

***CERTIFICATE***

I, KEN SELZER, Commissioner of Insurance of Kansas, do hereby certify that the following and hereto attached is a true copy of

REPORT OF EXAMINATION  
OF  
THE AMERICAN HOME LIFE INSURANCE COMPANY

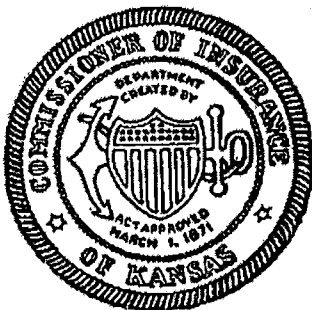
400 KANSAS AVENUE  
TOPEKA, KANSAS 66603

AS OF  
DECEMBER 31, 2016

**FILED**  
**JUL 31 2018**  
**KEN SELZER**  
**Commissioner of Insurance**

the original of which is now on file and a matter of record in this office.

*In Witness Whereof*, I, KEN SELZER, Commissioner of Insurance of Kansas, have hereto affixed by signature and the seal of the Commissioner of Insurance, in the city of Topeka, Kansas this 31<sup>st</sup> day of July, 2018



\_\_\_\_\_  
*Commissioner of Insurance*

**REPORT ON EXAMINATION**  
**OF**  
**AMERICAN HOME LIFE INSURANCE COMPANY (THE)**  
**400 KANSAS AVENUE**  
**TOPEKA, KANSAS 66603**  
**AS OF**  
**DECEMBER 31, 2016**

**FILED**  
**JUL 31 2018**  
**KEN SELZER**  
**Commissioner of Insurance**

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Topeka, Kansas  
June 1, 2018

Honorable Ken Selzer  
Commissioner of Insurance  
Kansas Insurance Department  
420 SW 9th Street  
Topeka, Kansas 66612-1678

Dear Commissioner:

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

**THE AMERICAN HOME LIFE INSURANCE COMPANY**

with its statutory home and main office at:

**400 KANSAS AVENUE  
TOPEKA, KANSAS 66603**

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 multi-state 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, 2009, through December 31, 2012. This examination covers the four-year period from January 1, 2013, through December 31, 2016.

The examination was conducted in accordance with the rules, regulations and directives of the Kansas Insurance Department (KID) and the observed guidelines and procedures contained in the National Association of Insurance Commissioners (NAIC)

*Financial Condition Examiners Handbook* (Handbook). The Handbook requires 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. 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 will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in K.S.A. 40-222, *Examination of Condition of Company*, 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 for the years ending December 31, 2013, through December 31, 2016. In each of the years under examination, the auditors concluded that the financial statements present fairly, in all material respects, the admitted assets, liabilities and policyholders' surplus of

the Company and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the KID.

The independent auditor's work papers were reviewed and analyzed by the examiners; whereby significant reliance was placed on select work papers during the course of this examination.

### **SUMMARY OF SIGNIFICANT FINDINGS**

No significant findings were noted during the course of the examination.

### **COMPANY HISTORY**

AHLIC was incorporated in 1909 under the provisions of K.S.A. 40-401 – *Formation of Company on Stock or Mutual plan* and K.S.A. 40-501 – *Formation*, as "The Kansas Home Mutual Life Insurance Company." In 1910, the name was changed to "The Home Mutual Life Insurance Company." In 1918, the name of the Company was changed to "The American Home Life Insurance Company" following consolidation with the American Mutual Life Insurance Company of McPherson, Kansas.

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.

### **MANAGEMENT AND CONTROL**

The examiners reviewed the meeting minutes of the Board of Directors and its various committees. The review supports that AHLIC's transactions and events were adequately approved.

The bylaws, as amended and restated December 17, 2009, 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.

Article V, Section 1 provides that the Board of Directors ("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. The Board will consist of not less than five (5) or more than twenty-five (25) directors, and each will be a policyholder of the Company. 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 exhibit below contains a listing of directors, their principal occupations and term expiration as of December 31, 2016.

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Steven L. Lobell Topeka, KS	The American Home Life Insurance Co. CEO, President and Chairman of the Board	2018
Kent M. Cornish Wichita, KS	Kansas Association of Broadcasters President/Executive Director	2019
Sheila Frahm Hays, KS	Kansas Association of Community Colleges Executive Director (Retired)	2017
Dwight E. Jepson, Topeka, KS	Sunflower Motors, Inc. Owner	2019
Patrick M. Salsbury Topeka, KS	Goodell, Stratton, Edmonds and Palmer, L.L.P. Partner (Retired)	2017
Timothy B. Shmidl Overland Park, KS	Prism Financial Group LLC Owner/Certified Financial Planner	2020

At the annual meeting of the Board, there will be elected from the Board members, an executive committee comprised of no less than three (3), or more than five (5) members. The Chairman of the Board and President will automatically be members of such committee and any vacancies in the committee will be filled by the Board at its next

meeting. As of December 31, 2016, the members shown on the following exhibit were elected to the Executive Committee:

<b>Executive Committee (3 Year Term)</b>	<b>Term Expires</b>
Steven S. Lobell, JD, CLU, Chairman	Ex Officio
Sheila Frahm	2018
Dwight E. Jepson	2019
Timothy B. Shmidl	2017

The Board may from time to time direct the formation of such committees with such powers and duties as it may deem advisable, and may direct and delegate any such committee such powers and duties as may be expedient. In all committees formed by the Board, the Chairman of the Board will be an ex-officio member. The Board had directed the formation of an audit committee, investment committee and a pension committee. Members of the Audit Committee, Investment Committee and Pension Committee, as of December 31, 2016, are listed below.

**Audit Committee**

Patrick M. Salsbury, Chairman  
 Kent M. Cornish  
 Sheila Frahm

**Investment Committee**

Steven S. Lobell, JD, CLU, Chairman  
 Timothy B. Shmidl

**Pension Committee**

Steven S. Lobell, JD, CLU, Chairman  
 Adam E. Heiman, CPA  
 Les E. Diehl, JD

The bylaws state that the Board may elect a Chairman of the Board and will elect a President, Secretary and Treasurer. The Chairman of the Board and President will be elected from members of the Board and will 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, will also be elected and will 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 will not be held by the same person. The Board may also elect or appoint such other officers, agents, and employees, as it may deem proper and necessary. The Board approves the selection of the officers at its annual meeting.

The officers listed below were duly elected by the Board and serving in the indicated capacity as of December 31, 2016.

<b>Name</b>	<b>Position</b>
Steven S. Lobell, JD, CLU	Chairman of the Board, President and CEO
Adam E. Heiman, CPA	Vice President and Treasurer
Leslie E. Diehl, JD	Sr. VP, Secretary and General Counsel
Thomas D. Morris	Senior Vice President, Marketing
Thomas P. Lobell	Vice President, Marketing
Donald J. Smith, CLU ChFC	Vice President, Marketing Services
Shawn A. Walker	Vice President, Administration and Underwriting

### **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2016, the Company is authorized to transact business as a direct writer in the following 30 states: Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia, West Virginia,

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

The Company markets, underwrites and services traditional life insurance and annuity policies. The traditional life products consists 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.

### **GROWTH OF COMPANY**

The exhibit below shows the Company's financial growth (in thousands) for the period of December 31, 2012, through December 31, 2016. The financial growth amounts were obtained from annual statements filed by the Company.

	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
<i>(in thousands)</i>					
Admitted Assets	228,124	235,772	241,637	246,463	254,438
Liabilities	211,532	216,965	221,159	225,385	232,987
Capital and Surplus	16,592	18,807	20,477	21,078	21,452
Net Cash From Operations	10,306	7,856	6,547	5,012	7,868
Net Income	766	1,703	1,715	1,072	1,639
Net Premiums Written	24,572	21,634	24,114	25,256	25,166

### **REINSURANCE**

A review of the Company's reinsurance agreement in force at December 31, 2016, revealed the existence of the more usual types and categories of reinsurance agreements, including yearly renewable term and coinsurance, either on treaty or facultative basis.

All reinsurance agreements reviewed during the course of the examination contained insolvency and cancellation clauses as required by paragraph (c) of K.S.A. 40-

*221a–Reinsurance of Risks of and by Kansas Companies.* All reinsurance agreements reviewed provided for the transfer of risk.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Kansas Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on 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, 2016**

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$ 218,108,868		\$ 218,108,868
Preferred stocks	1,265,248		1,265,248
Common stocks	5,068,025		5,068,025
Mortgage loans - first liens	2,844,589		2,844,589
Properties occupied by the company	1,090,762		1,090,762
Cash and short-term investments	3,830,228		3,830,228
Contract loans	9,373,025		9,373,025
Other invested assets	3,140,068		3,140,068
Investment income due & accrued	2,366,792		2,366,792
Uncollected premiums and agents' balances in the course of collection	174,675		174,675
Deferred premiums, agents' balances and installments booked but deferred and not yet due	7,757,523	\$ 1,600,163	6,157,360
Other amounts receivable under reinsurance contracts	168,861		168,861
Current federal and foreign income tax recoverable	67,586		67,586
Net deferred tax asset	1,187,994	461,764	726,230
Guaranty funds receivable or on depositions	39,014		39,014
EDP equipment and software	585,435	568,420	17,015
Furniture and equipment	63,549	63,549	-
			-
<b>Totals</b>	<b>\$ 257,132,242</b>	<b>\$ 2,693,896</b>	<b>\$ 254,438,346</b>

**THE AMERICAN HOME LIFE INSURANCE COMPANY**  
**STATEMENT OF LIABILITIES AND SURPLUS**  
**AS OF DECEMBER 31, 2016**

Aggregate reserve for life contracts	\$ 220,719,421
Aggregate reserve for accident and health contracts	48,087
Liability for deposit-type contracts	4,421,545
Contract claims: life	659,533
Contract claims: accident and health	10,000
Policyholder dividends	73
Dividends apportioned for payment in following calendar year	465,529
Premiums and annuity considerations for life and accident and health contracts received in advance	43,352
Other amounts payable on reinsurance	99
Interest maintenance reserve	2,106,379
Commissions to agents due or accrued - life and annuity contracts, A&H and deposit-type contract funds	5,018
General expenses due or accrued	903,457
Taxes, licenses and fees due or accrued	153,900
Unearned investment income	274,585
Amounts withheld or retained by company as agent or trustee	52,608
Amounts held for agents' account	21,037
Remittances and items not allocated	(9,309)
Liability for benefits for employees and agents	1,072,301
Asset valuation reserve	2,027,611
Aggregate write-ins for liabilities	11,390
Total liabilities	<u>232,986,616</u>
Aggregate write-ins for special surplus funds	400,000
Unassigned funds	<u>21,051,730</u>
Surplus as regards policyholders	<u>21,451,730</u>

**THE AMERICAN HOME LIFE INSURANCE COMPANY**  
**STATEMENT OF OPERATIONS**  
**CAPITAL AND SURPLUS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Premiums and annuity considerations	\$ 25,894,117
Net investment income	10,373,787
Amortization of interest maintenance reserve	290,689
Commission and expense allowances on reinsurance ceded	190,187
Charges and fees for deposit-type contracts	156,847
Totals	<u>36,905,627</u>
Death benefits	9,777,000
Matured endowments	121,009
Annuity benefits	1,131,691
Disability benefits and benefits under A&H contracts	37,390
Surrender benefits and withdrawals for life contracts	6,885,590
Interest and adjustments on contract or deposit-type contract funds	205,236
Payments on supplementary contracts with life contingencies	593
Increase in aggregate reserves for life and A&H contracts	6,788,343
Totals	<u>24,946,852</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	4,230,102
Commissions and expense allowances on reinsurance assumed	261,773
General insurance expenses	4,477,892
Insurance taxes licenses and fess	638,492
Increase in loading on deferred and uncollected premiums	430,535
Aggregate write-ins for deductions	(9)
Totals	<u>34,985,637</u>
Net gain from operations before dividends to policyholders and before federal income taxes	1,919,990
Dividends to policyholders	464,327
Net gain from operations after dividends to policyholders and before federal income taxes	1,455,663
Federal income taxes incurred	(78,037)
Net gain from operations after dividends to policyholders and after federal income taxes and before realized capital gains or (losses)	1,533,700
Net realized capital gains (losses)	104,762
Net income	<u>\$ 1,638,462</u>

**THE AMERICAN HOME LIFE INSURANCE COMPANY  
CAPITAL AND SURPLUS ACCOUNT  
AS OF DECEMBER 31, 2016**

Surplus as regards policyholders, December 31, 2015	\$ 21,078,281
Net income	1,638,462
Change in net unrealized capital gains (losses)	314,242
Change in net deferred income tax	(361,678)
Change in nonadmitted assets	(786,328)
Change in asset valuation reserve	(615,132)
Aggregate write-ins for gains and losses in surplus	<u>183,883</u>
Change in surplus as regards policyholders for the year	<u>373,449</u>
Surplus as regards policyholders, December 31, 2016	<u>\$ 21,451,730</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, 2012			<u>\$ 16,591,627</u>
Net income	2013	1,703,010	
	2014	1,715,451	
	2015	1,072,105	
	2016	<u>1,638,462</u>	6,129,028
Change in net unrealized capital gains or (losses)	2013	10,237	
	2014	(86,697)	
	2015	(167,095)	
	2016	<u>314,242</u>	70,687
Change in net deferred income tax	2013	1,320,134	
	2014	(59,722)	
	2015	(64,730)	
	2016	<u>(361,678)</u>	834,004
Change in nonadmitted assets	2013	56,138	
	2014	(56,173)	
	2015	(318,660)	
	2016	<u>(786,328)</u>	(1,105,023)
Change in asset valuation reserve	2013	436,369	
	2014	156,034	
	2015	48,747	
	2016	<u>(615,132)</u>	26,018
Aggregate write-ins for gains and losses in surplus	2013	(1,310,181)	
	2014	1,010	
	2015	30,677	
	2016	<u>183,883</u>	<u>(1,094,611)</u>
Surplus as regards policyholders, December 31, 2016			<u>\$ 21,451,730</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, 2016, was \$21,451,730, which was the same amount, reported by the Company in its 2016 filed Annual Statement.

### **COMMENTS ON FINANCIAL STATEMENTS**

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

### **MANAGEMENT LETTER**

There were several immaterial findings resulting from the examination that did not warrant inclusion in this report. However, these concerns were noted in a management letter that was issued to the Company's board of directors for review, resolution and response back to the KID

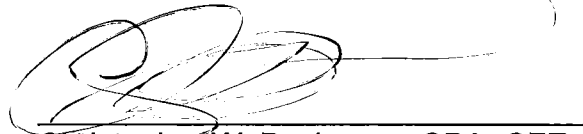
### **SUBSEQUENT EVENTS**

There were no subsequent events identified as a result of this examination that warranted inclusion in the report on examination.

## CONCLUSION

The assistance and cooperation by the officers of the Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Ms. Tamara House, CFE, a senior financial examiner and Mr. Shane Mead, CISA, CRISC, an information technology examiner representing the Kansas Insurance Department, participated in this examination. Also, Mr. Randall Stevenson, ASA, MAAA, MSc, with Huse Actuarial Solutions, Inc. participated in this examination as a consulting actuary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'C. Buchanan', is written over a horizontal line. The signature is stylized and somewhat cursive.

Christopher W. Buchanan, CPA, CFE  
Senior Financial Examiner  
Examiner-in-Charge

EXHIBIT 5  
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION

State of Kansas

County of Shawnee

Christopher W. Buchanan being duly sworn, states as follows:

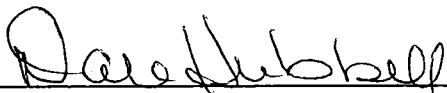
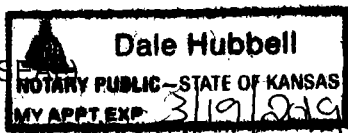
1. I have authority to represent the Kansas Insurance Department in the examination of (the) American Home Life Insurance Company
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have reviewed the examination work papers and examination report, and the examination of (the) 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 Christopher W. Buchanan on this  
6<sup>th</sup> day of July, 2018.



Notary Public

My commission expires 3/19/2019  
(date)