Report of the Examination of

American Family Life Insurance Company

Madison, Wisconsin

As of December 31, 2021

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May 10, 2023

Honorable Nathan D. Houdek
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:

AMERICAN FAMILY LIFE INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of American Family Life Insurance Company (AFLIC or the company) was conducted in 2017 and 2018 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2021, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in California, Florida, Georgia, Illinois, Indiana, Minnesota, New York, and Texas, with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of the above-mentioned states participated in the examination, and their work 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 course of 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 Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. 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.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by the Office of the Commissioner of Insurance to perform a review of the company’s invested assets portfolio as of December 31, 2021. The results of that review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the findings of the review.

II. HISTORY AND PLAN OF OPERATION

AFLIC was incorporated in 1957 as a stock life and disability insurance company. AFLIC is an indirect, wholly owned subsidiary of American Family Insurance Mutual Holding Company (AFIMHC) through its downstream holding company, AmFam, Inc. The lead insurance company of the group, American Family Mutual Insurance Company, S.I. (AFMICSI) owns AmFam, Inc. Collectively, AFIMHC and its subsidiaries are known as the American Family Insurance Group.

In 2021, the company collected direct premium in the following states:

Wisconsin	$82,960,897	17.2%
Missouri	58,344,305	12.1
Illinois	50,968,087	10.6
Minnesota	50,668,330	10.5
Colorado	34,646,581	7.2
Arizona	28,321,993	5.9
Kansas	25,061,315	5.2
Indiana	22,498,463	4.7
Iowa	18,177,715	3.8
Ohio	16,954,278	3.5
All others	92,648,420	19.3
Total	$481,250,384*	100.0%

* Dividends or refunds applied to purchase paid-up additions and annuities, and premium or annuity considerations waived under disability or other contract provisions, are not included.

The company is currently licensed in 49 states and the District of Columbia. It is not licensed in New York.

The major products marketed by the company include whole life, term life, universal life, and a small amount of group life insurance as a service to its affiliates. The major products are marketed through AFMICSI's exclusive agency system. The number of agents as of November 30, 2021 totaled 1,464.

The following table is a summary of premium income as reported by the company in 2021. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Whole life	$182,265,533	$	$ 333,171	$ 181,932,362
Term life	221,743,877		60,980,528	160,763,349
Universal life	62,666,255		623,949	62,042,306
Variable universal life	13,118,234		13,118,234	
Group life	8,280,782		785,989	7,494,793
Long-term care		5,431,369	0	5,431,369
Deferred annuities	14,602,614		3,020,609	11,582,005
Total All Lines	$502,677,295	$5,431,369	$78,862,480	$429,246,184

III. MANAGEMENT AND CONTROL

Board of Directors

As of the date of this examination report, the board of directors consists of five members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the American Family Insurance Group.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
William T. Fancher Madison, WI	President American Family Life Insurance Company	2024
David C. Holman Verona, WI	Chief Administration Officer; Secretary American Family Mutual Insurance Company, S.I.	2024
Telisa L. Yancy Middleton, WI	Enterprise President American Family Mutual Insurance Company, S.I.	2024
Jeffrey J. Swalve Waunakee, WI	Agency President American Family Mutual Insurance Company, S.I.	2024
Troy P. Van Beek Waunakee, WI	Enterprise Chief Financial Officer; Treasurer American Family Mutual Insurance Company, S.I.	2024

Officers of the Company

The officers currently serving are as follows:

Name	Office
William T. Fancher	President
David C. Holman	Secretary
Troy P. Van Beek	Treasurer
Theresa K Sztuczko	Assistant Treasurer
Mary A. Theilen	Assistant Treasurer
Lauren K. Powell	Assistant Secretary

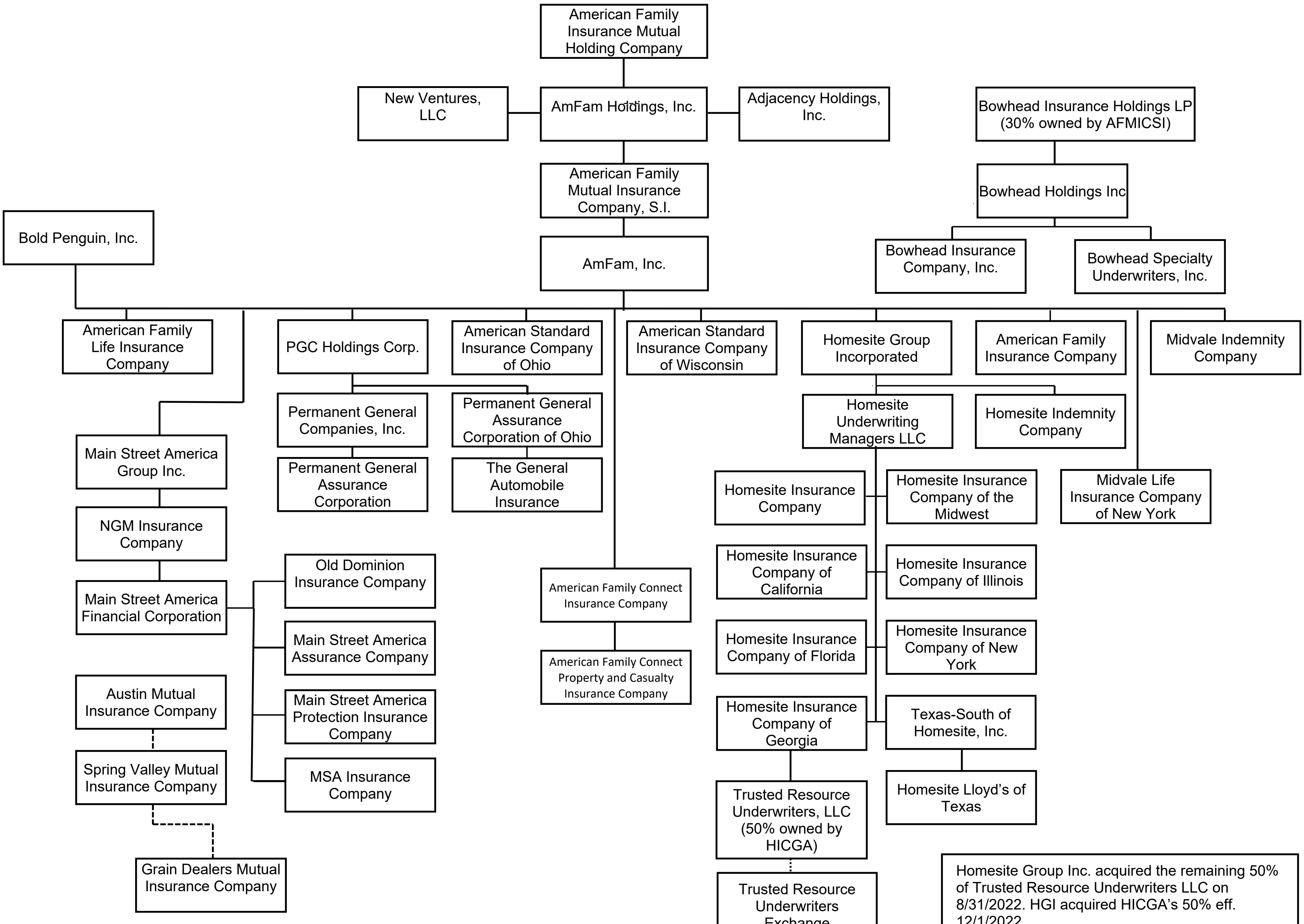
Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination. During the period under examination, AFIMHC’s committees were responsible for company oversight.

IV. AFFILIATED COMPANIES

The ultimate parent of the American Family Insurance Group is American Family Insurance Mutual Holding Company. The simplified organizational chart below depicts the relationships among the affiliates in the Group. A brief description of the significant affiliates follows the organizational chart.

Organizational Chart
As of January 1, 2022



American Family Insurance Mutual Holding Company

AFIMHC was incorporated on January 1, 2017, under the provisions of ch. 644, Wis. Stat. Membership of AFIMHC consists of policyholders of American Family Mutual Insurance Company, S.I, American Family Insurance Company, American Standard Insurance Company of Wisconsin, and NGM Insurance Company (NGM). AFIMHC's business is owning the stock and other equity interests of its subsidiaries. As of December 31, 2021, the consolidated GAAP audited financial statements of AFIMHC and subsidiaries reported assets of $36,852,585,000, liabilities of $25,443,731,000, and members' equity of $11,408,854,000. Operations for 2021 produced a net income of $898,090,000.

AmFam Holdings, Inc.

AmFam Holdings, Inc. was incorporated on January 1, 2017, under the provisions of ch. 180, Wis. Stat. AmFam Holdings, Inc. is a Wisconsin intermediary stock holding company wholly owned by AFIMHC.

American Family Mutual Insurance Company, S.I.

AFMICSI was organized in 1927 as Farmers' Mutual Automobile Insurance Company (Farmers' Mutual). In 1963, Farmers' Mutual changed its name to American Family Mutual Insurance Company (AFMIC). Effective January 1, 2017, AFMIC converted into a stock insurance company owned by a newly organized mutual insurance holding company, and changed its name to American Family Mutual Insurance Company, S.I. The major products are primarily marketed through a captive agency force operating in 19 predominantly non-coastal states with a primary focus on the Midwest. The main products include personal automobile, homeowners, farmowners, mobile homeowners, and commercial multiple peril. As of December 31, 2021, the statutory financial statements of AFMICSI reported total admitted assets of $27,274,038,099, liabilities of $17,896,098,333, and capital and surplus of $9,377,939,766. Operations for 2021 produced net income of $347,807,850.

AmFam Inc.

AmFam, Inc., was incorporated in 1981 to serve as a downstream holding company for the American Family Group.

Bowhead Insurance Holdings LP (Bowhead Holdings)

Bowhead Holdings is a Delaware limited partnership which owns, through Bowhead Holdings Inc, all of the issued and outstanding shares of Bowhead Insurance Company, Inc. The limited partnership interests in Bowhead Holdings are divided among three parties as follows: 68.34% interest held by GPC Partners Investments (SPV III) LP, a Delaware limited partnership; 29.29% interest held by AFMICSI; and 2.37% interest is held by individuals.

Bowhead Insurance Company, Inc. (BICI)

BICI was incorporated in Wisconsin on October 12, 2020. On December 18, 2020, Bowhead Holdings, Inc, a Delaware corporation, acquired 100% interest in BICI. BICI is licensed in Wisconsin only. BICI provides reinsurance for its affiliates, including Midvale Indemnity Company (MIC), Homesite Insurance Company (HCT), and Homesite Insurance Company of Florida (HICFL) on professional, casualty, and medical professional business produced and managed by Bowhead Specialty Underwriters, Inc. As of December 31, 2021, the statutory audited financial statements of BICI reported total admitted assets of $228,611,563, liabilities of $168,115,288, and policyholders' surplus of $60,496,275. Operations for 2021 produced a net loss of $19,620,787.

Bowhead Specialty Underwriters, Inc. (BSU)

BSU is a Delaware corporation serving as a producer and a managing general agent. BSU acts as the managing general agent for MIC, HCT, and HICFL to produce and manage professional, casualty, and medical professional insurance business.

New Ventures, LLC

New Ventures, LLC (New Ventures), a Wisconsin limited liability company, was formed in 2010 and is a direct, wholly-owned subsidiary of AmFam Holdings, Inc. New Ventures owns 100% of three downstream entities and is a partial owner of four affiliate companies. Through New Ventures and its subsidiaries, the Group conducts minority venture capital investments in certain technology companies, focusing on the insurance and financial sectors.

Adjacency Holdings, Inc.

Adjacency Holdings, Inc., is a Wisconsin stock corporation formed in 2019, and is a direct, wholly owned subsidiary of AmFam Holdings, Inc. Adjacency Holdings, Inc., holds majority interests in a small number of subsidiary entities that are involved in ancillary business providing complementary value to the core insurance products of the Group.

Main Street American Group Inc. (MSAGI)

MSAGI is a Florida stock intermediate holding company and a wholly owned direct subsidiary of AmFam Holdings, Inc. MSAGI became part of the American Family Mutual Group on October 31, 2018. MSAGI owns 100% of NGM, a Florida stock insurance company, which owns 100% of the outstanding stock of Main Street Financial Corporation which in turn owns 100% of MSA Insurance Company, Main Street America Assurance Company, Main Street America Protection Insurance Company, and Old Dominion Insurance Company. NGM has affiliated agreements with Austin Mutual Insurance Company, Grain Dealers Mutual Insurance Company, and Spring Valley Mutual Insurance Company. Collectively, these companies are referred to as "the MSA Group". The MSA Group utilizes independent agents to write small business and personal insurance in 37 states and fidelity and surety bonds in 47 states and the District of Columbia.

NGM Insurance Company (NGM)

NGM is a stock insurance company domiciled in the State of Florida, and is an indirect, wholly owned subsidiary of MSAGI. NGM primarily writes homeowners multiple peril, commercial auto liability, and auto physical damage insurance business. NGM assumes 100% of the business from all insurance subsidiaries and affiliates in the MSA Groups. This business is then ceded to AFMICSI under a 100% Quota Share Reinsurance Agreement. As of December 31, 2021, the statutory financial statements of NGM reported total admitted assets of $846,361,216, liabilities of $278,366,014, and policyholders' surplus of $567,995,202. Operations for 2021 produced net income of $19,277.828.

PGC Holdings Corp. (PGC Holdings)

PGC Holdings is a Delaware corporation that was acquired by the company through AmFam, Inc., on December 31, 2012. PGC Holdings is the direct parent of Permanent General Assurance Corporation of Ohio (PGACO), which in turn owns The General Automobile Insurance Company (GAIC), Inc. PGC Holdings is also the direct parent of Permanent General Companies, Inc., an intermediate holding company which owns Permanent General Assurance Corporation (PGAC). PGAC, PGACO, and GAIC are collectively known as the "Permanent General Group."

The Permanent General Group specializes in private passenger non-standard automobile insurance, primarily to consumers interested in acquiring an insurance policy to comply with state-level minimum insurance requirements. The Permanent General Group writes in 48 states and the District of Columbia and relies heavily on television advertising to promote the purchase of products through their internet distribution channel and call centers. Effective August 31, 2017, the Permanent General Group redomiciled from Ohio to Wisconsin.

Homesite Group Incorporated (HGI)

Homesite Group Incorporated is a Delaware corporation that was acquired by the company through AmFam, Inc., on December 31, 2013.

The purpose of the HGI acquisition was to broaden AFMICSI’s distribution channels and to expand its geographic footprint. HGI is an intermediate holding company which directly owns Homesite Indemnity Company and Homesite Underwriting Mangers LLC, another intermediate holding company. Homesite Underwriting Managers LLC is the direct owner of Homesite Insurance Company of the Midwest, HCT, Homesite Insurance Company of Illinois, Homesite Insurance Company of New York, Homesite Insurance Company of California, HICFL, Homesite Insurance Company of Georgia, and Texas-South of Homesite, Inc., which acts as the Attorney-in-Fact for Homesite Lloyd’s of Texas. These nine insurance companies are collectively known as the “Homesite Group.” The Homesite Group specializes in direct-to-consumer homeowners, renters, and condominium insurance. Its products are marketed nationally through its website, call centers, and partnerships with large financial institutions.

Bold Penguin, Inc. (Bold Penguin)

Bold Penguin is an Ohio-based technology company that aids in obtaining small business insurance. The Bold Penguin digital exchange is used by insurance agents, brokers, and other distributors to match, quote, and bind policies from a range of insurers to meet customer needs. Bold Penguin was acquired by AFIMHC on February 16, 2021.

Agreements with Affiliates

The company has cost sharing and tax allocation agreements with affiliates as detailed below. Additionally, the company has an affiliated reinsurance agreement with AFMICSI, which is described in Section V of the report titled “Reinsurance.”

Second Amended and Restated Intercompany Services and Cost Allocation Agreement

Effective July 1, 2020, AFMICSI and certain of its subsidiaries and affiliates, including AFLIC, entered into a Second Amended and Restated Intercompany Services and Cost Allocation Agreement. Under this agreement, AFMICSI may provide to the other parties and one or more of the other parties may provide to AFMICSI goods, third party services, and management and other direct services, including executive, corporate strategy, legal, corporate governance, product development, underwriting, marketing, customer service, sales, policy administration, billing, claims, reserving, financial, treasury, investment, enterprise risk, reinsurance, internal audit, and other services used by the parties in the conduct of their business operations. The costs of services provided under this agreement are reimbursed based on the actual costs of the services provided or on a pass-thru basis for the services provided by third parties. Settlement of all charges is done on a net basis and no less frequently than on a quarterly basis. This agreement replaced an Amended and Restated Intercompany Services and Cost Allocation Agreement between AFMICSI and certain of its affiliates that was effective January 1, 2017.

Second Restated Tax Allocation Agreement between AFMICSI and Subsidiaries and Affiliates

AFMICSI and certain of its subsidiaries and affiliates, including AFLIC, are parties to a tax allocation agreement executed in 2002 and later amended multiple times to reflect the additions of various affiliated parties to the agreement. The agreement was amended in 2023 to become the Second Amended and Restated Tax Allocation Agreement.

The agreement provides the basis for computation and the method of settlement of federal income tax payments and refunds within the American Family Group. The method for allocation is percentage method under Treas. Reg. § 1.1502-33(d)(3) using the 100% allocation method. Under this agreement, AFMICSI prepares and files a consolidated federal income tax return that includes all affiliates of the holding company group. Final settlement is due within 30 days of the filing of the consolidated federal tax return.

V. REINSURANCE

Ceded reinsurance premium for 2021 was approximately 16% of gross premium. This percentage of premium ceded has decreased from approximately 20% of gross premium in 2016. Reinsurance assumed in 2021 represents approximately 1% of gross premium and consists of long-term care business assumed under a treaty with AFMICSI.

All coverages are placed with reinsurers directly by AFLIC. A review of the reinsurers participating under these agreements showed that, with the exception of Chubb Tempest Life Reinsurance Ltd., all reinsurers are authorized in the state of Wisconsin. The company holds a $10 million letter of credit as collateral from Chubb Tempest Life Reinsurance Ltd. All contracts reviewed contain proper insolvency provisions. The company's reinsurance portfolio and strategy are described below.

Life Insurance Business

Whole Life and Fixed Universal Life

For new issues, AFLIC cedes 100% of the excess above $1,000,000 on whole life and fixed universal life policies. Amounts over the company’s retention are ceded to RGA Reinsurance Company.

Variable Universal Life

Effective April 1, 2013, the company entered into a purchase agreement with Kansas City Life whereby the company cedes on an indemnity reinsurance basis to Kansas City Life and Kansas City Life accepts and agrees to indemnify AFLIC (a) on a coinsurance basis, 100% of all general account liabilities with respect to the variable contracts, and (b) on a modified coinsurance basis, 100% of the separate account liabilities arising under or relating to the variable contracts. The Separate Account assets relating to the variable business remain on the company’s books as a result of the modified coinsurance agreement.

Simply Protected Term

AFLIC entered into a coinsurance reinsurance agreement with RGA Reinsurance Company effective February 1, 2010. Under the terms of the agreement, AFLIC retains 25% of each Simply Protected Term policy that is currently issued. Face value of Simply Protected Term policies range from $50,000 to $150,000.

Fully Underwritten Term

AFLIC's reinsurance for fully underwritten term life policies utilizes coinsurance. Under the treaties for fully underwritten policies currently being sold, the company retains 100% of each policy issued under $1,000,000. Reinsurers used for policies currently being sold are Hannover Life Reassurance Company of America, Munich American Reassurance Company, and Swiss Re Life & Health America Inc.

There are various coinsurance treaties on term business that is in force. Reinsurers involved in these treaties are Chubb Tempest Life Re, Ltd., Hannover Life Reassurance Company of America, Munich American Reassurance Company, RGA Reinsurance Company, Swiss Re Life & Health America Inc., SCOR Global Life Americas Reinsurance Company, and SCOR Global Life USA Reinsurance Company. These companies provide reinsurance coverages for varying percentages of the total reinsurance.

Long-Term Care Business

AFLIC assumes long-term care business from AFMICSI under a 100% quota share agreement. An outline of the agreement is below.

Assuming Contract

1.	Type:	Quota Share Reinsurance Agreement
	Ceding Company:	American Family Mutual Insurance Company, S.I.
	Effective date:	July 1, 2010
	Scope:	Long-term care business
	Coverage:	100% of gross liabilities and obligations arising under or relating to long-term care policies
	Initial Reinsurance Premium:	100% of the assets supporting the active life reserves, disabled life reserves, IBNR, and unearned premium reserves maintained by AFMIC for issued long-term care policies as of the effective date
	Commissions:	1.75% of premiums received

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, 2021, 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.

American Family Life Insurance Company
Assets
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$4,102,349,254	$	$4,102,349,254
Stocks:			
Common stocks	6,073,763		6,073,763
Mortgage loans on real estate:			
First liens	588,655,137		588,655,137
Cash, cash equivalents, and short-term investments	56,260,374		56,260,374
Contract loans	169,071,469	2,045,021	167,026,448
Other invested assets	25,184,195	25,184,195	
Receivables for securities	24,600		24,600
Investment income due and accrued	38,181,398		38,181,398
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,680,302		1,608,302
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	11,926,183		11,926,183
Reinsurance:			
Amounts recoverable from reinsurers	6,551,250		6,551,250
Other amounts receivable under reinsurance contracts	1,257,411		1,257,411
Net deferred tax asset	101,385,875	63,528,345	37,857,530
Guaranty funds receivable or on deposit	1,123,309		1,123,309
Receivable from parent, subsidiaries and affiliates	61,724,417	5,751	61,718,666
Write-ins for other than invested assets:			
Advanced commissions	5,697,460	5,697,460	
Returned checks	(21,066)	(21,066)	
Total assets excluding separate accounts, segregated accounts and protected cell assets	5,177,125,331	96,439,706	5,080,685,625
From separate accounts, segregated accounts and protected cell assets	392,729,131		392,729,131
Total Assets	$5,569,854,462	$96,439,706	$5,473,414,756

American Family Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2021

Aggregate reserve for life contracts		$4,049,468,668
Aggregate reserve for accident and health contracts		138,546,930
Liability for deposit-type contracts		313,647,523
Contract claims:		
Life		32,458,180
Accident and health		1,611,673
Provision for policyholders' dividends, refunds to members, and coupons payable in the following calendar year:		
Apportioned for payment		11,630,217
Not yet apportioned		759,424
Premiums and annuity considerations received in advance		1,261,063
Contract liabilities not included elsewhere:		
Interest maintenance reserve		24,005,899
Commissions to agents due or accrued		7,243,976
General expenses due or accrued		1,321,469
Taxes, licenses, and fees due or accrued, excluding federal income taxes		1,349,767
Current federal and foreign income taxes		2,077,283
Unearned investment income		4,303,648
Amounts withheld or retained by reporting entity as agent or trustee		556,619
Remittances and items not allocated		2,202,024
Borrowed money and interest thereon		5,000,000
Miscellaneous liabilities:		
Asset valuation reserve		29,436,164
Payable for securities		1,537,363
Write-ins for liabilities:		
Payable for reinsurance		3,795,726
Liability for checks charged off		1,237,903
Reserve for clearing accounts		1,800,243
Reserve for retired lives		58,000
Total liabilities excluding separate accounts business		4,635,309,762
From separate accounts statement		392,729,131
Total Liabilities		5,028,038,893
Common capital stock	$2,500,000	
Gross paid in and contributed surplus	26,198,137	
Unassigned funds (surplus)	416,677,726	
Total Capital and Surplus		445,375,863
Total Liabilities, Capital and Surplus		$5,473,414,756

American Family Life Insurance Company
Summary of Operations
For the Year 2021

Premiums and annuity considerations for life and accident and health contracts		$429,246,184
Considerations for supplementary contracts with life contingencies		505,711
Net investment income		192,905,570
Amortization of interest maintenance reserve		3,002,484
Commissions and expense allowances on reinsurance ceded		19,435,630
Miscellaneous income:		
Other (Variance Separate Accounts and Purchased Premium Tax Credits)		2,524,541
Total income items		647,620,120
Death benefits	$190,444,548	
Matured endowments	137,035	
Annuity benefits	8,801,860	
Disability benefits and benefits under accident and health contracts	9,344,608	
Surrender benefits and withdrawals for life contracts	87,167,726	
Group conversions	920,560	
Interest and adjustments on contract or deposit-type contract funds	10,776,815	
Payments on supplementary contracts with life contingencies	1,372,186	
Increase in aggregate reserves for life and accident and health contracts	121,961,231	
Subtotal	430,926,569	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	26,777,111	
Commissions and expense allowances on reinsurance assumed	95,049	
General insurance expenses and fraternal expenses	111,838,098	
Insurance taxes, licenses, and fees excluding federal income taxes	14,195,479	
Total deductions		583,832,306
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		63,787,814
Dividends to policyholders and refunds to members		12,099,535
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes		51,688,279
Federal and foreign income taxes incurred (excluding tax on capital gains)		10,307,714

Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)	41,380,565
Net realized capital gains or (losses)	(1,799,386)
Net Income (Loss)	$39,581,179

American Family Insurance Company
Cash Flow
For the Year 2021

Premiums collected net of reinsurance			$411,522,285
Net investment income			195,853,071
Miscellaneous income			21,960,171
Total			629,335,527
Benefit- and loss-related payments		$295,053,199	
Commissions, expenses paid, and aggregate write-ins for deductions		151,236,954	
Dividends paid to policyholders		5,562,541	
Federal and foreign income taxes paid (recovered)		11,867,797	
Total deductions			463,720,491
Net cash from operations			165,615,036
Proceeds from investments sold, matured, or repaid:			
Bonds	$ 876,876,721		
Mortgage loans	227,948,522		
Real estate	2,411,200		
Miscellaneous proceeds	1,287,376		
Total investment proceeds		1,108,523,819	
Cost of investments acquired (long-term only):			
Bonds	1,077,204,962		
Stocks	3,696,240		
Mortgage loans	84,023,000		
Miscellaneous applications	18,805		
Total investments acquired		1,164,943,007	
Net increase (or decrease) in contract loans and premium notes		(8,334,561)	
Net cash from investments			(48,084,627)
Cash from financing and miscellaneous sources:			
Borrowed funds		5,000,000	
Net deposits on deposit-type contracts and other insurance liabilities		(17,019,049)	
Other cash provided (applied)		(136,947,897)	
Net cash from financing and miscellaneous sources			(148,966,946)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(31,436,537)
Cash, cash equivalents, and short-term investments:			
Beginning of year			87,696,911
End of year			$56,260,374

American Family Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2021

Assets			$5,473,414,756
Less liabilities			5,028,038,893
Adjusted surplus			445,375,863
Annual premium:			
Individual life and health	$384,588,943		
Factor	15%		
Total		$57,688,341	
Group life and health	11,124,543		
Factor	10%		
Total		1,112,454	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		7,410,178	
Compulsory surplus (subject to a $2,000,000 minimum)			66,210,973
Compulsory Surplus Excess (Deficit)			$379,164,890
Adjusted surplus (from above)			$445,375,863
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%)			84,750,045
Security Surplus Excess (Deficit)			$360,625,818

American Family Life Insurance Company
Analysis of Surplus
For the Five -Year Period Ending December 31, 2021

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:

	2021	2020	2019	2018	2017
Capital and surplus, beginning of year	$404,908,391	$685,061,423	$646,854,082	$1,059,748,789	$1,001,360,434
Net income	39,581,179	51,203,754	72,039,743	102,872,597	69,372,716
Change in net unrealized capital gains/losses	571,925	(16,959,688)	11,476,751	(26,407,343)	19,293,278
Change in net deferred income tax	2,491,847	3,473,307	(3,334,988)	2,322,693	(65,809,226)
Change in nonadmitted assets and related items	2,014,619	(39,498,907)	12,010,439	(11,716,098)	40,240,203
Change in asset valuation reserve	(4,192,098)	21,359,702	(8,899,999)	20,033,444	(4,149,634)
Capital changes:					
Paid in		268,800	24,915,395		(558,982)
Surplus adjustments:					
Dividends to stockholders		(300,000,000)	(70,000,000)	(500,000,000)	
Capital and Surplus, End of Year	$445,375,863	$404,908,391	$685,061,423	$646,854,082	$1,059,748,789

American Family Life Insurance Company
Insurance Regulatory Information System
For the Five -Year Period Ending December 31, 2021

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	2021	2020	2019	2018	2017
#1	Net change in capital & surplus	10.0%	-41.0%*	2.0%	-39.0%*	6.0%
#2	Gross change in capital & surplus	10.0	-41.0*	6.0	-39.0*	6.0
#3	Net income to total income	6.0	8.0	12.0	16.0	12.0
#4	Adequacy of investment income	110.0*	113.0*	119.0*	125.0*	126.0
#5	Non-admitted to admitted assets	2.0	2.0	1.0	1.0	1.0
#6	Total real estate & mortgage loans to cash & invested assets	12.0	16.0	17.0	13.0	12.0
#7	Total affiliated investments to capital & surplus	20.0	6.0	0.0	1.0	0.0
#8	Surplus relief	4.0	5.0	3.0	4.0	2.0
#9	Change in premium	6.0	4.0	2.0	3.0	-22.0*
#10	Change in product mix	0.1	0.0	0.0	0.2	5.1*
#11	Change in asset mix	0.5	0.7	0.6	0.3	0.2
#12	Change in reserving ratio	-1.0	7.0	1.0	-4.0	-1.0

Ratio No. 1, the net change in capital and surplus ratio, reviews the improvement or deterioration in an insurer's financial condition during the year. It does not consider capital and surplus paid-in to reflect the impact of operations on capital and surplus. The usual range includes all results greater than -10% and less than 50%. In 2018 and 2020 the ratio's results were -39.0%, and -41.0%, respectively. These exceptional results were caused by extraordinary dividends of $500,000,000 paid by AFLIC in 2018 and $300,000,000 paid in 2020. The dividends were taken for enterprise strategic purposes and were not disapproved by OCI.

Ratio No. 2, the gross change in capital and surplus ratio, is also a measure of improvement or deterioration in the insurer's financial condition during the year. It considers capital and surplus, including surplus notes, paid-in during the year. The usual range includes all results greater than -10% and less than 50%. In 2018 and 2020 the ratio's results were -39.0%, and -41.0%, respectively, similar to the results for ratio No. 1. These exceptional results were also caused by extraordinary dividends paid by AFLIC in 2018 and 2020.

Ratio No. 4 compares the net investment income to the increase in reserves from tabular interest; the usual range for the ratio is between 125% and 900%. The ratio has consistently decreased each year during the period under examination and starting in 2018 the ratio fell slightly below the benchmark. Overall investment returns have been depressed, in part, because of the low interest rate environment.

Ratio No. 9 measures the percentage change in premium from the prior to the current year. The usual range is between -10% and 50%. The company reported a decrease in premium of 22% in 2017. AFLIC assumes long-term care business from AFMICSI under a 100% quota share agreement. Prior to 2016, the company retroceded the long-term care business to Ability Insurance Company (Ability). During 2016, the company's recapture of its long-term care business from Ability caused a significant one-time increase in net premium written in Other Accident and Health business, with a corresponding subsequent decrease in net premiums in 2017. This corresponding decrease in net premiums in 2017 explains the results which fall outside expected ranges.

Ratio No. 10 represents the average change in the percentage of total premium from each product line during the year. The usual range includes results less than 5%. In 2017 the company's change in product mix ratio was 5.1%. Similar to ratio No. 9 above, the one-time event in which the company's recapture of its long-term care business from Ability caused a significant one time increase in net premium written in Other Accident and Health business, resulted in the significant average change in the percentage of total premium from each product line during the year.

Growth of American Family Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2021	$5,473,414,756	$5,028,038,893	$445,375,863
2020	5,346,948,642	4,942,040,251	404,908,391
2019	5,454,250,396	4,769,188,973	685,061,423
2018	5,274,056,468	4,627,202,386	646,854,082
2017	5,676,127,005	4,616,378,216	1,059,748,789
2016	5,497,452,570	4,496,092,136	1,001,360,434

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2021	$401,859,576	$11,582,007	$0
2020	378,543,997	10,114,799	0
2019	362,677,229	9,427,045	0
2018	356,059,594	8,603,866	0
2017	343,513,652	11,044,315	0
2016	336,797,795	11,005,254	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2021	$110,643,975	$34,533,838	$76,110,137
2020	104,975,932	36,974,435	68,001,497
2019	101,872,916	38,640,665	63,232,251
2018	100,344,287	40,086,955	60,257,332
2017	98,633,529	38,937,376	59,696,153
2016	96,835,756	37,506,159	59,329,597

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2021	$ 5,423,039	$ 11,291,169	$95,049	$1,438,478	236.5%
2020	5,270,154	6,736,581	94,498	1,184,738	152.1
2019	5,008,117	9,067,911	87,642	1,056,189	203.9
2018	4,819,523	12,274,771	84,432	1,172,723	280.8
2017	4,396,879	9,695,381	75,617	483,108	233.2
2016	110,541,880	120,358,877	91,375	360,801	109.3

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

Admitted assets decreased 0.4% during the examination period, to $5.47 billion. Surplus decreased 55.5%, to $0.45 billion. Both decreases were primarily due to dividends paid to the company's parent, AmFam, Inc. Dividends of $500 million were paid in 2018 and $300 million in 2020.

The company's net life premium increased 19.3% during the examination period, to $401.9 million. Net life insurance in force increased 28.3% during the same time frame, to $76.1 billion.

Annuity considerations are fairly immaterial to the company. They ranged from a low of $8.6 million in 2018 to a high of $11.6 million in 2021. The immateriality of annuity considerations is due to the company ceding its variable annuity business in 2013 and its decision to stop writing new deferred and immediate annuities in 2014.

The Accident and Health table shows premiums and expenses for long-term care (LTC) business. This business was originally written by AFMICSI and ceded to AFLIC. Prior to 2016, the company retroceded this business to Ability under a modified coinsurance agreement. In 2016, the company recaptured this business from Ability. The $110.5 million of net premium earned in 2016 represents $106 million of recaptured premium from Ability and $4.5 million of assumed premium from AFMICSI.

Other expenses incurred more than doubled from 2017 to 2018, from $0.5 million to $1.2 million. This is due to the evolution of the company's expense allocations after the LTC block of business was recaptured by AFLIC. Specifically, the allocation was updated in 2018 to assign more expenses to the LTC block of business.

Claims experience for the long-term care business has been poor, as the combined loss and expense ratio has ranged from 109.3% in 2016 to 280.8% in 2018. Four of the six years in the above table have combined loss and expense ratios in excess of 200%. Original LTC premiums were largely inadequate due to lower lapse rates and lower portfolio yields than assumed in pricing. In response to this, AFLIC has filed significant rate increases regularly since 2017.

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, 2021, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report. The comment and recommendation contained in the last examination report and action taken by the company is as follows:

1. Custodial Agreement— It is recommended that the company revise its custodial agreement to include the guideline provisions contained in the NAIC's Financial Condition Examiners Handbook.

   Action—Compliance.

Summary of Current Examination Results

There were no adverse findings as a result of this examination.

VIII. CONCLUSION

AFLIC was incorporated in 1957 as a stock life and disability insurance company. It is part of the American Family Insurance Group which underwent a corporate reorganization and formed a mutual holding company, effective January 1, 2017.

The major products marketed by the company include whole life, term life, and universal life. The company stopped underwriting new variable products in September 2009 and it later ceded the variable book of business to Kansas City Life in 2013. The company stopped writing deferred and immediate annuity products in 2014. In 2016, the company recaptured the long-term care book of business it assumed from AFMICSI from Ability.

The current examination determined that the company is in compliance with the one recommendation from the prior examination. The current examination resulted in no recommendations.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of 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
Thomas Hilger, CFE	Insurance Financial Examiner
James Lindell	Insurance Financial Examiner
Gregory Mielke	Insurance Financial Examiner
Jonathan Mundschau	Insurance Financial Examiner
Nicholas Siskoff	Insurance Financial Examiner
Pierce Varney	Insurance Financial Examiner
Yi Xu	Insurance Financial Examiner
James Vanden Branden	Principal Analyst
Jerry DeArmond, CFE	Data Specialist
Eleanor Lu, CISA	IT Specialist
John Litweiler, AFE	Exam Supervisor and Quality Control Specialist

Respectfully submitted,

Terry Lorenz, CFE
Examiner-in-Charge