

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

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION .....	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	5
IV. AFFILIATED COMPANIES.....	6
V. REINSURANCE.....	9
VI. FINANCIAL DATA .....	10
VII. SUMMARY OF EXAMINATION RESULTS.....	21
VIII. CONCLUSION.....	22
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS .....	23
X. ACKNOWLEDGMENT.....	24
XI. APPENDIX - SUBSEQUENT EVENTS .....	25



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:

SETTLERS LIFE INSURANCE COMPANY  
Madison, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Settlers Life Insurance Company (Settlers 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 National Guardian 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.

## II. HISTORY AND PLAN OF OPERATION

The company was originally organized in 1982 as Guarantee American Life Insurance Company pursuant to the laws of Nebraska and commenced business on September 7, 1982. The company was organized as a wholly owned subsidiary of Guarantee Life Insurance Company which was also domiciled in Nebraska.

The name of the company was changed to NGL American Life Insurance Company (NGLA) on December 12, 1996, in anticipation of the acquisition of the company by National Guardian Life Insurance Company (NGL), a Wisconsin-domiciled insurer. The sale of the company to NGL occurred on January 1, 1997, and the company redomiciled to Wisconsin effective January 10, 1997. Between 1997 and 2005, two other stock life insurers acquired by NGL were merged into the company, with NGLA remaining as the surviving entity.

Effective July 1, 2006, Settlers Life Insurance Company, domiciled in Virginia, was merged into NGLA. NGLA simultaneously changed its name to Settlers Life Insurance Company, the name currently used by the company.

Effective July 1, 2008, NGL purchased a 100% interest in Key Life Insurance Company (Key Life). On October 1, 2008, NGL merged Key Life with and into Settlers.

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

Virginia	\$17,373,263	39.8%
North Carolina	4,992,400	11.4
Tennessee	2,833,933	6.5
South Carolina	2,336,545	5.4
Georgia	2,117,664	4.9
All others	<u>13,965,360</u>	<u>32.0</u>
Total	<u>\$43,619,615</u>	<u>100.0%</u>

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

The NGL Insurance Group concentrated all final expense activities through Settlers. In 2018, NGL decided to exit the final expense marketplace. As a result, Settlers is currently in runoff.

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
Final expense	\$36,836,809	\$	\$	\$36,836,809
Term	1,099,647		231,747	867,900
Universal life	742,128		120,632	621,496
Other individual life	696,660		36,460	660,199
Group life	3,924,707	266	12,689	3,912,284
Individual annuities	143,892		3,171,354	(3,027,462)
Group annuities			514,548	(514,548)
Individual A&H	162,369		563,325	(400,956)
Group A&H	<u>633</u>	<u>        </u>	<u>633</u>	<u>        </u>
Total All Lines	<u>\$43,606,844</u>	<u>\$266</u>	<u>\$4,651,388</u>	<u>\$38,955,724</u>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of two members. Both 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 holding company group.

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

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Knut A. Olson Middleton, Wisconsin	President and Chief Executive Officer, National Guardian Life Insurance Company	2022
Nancy L. Stoddard Waupaca, Wisconsin	Senior Vice President, Chief Operating Officer, National Guardian Life Insurance Company	2022
Jeremy W. Ragsdale Charlotte, North Carolina	Executive Vice President, Chief Marketing Officer, National Guardian Life Insurance Company	2022

#### Officers of the Company

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

<b>Name</b>	<b>Office</b>
Knut A. Olson	President and CEO
Kimberly A. Shaul	VP, General Counsel & Corporate Secretary
Timothy T. Matson	VP & Treasurer
Scott J. Michels	Appointed Actuary

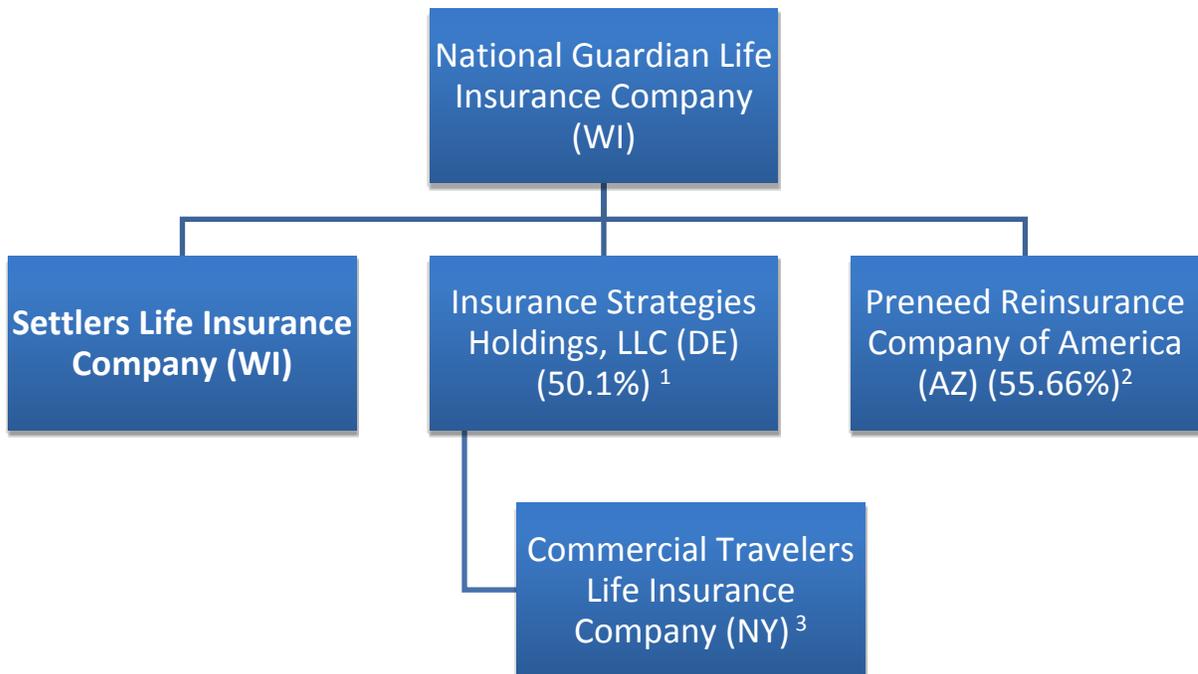
#### Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. At the time of the current examination, the board of directors had not established any committees of the board.

#### IV. AFFILIATED COMPANIES

Settlers 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. A brief description of 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

### **National Guardian Life Insurance Company (NGL)**

NGL is a mutual company that is the ultimate parent of the NGL Insurance Group. NGL markets preneed, long-term care, Medicare supplement, group dental and vision, and group life products through independent marketing organizations and brokers.

As of December 31, 2020, the audited statutory financial statements of NGL reported assets of \$4,419,306,354, liabilities of \$4,001,841,820, and surplus of \$417,464,534. Operations for 2020 produced net income of \$23,281,147.

### **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.

### **Agreements with Affiliates**

NGL provides Settlers with various managerial, administrative, and business services through a management services agreement. Services provided by NGL to Settlers pursuant to the management services agreement 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 Settlers for the costs of provided services are intended to approximate the allocation of actual costs and are based on time and cost allocation estimates. 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.

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.

## 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**

At times, Settlers has ceded business to NGL, which 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 June 30, 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 remainder of the company's ceded reinsurance treaties are in runoff. These contracts were primarily acquired by the company through NGL's acquisition and merger transactions and have retentions of \$50,000 up to \$200,000. A closed block of cancer business is ceded on a 100% coinsurance basis.

### **Assuming Contract**

Settlers' only assumed reinsurance contract consists of a closed block of preneed life and annuity business 100% coinsured from Investors Heritage Life Insurance Company. This treaty was acquired through the merger of Key Life Insurance Company into Settlers.

## **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.

**Settlers Life Insurance Company**  
**Assets**  
**As of December 31, 2020**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$410,246,571	\$	\$410,246,571
Stocks:			
Preferred stocks	2,433,948		2,433,948
Common stocks	746,490		746,490
Real estate:			
Held for production of income	3,377,419		3,377,419
Cash, cash equivalents, and short-term investments	11,374,160		11,374,160
Contract loans	7,856,972		7,856,972
Other invested assets	2,497,396		2,497,396
Receivables for securities	787,533		787,533
Investment income due and accrued	5,131,797		5,131,797
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	144,993		144,993
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	611,770		611,770
Accrued retrospective premiums and contracts subject to redetermination			
Reinsurance:			
Amounts recoverable from reinsurers	134,031		134,031
Other amounts receivable under reinsurance contracts	982,122		982,122
Net deferred tax asset	8,908,819	4,682,088	4,226,731
Guaranty funds receivable or on deposit	13,327		13,327
Furniture and equipment, including health care delivery assets	29,232	29,232	
Receivable from parent, subsidiaries and affiliates	13,191		13,191
Health care and other amounts receivable	<u>125,892</u>	<u>125,892</u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$455,415,663</u></b>	<b><u>\$4,837,212</u></b>	<b><u>\$450,578,451</u></b>

**Settlers Life Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2020**

Aggregate reserve for life contracts		\$368,674,947
Liability for deposit-type contracts		577,971
Contract claims:		
Life		8,538,006
Provision for policyholders' dividends, refunds to members, and coupons payable in the following calendar year:		
Apportioned for payment		140,500
Premiums and annuity considerations received in advance		275,424
Contract liabilities not included elsewhere:		
Interest maintenance reserve		1,601,058
Commissions to agents due or accrued		229,492
General expenses due or accrued		133,017
Taxes, licenses, and fees due or accrued, excluding federal income taxes		(40,043)
Current federal and foreign income taxes		823,122
Unearned investment income		100,298
Amounts withheld or retained by reporting entity as agent or trustee		1,071
Amounts held for agents' account, including agents' credit balances		1,779
Remittances and items not allocated		149,286
Miscellaneous liabilities:		
Asset valuation reserve		3,414,119
Write-ins for liabilities:		
Unclaimed Checks		1,176,101
Interest on Outstanding Claims		<u>69,082</u>
<b>Total Liabilities</b>		<b>385,865,230</b>
Common capital stock	\$ 2,701,303	
Gross paid in and contributed surplus	24,311,727	
Unassigned funds (surplus)	<u>37,700,191</u>	
<b>Total Capital and Surplus</b>		<b><u>64,713,221</u></b>
<b>Total Liabilities, Capital and Surplus</b>		<b><u>\$450,578,451</u></b>

**Settlers Life Insurance Company**  
**Summary of Operations**  
**For the Year 2020**

Premiums and annuity considerations for life and accident and health contracts		\$38,955,723
Net investment income		18,600,503
Amortization of interest maintenance reserve		258,376
Commissions and expense allowances on reinsurance ceded		54,137
Miscellaneous income:		
Write-ins for miscellaneous income:		
Miscellaneous Income		<u>883</u>
Total income items		57,869,622
Death benefits	\$37,465,454	
Matured endowments	17,000	
Disability benefits and benefits under accident and health contracts	98,667	
Surrender benefits and withdrawals for life contracts	2,222,825	
Interest and adjustments on contract or deposit-type contract funds	203,436	
Payments on supplementary contracts with life contingencies	30,768	
Increase in aggregate reserves for life and accident and health contracts	<u>(104,490)</u>	
Subtotal	39,933,660	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	3,985,178	
Commissions and expense allowances on reinsurance assumed	2,977	
General insurance expenses and fraternal expenses	3,309,492	
Insurance taxes, licenses, and fees excluding federal income taxes	1,164,483	
Increase in loading on deferred and uncollected premiums	9,128	
Write-in for deductions:		
Miscellaneous Expense	24,169	
Regulatory Fees and Penalties	<u>1,974</u>	
Total deductions		<u>48,431,061</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		9,438,561
Dividends to policyholders and refunds to members		<u>141,226</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes		9,297,335
Federal and foreign income taxes incurred (excluding tax on capital gains)		<u>2,734,909</u>

Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)	6,562,426
Net realized capital gains or (losses)	<u>1,424,636</u>
Net Income (Loss)	<u>\$ 7,987,062</u>

**Settlers Life Insurance Company**  
**Cash Flow**  
**For the Year 2020**

Premiums collected net of reinsurance		\$38,971,701
Net investment income		20,305,526
Miscellaneous income		<u>55,020</u>
Total		59,332,247
Benefit- and loss-related payments	\$37,194,823	
Commissions, expenses paid, and aggregate write-ins for deductions	8,219,412	
Dividends paid to policyholders	205,864	
Federal and foreign income taxes paid (recovered)	<u>3,719,705</u>	
Total deductions		<u>49,339,804</u>
Net cash from operations		9,992,443
Proceeds from investments sold, matured, or repaid:		
Bonds	\$30,008,233	
Stocks	<u>12,959,967</u>	
Total investment proceeds		42,968,200
Cost of investments acquired (long-term only):		
Bonds	57,452,090	
Stocks	<u>3,203,971</u>	
Total investments acquired		60,656,061
Net increase (or decrease) in contract loans and premium notes	<u>(337,344)</u>	
Net cash from investments		(17,350,517)
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	(3,189)	
Other cash provided (applied)	<u>(1,567,602)</u>	
Net cash from financing and miscellaneous sources		<u>(1,570,791)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(8,928,865)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>20,303,025</u>
End of year		<u>\$11,374,160</u>

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

Assets		\$450,578,451
Less liabilities		<u>385,865,230</u>
Adjusted surplus		64,713,221
Annual premium:		
Individual life and health	\$38,403,597	
Factor	<u>15%</u>	
Total		\$5,760,539
Group life and health	3,906,911	
Factor	<u>10%</u>	
Total		390,691
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		<u>9,275</u>
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>6,160,505</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 58,552,716</u>
Adjusted surplus (from above)		\$ 64,713,221
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>8,624,707</u>
Security Surplus Excess (Deficit)		<u>\$ 56,088,514</u>

**Settlers 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:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Capital and surplus, beginning of year	\$58,652,297	\$46,493,121	\$44,311,196	\$42,079,616	\$39,466,578
Net income	7,987,062	10,597,689	3,447,778	2,502,659	2,802,015
Change in net unrealized capital gains/losses	(3,496,410)	927,025	(851,904)	1,064,939	408,892
Change in net deferred income tax	1,008,332	129,012	837,264	(3,803,127)	243,081
Change in nonadmitted assets and related items	(883,842)	1,579,201	(1,711,317)	3,016,917	(269,523)
Change in asset valuation reserve	1,445,782	(1,073,753)	460,104	(241,784)	(155,128)
Capital changes:					
Paid in	(24,311,727)				
Surplus adjustments:					
Paid in	24,311,727				
Change in Deferred Gain on Indemnity Reinsurance of In-Force Block				(308,024)	(416,299)
Capital and Surplus, End of Year	<u>\$64,713,221</u>	<u>\$58,652,295</u>	<u>\$46,493,121</u>	<u>\$44,311,196</u>	<u>\$42,079,616</u>

**Settlers 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.

<b>Ratio</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
#1 Net change in capital & surplus	10%	26%	5%	5%	7%
#2 Gross change in capital & surplus	10	26	5	5	7
#3 Net income to total income	13	15	5	3	4
#4 Adequacy of investment income	108*	116*	119*	126	125*
#5 Non-admitted to admitted assets	1	1	1	1	2
#6 Total real estate & mortgage loans to cash & invested assets	1	1	1	1	1
#7 Total affiliated investments to capital & surplus	0	0	0	0	0
#8 Surplus relief	0	0	0	0	0
#9 Change in premium	-19*	-12*	2	3	8
#10 Change in product mix	1.9	0.1	0.2	0.2	0.4
#11 Change in asset mix	0.6	0.3	0.2	0.3	0.2
#12 Change in reserving ratio	-3	-6	-2	-3	5

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.

Ratio No. 9 shows the percentage change in premium from the prior year. The company showed unusual values for both 2019 and 2020, as premium decreased more than 10%. Settlers ceased writing new business in 2018, causing the decrease.

**Growth of Settlers Life Insurance Company**

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Capital and Surplus</b>
2020	\$450,578,451	\$385,865,230	\$64,713,221
2019	443,670,536	385,018,241	58,652,295
2018	426,385,366	379,892,245	46,493,121
2017	415,500,459	371,189,263	44,311,196
2016	401,842,888	359,763,272	42,079,616
2015	387,993,138	348,526,560	39,466,578

### Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2020	\$42,914,049	\$(3,542,009)	\$2,344
2019	47,658,246	58,679	2,202
2018	53,915,041	39,455	2,436
2017	53,062,753	34,078	2,394
2016	51,572,133	44,138	2,307
2015	47,519,387	38,717	2,444

### Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2020	\$1,634,115	\$60,716	\$1,573,399
2019	1,737,275	75,890	1,661,385
2018	1,890,283	90,827	1,799,456
2017	1,905,210	102,264	1,802,946
2016	1,870,238	112,913	1,757,325
2015	1,794,727	124,177	1,670,550

### Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2020	\$(383,785)	\$(441,527)	\$(8,483)	\$22,113	111.4%
2019	136,722	82,012	(208)	22,458	76.3
2018	157,000	(99,698)	(376)	33,847	-42.2
2017	184,515	114,790	(78)	34,764	81.0
2016	195,703	133,329	(1,237)	35,508	85.6
2015	202,398	153,874	(1,198)	39,585	95.0

\* Includes increase in contract reserves

\*\* Includes taxes, licenses, and fees

Settlers has experienced steady growth in admitted assets along with capital and surplus throughout the examination period.

The company was used to market final expense products for the NGL Group. NGL exited the final expense market in 2018 and placed Settlers into runoff. As a result, life insurance premiums and in force numbers grew steadily during the early years of the examination period and peaked in 2018. These

numbers have declined since 2018, as final expense business is no longer being sold and the existing business is being run off of Settlers' books.

For 2020, the annuity considerations and net premiums earned for accident and health business were negative. This was due to Settlers ceding 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.

**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 two 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. 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

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

## VIII. CONCLUSION

Settlers Life Insurance Company is a stock life insurance company domiciled in Wisconsin which is part of the NGL Insurance Group. The company specialized in the marketing of simplified-issue whole life insurance products providing coverage for final expenses through independent agents. In 2018, NGL decided to exit the final expense marketplace. As a result, Settlers is currently in runoff.

During the five-year period under examination, total admitted assets increased 13.2% to \$450.6 million and surplus increased 64.0% to \$64.7 million. Settlers reported net income in all years under examination.

The prior examination report contained two recommendations. The current examination determined that the company complied with both recommendations. There were no recommendations made as a result of this examination.

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**

There were no recommendations made as a result of the 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:

<b>Name</b>	<b>Title</b>
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**

### **Extraordinary Dividend**

On September 14, 2021, the company paid an extraordinary dividend of \$45 million to its parent, National Guardian Life Insurance Company. The extraordinary dividend was non-disapproved by this office on September 2, 2021.

### **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 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 the Settler's direct parent, National Guardian Life Insurance Company, 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.