

REPORT ON EXAMINATION
OF
THE AMERICAN HOME LIFE INSURANCE COMPANY
400 S. KANSAS AVENUE
TOPEKA, KANSAS
AS OF
DECEMBER 31, 2020

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Topeka, Kansas
May 20, 2022

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
1300 SW Arrowhead Rd
Topeka, Kansas 66604-4019

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222, an examination has been conducted of the financial condition and business affairs of:

THE AMERICAN HOME LIFE INSURANCE COMPANY

with its statutory home office and main administrative office at:

**400 S. KANSAS AVENUE
TOPEKA, KANSAS**

hereinafter referred to as the "Company" or "AHLIC". The following report on such examination is respectfully submitted.

SCOPE OF EXAMINATION

The examiners have performed a financial examination of The American Home Life Insurance Company, a Kansas domiciled life insurance company. The last examination covered the four-year period from January 1, 2013, through December 31, 2016. This examination covers the four-year period from January 1, 2017, through December 31, 2020.

The examination was conducted in accordance with the rules, regulations, and directives of the Kansas Insurance Department ("Department") and the observed guidelines and procedures contained in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook"). The

Handbook requires that the examiners plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. Activities considered in the examination as key or critical to the Company included Investments, Premiums and Underwriting, Reserving and Claims Handling, Reinsurance, Capital and Surplus, and Related Party Transactions. The examination also included a review and evaluation of information technology general controls.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Independent Audit Reports

Financial statements of the Company were audited by Kerber, Eck & Braeckel LLP, located in Springfield, IL, for the years ending December 31, 2017, through December 31, 2020. In each of the years under examination, the auditors concluded that the financial statements of the Company present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of the Company as of December 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the Department.

The independent auditor's workpapers were reviewed and analyzed by the examiners. Significant reliance was placed on select workpapers during this examination.

Actuarial Review

The Company retained the services of Jan DeClue, ASA, MAAA, Lewis & Ellis, Inc., located in Overland Park, KS, to determine the Company's reserves and related actuarial items and prepare the Company's Actuarial Opinion Memorandum as of December 31, 2020.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the examination.

COMPANY HISTORY

General

The Company was organized under the laws of Kansas on May 3, 1909, and commenced business July 10, 1909, under the name "The Kansas Home Mutual Life Insurance Company." In 1910, the name of the Company was changed to "The Home Life Insurance Company". In 1918, the name of the Company was changed to "The

American Home Life Insurance Company” following consolidation with American Mutual Life Insurance Company of McPherson, Kansas. The Company is authorized to transact the kinds of insurance provided for in K.S.A. 40-401 et seq.

Dividends and Capital Contributions

AHLIC paid the following dividends to its mutual life and annuity participating policyholders. Of the dividends paid, approximately 79% were applied to renewal premiums or paid-up additions and the remaining 21% were paid in cash:

2020	\$220,299
2019	534,842
2018	513,513
2017	493,055
2016	464,327

CORPORATE RECORDS

The Company’s original articles of incorporation (“articles”) provided for an existence of 50 years, expiring May 3, 1959. The corporate existence was extended for an additional 50 years in March of 1959, and again on January 26, 2009, when the articles were amended; whereby the existence was changed to perpetual. The Company’s bylaws were amended on March 13, 2018, to revise the age of board member retirement from age 71 to age 73.

MANAGEMENT AND CONTROL

Board of Directors

The Company’s bylaws, as amended and restated on March 13, 2018, consist of

thirteen (13) articles that provide the framework for the operation, management, and control of this domestic mutual life insurance company in the State of Kansas. The Company is managed by a Board of Directors (“Board”).

Pursuant to the Company’s bylaws, the Board shall consist of not less than five (5) and not more than twenty-five (25) directors, and each will be a policyholder of the Company. Article V, Section 1 of the bylaws state that the Board will be elected by the policyholders pursuant to K.S.A. 40-502 – *Directors and Officers; Vacancies; Annual Meeting*, whereby not less than one-fifth nor more than one-third of the directors will be elected to serve for not more than five years or less than three years. Vacancies on the Board will be filled by the remaining members of the Board until the next annual policyholders meeting whereby the vacancy will be filled by the election of the policyholders. The directors elected and serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Position(s) Held</u>
Steven L. Lobell Topeka, KS	CEO, President and Chairman of the Board The American Home Life Insurance Company
Kent M. Cornish Lawrence, KS	President/Executive Director (Retired) Kansas Association of Broadcasters
Dwight E. Jepson Lenexa, KS	President/Owner (Retired) Sunflower Motors, Inc.
Timothy B. Shmidl Overland Park, KS	Certified Financial Planner/Owner Prism Financial Group
Deborah K. Wempe Topeka, KS	Vice President Capital Federal Bank
Leslie E. Diehl Topeka, KS	General Counsel and Secretary The American Home Life Insurance Company

Committees

The Company’s bylaws indicate that at the annual meeting of the Board, one or

more committees of the Board may be created as deemed necessary. The Board has established four committees: (1) Executive Committee, (2) Audit Committee, (3) Investment Committee, and (4) Pension Committee. The directors elected and serving on the Board's committees as of December 31, 2020, were as follows:

Executive Committee

Steven S. Lobell, Chairman
Dwight E. Jepson
Tim B. Shmidl
Deborah K. Wempe

Audit Committee

Deborah K. Wempe, Chairman
Leslie E. Diehl
Dwight E. Jepson

Investment Committee

Steven S. Lobell, Chairman
Tim B. Shmidl

Pension Committee

Steven S. Lobell, Chairman
Leslie E. Diehl
Adam E. Heiman

Officers

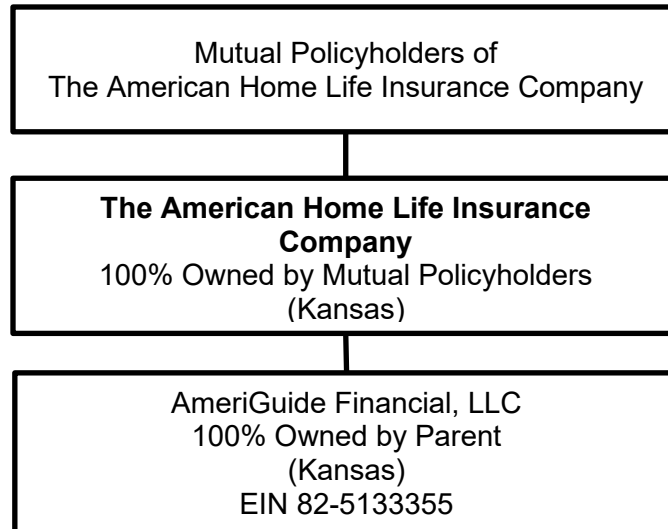
Pursuant to the bylaws, the officers of the Company shall consist of the Chairman of the Board, if one is appointed, President, Secretary and Treasurer. The Chairman of the Board and the President shall be elected from among the Board of Directors at the Annual Board of Directors' Meeting and shall hold office for one year or until their successors are elected and qualified. The Secretary and Treasurer, who need not be members of the Board of Directors, shall likewise be elected at the Annual Board of Directors' Meeting and shall hold office for one year or until their successors are elected and qualified. Any two offices may be held by the same person, except the office of President and Secretary shall not be held by the same person. The Board may also appoint Vice Presidents and such other officers as may be deemed necessary. The offices elected and serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Position(s) Held</u>
Steven S. Lobell, JD, CLU	Chairman of the Board, President and CEO
Adam E. Heiman, CPA	Vice President and Treasurer
Leslie E. Diehl, JD	Secretary and General Counsel
Shawn A. Walker	Vice President, Administration & Underwriting
Thomas P. Lobell	Vice President, Marketing

INSURANCE HOLDING COMPANY SYSTEM

K.S.A. 40-3305 requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance. The Company has submitted Forms “B” and “C” registration statements to the Department for each of the years under examination. A review of the registration statements indicated that the items and events pertaining to the Company were properly reported as required by statute.

The simplified organizational chart below illustrates the identities and intercompany relationships among insurance and non-insurance companies and the controlling entities thereof, as of December 31, 2020.



Intercompany/Cost Sharing Agreements

The following is a brief description of significant agreements executed with affiliated entities that were in effect as of December 31, 2020.

Employee Sharing Agreement:

Effective April 1, 2019, the Company entered into an Employee Sharing Agreement with its subsidiary AmeriGuide Financial, LLC (“AmeriGuide” or “AGF”). AHLIC provided certain of its own employees to provide administrative services needed by AmeriGuide. The Company received \$8,478 and \$5,233 from AGF pursuant to the terms of this agreement in 2020 and 2019, respectively.

Lease Agreement

Effective January 28, 2019, the Company entered into a Lease Agreement with its subsidiary AmeriGuide. AHLIC leased approximately 1,184 square feet of office space to AmeriGuide. The Company received \$9,472 from AGF pursuant to the terms of this agreement in 2020 and 2019.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2020, the Company is authorized to transact business in the following thirty-five (35) states:

Alabama	Maryland	Oklahoma
Arizona	Michigan	Pennsylvania
Arkansas	Minnesota	South Carolina
Colorado	Mississippi	South Dakota
Florida	Missouri	Tennessee
Georgia	Montana	Texas
Idaho	Nebraska	Utah
Illinois	Nevada	Virginia
Indiana	New Mexico	West Virginia
Iowa	North Carolina	Wisconsin
Kansas	North Dakota	Wyoming
Louisiana	Ohio	

The NAIC Schedule T Exceptions Report was reviewed for each of the states where the Company is licensed. No exceptions were noted.

As of December 31, 2020, the Company's largest lines of business were ordinary life and annuities representing 91.2% and 8.8% of direct premiums written. The traditional life products consist of term and whole life plans, which includes par riders. Pre-need and final expenses life insurance products are sold by the Company. The annuity products are traditional, flexible premium and a single premium annuity product sold in the pre-need line.

SELECT FINANCIAL INFORMATION

The exhibit below shows the Company's financial amounts for the period of

December 31, 2017, through December 31, 2020. The financial amounts were obtained from annual statements filed by the Company.

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<i>(in thousands)</i>				
Admitted Assets	\$ 261,304	\$ 264,376	\$ 268,244	\$ 274,133
Liabilities	239,178	242,536	245,614	253,436
Capital and Surplus	22,126	21,840	22,630	20,697
Net Underwriting Gain/(Loss)	1,592	408	2,021	(1,891)
Net Income	1,205	312	1,435	(1,413)
Net Premiums Written	25,117	25,123	26,600	27,952

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

<i>(\$000 omitted)</i>				
Premium Type	2017	2018	2019	2020
Direct Written Premium	\$ 25,787	\$ 25,988	\$ 27,274	\$ 28,853
Reinsurance Assumed	907	741	691	738
Reinsurance Ceded	(1,577)	(1,606)	(1,365)	(1,639)
Net Premiums Written	<u>\$ 25,117</u>	<u>\$ 25,123</u>	<u>\$ 26,600</u>	<u>\$ 27,952</u>

Assumed Reinsurance

The Company primarily assumes ordinary life business from an Illinois fraternal organization. This agreement has been in place since 2002.

Ceded Reinsurance

A review of the Company's reinsurance agreements in force as of December 31, 2020, indicated the Company's utilization of yearly renewable term and coinsurance, either on treaty or facultative basis. The majority of this reinsurance is in the form of

coinsurance and yearly renewable term agreements and is placed with Scor Global Life (formerly Generali USA Life Reassurance), Scottish Re (U.S.) and Optimum Re Insurance Company (“Optimum”). The Company only has active ceding reinsurance treaties with Optimum Re as of December 31, 2020, with a limit of \$4,000,000 per insured and the Company’s retention on any one life is \$100,000 with a \$25,000 corridor. All reinsurance agreements reviewed provided for the transfer of risk.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The failure of any column of numbers to add to its respective total is due to rounding or truncation. Any accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the Annual Statement and should be considered an integral part of the financial statements.

THE AMERICAN HOME LIFE INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2020

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$ 223,078,790	\$ -	\$ 223,078,790
Preferred stocks	329,200		329,200
Common stocks	7,106,492		7,106,492
Mortgage loans: First lien	10,632,120		10,632,120
Real estate: Properties occupied by the company	1,087,102		1,087,102
Cash, cash equivalents and short-term investments	5,857,847		5,857,847
Contract loans	9,800,564		9,800,564
Other invested assets (Schedule BA)	5,166,565		5,166,565
Aggregate write-ins for invested assets			
Investment in subsidiary company	25,023	25,023	-
Investment income due and accrued	2,459,016		2,459,016
Uncollected premiums and agents' balances in the course of collection	193,481		193,481
Deferred premiums and agents' balances and installments booked but deferred and not yet due	7,343,744		7,343,744
Other amounts receivable under reinsurance contracts	188,470		188,470
Current federal income tax recoverable	101,994		101,994
Net deferred tax asset	1,187,975	587,835	600,140
Guaranty funds receivable or on deposit	60,319		60,319
Electronic data processing equipment and software	1,535,054	1,408,337	126,717
Furniture and equipment	79,071	79,071	-
Health care and other amounts receivable	1,711,434	1,711,434	-
	\$ 277,944,261	\$ 3,811,700	\$ 274,132,561

THE AMERICAN HOME LIFE INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2020

Aggregate reserve for life contracts	\$	235,790,172
Aggregate reserve for accident and health contracts		25,310
Liability for deposit-type contracts		4,237,850
Contract claims:		
Life		2,205,777
Accident and health		5,500
Policyholders' dividends/refunds to members due and unpaid		407
Policyholders' dividends and refunds to members apportioned for payment		287,136
Premiums and annuity considerations for life and accident and health contracts received in advance		71,721
Other amounts payable on reinsurance assumed		4,400
Interest Maintenance Reserve (IMR)		2,302,546
Commissions to agents due or accrued		59,201
General expenses due or accrued		299,977
Taxes, licenses and fees due or accrued		212,658
Unearned investment income		280,895
Amounts withheld or retained by reporting entity as agent or trustee		22,885
Amounts held for agents' account		80,544
Remittances and items not allocated		(29,804)
Liability for benefits for employees and agents if not included above		2,043,666
Borrowed money		2,500,000
Asset valuation reserve (AVR)		3,004,910
Aggregate write-ins for liabilities Interest payable on death claims (Life)		29,717
Total liabilities		253,435,468
Aggregate write-ins for special surplus funds		400,000
Unassigned funds (surplus)		20,297,091
Surplus as regards policyholders		20,697,091
Totals	\$	274,132,559

THE AMERICAN HOME LIFE INSURANCE COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

Premiums and annuity considerations for life and accident and health contracts	\$ 27,951,739
Net investment income	10,519,239
Amortization of Interest Maintenance Reserve	310,370
Commissions and expense allowances on reinsurance ceded	149,432
Miscellaneous Income:	
Charges and fees for deposit-type contracts	112,190
Totals	<u>39,042,970</u>
Death benefits	15,193,356
Matured endowments	71,543
Annuity benefits	1,699,854
Disability benefits or benefits under accident and health contracts	46,408
Surrender benefits and withdrawals for life contracts	7,179,542
Interest and adjustments on contract or deposit-type contract funds	319,073
Payments on supplementary contracts with life contingencies	593
Increase in aggregate reserves for life and accident and health contracts	4,131,680
Totals	<u>28,642,049</u>
Commissions on premiums, annuity considerations, and deposit type contract funds	6,469,504
Commissions and expense allowances on reinsurance assumed	234,171
General insurance expenses and fraternal expenses	4,629,075
Insurance taxes, licenses and fees, excluding federal income taxes	776,804
Increase in loading on deferred and uncollected premiums	182,056
Aggregate write-ins for deductions	10
Totals	<u>40,933,669</u>
Net gain from operations before dividends to policyholders, refunds to members, and federal income taxes	(1,890,699)
Dividends to policyholders and refunds to members	220,299
Net gain from operations after dividends to policyholders, refunds to members, and before federal income taxes	<u>(2,110,998)</u>
Federal and foreign income taxes incurred	(242,449)
Net gain from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)	<u>(1,868,549)</u>
Net realized capital gains (losses) less capital gains tax of \$121,078	455,483
Net income	<u><u>\$ (1,413,066)</u></u>

THE AMERICAN HOME LIFE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION

Surplus as regards policyholders, December 31, 2016		<u>\$ 21,451,730</u>
Net income	2017 \$ 1,205,476	
	2018 311,514	
	2019 1,434,627	
	2020 <u>(1,413,067)</u>	1,538,550
Change in net unrealized capital gains or (losses)	2017 \$ (9,135)	
	2018 (527,658)	
	2019 436,617	
	2020 <u>(97,892)</u>	(198,068)
Change in net deferred income tax	2017 \$ 12,059	
	2018 164,019	
	2019 112,252	
	2020 <u>(162,278)</u>	126,053
Change in nonadmitted assets	2017 \$ (460,220)	
	2018 (344,390)	
	2019 (479,384)	
	2020 <u>166,191</u>	(1,117,803)
Change in asset valuation reserve	2017 \$ (48,161)	
	2018 276,388	
	2019 (664,185)	
	2020 <u>(541,343)</u>	(977,301)
Aggregate write-ins for gains and losses in surplus	2017 \$ (25,658)	
	2018 (166,336)	
	2019 (49,169)	
	2020 <u>115,092</u>	(126,071)
Surplus as regards policyholders, December 31, 2020		<u>\$ 20,697,091</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company as of December 31, 2020, was \$20,697,091, which was the same amount reported by the Company in its 2020 filed Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

There were no significant or material findings resulting from the examination that warranted inclusion in this Report on Examination.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2020, 2021 and into 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review noted the Company reported net losses in 2020 and 2021 primarily due to increased death claims related to the COVID-19 pandemic. These were the first net losses reported by the Company in more than five years. The Department will continue to closely monitor the impact of the pandemic on the Company and will take necessary action if concerns arise.

The Company provided capital contributions totaling \$150,000 during 2021 to its subsidiary, AmeriGuide Financial, LLC.

SUMMARY OF RECOMMENDATIONS

No recommendations for the Company were identified that warranted inclusion in this Report on Examination.

CONCLUSION

The assistance and cooperation by the officers of the Company during this

examination is hereby acknowledged and appreciated. In addition to the undersigned, Jan Moenck, CFE, Partner; Clarissa Crisp, CFE, CPA, Financial Examiner; David Hall, CISA, CITP, CPA, IT Examiner; Patricia Matson, FSA, MAAA, Actuary; and Gerald Stein, FSA, MAAA, Actuary, all of whom are Risk & Regulatory Consulting, LLC associates, participated in this examination.

Respectfully submitted,



Brian Menard, CFE, CISA, FLMI
Examiner-in-Charge
Risk & Regulatory Consulting, LLC,
representing the Kansas Insurance
Department

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed except where practices, procedures and applicable regulations of the Department and statutes of the State of Kansas prevailed.



Levi Nwasoria, CPA, CFE
Chief Examiner
Kansas Insurance Department

EXHIBIT S
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

State of Louisiana,

PARISH
County of Lafayette,

Brian Menard, being duly sworn, states as follows:

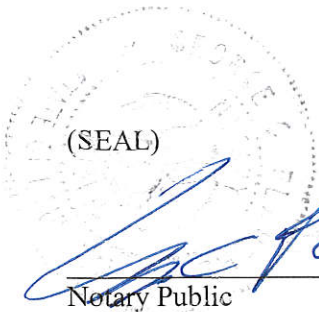
1. I have authority to represent the Kansas Insurance Department in the examination of American Home Life Insurance Company.
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of American Home Life Insurance Company was performed in a manner consistent with the standards and procedures required by K.S.A 40-222.

The affiant says nothing further.



Examiner's Signature

Subscribed and sworn before me by BRIAN MENARD on this 3rd day of June, 20 22.

(SEAL)


Notary Public

My commission expires _____ [date].

GEORGE C. PLAUCHÉ
BAR ROLL NO. 23260
NOTARY NO. 65015
LAFAYETTE PARISH, LOUISIANA
COMMISSION EXPIRES AT DEATH