

Report of the Examination of
BetterLife
Madison, Wisconsin
As of December 31, 2023

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	6
IV. AFFILIATED COMPANIES.....	9
V. REINSURANCE.....	11
VI. FINANCIAL DATA	14
VII. SUMMARY OF EXAMINATION RESULTS	25
VIII. CONCLUSION.....	27
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS	28
X. ACKNOWLEDGMENT.....	29
XI. SUBSEQUENT EVENTS.....	30



April 4, 2025

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
101 East Wilson Street
Madison, Wisconsin 53703

Commissioner:

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

BETTERLIFE
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of BetterLife (the society) was conducted in 2020 as of December 31, 2019. At the time of the previous examination, the society was known as National Mutual Benefit. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

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 insurer 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 society 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 society's operations that were accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the society to satisfy the recommendations and comments made in the previous examination report.

The society 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 completing 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, interest maintenance reserves, aggregate accident and health reserves, liability for deposit-type contracts, liability for life and accident and health contract claims, uncollected premiums, deferred life insurance premiums, 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

The society was organized in 1902 as Beavers Reserve Fund Fraternity under the Wisconsin laws applicable to fraternal benefit societies. Beavers Reserve Fund Fraternity was reorganized in 1916 as a fraternal benefit society authorized under the laws of Wisconsin to offer legal reserve life insurance products and adopted the name Beavers National Mutual Benefit. In 1931, the society adopted the name National Mutual Benefit (NMB).

Effective January 1, 2001, Concordia Mutual Life Association (CMLA) merged into NMB. CMLA was an Illinois-domiciled fraternal benefit society originally incorporated on February 2, 1909. Prior to the 2001 merger, NMB and CMLA were separate, independent fraternal societies, with home offices and business operations located in Madison, Wisconsin, and Downers Grove, Illinois, respectively. Each society operated as a life insurer under the ownership and control vested in its respective policyholder membership. Under the 2001 merger, CMLA merged with and into NMB, and NMB was the surviving corporate entity.

The present-day society was established when NMB merged with and into Western Fraternal Life Association (WFLA), a fraternal benefit society of Cedar Rapids, Iowa, effective January 1, 2021. Simultaneously, WFLA changed its name to BetterLife and redomiciled from Iowa to Wisconsin. Prior to the 2021 merger, NMB and WFLA were separate, independent fraternal societies with home offices and business operations located in Madison, Wisconsin, and Cedar Rapids, Iowa, respectively. Both NMB and WFLA operated as life insurers under the ownership and control vested in its respective policyholder membership. The forerunner of WFLA was founded as Czech-Slovak Protective Society (CSPS) in St. Louis, Missouri in 1854. Members of CSPS filed articles of incorporation with the state of Iowa on July 4, 1897, and created Zapadni Ceska Bratska Jednota (ZCBBJ). In 1938, the name of ZCBBJ was changed to Western Bohemian Fraternal Association. The name Western Fraternal Life Association was adopted in 1971 by an amendment to the Articles of Incorporation.

In 2023, the society collected direct premium in the following states:

Wisconsin	\$14,446,868	47.1%
Iowa	3,680,118	12.0
Minnesota	3,123,151	10.2
South Dakota	2,652,341	8.6
Illinois	1,886,414	6.2
Nebraska	1,070,246	3.5
North Dakota	805,373	2.6
Texas	625,935	2.0
Michigan	605,100	2.0
Oklahoma	405,430	1.3
All others	<u>1,364,101</u>	<u>4.4</u>
Total	<u>\$30,665,077</u>	<u>100.0%</u>

The society is licensed in 20 state jurisdictions, including the states of Arizona, Colorado, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Minnesota, Montana, Nebraska, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Texas, Washington, Wisconsin, and Wyoming.

The major products marketed by the society include traditional whole life insurance, universal life insurance, including policies on two individuals with first-to-die benefits, 10-, 20- and 30-year term life insurance, simplified-issue and graded death benefit final expense life insurance, single and flexible premium deferred annuities, and single premium immediate annuities. GrandStart is whole life insurance for children with increasing coverage at specific ages. In addition, the society has juvenile and disability income insurance policies in-force.

The society uses multiple distribution channels to market its major products. The society maintained a career agency system comprised of field offices supervised by district managers through the end of 2022. Effective January 1, 2023, the society closed its career agency system and transitioned to using part-time and full-time independent agents. In addition, the society began contracting with brokerage general agencies (BGA's) to market its products. At the time of examination, the society had five grandfathered former career agents on hybrid contracts, 398 licensed independent agents, and 85 brokers, including one BGA. The society also established a direct-to-consumer channel that at the time of examination had six employees.

The following chart is a summary of the premium income reported by the society in 2023. The growth of the society 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	\$ 9,895,077	\$0	\$1,032,453	\$ 8,862,624
Universal Life	6,456,622		1,027,105	5,429,518
Universal Life with secondary guarantees	324,931		58,525	266,406
Term Life	<u>3,475,157</u>		<u>11,131</u>	<u>3,464,026</u>
Total Life	20,151,788		2,129,214	18,022,574
Annuities (Fixed)	11,543,168		1,946,174	9,596,993
Disability Income	<u>70,920</u>	<u>—</u>	<u>483</u>	<u>70,437</u>
Total All Lines	<u>\$31,765,876</u>	<u>\$0</u>	<u>\$4,075,872</u>	<u>\$27,690,004</u>

III. MANAGEMENT AND CONTROL

Membership

The society is a fraternal benefit society not affiliated with any single religious faith or other affinity group. The objective of the society is to associate members and their families and enable them through membership in the society to aid themselves and others with programs of insurance and other benefits, fraternal and benevolent activities carried on through voluntary activities of members in their local chapters.

The society's articles of incorporation provide for two membership classes: benefit members and associate members. A benefit member is a person of at least 16 years of age who is covered by an insurance policy or annuity contract or other qualifying benefit provided by the society. Benefit members may participate in the business affairs of the local chapter in which they are members and may hold office in the local chapters. Benefit members are entitled to vote in the corporate and insurance affairs of the society pursuant to the articles of incorporation and bylaws. An associate member is a person who is at least 16 years of age who has been accepted for membership in accordance with the eligibility rules as determined by resolution of the board of directors, but who is not covered by an insurance policy or annuity contract issued by the society. Associate members may participate in the affairs and activities of the local chapter in which they are members and may hold office in their local chapter but do not have the right to vote in the corporate and insurance affairs of the society.

The following table reports the total number of members of the society for each year since the previous examination.

Growth of Membership	
Year	Members*
2023	57,690
2022	59,622
2021	62,807
2020	64,082
2019	65,964
2018	68,077

*Number of Members for 2020, 2019, 2018 were calculated from the pre-merger member numbers for Western Fraternal Life and National Mutual Benefit.

Board of Directors

The board of directors consists of eight outside directors and BetterLife's Chief Executive Officer. A special election was held in 2024 to elect directors to serve either a four-year or two-year term. Subsequent directors will serve four-year terms with a staggered election of four directors elected every two years. This results in a staggered board in which four directors are elected every two years to serve a four-year term. Officers are appointed by the board annually.

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

Name	Principal Occupation	Term Expires
Christopher Campbell	Chief Executive Officer/President/Board Chair, BetterLife	2025
Daniel Biank	Vice President of Regulatory & Government Affairs, Accuracy	2026
Bradley Bodell	Chief Information Officer, Ryan Specialty	2026
Russell Denk	Retired, Former Partner, Strohm-Ballweg, LLP	2026
Maria Ferrante-Schepis	President, Maddock Douglas, Inc.	2026
Michael Hosek	Operations Manager Americom Communications	2026
Mary Bradley	Chief Operating Officer, Institute for Excellence in Education and the National Charter Schools Institute	2028
Duane Jirik	Mayor, New Prague, Minnesota	2028
Daniel Shinnick	Retired, Former Chief Executive Officer/Board Chair, BetterLife	2028

Officers of the Society

The officers serving at the time of this examination are as follows:

Name	Office
Christopher Campbell	Chief Executive Officer, President and Board Chair
Derek Metcalf	Chief Financial Officer and Treasurer
Matthew Mikulcik	Chief Operations Officer
Dudley Simmons	Chief Distribution Officer

Name	Office
Jenna Dunker	Senior Vice President-Strategic Initiatives and Secretary
Angel Thomas	Senior Vice President-Member Engagement
Kaye DeMartino	Vice President-Talent Management

Committees of the Board

The society's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

Audit Committee

Russell Denk, Chair
Daniel Biank
Michael Hosek
Duane Jirik

Community Engagement Committee

Mary Bradley, Chair
Christopher Campbell
Maria Ferrante-Schepis
Michael Hosek
Duane Jirik

Finance and Investment Committee

Daniel Shinnick, Chair
Daniel Biank
Bradley Bodell
Christopher Campbell
Russell Denk

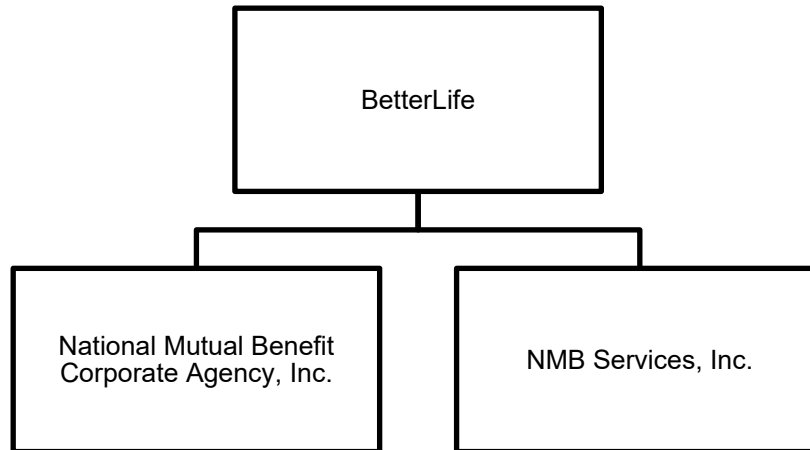
Governance and Compensation Committee

Maria Ferrante-Schepis, Chair
Bradley Bodell
Mary Bradley
Christopher Campbell
Daniel Shinnick

IV. AFFILIATED COMPANIES

BetterLife 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 the significant affiliates of BetterLife follows the organizational chart.

**Organizational Chart
As of December 31, 2023**



National Mutual Benefit Corporate Agency, Inc.

National Mutual Benefit Corporate Agency, Inc. (NMB Agency) was established by the society in 1984 to serve as a broker for insurance products that the society does not write. NMB Agency is capitalized with \$15,000, representing 1,500 shares of common capital stock. NMB Agency provides to the society customers brokered insurance coverages for major medical, disability income, term life, and rated-lives insurance products.

As of June 30, 2024, the most recent fiscal year, NMB Agency's unaudited GAAP basis financial statements reported total assets of \$14,414, liabilities of \$0, and total equity of \$14,414. Operations for the fiscal year ended June 30, 2024, resulted in a reported net loss of \$3,197.

NMB Services, Inc.

NMB Services, Inc., was established by the society on June 20, 1995, to provide mortgage loan payment services for society members. NMB Services, Inc., is capitalized with \$5,000 of common capital stock. The society offers a mortgage payment servicing plan whereby funds equal to one-half of a member's monthly residential mortgage payment are electronically transferred biweekly from the

member's bank account to NMB Services, Inc., for a total of 26 transfers a year. NMB Services, Inc., uses 24 of the transfers to remit the monthly mortgage payments that are due to the participating society member's lending institution. Funds from the two additional transfers to NMB Services, Inc., are applied toward BetterLife life insurance products, enabling insureds to accumulate additional cash value.

As of June 30, 2024, the most recent fiscal year, NMB Services, Inc.'s unaudited GAAP basis financial statements reported total assets of \$64,768, liabilities of \$14,580, and total equity of \$50,188. Operations for the fiscal year ended June 30, 2024, resulted in a reported net income of \$1,970.

Agreements with Affiliates

Cost-Sharing Agreement with National Mutual Benefit Corporate Agency, Inc.

The society is party to a cost-sharing agreement with NMB Agency whereby the society provides facilities and services necessary for the management and operations of NMB Agency. Under the agreement, the society allocates to NMB Agency the employee compensation and facility, equipment, and support costs incurred by the society in performing services and providing facilities on behalf of NMB Agency. Allocated employee costs include salary expense, FICA tax, unemployment tax, worker's compensation insurance, and employee benefits costs. Allocated costs that are payable by NMB Agency to the society are settled quarterly.

Cost-Sharing Agreement with NMB Services, Inc.

The society is party to a cost-sharing agreement with NMB Services, Inc., whereby the society provides facilities and services necessary for the management and operations of NMB Services, Inc. Under the agreement, the society allocates to NMB Services, Inc., the employee compensation and facility, equipment, and support costs incurred by the society in performing services and providing facilities on behalf of NMB Services, Inc. Allocated employee costs include salary expense, FICA tax, unemployment tax, worker's compensation insurance, and employee benefits costs. Allocated costs that are payable by NMB Services, Inc., to the society are settled quarterly.

V. REINSURANCE

The society's reinsurance portfolio and strategy at the time of the examination are described below. All contracts contained proper insolvency provisions. BetterLife is a party to numerous runoff reinsurance agreements that pertain to cessions on closed blocks of business. BetterLife does not assume any reinsurance risks. The following summary of the society's reinsurance program is limited to discussion of the current ceded reinsurance agreements.

BetterLife maintains ceding reinsurance agreements with five reinsurers. The society's reinsurance program enables BetterLife to cede reinsurance risks to maintain desired levels of maximum retained risk exposure and to diversify and mitigate risk on particular lines of business. Effective October 1, 2006, BetterLife's maximum retention for any individual life risk is \$175,000, with lower retention amounts for policies issued to members who are 65 years of age or older.

Of the five reinsurer's BetterLife maintains contracts with, three are currently active, those being Swiss Re Life & Health America, Inc, Optimum Re Insurance Company, and RGA Reinsurance Company. Each of the respective contracts affords cession of risk on specified policy forms for particular business lines written by the society. There is no reinsurance on simplified issue life, guaranteed issue life, term to 26, GrandStart, and annuity policies. In addition, the following riders are not reinsured: single parent rider, children's term rider, children's protection rider, family income rider, and family plan rider. Reinsurance premiums are paid to the reinsurers either monthly or annually for ceded risks.

Optimum Re Insurance Company

The society is party to an automatic and facultative yearly renewable term reinsurance agreement with Optimum Re Insurance Company that was established effective April 1, 2006, and subsequently amended. The agreement covers universal life policies, ordinary whole life policies, and certain related policy riders issued to insureds. The treaty provides that whenever BetterLife retains its maximum retention on an individual risk, the reinsurer will automatically accept life insurance risks of up to five times the BetterLife risk retention. The total amount of automatic and facultative insurance issued and proposed to the insured across all companies is limited to \$4 million.

Swiss Re Life & Health America, Inc.

BetterLife is party to an automatic and facultative yearly renewable term reinsurance agreement with Swiss Re Life & Health America, Inc., that was established effective December 1, 2008, and subsequently amended. The agreement covers universal life policies, ordinary whole life policies, and certain related policy riders issued to insureds. The treaty provides that whenever BetterLife retains its maximum retention on an individual risk, the reinsurer will automatically accept 100% of the excess up to a maximum of \$825,000, with lower limits on policies issued to members 65 years and older. The total amount of automatic insurance issued and proposed on an individual insured is limited to \$2 million. There is no limit for facultative.

BetterLife is party to an automatic and facultative first dollar quota share 50/50 agreement with Swiss Re Life & Health America, Inc. that was established effective October 1, 2018. The agreement covers term policies and certain related policy riders. The treaty provides that BetterLife will retain 50% of each policy, not to exceed the \$175,000 retention limit. The reinsurer will automatically accept 50% of the risk up to BetterLife's retention and then 100% of the excess up to a maximum of \$825,000. The total amount of automatic insurance issued and proposed on an individual insured is limited to \$2 million. There is no limit for facultative.

GBU Financial Life

BetterLife entered into an assumption agreement with GBU Financial Life (GBU), effective April 1, 2022, ceding 100% of the existing block of life and annuity policies in force as of September 30, 2020, issued in California by Western Fraternal Life prior to the merger with National Mutual Benefit. BetterLife remains contingently liable in case of insolvency of GBU.

Somerset Reinsurance Company Ltd.

Effective October 6, 2022, BetterLife entered into a funds withheld assumption agreement with Somerset Reinsurance Company Ltd. (Somerset), ceding the majority of its in-force annuity liabilities. Somerset provides security in the form of eligible assets to be held in a funds withheld account established and maintained by BetterLife as collateral to support the agreement. Settlement for premiums, benefit payments, commission, expenses, and interest earnings on the trust account is done on a monthly basis. This includes both current activity and changes to the related statutory reserves,

which determine the amount to be maintained in the funds withheld trust account for the ceded block of business.

RGA Reinsurance Company

Effective November 1, 2023, BetterLife entered into an automatic/facultative coinsurance agreement with RGA Reinsurance company (RGA). Under the agreement, BetterLife will cede 75% of each eligible policy on a first dollar quota share basis plus 100% of any amounts in excess of \$175,000. This amount must also not exceed RGA's share of the maximum automatic binding limit of \$35,000,000.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the society as reported to the commissioner of insurance in the December 31, 2023, 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 society and the compulsory and security surplus calculation.

**BetterLife
Assets
As of December 31, 2023**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$521,214,766	\$	\$521,214,766
Stocks:			
Common stocks	5,914,104	20,000	5,894,104
Mortgage loans on real estate:			
First liens	34,352,680		34,352,680
Real estate:			
Occupied by the company	582,936		582,936
Cash, cash equivalents, and short-term investments	9,832,144		9,832,144
Contract loans	6,992,381		6,992,381
Other invested assets	6,866,446		6,866,446
Receivables for securities	2,690,467		2,690,467
Write-ins for invested assets:			
457(b) Plan Assets	558,253		558,253
Investment income due and accrued	6,266,554		6,266,554
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	(781,708)		(781,708)
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	3,423,221	32,955	3,390,266
Reinsurance:			
Amounts recoverable from reinsurers	5,872,966		5,872,966
Other amounts receivable under reinsurance contracts	99,622		99,622
Electronic data processing equipment and software	1,294,377	1,278,331	16,046
Furniture and equipment, including health care delivery assets	<u>106,630</u>	<u>106,630</u>	<u> </u>
Total Assets	<u>\$605,285,836</u>	<u>\$1,437,917</u>	<u>\$603,847,920</u>

BetterLife
Liabilities, Surplus, and Other Funds
As of December 31, 2023

Aggregate reserve for life contracts	\$330,553,744
Aggregate reserve for accident and health contracts	347,710
Liability for deposit-type contracts	19,813,981
Contract claims:	
Life	1,817,390
Accident and health	245
Provision for policyholders' dividends, refunds to members, and coupons payable in the following calendar year:	
Not yet apportioned	1,041,384
Premiums and annuity considerations received in advance	233,985
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	149,374
Interest maintenance reserve	239,259
Commissions to agents due or accrued	44
General expenses due or accrued	1,301,759
Taxes, licenses, and fees due or accrued, excluding federal income taxes	72,214
Amounts withheld or retained by reporting entity as agent or trustee	46,536
Amounts held for agents' account, including agents' credit balances	10,185
Remittances and items not allocated	483,369
Miscellaneous liabilities:	
Asset valuation reserve	7,780,436
Funds held under reinsurance treaties with unauthorized and certified reinsurers	167,768,166
Payable for securities	1,134,623
Write-ins for liabilities:	
Post Retirement Benefit Reserve	2,375,296
Deferred Compensation	2,552,014
Summary of remaining write-ins	<u>1,332,408</u>
Total Liabilities	539,054,122
Unassigned funds (surplus)	<u>64,793,797</u>
Total Liabilities, Capital and Surplus	<u>\$603,847,920</u>

BetterLife
Summary of Operations
For the Year 2023

Premiums and annuity considerations for life and accident and health contracts	\$27,690,004
Considerations for supplementary contracts with life contingencies	55,189
Net investment income	27,565,416
Amortization of interest maintenance reserve	1,011,432
Commissions and expense allowances on reinsurance ceded	706,292
Miscellaneous income:	
Write-ins for miscellaneous income:	
Experience Funds	491
Amortization of annuity reinsurance ceding commissions	3,126,511
Miscellaneous Income	<u>4,097</u>
Total income items	60,159,433

Death benefits	\$11,761,198
Matured endowments	682,796
Annuity benefits	6,682,476
Disability benefits and benefits under accident and health contracts	142,419
Surrender benefits and withdrawals for life contracts	7,460,505
Interest and adjustments on contract or deposit-type contract funds	1,394,098
Payments on supplementary contracts with life contingencies	410,723
Increase in aggregate reserves for life and accident and health contracts	<u>7,511,940</u>
Subtotal	36,046,155

Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	1,571,974
General insurance expenses and fraternal expenses	12,422,647
Insurance taxes, licenses, and fees excluding federal income taxes	523,183
Increase in loading on deferred and uncollected premiums	104,382
Write-in for deductions:	
Change in deferred compensation	(2,738)
Change in post-retirement benefit reserve	(494,821)
Remittance of inv income on funds withheld	<u>11,145,774</u>
Total deductions	<u>61,316,556</u>

Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes	(1,157,123)
---	-------------

Dividends to policyholders and refunds to members	<u>1,011,481</u>
---	------------------

Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)	(2,168,604)
Net realized capital gains or (losses)	<u>2,144,069</u>
Net Income (Loss)	<u>\$ (24,536)</u>

**BetterLife
Cash Flow
For the Year 2023**

Premiums collected net of reinsurance		\$29,660,054
Net investment income		38,294,785
Miscellaneous income		<u>805,079</u>
Total		68,759,918
Benefit- and loss-related payments	\$66,045,368	
Commissions, expenses paid, and aggregate write-ins for deductions	23,783,746	
Dividends paid to policyholders	<u>975,554</u>	
Total deductions		<u>90,804,668</u>
Net cash from operations		(22,044,750)
Proceeds from investments sold, matured, or repaid:		
Bonds	\$54,240,225	
Stocks	15,406,725	
Mortgage loans	1,603,193	
Other invested assets	<u>1,500,000</u>	
Total investment proceeds		72,750,144
Cost of investments acquired (long-term only):		
Bonds	69,104,211	
Stocks	6,755,795	
Mortgage loans	1,275,000	
Real estate	8,991	
Other invested assets	40,250	
Miscellaneous applications	<u>2,077,073</u>	
Total investments acquired		79,261,319
Net increase (or decrease) in contract loans and premium notes	<u>(207,106)</u>	
Net cash from investments		(6,304,069)
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	(124,932)	
Other cash provided (applied)	<u>1,099,115</u>	
Net cash from financing and miscellaneous sources		<u>974,183</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(27,374,636)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>37,206,780</u>
End of year		<u>\$ 9,832,144</u>

BetterLife
Compulsory and Security Surplus Calculation
December 31, 2023

Assets		\$603,847,920
Less liabilities		<u>539,054,122</u>
Adjusted surplus		64,793,798
Annual premium:		
Individual life and health	\$17,294,278	
Factor	<u>15%</u>	
Total	2,594,142	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds	<u>907,382</u>	
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>3,501,524</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 61,292,274</u>
Adjusted surplus (from above)		\$ 64,793,798
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%)		<u>4,902,134</u>
Security Surplus Excess (Deficit)		<u>\$ 59,891,664</u>

BetterLife
Analysis of Surplus
For the Five-Year Period Ending December 31, 2023

The following schedule details items affecting the society's surplus during the period under examination as reported by the society in its filed annual statements.

	2023	2022	2021	2020¹	2019¹
Capital and surplus, beginning of year	\$70,015,329	\$55,698,872	\$56,619,864	\$60,587,386	\$58,693,290
Net income	(24,536)	(13,869,684)	(465,490)	(5,960,296)	(302,634)
Change in net unrealized capital gains/losses	(587,971)	(3,659,851)	1,135,974	73,482	2,187,010
Change in nonadmitted assets and related items	(625,289)	(632,359)	29,333	2,167,725	(202,969)
Change in asset valuation reserve	(1,572,345)	1,062,768	(2,139,924)	(321,803)	(58,464)
Surplus adjustments:					
Change in surplus as a result of reinsurance		29,551,158			
Write-ins for gains and (losses) in surplus:					
Change in Post Retirement Benefit Reserve	(257,245)	1,575,170	413,180	285,920	386,241
Change in Deferred Compensation Surplus Reserve ²	134,784	289,255	89,940	(212,550)	(115,089)
Change in Reserves for Mid-Terminal to Mean Reserve Method			(2,746,178)		
Change in Deferred Premium for Mid-Terminal to Mean Reserve Method			2,916,021		
Change in unearned premium for Mid-Terminal to Mean Reserve Method			(153,848)		
Prior Period Correction	837,582				
Amortization of Annuity Reinsurance Ceding Commission	(3,126,511)				
Capital and Surplus, End of Year	<u>\$64,793,797</u>	<u>\$70,015,329</u>	<u>\$55,698,872</u>	<u>\$56,619,864</u>	<u>\$60,587,386</u>

¹ These amounts were calculated using the pre-merger amounts from the 2020 Annual Statement and the 2019 Annual Statement for National Mutual Benefit and Western Fraternal Life Association.

² In the 2019 and 2020 Annual Statement, this write-in was titled "Change in 457 (b) Plan Surplus Reserve".

Growth of BetterLife³

Year	Admitted Assets	Liabilities	Capital and Surplus
2023	\$603,847,920	\$539,054,122	\$64,793,797
2022	622,297,981	552,282,652	70,015,329
2021	648,970,345	593,271,473	55,698,872
2020	642,343,144	585,732,280	56,619,864
2019	649,026,302	588,438,916	60,587,366
2018	644,245,726	585,552,436	58,693,290

Net Life Premiums, Annuity Considerations, and Deposits³

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2023	\$18,199,652	\$ 9,596,993	\$ 0
2022	17,469,628	(209,632,515)	0
2021	18,160,433	10,603,719	0
2020	18,184,720	11,573,125	277,842
2019	19,040,661	15,661,242	1,015,955
2018	19,665,067	12,582,599	920,183

Life Insurance In Force (in thousands)³

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2023	\$2,073,118	\$450,547	\$1,622,571
2022	2,118,773	459,891	1,658,882
2021	2,204,134	493,014	1,711,120
2020	2,205,459	522,664	1,682,795
2019	2,234,287	529,374	1,704,913
2018	2,263,337	516,332	1,747,005

Accident and Health³

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses ⁴	Commissions Incurred	Other Expenses Incurred ⁵	Combined Loss and Expense Ratio
2023	\$ 68,535	\$ 20,402	\$ (173)	\$23,451	63.8%
2022	81,419	(222,018)	(226)	23,874	-243.7
2021	94,357	147,088	(219)	28,664	186.0
2020	106,284	53,876	930	54,910	103.2
2019	117,528	(70,724)	544	46,121	-20.5
2018	128,263	95,794	1,133	43,612	109.6

³ Amounts for 2018, 2019 and 2020 were calculated using amounts reported in the pre-merger Annual Statements for the corresponding years for National Mutual Benefit and Western Fraternal Life Association.

⁴ Includes change in contract reserves

⁵ Includes taxes, licenses, and fees.

Surplus increased 10% during the period under examination to \$64.8 million in 2023 from \$58.7 million in 2018, with the largest increase occurring in 2022. During 2022, the society entered a reinsurance transaction ceding the majority of annuity business which resulted in annuity considerations of \$(209.6 million) and a 26% increase to surplus. Total admitted assets decreased 6% to \$604 million and total liabilities decreased 8% to \$539 million during the period under examination.

Membership decreased 8% since the merger in 2021. Net life premiums remained relatively constant while net annuity considerations decreased 24% over the examination period.

The society experienced a net loss for all the years under the examination period. Larger net losses occurred in 2022 and 2020. The high net loss in 2022 was primarily related to the reinsurance transaction, particularly from the sale of bonds to raise cash for the transaction with negative annuity considerations largely offset by a change in reserves. The high net loss in 2020 was due to the higher expenses related to the merger, write-offs of a duplicate electronic application asset, a decrease in WFL's investment portfolio, and spikes in death claims due to COVID-19.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The members' surplus reported by the society as of December 31, 2023, is accepted.

Examination Reclassifications

There were no examination reclassifications as a result of this examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific recommendation in the previous examination report. The action taken by the society as a result of the recommendation was as follows:

1. Investment Limitations— It is again recommended that the society exclude the proper amount of assets that exceed the investment limitation prescribed by Ins s. 6.20 (8g), Wis. Adm. Code and s. 620.22 (9), Wis. Stat. from the calculation of its compulsory and security surplus requirements in accordance with s. 620.21, Wis. Stat.

Action—Compliance.

Summary of Current Examination Results

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

Unclaimed Property

During the review of the society's most recent Unclaimed Property filing, it was noted that the filing included six checks totaling \$4,249.59 that were older than five years. Outstanding checks that are five years or greater are required to be remitted to the state pursuant to s. 177, Wis. Stat. It is recommended that the society follow their escheat policy and properly remit all checks older than five years in accordance with s. 177, Wis. Stat.

Actuarial Opinion Memorandum

During the examination period, significant reinsurance agreements were entered into particularly ceding a high percentage of the annuity block of business. Chapter VM-30 of the NAIC *Valuation Manual* indicates that the appointed actuary should address and include a description of specified items in the Actuarial Opinion Memorandum (AOM). The examination team reviewed the AOM and found that the AOM did not include a discussion related to applicable reinsurance agreements, reinsurer, or related risks. Information was subsequently provided upon request. It is recommended that BetterLife prepare their Actuarial Opinion Memorandum (AOM) in compliance with chapter VM-30 of the NAIC *Valuation Manual* and provide sufficient information related to reinsurance in future AOMs.

VIII. CONCLUSION

The society has been in business for over 100 years and is offering traditional whole life insurance, universal life insurance including policies on two individuals with first-to-die benefits, 10-, 20- and 30-year term life insurance, simplified-issue and graded death benefit final expense life insurance, single and flexible premium deferred annuities, and single premium immediate annuities to their members. The society is licensed in 20 states.

Through the examination period, surplus increased 10% to \$64.8 million in 2023 from \$58.7 million in 2018 with the largest increase occurring in 2022. Total admitted assets decreased 6% to \$604 million and total liabilities decreased 8% to \$539 million. Membership decreased 8% since the merger in 2021. Net life premiums remained relatively constant while net annuity considerations decreased 24% over the examination period.

The previous examination of the society yielded one recommendation in relation to their investment limitations of which they are currently compliant. The current examination resulted in two recommendations, one related to Unclaimed Property, and one related to Actuarial Opinion Memorandum. No adjustments were made to surplus as a result of the examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 26 - Unclaimed Property—It is recommended that the society follow their escheat policy and properly remit all checks older than five years in accordance with s. 177, Wis. Stat.
2. Page 26 - Actuarial Opinion Memorandum—It is recommended that BetterLife prepare their Actuarial Opinion Memorandum (AOM) in compliance with chapter VM-30 of the NAIC *Valuation Manual* and provide sufficient information related to reinsurance in future AOMs.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the society 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
Aja Barber	Insurance Financial Examiner
Rob Monroe	Insurance Financial Examiner
Marisa Rodgers	Insurance Financial Examiner
Eleanor Lu, CISA, AES	IT Specialist
Terry Lorenz CFE	Quality Control Specialist
Levi Olson, CFE	Reserve Specialist

Respectfully submitted,



Caleb Lindert
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On January 6, 2025, the society publicly announced its intention to merge with CSA Fraternal Life (CSA), an Illinois domiciled fraternal with a proposed closing in the second half of 2025. Under the terms of the proposed merger, CSA will merge into and become part of BetterLife. The merger is subject to regulatory approval and has not been filed with this office as of the date of this report.