIFE INSURANCE COMPANY

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

LIBERTY NATIONAL LIFE INSURANCE COMPANY

3700 SOUTH STONEBRIDGE DRIVE

MCKINNEY, TX 75070

dated as of December 31, 2023, verified under oath by the examiner-in-charge on
May 27, 2025, and received by the company on May 29, 2025, has been adopted
with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 13th 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, flowing style.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

LIBERTY NATIONAL LIFE INSURANCE COMPANY

as of

December 31, 2023

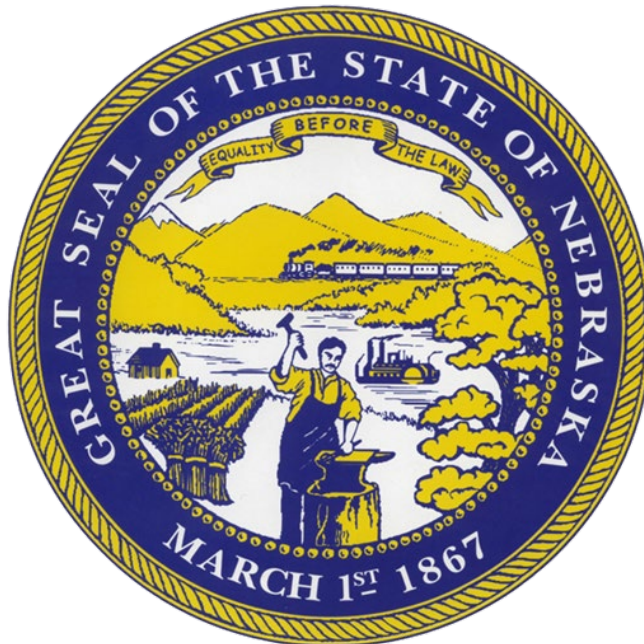


TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination	2
Description of Company	4
History.....	4
Management and Control.....	6
Holding Company.....	6
Shareholder	6
Surplus Note	7
Board of Directors	8
Officers	9
Committees	9
Transactions with Affiliates	10
Tax Allocation Agreement.....	10
Service Agreements	10
Marketing Agreement	13
Cost Sharing Agreements	13
Lease Agreement	15
Affiliated Loans	16
Territory and Plan of Operation	16
Reinsurance	17
Assumed.....	17
Ceded – Affiliates	19
Ceded – Non-Affiliates	20
General.....	20
Body of Report.....	21
Growth	21
Financial Statements	21
Examination Changes in Financial Statements	25
Compliance with Previous Recommendations.....	25
Commentary on Current Examination Findings	25
Summary of Comments and Recommendations	26
Acknowledgment	27

Lincoln, Nebraska
May 29, 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:

LIBERTY NATIONAL LIFE INSURANCE COMPANY

which has its Statutory Home Office located at

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

with its Principal Executive Office Located at

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

(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, 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 the 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.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors, 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 Deloitte & Touche LLP, the Company's external auditors, during their 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, 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.

Effective August 8, 2019, the holding company, Globe Life Inc., changed its corporate name from Torchmark Corporation.

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 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.
- American Life and Health Group, Inc.
- Globe Life and Accident Insurance Company
 - Family Heritage Life Insurance Company of America
 - Globe Marketing Services, Inc.
 - Globe Marketing and Advertising Distributors, LLC
- TMK Re, Ltd.
- United American Insurance Company
 - Globe Life Insurance Company of New York
- Specialized Advertising Group, Inc.
- AILIC Receivables Corporation
- Globe Life Insurance Agency, Inc.
- TMK Properties, L.P.*

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

Shareholder

Article VI of the Articles of Incorporation states that, “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, 2023, 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 8, 2023	\$16,051,000
August 3, 2023	41,855,000
March 16, 2023	110,005,000
December 7, 2022	16,051,000
August 3, 2022	41,855,000
March 16, 2022	28,902,000
September 8, 2021	16,051,000
August 3, 2021	41,855,000
March 16, 2021	21,450,000
September 8, 2020	16,051,000
August 3, 2020	41,855,000
March 16, 2020	34,060,000
March 9, 2020	25,934,000

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 \$25,000,000 on December 23, 2009 at an interest rate of 9.25% to Globe Life Inc. At December 31, 2023, the carrying value of the surplus note was \$25,000,000. The surplus note may only be repaid, in principal and/or interest, when the Company’s reported surplus in excess over all liabilities is equal to or greater than the surplus existing immediately after the issuance of the surplus note. 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. In 2017, Globe Life Inc. sold the surplus note to United American.

Board of Directors

Article III, Section 1 of the Company's By-Laws states that, "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, 2023:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Michael Shane Henrie Plano, Texas	Divisional Senior Vice President, Corporate Accounting, Chief Financial Officer and Treasurer
Robert Brian Mitchell McKinney, Texas	General Counsel and Executive Vice President Globe Life Inc.
Robert E. Hensley McKinney, Texas	Divisional Senior Vice President, Investments
Dolores L. Skarjune McKinney, Texas	Divisional Senior Vice President, Sales Administration
Carol J. Watson Lincoln, Nebraska	Principal, Watson & Co. LLC

According to Article III, Section 8 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

Article IV, Section 1 of the Company's By-Laws states that, "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 that, "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, 2023:

<u>Name</u>	<u>Office</u>
R. Brian Mitchell	President
M. Shane Henrie	Chief Financial Officer and Treasurer
Eric N. Holt	Appointed Actuary
Joel P. Scarborough	General Counsel and Secretary
Jon A. Adams	Divisional Senior Vice President, Financial Reporting and Controller
Robert E. Hensley	Divisional Senior Vice President, Investments
John O. Norton	Divisional Senior Vice President, Corporate Actuary

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, 2023:

M. Shane Henrie (Chair)	Robert E. Hensley
Dolores L. Skarjune	

The following persons were serving on the Subsidiary Risk Committee at December 31, 2023:

Emily C. Casso (Chair)
Jeffrey S. Morris

M. Shane Henrie
Saumil N. 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. Effective December 29, 2023, the parties entered into Amendment No. 2 to the Consolidated Tax Allocation Agreement, to allocate responsibility for payment of the corporate alternative minimum tax to align with INT 23-03: Inflation Reduction Act — *Corporate Alternative Minimum Tax*, as recently adopted by the NAIC's Statutory Accounting Principles (E) Working Group.

Service Agreements

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 2023, the total amount paid by the Company under this agreement was approximately \$8,148,000. 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 2023, total investment management fees paid by the Company under this agreement was approximately \$12,636,000.

Effective January 25, 1995, the Company and Globe entered into an administrative services agreement pursuant to which Globe processes health insurance claims payments for the Company. This agreement was amended December 12, 1997 to provide that Globe will retain, store and manage certain life insurance policy death claim files, accident and health policy claim files, and cash surrender and cash loan files for the Company and to perform such administrative, claims processing and other payment services and functions regarding these files as the Company requests of Globe. As of January 1, 1998, the agreement was amended to add other services, including premium billing and life claims. Effective January 1, 2003, the monthly fees thereunder were increased. During 2023, the Company paid \$508,200 under this agreement.

Effective January 1, 2002, the Company entered into a services agreement with Globe and United American pursuant to which the Company performs quality assurance/application verification calls to applicants for the Globe Life and United American insurance policies.

During 2023, no payments were made under this 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.

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. In 2023, the Company paid \$450,434 under this Recruiting Agreement.

Effective February 1, 2007, the Company entered into a medical service agreement with American Income, whereby upon request from the Company, American Income will obtain medical records for and on behalf of the Company for use in the underwriting and claims investigation process. The Company pays an \$11 service fee for each medical record requested and reimburses American Income for the actual cost of the medical records received from the provider. In 2023, the Company paid \$12,141 under this 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. During 2023, the total amount paid by the Company under this agreement was approximately \$65,609,297.

Marketing Agreement

Effective August 15, 2006, the Company entered into an arrangement with UNUM Provident pursuant to which the Company's agents sell a UNUM disability income product as part of payroll deduction offerings. Torchmark Insurance Agency, Inc. (TIA), an affiliated entity within the Globe Life Inc. insurance holding company system, is licensed as an insurance agency. Accordingly, TIA entered into a General Agency Contract with UNUM Provident companies. Each agent of the Company executes a soliciting agent contract with the UNUM Provident companies in which TIA is the named General Agent. All of the Company's agents are appointed by the UNUM Provident companies. The Company and TIA entered the commission distribution agreement to allow TIA to receive the appropriate commission payments from UNUM Provident as a licensed insurance agency and pay those funds to the Company so that the Company can distribute the commission payments through its commission system to the selling Company's agents. TIA receives the commissions and disburses them in full to the Company, who in turn pays them out to its agents under its commission schedule, as amended from time-to-time. This service is all that TIA performs under this agreement and TIA receives no compensation from the Company.

Cost Sharing Agreements

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. During 2023, the total amount paid by the Company under this agreement was approximately \$182,761.

Effective October 1, 2014, the Company and its affiliates, American Income, Globe, and United American entered into an information technology cost sharing agreement for providing cost allocations related to the purchase of computer software and implementation services associated with an insurance agent compensation system and related to the purchase of computer hardware, hardware maintenance services, computer software and software maintenance services associated with a policy administration system. There were no fees incurred for this agreement in 2023, and all costs shared were associated with the initial purchase and installation of agent compensation system software and equipment.

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 within 15 days of the receipt of such invoice. During 2023, the total amount paid by the Company under this agreement was \$404,862.

Effective November 23, 2020, the Company, American Income, Family Heritage, United American, Globe, and Globe Life, Inc. entered into a cost sharing agreement in order to share in and allocate among themselves costs incurred by Globe to obtain certain sponsorship benefits (such as the use of “Globe Life” branded seat coverings) associated with the Dallas Cowboys Football Club, Ltd., granted pursuant to a contractual agreement (the “BSC Agreement”) entered into on or about September 9, 2020, by and between Globe and an unaffiliated third party. During 2023, the Company made no payments under this agreement.

Lease Agreement

Effective January 1, 2017, the Company entered into a lease agreement with its affiliate, TMK Properties, L.P. (TMK Properties), whereby TMK Properties will lease to the Company approximately 148,000 square feet of space located at 3700 South Stonebridge Drive, McKinney, Texas (the “Premises”) at a monthly rent of \$193,700 per month for a five-year term, with automatic renewal annually thereafter. Additionally, upon the date that a Certificate of Occupancy was issued to TMK Properties, the Company leased an additional 150,000 square feet of newly-constructed space within the Premises upon the same terms and conditions of the lease agreement. During 2023, the Company paid \$2,324,401 in rent and operating costs to TMK Properties under this agreement.

Affiliated Loans

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 and cash flow needs.

As of December 31, 2023, the Company had outstanding loan balances due from affiliate, AILIC Receivables Corporation, totaling \$192,000,000. These loans were repaid in full during 2024 at interest rates of 8.25% and 8.50%.

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 2023, the Company had approximately 3,225 producing agents, up from 1,478 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 (Protective Life), for the sale of United Investors Insurance Company dated September 13, 2010, the Company and Protective Life 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. 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 the Company 50% of annuity policies issued by United American either in force as of July 1, 2017 or issued subsequent. Subsequent to the examination date, effective November 1, 2024, this affiliate reinsurance agreement was recaptured and terminated.

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. Effective October 1, 2021, the Company and American Income entered into Amendment Number 1 to amend the existing reinsurance agreement to provide that the agreement shall not apply to new business issued on or after October 1, 2021 or to reinstatements of business issued after such date.

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. Subsequent to the examination date, effective November 1, 2024, this affiliate reinsurance agreement was recaptured and terminated.

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. Subsequent to the examination date, effective November 1, 2024, this affiliate reinsurance agreement was recaptured and terminated.

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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Bonds	\$6,619,380,877	\$6,809,849,748	\$7,090,321,154	\$7,152,738,078
Admitted assets	8,307,567,633	8,756,812,333	9,042,087,639	9,298,499,564
Aggregate reserves for life contracts	7,102,668,502	7,407,970,573	7,648,325,592	7,873,095,607
Aggregate reserves for accident & health contracts	237,025,802	245,437,969	251,521,758	257,101,125
Total liabilities	7,789,543,539	8,177,098,881	8,343,931,905	8,614,675,322
Capital and surplus	518,024,094	579,713,452	698,155,734	683,824,242
Premium income	1,039,277,396	1,148,454,683	1,145,768,263	1,131,314,800
Net investment income	387,864,905	399,077,894	415,960,071	439,997,405
Death benefits	289,201,288	343,605,236	332,146,199	300,928,744
Net income	95,316,926	104,473,673	185,065,264	213,357,243
Life insurance in-force (000s)	77,092,203	82,715,646	79,757,000	78,336,234

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	\$7,152,738,078		\$7,152,738,078
Preferred stocks	311,693,000		311,693,000
Common stocks	9,646,557	\$ 319,757	9,326,800
First lien mortgage loans on real estate	88,238,654		88,238,654
Real estate held for the production of income	203,337		203,337
Cash, cash equivalents, & short-term investments	189,895,747		189,895,747
Contract loans	243,697,521	214,921	243,482,600
Other invested assets	<u>824,874,878</u>	<u>300,000</u>	<u>824,574,878</u>
Subtotal, cash and invested assets	\$8,820,987,772	\$ 834,678	\$8,820,153,094
Investment income due and accrued	110,482,865		110,482,865
Uncollected premiums and agents' balances in the course of collection	139,866,379		139,866,379
Deferred premiums and agents' balances and installments booked but deferred and not yet due	65,594,313		65,594,313
Amounts recoverable from reinsurers	27,868,413		27,868,413
Other amounts receivable under reinsurance contracts	6,927,091		6,927,091
Current federal income taxes	21,846,030		21,846,030
Net deferred tax asset	188,093,000	99,171,000	88,922,000
Guaranty funds receivable or on deposit	301,977		301,977
Electronic data processing equipment and software	106,140,630	104,049,868	2,090,762
Receivables from parent, subsidiaries and and affiliates	691,845		691,845
Health care and other amounts receivable	51,367,056	51,367,056	
Prepaid pension contribution and employee benefits	29,695,149	29,695,149	
SERP rabbi trust – COLI cash value	13,754,795		13,754,795
Remittances and items not allocated	7,935,081	7,935,081	
Other prepaid contracts	<u>4,617,960</u>	<u>4,617,960</u>	<u></u>
Totals	\$9,596,170,356	\$297,670,792	\$9,298,499,564

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$7,873,095,607
Aggregate reserve for accident and health contracts	257,101,125
Liability for deposit-type contracts	67,192,846
Life contract claims	116,513,129
Accident and health contract claims	30,669,000
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	9,868,847
Other amounts payable on reinsurance	39,940,413
Interest maintenance reserve	37,471,297
Commissions and expense allowances payable on reinsurance assumed	32,981,454
General expenses due or accrued	11,267,246
Unearned investment income	674,863
Amounts withheld or retained by reporting entity as agent or trustee	7,817,764
Remittances and items not allocated	4,577,411
Asset valuation reserve	120,525,278
Payable to parent, subsidiaries and affiliates	1,134,416
Payable for securities	<u>3,839,575</u>
Total liabilities	<u>\$8,614,675,322</u>
Common capital stock	\$ 41,060,708
Preferred capital stock	1,330,000
Surplus notes	25,000,000
Gross paid in and contributed surplus	249,629,174
Unassigned funds (surplus)	<u>366,804,360</u>
Total capital and surplus	<u>\$ 683,824,242</u>
Totals	<u>\$9,298,499,564</u>

SUMMARY OF OPERATIONS – 2023

Premiums and annuity considerations	\$1,131,314,800
Net investment income	439,997,405
Amortization of interest maintenance reserve	3,820,420
Commissions and expense allowances on reinsurance ceded	14,250,591
Reserve adjustments on reinsurance ceded	(72,425,093)
Amortize gain on inforce business ceded	2,261,209
Miscellaneous income (expense)	<u>(37,855)</u>
 Totals	 \$1,519,181,477
 Death benefits	 \$ 300,928,744
Matured endowments	1,769,831
Annuity benefits	111,308,077
Disability benefits	75,261,404
Surrender benefits and withdrawals for life contracts	64,453,779
Interest and adjustments on contract or deposit-type contract funds	2,561,632
Payments on supplementary contracts with life contingencies	34,576
Increase in aggregate reserves	<u>230,349,382</u>
 Totals	 \$ 786,667,424
 Commissions on premiums, annuity considerations, and deposit-type contract funds	 \$ 172,054,708
Commissions and expense allowances on reinsurance assumed	140,381,893
General insurance expenses	115,033,246
Insurance taxes, licenses and fees	14,656,166
Increase in loading on deferred and uncollected premiums	<u>(2,544,195)</u>
 Totals	 \$1,226,249,242
 Net gain from operations before dividends, federal income taxes and net realized capital gains	 \$ 292,932,235
 Dividends to policyholders	 1,327
Federal income taxes incurred	48,975,913
Net realized capital losses	<u>(30,597,752)</u>
 Net income	 <u>\$ 213,357,243</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital and surplus, beginning	<u>\$555,944,145</u>	<u>\$518,024,094</u>	<u>\$579,713,452</u>	<u>\$698,155,734</u>
Net income	\$ 95,316,926	\$104,473,673	\$185,065,264	\$213,237,243
Change in net unrealized capital gains	(3,316,104)	21,715,839	(16,544,504)	8,416,849
Change in net deferred income tax	19,315,000	18,092,000	10,246,000	32,322,000
Change in nonadmitted assets	(42,282,810)	(11,835,868)	(14,648,752)	(85,600,539)
Change in reserve on account of change in valuation basis			51,173,398	
Change in asset valuation reserve	12,779,863	(33,608,691)	5,547,242	2,168,319
Paid in surplus	20,000,000	60,000,000		
Change in surplus as result of reinsurance	(2,560,645)	(2,384,951)	(2,439,420)	(2,261,209)
Dividends to stockholders	(133,860,000)	(95,316,000)	(102,768,000)	(183,871,000)
Change in executive benefit plans	(2,860,531)	1,005,107	3,262,804	1,588,595
Amortization of surplus adjustment in initial ceding allowance	<u>(451,750)</u>	<u>(451,750)</u>	<u>(451,750)</u>	<u>(451,750)</u>
Net change for the year	<u>\$ (37,920,051)</u>	<u>\$ 61,689,359</u>	<u>\$118,442,282</u>	<u>\$ (14,331,492)</u>
Capital and surplus, ending	<u>\$518,024,094</u>	<u>\$579,713,452</u>	<u>\$698,155,734</u>	<u>\$683,824,242</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$366,804,360, 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

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

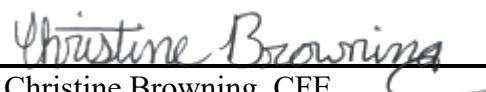
There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

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

In addition to the undersigned, Amy Alves, CFE, CPA, MCM, and Kathleen Wilson, CFE, Financial Examiners; Ras Sowers CISA, CRISC, CDPSE, CISSP, HCISPP, CIA, CRMA, and David Hall, CISA, CPA, and CITP, Information Systems Specialists; and Nan Nguyen, ASA, MAAA, Veronika Cooper, FSA, MAAA, Vadim Marchenko, ASA, MAAA, and Tricia Matson, FSA, MAAA, Actuarial Examiners; all with Risk & Regulatory Consulting, LLC, representing 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,



Christine Browning, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC
Representing the Department of Insurance
State of Nebraska



Skyler Lawyer, CFE
Assistant Chief Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Christine Browning, 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 Globe Life and Accident Insurance Company, Liberty National Life Insurance Company, and United American Insurance Company of Collin County, Texas.
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 of Collin County, Texas was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

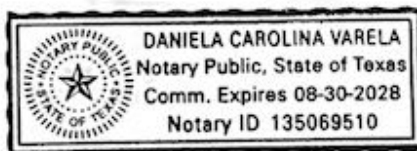
The affiant says nothing further.

Christine Browning
Examiner-in-Charge's Signature

Subscribed and sworn before me by Christine Browning on this 27th day of May, 2025.

(SEAL)

Daniela
Notary Public



My commission expires 08/30/2028 [date].

BOARD MEMBER'S AFFIDAVIT

STATE OF Texas)
) ss
COUNTY OF Collin)

The undersigned, R. Brian Mitchell, being of lawful age, and first duly sworn, upon oath states that he/she is a Board Member of Liberty National Life Insurance Company and has received a copy of the Adopted Financial Examination Report for Liberty National Life Insurance Company, which was filed with the Nebraska Department of Insurance on or about June 24, 2025.

R. Brian Mitchell

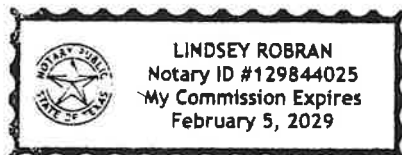
(Signature of Board Member)

Signed or attested to before me this 9th day of July, 2025.

Lindsey Robran
NOTARY PUBLIC

My Commission Expires:

February 5, 2029
(Seal)



BOARD MEMBER'S AFFIDAVIT

STATE OF Texas)
) ss
COUNTY OF Collin)


The undersigned, M. Shane Henrie, being of lawful age, and first duly sworn, upon oath states that he/she is a Board Member of Liberty National Life Insurance Company and has received a copy of the Adopted Financial Examination Report for Liberty National Life Insurance Company, which was filed with the Nebraska Department of Insurance on or about June 24, 2025.

M. Shane Henrie
(Signature of Board Member)

Signed or attested to before me this 9 day of July, 2025.

Marchele R. Jerome
NOTARY PUBLIC


My Commission Expires: 10-14-2027

(Seal) 

BOARD MEMBER'S AFFIDAVIT

STATE OF Texas)
) ss
COUNTY OF Collins)

The undersigned, Robert E Hensley, being of lawful age, and first duly sworn, upon oath states that he/she is a Board Member of Liberty National Life Insurance Company and has received a copy of the Adopted Financial Examination Report for Liberty National Life Insurance Company, which was filed with the Nebraska Department of Insurance on or about June 24, 2025.


(Signature of Board Member)

Signed or attested to before me this 9 day of July, 2025.


NOTARY PUBLIC

My Commission Expires: Oct 14, 2027



BOARD MEMBER'S AFFIDAVIT

STATE OF Texas)
COUNTY OF Collin) ss

The undersigned, Dolores Skarjune, being of lawful age, and first duly sworn, upon oath states that he/she is a Board Member of Liberty National Life Insurance Company and has received a copy of the Adopted Financial Examination Report for Liberty National Life Insurance Company, which was filed with the Nebraska Department of Insurance on or about June 24, 2025.

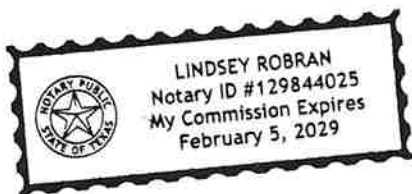
[Signature]
(Signature of Board Member)

Signed or attested to before me this 14th day of July, 2025.

Lindsey Robran
NOTARY PUBLIC

My Commission Expires:

February 5, 2029
(Seal)



BOARD MEMBER'S AFFIDAVIT

STATE OF Iowa)
COUNTY OF Dickinson) ss

The undersigned, Carol J. Watson, being of lawful age, and first duly sworn, upon oath states that he/she is a Board Member of Liberty National Life Insurance Company and has received a copy of the Adopted Financial Examination Report for Liberty National Life Insurance Company, which was filed with the Nebraska Department of Insurance on or about June 24, 2025.

Carol J. Watson
(Signature of Board Member)

Signed or attested to before me this 10th day of July, 2025.

Teresa A. Johnson
NOTARY PUBLIC

My Commission Expires:

(Seal) 