

NEBRASKA DEPARTMENT
OF INSURANCE

JAN 14 2020

FILED

CERTIFICATION

January 14, 2020

I, Bruce R. Range, 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

WOODMEN OF THE WORLD LIFE INSURANCE SOCIETY

AS OF

DECEMBER 31, 2018

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. Range

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

WOODMEN OF THE WORLD LIFE INSURANCE SOCIETY

1700 FARNAM STREET

OMAHA, NE 68102

dated as of December 31, 2018 verified under oath by the examiner-in-charge on January 10, 2020 and received by the company on January 10, 2020, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 14th day of January 2020.

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

WOODMEN OF THE WORLD LIFE INSURANCE SOCIETY

as of

December 31, 2018



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Omaha, Nebraska
December 4, 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:

**WOODMEN OF THE WORLD LIFE INSURANCE SOCIETY
1700 Farnam Street
Omaha, Nebraska 68102**

(hereinafter also referred to as the "Society") and the report of such examination is respectfully presented herein.

INTRODUCTION

The Society 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, 2018, 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 Society by obtaining

information about the Society including, but not limited to: corporate governance, identifying and assessing inherent risks within the Society, 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 Society's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Society's history was traced and has been set out in this report under the caption "Description of Society". 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 Society. 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 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 Society'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 Society's general plan of operation.

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

The Society'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 Society'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 Society were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Ernst & Young LLP, the Society's external auditors, during their audit of the Society's accounts for the year ended December 31, 2018. 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 SOCIETY

HISTORY

The Society was organized as a Fraternal Benefit Society on June 6, 1890, and commenced business immediately thereafter. The Society was subsequently incorporated under the laws of the State of Nebraska on January 1, 1891 as the Sovereign Camp of the Woodmen of the World. In 1937 the name Woodmen of the World Life Insurance Society and/or Omaha Woodmen Life Insurance Society was adopted in order to satisfy the insurance department licensing provisions of various western states where a similarly named fraternal benefit society had previously been licensed. Prior to June 2015, all official documents and certificate forms

filed in the states of California, Colorado, Idaho, Montana, Nevada, Oregon, Utah, Washington and Wyoming, bore the corporate name of Omaha Woodmen Life Insurance Society. In June 2015, after reaching a settlement with the similarly named fraternal benefit society, The Society changed its name in the aforementioned states to Woodmen of the World Life Insurance Society. Article 3 of the Society's Articles of Incorporation states that, "the Society is a Fraternal Benefit Society, organized under the laws of the State of Nebraska, without capital stock, conducted solely for the benefit of its members and their beneficiaries, and not for profit. It shall be operated on a lodge system based on local chapters with a ritualistic form of work and representative form of government. It shall have all the powers granted by law and shall have perpetual existence..."

The Society is the surviving corporation of five mergers that occurred between 1962 and 2001. Each merger was consummated in accordance with appropriate corporate procedures and under the auspices of proper regulatory authorities. The five fraternal benefit societies absorbed by the Society through the mergers are as follows: The United Order of Golden Cross, of Knoxville, Tennessee effective January 1, 1962; The Mutual Benefit Department of the Order of Railroad Telegraphers, of St. Louis, Missouri effective July 1, 1964; The Supreme Forest Woodmen Circle, of Omaha, Nebraska effective January 1, 1965; The New England Order of Protection, of Boston, Massachusetts effective July 1, 1968; Neighbors of Woodcraft, of Oregon City, Oregon effective July 1, 2001

Effective October 2, 2001, the Society established WFS Holdings, Inc. (WFS), a wholly owned, for profit entity. WFS then formed Woodmen Financial Services, Inc., a broker-dealer subsidiary, for the purpose of underwriting variable annuity and life products and selling non-

proprietary mutual funds. The Society approved the establishment of separate accounts for this purpose.

On July 2, 2003, the Society formed two additional wholly owned subsidiaries.

Woodmen Insurance Agency, Inc. was formed as a general insurance agency and Woodmen

Mortgage Services, Inc. (Woodmen Mortgage) was formed as a mortgage banking entity.

Effective December 31, 2005, the Society discontinued the operations of Woodmen Mortgage.

MANAGEMENT AND CONTROL

Holding Company

The Society 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 2018 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

Woodmen of the World Life Insurance Society
WFS Holdings, Inc.
Woodmen Financial Services, Inc.
Woodmen Insurance Agency, Inc.

National Convention

Article 1, Section 1 of the Constitution and Laws states that, “the supreme legislative and governing body of the Society shall be known as the National Convention.” Section 2 of Article 1 also states, “the National Convention shall have plenary, original and appellate jurisdiction in all matters pertaining to the Society and its general welfare. It shall have the power to enact laws for its own government, the government and management of the Society in general, and its subordinate bodies and subsidiaries. It shall be the sole judge of its elections and the qualifications of its own National Convention Officers, National Convention Representatives and members of the Society. It may, by itself when in session, or through the National Board of

Directors when the National Convention is not in session, by a two-thirds vote of either body, suspend or remove any of its National Convention Representatives or members of the Society for violating any of the laws of the Society or for doing any other act or thing which tends to bring reproach upon the National Convention, the Society, or any of its National Convention Representatives or members of the Society, or for any other good and sufficient cause.”

Representatives to the National Convention are composed of the Board of Directors, members of the Judiciary and Legislative Committees, Jurisdictional Presidents, Junior Past Presidents and Representatives from Jurisdictions, and each is entitled to one vote.

The Officers of the National Convention are the same people as comprise the Board of Directors of the Society. All such Officers are elected by ballot at the regular session of the National Convention, for a term of four years or until their successors are elected and qualified.

Article 1, Section 5, Paragraphs (a)-(c) of the Constitution and Laws states that, “regular sessions of the National Convention shall be held every four years in the odd-numbered years beginning in 1965, at such times and places as may be determined by the President & CEO of the Society. Sessions of the National Convention may be postponed in the event of war or other national emergency as determined by the President & CEO of the Society. Special sessions may be called by the President & CEO at any time and place, when authorized by two-thirds of the entire National Board of Directors. Special sessions shall be called and convened by the President & CEO, within sixty days, at such time and place as may be set forth in a demand therefore in writing by at least two-thirds of the entire National Board of Directors. Special sessions shall have all authority and powers possessed by regular sessions and shall be composed of the National Convention Representatives who attended, or were entitled to attend, the last regular session of the National Convention. A majority of the National Convention

Representatives entitled to sit in any session of the National Convention shall constitute a quorum to open the National Convention. A simple majority of those present and voting shall be sufficient to decide all motions and other issues rightly before it, except as otherwise provided in this Constitution and Laws.”

Board of Directors

Article 2, section 1 of the Constitution and Laws of the Society states that, “the Board of Directors shall be composed of the President and CEO (who shall serve as the Chairman of the National Board of Directors unless determined otherwise in accordance with Article 2, Section 9(a)), Executive Vice President, Chief Operating Officer; Executive Vice President, Secretary; Executive Vice President, Chief Financial Officer; and up to ten additional members, at least eight of whom shall be Independent National Directors as defined in Article 2, Section 1(b).”

Article 2, Section 2, Paragraph (a) of the Constitution and Laws states that, “all power and authority of the National Convention, when not in session, shall be vested in the National Board of Directors, except as herein elsewhere provided.” Paragraph (b) of Article 2, Section 2 goes on to state that, “the National Board of Directors may examine the transactions of its members at any time and shall receive such reports from its members as are required of them in this Constitution and Laws. It shall transact any other business rightfully before it.” Paragraph (c) further states that, “it shall have the authority to act on behalf of the National Convention between regular meetings of the National Convention. The National Board of Directors shall have the authority to approve mergers, divestitures, consolidations, and acquisitions, subject to and in accordance with applicable laws, and pursuant thereto has the authority to execute and enter into merger, divestiture, consolidation, or any form of acquisition agreements, articles of merger, divestiture or consolidation, certificates of assumption, representation sand warranties,

as well as any other documents necessary to effectuate a merger, divestiture, consolidation or any acquisition. The National Board of Directors shall have further authority, subject to and in accordance with applicable laws and any required regulatory approval, to borrow money and issue financial instruments in connection therewith, including, without limitation, promissory notes, surplus notes or such other instruments of indebtedness as approved by the National Board of Directors, and pursuant thereto to enter into, execute and deliver such financing agreements and instrument for such purposes as the National Board of Directors deems necessary and appropriate, including, without limitation, financing to effectuate mergers, divestitures, consolidations, or acquisitions. Legislation and other matters may be adopted by means of a referendum submitted by mail to qualified National Convention Representatives when the same is approved as herein provided. Qualified National Convention Representatives, for purposes of a referendum, shall be those National Convention Representatives of the last regular session of the National Convention who are eligible to act in the capacity as a National Convention Representative at the time of the referendum. The National Board of Directors shall have authority to make rules and regulations for the orderly operation of Chapters and Jurisdictions, which shall include, but not be limited to, changes in the By-Laws and Rules of Order of subordinate bodies, subsidiaries and affiliated entities as defined in the Society's Articles of Incorporation and Constitution and Laws, provided such changes do not conflict with this Constitution and Laws.”

The following persons were serving as Directors at December 31, 2018:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Patrick L. Dees Omaha, Nebraska	Chairman of the Board, President and Chief Executive Officer of the Society
Ronald H. Aldridge	Attorney

Jackson, Mississippi

Name and Residence

Principal Occupation

James W. Bosler, III
Louisville, Kentucky

Physician

Danny E. Cummins
Troup, Texas

Retired President and Chief Executive Officer of the
Society

Wesley A. Dodd, Jr.
Cornelia, Georgia

Chief Financial Officer, Habersham Metal Products
Company

Daryl J. Doise
Frisco, TX

Executive Vice President and Chief Development
Officer, Oceans Healthcare, LLC

Matthew E. Ellis
Omaha, Nebraska

Executive Vice President, Secretary and General
Counsel of the Society

Robert T. Maher
Omaha, Nebraska

Executive Vice President, Chief Financial Officer of
the Society

Denise M. McCauley
Omaha, Nebraska

Executive Vice President, Chief Operating Officer of
the Society

Daniel W. Rice, III
Kinston, North Carolina

Retired Director of Community Service at the North
Carolina Department of Health and Human Services

Mark L. Schreier
Papillion, Nebraska

Retired Executive Vice President, Finance and
Treasurer of the Society

James W. Shaver
Landis, North Carolina

Optometrist

Michael C. Shealy
Lexington, South Carolina

President and Co-Owner of Carroll's Electric Service

Dwayne H. Tucker
Brentwood, Tennessee

Founder and Chief Executive Officer,
Dwayne Tucker Consulting, LLC

Officers

Article 1, section 4 of the Constitution and Laws states that, "the Officers of the National Convention shall be the same persons as comprise the National Board of Directors of the Society..." Article 3, section 1 of the Constitution and Laws also states that, "the President shall

be the Chief Executive Officer (CEO) of the Society and shall report to the Board of Directors. The additional Executive Officers shall be the Executive Vice President, Chief Operating Officer; the Executive Vice President, Secretary; and the Executive Vice President, Chief Financial Officer. The Executive Vice Presidents shall report to the President & CEO; should a vacancy occur, the President & CEO shall appoint the Executive Vice President; and the President & CEO shall recommend the Executive Vice Presidents as part of the nominating process at each National Convention.” The President shall have general supervision over the affairs of the Society.

The following is a listing of Senior Officers elected and serving the Society at December 31, 2018:

<u>Name</u>	<u>Office</u>
Patrick L. Dees	Chairman, President, and Chief Executive Officer
Matthew E. Ellis	Executive Vice President, Secretary & General Counsel
Robert T. Maher	Executive Vice President, Chief Financial Officer
Denise M. McCauley	Executive Vice President, Chief Operating Officer

National Convention Committees

Article 1 section 6a of the Society’s Constitution and Laws states that, “there are hereby created the following standing committees of the National Convention, the members of which shall be appointed by the President & CEO on the last day of each regular session to serve until the close of the succeeding regular session...” Standing committees provided for are currently the Legislation Committee and the Judiciary Committee. Additional standing committees may be appointed by the President & CEO from among the adult members of the Society and/or the then members of the National Convention to assist the National Convention in the transaction of business.

The Legislation Committee is comprised of fifteen National Convention Representatives. The Society's General Counsel serves as an Ex-Officio member of this committee. Article 10 section 2(c) of the Constitution and Laws states that, "the (Legislative) Committee shall consider all proposals for amending the Constitution and Laws as may be submitted to it from the General Counsel pursuant to Article 10, Section 2(b)."

The Judiciary Committee is comprised of not fewer than five, nor more than seven National Convention Representatives. No person can serve for more than two consecutive terms.

Special committees of the National Convention may be appointed by the President & CEO from among the members of the National Convention to serve during that session only.

Committees of the Board

Article 2 section 4 of the Society's Constitution and Laws states that, "the Chairman of the Board may appoint special committees of the Board of Directors and Chairs of such Committees with the approval of the National Board to expedite work and matters before it for consideration. The four standing committees shall be the Audit, Governance, Compensation, and Fraternal Committees. Members of the standing committees shall be appointed by the Chairman of the National Board on an annual basis, subject to approval by a majority vote of the National Board, and shall be comprised of no fewer than three or greater than eight Independent National Directors."

The following persons were serving on the following committees at December 31, 2018:

AUDIT COMMITTEE

Wesley A. Dodd, Jr. - Chair
James W. Bosler, III
Daryl J. Doise

Ronald H. Aldridge
Danny E. Cummins
Mark L. Schreier

COMPENSATION COMMITTEE

Dwayne H. Tucker - Chair	Wesley A. Dodd, Jr
Daryl J. Doise	Robert T. Maher
Daniel W. Rice, III	Mark L. Schreier

FRATERNAL COMMITTEE

Dr. James W. Shaver - Chair	James W. Bosler, III
Danny E. Cummins	Matthew E. Ellis
Michael C. Shealey	

GOVERNANCE COMMITTEE

Daniel W. Rice, III- Chair	Ronald H. Aldridge
Denise M. McCauley	Dr. James W. Shaver
Michael C. Shealy	Dwayne H. Tucker

INVESTMENT COMMITTEE

Patrick L. Dees – Chair	Denise M. McCauley
Robert T. Maher	Matthew E. Ellis
Stephen K. McMahan-Alternate	Karla J. Gochenour - Alternate

EXECUTIVE COMMITTEE

Patrick L. Dees – Chair	Denise M. McCauley
Robert T. Maher	Matthew E. Ellis
Stephen K. McMahan-Alternate	Karla J. Gochenour – Alternate

TRANSACTIONS WITH AFFILIATES

Capitalization Agreement

The Society filed a capitalization agreement with WFS, whereby the Society commits sufficient capital to WFS to finance its business operations and those of its operating subsidiaries. WFS and each of its subsidiaries, Woodmen Financial Services, Inc. and Woodmen Insurance Agency, Inc., entered into separate capitalization agreements outlining and referencing minimum capital transfers from the Society to WFS and then to the subsidiaries. The Society

contributed capital to WFS under this agreement in the amounts of \$415,000 in 2014, \$320,000 in 2015, and \$20,000 in 2016, 2017, and 2018, respectively.

Service Agreements

The Society filed service agreements, whereby the Society provides professional services, office services, and sales support for operations for each of the subsidiaries, Woodmen Financial Services, Inc. and Woodmen Insurance Agency, Inc. Costs for these services and support under each agreement are invoiced on a monthly basis as established in the allocation method attached to each agreement. The service agreements provide for termination upon default or failure to abide by its terms. Also, either party may terminate at any time by providing the other party thirty days written notice.

The allocated charges for these services during the examination period were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
WFS Holdings, Inc.	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Woodmen Financial Services, Inc.	\$871,200	\$841,000	\$793,900	\$923,600	\$806,400
Woodmen Insurance Agency, Inc.	\$597,900	\$564,300	\$491,800	\$525,900	\$509,900

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Society is licensed to transact business as a fraternal benefit society in all states and the District of Columbia.

Business is produced under the Regional Director Plan. The following represents the composition of the Society’s field production force at year-end 2018:

<u>Classification</u>	<u>Number</u>
Regional Directors	25
Recruiting Sales Managers	104
Sales Representatives:	
Full-time	540
Part-time	<u>480</u>
Total Field Force	1,149

Regional Directors and Recruiting Sales Managers are considered to be employees of WoodmenLife, while the Sales Representatives are considered statutory employees. All contracts provide incentives to combine production with fraternal development for the mutual benefit of themselves and the Society. During the examination period, some of the State Manager Marketing Areas have been consolidated in efforts to reduce expenses and improve efficiency. Production requirements have been implemented for full-time Field Representatives which have reduced the number of full-time and have increased the number of part-time Field Representatives.

Each Regional Director is responsible for the appointment, training and development of Recruiting Sales Managers who will recruit, train and maintain an effective sales force for the solicitation of application and for the promotion of fraternal activity. They shall also organize and institute local chapters and visit existing chapters in their territory for the purpose of working with the Officers and members of such chapters to increase their membership and activity.

All solicitation contracts are direct with WoodmenLife. These contracts provide for commissions, service fees, bonuses and management fees on business produced. In addition, Regional Director and Recruiting Sales Managers contracts provide for overwrite commissions on business produced by the field force under their management. Training allowance programs are provided for new sales representatives and Recruiting Sales Managers.

REINSURANCE

Ceded:

Individual Life MRT and YRT

Currently, reinsurance on all life plans of insurance, except on Fifteen Year Term, Twenty Year Term, and Thirty Year Term issued after October 1, 2016 with a Face Amount greater than \$100,000, is covered under the self-administered YRT excess agreement effective

January 1, 2013. Under this agreement, three authorized reinsurers receive a specific percentage of the reinsured risk. Submissions must be new direct agency standard and substandard individual issues of life insurance policies in excess of the Society's regular retention (not to include brokerage business or reinsurance assumed). All such cessions are made on the risk premium basis for the net amount at risk.

Reinsurance on most permanent plans of insurance written prior to 2013 is covered under self-administered MRT excess agreement effective January 1, 2006 and self-administered YRT excess agreement effective March 1, 1995, most recently amended effective March 1, 2001. Under these agreements, three authorized reinsurers receive a specific percentage of the reinsured risk.

A portion of the Society's reinsurance risk on cost-of-living increases continues to be self-administered with four authorized reinsurers. This risk is shared equally with the participating reinsurers.

The Society's current individual life retention limits for both standard and substandard risks are \$400,000 for all members not employed by or representing the Society and \$200,000 for all members employed by or sales representatives of the Society. The Society's current waiver of premium disability benefits retention limit is \$1,000,000.

Under the Society's current excess agreement, the overall sum in force and applied for on the same life with all insurance companies must not exceed \$5,000,000. This limit was changed from \$3,000,000 effective January 1, 2006. Limits and conditions for automatic reinsurance under the Society's current excess agreement establish the issue age up to 85 years. This was changed from age 80 effective January 1, 2006. Also, the automatic reinsurance is limited in that

standard and substandard written in the United States cannot exceed Table 16 (500% total mortality) or corresponding flat extras. The minimum cession is \$10,000.

Individual Life Coinsurance

Currently, reinsurance on Fifteen Year Term, Twenty Year Term, and Thirty Year Term with a Face Amount greater than \$100,000 is covered under a self-administered automatic coinsurance first dollar quota share agreement between three authorized reinsurers effective October 1, 2016. Each reinsurer receives a specific percentage of the reinsured risk. The Society's retention limit under this agreement is 10% of the face amount of the certificate up to a maximum retention of \$400,000 for non-employees and \$200,000 for employees and field representatives.

A self-administered automatic coinsurance first dollar quota share agreement between two authorized reinsurers was effective between March 1, 2001 and September 1, 2005. This agreement provided coverage for the current Ten Year Term and Twenty Year Term products. Each reinsurer received a specific percentage of the reinsured risk. The Society's retention limit under this agreement was 50% of the face amount of the certificate up to a maximum retention of \$100,000 on any one member. This retention was in addition to the Society's published retention on other life plans of \$400,000 for non-employees or field representatives and \$200,000 for employees and sales representatives. This agreement succeeded an agreement between two authorized reinsurers, which provided coverage for the Ten Year Level Term and Twenty Year Tem products issued between March 1, 1999 and March 1, 2001.

Prior to March 1, 1999, self-administered automatic coinsurance agreements with four authorized reinsurers provided coverage for One Year Term and Ten year Level Term products issued after April 1, 1991. These agreements were amended to provide reinsurance coverage on

new One Year Term, Five Year Term, Ten Year Term and Fifteen Year Term products issued after January 1, 1997. The Society's retention limits under these agreements were the same as those set out above, under the self-administered YRT agreements. The automatic limit for cessions under these agreements was \$1,500,000 issues or applied for in all companies. Facultative coverage was provided for in the agreements when applications did not meet the criteria for automatic cession. The liability of the reinsurers was split equally for automatic submissions and as agreed upon for facultative coverage. The liability of the reinsurers was considered several and not joint.

Accidental Death Benefits

Currently, the Society has an Accidental Death Carve Out Indemnity Reinsurance agreement with SCOR Global Life USA Reinsurance Company effective July 1, 2014. This agreement covers deaths due to accidents or accidental means on all life insurance plans and associated accidental death riders. The agreement covers 100% of losses in a given year above the retention of \$19,500,000. The retention was amended effective January 1, 2016 to be \$13,000,000.

Individual and Group Disability Income

As of December 31, 1997, the Society's disability income business was limited to three reinsurance contracts with three authorized reinsurers. Each agreement has been terminated as to new business, however one agreement does allow for new business limited to employee fluctuation within small employee groups.

Administration agreements for servicing the respective books of business are in place with two reinsurers. Services provided include premium billing and collections, claims and policy change processing, preparation of accounting, actuarial and all other records necessary to

maintain the existing book of business. Administration fees are included as part of the premiums paid to or retained by the administrator and tied to persistency.

The Society receives a renewal allowance from all three reinsurers. One is based on the previous year loss ratio. Servicing expenses owed to the field representatives are the responsibility of the Society.

Long Term Care

Beginning January 1, 2002, the Society entered into an automatic coinsurance first dollar quota share reinsurance agreement with one authorized reinsurer to cover its new Long Term Care product. The Society retains 50% of the risk up to a maximum daily benefit amount of \$300 as adjusted by an inflation rider. During 2007, this agreement was closed to new business to coincide with the Society discontinuing new sales of its Long Term Care product.

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 Society during the period covered by this examination (in thousands):

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds admitted,	\$ 7,015,395	\$ 7,244,248	\$ 7,330,024	\$ 7,473,524	\$ 7,485,138
Admitted assets	10,439,990	10,676,069	10,846,690	10,975,459	10,949,511
Policy reserves:					
Life contracts	7,542,735	7,828,041	7,919,910	7,900,802	7,839,981
A&H contracts	37,696	40,932	49,266	52,672	54,270
Total liabilities	9,343,085	9,502,779	9,576,455	9,581,922	9,517,337
Surplus	1,096,904	1,173,290	1,270,236	1,393,538	1,432,173
Premium income	767,492	793,145	639,186	570,242	587,334
Net investment					
income	406,021	408,088	411,030	404,258	395,526
Death benefits	193,708	198,121	222,819	224,078	228,319
Net income	74,603	96,720	159,245	61,755	85,227
Life insurance					
in-force	37,237,663	37,630,939	38,039,631	38,543,410	38,707,812

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, 2018. 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, 2018

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 7,485,137,545		\$ 7,485,137,545
Preferred stocks	8,338,082		8,338,082
Common stocks	406,562,172		406,562,172
Mortgage loans on real estate	2,037,358,139		2,037,357,139
Real estate occupied by the company	20,533,299		20,533,299
Real estate held for production of income	57,931,530		57,931,530
Cash, cash equivalents, and short term investments	180,832,659		180,832,659
Contract loans	149,742,857	\$ 1,377,541	148,365,316
Other invested assets	8,800,563		8,800,563
Securities lending reinvested collateral assets	<u>77,155,989</u>		<u>77,155,989</u>
 Subtotal, cash and invested assets	 \$10,432,392,835	 \$ 1,377,541	 \$10,431,015,294
Investment income due and accrued	71,075,274	3,560	71,071,714
Uncollected premiums and agents' balances	(548,347)	10,692	(559,039)
Amounts recoverable from reinsurers	2,060,501		2,060,501
Other amounts receivable under reinsurance contracts	35,211		35,211
Electronic data equipment and software	1,376,062		1,376,062
Furniture and equipment	10,954,164	10,954,164	
Overfunded pension plan assets	27,106,740	27,106,740	
Prepaid pension expense	139,361,970	139,361,970	
Fieldworkers balances	7,885,122	7,885,122	
Prepaid expense	5,572,052	5,572,052	
Other miscellaneous assets	1,557,973	1,557,973	
Group claims paid – not yet allocated	1,095,934	1,095,934	
Chapter escrow	360,404	360,404	
Amounts due society	<u>294,801</u>	<u>294,801</u>	
 Total assets excluding separate accounts	 \$10,700,580,696	 \$195,580,953	 \$10,504,999,743
Separate accounts	<u>444,510,975</u>		<u>444,510,975</u>
 Totals	 <u>\$11,145,091,671</u>	 <u>\$195,580,953</u>	 <u>\$10,949,510,718</u>

Liabilities, Surplus, and Other Funds

Aggregate reserve for life contracts	\$ 7,839,980,562
Aggregate reserve for accident and health contracts	54,269,587
Liability for deposit-type contracts	802,925,866
Life contract claims	40,842,957
Accident and health contract claims	742,274
Provision for refunds payable apportioned for payment	38,295,000
Premiums received in advance	1,149,316
Surrender values on canceled contracts	377,791
Interest maintenance reserve	10,309,876
Life commissions to fieldworkers	2,216,473
General expenses due and accrued	20,251,995
Transfers to separate accounts	(5,503,193)
Taxes, licenses and fees	2,688,569
Unearned investment income	122,800
Amounts withheld or retained as agent or trustee	2,930,629
Amounts held for fieldworkers' account	295,924
Remittances and items not allocated	11,263,034
Liability for benefits for employees and fieldworkers	11,839,063
Asset valuation reserve	100,281,350
Drafts outstanding	1,510,380
Payable for securities lending	77,161,493
Additional minimum pension liability	8,023,763
Post-retirement benefit liability	48,963,709
Accounts payable – non expense items	<u>1,887,249</u>
Total liabilities excluding separate accounts	\$ 9,072,826,467
Separate accounts	<u>444,510,975</u>
Total liabilities	<u>\$ 9,517,337,442</u>
Unassigned funds	<u>\$ 1,432,173,276</u>
Totals	<u>\$10,949,510,718</u>

SUMMARY OF OPERATIONS – 2018

Premiums and annuity considerations	\$ 587,333,757
Considerations for supplementary contracts	9,151,963
Net investment income	395,526,174
Amortization of interest maintenance reserve	4,288,721
Commissions and expense allowances on reinsurance ceded	3,102,447
Income from fees associated with separate accounts	2,978,563
Charges and fees for deposit-type contracts	26,980
Fraternal service fund income	8,626,044
Other miscellaneous income	<u>942,977</u>
Totals	\$1,011,977,626
Death benefits	\$ 228,318,886
Matured endowments	1,141,786
Annuity benefits	378,064,356
Disability benefits under accident and health contracts	10,716,868
Surrender benefits under life contracts	134,963,702
Interest and adjustments on contract or deposit-type contract funds	32,179,046
Payments on supplementary contracts with life contingencies	9,719,177
Increase in aggregate reserves	<u>(59,223,726)</u>
Totals	\$ 735,880,095
Commissions on premiums, annuity considerations and deposit-type funds	\$ 39,894,105
General insurance expenses and fraternal expenses	121,268,087
Insurance taxes, licenses and fees	6,448,667
Net transfers to separate accounts net of reinsurance	<u>14,996,989</u>
Totals	\$ 918,487,943
Net gain from operations before refunds to members and capital gains	\$ 93,489,683
Refunds to members	38,500,680
Net realized capital gains	<u>30,238,056</u>
Net income	<u>\$ 85,227,059</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and surplus, beginning (in thousands)	\$ 1,062,038	\$ 1,096,904	\$ 1,173,290	\$ 1,270,236	\$ 1,393,538
Net income	\$ 74,603,128	\$ 96,720,371	\$ 159,245,305	\$ 61,754,835	\$ 85,227,059
Change in net unrealized capital gains	14,156,006	(63,163,966)	(81,491,184)	71,630,382	(62,587,831)
Change in nonadmitted assets	44,589,968	(3,545,860)	(5,914,670)	(17,242,988)	(24,845,187)
Change in asset valuation reserve	8,162,699	8,068,679	4,629,878	(2,633,280)	24,802,088
Additional minimum pension obligation	(106,645,039)	38,306,262	20,476,474	7,919,367	16,039,487
Prior period adjustment for life reserves				1,873,585	
Net change for the year	<u>\$34,866,762</u>	<u>\$76,385,486</u>	<u>\$ 96,945,803</u>	<u>\$123,301,901</u>	<u>\$38,635,616</u>
Capital and surplus, ending (in thousands)	<u>\$ 1,096,904</u>	<u>\$ 1,173,290</u>	<u>\$ 1,270,236</u>	<u>\$ 1,393,538</u>	<u>\$ 1,432,173</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$1,432,173,276 as reported in the Society's 2018 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Society'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 Society during this examination is hereby acknowledged.

In addition to the undersigned, Kim Hurst, CFE, John Wiatr, Daniel Rousseau, and Olivia Satterfield, Financial Examiners; Gary E. Evans, CISA, AES, CFE, Information Systems Specialist; and Rhonda Ahrens, FSA, MAAA, and Derek Wallman, Actuarial Examiners; all with the Nebraska 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:

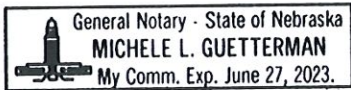
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Woodmen of the World Life Insurance Society.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Woodmen of the World Life Insurance Society 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 10 day of January, 20 20.

(SEAL)



Michele L Guetterman
Notary Public

My commission expires 6-27-23 [date].