Report of the Examination of

North American Insurance Company

Madison, Wisconsin

As of December 31, 2018

TABLE OF CONTENTS

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

***Tony Evers,** Governor*
***Mark V. Afable**, Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
ociinformation@wisconsin.gov
oci.wi.gov

May 12, 2020

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

NORTH AMERICAN INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of North American Insurance Company (the company or NAI) was conducted in 2014 as of December 31, 2013. The current examination covered the intervening period ending December 31, 2018, and included a review of such 2019 and 2020 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the Oxford Life Group which includes Oxford Life Insurance Company (OLIC), North American Insurance Company, and Christian Fidelity Life Insurance Company (CFLIC). The Arizona Department of Insurance acted in the capacity as the lead state for the coordinated examinations. Work performed by the Arizona Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Arizona Department of Insurance and the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, and asset adequacy analysis. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

North American Insurance Company was incorporated as a stock company under the laws of Wisconsin on September 25, 1962. Its original name was Reliable Life & Casualty Company (RLCC). RLCC received its certificate of authority and began operations on December 31, 1965. The company changed its name to North American Insurance Company effective August 12, 1987.

On August 31, 1981, the Dane County Circuit Court, on petition of the Office of the Commissioner of Insurance of the state of Wisconsin, issued an order of rehabilitation on RLCC. A separate account was created into which substantially all RLCC's assets and liabilities were transferred. The Dane County Circuit Court placed this separate account in liquidation effective October 7, 1981.

On September 16, 1986, North American Group, Ltd. (NAGL), formerly known as the Reliable Investors Corporation, the parent of RLCC, applied for reinstatement of the company's certificate of authority. An amended application for reinstatement was submitted on March 6, 1987.

The Dane County Circuit Court released RLCC from rehabilitation on August 12, 1987. NAGL recapitalized the company with approximately $4,000,000. The company's name was changed to the one presently used. NAI commenced the writing of business in September of 1987. On September 21, 1990, North American Insurance Company was purchased by a newly formed holding company, Encore Financial Inc.

In November 1997, OLIC, a wholly owned subsidiary of AMERCO, purchased all of Encore Financial Inc.'s capital stock. On December 31, 1997, OLIC contributed $2,400,000 through the purchase of a surplus note from NAI, which had an interest rate of 8%. The note provided for interest-only payments starting July 1, 1998, and principal payments of $350,000 plus interest starting July 1, 1999. All payments were subject to the prior approval of this office. The surplus note was paid off in full in 2002.

AMERCO filed for Chapter 11 bankruptcy in 2003. AMERCO improved its financial condition and emerged from bankruptcy in 2004.

In 2006, Encore Financial Inc., was merged with North American Insurance Company. NAI was the survivor. As of the first quarter of 2006, NAI had stopped writing its primary block of business, credit life, and credit disability. NAI's business consisted of small closed blocks of life insurance, credit insurance, Medicare Supplement, and annuities, all in runoff. NAI assumed a block of Medicare Supplement business from National States Insurance Company (NSIC) (in rehabilitation) in September 2010 through an assumption reinsurance agreement, which is currently its principal line of business (see description of the agreement in Section V, "Reinsurance").

In 2018, the company collected direct premium in the following states:

Wisconsin	$ 2,112,344	18.2%
Texas	2,087,082	17.9
Illinois	1,629,522	14.0
Missouri	1,478,966	12.7
Louisiana	1,114,592	9.6
Indiana	895,695	7.7
Ohio	602,193	5.2
All others	1,712,469	14.7
Total	$11,632,863	100.0%

The company is licensed in 19 states and the District of Columbia. The company's operations are predominantly Medicare Supplement business acquired from NSIC as noted above. The company is currently not writing any new business.

The following schedule is a summary of premium income as reported by the company in 2018. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Ceded	Net Premium
Individual whole life	$ 3,925	$	$ 3,925
Individual major medical	2,645		2,645
Individual critical illness	10,742		10,742
Individual disability	16,989	1,036	15,953
Group Med. Supp.	31,998		31,998
Individual Med. Supp.	11,681,597		11,681,597
Total All Lines	$11,747,896	$1,036	$11,746,860

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members elected annually. Officers are elected at the board's annual meeting by the company's parent, OLIC. Members of the company's board of directors may also be members of other boards of directors in the holding company group. One board member received $8,333 in compensation for serving on the board in 2018. Employees of AMERCO receive no compensation specific to their service on the board.

The board of directors consisted of the following individuals on December 31, 2018:

Name and Residence	Principal Occupation	Term Expires
Mark A. Haydukovich Phoenix, Arizona	President and Chief Executive Officer Oxford Life Insurance Company	2019
Jason A. Berg Phoenix, Arizona	Chief Financial Officer AMERCO	2019
Samuel J. Shoen Phoenix, Arizona	U-Box Project Manager U-Haul International, Inc.	2019
Stuart M. Shoen Phoenix, Arizona	Vice President SAC Holdings	2019
Mary K. Thompson Phoenix, Arizona	Chief Accounting Officer AMERCO	2019

Subsequent to the examination period, Mary K. Thompson resigned effective March 29, 2019. Kevin J. Harte was appointed to the board of directors effective April 9, 2019.

Officers of the Company

The officers serving at the time of this examination are listed below. Listed compensation consists of 2018 gross earnings for services rendered to the holding company system taken as a whole.

Name	Office	2018 Compensation
Mark A. Haydukovich	President and Chief Executive Officer	$410,824
Charles E. Miller Jr.	Chief Financial Officer and Treasurer	230,900
Michael A. Quaranta	Vice President and Chief Marketing Officer	161,200
Anthony M. Gertos	Vice President and Director of IT & Operations	171,123
Robert W. Simmons	Vice President and Chief Actuary	184,315

Subsequent to the examination period, Lauren A. Barbaruolo was appointed secretary effective April 2, 2019.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The company currently has only an investment committee and members receive no compensation specific to their service on the committee. Below are the members of the Investment Committee at the time of the examination:

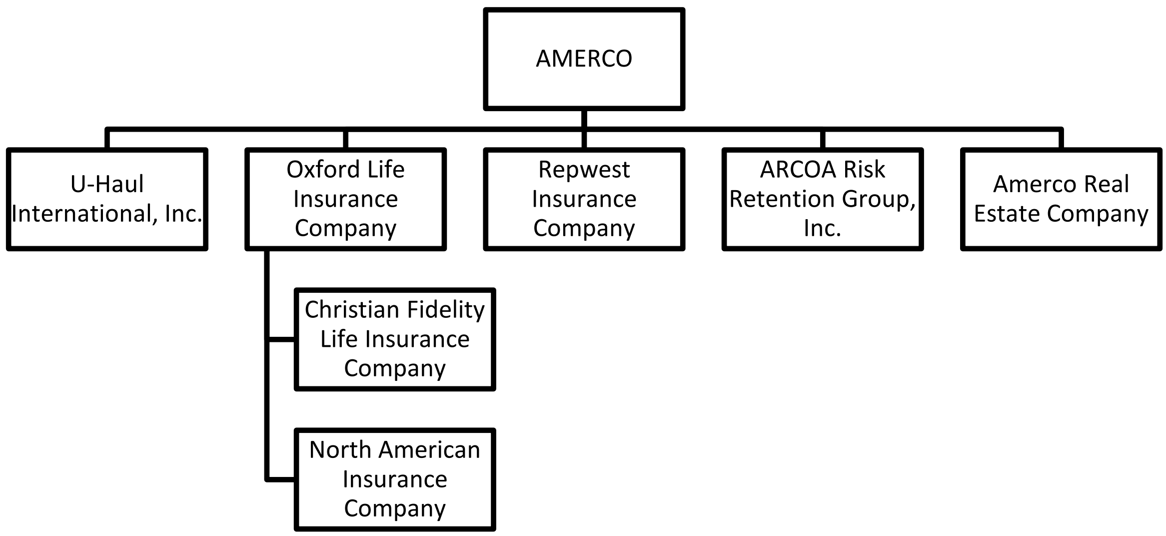
Investment Committee
Mark A. Haydukovich, Chair
Jason A. Berg
Charles E. Miller Jr.

The company is exempt from s. Ins 50.15, Wis. Adm. Code, which deals with the requirement for an audit committee, as it is an indirect wholly owned subsidiary of a SOX-compliant entity, AMERCO.

IV. AFFILIATED COMPANIES

North American Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant follows the organizational chart.

Organizational Chart
As of December 31, 2018



AMERCO

AMERCO, a Nevada corporation and the ultimate parent in the holding company structure, is the parent company of U-Haul International, Inc. (U-Haul), a subsidiary which is primarily engaged in the self-moving and self-storage business. AMERCO's common stock is listed on the NASDAQ Global Select Market under the trading symbol "UHAL." U-Haul was founded in 1945 under the name "U-Haul Trailer Rental Company." From 1945 to 1974, U-Haul rented trailers, and, starting in 1959, trucks, on a one-way and in-town basis exclusively through independent dealers. Since 1974, U-Haul has developed a network of company-managed rental centers (U-Haul Centers) through which U-Haul also rents its trucks and trailers and provides related products and services. AMERCO also controls, through the holding company, five insurers: Repwest Insurance Company, which is domiciled in Arizona, OLIC, also domiciled in Arizona and the parent of CFLIC, domiciled in

Texas, ARCOA Risk Retention Group, Inc. (licensed as an Association Captive-Risk Retention Group), domiciled in Nevada, and NAI, domiciled in Wisconsin.

As disclosed in the AMERCO 2019 Annual Report, Willow Grove Holdings LP, directly and through controlled entities (WGHLP), owns 8,309,584 shares of AMERCO common stock, and together with Edward J. Shoen and Mark V. Shoen, owns 8,361,731 shares (approximately 42.6%) of AMERCO common stock. The general partner of WGHLP controls the voting and disposition decisions with respect to the common stock of AMERCO owned by WGHLP and is managed by Edward J. Shoen (the Chairman of the Board of Directors and Chief Executive Officer of AMERCO) and his brother, Mark V. Shoen. Accordingly, Edward J. Shoen and Mark V. Shoen are in a position to significantly influence AMERCO's business and policies, including the approval of certain significant transactions, the election of the members of the board of directors and other matters submitted to AMERCO stockholders.

For the fiscal year ended March 31, 2019, the audited financial statements of AMERCO reported assets of $11.9 billion, liabilities of $8.2 billion, and stockholders' equity of $3.7 billion. Operations for 2019 produced net income of $371 million.

Oxford Life Insurance Company

Oxford Life Insurance Company is a wholly owned subsidiary of AMERCO domiciled in Arizona. OLIC was organized and incorporated as a limited capital stock life and disability insurer under the laws of the state of Arizona on July 27, 1965, and since November 5, 1971, has operated as a full legal reserve life and disability insurer under its certificate of authority. On November 21, 1997, OLIC purchased 100% of the shares of Encore Financial Inc., which was the parent company of NAI. On March 28, 2007, Encore Financial Inc., was merged with NAI and NAI became a direct wholly owned subsidiary of OLIC. On November 13, 2000, OLIC purchased 100% of CFLIC. OLIC is licensed in 48 states and the District of Columbia. OLIC and its wholly owned subsidiaries, NAI and CFLIC, offer products to the senior market, including final expense whole life, single premium whole life, fixed indexed annuities, and Medicare Supplement standardized plans. OLIC also assumes term and whole life, deferred annuity, and Medicare Supplement blocks of business under reinsurance agreements. OLIC formerly administered AMERCO's life, health, and dental plans for all eligible employees but as of January 2009 discontinued administering these employee benefit plans and transferred the coverages to various non-affiliated insurers. It continues to administer the AMERCO Basic Coverage plan for part-time or temporary employees as well as the group life, medical, and dental benefits for AMERCO retirees.

As of December 31, 2018, the audited statutory financial statements of OLIC reported admitted assets of $2,213,860,515, liabilities of $2,010,137,648, and capital and surplus of $203,722,867. Operations for 2018 produced net income of $11,366,964 on revenues of $490,468,146.

Christian Fidelity Life Insurance Company

Christian Fidelity Life Insurance Company is a wholly owned subsidiary of OLIC domiciled in the state of Texas, which was acquired in November 2000. Effective February 28, 2006, CFLIC acquired Dallas General Life Insurance Company, an insurer domiciled in Texas, and merged it into CFLIC on December 31, 2012.

CFLIC is the group's primary writer of Medicare Supplement products in Texas and Missouri. CFLIC's acquisition of Dallas General Life Insurance Company and merger into CFLIC in 2012 reinforced the group's overall business strategy of expanding its direct sales in the senior market and increasing its distribution force in Texas.

As of December 31, 2018, the audited statutory financial statements of CFLIC reported admitted assets of $58,171,722, liabilities of $30,939,665, and capital and surplus of $27,232,057. Operations for 2018 produced net income of $8,735,403 on revenues of $29,785,683.

Repwest Insurance Company

Repwest Insurance Company (RWIC) was organized and incorporated as a domestic property and casualty insurer under the laws of the state of Arizona on February 28, 1973, and received its first certificate of authority on March 22, 1973. RWIC is authorized to transact disability, property, casualty (including workers' compensation), surety, marine and transportation, and vehicle lines of business.

In April 2003, RWIC announced that it would redirect its operating focus and would exit all lines not related to AMERCO's self-storage and self-moving business. Since that time, RWIC has focused its underwriting efforts on its self-storage and self-moving lines.

As of December 31, 2018, the audited statutory financial statements of RWIC reported admitted assets of $351,948,593, liabilities of $135,186,014, and capital and surplus of $216,762,579. Operations for 2018 produced net income of $23,960,114.

Agreements with Affiliates

Tax Sharing Agreement with AMERCO

Effective April 1, 2003, NAI entered into and became part of the original Tax Sharing Agreement between AMERCO and OLIC, effective January 1, 1990, and first effective for the tax year ending March 31, 1991. Pursuant to the terms of the agreement, the parties file a consolidated tax return; the tax liability (or refund) is calculated as if each party was filing a separate tax return. The final settlement of federal income tax amounts due is made within 90 days of the filing of the consolidated AMERCO federal income tax return.

Administrative Services Agreement with Oxford Life Insurance Company

Effective January 1, 2010, NAI and OLIC entered into the Administrative Services Agreement. Pursuant to the agreement, OLIC is to provide services, including policy administration, collection and remittance of premiums, management administration, such as accounting, treasury, actuarial, compliance, and services of executive officers, and agency and marketing administration. NAI will reimburse OLIC's actual cost for direct and directly allocable expenses determined to be attributable to NAI. OLIC is to submit to NAI a written statement of charges due within 15 days after the end of the calendar month and any balance shall be paid within 30 days following receipt of the statement.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Ceding Contract

NAI entered into a disability income reinsurance agreement with Lincoln National Life Insurance Company effective December 1, 1987, which was amended effective January 1, 1989. Coverage is on an automatic excess of loss basis and covers the disability business in runoff. For a benefit period five years and greater, NAI's retention per policy is the greater of $300 per month or 15% of the total amount of monthly indemnity issued. For benefit periods less than five years, NAI's retention is all of the monthly indemnity issued.

Assuming Contract

Effective September 1, 2010, NAI and OLIC entered into the Assumption and Indemnity Reinsurance Agreement with NSIC, a company placed in rehabilitation by the Missouri Department of Insurance on April 1, 2010, and then placed in liquidation by court order on November 15, 2010. The agreement transferred and assigned to NAI and OLIC, as reinsurer, all policies (consisting of Medicare Supplement insurance policies issued by NSIC) on an assumption reinsurance basis and NSIC's right, title, and interest in and to the policies. The policies were completely novated and assumed by NAI and OLIC and the agreement was terminated on December 31, 2010. The purchase price was $2,500,000. Policies were assigned to the reinsurers according to the state of issuance. The agreement provides for accounting, policy administration, and reporting for the transferred policies and a reduction in producer commission rate.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2018, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

North American Insurance Company
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$16,335,510	$	$16,335,510
Stocks:			
Common stocks	12,400		12,400
Cash, cash equivalents, and short-term investments	699,046		699,046
Investment income due and accrued	231,523		231,523
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	27,367		27,367
Net deferred tax asset	1,761,889	854,078	907,811
Guaranty funds receivable or on deposit	33,385		33,385
Receivable from parent, subsidiaries and affiliates	3,345		3,345
Health care and other amounts receivable	2,896		2,896
Write-ins for other than invested assets:			
Goodwill-assumption reinsurance	131,214		131,214
Premium tax refund receivable	4,351		4,351
Total Assets	$19,242,926	$854,078	$18,388,848

North American Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Aggregate reserve for life contracts		$ 2,103,829
Aggregate reserve for accident and health contracts		1,544,351
Liability for deposit-type contracts		7,702
Contract claims:		
Life		51,662
Accident and health		952,253
Premiums and annuity considerations received in advance		224,656
Contract liabilities not included elsewhere:		
Interest maintenance reserve		273,901
Commissions to agents due or accrued		27,276
General expenses due or accrued		135,651
Taxes, licenses, and fees due or accrued, excluding federal income taxes		24,687
Current federal and foreign income taxes		70,335
Amounts withheld or retained by company as agent or trustee		623
Remittances and items not allocated		6,151
Miscellaneous liabilities:		
Asset valuation reserve		68,400
Payable to parent, subsidiaries and affiliates		71,246
Write-ins for liabilities:		
Uncashed checks pending escheatment		5,865
Liability for interest on death claims		3,017
Total Liabilities		5,571,606
Common capital stock	$ 1,747,800	
Gross paid in and contributed surplus	13,222,383	
Unassigned funds (surplus)	(2,152,941)	
Total Capital and Surplus		12,817,242
Total Liabilities, Capital and Surplus		$18,388,848

North American Insurance Company
Summary of Operations
For the Year 2018

Premiums and annuity considerations for life and accident and health contracts		$11,746,860
Net investment income		781,946
Amortization of interest maintenance reserve		36,543
Commissions and expense allowances on reinsurance ceded		155
Write-ins for miscellaneous income:		
Miscellaneous Income		38,968
Total income items		12,604,473
Death benefits	$ 379,675	
Disability benefits and benefits under accident and health contracts	9,720,407	
Surrender benefits and withdrawals for life contracts	9,229	
Interest and adjustments on contract or deposit-type contract funds	1,120	
Increase in aggregate reserves for life and accident and health contracts	(502,467)	
Subtotal	9,607,964	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	278,739	
General insurance expenses	771,091	
Insurance taxes, licenses, and fees excluding federal income taxes	260,915	
Total deductions		10,918,710
Net gain (loss) from operations before dividends to policyholders and federal income taxes		1,685,763
Federal and foreign income taxes incurred (excluding tax on capital gains)		249,952
Net income		$ 1,435,811

North American Insurance Company
Cash Flow
For the Year 2018

Premiums collected net of reinsurance			$11,640,335
Net investment income			881,944
Miscellaneous income			39,124
Total			12,561,403
Benefit- and loss-related payments		$10,245,413	
Commissions, expenses paid, and aggregate write-ins for deductions		1,301,526	
Federal and foreign income taxes paid (recovered)		286,380	
Total deductions			11,833,318
Net cash from operations			728,084
Proceeds from investments sold, matured, or repaid:			
Bonds		$ 2,369,891	
Cost of investments acquired (long-term only):			
Bonds	$2,455,461		
Stocks	12,400		
Total investments acquired		2,467,861	
Net cash from investments			(97,970)
Cash from financing and miscellaneous sources:			
Net deposits on deposit-type contracts and other insurance liabilities		(2,170)	
Dividends to stockholders		1,260,000	
Other cash provided (applied)		215,421	
Net cash from financing and miscellaneous sources			(1,046,749)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(416,635)
Cash, cash equivalents, and short-term investments:			
Beginning of year			1,115,681
End of year			$ 699,046

North American Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2018

Assets			$18,388,848
Less liabilities			5,571,606
Adjusted surplus			12,817,242
Annual premium:			
Individual life and health	$11,607,839		
Factor	15%		
Total		$1,741,175	
Group life and health	32,496		
Factor	10%		
Total		3,250	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		2,531	
Compulsory surplus (subject to a $2,000,000 minimum)			2,000,000
Compulsory Surplus Excess (Deficit)			$10,817,242
Adjusted surplus (from above)			$12,817,242
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum of 110%)			2,800,000
Security Surplus Excess (Deficit)			$10,017,242

North American Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2018

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2018	**2017**	**2016**	**2015**	**2014**
Capital and surplus, beginning of year	$12,673,499	$12,691,001	$12,684,655	$11,588,826	$10,185,421
Net income	1,435,811	1,593,677	1,038,609	1,161,304	886,071
Change in net deferred income tax	(96,384)	(1,344,550)	7,456	20,216	285,087
Change in nonadmitted assets and related items	66,011	790,528	107,076	491,578	229,379
Change in reserve on account of change in valuation basis, (increase) or decrease				307,504	
Change in asset valuation reserve	(1,695)	(7,157)	13,204	(4,772)	2,868
Dividends to stockholders	(1,260,000)	(1,050,000)	(1,160,000)	(880,000)	
Capital and Surplus, End of Year	$12,817,242	$12,673,499	$12,691,001	$12,684,655	$11,588,826

North American Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2018

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	**2018**	**2017**	**2016**	**2015**	**2014**
#1	Net change in capital & surplus	1%	0%	0%	9%	14%
#2	Gross change in capital & surplus	1	0	0	9	14
#3	Net income to total income	11	11	6	6	4
#4	Adequacy of investment income	713	633	609	503	519
#5	Non-admitted to admitted assets	5	5	9	9	11*
#6	Total real estate & mortgage loans to cash & invested assets	0	0	0	0	0
#7	Total affiliated investments to capital & surplus	0	0	1	1	0
#8	Surplus relief	0	0	0	0	0
#9	Change in premium	-15*	-14*	-14*	-17*	-17*
#10	Change in product mix	0.0	0.0	0.0	0.0	0.0
#11	Change in asset mix	0.3	0.4	0.7	0.9	1.0
#12	Change in reserving	46*	1,676*	-250*	713*	-545*

Ratio 5, which was exceptional in 2014, reflects the company's large non-admitted assets related to deferred taxes and goodwill.

Ratio 9 was exceptional in 2014 through 2018 due to decreasing premiums in the Medicare Supplement block acquired in 2010 resulting from a decline in the number of policies in force.

Ratio 12 represents the number of percentage points of change between the life insurance reserving ratio for current and prior year. The reserving ratio is equal to the aggregate increase in reserves for individual life insurance taken as a percentage of renewal and single premiums for individual life insurance. The ratio was exceptional in 2014 through 2018 due to decreasing reserves for ordinary life business which is in runoff.

Growth of North American Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2018	$18,388,848	$ 5,571,606	$12,817,242
2017	18,966,143	6,292,644	12,673,499
2016	19,988,036	7,297,034	12,691,001
2015	20,926,031	8,241,376	12,684,655
2014	21,811,251	10,222,424	11,588,826
2013	22,189,412	12,003,991	10,185,421

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2018	$3,925	$0	$0
2017	3,925	0	0
2016	4,015	0	0
2015	3,975	0	0
2014	(463)	0	0
2013	(6,534)	0	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2018	$2,719	$0	$2,719
2017	3,152	0	3,152
2016	3,183	0	3,183
2015	3,554	0	3,554
2014	4,451	0	4,451
2013	5,883	0	5,883

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2018	$11,861,899	$ 9,618,627	$ 278,584	$ 986,136	91.8%
2017	13,908,430	10,923,954	370,145	1,091,782	89.0
2016	16,165,384	13,212,694	667,142	1,404,604	94.5
2015	19,162,732	14,945,479	1,201,624	1,433,013	91.7
2014	22,963,656	17,677,571	2,008,543	2,055,454	94.7
2013	27,311,364	22,526,867	2,835,721	2,564,388	102.3

* Includes increase in contract reserves
** Includes taxes, licenses, and fees

Life and Accident and Health Reserves and Policies In Force

Year	Aggregate Reserve for A&H	Contract Claims A&H	Individual A&H Policies In Force *	Aggregate Reserve for Life	Ordinary Life Policies In Force
2018	$1,544,351	$ 952,253	3,126	$2,103,829	473
2017	1,765,152	1,081,378	3,861	2,385,495	553
2016	1,885,621	1,354,561	4,802	2,688,922	627
2015	2,217,883	1,409,363	5,949	3,053,609	693
2014	3,076,743	1,683,890	7,563	3,416,445	782
2013	3,624,762	2,360,001	9,747	3,821,468	876

* Primarily Medicare Supplement policies

All the company's lines of business are in runoff. Nearly all the company's premium is renewal Medicare Supplement business from the NSIC block acquired in 2010.

During the period under examination, admitted assets decreased 17.1%, liabilities decreased 53.6%, capital and surplus increased 25.8%, and net premiums earned decreased 56.6%. The decrease in liabilities is primarily due to decreases in life and accident and health reserves which are shown in the schedule above. These decreases correspond with the decrease in the number of policies in force which are primarily due to attrition in closed blocks of business. Furthermore, net premiums earned decreased due to the decrease in the number of policies in force for the NSIC block of Medicare Supplement business.

The change in net deferred tax asset in 2017 was due to the Tax Cuts and Jobs Act enacted on December 22, 2017, which reduced the corporate tax rate to 21% from 35%.

NAI maintains a modest amount of capital and surplus even as it distributes most of its net income to its parent as ordinary dividends.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2018, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were three specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Financial Statement Reporting—It is recommended that the company comply with the requirements of s. Ins 50.06 (3), Wis. Adm. Code, so that the classifications used in the audited financial statements are substantially the same as those used in the NAIC annual statement filed with the commissioner.

   Action—Compliance.

2. Financial Reserving and Actuarial Assumptions—It is recommended that the company develop and implement revised active life reserve factors that incorporate appropriate assumptions that are in compliance with s. Ins 3.17, Wis. Adm. Code.

   Action—Compliance.

3. Asset Adequacy Analysis—It is recommended that the company in future actuarial memoranda include a detailed description of any analysis performed, and the corresponding results, for any methods used in addition to cash flow testing to comply with the requirements of s. Ins 50.79 (2), Wis. Adm. Code.

   Action—Noncompliance. Further comment is contained in the section of this report captioned "Asset Adequacy Analysis."

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Asset Adequacy Analysis

The analysis performed by the actuarial consultant retained to review the company's reserves and asset adequacy analysis noted that the actuarial memorandum and analysis prepared by the company focused on cash flow testing. The company's actuary reported that the asset adequacy of the majority of the company's liabilities were determined by cash flow testing with $1.9 million of reserves subject to cash flow testing. In addition, reserves of $1.9 million, $653 thousand, and $27 thousand for other blocks of business were tested using alternate methods of gross premium valuation, a highly risk controlled business demonstration, and the loss ratio method, respectively. There was no additional documentation and narrative discussing the alternate methods in the memorandum. It is again recommended that the company include documentation and expand on the narrative which discusses how methods other than cash flow testing are appropriate for the blocks of business that were not included in the cash flow testing, and specifically discuss how those other methods test for moderately adverse deviations in the actuarial assumptions so as to comply with the requirements of s. Ins 50.79 (2), Wis. Adm. Code.

Report on Executive Compensation

The state of Wisconsin requires that each Wisconsin-domiciled insurer file a supplement to the annual statement titled "Report on Executive Compensation" pursuant to s. 611.63 (4), Wis. Stat. This report should include annual compensation provided to each director and each officer and member of the executive management of the insurer whose compensation exceeds specified amounts. Compensation reported should include all gross direct and indirect remuneration paid and accrued during the report year for the benefit of an individual director, officer, or manager, and shall include wages, stock grants, gains from the exercise of stock options, and all other forms of personal compensation (including employer-paid health, life, and any other premiums).

The Report on Executive Compensation filed for 2018 did not include employer-paid health insurance. It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

Management and Control

The membership of the investment committee of the board of directors is constituted in a manner that is inconsistent with ch. 611.56 (1), Wis. Stat. This statute requires that committees of the board include at least three directors. The investment committee consists of two directors and one member of executive management. While management participation on the committee may well be deemed beneficial by the board as a whole, the statutes do not permit the substitution of officers for the required number of directors. It is recommended that committees of the board include at least three directors, as required by ch. 611.56 (1), Wis. Stat.

Asset Valuation Reserve

The analysis performed by the actuarial consultant retained to review the company's reserves and asset adequacy analysis noted that the actuarial memorandum and analysis prepared by the company included the Asset Valuation Reserve (AVR) in the asset adequacy testing. The NAIC adopted a proposal, effective April 2014, that limits the amount of AVR included in the total adjusted capital to be equal to the amount not used in the asset adequacy analysis. After review of the Risk-Based Capital worksheet, the full amount of AVR is also included in the total adjusted capital amount. This results in double counting of the AVR amount. It is recommended that the company determine an appropriate methodology to allocate the AVR, as the full amount cannot be used in both asset adequacy testing and the total adjusted capital of the risk-based capital calculation.

VIII. CONCLUSION

North American Insurance Company is a wholly owned subsidiary of OLIC, an Arizona-domiciled insurer, and is part of a holding company system led by AMERCO, a publicly traded Nevada-based company which is also the parent company of U-Haul International, Inc.

During the period under examination, admitted assets decreased 17.1%, liabilities decreased 53.6%, capital and surplus increased 25.8%, and net premiums earned decreased 56.6%. All the company's lines of business are in runoff. Nearly all the company's premium is renewal Medicare Supplement business from the NSIC block acquired in 2010.

The current examination determined that the company is in compliance with two of the three recommendations of the prior examination. The current examination resulted in four recommendations. The examination did not make any reclassification of account balances or adjustments to surplus as reported by the company in its year-end 2018 statutory financial statements. The examination noted that, as of December 31, 2018, the company had admitted assets of $18,388,848, liabilities of $5,571,606, and policyholders' surplus of $12,817,242.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 23 Asset Adequacy Analysis—It is again recommended that the company include documentation and expand on the narrative which discusses how methods other than cash flow testing are appropriate for the blocks of business that were not included in the cash flow testing, and specifically discuss how those other methods test for moderately adverse deviations in the actuarial assumptions to comply with the requirements of s. Ins 50.79 (2), Wis. Adm. Code.

2. Page 23 Report on Executive Compensation—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

3. Page 24 Management and Control—It is recommended that committees of the board include at least three directors, as required by ch. 611.56 (1), Wis. Stat.

4. Page 24 Asset Valuation Reserve—It is recommended that the company determine an appropriate methodology to allocate the AVR, as the full amount cannot be used in both asset adequacy testing and the total adjusted capital of the risk-based capital calculation.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Eleanor Lu	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Gregory Mielke

Gregory Mielke
Examiner-in-Charge

XI. SUBSEQUENT EVENT

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the company's investments, investment income, and operating results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the related financial impact cannot be reasonably estimated at this time.