

Report of the Examination of
National Guardian Life Insurance Company
Madison, Wisconsin
As of December 31, 2020

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	5
IV. AFFILIATED COMPANIES.....	8
V. REINSURANCE.....	13
VI. FINANCIAL DATA	15
VII. SUMMARY OF EXAMINATION RESULTS.....	28
VIII. CONCLUSION.....	30
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS	31
X. ACKNOWLEDGMENT.....	32
XI. APPENDIX - SUBSEQUENT EVENTS	33



April 27, 2022

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:

NATIONAL GUARDIAN LIFE INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of National Guardian Life Insurance Company (NGL or the company) was conducted in 2016 as of December 31, 2015. The current examination covered the intervening period ending December 31, 2020, 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 examinations of Settlers Life Insurance Company and Commercial Travelers Life Insurance Company. This was a coordinated examination, as Commercial Travelers is domiciled in New York. Wisconsin acted in the capacity as the lead state for the coordinated examination. Representatives of the New York Department of Financial Services, Life Bureau, 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, 2020. The results of that review were reported to the examiner-in-charge.

II. HISTORY AND PLAN OF OPERATION

National Guardian Life Insurance Company commenced business in 1910 as a stock life insurance company under the name Guardian Life Insurance Company. The name was changed to National Guardian Life Insurance Company in 1920. The Company adopted a plan of mutualization in 1936 and currently operates as a mutual life insurance company.

Historically, NGL offered a variety of both individual and group products including ordinary, universal, term, and interest sensitive whole life insurance, single and flexible premium deferred annuities, disability income and group life, sold through career agents and independent brokers. In the late 1990s and early 2000s, NGL ceased marketing most of these products but continues to administer the business that remains on their books. NGL also administers material blocks of business assumed from other insurers.

In 1997, the company initiated a plan to use mergers and acquisitions to achieve growth and expansion into new markets, gain access to new distribution channels, and improve its operational efficiencies. Numerous mergers and acquisitions have occurred since 1997 as a result of this plan.

The current marketing strategy is primarily one of wholesale distribution through independent marketing organizations and brokers, allowing NGL to replace traditionally fixed expenditures with variable costs tied to production. Individual sales focus on preneed, long-term care, and Medicare supplement business. Group sales focus on dental and vision business sold through partnerships involving independent third parties that market and administer the business.

In 2020, the company collected direct premium in the following states:

California	\$135,888,781	15.5%
Texas	99,323,317	11.4%
Florida	48,069,999	5.5%
Wisconsin	45,659,006	5.2%
Michigan	44,551,626	5.1%
All others	<u>500,682,352</u>	<u>57.3%</u>
<u>Total</u>	<u>\$874,175,081</u>	<u>100.0%</u>

The company is licensed in the District of Columbia and all states except New York.

The major products marketed by the company include preneed, group dental and vision, long-term care, and Medicare supplement. The major products are marketed through independent marketing organizations and brokers.

The following chart is a summary of premium income as reported by the company in 2020. 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
Group life	\$ 315,681,512	\$ 2,723,049	\$ 3,335,911	\$315,068,649
Preneed	137,310,152	1,400,398	1,796,561	136,913,989
Final expense	16,320,621	4,740,786	17,761,233	3,300,174
Whole life	10,737,230	11,653,964	116,950,853	(94,559,659)
Universal life	7,461,550	900,397	842,359	7,519,588
Term	1,154,660	514,797	344,781	1,324,676
Other individual life	870,877	401,880	20,634,075	(19,361,318)
Individual annuities	13,007,506	10,289,925	203,311,334	(180,013,903)
Group annuities	15,554,305	516,803	6,604,026	9,467,082
Group A&H - dental & vision	266,501,771	454,301	266,101,451	854,621
Group A&H - student health	27,284,664	469,304	958,540	26,795,428
Group A&H - fixed indemnity	8,395,639		6,175,231	2,220,408
Group A&H - supplemental benefit - GAP	4,940,724		4,940,724	
Group A&H - prescription	3,488,969	198,959	1,953,139	1,734,789
Group A&H - other	4,119,849	727	3,700,599	419,977
Individual A&H - long- term care	11,241,935		11,241,935	
Individual A&H - med supp	11,202,392		9,522,033	1,680,359
Individual A&H - dental & vision	1,922,762		1,920,655	2,106
Individual A&H - other	<u>2,476,431</u>	<u>634,394</u>	<u>25,629,720</u>	<u>(22,518,895)</u>
Total All Lines	<u>\$859,673,550</u>	<u>\$34,899,683</u>	<u>\$703,725,160</u>	<u>\$190,848,071</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 14 members. Directors are divided into three classes and are elected annually to serve a three-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 holding company group.

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

Name and Residence	Principal Occupation	Term Expires
Amie T. Goldman Madison, Wisconsin	Chief Strategy Officer, Quartz	2025
Peter C. Gunder Madison, Wisconsin	Retired Chief Business Development Officer, American Family Insurance	2024
F. Curtis Hastings Madison, Wisconsin	Retired Chairman, J.H. Findorff & Son, Inc.	2022
Erik S. Johnson Middleton, Wisconsin	Chairman and CEO, Hy Cite Enterprises, LLC	2023
David W. Kruger Madison, Wisconsin	CEO, Fiore Companies	2024
Sherry A. Manetta Avon, Connecticut	Manager, Glenwood Strategies LLC	2024
Knut A. Olson Middleton, Wisconsin	President and CEO, National Guardian Life Insurance Company	2025
Daniel P. Olszewski Middleton, Wisconsin	Director, Weiner Center, UW-Wisconsin School of Business	2023
John J. Oros Ridgewood, New Jersey	Operating Partner, JC Flowers & Company	2024
Tammy M. Roou Germantown, Wisconsin	Vice President – Enterprise Compliance, The Northwestern Mutual Life Insurance Company	2023
David G. Walsh Madison, Wisconsin	Retired Attorney and Partner, Foley & Lardner LLP	2023
Judith B. Ward Washington, DC	Senior Consultant, AGB Search	2023

Name and Residence	Principal Occupation	Term Expires
Gary J. Wolter Madison, Wisconsin	Chairman and Retired President and CEO, MGE Energy Inc. and Madison Gas & Electric Company	2023
Elease E. Wright Hartford, Connecticut	Retired Chief Human Resources Officer, Aetna	2025

Officers of the Company

The officers serving as of the date of this examination report are as follows:

Name	Office
Knut A. Olson	President & Chief Executive Officer
Timothy T. Matson	SVP & Chief Investment Officer
Kimberly A. Shaul	SVP, General Counsel & Corporate Secretary
Nancy L. Stoddard	SVP, Chief Financial Officer & Chief Actuary
Danny L. Bentley	President, BrightBenefits
Patrick M. Juarez	SVP & Director of Emerging Markets
Marita L. LaChapell	VP & Chief Administrative Officer
Timothy G. Schaefer	SVP & Chief Digital Officer
Robert R. Walkowiak	VP & Director of Corporate Risk Management

Committees of the Board

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

As of the date of the examination report, the board committees and subcommittees are as follows:

Executive Committee

David Walsh, Chair
Amie Goldman
Peter Gunder
Erik Johnson
David Kruger
Knut Olson
Daniel Olszewski
Gary Wolter

Audit Committee

Sherry Manetta, Chair
F. Curtis Hastings
Knut Olson
Tammy Rooou
David Walsh
Gary Wolter

Compensation Committee

Gary Wolter, Chair
Amie Goldman
Peter Gunder
F. Curtis Hastings
Erik Johnson
David Kruger
Sherry Manetta
Knut Olson
Daniel Olszewski
John Oros
Tammy Rooou
David Walsh

Compensation Subcommittee

Gary Wolter, Chair
F. Curtis Hastings
Erik Johnson
David Kruger
David Walsh

Judith Ward
Elease Wright

Governance Committee

Judith Ward, Chair
Amie Goldman
F. Curtis Hastings
Knut Olson
David Walsh
Gary Wolter
Elease Wright

Investment and Finance Committee

David Kruger, Chair
Peter Gunder
Knut Olson
John Oros
David Walsh
Gary Wolter

Strategic Planning Committee

Daniel Olszewski, Chair
Peter Gunder
Erik Johnson
Knut Olson
John Oros
David Walsh
Gary Wolter

Governance Subcommittee

Judith Ward, Chair
David Walsh
Gary Wolter

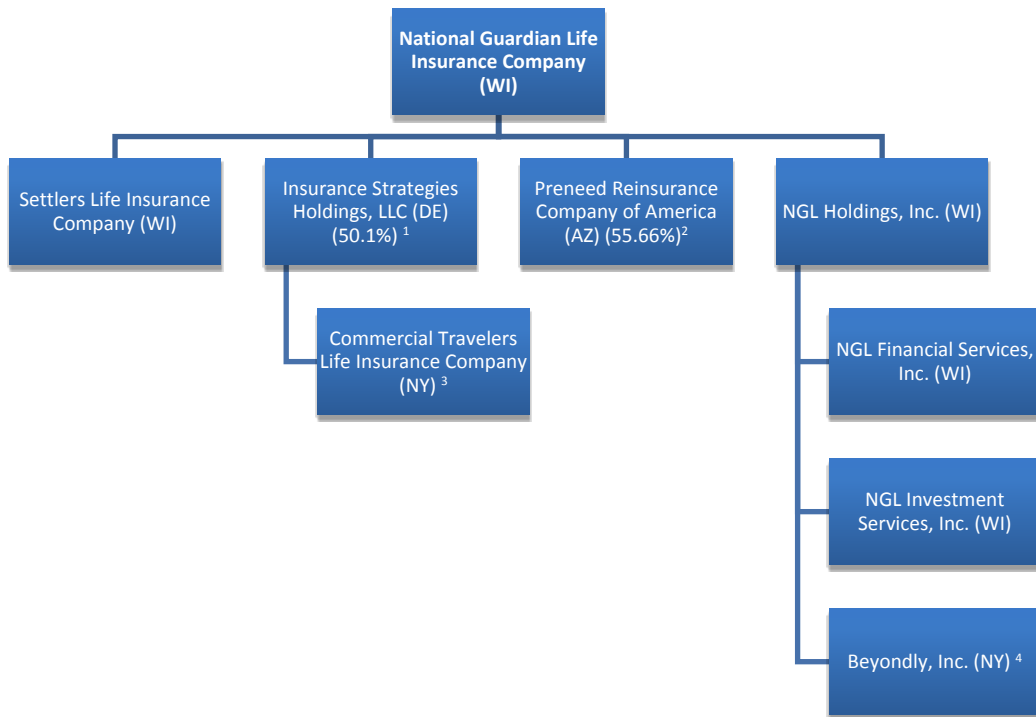
Real Estate Committee

David Kruger, Chair
F. Curtis Hastings
David Walsh
Gary Wolter

IV. AFFILIATED COMPANIES

National Guardian Life Insurance Company is a member of a holding company system referred to as the NGL Insurance Group. The organizational chart below depicts the relationships among the significant affiliates in the group. As the organizational structure changed for the NGL Insurance Group during the first quarter of 2021, the organizational chart is as of March 31, 2021. State of domicile is shown in parenthesis for each company. For those companies where the ownership percentage is not 100%, the ownership percentage is also shown in parenthesis. A brief description of the significant affiliates follows the organizational chart.

**Organizational Chart
As of March 31, 2021**



1 Insurance Strategies Holdings, LLC was a wholly owned subsidiary of NGL as of 12/31/2020

2 NGL owned 53.51% of Preneed Reinsurance Company of America's common stock as of 12/31/2020

3 Commercial Travelers Life Insurance Company was a wholly owned subsidiary of NGL as of 12/31/2020

4 Beyondly, Inc was acquired by NGL on January 20, 2021

Settlers Life Insurance Company (Settlers)

Settlers is a Wisconsin domiciled life insurer licensed in 49 states and the District of Columbia. Settlers was used by the NGL Insurance Group to market its final expense products. In 2018, the NGL Insurance Group decided to exit the final expense marketplace. Settlers is currently in runoff. On January 7, 2022, Everly Holdings, LLC filed a Form A for the Acquisition of Control of Settlers. The Form A is currently under review by this office.

As of December 31, 2020, the audited statutory financial statements of Settlers reported assets of \$450,578,451, liabilities of \$385,865,230, and capital and surplus of \$64,713,221. Operations for 2020 produced net income of \$7,987,062.

Insurance Strategies Holdings, LLC (ISH)

ISH is a holding company that owns Commercial Travelers Life Insurance Company. ISH was incorporated on November 14, 2019. NGL owns 50.1% of ISH, while Insurance Capital Group, through its Federal Life Group, Inc. affiliate, owns the remaining 49.9%.

Commercial Travelers Life Insurance Company (Commercial Travelers)

Commercial Travelers is a New York domiciled life insurer licensed in 49 states and the District of Columbia. Commercial Travelers was used by the NGL Insurance Group to launch a national group dental and health business known as BrightBenefits. This business was eventually moved to NGL.

Commercial Travelers was also used by the NGL Insurance Group to market student accident and health business. The NGL Insurance Group exited the student accident and health business in 2019 and sold the existing block of business to Wellfleet, a Berkshire Hathaway company. Commercial Travelers is currently in runoff.

As of December 31, 2020, the audited statutory financial statements of Commercial Travelers reported assets of \$20,931,749, liabilities of \$6,392,791, and capital and surplus of \$14,538,958. Operations for 2020 produced net income of \$462,980.

Preneed Reinsurance Company of America (Preneed Re)

Preneed Re is an Arizona domiciled life reinsurance company that is licensed in Arizona only. Preneed Re was created to share its ownership and profitability with NGL and select marketing organizations that sold NGL's and Settlers' preneed products. As of December 31, 2020, NGL owned

53.51% of the outstanding common shares of Preneed Re. NGL holds 75% voting control of Preneed Re through the common shares it holds directly plus shares held in a Voting Trust that is controlled by NGL.

In 2017, NGL ceased ceding new business to Preneed Re. As a result, Preneed Re is currently in runoff.

As of December 31, 2020, the audited statutory financial statements of Preneed Re reported assets of \$30,150,451, liabilities of \$1,100,696, and capital and surplus of \$29,049,755. Operations for 2020 produced net income of \$703,513.

NGL Holdings, Inc. (NGL-H)

NGL-H is a holding company that owns three other NGL subsidiaries. These subsidiaries are NGL Financial Services, Inc., NGL Investment Services Inc., and Beyondly, Inc, which was acquired in January 2021.

As of December 31, 2020, the unaudited GAAP financial statements of NGL-H reported assets of \$1,361,284, liabilities of \$44,646, and stockholder's equity of \$1,316,638. Operations for 2020 produced a net loss of \$48,683. NGL-H is reported as a non-admitted asset on NGL's statutory financial statements.

NGL Investment Services, Inc. (NGL-IS)

NGL-IS holds and operates select real estate properties and other investments. In 2008, NGL-IS began to offer advanced funding to selected funeral homes for a fee.

As of December 31, 2020, the unaudited GAAP financial statements of NGL-IS reported assets of \$1,146,466, liabilities of \$336, and stockholder's equity of \$1,146,130. Operations for 2020 produced a net loss of \$46,479.

NGL Financial Services, Inc. (NGL-FS)

In the past, NGL-FS operated as a corporate general agency to market life and health insurance products of other insurance companies that neither NGL nor its insurance subsidiaries wrote. Currently, NGL-FS receives renewal commissions on the business that remains in force.

As of December 31, 2020, the unaudited GAAP financial statements of NGL-FS reported assets of \$9,722, liabilities of \$272, and stockholders' equity of \$9,450. Operations for 2020 produced a net loss of \$1,029.

Beyondly, Inc. (Beyondly)

Beyondly provides a technology platform for permanent and accessible storage of an individual's important information through "Everplans." Beyondly was acquired by NGL on January 20, 2021.

As of December 31, 2020, the unaudited GAAP financial statements of Beyondly reported assets of \$593,793, liabilities of \$1,450,318, and negative stockholder's equity of \$856,525. Operations for 2020 produced a net loss of \$1,739,564.

Agreements with Affiliates

NGL has management services agreements with three subsidiaries: Settlers Life Insurance Company, Preneed Reinsurance Company of America, and NGL Investment Services, Inc. Services provided by NGL to its subsidiaries pursuant to individual management services agreements include the following:

- Executive management services
- Financial services including accounting, actuarial, tax, and audit
- Policy administration services
- Legal and compliance services
- Marketing, agent support, and human resources services
- Investment management services, corporate insurance, and office space

NGL service fees charged to each of the respective affiliates for the costs of provided services are intended to approximate the allocation of actual costs and are based on time and cost allocation estimates. The estimates of time and cost allocation are amended by NGL periodically as needed. Direct costs incurred by NGL that are not covered by the services categories specified in the management services agreements are charged to the affiliates on an hourly basis. These agreements can be amended if both parties agree to the contract changes and either party may terminate the agreement after providing a 90-day written notice to the other party.

NGL, Settlers, and Commercial Travelers file consolidated federal tax returns and are parties to a tax allocation agreement. Pursuant to that agreement, the tax liability or benefit to each insurer is the amount that each insurer would have paid or received if filed on a separate-return basis with the federal and, if applicable, state tax authorities. However, to the extent that any of the parties incur a taxable loss (operations or capital) which can be utilized in the Consolidated Group's tax return, the parties deemed to utilize such loss shall pay the loss party an amount equal to the loss utilized.

NGL has cost-sharing, administrative, and marketing agreements with Commercial Travelers.

Services subject to the cost-sharing agreement include:

- Billing, premium collection, rate and form filings services
- Policy administration services
- Communications, sales, marketing, agent support, and human resources services
- Information systems, actuarial, legal services, accounting and financial services
- Corporate and executive support services

Commercial Travelers provides marketing and administrative services for business written by NGL under the marketing and administrative agreements. Fees charged under the cost-sharing agreement are based on actual cost and usage. Fees charged under the administrative and marketing agreements are based on actual cost and expenses incurred.

NGL has an investment services agreement with Commercial Travelers. NGL manages investments for Commercial Travelers with fees based on investable assets under management.

NGL has a surplus support agreement with Commercial Travelers. Under the terms of the agreement, NGL commits to provide funds as may be needed to ensure Commercial Travelers can promptly pay all insurance claims under Commercial Travelers policies. Commercial Travelers would issue surplus notes to NGL as consideration for any funds provided. NGL's maximum liability under the commitment is \$25 million.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination 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 Contracts

On its direct written business, the company has reinsurance treaties that cede excess coverage to a small number of reinsurance companies. Many of the reinsurance treaties have existed for more than 25 years. The company's maximum net retention limit for any one life is \$400,000 for individual life and \$200,000 for group life coverage. The company submits policies for facultative reinsurance coverage when it wishes to retain no risk or less risk than the specified retention under the company's excess of loss reinsurance treaties.

NGL has acquired a number of companies and blocks of business and has generally retained existing reinsurance cessions on those blocks of business. The retentions on these blocks are typically lower than NGL's retentions on its directly written business.

Effective May 1, 2016, NGL started issuing long-term care insurance and ceded 100% of that business to Lifecare Assurance Company, a non-affiliated authorized reinsurer. Starting January 1, 2021, NGL began retaining 50% of that business on all new issues and renewals.

In an effort to focus on its core business, NGL ceded certain closed blocks of life, annuity, and accident and health business to Prosperity Life Assurance Limited, a nonaffiliated Bermuda based reinsurer. This business was ceded under a 100% coinsurance treaty, effective July 1, 2020.

NGL also entered into a flow reinsurance agreement with Kuvare Life Re Limited, a nonaffiliated Bermuda based reinsurer. Under this agreement, NGL ceded its newly issued preneed business under a coinsurance agreement, effective January 1, 2021.

NGL also ceded certain closed blocks of single premium immediate annuity business and business assumed from multiple parties to Security Benefit Life Insurance Company, a nonaffiliated authorized reinsurer. There are two reinsurance agreements. The effective date of the agreements was December 31, 2021.

Assuming Contracts

At times, NGL has assumed business from Settlers and then retroceded it to other companies.

Effective October 1, 2010, Settlers ceded its in-force preneed business to NGL under a 100% coinsurance agreement. NGL then retroceded 50% of that business to Preneed Reinsurance Company of America, which is a subsidiary of NGL.

Effective July 1, 2020, Settlers ceded certain closed blocks of annuity and accident and health business issued or assumed by Settlers to NGL on a 100% coinsurance basis. NGL then retroceded the business to Prosperity Life Assurance Limited, a nonaffiliated Bermuda based reinsurer.

The company's unaffiliated assumed business is primarily related to acquisitions of blocks of business

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, 2020, 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.

National Guardian Life Insurance Company
Assets
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$3,904,657,088	\$	\$3,904,657,088
Stocks:			
Preferred stocks	13,362,835		13,362,835
Common stocks	100,872,541	1,316,638	99,555,903
Mortgage loans on real estate:			
First liens	91,355,827		91,355,827
Real estate:			
Occupied by the company	8,453,294		8,453,294
Held for production of income	715,391		715,391
Cash, cash equivalents, and short-term investments	49,245,552		49,245,552
Contract loans	31,325,824		31,325,824
Derivatives	287,189		287,189
Other invested assets	90,502,141	6	90,502,135
Receivables for securities	1,106,441		1,106,441
Investment income due and accrued	41,440,134	167,125	41,273,009
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,405,668	456,269	949,399
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	36,174,457		36,174,457
Reinsurance:			
Amounts recoverable from reinsurers	3,039,781		3,039,781
Funds held by or deposited with reinsured companies	61,737		61,737
Other amounts receivable under reinsurance contracts	3,511,590		3,511,590
Current federal and foreign income tax recoverable and interest thereon	306,668		306,668
Net deferred tax asset	59,103,528	21,379,595	37,723,933
Guaranty funds receivable or on deposit	1,536,438		1,536,438
Electronic data processing equipment and software	1,454,398	785,095	669,303
Furniture and equipment, including health care delivery assets	596,773	596,773	
Receivable from parent, subsidiaries and affiliates	3,032,206	46,607	2,985,599
Health care and other amounts receivable	931,280	931,280	
Write-ins for other than invested assets:			
Miscellaneous Receivables	3,371,739	2,919,501	452,238
Deposit Account Deferred Compensation	51,554		51,554
Prepaid Expenses	1,179,503	1,176,334	3,169
Notes Receivable	12,637,862	12,637,862	
Prepaid Pension Expense	2,441,674	2,441,674	
Goodwill – Acquired Insurance In Force	1,269,861	1,269,861	
Overfunded Pension Plan	<u>(2,441,674)</u>	<u>(2,441,674)</u>	
Total Assets	<u>\$4,462,989,300</u>	<u>\$43,682,946</u>	<u>\$4,419,306,354</u>

National Guardian Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2020

Aggregate reserve for life contracts	\$3,266,202,844
Aggregate reserve for accident and health contracts	557,774
Liability for deposit-type contracts	196,698,190
Contract claims:	
Life	20,811,117
Accident and health	3,392,591
Policyholders' dividends/refunds to members and coupons due and unpaid	(236)
Provision for policyholders' dividends, refunds to members, and coupons payable in the following calendar year:	
Apportioned for payment	2,197,400
Premiums and annuity considerations received in advance	288,966
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	5,492
Interest maintenance reserve	10,358,489
Commissions to agents due or accrued	4,594,815
General expenses due or accrued	11,234,131
Taxes, licenses, and fees due or accrued, excluding federal income taxes	3,230,710
Unearned investment income	590,796
Amounts withheld or retained by reporting entity as agent or trustee	1,583,075
Amounts held for agents' account, including agents' credit balances	281,619
Remittances and items not allocated	9,606,993
Liability for benefits for employees and agents if not included above	5,765,984
Borrowed money and interest thereon	24,000,000
Miscellaneous liabilities:	
Asset valuation reserve	30,666,419
Reinsurance in unauthorized and certified companies	166,526
Funds held under reinsurance treaties with unauthorized and certified reinsurers	377,278,985
Funds held under coinsurance	368,344
Payable for securities	857,857
Write-ins for liabilities:	
Liability for Pension Benefits	15,654,042
Unclaimed Funds Escheatable	7,619,177
Post Retirement Benefits other than Pension	6,408,078
Deferral of Gain by Affiliate	1,202,434
Interest on Outstanding Claims	<u>219,208</u>
 Total Liabilities	 4,001,841,820
 Surplus notes	 \$ 52,325,000
Unassigned funds (surplus)	<u>365,139,534</u>
 Total Capital and Surplus	 <u>417,464,534</u>

Total Liabilities, Capital and Surplus

\$4,419,306,354

National Guardian Life Insurance Company
Summary of Operations
For the Year 2020

Premiums and annuity considerations for life and accident and health contracts		\$190,848,071
Considerations for supplementary contracts with life contingencies		2,373,513
Net investment income		173,551,780
Amortization of interest maintenance reserve		1,190,296
Commissions and expense allowances on reinsurance ceded		41,494,520
Reserve adjustments on reinsurance ceded		(49,367,413)
Miscellaneous income:		
Write-ins for miscellaneous income:		
Administration Fees		1,751,917
Amortization of Deferred Gain		509,797
Miscellaneous Income		50,636
Interest Income on Funds Withheld		2,433
Investment Income Adj - Reinsurance		<u>(8,318,994)</u>
Total income items		354,086,556
Death benefits	\$315,727,475	
Matured endowments	1,114,867	
Annuity benefits	36,804,408	
Disability benefits and benefits under accident and health contracts	39,745,397	
Surrender benefits and withdrawals for life contracts	26,685,620	
Interest and adjustments on contract or deposit-type contract funds	1,228,522	
Payments on supplementary contracts with life contingencies	985,644	
Increase in aggregate reserves for life and accident and health contracts	<u>(319,022,562)</u>	
Subtotal	103,269,371	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	120,248,175	
Commissions and expense allowances on reinsurance assumed	1,951,484	
General insurance expenses and fraternal expenses	69,612,627	
Insurance taxes, licenses, and fees excluding federal income taxes	16,020,251	
Increase in loading on deferred and uncollected premiums	(979,274)	
Write-in for deductions:		
Amortization of Goodwill	277,060	
Interest on Funds Withheld	152,720	
Regulatory Fees and Penalties	52,583	
Miscellaneous Expense	<u>48,959</u>	
Total deductions		<u>310,653,956</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		43,432,600

Dividends to policyholders and refunds to members	<u>2,115,118</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes	41,317,482
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>14,176,171</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)	27,141,311
Net realized capital gains or (losses)	<u>(3,860,164)</u>
Net Income (Loss)	<u>\$ 23,281,147</u>

National Guardian Life Insurance Company
Cash Flow
For the Year 2020

Premiums collected net of reinsurance		\$585,881,340
Net investment income		187,896,568
Miscellaneous income		<u>52,859,564</u>
Total		826,637,472
Benefit- and loss-related payments	\$478,577,428	
Commissions, expenses paid, and aggregate write-ins for deductions	207,972,538	
Dividends paid to policyholders	2,891,810	
Federal and foreign income taxes paid (recovered)	<u>13,560,870</u>	
Total deductions		<u>703,002,646</u>
Net cash from operations		123,634,826
Proceeds from investments sold, matured, or repaid:		
Bonds	\$513,052,557	
Stocks	61,244,651	
Mortgage loans	36,419,517	
Other invested assets	<u>10,085,036</u>	
Total investment proceeds		620,801,761
Cost of investments acquired (long-term only):		
Bonds	800,608,940	
Stocks	10,399,841	
Mortgage loans	27,194,337	
Real estate	51,218	
Other invested assets	<u>10,005,942</u>	
Total investments acquired		848,260,278
Net increase (or decrease) in contract loans and premium notes	<u>(1,908,915)</u>	
Net cash from investments		(225,549,602)
Cash from financing and miscellaneous sources:		
Surplus notes, capital notes	(7,150,000)	
Borrowed funds	24,000,000	
Net deposits on deposit-type contracts and other insurance liabilities	16,364,319	
Other cash provided (applied)	<u>(38,973,319)</u>	
Net cash from financing and miscellaneous sources		<u>(5,759,000)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(107,673,776)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>156,919,328</u>
End of year		<u>\$ 49,245,552</u>

**National Guardian Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2020**

Assets		\$4,419,306,354
Less security surplus of insurance subsidiaries		12,923,857
Less liabilities		<u>4,001,841,820</u>
Adjusted surplus		404,540,677
Annual premium:		
Individual life and health	\$407,870,282	
Factor	<u>15%</u>	
Total		\$61,180,542
Group life and health	453,736,036	
Factor	<u>10%</u>	
Total		45,373,603
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		<u>7,463,087</u>
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>114,017,232</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 290,523,445</u>
Adjusted surplus (from above)		\$ 404,540,677
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>133,400,161</u>
Security Surplus Excess (Deficit)		<u>\$ 271,140,516</u>

National Guardian Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2020

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:

	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	\$367,412,028	\$333,240,116	\$322,553,724	\$293,265,478	\$271,082,531
Net income	23,281,147	31,193,712	29,967,172	28,793,178	18,051,266
Change in net unrealized capital gains/losses	(11,701,311)	17,060,398	(2,734,584)	8,675,605	7,358,319
Change in net deferred income tax	706,258	4,684,640	8,326,776	(27,587,395)	2,633,083
Change in nonadmitted assets and related items	15,608,481	(6,952,038)	(20,203,185)	22,877,593	600,102
Change in liability for reinsurance in unauthorized and certified companies	1,478,029	(340,178)	(526,960)	61,924	(454,055)
Change in asset valuation reserve	14,496,933	(10,262,245)	457,230	(3,018,716)	(1,838,773)
Change in surplus notes	(7,150,000)	(2,900,000)	(2,875,000)	(2,875,000)	(2,875,000)
Write-ins for gains and (losses) in surplus:					
Change in Deferred Gain on Indemnity Reinsurance of In-Force Block	14,432,320				
Change in Liability for Postretirement Benefits	(444,728)	(485,513)	628,389	984,250	98,400
Change in Liability for Pension Benefits	(654,623)	2,173,136	(2,353,446)	1,376,807	(1,390,395)
Capital and Surplus, End of Year	<u>\$417,464,534</u>	<u>\$367,412,028</u>	<u>\$333,240,116</u>	<u>\$322,553,724</u>	<u>\$293,265,478</u>

**National Guardian Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2020**

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	2020	2019	2018	2017	2016
#1 Net change in capital & surplus	16%	11%	4%	11%	9%
#2 Gross change in capital & surplus	14	10	3	10	8
#3 Net income to total income	7	4	4	4	2
#4 Adequacy of investment income	119*	119*	123*	127	123*
#5 Non-admitted to admitted assets	1	1	1	1	2
#6 Total real estate & mortgage loans to cash & invested assets	3	3	3	4	4
#7 Total affiliated investments to capital & surplus	25	25	29	29	27
#8 Surplus relief	9	9	8	10	13
#9 Change in premium	-58*	-1	12	17	-27*
#10 Change in product mix	21.8*	1.2	0.9	1.2	4.5
#11 Change in asset mix	0.6	0.1	0.2	0.1	0.4
#12 Change in reserving ratio	-572*	-1	-6	-7	-40*

On July 31, 2015, NGL acquired the in-force individual life and annuity business of Madison National Life Insurance Company and its affiliate, Standard Security Life Insurance Company of New York. This acquisition caused the unusual values for Ratio No. 9 and Ratio No. 12 in 2016. Ratio No. 9 compares the change in premium in the current year with the change in premium in the prior year. Ratio No. 12 compares the change in reserves to premiums as of the current year to the change in reserves to premiums as of the prior year.

Effective July 1, 2020, NGL ceded certain closed blocks of life, annuity, and accident and health business to Prosperity Life Assurance Limited. This transaction caused the unusual values for Ratio No. 9, Ratio No. 10, and Ratio No.12 in 2020. Ratio No. 10 represents the average change in the percentage of total premium from each product line during the year.

Ratio No. 4 compares the net investment income to the increase in reserves from tabular interest. The exceptional results for Ratio No. 4 for all years other than 2017 were due to the low investment yields the company was earning. The investment income earned compared to the investment income assumed in reserve calculations was less than 125%, which triggered the unusual value.

Growth of National Guardian Life Insurance Company

Year	Admitted Assets	Liabilities	Surplus
2020	\$4,419,306,354	\$4,001,841,820	\$417,464,534
2019	4,301,641,831	3,934,229,803	367,412,028
2018	4,080,043,173	3,746,803,057	333,240,116
2017	3,884,371,624	3,561,817,900	322,553,724
2016	3,657,858,820	3,364,593,342	293,265,478
2015	3,422,186,461	3,151,103,930	271,082,531

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2020	\$354,326,368	\$(170,546,819)	\$99,507,837
2019	540,542,027	37,835,266	81,279,595
2018	517,739,032	40,470,606	92,482,644
2017	497,172,865	40,414,888	63,846,428
2016	429,177,287	40,166,777	17,868,489
2015	578,707,394	108,116,286	1,170,385

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2020	\$7,493,086	\$1,298,603	\$6,194,483
2019	7,460,665	955,214	6,505,451
2018	7,373,149	1,067,697	6,305,452
2017	7,772,890	1,687,606	6,085,284
2016	8,222,052	2,355,475	5,866,577
2015	7,688,352	1,913,942	5,774,410

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2020	\$31,339,294	\$17,320,745	\$(7,061,909)	\$14,814,950	80.0%
2019	84,462,514	74,391,670	(4,349,360)	17,394,484	103.5
2018	86,018,234	72,723,605	(2,727,189)	15,447,038	99.3
2017	62,067,529	47,644,185	(3,711,898)	12,076,786	90.3
2016	81,847,696	60,459,595	880,949	15,764,597	94.2
2015	84,615,988	61,026,351	2,240,393	16,111,990	93.8

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

NGL has experienced steady growth in admitted assets and surplus throughout the examination period.

As mentioned earlier in this report, NGL ceded certain closed blocks of life, annuity, and accident and health business to Prosperity Life Assurance Limited, a nonaffiliated Bermuda based reinsurer, during 2020. This caused life insurance net premiums and net in force to fall during 2020. It also caused annuity considerations to be negative during 2020.

The negative commissions incurred from 2017 through 2020 are due to carrier/fronting fees that NGL receives on A&H business where NGL is the direct writer. This business grew significantly after 2015 and so did the carrier/fronting fees NGL received for allowing the business to be written on NGL paper.

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, 2020, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were five 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. Conflict of Interest—It is recommended that the company maintain conflict of interest statements, as well as any other records, pursuant to s. Ins 6.80 (4), Wis. Adm. Code.

Action—Compliance.

2. Board Committees—It is suggested that the company review its bylaws and governance structure to determine if non-active committees should be standing committees of the board of directors and then update their bylaws accordingly.

Action—Compliance.

3. Custodial Agreement—It is recommended that the company's custodial agreement incorporate other provisions outlined in the NAIC *Financial Condition Examiners Handbook*.

Action—Compliance.

4. Managing General Agents—It is again recommended that the company provide a written notification to the commissioner within 30 days of entering into a contract with a managing general agent in accordance with s. Ins 42.05 (5), Wis. Adm. Code.

Action—Noncompliance, see comments in the “Summary of Current Examination Results.”

5. Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation in accordance with ss. 601.42 and 611.63 (4), 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. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Managing General Agents

The examination team reviewed administrative agreements between NGL and its managing general agents and concluded that the terms of the agreements comply with the requirements of s. Ins 42.03, Wis. Adm. Code. However, NGL failed to properly notify the commissioner of the appointment of two managing general agents and the termination of one managing general agent. Although the company has a procedure for such notifications, the procedure was not followed in these situations. This is a violation of s. Ins 42.05 (5), Wis. Adm. Code, which requires that a written notification to the commissioner be provided within 30 days of entering into or terminating a contract with a managing general agent. It is once again recommended that the company provide a written notification to the commissioner within 30 days of entering into or terminating a contract with a managing general agent in accordance with s. Ins 42.05 (5), Wis. Adm. Code.

VIII. CONCLUSION

National Guardian Life Insurance Company is a Wisconsin-domiciled mutual life insurance company which presently offers preneed products, group products (predominantly dental and vision), long-term care, and Medicare supplement products through independent marketing organizations and brokers. The company continues to service other products previously written or acquired including whole life, term life, universal life, group life, deferred annuities, and disability income.

During the five-year period under examination, total admitted assets increased 29.2% to \$4.4 billion and surplus increased 54.0% to \$417 million. NGL reported net income in all years under examination.

The prior examination report contained four recommendations. The current examination determined that the company is in compliance with three of them. The current examination resulted in one recommendation. The recommendation made in the current report is a repeat recommendation related to compliance with Wisconsin rules and regulations in dealing with managing general agents.

The examination did not make any reclassifications of account balances or adjustments to surplus as reported by the company in its year-end 2020 statutory financial statements.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 29 - Managing General Agents—It is once again recommended that the company provide a written notification to the commissioner within 30 days of entering into or terminating a contract with a managing general agent in accordance with s. Ins 42.05 (5), Wis. Adm. Code.

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
Diana Havitz	Insurance Financial Examiner
Jeffrey Boyd	Insurance Financial Examiner
Reed Tierney	Insurance Financial Examiner
Ana Careaga	Data Specialist
Junji Nartatez	IT Specialist
Nicholas Hartwig	Quality Control Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Thomas C. Hilger, CFE
Examiner-in-Charge

XI. APPENDIX - SUBSEQUENT EVENTS

Proposed Acquisition of Settlers by Everly Holdings, LLC

On January 7, 2022, Everly Holdings, LLC ("Everly" the "Applicant"), a Delaware limited liability company, submitted a Form A filing with Wisconsin's Office of the Commissioner of Insurance regarding the acquisition of NGL's subsidiary, Settlers Life Insurance Company (Settlers), a Wisconsin domestic life insurance company. The acquisition of Settlers will occur pursuant to the terms of a Stock Purchase Agreement between the Applicant and NGL, dated as of December 9, 2021. Subject to the Stock Purchase Agreement, the Applicant will acquire 100% of the issued and outstanding shares of the capital stock of Settlers. The Form A is still under review, as of the date of this examination report.