

EXHIBIT J

Audited Annual Statements for WFLA for Years 2015 Through 2019

The undersigned officers of WFLA hereby certify that attached hereto as Exhibit J are true, correct and complete copies of the audited annual statements of WFLA for years 2015 through 2019.

[See Attached]

WESTERN FRATERNAL LIFE ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

December 31, 2015 and 2014



Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

We have audited the accompanying financial statements of Western Fraternal Life Association (the Association), which are comprised of the statutory balance sheets as of December 31, 2015 and 2014, and the related statutory statements of operations, surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibilities for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Association in accordance with accounting practices prescribed or permitted by the Iowa Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the state of Iowa.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division described in Note 1.

Strohm Ballweg, LLP

Madison, Wisconsin
May 2, 2016

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY BALANCE SHEETS
December 31, 2015 and 2014

	2015	2014
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 271,897,211	\$ 266,446,197
Common stocks	723,101	636,435
Mortgage loans on real estate	192,174	217,241
Real estate occupied by the Association (net of accumulated depreciation of \$1,202,335 in 2015 and \$1,162,460 in 2014)	1,084,059	1,120,705
Cash and short-term investments	3,494,207	3,321,305
Contract loans	5,744,307	5,774,014
Other invested assets	1,845,392	1,868,918
Cash and invested assets	284,980,451	279,384,815
Investment income due and accrued	2,764,024	2,775,198
Uncollected premiums	31,504	29,167
Electronic data processing equipment (net of accumulated depreciation of \$422,277 in 2015 and \$375,986 in 2014)	109,260	85,469
Total admitted assets	\$ 287,885,239	\$ 282,274,649
LIABILITIES AND SURPLUS		
Liabilities:		
Aggregate reserve for life contracts	\$ 137,627,257	\$ 132,350,321
Aggregate reserve for annuity contracts	113,813,639	114,447,098
Liability for deposit-type contracts	7,531,385	6,932,087
Life contract claims payable	693,571	618,225
Refunds payable	660,000	610,000
Unearned and premiums received in advance	845,505	841,178
Commissions payable	71,000	74,000
Accounts payable and accrued expenses	322,100	333,300
Amounts withheld by the Association	148,600	288,018
Interest maintenance reserve	621,608	652,861
Remittances and items not allocated	130,590	107,849
Asset valuation reserve	1,297,718	1,225,504
Other liabilities	253,254	523,171
Total liabilities	264,016,227	259,003,612
Surplus	23,869,012	23,271,037
Total liabilities and surplus	\$ 287,885,239	\$ 282,274,649

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2015 and 2014

	2015	2014
INCOME		
Life premiums	\$ 9,732,811	\$ 10,349,872
Annuity considerations	5,434,312	7,016,123
Considerations for supplementary contracts with life contingencies	441,597	383,528
Investment income (net of expenses of \$572,909 in 2015 and \$598,093 in 2014)	12,323,159	12,432,795
Amortization of interest maintenance reserve	347,246	321,699
Other income	2,390	11,418
Total income	28,281,515	30,515,435
BENEFITS		
Death	4,037,999	2,898,220
Matured endowments	86,732	73,328
Annuity	3,645,552	4,649,252
Disability	33,675	31,463
Surrender and withdrawals for life contracts	8,079,781	7,261,598
Interest on life contracts or deposit-type contracts	237,115	193,554
Payments on supplementary contracts with life contingencies	454,985	408,345
Increase in aggregate reserves for life contracts	5,276,936	5,526,586
Increase (decrease) in aggregate reserves for annuity contracts	(633,459)	1,336,204
Total benefits	21,219,316	22,378,550
OPERATING EXPENSES		
Commissions	1,309,176	1,505,412
General insurance and fraternal expenses	4,224,041	4,667,269
Insurance taxes, licenses, and fees	194,547	242,884
Increase (decrease) in loading on uncollected premiums	264	(6,311)
Total operating expenses	5,728,028	6,409,254
Net gain from operations before refunds to members and net realized capital gains	1,334,171	1,727,631
Refunds to members	656,169	551,879
Net gain from operations before net realized capital gains	678,002	1,175,752
Net realized capital gains	19,273	7,511
Net income	\$ 697,275	\$ 1,183,263

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF SURPLUS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Surplus, beginning of year	<u>\$ 23,271,037</u>	<u>\$ 22,349,085</u>
Net income	697,275	1,183,263
Change in net unrealized capital gains/losses	(43,896)	46,345
Change in nonadmitted assets	5,051	45,826
Change in asset valuation reserve	(72,214)	(133,715)
Change in pension benefit obligation	11,759	1,517
Prior period adjustment	<u>-</u>	<u>(221,284)</u>
Net change in surplus	<u>597,975</u>	<u>921,952</u>
Surplus, end of year	<u>\$ 23,869,012</u>	<u>\$ 23,271,037</u>

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
Cash from operations:		
Net premiums collected	\$ 15,616,197	\$ 17,827,099
Net investment income received	12,769,084	12,835,912
Other income received	2,390	11,418
Benefit related payments	(16,503,480)	(15,496,155)
Commissions and other expenses paid	(5,740,897)	(6,391,549)
Refunds paid to members	(606,169)	(566,879)
	5,537,125	8,219,836
Net cash from operations		
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	19,627,790	26,922,969
Stocks	322,977	244,713
Mortgage loans	25,067	91,391
	19,975,834	27,259,073
Cost of investments acquired:		
Bonds	(25,134,161)	(34,442,186)
Stocks	(434,267)	(548,744)
Real estate	(3,229)	(23,510)
	(25,571,657)	(35,014,440)
Net (increase) decrease in contract loans	29,707	(33,388)
Net cash from investments	(5,566,116)	(7,788,755)
Cash flows from financing and miscellaneous sources:		
Net deposits on deposit-type contracts	389,599	(153,056)
Other cash provided (applied)	(187,706)	138,645
Net cash from financing and miscellaneous sources	201,893	(14,411)
Net change in cash and short-term investments	172,902	416,670
Cash and short-term investments, beginning of year	3,321,305	2,904,635
Cash and short-term investments, end of year	\$ 3,494,207	\$ 3,321,305

See Notes to Statutory Financial Statements

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Western Fraternal Life Association (the Association), which currently operates in 18 states, is organized as a fraternal benefit society. The Association's principal operations consist of underwriting and servicing member life contracts and annuities and providing fraternal benefits.

A summary of the Association's significant accounting policies follows:

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division. Prescribed statutory accounting practices include the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Iowa, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Association had no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in bonds are generally carried at amortized cost and investments in common stocks are generally carried at fair value. Under GAAP, bonds and common stocks would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity would be carried at cost or amortized cost and securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as comprehensive income for those securities classified as available-for-sale.
- An occupancy rental charge on real estate occupied by the Association is recorded as investment income and as offsetting rental expense; under GAAP, no such rental charge would be recognized.
- Acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the contracts.
- Certain assets designated as "nonadmitted assets" (principally office furniture and equipment and non-operating system software) are charged against surplus; under GAAP, office furniture and equipment and non-operating system software would be recognized as assets net of accumulated depreciation and amortization.
- Assets and liabilities related to reinsurance ceded transactions are netted with respective accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.
- The interest maintenance and asset valuation reserves are required as discussed subsequently in this note; they would not be required under GAAP.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- Revenues for universal life and annuity contracts consist of the entire premiums received, and benefits incurred represent the total death benefits paid and the change in contract reserves for statutory purposes. Under GAAP, revenues would include only charges for the cost of insurance, contract initiation and administration, surrender charges, and other fees that have been assessed against account values, and benefits represent the excess of benefits paid over the account value and interest credited to the account values.
- Contract reserves are based on statutory mortality and interest assumptions and without consideration of withdrawals, which may differ from reserves based on reasonably conservative estimates of mortality, interest, and withdrawals as they would be presented under GAAP.
- Refunds to members to be paid in the following year are reflected in the statements of operations for the current year. Under GAAP, refunds to members would be recognized as expense ratably over the contract year.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Association filed with the NAIC and state regulatory authorities which differs from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to estimated life, annuity, and deposit-type contract reserves and the assumptions regarding other-than-temporary impairment (OTTI) analysis of the investment portfolio.

Cash and Short-Term Investments. For purposes of reporting cash flows, the Association follows statutory accounting practices and considers cash in checking accounts, saving accounts, and certain money market funds to be cash and short-term investments. The Association typically has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). On December 31, 2015, the Association holds approximately \$710,000 in one financial institution. The Association does not believe it is exposed to any significant credit risk on the amounts not insured.

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds not backed by loans are carried at amortized cost using the scientific interest method. Loan-backed securities are carried at amortized cost using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from dealer quotes. Changes in estimated cash flows from the original payment assumptions are also accounted for using the retrospective method. Any bonds with an NAIC designation of six are carried at the lower of amortized cost or fair value. Investments in common stocks of unaffiliated companies are carried at fair value. The investment in an affiliated insurance agency is carried at equity value which is \$5,000. Mortgage loans and contract loans are carried at unpaid balances, which approximate fair value. Surplus debentures, which are classified as other invested assets, are carried at amortized cost using the scientific interest method.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. The treatment of realized gains and losses on the sale of bonds and other invested assets are further explained in the interest maintenance and asset valuation reserves paragraph of this note. Unrealized gains and losses from changes in the fair value of common stocks are credited or charged directly to surplus.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Association has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Declines in fair value that are determined to be OTTI are included in the statutory statements of operations as realized capital losses. The Association determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Association's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral, such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. There were no declines deemed other than temporary for the years ended December 31, 2015 and 2014, respectively.

Property and Equipment. Real estate is recorded as an admitted asset at cost less accumulated depreciation and is presented as an investment. Electronic data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation and amortization.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Office furniture and equipment and non-operating system software are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation and amortization are calculated on these assets and charged to expense. The net change in book value (cost less depreciation and amortization) is charged or credited directly to surplus.

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$93,790 in 2015 and \$82,853 in 2014.

Interest Maintenance and Asset Valuation Reserves. The Interest Maintenance Reserve captures the realized capital gains and losses that result from changes in the overall level of interest rates for fixed income investments and amortizes these gains and losses into income over the remaining life of the investments sold. The Asset Valuation Reserve is a contingency reserve for possible losses on investments in bonds, common stocks, mortgage loans, real estate, and other invested assets and is recorded as a liability through a charge to surplus.

Premium Revenue and Acquisition Costs. Premium revenue from term and whole life insurance is taken into earnings over the premium paying period of the contracts. Premium revenue from universal life insurance is taken into earnings when received. All life contracts are participating contracts. Annuity premium revenue is taken into earnings when received according to the annuity type, which may be one time for single premium annuities or ratably for annuities with flexible premium options. The related acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred.

Reinsurance. In the normal course of business, the Association seeks to limit its exposure to loss on any single insured and to recover a portion of the benefits paid over such limits. This is accomplished primarily through cessions to reinsurers under yearly renewable term and coinsurance contracts. If any reinsurer becomes unable to pay its share of benefits, the Association would be liable for the remaining obligations.

Reinsurance premiums, expenses, and reserves related to reinsured business are accounted for on a basis consistent with that used for the original contracts issued and the terms of the reinsurance contract.

Contract Reserves. The aggregate reserve for life contracts was developed on the basis of statutory interest rates and mortality assumptions. These rates are calculated using mainly the 1941, 1958, 1980, and 2001 Commissioners Standard Ordinary Mortality Tables and Commissioners Extended Term Tables with assumed interest rates ranging from 2.5 percent to 5.0 percent. Reserves for annuities, supplementary contracts, and other benefits are computed in accordance with recognized and accepted mortality and morbidity tables. In the aggregate, the reserves set up by these methods provide reserves that are greater than or equal to the guaranteed certificate cash values or the amounts required by the Iowa Insurance Division.

The Association waives deduction of deferred fractional premiums upon death of insureds and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Contracts issued for substandard lives are charged an additional premium over the regular gross premium for the rated age. Substandard reserves are determined by computing the regular mid-terminal reserve for the plan at the rated age and holding in addition to the unearned portion of the standard and extra gross premium for one year.

As of December 31, 2015 and 2014, the Association had \$612,920 and \$637,640, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard of calculation set by the Iowa Insurance Division. Reserves related to the above insurance totaled \$14,708 and \$13,570 at December 31, 2015 and 2014, respectively.

Tabular interest, tabular less actual reserve released, and tabular cost are determined by formula. The determination of tabular interest on deposit-type funds is validated by multiplying the valuation interest rate by the average funds in force during the year subject to such valuation interest rate.

Income Taxes. The Association, a fraternal benefit society, qualifies as a tax-exempt organization under Section 501(c)(8) of the Internal Revenue code. Accordingly, no provision for income taxes has been recorded in the financial statements.

Subsequent Events. Subsequent events were evaluated through May 2, 2016, which is the date the financial statements were available to be issued.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 2 ~ Investments

The cost and fair value of investments at December 31, 2015 and 2014, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2015</u>				
Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 1,211,914	\$ 99,180	\$ -	\$ 1,311,094
Political subdivisions	38,342,433	2,505,078	(139,521)	40,707,990
Special revenue	38,909,708	1,910,579	(292,051)	40,528,236
Industrial and miscellaneous	134,217,270	4,889,112	(2,785,929)	136,320,453
Loan-backed securities	<u>59,215,886</u>	<u>3,330,486</u>	<u>(237,182)</u>	<u>62,309,190</u>
Total bonds	271,897,211	12,734,435	(3,454,683)	281,176,963
Common stocks	696,199	26,902	-	723,101
Other invested assets	<u>1,845,392</u>	<u>46,545</u>	<u>-</u>	<u>1,891,937</u>
	<u>\$ 274,438,802</u>	<u>\$ 12,807,882</u>	<u>\$ (3,454,683)</u>	<u>\$ 283,792,001</u>

The cumulative unrealized loss of \$3,454,683 as of December 31, 2015, consisted of \$1,492,554 of unrealized losses on securities in such a position for greater than 12 months and \$1,962,129 of unrealized losses on securities in such a position for less than 12 months.

2014

Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 1,412,876	\$ 181,955	\$ -	\$ 1,594,831
Political subdivisions	39,127,074	3,628,714	(26,859)	42,728,929
Special revenue	38,269,465	2,343,554	(23,926)	40,589,093
Industrial and miscellaneous	125,382,446	7,559,347	(608,942)	132,332,851
Loan-backed securities	<u>62,254,336</u>	<u>3,750,168</u>	<u>(157,296)</u>	<u>65,847,208</u>
Total bonds	266,446,197	17,463,738	(817,023)	283,092,912
Common stocks	565,636	80,418	(9,619)	636,435
Other invested assets	<u>1,868,918</u>	<u>65,674</u>	<u>-</u>	<u>1,934,592</u>
	<u>\$ 268,880,751</u>	<u>\$ 17,609,830</u>	<u>\$ (826,642)</u>	<u>\$ 285,663,939</u>

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 2 ~ Investments (Continued)

The cumulative unrealized loss of \$826,642 as of December 31, 2014, consisted of \$612,073 of unrealized losses on securities in such a position for greater than 12 months and \$214,569 of unrealized losses on securities in such a position for less than 12 months.

The amortized cost and fair value of bonds as of December 31, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	\$ 3,478,352	\$ 3,627,130
Due after one year through five years	22,154,250	23,500,613
Due after five years through ten years	78,556,130	81,215,098
Due after ten years	108,492,593	110,524,932
Loan-backed securities	59,215,886	62,309,190
	\$ 271,897,211	\$ 281,176,963

The Association is subject to a Minimum Reserve Deposit as required by the Iowa Administrative Code. All of the Association's bonds, stocks, and other invested assets are available to comply with this requirement.

Gains and Losses on Investments. The components of net realized investment gains (losses) were as follows:

	2015	2014
Gains	\$ 362,062	\$ 492,495
Losses	(26,795)	(31,322)
Transfers to IMR	(315,994)	(453,662)
Net realized capital gains	\$ 19,273	\$ 7,511

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Note 2 ~ Investments (Continued)

Common stocks: Comprised of actively traded, exchange listed equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Short-term investments: Comprised of actively traded money market funds that have daily quoted net asset values for identical assets that are accessible to the Association at the measurement date.

Level 2 Measurements

Bonds and other invested assets: Comprised of government obligations, state and municipal bonds, corporate debt, residential and commercial mortgage-backed securities, other loan-backed securities, and surplus debentures. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Association uses a leading, nationally recognized provider of financial market data and analytics to price the Association's bond and surplus debenture holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

	Level 1	Level 2	Level 3	Total
<u>December 31, 2015</u>				
Common stock:				
Industrial and miscellaneous	\$ 718,101	\$ -	\$ -	\$ 718,101
<u>December 31, 2014</u>				
Common stock:				
Industrial and miscellaneous	\$ 631,435	\$ -	\$ -	\$ 631,435

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 2 ~ Investments (Continued)

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
December 31, 2015						
Bonds	\$ 281,176,963	\$ 271,897,211	\$ 1,311,094	\$ 279,865,869	\$ -	\$ -
Common stocks	718,101	718,101	718,101	-	-	-
Mortgage loans	192,174	192,174	-	-	-	192,174
Short-term investments	3,172,440	3,172,440	3,172,440	-	-	-
Other invested assets	1,891,937	1,845,392	-	1,891,937	-	-
December 31, 2014						
Bonds	\$ 283,092,912	\$ 266,446,197	\$ 926,876	\$ 282,166,036	\$ -	\$ -
Common stocks	631,435	631,435	631,435	-	-	-
Mortgage loans	217,241	217,241	-	-	-	217,241
Short-term investments	2,994,386	2,994,386	2,994,386	-	-	-
Other invested assets	1,934,592	1,868,918	-	1,934,592	-	-

*It was not practicable to determine the fair value of these financial instruments because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive.

The Company does not have any liabilities measured at fair value at December 31, 2015 and 2014. The Company also did not have any transfers between levels in 2015 and 2014.

Note 3 ~ Employee Retirement Plans

The Association sponsors a contributory profit-sharing plan covering its noncommissioned employees. The Association matches 100 percent of the employee's contributions to the plan up to a maximum contribution of 10 percent of the employee's annual earnings. The Association's contributions to the plan for the years ended December 31, 2015 and 2014, were \$156,825 and \$161,507, respectively.

The Association also sponsors a noncontributory defined contribution plan for its commissioned employees. The Association makes a contribution to the plan each year for each employee equal to 5 percent of the employee's annual earnings, up to \$30,000, and 9.3 percent of the earnings above \$30,000. Contributions to the plan for the years ended December 31, 2015 and 2014, were \$32,768 and \$39,863, respectively.

All of the Association's employee benefit plans are qualified under the Internal Revenue Code.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 4 ~ Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

Withdrawal characteristics of annuity actuarial reserves and deposit-type contracts at December 31, 2015 and 2014, were as follows:

	2015		2014	
	Amount	Percent	Amount	Percent
Subject to discretionary withdrawal:				
At book value, less surrender charge of 5 percent or more	\$ 11,239,381	9.06%	\$ 13,814,278	11.14%
At book value, without adjustment	106,014,925	85.43	104,044,450	83.89
Not subject to discretionary withdrawal	6,841,676	5.51	6,164,600	4.97
 Total annuity actuarial reserves and deposit fund liabilities	\$ 124,095,982	100.00%	\$ 124,023,328	100.00%

Note 5 ~ Surplus

The Association files its Risk-Based Capital (RBC) calculation with the NAIC. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2015, the Association's surplus exceeded the minimum levels required by RBC standards.

The Association's surplus was increased (reduced) by the following amounts at December 31, 2015 and 2014, respectively:

	2015	2014
Nonadmitted assets	\$ (52,806)	\$ (57,857)
Asset valuation reserve	(1,297,718)	(1,225,504)
Unrealized gain on common stocks	26,902	70,799

During 2014, the Association discovered errors in the life reserves primarily relating to risk charge deductions on certain universal life policies. The reserve correction resulted in a prior period adjustment to surplus in 2014 of \$221,284.

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

Our audits were made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Association with the Iowa Insurance Division or the Annual Statement Instructions. Such information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
May 2, 2016

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA
For the Year Ended December 31, 2015

INVESTMENT INCOME EARNED

U.S. government bonds	\$ 1,046,404
Other bonds (unaffiliated)	11,052,716
Common stocks (unaffiliated)	10,301
Mortgage loans	12,890
Real estate	240,000
Contract loans	429,317
Cash, cash equivalents, and short-term investments	1,246
Other invested assets	<u>103,194</u>
Gross investment income	<u>\$ 12,896,068</u>

INVESTMENTS

Real estate owned, book value less encumbrances	<u>\$ 1,084,059</u>
Mortgage loans – book value:	
Residential mortgages	\$ 91,668
Commercial mortgages	<u>100,506</u>
Total mortgage loans	<u>\$ 192,174</u>
Mortgage loans by standing – book value:	
Good standing	<u>\$ 192,174</u>
Other invested assets – statement value	<u>\$ 1,845,392</u>

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2015

INVESTMENTS

Bonds and stocks of parents, subsidiaries and affiliates – book value:	
Common stocks	<u>\$ 5,000</u>
Bonds and short-term investments by NAIC designation and maturity:	
Bonds by maturity-statement value:	
Due within 1 year or less	\$ 8,629,137
Over 1 year through 5 years	43,367,293
Over 5 years through 10 years	102,404,558
Over 10 years through 20 years	108,839,799
Over 20 years	<u>11,828,864</u>
Total by maturity	<u>\$ 275,069,651</u>
Bonds by NAIC designation – statement value:	
NAIC 1	\$ 222,802,272
NAIC 2	49,876,013
NAIC 3	2,180,642
NAIC 4	151,179
NAIC 5	<u>59,545</u>
Total by NAIC designation	<u>\$ 275,069,651</u>
Total bonds publicly traded	<u>\$ 233,894,733</u>
Total bonds privately placed	<u>\$ 41,174,918</u>
Common stocks – market value	\$ 723,101
Short-term investments – book value	3,172,440
Cash on deposit	321,767

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2015

INSURANCE IN-FORCE

Life insurance in-force:		
Ordinary	\$	1,192,362
Supplementary contracts in-force:		
Ordinary, not involving life contingencies:		
Amount on deposit		2,725,896
Income payable		958,666
Ordinary, involving life contingencies, income payable		377,297
Annuities:		
Ordinary:		
Immediate, amount of income payable		119,636
Deferred, fully paid account balance		11,287,538
Deferred, not fully paid, account balance		101,988,990

OTHER

Deposit funds and dividend accumulations:		
Deposit funds, account balance	\$	46,087
Dividend accumulations, account balance		4,537,226

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 287,885,239

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 FNMA	Bonds	\$ 17,721,717	6.156%
2.02 FHLMC	Bonds	\$ 13,253,935	4.604%
2.03 FFCB	Bonds	\$ 12,233,410	4.249%
2.04 FHLB	Bonds	\$ 5,242,592	1.821%
2.05 Wells Fargo & Company	Bonds	\$ 2,547,126	0.885%
2.06 Deere & Company	Bonds	\$ 2,136,489	0.742%
2.07 Sysco Corporation	Bonds	\$ 2,086,213	0.725%
2.08 General Electric Capital Corp	Bonds	\$ 2,067,290	0.718%
2.09 Trans-Canada Pipelines	Bonds	\$ 2,047,356	0.711%
2.10 Becton Dickinson	Bonds	\$ 2,005,192	0.697%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC – 1	\$ <u>222,802,272</u>	<u>77.393%</u>	3.07 P/RP – 1	\$ _____	_____ %
3.02 NAIC – 2	\$ <u>49,876,013</u>	<u>17.325%</u>	3.08 P/RP – 2	\$ _____	_____ %
3.03 NAIC – 3	\$ <u>2,180,642</u>	<u>0.757%</u>	3.09 P/RP – 3	\$ _____	_____ %
3.04 NAIC – 4	\$ <u>151,179</u>	<u>0.053%</u>	3.10 P/RP – 4	\$ _____	_____ %
3.05 NAIC – 5	\$ <u>59,546</u>	<u>0.021%</u>	3.11 P/RP – 5	\$ _____	_____ %
3.06 NAIC – 6	\$ _____	_____ %	3.12 P/RP – 6	\$ _____	_____ %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes No

4.02 Total admitted assets held in foreign investments \$ 19,949,620 6.930%

4.03 Foreign-currency-denominated investments \$ _____ %

4.04 Insurance liabilities denominated in that same foreign currency \$ _____ %

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries rated NAIC – 1	\$ <u>19,606,338</u>	<u>6.810%</u>
5.02	Countries rated NAIC – 2	\$ _____	%
5.03	Countries rated NAIC – 3 or below	\$ <u>343,282</u>	<u>0.119%</u>

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

6.01	United Kingdom	\$ <u>5,412,674</u>	<u>1.880%</u>
6.02	Australia	\$ <u>4,191,433</u>	<u>1.456%</u>

Countries rated NAIC – 2

6.03		\$ _____	%
6.04		\$ _____	%

Countries rated NAIC – 3 or below

6.05	Barbados	\$ <u>343,282</u>	<u>0.119%</u>
6.06		\$ _____	%

7. Aggregate unhedged foreign currency exposure \$ _____ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries rated NAIC – 1	\$ _____	%
8.02	Countries rated NAIC – 2	\$ _____	%
8.03	Countries rated NAIC – 3 or below	\$ _____	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

9.01		\$ _____	%
9.02		\$ _____	%

Countries rated NAIC – 2

9.03		\$ _____	%
9.04		\$ _____	%

Countries rated NAIC – 3 or below

9.05		\$ _____	%
9.06		\$ _____	%

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent
10.01 Astrazeneca	1FE	\$ 1,762,149	0.612%
10.02 Teva Pharmaceutical	2FE	\$ 1,720,674	0.598%
10.03 Phillips Electronics	2FE	\$ 1,573,227	0.546%
10.04 Siemens Financier	1FE	\$ 1,181,009	0.410%
10.05 Anglian Water Services	1	\$ 1,000,000	0.347%
10.06 SAP AG	1	\$ 1,000,000	0.347%
10.07 Triton Container Intl	2FE	\$ 1,000,000	0.347%
10.08 Diageo Capital	1FE	\$ 775,525	0.269%
10.09 Goodman Australia Ind Fund	2	\$ 750,000	0.261%
10.10 Schlumberger Limited	1FE	\$ 750,000	0.261%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	\$ _____	_____ %
11.03 Canadian-currency-denominated investments	\$ _____	_____ %
11.04 Canadian-denominated insurance liabilities	\$ _____	_____ %
11.05 Unhedged Canadian currency exposure	\$ _____	_____ %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions	\$ _____	_____ %
Largest 3 investments with contractual sales restrictions:		
12.03 _____	\$ _____	_____ %
12.04 _____	\$ _____	_____ %
12.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Assets held in equity interests:

13.02 _____	\$ _____	_____ %
13.03 _____	\$ _____	_____ %
13.04 _____	\$ _____	_____ %
13.05 _____	\$ _____	_____ %
13.06 _____	\$ _____	_____ %
13.07 _____	\$ _____	_____ %
13.08 _____	\$ _____	_____ %
13.09 _____	\$ _____	_____ %
13.10 _____	\$ _____	_____ %
13.11 _____	\$ _____	_____ %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities \$ _____ %
Largest 3 investments held in nonaffiliated, privately placed equities:

14.03 _____	\$ _____	_____ %
14.04 _____	\$ _____	_____ %
14.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

15.02 Aggregate statement value of investments held in general partnership interests	\$ _____	_____ %
Largest 3 investments held in general partnership interests:		
15.03 _____	\$ _____	_____ %
15.04 _____	\$ _____	_____ %
15.05 _____	\$ _____	_____ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 16.01 above is yes, responses are not required for the remainder of Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

16.02 _____	\$ _____	_____ %
16.03 _____	\$ _____	_____ %
16.04 _____	\$ _____	_____ %
16.05 _____	\$ _____	_____ %
16.06 _____	\$ _____	_____ %
16.07 _____	\$ _____	_____ %
16.08 _____	\$ _____	_____ %
16.09 _____	\$ _____	_____ %
16.10 _____	\$ _____	_____ %
16.11 _____	\$ _____	_____ %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans	\$ _____	_____ %
16.13 Mortgage loans over 90 days past due	\$ _____	_____ %
16.14 Mortgage loans in the process of foreclosure	\$ _____	_____ %
16.15 Mortgage loans foreclosed	\$ _____	_____ %
16.16 Restructured mortgage loans	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	\$	%	\$	%	\$	%
17.02	91% to 95%	\$	%	\$	%	\$	%
17.03	81% to 90%	\$	%	\$	%	\$	%
17.04	71% to 80%	\$	%	\$	%	\$	%
17.05	below 70%	\$	%	\$	%	\$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02	_____	\$	%
18.03	_____	\$	%
18.04	_____	\$	%
18.05	_____	\$	%
18.06	_____	\$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans \$ _____ %

Largest three investments held in mezzanine real estate loans:

19.03	_____	\$	%
19.04	_____	\$	%
19.05	_____	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2015

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.02 Repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.03 Reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.04 Dollar repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.05 Dollar reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	\$ _____	% _____	\$ _____	% _____
21.01 Hedging	\$ _____	% _____	\$ _____	% _____
21.02 Income generation	\$ _____	% _____	\$ _____	% _____
21.03 Other	\$ _____	% _____	\$ _____	% _____

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE

December 31, 2015

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
1. Bonds:				
1.1 U.S. treasury securities	\$ 797,523	0.3%	\$ 797,523	0.3%
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	\$ 414,391	0.1%	\$ 414,391	0.1%
1.22 Issued by U.S. government-sponsored agencies	\$ 18,490,245	6.5%	\$ 18,490,245	6.5%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	\$	%	\$	%
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 State, territory, and possession general obligations	\$ 6,219,808	2.2%	\$ 6,219,808	2.2%
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	\$ 32,122,625	11.3%	\$ 32,122,625	11.3%
1.43 Revenue and assessment obligations	\$ 20,419,464	7.2%	\$ 20,419,464	7.2%
1.44 Industrial development and similar obligations	\$	%	\$	%
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	\$ 181,213	0.1%	\$ 181,213	0.1%
1.512 Issued or guaranteed by FNMA and FHLMC	\$ 3,478,080	1.2%	\$ 3,478,080	1.2%
1.513 All other	\$	%	\$	%
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	\$ 49,320,623	17.3%	\$ 49,320,623	17.3%
1.522 Issued by non-U.S. government issuers and collateralized by MBS issued or guaranteed by agencies shown in Line 1.521	\$ 15,627	0.0%	\$ 15,627	0.0%
1.523 All other	\$ 3,600,062	1.3%	\$ 3,600,062	1.3%
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	\$ 110,148,095	38.6%	\$ 110,148,095	38.6%
2.2 Unaffiliated non-U.S. securities	\$ 26,689,456	9.4%	\$ 26,689,456	9.4%
2.3 Affiliated securities	\$	%	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE

December 31, 2015

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
3. Equity interests:				
3.1 Investments in mutual funds	\$	%	\$	%
3.2 Preferred stocks:				
3.21 Affiliated	\$	%	\$	%
3.22 Unaffiliated	\$	%	\$	%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	\$	%	\$	%
3.32 Unaffiliated	\$ 718,101	0.3%	\$ 718,101	0.3%
3.4 Other equity securities:				
3.41 Affiliated	\$ 5,000	0.0%	\$ 5,000	0.0%
3.42 Unaffiliated	\$	%	\$	%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	\$	%	\$	%
3.52 Unaffiliated	\$	%	\$	%
4. Mortgage loans:				
4.1 Construction and land development	\$	%	\$	%
4.2 Agricultural	\$	%	\$	%
4.3 Single family residential properties	\$ 91,667	0.0%	\$ 91,667	0.0%
4.4 Multifamily residential properties	\$	%	\$	%
4.5 Commercial loans	\$ 100,506	0.0%	\$ 100,506	0.0%
4.6 Mezzanine real estate loans	\$	%	\$	%
5. Real estate investments:				
5.1 Property occupied by company	\$ 1,084,059	0.4%	\$ 1,084,059	0.4%
5.2 Property held for production of income (includes \$_____ of property acquired in satisfaction of debt)	\$	%	\$	%
5.3 Property held for sale (including \$_____ property acquired in satisfaction of debt)	\$	%	\$	%
6. Contract loans	\$ 5,744,307	2.0%	\$ 5,744,307	2.0%
7. Derivatives	\$	%	\$	%
8. Receivables for securities	\$	%	\$	%
9. Securities lending	\$	%	\$	%
10. Cash, cash equivalents, and short-term investments	\$ 3,494,207	1.2%	\$ 3,494,207	1.2%
11. Other invested assets	\$ 1,845,392	0.6%	\$ 1,845,392	0.6%
12. Total invested assets	\$ 284,980,451	100.0%	\$ 284,980,451	100.0%

*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices & Procedures Manual*.

**The Association has no admitted assets in reinvested collateral related to securities lending.

WESTERN FRATERNAL LIFE ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

December 31, 2016 and 2015



Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

We have audited the accompanying financial statements of Western Fraternal Life Association (the Association), which are comprised of the statutory balance sheets as of December 31, 2016 and 2015, and the related statutory statements of operations, surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibilities for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Association in accordance with accounting practices prescribed or permitted by the Iowa Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the state of Iowa.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division described in Note 1.

Strohm Ballweg, LLP

Madison, Wisconsin
May 3, 2017

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 277,787,400	\$ 271,897,211
Common stocks	5,000	723,101
Mortgage loans on real estate	667,191	192,174
Real estate occupied by the Association (net of accumulated depreciation of \$1,242,568 in 2016 and \$1,202,335 in 2015)	1,052,782	1,084,059
Cash and short-term investments	5,454,818	3,494,207
Contract loans	5,516,457	5,744,307
Other invested assets	1,820,517	1,845,392
Receivables for securities	1,746	-
Cash and invested assets	292,305,911	284,980,451
Investment income due and accrued	2,890,924	2,764,024
Uncollected premiums	33,146	31,504
Electronic data processing equipment (net of accumulated depreciation of \$445,047 in 2016 and \$422,277 in 2015)	95,801	109,260
Total admitted assets	\$ 295,325,782	\$ 287,885,239
LIABILITIES AND SURPLUS		
Liabilities:		
Aggregate reserve for life contracts	\$ 142,960,413	\$ 137,627,257
Aggregate reserve for annuity contracts	116,215,258	113,813,639
Liability for deposit-type contracts	6,904,444	7,531,385
Life contract claims payable	529,000	693,571
Refunds payable	710,000	660,000
Unearned and premiums received in advance	825,701	845,505
Commissions payable	43,000	71,000
Accounts payable and accrued expenses	326,300	322,100
Amounts withheld by the Association	219,828	148,600
Interest maintenance reserve	731,718	621,608
Remittances and items not allocated	78,975	130,590
Asset valuation reserve	1,342,941	1,297,718
Other liabilities	445,512	253,254
Total liabilities	271,333,090	264,016,227
Surplus	23,992,692	23,869,012
Total liabilities and surplus	\$ 295,325,782	\$ 287,885,239

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2016 and 2015

	2016	2015
INCOME		
Life premiums	\$ 10,637,591	\$ 9,732,811
Annuity considerations	5,714,960	5,434,312
Considerations for supplementary contracts with life contingencies	32,492	441,597
Investment income (net of expenses of \$580,983 in 2016 and \$572,909 in 2015)	12,732,542	12,323,159
Amortization of interest maintenance reserve	313,255	347,246
Other income	15,555	2,390
Total income	29,446,395	28,281,515
BENEFITS		
Death	4,685,062	4,037,999
Matured endowments	83,161	86,732
Annuity	2,562,585	3,645,552
Disability	28,813	33,675
Surrender and withdrawals for life contracts	6,623,232	8,079,781
Interest on life contracts or deposit-type contracts	235,793	237,115
Payments on supplementary contracts with life contingencies	483,749	454,985
Increase in aggregate reserves for life contracts	5,333,156	5,276,936
Increase (decrease) in aggregate reserves for annuity contracts	2,401,619	(633,459)
Total benefits	22,437,170	21,219,316
OPERATING EXPENSES		
Commissions	1,591,955	1,309,176
General insurance and fraternal expenses	4,380,110	4,224,041
Insurance taxes, licenses, and fees	216,245	194,547
Increase in loading on uncollected premiums	3,209	264
Total operating expenses	6,191,519	5,728,028
Net gain from operations before refunds to members and net realized capital gains	817,706	1,334,171
Refunds to members	711,542	656,169
Net gain from operations before net realized capital gains	106,164	678,002
Net realized capital gains	77,269	19,273
Net income	\$ 183,433	\$ 697,275

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF SURPLUS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Surplus, beginning of year	<u>\$ 23,869,012</u>	<u>\$ 23,271,037</u>
Net income	183,433	697,275
Change in net unrealized capital gains/losses	(26,902)	(43,896)
Change in nonadmitted assets	8,578	5,051
Change in asset valuation reserve	(45,223)	(72,214)
Change in postretirement benefit obligation	<u>3,794</u>	<u>11,759</u>
Net change in surplus	<u>123,680</u>	<u>597,975</u>
Surplus, end of year	<u>\$ 23,992,692</u>	<u>\$ 23,869,012</u>

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash from operations:		
Net premiums collected	\$ 16,372,445	\$ 15,616,197
Net investment income received	13,016,402	12,769,084
Other income received	15,555	2,390
Benefit related payments	(14,882,620)	(16,503,480)
Commissions and other expenses paid	(6,209,425)	(5,740,897)
Refunds paid to members	(661,542)	(606,169)
	<u>7,650,815</u>	<u>5,537,125</u>
Net cash from operations		
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	24,020,960	19,627,790
Stocks	1,585,326	322,977
Mortgage loans	27,083	25,067
	<u>25,633,369</u>	<u>19,975,834</u>
Cost of investments acquired:		
Bonds	(29,843,450)	(25,134,161)
Stocks	(806,843)	(434,267)
Real estate	(8,957)	(3,229)
Mortgage loans	(502,100)	-
Miscellaneous	(1,746)	-
	<u>(31,163,096)</u>	<u>(25,571,657)</u>
Net decrease in contract loans	<u>227,850</u>	<u>29,707</u>
Net cash from investments	<u>(5,301,877)</u>	<u>(5,566,116)</u>
Cash flows from financing and miscellaneous sources:		
Net deposits on deposit-type contracts	(843,332)	389,599
Other cash provided (applied)	455,005	(187,706)
Net cash from financing and miscellaneous sources	<u>(388,327)</u>	<u>201,893</u>
Net change in cash and short-term investments	1,960,611	172,902
Cash and short-term investments, beginning of year	<u>3,494,207</u>	<u>3,321,305</u>
Cash and short-term investments, end of year	<u>\$ 5,454,818</u>	<u>\$ 3,494,207</u>

See Notes to Statutory Financial Statements

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Western Fraternal Life Association (the Association), which currently operates in 18 states, is organized as a fraternal benefit society. The Association's principal operations consist of underwriting and servicing member life contracts and annuities and providing fraternal benefits.

A summary of the Association's significant accounting policies follows:

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division. Prescribed statutory accounting practices include the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Iowa, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Association had no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in bonds are generally carried at amortized cost and investments in common stocks are generally carried at fair value. Under GAAP, bonds and common stocks would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity would be carried at cost or amortized cost and securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as comprehensive income for those securities classified as available-for-sale.
- An occupancy rental charge on real estate occupied by the Association is recorded as investment income and as offsetting rental expense; under GAAP, no such rental charge would be recognized.
- Acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the contracts.
- Certain assets designated as "nonadmitted assets" (principally office furniture and equipment and non-operating system software) are charged against surplus; under GAAP, office furniture and equipment and non-operating system software would be recognized as assets net of accumulated depreciation and amortization.
- Assets and liabilities related to reinsurance ceded transactions are netted with respective accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.
- The interest maintenance and asset valuation reserves are required as discussed subsequently in this note; they would not be required under GAAP.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- Revenues for universal life and annuity contracts consist of the entire premiums received, and benefits incurred represent the total death benefits paid and the change in contract reserves for statutory purposes. Under GAAP, revenues would include only charges for the cost of insurance, contract initiation and administration, surrender charges, and other fees that have been assessed against account values, and benefits represent the excess of benefits paid over the account value and interest credited to the account values.
- Contract reserves are based on statutory mortality and interest assumptions and without consideration of withdrawals, which may differ from reserves based on reasonably conservative estimates of mortality, interest, and withdrawals as they would be presented under GAAP.
- Refunds to members to be paid in the following year are reflected in the statements of operations for the current year. Under GAAP, refunds to members would be recognized as expense ratably over the contract year.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Association filed with the NAIC and state regulatory authorities which differs from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to estimated life, annuity, and deposit-type contract reserves and the assumptions regarding other-than-temporary impairment (OTTI) analysis of the investment portfolio.

Cash and Short-Term Investments. For purposes of reporting cash flows, the Association follows statutory accounting practices and considers cash in checking accounts, saving accounts, and certain money market funds to be cash and short-term investments. The Association typically has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). On December 31, 2016, the Association holds approximately \$625,000 in one financial institution. The Association does not believe it is exposed to any significant credit risk on the amounts not insured.

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds not backed by loans are carried at amortized cost using the scientific interest method. Loan-backed securities are carried at amortized cost using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from dealer quotes. Changes in estimated cash flows from the original payment assumptions are also accounted for using the retrospective method. Any bonds with an NAIC designation of six are carried at the lower of amortized cost or fair value. Investments in common stocks of unaffiliated companies are carried at fair value. The investment in an affiliated insurance agency is carried at equity value which is \$5,000. Mortgage loans and contract loans are carried at unpaid balances, which approximate fair value. Surplus debentures, which are classified as other invested assets, are carried at amortized cost using the scientific interest method.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. The treatment of realized gains and losses on the sale of bonds and other invested assets are further explained in the interest maintenance and asset valuation reserves paragraph of this note. Unrealized gains and losses from changes in the fair value of common stocks are credited or charged directly to surplus.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Association has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Declines in fair value that are determined to be OTTI are included in the statutory statements of operations as realized capital losses. The Association determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Association's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral, such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. There were no declines deemed other than temporary for the years ended December 31, 2016 and 2015, respectively.

Property, Equipment, and Software. Real estate is recorded as an admitted asset at cost less accumulated depreciation and is presented as an investment. Electronic data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation and amortization.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Office furniture and equipment and non-operating system software are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation and amortization are calculated on these assets and charged to expense. The net change in book value (cost less depreciation and amortization) is charged or credited directly to surplus.

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$84,663 in 2016 and \$93,790 in 2015.

Interest Maintenance and Asset Valuation Reserves. The Interest Maintenance Reserve (IMR) captures the realized capital gains and losses that result from changes in the overall level of interest rates for fixed income investments and amortizes these gains and losses into income over the remaining life of the investments sold. The Asset Valuation Reserve is a contingency reserve for possible losses on investments in bonds, common stocks, mortgage loans, real estate, and other invested assets and is recorded as a liability through a charge to surplus.

Premium Revenue and Acquisition Costs. Premium revenue from term and whole life insurance is taken into earnings over the premium paying period of the contracts. Premium revenue from universal life insurance is taken into earnings when received. All life contracts are participating contracts. Annuity premium revenue is taken into earnings when received according to the annuity type, which may be one time for single premium annuities or ratably for annuities with flexible premium options. The related acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred.

Reinsurance. In the normal course of business, the Association seeks to limit its exposure to loss on any single insured and to recover a portion of the benefits paid over such limits. This is accomplished primarily through cessions to reinsurers under yearly renewable term and coinsurance contracts. If any reinsurer becomes unable to pay its share of benefits, the Association would be liable for the remaining obligations.

Reinsurance premiums, expenses, and reserves related to reinsured business are accounted for on a basis consistent with that used for the original contracts issued and the terms of the reinsurance contract.

Contract Reserves. The aggregate reserve for life contracts was developed on the basis of statutory interest rates and mortality assumptions. These rates are calculated using mainly the 1941, 1958, 1980, and 2001 Commissioners Standard Ordinary Mortality Tables and Commissioners Extended Term Tables with assumed interest rates ranging from 2.5 percent to 5.0 percent. Reserves for annuities, supplementary contracts, and other benefits are computed in accordance with recognized and accepted mortality and morbidity tables. In the aggregate, the reserves set up by these methods provide reserves that are greater than or equal to the guaranteed certificate cash values or the amounts required by the Iowa Insurance Division.

The Association waives deduction of deferred fractional premiums upon death of insureds and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Contracts issued for substandard lives are charged an additional premium over the regular gross premium for the rated age. Substandard reserves are determined by computing the regular mid-terminal reserve for the plan at the rated age and holding in addition to the unearned portion of the standard and extra gross premium for one year.

As of December 31, 2016 and 2015, the Association had \$472,520 and \$612,920, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard of calculation set by the Iowa Insurance Division. Reserves related to the above insurance totaled \$7,272 and \$14,708 at December 31, 2016 and 2015, respectively.

Tabular interest, tabular less actual reserve released, and tabular cost are determined by formula. The determination of tabular interest on deposit-type funds is validated by multiplying the valuation interest rate by the average funds in force during the year subject to such valuation interest rate.

Income Taxes. The Association, a fraternal benefit society, qualifies as a tax-exempt organization under Section 501(c)(8) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the financial statements.

Subsequent Events. Subsequent events were evaluated through May 3, 2017, which is the date the financial statements were available to be issued.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 2 ~ Investments

The cost and fair value of investments at December 31, 2016 and 2015, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2016</u>				
Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 507,331	\$ 33,444	\$ -	\$ 540,775
Political subdivisions	36,698,347	1,916,281	(112,516)	38,502,112
Special revenue	32,459,958	1,420,490	(130,968)	33,749,480
Industrial and miscellaneous	152,067,370	5,530,771	(2,246,629)	155,351,512
Loan-backed securities	<u>56,054,394</u>	<u>2,594,091</u>	<u>(267,639)</u>	<u>58,380,846</u>
Total bonds	277,787,400	11,495,077	(2,757,752)	286,524,725
Common stocks	5,000	-	-	5,000
Other invested assets	<u>1,820,517</u>	<u>92,847</u>	<u>-</u>	<u>1,913,364</u>
	<u>\$ 279,612,917</u>	<u>\$ 11,587,924</u>	<u>\$ (2,757,752)</u>	<u>\$ 288,443,089</u>

The cumulative unrealized loss of \$2,757,752 as of December 31, 2016, consisted of \$1,487,053 of unrealized losses on securities in such a position for greater than 12 months and \$1,270,699 of unrealized losses on securities in such a position for less than 12 months.

2015

Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 1,211,914	\$ 99,180	\$ -	\$ 1,311,094
Political subdivisions	38,342,433	2,505,078	(139,521)	40,707,990
Special revenue	38,909,708	1,910,579	(292,051)	40,528,236
Industrial and miscellaneous	134,217,270	4,889,112	(2,785,929)	136,320,453
Loan-backed securities	<u>59,215,886</u>	<u>3,330,486</u>	<u>(237,182)</u>	<u>62,309,190</u>
Total bonds	271,897,211	12,734,435	(3,454,683)	281,176,963
Common stocks	696,199	26,902	-	723,101
Other invested assets	<u>1,845,392</u>	<u>46,545</u>	<u>-</u>	<u>1,891,937</u>
	<u>\$ 274,438,802</u>	<u>\$ 12,807,882</u>	<u>\$ (3,454,683)</u>	<u>\$ 283,792,001</u>

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 2 ~ Investments (Continued)

The cumulative unrealized loss of \$3,454,683 as of December 31, 2015, consisted of \$1,492,554 of unrealized losses on securities in such a position for greater than 12 months and \$1,962,129 of unrealized losses on securities in such a position for less than 12 months.

The amortized cost and fair value of bonds (including short-term and certain money market mutual funds) as of December 31, 2016, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	\$ 6,455,576	\$ 6,474,433
Due after one year through five years	38,186,548	40,391,764
Due after five years through ten years	87,019,476	90,123,930
Due after ten years	151,309,381	154,718,179
	\$ 282,970,981	\$ 291,708,306

The Association is subject to a Minimum Reserve Deposit as required by the Iowa Administrative Code. All of the Association's bonds, stocks, and other invested assets are available to comply with this requirement.

Gains and Losses on Investments. The components of net realized capital gains were as follows:

	2016	2015
Gains	\$ 624,638	\$ 362,062
Losses	(124,004)	(26,795)
Transfers to IMR	(423,365)	(315,994)
Net realized capital gains	\$ 77,269	\$ 19,273

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Note 2 ~ Investments (Continued)

Common stocks: Comprised of actively traded, exchange listed equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Short-term investments: Comprised of actively traded money market funds that have daily quoted net asset values for identical assets that are accessible to the Association at the measurement date.

Level 2 Measurements

Bonds and other invested assets: Comprised of government obligations, state and municipal bonds, corporate debt, residential and commercial mortgage-backed securities, other loan-backed securities, and surplus debentures. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Association uses a leading, nationally recognized provider of financial market data and analytics to price the Association's bond and surplus debenture holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

<u>Type of Financial Instrument</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>				
Short-term investments	<u>\$ 5,183,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,183,581</u>
<u>December 31, 2015</u>				
Common stock:				
Industrial and miscellaneous	\$ 718,101	\$ -	\$ -	\$ 718,101
Short-term investments	<u>3,172,440</u>	<u>-</u>	<u>-</u>	<u>3,172,440</u>
	<u>\$ 3,890,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,890,541</u>

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 2 ~ Investments (Continued)

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
<u>December 31, 2016</u>						
Bonds	\$ 286,524,725	\$ 277,787,400	\$ 316,817	\$ 286,207,908	\$ -	\$ -
Mortgage loans	667,191	667,191	-	-	-	667,191
Short-term investments	5,183,581	5,183,581	5,183,581	-	-	-
Other invested assets	1,913,364	1,820,517	-	1,913,364	-	-
<u>December 31, 2015</u>						
Bonds	\$ 281,176,963	\$ 271,897,211	\$ 1,311,094	\$ 279,865,869	\$ -	\$ -
Common stocks	718,101	718,101	718,101	-	-	-
Mortgage loans	192,174	192,174	-	-	-	192,174
Short-term investments	3,172,440	3,172,440	3,172,440	-	-	-
Other invested assets	1,891,937	1,845,392	-	1,891,937	-	-

*It was not practicable to determine the fair value of these financial instruments because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive.

The Company does not have any liabilities measured at fair value at December 31, 2016 and 2015. The Company also did not have any transfers between levels in 2016 and 2015.

Note 3 ~ Employee Retirement Plans

The Association sponsors a contributory profit-sharing plan covering its noncommissioned employees. The Association matches 100 percent of the employee's contributions to the plan up to a maximum contribution of 10 percent of the employee's annual earnings. The Association's contributions to the plan for the years ended December 31, 2016 and 2015, were \$162,153 and \$156,825, respectively.

The Association also sponsors a noncontributory defined contribution plan for its commissioned employees. The Association makes a contribution to the plan each year for each employee equal to 5 percent of the employee's annual earnings, up to \$30,000, and 9.3 percent of the earnings above \$30,000. Contributions to the plan for the years ended December 31, 2016 and 2015, were \$28,201 and \$32,768, respectively.

All of the Association's employee benefit plans are qualified under the Internal Revenue Code.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 4 ~ Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

Withdrawal characteristics of annuity actuarial reserves and deposit-type contracts at December 31, 2016 and 2015, were as follows:

	2016		2015	
	Amount	Percent	Amount	Percent
Subject to discretionary withdrawal:				
At book value, less surrender charge of 5 percent or more	\$ 8,455,476	6.74%	\$ 11,239,381	9.06%
At book value, without adjustment	111,120,352	88.54	106,014,925	85.43
Not subject to discretionary withdrawal	5,927,720	4.72	6,841,676	5.51
 Total annuity actuarial reserves and deposit fund liabilities	\$ 125,503,548	100.00%	\$ 124,095,982	100.00%

Note 5 ~ Surplus

The Association files its Risk-Based Capital (RBC) calculation with the NAIC. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2016, the Association's surplus exceeded the minimum levels required by RBC standards.

The Association's surplus was increased (reduced) by the following amounts at December 31, 2016 and 2015:

	2016	2015
Nonadmitted assets	\$ (44,228)	\$ (52,806)
Asset valuation reserve	(1,342,941)	(1,297,718)
Unrealized gain on common stocks	-	26,902

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

Our audits were made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Association with the Iowa Insurance Division or the Annual Statement Instructions. Such information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
May 3, 2017

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA
For the Year Ended December 31, 2016

INVESTMENT INCOME EARNED

U.S. government bonds	\$ 991,940
Other bonds (unaffiliated)	11,522,804
Common stocks (unaffiliated)	14,885
Mortgage loans	12,140
Real estate	240,000
Contract loans	415,321
Cash, cash equivalents, and short-term investments	14,590
Other invested assets	<u>101,845</u>
Gross investment income	<u>\$ 13,313,525</u>

INVESTMENTS

Real estate owned, book value less encumbrances	<u>\$ 1,052,782</u>
Mortgage loans – book value:	
Residential mortgages	\$ 76,564
Commercial mortgages	<u>590,627</u>
Total mortgage loans	<u>\$ 667,191</u>
Mortgage loans by standing – book value:	
Good standing	<u>\$ 667,191</u>
Other invested assets – statement value	<u>\$ 1,820,517</u>

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2016

INVESTMENTS

Bonds and stocks of parents, subsidiaries and affiliates – book value:	
Common stocks	\$ <u>5,000</u>
Bonds and short-term investments by NAIC designation and maturity:	
Bonds by maturity-statement value:	
Due within 1 year or less	\$ 18,163,793
Over 1 year through 5 years	60,303,227
Over 5 years through 10 years	88,229,542
Over 10 years through 20 years	92,570,298
Over 20 years	<u>23,704,121</u>
Total by maturity	<u>\$ 282,970,981</u>
Bonds by NAIC designation – statement value:	
NAIC 1	\$ 215,679,997
NAIC 2	65,417,160
NAIC 3	1,053,115
NAIC 4	767,203
NAIC 5	<u>53,506</u>
Total by NAIC designation	<u>\$ 282,970,981</u>
Total bonds publicly traded	<u>\$ 239,583,398</u>
Total bonds privately placed	<u>\$ 43,387,583</u>
Common stocks – market value	\$ 5,000
Short-term investments – book value	5,183,581
Cash on deposit	271,237

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2016

INSURANCE IN-FORCE

Life insurance in-force:	
Ordinary	\$ 1,212,827,849
Supplementary contracts in-force:	
Ordinary, not involving life contingencies:	
Amount on deposit	2,024,211
Income payable	819,348
Ordinary, involving life contingencies, income payable	332,492
Annuities:	
Ordinary:	
Immediate, amount of income payable	193,933
Deferred, fully paid account balance	11,539,388
Deferred, not fully paid, account balance	104,005,955

OTHER

Deposit funds and dividend accumulations:	
Deposit funds, account balance	\$ 49,532
Dividend accumulations, account balance	4,434,774

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2016

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 295,325,782

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 FNMA	Bonds	\$ 14,382,896	4.870%
2.02 FHLMC	Bonds	\$ 13,596,963	4.604%
2.03 FFCB	Bonds	\$ 9,965,745	3.374%
2.04 FHLB	Bonds	\$ 3,495,607	1.184%
2.05 Johnson (S.C.) & Son	Bonds	\$ 2,419,836	0.819%
2.06 Deere & Company	Bonds	\$ 2,113,986	0.716%
2.07 Sysco Corporation	Bonds	\$ 2,074,984	0.703%
2.08 Trans-Canada Pipelines	Bonds	\$ 2,058,876	0.697%
2.09 Dept of Trans U.S. (Step up)	Bonds	\$ 2,000,000	0.677%
2.10 Michigan St	Bonds	\$ 1,998,132	0.677%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC – 1	\$ <u>215,679,997</u>	<u>73.031%</u>	3.07 P/RP – 1	\$ _____	_____ %
3.02 NAIC – 2	\$ <u>65,417,160</u>	<u>22.151%</u>	3.08 P/RP – 2	\$ _____	_____ %
3.03 NAIC – 3	\$ <u>1,053,115</u>	<u>0.357%</u>	3.09 P/RP – 3	\$ _____	_____ %
3.04 NAIC – 4	\$ <u>767,203</u>	<u>0.260%</u>	3.10 P/RP – 4	\$ _____	_____ %
3.05 NAIC – 5	\$ <u>53,506</u>	<u>0.018%</u>	3.11 P/RP – 5	\$ _____	_____ %
3.06 NAIC – 6	\$ _____	_____ %	3.12 P/RP – 6	\$ _____	_____ %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes No

4.02 Total admitted assets held in foreign investments \$ 22,075,291 7.475%

4.03 Foreign-currency-denominated investments \$ _____ %

4.04 Insurance liabilities denominated in that same foreign currency \$ _____ %

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

WESTERN FRATERNAL LIFE ASSOCIATION

INVESTMENT RISKS INTERROGATORIES

December 31, 2016

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries rated NAIC – 1	\$ 21,771,998	7.372%
5.02	Countries rated NAIC – 2	\$	%
5.03	Countries rated NAIC – 3 or below	\$ 303,293	0.103%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

6.01	United Kingdom	\$ 6,168,259	2.089%
6.02	Australia	\$ 4,933,049	1.670%

Countries rated NAIC – 2

6.03		\$	%
6.04		\$	%

Countries rated NAIC – 3 or below

6.05	Barbados	\$ 303,293	0.103%
6.06		\$	%

7. Aggregate unhedged foreign currency exposure \$ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries rated NAIC – 1	\$	%
8.02	Countries rated NAIC – 2	\$	%
8.03	Countries rated NAIC – 3 or below	\$	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

9.01		\$	%
9.02		\$	%

Countries rated NAIC – 2

9.03		\$	%
9.04		\$	%

Countries rated NAIC – 3 or below

9.05		\$	%
9.06		\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2016

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent
10.01 Astrazeneca	1FE	\$ 1,755,227	0.594%
10.02 Teva Pharmaceutical	2FE	\$ 1,717,428	0.582%
10.03 Phillips Electronics	2FE	\$ 1,557,865	0.528%
10.04 Siemens Financier	1FE	\$ 1,167,018	0.395%
10.05 SA Power Networks	1	\$ 1,000,000	0.339%
10.06 SAP AG	1	\$ 1,000,000	0.339%
10.07 Triton Container Intl	2FE	\$ 928,571	0.314%
10.08 Diageo Capital	1FE	\$ 770,288	0.261%
10.09 Goodman Australia Ind Fund	2	\$ 750,000	0.254%
10.10 Schlumberger Limited	1FE	\$ 750,000	0.254%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	\$ _____	_____ %
11.03 Canadian-currency-denominated investments	\$ _____	_____ %
11.04 Canadian-denominated insurance liabilities	\$ _____	_____ %
11.05 Unhedged Canadian currency exposure	\$ _____	_____ %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions	\$ _____	_____ %
Largest 3 investments with contractual sales restrictions:		
12.03 _____	\$ _____	_____ %
12.04 _____	\$ _____	_____ %
12.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2016

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Assets held in equity interests:

13.02 _____	\$ _____	_____ %
13.03 _____	\$ _____	_____ %
13.04 _____	\$ _____	_____ %
13.05 _____	\$ _____	_____ %
13.06 _____	\$ _____	_____ %
13.07 _____	\$ _____	_____ %
13.08 _____	\$ _____	_____ %
13.09 _____	\$ _____	_____ %
13.10 _____	\$ _____	_____ %
13.11 _____	\$ _____	_____ %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities	\$ _____	_____ %
Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03 _____	\$ _____	_____ %
14.04 _____	\$ _____	_____ %
14.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2016

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

15.02 Aggregate statement value of investments held in general partnership interests	\$ _____	_____ %
Largest 3 investments held in general partnership interests:		
15.03 _____	\$ _____	_____ %
15.04 _____	\$ _____	_____ %
15.05 _____	\$ _____	_____ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 16.01 above is yes, responses are not required for the remainder of Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

16.02 _____	\$ _____	_____ %
16.03 _____	\$ _____	_____ %
16.04 _____	\$ _____	_____ %
16.05 _____	\$ _____	_____ %
16.06 _____	\$ _____	_____ %
16.07 _____	\$ _____	_____ %
16.08 _____	\$ _____	_____ %
16.09 _____	\$ _____	_____ %
16.10 _____	\$ _____	_____ %
16.11 _____	\$ _____	_____ %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans	\$ _____	_____ %
16.13 Mortgage loans over 90 days past due	\$ _____	_____ %
16.14 Mortgage loans in the process of foreclosure	\$ _____	_____ %
16.15 Mortgage loans foreclosed	\$ _____	_____ %
16.16 Restructured mortgage loans	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2016

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	\$	%	\$	%	\$	%
17.02	91% to 95%	\$	%	\$	%	\$	%
17.03	81% to 90%	\$	%	\$	%	\$	%
17.04	71% to 80%	\$	%	\$	%	\$	%
17.05	below 70%	\$	%	\$	%	\$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02	_____	\$	%
18.03	_____	\$	%
18.04	_____	\$	%
18.05	_____	\$	%
18.06	_____	\$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans \$ _____ %

Largest three investments held in mezzanine real estate loans:

19.03	_____	\$	%
19.04	_____	\$	%
19.05	_____	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION

INVESTMENT RISKS INTERROGATORIES

December 31, 2016

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.02 Repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.03 Reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.04 Dollar repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.05 Dollar reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	\$ _____	% _____	\$ _____	% _____
21.01 Hedging	\$ _____	% _____	\$ _____	% _____
21.02 Income generation	\$ _____	% _____	\$ _____	% _____
21.03 Other	\$ _____	% _____	\$ _____	% _____

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE
December 31, 2016

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
1. Bonds:				
1.1 U.S. treasury securities	\$ 299,889	0.1%	\$ 299,889	0.1%
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	\$ 207,442	0.1%	\$ 207,442	0.1%
1.22 Issued by U.S. government-sponsored agencies	\$ 14,007,620	4.8%	\$ 14,007,620	4.8%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	\$	%	\$	%
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 State, territory, and possession general obligations	\$ 6,216,358	2.1%	\$ 6,216,358	2.1%
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	\$ 30,481,988	10.4%	\$ 30,481,988	10.4%
1.43 Revenue and assessment obligations	\$ 18,452,340	6.3%	\$ 18,452,340	6.3%
1.44 Industrial development and similar obligations	\$	%	\$	%
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	\$ 170,435	0.1%	\$ 170,435	0.1%
1.512 Issued or guaranteed by FNMA and FHLMC	\$ 2,312,527	0.8%	\$ 2,312,527	0.8%
1.513 All other	\$	%	\$	%
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	\$ 47,522,592	16.3%	\$ 47,522,592	16.3%
1.522 Issued by non-U.S. government issuers and collateralized by MBS issued or guaranteed by agencies shown in Line 1.521	\$ 7,228	0.0%	\$ 7,228	0.0%
1.523 All other	\$ 2,924,569	1.0%	\$ 2,924,569	1.0%
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	\$ 126,561,766	43.2%	\$ 126,561,766	43.2%
2.2 Unaffiliated non-U.S. securities	\$ 28,622,646	9.8%	\$ 28,622,646	9.8%
2.3 Affiliated securities	\$	%	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE

December 31, 2016

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
3. Equity interests:				
3.1 Investments in mutual funds	\$	%	\$	%
3.2 Preferred stocks:				
3.21 Affiliated	\$	%	\$	%
3.22 Unaffiliated	\$	%	\$	%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	\$	%	\$	%
3.32 Unaffiliated	\$	%	\$	%
3.4 Other equity securities:				
3.41 Affiliated	\$ 5,000	0.0%	\$ 5,000	0.0%
3.42 Unaffiliated	\$	%	\$	%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	\$	%	\$	%
3.52 Unaffiliated	\$	%	\$	%
4. Mortgage loans:				
4.1 Construction and land development	\$	%	\$	%
4.2 Agricultural	\$	%	\$	%
4.3 Single family residential properties	\$ 76,564	0.0%	\$ 76,564	0.0%
4.4 Multifamily residential properties	\$	%	\$	%
4.5 Commercial loans	\$ 590,627	0.2%	\$ 590,627	0.2%
4.6 Mezzanine real estate loans	\$	%	\$	%
5. Real estate investments:				
5.1 Property occupied by company	\$ 1,052,782	0.4%	\$ 1,052,782	0.4%
5.2 Property held for production of income (includes \$_____ of property acquired in satisfaction of debt)	\$	%	\$	%
5.3 Property held for sale (including \$_____ property acquired in satisfaction of debt)	\$	%	\$	%
6. Contract loans	\$ 5,516,457	1.9%	\$ 5,516,457	1.9%
7. Derivatives	\$	%	\$	%
8. Receivables for securities	\$ 1,746	0.0%	\$ 1,746	0.0%
9. Securities lending	\$	%	\$	%
10. Cash, cash equivalents, and short-term investments	\$ 5,454,818	1.9%	\$ 5,454,818	1.9%
11. Other invested assets	\$ 1,820,517	0.6%	\$ 1,820,517	0.6%
12. Total invested assets	<u>\$ 292,305,911</u>	<u>100.0%</u>	<u>\$ 292,305,911</u>	<u>100.0%</u>

*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices & Procedures Manual*.

**The Association has no admitted assets in reinvested collateral related to securities lending.

WESTERN FRATERNAL LIFE ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

December 31, 2017 and 2016



Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

We have audited the accompanying statutory financial statements of Western Fraternal Life Association (the Association), which are comprised of the statutory balance sheets as of December 31, 2017 and 2016, and the related statutory statements of operations, surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Association in accordance with accounting practices prescribed or permitted by the Iowa Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the state of Iowa.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division described in Note 1.

Strohm Ballweg, LLP

Madison, Wisconsin
April 30, 2018

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY BALANCE SHEETS
December 31, 2017 and 2016

	2017	2016
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 276,558,625	\$ 277,787,400
Common stocks (mutual funds)	552,174	5,000
Mortgage loans on real estate	5,283,107	667,191
Real estate occupied by the Association (net of accumulated depreciation of \$1,281,316 in 2017 and \$1,242,568 in 2016)	1,032,782	1,052,782
Cash, cash equivalents, and short-term investments	4,358,626	5,454,818
Contract loans	5,317,546	5,516,457
Other invested assets	1,794,277	1,820,517
Receivables for securities	144,900	1,746
Cash and invested assets	295,042,037	292,305,911
Investment income due and accrued	2,878,231	2,890,924
Uncollected premiums	35,942	33,146
Electronic data processing equipment (net of accumulated depreciation of \$487,550 in 2017 and \$445,047 in 2016)	55,443	95,801
Reinsurance recoverable	10,661	-
Total admitted assets	\$ 298,022,314	\$ 295,325,782
LIABILITIES AND SURPLUS		
Liabilities:		
Aggregate reserve for life contracts	\$ 146,782,515	\$ 142,960,413
Aggregate reserve for annuity contracts	113,805,202	116,215,258
Liability for deposit-type contracts	6,849,982	6,904,444
Life contract claims payable	805,000	529,000
Refunds payable	745,000	710,000
Unearned and premiums received in advance	792,772	825,701
Commissions payable	61,000	43,000
Accounts payable and accrued expenses	252,400	326,300
Amounts withheld by the Association	566,683	219,828
Interest maintenance reserve	864,007	731,718
Remittances and items not allocated	236,604	78,975
Asset valuation reserve	1,496,981	1,342,941
Other liabilities	500,730	445,512
Total liabilities	273,758,876	271,333,090
Surplus	24,263,438	23,992,692
Total liabilities and surplus	\$ 298,022,314	\$ 295,325,782

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2017 and 2016

	2017	2016
INCOME		
Life premiums	\$ 10,315,692	\$ 10,637,591
Annuity considerations	6,623,687	5,714,960
Considerations for supplementary contracts with life contingencies	239,375	32,492
Investment income (net of expenses of \$588,580 in 2017 and \$580,983 in 2016)	12,305,793	12,732,542
Amortization of interest maintenance reserve	264,957	313,255
Other income	6,006	15,555
Total income	29,755,510	29,446,395
BENEFITS		
Death	5,067,785	4,685,062
Matured endowments	104,292	83,161
Annuity	6,545,836	2,562,585
Disability	27,097	28,813
Surrender and withdrawals for life contracts	9,270,831	6,623,232
Interest on life contracts or deposit-type contracts	209,283	235,793
Payments on supplementary contracts with life contingencies	342,902	483,749
Increase in aggregate reserves for life contracts	3,822,102	5,333,156
Increase (decrease) in aggregate reserves for annuity contracts	(2,410,056)	2,401,619
Total benefits	22,980,072	22,437,170
OPERATING EXPENSES		
Commissions	1,281,167	1,591,955
General insurance and fraternal expenses	4,210,610	4,380,110
Insurance taxes, licenses, and fees	197,100	216,245
Increase in loading on uncollected premiums	3,605	3,209
Total operating expenses	5,692,482	6,191,519
Net gain from operations before refunds to members and net realized capital gains	1,082,956	817,706
Refunds to members	742,294	711,542
Net gain from operations before net realized capital gains	340,662	106,164
Net realized capital gains	4,993	77,269
Net income	\$ 345,655	\$ 183,433

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF SURPLUS
Years Ended December 31, 2017 and 2016

	2017	2016
Surplus, beginning of year	<u>\$ 23,992,692</u>	<u>\$ 23,869,012</u>
Net income	345,655	183,433
Change in net unrealized capital gains/losses	52,131	(26,902)
Change in nonadmitted assets	20,251	8,578
Change in asset valuation reserve	(154,040)	(45,223)
Change in postretirement benefit obligation	<u>6,749</u>	<u>3,794</u>
Net change in surplus	<u>270,746</u>	<u>123,680</u>
Surplus, end of year	<u>\$ 24,263,438</u>	<u>\$ 23,992,692</u>

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash from operations:		
Net premiums collected	\$ 17,131,587	\$ 16,372,445
Net investment income received	13,027,188	13,016,402
Other income received	6,006	15,555
Benefit related payments	(21,312,320)	(14,882,620)
Commissions and other expenses paid	(5,742,613)	(6,209,425)
Refunds paid to members	(707,294)	(661,542)
	<u>2,402,554</u>	<u>7,650,815</u>
Net cash from operations		
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	24,066,526	24,020,960
Stocks	-	1,585,326
Mortgage loans	93,749	27,083
	<u>24,160,275</u>	<u>25,633,369</u>
Cost of investments acquired:		
Bonds	(23,074,231)	(29,843,450)
Stocks	(500,043)	(806,843)
Real estate	(18,748)	(8,957)
Mortgage loans	(4,709,665)	(502,100)
Miscellaneous	(143,154)	(1,746)
	<u>(28,445,841)</u>	<u>(31,163,096)</u>
Net decrease (increase) in contract loans	<u>(198,911)</u>	<u>227,850</u>
Net cash from investments	<u>(4,086,655)</u>	<u>(5,301,877)</u>
Cash flows from financing and miscellaneous sources:		
Net deposits on deposit-type contracts	(249,137)	(843,332)
Other cash provided	837,046	455,005
Net cash from financing and miscellaneous sources	<u>587,909</u>	<u>(388,327)</u>
Net change in cash, cash equivalents, and short-term investments	<u>(1,096,192)</u>	1,960,611
Cash, cash equivalents, and short-term investments, beginning of year	<u>5,454,818</u>	<u>3,494,207</u>
Cash, cash equivalents, and short-term investments, end of year	<u>\$ 4,358,626</u>	<u>\$ 5,454,818</u>

See Notes to Statutory Financial Statements

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Western Fraternal Life Association (the Association), which currently operates in 18 states, is organized as a fraternal benefit society. The Association's principal operations consist of underwriting and servicing member life contracts and annuities and providing fraternal benefits.

A summary of the Association's significant accounting policies follows:

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division (the Division). Prescribed statutory accounting practices include the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Iowa, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Association had no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in bonds are generally carried at amortized cost and investments in common stocks (mutual funds) are generally carried at fair value. Under GAAP, bonds and common stocks (mutual funds) would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity would be carried at cost or amortized cost and securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as comprehensive income for those securities classified as available-for-sale.
- An occupancy rental charge on real estate occupied by the Association is recorded as investment income and as offsetting rental expense; under GAAP, no such rental charge would be recognized.
- Acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the contracts.
- Certain assets designated as "nonadmitted assets" (principally office furniture and equipment and non-operating system software) are charged against surplus; under GAAP, office furniture and equipment and non-operating system software would be recognized as assets net of accumulated depreciation and amortization.
- Assets and liabilities related to reinsurance ceded transactions are netted with respective accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.
- The interest maintenance and asset valuation reserves are required as discussed subsequently in this note; they would not be required under GAAP.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- Revenues for universal life and annuity contracts consist of the entire premiums received, and benefits incurred represent the total death benefits paid and the change in contract reserves for statutory purposes. Under GAAP, revenues would include only charges for the cost of insurance, contract initiation and administration, surrender charges, and other fees that have been assessed against account values, and benefits represent the excess of benefits paid over the account value and interest credited to the account values.
- Contract reserves are based on statutory mortality and interest assumptions and without consideration of withdrawals, which may differ from reserves based on reasonably conservative estimates of mortality, interest, and withdrawals as they would be presented under GAAP.
- Refunds to members to be paid in the following year are reflected in the statements of operations for the current year. Under GAAP, refunds to members would be recognized as expense ratably over the contract year.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Association filed with the NAIC and state regulatory authorities which differs from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to estimated life, annuity, and deposit-type contract reserves and the assumptions regarding other-than-temporary impairment (OTTI) analysis of the investment portfolio.

Cash, Cash Equivalents, and Short-Term Investments. For purposes of reporting cash flows, the Association follows statutory accounting practices and considers cash in checking accounts, saving accounts, and certain money market funds to be cash, cash equivalents, and short-term investments. The Association occasionally has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Association does not believe it is exposed to any significant credit risk on the amounts not insured.

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds are carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of six are carried at the lower of amortized cost or fair value. Loan-backed (single class and multi-class mortgage-backed/asset-backed) securities are generally valued at amortized cost using the scientific interest method, including anticipated prepayments at the time of purchase; however, loan-backed securities with an initial NAIC designation of six are carried at the lower of amortized cost or fair value. Prepayment assumptions are obtained from brokers or are based on internal estimates. The retrospective adjustment method is used to value all such securities. Investments in common stocks (mutual funds) of

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Unaffiliated companies are carried at fair value. The investment in an affiliated insurance agency is carried at equity value which is \$5,000 and is subsequently nonadmitted. Mortgage loans and contract loans are carried at unpaid balances, which approximate fair value. Surplus debentures, which are classified as other invested assets, are carried at amortized cost using the scientific interest method.

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. The treatment of realized gains and losses on the sale of bonds and other invested assets are further explained in the interest maintenance and asset valuation reserves paragraph of this note. Unrealized gains and losses from changes in the fair value of common stocks (mutual funds) are credited or charged directly to surplus.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Association has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Declines in fair value that are determined to be OTTI are included in the statutory statements of operations as realized capital losses. The Association determines a decline to be other-than-temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Association's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral, such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. There were no declines deemed other-than-temporary for the years ended December 31, 2017 and 2016, respectively.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Software. Real estate is recorded as an admitted asset at cost less accumulated depreciation and is presented as an investment. Electronic data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation and amortization.

Office furniture and equipment and non-operating system software are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation and amortization are calculated on these assets and charged to expense. The net change in book value (cost less depreciation and amortization) is charged or credited directly to surplus.

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$91,302 in 2017 and \$84,663 in 2016.

Interest Maintenance and Asset Valuation Reserves. The Interest Maintenance Reserve (IMR) captures the realized capital gains and losses that result from changes in the overall level of interest rates for fixed income investments and amortizes these gains and losses into income over the remaining life of the investments sold. The Asset Valuation Reserve is a contingency reserve for possible losses on investments in bonds, common stocks, mortgage loans, real estate, and other invested assets and is recorded as a liability through a charge to surplus.

Premium Revenue and Acquisition Costs. Premium revenue from term and whole life insurance is taken into earnings over the premium paying period of the contracts. Premium revenue from universal life insurance is taken into earnings when received. All life contracts are participating contracts. Annuity premium revenue is taken into earnings when received according to the annuity type, which may be one time for single premium annuities or ratably for annuities with flexible premium options. The related acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred.

Reinsurance. In the normal course of business, the Association seeks to limit its exposure to loss on any single insured and to recover a portion of the benefits paid over such limits. This is accomplished primarily through cessions to reinsurers under yearly renewable term and coinsurance contracts. If any reinsurer becomes unable to pay its share of benefits, the Association would be liable for the remaining obligations.

Reinsurance premiums, expenses, and reserves related to reinsured business are accounted for on a basis consistent with that used for the original contracts issued and the terms of the reinsurance contract.

Contract Reserves. The aggregate reserve for life contracts was developed on the basis of statutory interest rates and mortality assumptions. These rates are calculated using mainly the 1941, 1958, 1980, and 2001 Commissioners Standard Ordinary Mortality Tables and Commissioners Extended Term Tables with assumed interest rates ranging from 2.5 percent to 5.0 percent. Reserves for annuities, supplementary contracts, and other benefits are computed in accordance with recognized and accepted mortality and morbidity tables. In the aggregate, the reserves set up by these methods provide reserves that are greater than or equal to the guaranteed certificate cash values or the amounts required by the Division.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

The Association waives deduction of deferred fractional premiums upon death of insureds and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Contracts issued for substandard lives are charged an additional premium over the regular gross premium for the rated age. Substandard reserves are determined by computing the regular mid-terminal reserve for the plan at the rated age and holding in addition to the unearned portion of the standard and extra gross premium for one year.

As of December 31, 2017 and 2016, the Association had \$14,594,712 and \$472,520, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard of calculation set by the Division. Reserves related to the above insurance totaled \$82,701 and \$7,272 at December 31, 2017 and 2016, respectively.

Tabular interest, tabular less actual reserve released, and tabular cost are determined by formula. The determination of tabular interest on deposit-type funds is validated by multiplying the valuation interest rate by the average funds in force during the year subject to such valuation interest rate.

Income Taxes. The Association, a fraternal benefit society, qualifies as a tax-exempt organization under Section 501(c)(8) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the financial statements.

Subsequent Events. Subsequent events were evaluated through April 30, 2018, which is the date the financial statements were available to be issued.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 2 ~ Investments

The cost and fair value of investments at December 31, 2017 and 2016, were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>2017</u>				
Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 243,308	\$ 10,676	\$ -	\$ 253,984
Political subdivisions	33,676,759	1,636,482	(467)	35,312,774
Special revenue	28,421,695	1,218,556	(9,555)	29,630,696
Industrial and miscellaneous	161,691,980	7,851,677	(484,012)	169,059,645
Loan-backed securities	52,524,883	2,032,905	(263,807)	54,293,981
Total bonds	276,558,625	12,750,296	(757,841)	288,551,080
Common stocks (mutual funds)	500,043	52,131	-	552,174
Other invested assets	1,794,277	109,042	-	1,903,319
	\$ 278,852,945	\$ 12,911,469	\$ (757,841)	\$ 291,006,573

The cumulative unrealized loss of \$757,841 as of December 31, 2017, consisted of \$550,775 of unrealized losses on securities in such a position for greater than 12 months and \$207,066 of unrealized losses on securities in such a position for less than 12 months.

2016

Bonds (at amortized cost):

U.S. treasury securities and
obligations of U.S. government

corporations and agencies	\$ 507,331	\$ 33,444	\$ -	\$ 540,775
Political subdivisions	36,698,347	1,916,281	(112,516)	38,502,112
Special revenue	32,459,958	1,420,490	(130,968)	33,749,480
Industrial and miscellaneous	152,067,370	5,530,771	(2,246,629)	155,351,512
Loan-backed securities	56,054,394	2,594,091	(267,639)	58,380,846

 Total bonds

	277,787,400	11,495,077	(2,757,752)	286,524,725
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Common stocks

	5,000	-	-	5,000
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Other invested assets

	1,820,517	92,847	-	1,913,364
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	\$ 279,612,917	\$ 11,587,924	\$ (2,757,752)	\$ 288,443,089
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WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 2 ~ Investments (Continued)

The cumulative unrealized loss of \$2,757,752 as of December 31, 2016, consisted of \$1,487,053 of unrealized losses on securities in such a position for greater than 12 months and \$1,270,699 of unrealized losses on securities in such a position for less than 12 months.

The amortized cost and fair value of bonds as of December 31, 2017, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	\$ 2,758,429	\$ 2,801,640
Due after one year through five years	47,331,612	49,333,269
Due after five years through ten years	84,609,052	88,018,751
Due after ten years	141,859,532	148,397,420
	\$ 276,558,625	\$ 288,551,080

The Association is subject to a Minimum Reserve Deposit as required by the Iowa Administrative Code. All of the Association's bonds, stocks, and other invested assets are available to comply with this requirement.

Gains and Losses on Investments. The components of net realized capital gains were as follows:

	2017	2016
Gains	\$ 404,213	\$ 624,638
Losses	(1,974)	(124,004)
Transfers to IMR	(397,246)	(423,365)
Net realized capital gains	\$ 4,993	\$ 77,269

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Note 2 ~ Investments (Continued)

Mutual funds: Comprised of exchange-traded mutual funds. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Level 2 Measurements

Cash equivalents/short-term investments: Comprised of actively traded money market funds that have daily quoted net asset values for identical assets that are accessible to the Association at the measurement date.

Bonds and other invested assets: Comprised of government obligations, state and municipal bonds, corporate debt, residential and commercial mortgage-backed securities, other loan-backed securities, and surplus debentures. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Association uses a leading, nationally recognized provider of financial market data and analytics to price the Association's bond and surplus debenture holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

<u>Type of Financial Instrument</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Common stocks (mutual funds)	\$ 552,174	\$ -	\$ -	\$ 552,174
Cash equivalents	-	4,197,574	-	4,197,574
	<u>\$ 552,174</u>	<u>\$ 4,197,574</u>	<u>\$ -</u>	<u>\$ 4,749,748</u>
<u>December 31, 2016</u>				
Short-term investments	<u>\$ 5,183,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,183,581</u>

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 2 ~ Investments (Continued)

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
<u>December 31, 2017</u>						
Bonds	\$ 288,551,080	\$ 276,558,625	\$ 102,726	\$ 288,448,354	\$ -	\$ -
Common stock (mutual funds)	552,174	552,174	552,174	-	-	-
Mortgage loans	5,283,107	5,283,107	-	-	-	5,283,107
Cash equivalents	4,197,574	4,197,574	-	4,197,574	-	-
Other invested assets	1,903,319	1,794,277	-	1,903,319	-	-
<u>December 31, 2016</u>						
Bonds	\$ 286,524,725	\$ 277,787,400	\$ 316,817	\$ 286,207,908	\$ -	\$ -
Mortgage loans	667,191	667,191	-	-	-	667,191
Short-term investments	5,183,581	5,183,581	5,183,581	-	-	-
Other invested assets	1,913,364	1,820,517	-	1,913,364	-	-

*It was not practicable to determine the fair value of these financial instruments because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive.

The Association does not have any liabilities measured at fair value at December 31, 2017 and 2016. The Association also did not have any transfers between levels in 2017 and 2016.

Note 3 ~ Employee Retirement Plans

The Association sponsors a contributory profit-sharing plan covering its noncommissioned employees. The Association matches 100 percent of the employee's contributions to the plan up to a maximum contribution of 10 percent of the employee's annual earnings. The Association's contributions to the plan for the years ended December 31, 2017 and 2016, were \$169,404 and \$162,153, respectively.

The Association also sponsors a noncontributory defined contribution plan for its commissioned employees. The Association makes a contribution to the plan each year for each employee equal to 5 percent of the employee's annual earnings, up to \$30,000, and 9.3 percent of the earnings above \$30,000. Contributions to the plan for the years ended December 31, 2017 and 2016, were \$9,550 and \$28,201, respectively.

All of the Association's employee benefit plans are qualified under the Internal Revenue Code.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 4 ~ Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

Withdrawal characteristics of annuity actuarial reserves and deposit-type contracts at December 31, 2017 and 2016, were as follows:

	2017		2016	
	Amount	Percent	Amount	Percent
Subject to discretionary withdrawal:				
At book value, less surrender charge of 5 percent or more	\$ 7,139,618	5.81%	\$ 8,455,476	6.74%
At book value, without adjustment	109,955,539	89.40	111,120,352	88.54
Not subject to discretionary withdrawal	5,892,035	4.79	5,927,720	4.72
 Total annuity actuarial reserves and deposit fund liabilities	\$ 122,987,192	100.00%	\$ 125,503,548	100.00%

Note 5 ~ Surplus

The Association files its Risk-Based Capital (RBC) calculation with the NAIC. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2017, the Association's surplus exceeded the minimum levels required by RBC standards.

The Association's surplus was increased (reduced) by the following amounts at December 31, 2017 and 2016:

	2017	2016
Nonadmitted assets	\$ (23,977)	\$ (44,228)
Asset valuation reserve	(1,496,981)	(1,342,941)
Unrealized gain on common stocks (mutual funds)	52,131	-

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

Our audits were made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Association with the Division or the Annual Statement Instructions. Such information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
April 30, 2018

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA
For the Year Ended December 31, 2017

INVESTMENT INCOME EARNED

U.S. government bonds	\$ 812,650
Other bonds (unaffiliated)	11,159,544
Bonds of affiliates	-
Preferred stocks (unaffiliated)	-
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	9,733
Common stocks of affiliates	-
Mortgage loans	126,353
Real estate	240,000
Contract loans	392,963
Cash, cash equivalents, and short-term investments	51,888
Derivative instruments	-
Other invested assets	100,480
Aggregate write-in for investment income	<u>761</u>
Gross investment income	<u>\$ 12,894,372</u>

INVESTMENTS

Real estate owned, book value less encumbrances	<u>\$ 1,032,782</u>
Mortgage loans – book value:	
Farm mortgages	\$ -
Residential mortgages	57,282
Commercial mortgages	<u>5,225,825</u>
Total mortgage loans	<u>\$ 5,283,107</u>
Mortgage loans by standing – book value:	
Good standing	\$ 5,283,107
Good standing with restructured terms	-
Interest overdue more than 90 days, not in foreclosure	-
Foreclosure in process	<u>-</u>
	<u>\$ 5,283,107</u>
Other invested assets – statement value	<u>\$ 1,794,277</u>

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2017

INVESTMENTS

Bonds and stocks of parents, subsidiaries and affiliates – book value:

Bonds	\$ -
Preferred stocks	-
Common stocks	5,000
	<u>5,000</u>
	<u>\$ 5,000</u>

Bonds and short-term investments by NAIC designation and maturity:

Bonds by maturity-statement value:

Due within 1 year or less	\$ 6,982,434
Over 1 year through 5 years	63,960,244
Over 5 years through 10 years	91,308,386
Over 10 years through 20 years	94,994,149
Over 20 years	19,313,412
	<u>19,313,412</u>

Total by maturity \$ 276,558,625

Bonds by class – statement value:

Class 1	\$ 200,187,554
Class 2	73,490,028
Class 3	2,203,981
Class 4	574,243
Class 5	102,819
	<u>102,819</u>

Total by class \$ 276,558,625

Total bonds publicly traded \$ 224,241,048

Total bonds privately placed \$ 52,317,577

Preferred stocks – statement value	\$ -
Common stocks – market value	552,174
Short-term investments – book value	-
Options, caps and floors owned – statement value	-
Options, caps and floors written and in-force – statement value	-
Collar, swap and forward agreement open – statement value	-
Future contracts open – current value	-
Cash on deposit	161,052

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2017

INSURANCE IN-FORCE

Life insurance in-force:	
Ordinary	\$ 1,199,620,828
Supplementary contracts in-force:	
Ordinary, not involving life contingencies:	
Amount on deposit	2,103,779
Income payable	698,386
Ordinary, involving life contingencies, income payable	315,065
Annuities:	
Ordinary:	
Immediate, amount of income payable	197,293
Deferred, fully paid account balance	12,884,646
Deferred, not fully paid, account balance	100,170,877

OTHER

Deposit funds and dividend accumulations:	
Deposit funds, account balance	\$ 51,364
Dividend accumulations, account balance	4,334,470

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2017

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 298,022,314

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 FHLMC	Bonds	\$ 15,009,900	5.0%
2.02 FNMA	Bonds	\$ 10,812,879	3.6%
2.03 FFCB	Bonds	\$ 9,946,451	3.3%
2.04 FHLB	Bonds	\$ 3,441,718	1.1%
2.05 Johnson (S.C.) & Son	Bonds	\$ 2,408,042	0.8%
2.06 Deere & Company	Bonds	\$ 2,090,676	0.7%
2.07 Sysco Corporation	Bonds	\$ 2,063,233	0.7%
2.08 Trans-Canada Pipelines	Bonds	\$ 2,039,334	0.7%
2.09 Dept of Trans U.S. (Step up)	Bonds	\$ 2,000,000	0.7%
2.10 Michigan St	Bonds	\$ 1,998,216	0.7%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC – 1	\$ <u>200,187,558</u>	<u>67.2%</u>	3.07 P/RP – 1	\$ _____	____%
3.02 NAIC – 2	\$ <u>73,490,029</u>	<u>24.7%</u>	3.08 P/RP – 2	\$ _____	____%
3.03 NAIC – 3	\$ <u>2,203,981</u>	<u>0.7%</u>	3.09 P/RP – 3	\$ _____	____%
3.04 NAIC – 4	\$ <u>574,241</u>	<u>0.2%</u>	3.10 P/RP – 4	\$ _____	____%
3.05 NAIC – 5	\$ <u>102,819</u>	<u>0.0%</u>	3.11 P/RP – 5	\$ _____	____%
3.06 NAIC – 6	\$ _____	____%	3.12 P/RP – 6	\$ _____	____%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes No

4.02 Total admitted assets held in foreign investments \$ 22,159,514 7.4%

4.03 Foreign-currency-denominated investments \$ _____ %

4.04 Insurance liabilities denominated in that same foreign currency \$ _____ %

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

WESTERN FRATERNAL LIFE ASSOCIATION

INVESTMENT RISKS INTERROGATORIES

December 31, 2017

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries rated NAIC – 1	\$ 21,896,212	7.3%
5.02	Countries rated NAIC – 2	\$	%
5.03	Countries rated NAIC – 3 or below	\$ 263,302	0.1%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

6.01	United Kingdom	\$ 6,881,996	2.3%
6.02	Australia	\$ 4,930,000	1.7%

Countries rated NAIC – 2

6.03		\$	%
6.04		\$	%

Countries rated NAIC – 3 or below

6.05	Barbados	\$ 263,302	0.1%
6.06		\$	%

7. Aggregate unhedged foreign currency exposure \$ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries rated NAIC – 1	\$	%
8.02	Countries rated NAIC – 2	\$	%
8.03	Countries rated NAIC – 3 or below	\$	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

9.01		\$	%
9.02		\$	%

Countries rated NAIC – 2

9.03		\$	%
9.04		\$	%

Countries rated NAIC – 3 or below

9.05		\$	%
9.06		\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2017

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent
10.01 AstraZeneca	2FE	\$ 1,747,959	0.6%
10.02 Teva Pharmaceutical	2FE	\$ 1,714,071	0.6%
10.03 Phillips Electronics	2FE	\$ 1,541,914	0.5%
10.04 Siemens Financier	1FE	\$ 1,152,491	0.4%
10.05 SA Power Networks	1	\$ 1,000,000	0.3%
10.06 SAP AG	1	\$ 1,000,000	0.3%
10.07 Triton Container Intl	2FE	\$ 857,143	0.3%
10.08 Diageo Capital	1FE	\$ 764,840	0.3%
10.09 Goodman Australia Ind Fund	2	\$ 750,000	0.3%
10.10 Schlumberger Limited	1FE	\$ 750,000	0.3%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	\$ _____	_____ %
11.03 Canadian-currency-denominated investments	\$ _____	_____ %
11.04 Canadian-denominated insurance liabilities	\$ _____	_____ %
11.05 Unhedged Canadian currency exposure	\$ _____	_____ %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions	\$ _____	_____ %
Largest 3 investments with contractual sales restrictions:		
12.03 _____	\$ _____	_____ %
12.04 _____	\$ _____	_____ %
12.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2017

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Assets held in equity interests:

13.02 _____	\$ _____	_____ %
13.03 _____	\$ _____	_____ %
13.04 _____	\$ _____	_____ %
13.05 _____	\$ _____	_____ %
13.06 _____	\$ _____	_____ %
13.07 _____	\$ _____	_____ %
13.08 _____	\$ _____	_____ %
13.09 _____	\$ _____	_____ %
13.10 _____	\$ _____	_____ %
13.11 _____	\$ _____	_____ %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities \$ _____ %
Largest 3 investments held in nonaffiliated, privately placed equities:

14.03 _____	\$ _____	_____ %
14.04 _____	\$ _____	_____ %
14.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION

INVESTMENT RISKS INTERROGATORIES

December 31, 2017

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

15.02 Aggregate statement value of investments held in general partnership interests \$ _____ %
Largest 3 investments held in general partnership interests:

15.03 _____ \$ _____ %

15.04 _____ \$ _____ %

15.05 _____ \$ _____ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 16.01 above is yes, responses are not required for the remainder of Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

16.02 _____ \$ _____ %

16.03 _____ \$ _____ %

16.04 _____ \$ _____ %

16.05 _____ \$ _____ %

16.06 _____ \$ _____ %

16.07 _____ \$ _____ %

16.08 _____ \$ _____ %

16.09 _____ \$ _____ %

16.10 _____ \$ _____ %

16.11 _____ \$ _____ %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans \$ _____ %

16.13 Mortgage loans over 90 days past due \$ _____ %

16.14 Mortgage loans in the process of foreclosure \$ _____ %

16.15 Mortgage loans foreclosed \$ _____ %

16.16 Restructured mortgage loans \$ _____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2017

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	\$	%	\$	%	\$	%
17.02	91% to 95%	\$	%	\$	%	\$	%
17.03	81% to 90%	\$	%	\$	%	\$	%
17.04	71% to 80%	\$	%	\$	%	\$	%
17.05	below 70%	\$	%	\$	%	\$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02	_____	\$	%
18.03	_____	\$	%
18.04	_____	\$	%
18.05	_____	\$	%
18.06	_____	\$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans \$ _____ %

Largest three investments held in mezzanine real estate loans:

19.03	_____	\$	%
19.04	_____	\$	%
19.05	_____	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2017

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.02 Repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.03 Reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.04 Dollar repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.05 Dollar reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	\$ _____	% _____	\$ _____	% _____
21.01 Hedging	\$ _____	% _____	\$ _____	% _____
21.02 Income generation	\$ _____	% _____	\$ _____	% _____
21.03 Other	\$ _____	% _____	\$ _____	% _____

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE

December 31, 2017

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
1. Bonds:				
1.1 U.S. treasury securities	\$ 99,974	0.0%	\$ 99,974	0.0%
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	\$ 143,334	0.0%	\$ 143,334	0.0%
1.22 Issued by U.S. government-sponsored agencies	\$ 13,902,467	4.7%	\$ 13,902,467	4.7%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	\$	%	\$	%
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 State, territory, and possession general obligations	\$ 6,165,744	2.1%	\$ 6,165,744	2.1%
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	\$ 27,511,015	9.3%	\$ 27,511,015	9.3%
1.43 Revenue and assessment obligations	\$ 14,519,231	4.9%	\$ 14,519,231	4.9%
1.44 Industrial development and similar obligations	\$	%	\$	%
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	\$ 125,615	0.0%	\$ 125,615	0.0%
1.512 Issued or guaranteed by FNMA and FHLMC	\$ 868,834	0.3%	\$ 868,834	0.3%
1.513 All other	\$	%	\$	%
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	\$ 45,376,711	15.4%	\$ 45,376,711	15.4%
1.522 Issued by non-U.S. government issuers and collateralized by MBS issued or guaranteed by agencies shown in Line 1.521	\$ 2,219	0.0%	\$ 2,219	0.0%
1.523 All other	\$ 2,499,660	0.8%	\$ 2,499,660	0.8%
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	\$ 136,707,295	46.5%	\$ 136,707,295	46.5%
2.2 Unaffiliated non-U.S. securities	\$ 28,636,526	9.7%	\$ 28,636,526	9.7%
2.3 Affiliated securities	\$	%	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE

December 31, 2017

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
3. Equity interests:				
3.1 Investments in mutual funds	\$ 552,174	0.2%	\$ 552,174	0.2%
3.2 Preferred stocks:				
3.21 Affiliated	\$	%	\$	%
3.22 Unaffiliated	\$	%	\$	%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	\$	%	\$	%
3.32 Unaffiliated	\$	%	\$	%
3.4 Other equity securities:				
3.41 Affiliated	\$	%	\$	%
3.42 Unaffiliated	\$	%	\$	%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	\$	%	\$	%
3.52 Unaffiliated	\$	%	\$	%
4. Mortgage loans:				
4.1 Construction and land development	\$	%	\$	%
4.2 Agricultural	\$	%	\$	%
4.3 Single family residential properties	\$ 57,282	0.0%	\$ 57,282	0.0%
4.4 Multifamily residential properties	\$	%	\$	%
4.5 Commercial loans	\$ 5,225,825	1.8%	\$ 5,225,825	1.8%
4.6 Mezzanine real estate loans	\$	%	\$	%
5. Real estate investments:				
5.1 Property occupied by company	\$ 1,032,782	0.4%	\$ 1,032,782	0.4%
5.2 Property held for production of income (includes \$_____ of property acquired in satisfaction of debt)	\$	%	\$	%
5.3 Property held for sale (including \$_____ property acquired in satisfaction of debt)	\$	%	\$	%
6. Contract loans	\$ 5,317,546	1.8%	\$ 5,317,546	1.8%
7. Derivatives	\$	%	\$	%
8. Receivables for securities	\$ 144,900	0.0%	\$ 144,900	0.0%
9. Securities lending	\$	%	\$	%
10. Cash, cash equivalents, and short-term investments	\$ 4,358,626	1.5%	\$ 4,358,626	1.5%
11. Other invested assets	\$ 1,794,277	0.6%	\$ 1,794,277	0.6%
12. Total invested assets	<u>\$ 295,042,037</u>	<u>100.0%</u>	<u>\$ 295,042,037</u>	<u>100.0%</u>

*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices & Procedures Manual*.

**The Association has no admitted assets in reinvested collateral related to securities lending.

WESTERN FRATERNAL LIFE ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

December 31, 2018 and 2017



Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

We have audited the accompanying statutory financial statements of Western Fraternal Life Association (the Association), which are comprised of the statutory balance sheets as of December 31, 2018 and 2017, and the related statutory statements of operations, surplus, and cash flows for the years then ended, and the related notes to statutory financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Association in accordance with accounting practices prescribed or permitted by the Iowa Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the state of Iowa.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division described in Note 1.

Strohm Ballweg, LLP

Madison, Wisconsin
May 2, 2019

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 277,962,835	\$ 276,558,625
Common stocks (mutual funds)	660,409	552,174
Mortgage loans on real estate	8,162,773	5,283,107
Real estate occupied by the Association (net of accumulated depreciation of \$1,322,158 in 2018 and \$1,281,316 in 2017)	1,001,328	1,032,782
Cash and cash equivalents	4,129,975	4,358,626
Contract loans	5,225,055	5,317,546
Other invested assets	1,766,564	1,794,277
Receivables for securities	90,454	144,900
Cash and invested assets	298,999,393	295,042,037
Investment income due and accrued	2,767,001	2,878,231
Uncollected premiums	36,647	35,942
Electronic data processing equipment (net of accumulated depreciation of \$442,908 in 2018 and \$487,550 in 2017)	12,874	55,443
Reinsurance recoverable	93,759	10,661
Total admitted assets	\$ 301,909,674	\$ 298,022,314
LIABILITIES AND SURPLUS		
Liabilities:		
Aggregate reserve for life contracts	\$ 151,311,723	\$ 146,782,515
Aggregate reserve for annuity contracts	113,537,582	113,805,202
Liability for deposit-type contracts	6,774,761	6,849,982
Life contract claims payable	1,060,000	805,000
Refunds payable	700,000	745,000
Unearned and premiums received in advance	766,817	792,772
Commissions payable	41,000	61,000
Accounts payable and accrued expenses	264,100	252,400
Amounts withheld by the Association	525,337	566,683
Interest maintenance reserve	957,320	864,007
Remittances and items not allocated	104,220	236,604
Asset valuation reserve	1,558,618	1,496,981
Other liabilities	647,701	500,730
Total liabilities	278,249,179	273,758,876
Surplus	23,660,495	24,263,438
Total liabilities and surplus	\$ 301,909,674	\$ 298,022,314

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2018 and 2017

	2018	2017
INCOME		
Life premiums	\$ 9,860,422	\$ 10,315,692
Annuity considerations	5,645,694	6,623,687
Considerations for supplementary contracts with life contingencies	491,405	239,375
Investment income (net of expenses of \$602,272 in 2018 and \$588,580 in 2017)	12,271,694	12,305,793
Amortization of interest maintenance reserve	221,770	264,957
Other income	21,965	6,006
Total income	28,512,950	29,755,510
BENEFITS		
Death	5,510,089	5,067,785
Matured endowments	95,362	104,292
Annuity	4,039,982	6,545,836
Disability	34,407	27,097
Surrender and withdrawals for life contracts	8,088,900	9,270,831
Interest on life contracts or deposit-type contracts	213,021	209,283
Payments on supplementary contracts with life contingencies	427,107	342,902
Increase in aggregate reserves for life contracts	4,529,208	3,822,102
Decrease in aggregate reserves for annuity contracts	(267,620)	(2,410,056)
Total benefits	22,670,456	22,980,072
OPERATING EXPENSES		
Commissions	1,209,397	1,281,167
General insurance and fraternal expenses	4,193,820	4,210,610
Insurance taxes, licenses, and fees	193,467	197,100
Increase in loading on uncollected premiums	2,703	3,605
Total operating expenses	5,599,387	5,692,482
Net gain from operations before refunds to members and net realized capital gains (losses)	243,107	1,082,956
Refunds to members	652,894	742,294
Net gain (loss) from operations before net realized capital gains (losses)	(409,787)	340,662
Net realized capital gains (losses)	(10,239)	4,993
Net income (loss)	\$ (420,026)	\$ 345,655

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF SURPLUS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Surplus, beginning of year	<u>\$ 24,263,438</u>	<u>\$ 23,992,692</u>
Net income (loss)	(420,026)	345,655
Change in net unrealized capital gains/losses	(91,663)	52,131
Change in nonadmitted assets	9,016	20,251
Change in asset valuation reserve	(61,637)	(154,040)
Change in postretirement benefit obligation	<u>(38,633)</u>	<u>6,749</u>
Net change in surplus	<u>(602,943)</u>	<u>270,746</u>
Surplus, end of year	<u>\$ 23,660,495</u>	<u>\$ 24,263,438</u>

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash from operations:		
Net premiums collected	\$ 15,970,493	\$ 17,131,587
Net investment income received	13,065,246	13,027,188
Other income received	21,965	6,006
Benefit related payments	(18,260,154)	(21,312,320)
Commissions and other expenses paid	(5,605,880)	(5,742,613)
Refunds paid to members	(697,894)	(707,294)
Net cash from operations	<u>4,493,776</u>	<u>2,402,554</u>
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	26,100,223	24,066,526
Mortgage loans	306,580	93,749
Miscellaneous	54,446	-
	<u>26,461,249</u>	<u>24,160,275</u>
Cost of investments acquired:		
Bonds	(27,806,155)	(23,074,231)
Common stocks (mutual funds)	(199,898)	(500,043)
Real estate	(9,388)	(18,748)
Mortgage loans	(3,186,246)	(4,709,665)
Miscellaneous	-	(143,154)
	<u>(31,201,687)</u>	<u>(28,445,841)</u>
Net decrease (increase) in contract loans	<u>(92,491)</u>	<u>(198,911)</u>
Net cash from investments	<u>(4,647,947)</u>	<u>(4,086,655)</u>
Cash flows from financing and miscellaneous sources:		
Net deposits on deposit-type contracts	(252,563)	(249,137)
Other cash provided	178,083	837,046
Net cash from financing and miscellaneous sources	<u>(74,480)</u>	<u>587,909</u>
Net change in cash and cash equivalents	<u>(228,651)</u>	<u>(1,096,192)</u>
Cash and cash equivalents, beginning of year	<u>4,358,626</u>	<u>5,454,818</u>
Cash and cash equivalents, end of year	<u>\$ 4,129,975</u>	<u>\$ 4,358,626</u>

See Notes to Statutory Financial Statements

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Western Fraternal Life Association (the Association), which currently operates in 18 states, is organized as a fraternal benefit society. The Association's principal operations consist of underwriting and servicing member life contracts and annuities and providing fraternal benefits.

A summary of the Association's significant accounting policies follows.

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division (the Division). Prescribed statutory accounting practices include the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Iowa, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Association had no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in bonds are generally carried at amortized cost and investments in common stocks (mutual funds) are generally carried at fair value. Under GAAP, bonds and common stocks (mutual funds) would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, securities classified as held-to-maturity would be carried at cost or amortized cost and securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as comprehensive income for those securities classified as available-for-sale.
- An occupancy rental charge on real estate occupied by the Association is recorded as investment income and as offsetting rental expense; under GAAP, no such rental charge would be recognized.
- Acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the contracts.
- Certain assets designated as "nonadmitted assets" (principally office furniture and equipment and non-operating system software) are charged against surplus; under GAAP, office furniture and equipment and non-operating system software would be recognized as assets net of accumulated depreciation and amortization.
- Assets and liabilities related to reinsurance ceded transactions are netted with respective accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.
- The interest maintenance and asset valuation reserves are required as discussed subsequently in this note; they would not be required under GAAP.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- Revenues for universal life and annuity contracts consist of the entire premiums received, and benefits incurred represent the total death benefits paid and the change in contract reserves. Under GAAP, revenues would include only charges for the cost of insurance, contract initiation and administration, surrender charges, and other fees that have been assessed against account values, and benefits represent the excess of benefits paid over the account value and interest credited to the account values.
- Contract reserves are based on statutory mortality and interest assumptions and without consideration of withdrawals, which may differ from reserves based on reasonably conservative estimates of mortality, interest, and withdrawals as they would be presented under GAAP.
- Refunds to members to be paid in the following year are reflected in the statements of operations for the current year. Under GAAP, refunds to members would be recognized as expense ratably over the contract year.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Association filed with the NAIC and state regulatory authorities, which differs from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to estimated life, annuity, and deposit-type contract reserves and the assumptions regarding other-than-temporary impairment (OTTI) analysis of the investment portfolio.

Cash and Cash Equivalents. For purposes of reporting cash flows, the Association follows statutory accounting practices and considers cash in checking accounts, saving accounts, and certain money market funds to be cash and cash equivalents. The Association occasionally has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Association does not believe it is exposed to any significant credit risk on the amounts not insured.

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds are carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of six are carried at the lower of amortized cost or fair value. Loan-backed (single class and multi-class mortgage-backed/asset-backed) securities are generally valued at amortized cost using the scientific interest method, including anticipated prepayments at the time of purchase; however, loan-backed securities with an initial NAIC designation of six are carried at the lower of amortized cost or fair value. Prepayment assumptions are obtained from brokers or are based on internal estimates. The retrospective adjustment method is used to value all such securities. Investments in common stocks (mutual funds) of

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

unaffiliated companies are carried at fair value. The investment in an affiliated insurance agency is carried at equity value which is \$5,000 and is subsequently nonadmitted. Mortgage loans and contract loans are carried at unpaid balances, which approximate fair value. Surplus debentures, which are classified as other invested assets, are carried at amortized cost using the scientific interest method.

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. The treatment of realized gains and losses on the sale of bonds and other invested assets are further explained in the interest maintenance and asset valuation reserves paragraph of this note. Unrealized gains and losses from changes in the fair value of common stocks (mutual funds) are credited or charged directly to surplus.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Association has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Declines in fair value that are determined to be OTTI are included in the statutory statements of operations as realized capital losses. The Association determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Association's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral, such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. There was one decline deemed other than temporary for the year ended December 31, 2018, and no declines deemed other than temporary for the year ended December 31, 2017.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Software. Real estate is recorded as an admitted asset at cost less accumulated depreciation and is presented as an investment. Electronic data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation and amortization.

Office furniture and equipment and non-operating system software are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation and amortization are calculated on these assets and charged to expense. The net change in book value (cost less depreciation and amortization) is charged or credited directly to surplus.

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$93,230 in 2018 and \$91,302 in 2017.

Interest Maintenance and Asset Valuation Reserves. The Interest Maintenance Reserve (IMR) captures the realized capital gains and losses that result from changes in the overall level of interest rates for fixed income investments and amortizes these gains and losses into income over the remaining life of the investments sold. The Asset Valuation Reserve is a contingency reserve for possible losses on investments in bonds, common stocks, mortgage loans, real estate, and other invested assets and is recorded as a liability through a charge to surplus.

Premium Revenue and Acquisition Costs. Premium revenue from term and whole life insurance is taken into earnings over the premium paying period of the contracts. Premium revenue from universal life insurance is taken into earnings when received. All life contracts are participating contracts. Annuity premium revenue is taken into earnings when received according to the annuity type, which may be one time for single premium annuities or ratably for annuities with flexible premium options. The related acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred.

Reinsurance. In the normal course of business, the Association seeks to limit its exposure to loss on any single insured and to recover a portion of the benefits paid over such limits. This is accomplished primarily through cessions to reinsurers under yearly renewable term and coinsurance contracts. If any reinsurer becomes unable to pay its share of benefits, the Association would be liable for the remaining obligations.

Reinsurance premiums, expenses, and reserves related to reinsured business are accounted for on a basis consistent with that used for the original contracts issued and the terms of the reinsurance contract.

Contract Reserves. The aggregate reserve for life contracts was developed on the basis of statutory interest rates and mortality assumptions. These rates are calculated using mainly the 1941, 1958, 1980, 2001, and 2017 Commissioners Standard Ordinary Mortality Tables and Commissioners Extended Term Tables with assumed interest rates ranging from 2.5 percent to 5.0 percent. Reserves for annuities, supplementary contracts, and other benefits are computed in accordance with recognized and accepted mortality and morbidity tables. In the aggregate, the reserves set up by these methods provide reserves that are greater than or equal to the guaranteed certificate cash values or the amounts required by the Division.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

The Association waives deduction of deferred fractional premiums upon death of insureds and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Contracts issued for substandard lives are charged an additional premium over the regular gross premium for the rated age. Substandard reserves are determined by computing the regular mid-terminal reserve for the plan at the rated age and holding, in addition to the unearned portion of the standard and extra gross premium for one year.

As of December 31, 2018 and 2017, the Association had \$12,347,072 and \$14,594,712, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard of calculation set by the Division. Reserves related to the above insurance totaled \$72,539 and \$82,701 at December 31, 2018 and 2017, respectively.

Tabular interest, tabular less actual reserve released, and tabular cost are determined by formula. The determination of tabular interest on deposit-type funds is validated by multiplying the valuation interest rate by the average funds in force during the year subject to such valuation interest rate.

Income Taxes. The Association, a fraternal benefit society, qualifies as a tax-exempt organization under Section 501(c)(8) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the financial statements.

Subsequent Events. Subsequent events were evaluated through May 2, 2019, which is the date the financial statements were available to be issued.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2018 and 2017

Note 2 ~ Investments

The cost and fair value of investments at December 31, 2018 and 2017, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2018</u>				
Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 67,059	\$ 4,495	\$ -	\$ 71,554
Political subdivisions	30,190,523	844,318	(7,481)	31,027,360
Special revenue	30,622,903	679,460	(178,839)	31,123,524
Industrial and miscellaneous	165,596,891	2,692,568	(4,959,609)	163,329,850
Loan-backed securities	<u>51,486,128</u>	<u>1,273,661</u>	<u>(552,811)</u>	<u>52,206,978</u>
Total bonds	277,963,504	5,494,502	(5,698,740)	277,759,266
Common stocks (mutual funds)	699,941	2,635	(42,167)	660,409
Other invested assets	<u>1,766,564</u>	<u>63,780</u>	<u>-</u>	<u>1,830,344</u>
	<u>\$ 280,430,009</u>	<u>\$ 5,560,917</u>	<u>\$ (5,740,907)</u>	<u>\$ 280,250,019</u>

The statement value of bonds is lower than the amortized cost by \$669 at December 31, 2018, due to unrealized losses on bonds rated six under the valuation methods prescribed by the NAIC.

The cumulative unrealized loss of \$5,740,907 as of December 31, 2018, consisted of \$3,626,520 of unrealized losses on securities in such a position for greater than 12 months and \$2,114,387 of unrealized losses on securities in such a position for less than 12 months.

2017

Bonds (at amortized cost):

 U.S. treasury securities and
 obligations of U.S. government

corporations and agencies	\$ 243,308	\$ 10,676	\$ -	\$ 253,984
Political subdivisions	33,676,759	1,636,482	(467)	35,312,774
Special revenue	28,421,695	1,218,556	(9,555)	29,630,696
Industrial and miscellaneous	161,691,980	7,851,677	(484,012)	169,059,645
Loan-backed securities	<u>52,524,883</u>	<u>2,032,905</u>	<u>(263,807)</u>	<u>54,293,981</u>

 Total bonds 276,558,625 12,750,296 (757,841) 288,551,080

Common stocks (mutual funds)	500,043	52,131	-	552,174
Other invested assets	<u>1,794,277</u>	<u>109,042</u>	<u>-</u>	<u>1,903,319</u>

\$ 278,852,945 \$ 12,911,469 \$ (757,841) \$ 291,006,573

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2018 and 2017

Note 2 ~ Investments (Continued)

The cumulative unrealized loss of \$757,841 as of December 31, 2017, consisted of \$550,775 of unrealized losses on securities in such a position for greater than 12 months and \$207,066 of unrealized losses on securities in such a position for less than 12 months.

The amortized cost and fair value of bonds as of December 31, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	\$ 4,453,461	\$ 4,479,641
Due after one year through five years	57,839,060	58,299,109
Due after five years through ten years	82,736,293	83,552,983
Due after ten years	132,934,690	131,427,533
	\$ 277,963,504	\$ 277,759,266

The Association is subject to a Minimum Reserve Deposit as required by the Iowa Administrative Code. All of the Association's bonds, stocks, and other invested assets are available to comply with this requirement.

Gains and Losses on Investments. The components of net realized capital gains (losses) were as follows:

	2018	2017
Gains	\$ 319,789	\$ 404,213
Losses	(14,945)	(1,974)
Transfers to IMR	(315,083)	(397,246)
Net realized capital gains (losses)	\$ (10,239)	\$ 4,993

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Mutual funds: Comprised of exchange-traded mutual funds. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Note 2 ~ Investments (Continued)

Level 2 Measurements

Bonds and other invested assets: Comprised of government obligations, state and municipal bonds, corporate debt, residential and commercial mortgage-backed securities, other loan-backed securities, and surplus debentures. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Association uses a leading, nationally recognized provider of financial market data and analytics to price the Association's bond and surplus debenture holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

<u>Type of Financial Instrument</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2018</u>				
Common stocks (mutual funds)	\$ 660,409	\$ -	\$ -	\$ 660,409
<u>December 31, 2017</u>				
Common stocks (mutual funds)	\$ 552,174	\$ -	\$ -	\$ 552,174

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2018 and 2017

Note 2 ~ Investments (Continued)

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
<u>December 31, 2018</u>						
Bonds	\$ 277,759,266	\$ 277,962,835	\$ -	\$ 277,759,266	\$ -	\$ -
Common stock (mutual funds)	660,409	660,409	660,409	-	-	-
Mortgage loans	8,162,773	8,162,773	-	-	-	8,162,773
Other invested assets	1,830,344	1,766,564	-	1,830,344	-	-
<u>December 31, 2017</u>						
Bonds	\$ 288,551,080	\$ 276,558,625	\$ 102,726	\$ 288,448,354	\$ -	\$ -
Common stock (mutual funds)	552,174	552,174	552,174	-	-	-
Mortgage loans	5,283,107	5,283,107	-	-	-	5,283,107
Other invested assets	1,903,319	1,794,277	-	1,903,319	-	-

*It was not practicable to determine the fair value of these financial instruments because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive.

The Association does not have any liabilities measured at fair value at December 31, 2018 and 2017. The Association also did not have any transfers between levels in 2018 and 2017.

Note 3 ~ Employee Retirement Plans

The Association sponsors a contributory profit-sharing plan covering its noncommissioned employees. The Association matches 100 percent of the employee's contributions to the plan up to a maximum contribution of 10 percent of the employee's annual earnings. The Association's contributions to the plan for the years ended December 31, 2018 and 2017, were \$173,347 and \$169,404, respectively.

The Association also sponsored a noncontributory defined contribution plan for its commissioned employees. The Association made a contribution to the plan of \$9,550 in 2017 for each employee equal to 5 percent of the employee's annual earnings up to \$30,000, and 9.3 percent of the earnings above \$30,000. The plan was terminated as of January 1, 2018, and no further contributions were made.

All of the Association's employee benefit plans are qualified under the Internal Revenue Code.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2018 and 2017

Note 4 ~ Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

Withdrawal characteristics of annuity actuarial reserves and deposit-type contracts at December 31, 2018 and 2017, were as follows:

	2018		2017	
	Amount	Percent	Amount	Percent
Subject to discretionary withdrawal:				
At book value, less surrender charge of 5 percent or more	\$ 7,704,426	6.27%	\$ 7,139,618	5.81%
At book value, without adjustment	109,152,610	88.80	109,955,539	89.40
Not subject to discretionary withdrawal	6,062,547	4.93	5,892,035	4.79
 Total annuity actuarial reserves and deposit fund liabilities	\$ 122,919,583	100.00%	\$ 122,987,192	100.00%

Note 5 ~ Surplus

The Association files its Risk-Based Capital (RBC) calculation with the NAIC. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2018, the Association's surplus exceeded the minimum levels required by RBC standards.

The Association's surplus was increased (reduced) by the following amounts at December 31, 2018 and 2017:

	2018	2017
Nonadmitted assets	\$ (14,961)	\$ (23,977)
Asset valuation reserve	(1,558,618)	(1,496,981)
Unrealized gain (loss) on common stocks (mutual funds)	(39,532)	52,131

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

Our audit was made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Association with the Division or the Annual Statement Instructions. Such information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
May 2, 2019

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA
For the Year Ended December 31, 2018

INVESTMENT INCOME EARNED

U.S. government bonds	\$ 784,660
Other bonds (unaffiliated)	10,958,219
Bonds of affiliates	-
Preferred stocks (unaffiliated)	-
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	26,131
Common stocks of affiliates	-
Mortgage loans	271,234
Real estate	240,000
Contract loans	387,931
Cash and cash equivalents	106,785
Derivative instruments	-
Other invested assets	99,006
Aggregate write-in for investment income	-
	-
Gross investment income	\$ 12,873,966

INVESTMENTS

Real estate owned, book value less encumbrances	\$ 1,001,328
Mortgage loans – book value:	
Farm mortgages	\$ -
Residential mortgages	-
Commercial mortgages	8,162,773
Total mortgage loans	\$ 8,162,773
Mortgage loans by standing – book value:	
Good standing	\$ 8,162,773
Good standing with restructured terms	-
Interest overdue more than 90 days, not in foreclosure	-
Foreclosure in process	-
	\$ 8,162,773
Other invested assets – statement value	\$ 1,766,564

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2018

INVESTMENTS

Bonds and stocks of parents, subsidiaries and affiliates – book value:

Bonds	\$ -
Preferred stocks	-
Common stocks	<u>5,000</u>
	<u>\$ 5,000</u>

Bonds and short-term investments by NAIC designation and maturity:

Bonds by maturity-statement value:

Due within 1 year or less	\$ 8,965,532
Over 1 year through 5 years	73,540,729
Over 5 years through 10 years	88,542,936
Over 10 years through 20 years	84,862,605
Over 20 years	<u>22,051,033</u>

Total by maturity \$ 277,962,835

Bonds by class – statement value:

Class 1	\$ 193,666,166
Class 2	80,037,973
Class 3	3,958,365
Class 4	57,837
Class 5	<u>242,494</u>

Total by class \$ 277,962,835

Total bonds publicly traded \$ 223,031,484

Total bonds privately placed \$ 54,931,351

Preferred stocks – statement value	\$ -
Common stocks – market value	660,409
Short-term investments – book value	-
Options, caps, and floors owned – statement value	-
Options, caps, and floors written and in-force – statement value	-
Collar, swap, and forward agreement open – statement value	-
Future contracts open – current value	-
Cash on deposit	339,051

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2018

INSURANCE IN-FORCE

Life insurance in-force:	
Ordinary	\$ 1,178,919,398
Supplementary contracts in-force:	
Ordinary, not involving life contingencies:	
Amount on deposit	1,853,683
Income payable	676,717
Ordinary, involving life contingencies, income payable	330,243
Annuities:	
Ordinary:	
Immediate, amount of income payable	259,046
Deferred, fully paid account balance	14,502,963
Deferred, not fully paid, account balance	98,149,290

OTHER

Deposit funds and dividend accumulations:	
Deposit funds, account balance	\$ 45,882
Dividend accumulations, account balance	4,309,674

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2018

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 301,909,674

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 FHLMC	Bonds	\$ 17,548,101	5.8%
2.02 FFCB	Bonds	\$ 10,925,931	3.6%
2.03 FNMA	Bonds	\$ 10,207,951	3.4%
2.04 FHLB	Bonds	\$ 5,893,490	2.0%
2.05 Becton Dickinson	Bonds	\$ 2,735,973	0.9%
2.06 Johnson (S.C.) & Son	Bonds	\$ 2,395,731	0.8%
2.07 Deere & Company	Bonds	\$ 2,066,595	0.7%
2.08 Trans-Canada Pipelines	Bonds	\$ 2,019,001	0.7%
2.09 Dept of Trans U.S. (Step up)	Bonds	\$ 2,000,000	0.7%
2.10 Michigan St	Bonds	\$ 1,998,303	0.7%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC – 1	\$ 193,666,166	64.1%	3.07 P/RP – 1	\$	%
3.02 NAIC – 2	\$ 80,037,973	26.5%	3.08 P/RP – 2	\$	%
3.03 NAIC – 3	\$ 3,958,365	1.3%	3.09 P/RP – 3	\$	%
3.04 NAIC – 4	\$ 57,837	0.0%	3.10 P/RP – 4	\$	%
3.05 NAIC – 5	\$ 242,493	0.1%	3.11 P/RP – 5	\$	%
3.06 NAIC – 6	\$	%	3.12 P/RP – 6	\$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes No

4.02 Total admitted assets held in foreign investments \$ 23,643,556 7.8%

4.03 Foreign-currency-denominated investments \$ %

4.04 Insurance liabilities denominated in that same foreign currency \$ %

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2018

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries rated NAIC – 1	\$ <u>23,420,246</u>	<u>7.8%</u>
5.02	Countries rated NAIC – 2	\$ _____	%
5.03	Countries rated NAIC – 3 or below	\$ <u>223,310</u>	<u>0.1%</u>

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

6.01	United Kingdom	\$ <u>7,365,169</u>	<u>2.4%</u>
6.02	Australia	\$ <u>4,730,000</u>	<u>1.6%</u>

Countries rated NAIC – 2

6.03		\$ _____	%
6.04		\$ _____	%

Countries rated NAIC – 3 or below

6.05	Barbados	\$ <u>223,310</u>	<u>0.1%</u>
6.06		\$ _____	%

7. Aggregate unhedged foreign currency exposure \$ _____ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries rated NAIC – 1	\$ _____	%
8.02	Countries rated NAIC – 2	\$ _____	%
8.03	Countries rated NAIC – 3 or below	\$ _____	%

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

Countries rated NAIC – 1

9.01		\$ _____	%
9.02		\$ _____	%

Countries rated NAIC – 2

9.03		\$ _____	%
9.04		\$ _____	%

Countries rated NAIC – 3 or below

9.05		\$ _____	%
9.06		\$ _____	%

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2018

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent
10.01 Astrazeneca	2FE	\$ 1,740,324	0.6%
10.02 Teva Pharmaceutical	3FE	\$ 1,710,598	0.6%
10.03 Siemens Financier	1FE	\$ 1,137,375	0.4%
10.04 Vodafone Group	2FE	\$ 1,002,882	0.3%
10.05 Hofer Financial Services	1PL	\$ 1,000,000	0.3%
10.06 SA Power Networks	1	\$ 1,000,000	0.3%
10.07 Firstgroup Plc	2Z	\$ 1,000,000	0.3%
10.08 SAP AG	1	\$ 1,000,000	0.3%
10.09 Triton Container Intl	2FE	\$ 785,714	0.3%
10.10 Phillips Electronics	2FE	\$ 774,203	0.3%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	\$ _____	_____ %
11.03 Canadian-currency-denominated investments	\$ _____	_____ %
11.04 Canadian-denominated insurance liabilities	\$ _____	_____ %
11.05 Unhedged Canadian currency exposure	\$ _____	_____ %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions	\$ _____	_____ %
Largest 3 investments with contractual sales restrictions:		
12.03 _____	\$ _____	_____ %
12.04 _____	\$ _____	_____ %
12.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2018

13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Assets held in equity interests:

13.02 _____	\$ _____	_____ %
13.03 _____	\$ _____	_____ %
13.04 _____	\$ _____	_____ %
13.05 _____	\$ _____	_____ %
13.06 _____	\$ _____	_____ %
13.07 _____	\$ _____	_____ %
13.08 _____	\$ _____	_____ %
13.09 _____	\$ _____	_____ %
13.10 _____	\$ _____	_____ %
13.11 _____	\$ _____	_____ %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities	\$ _____	_____ %
Largest 3 investments held in nonaffiliated, privately placed equities:		
14.03 _____	\$ _____	_____ %
14.04 _____	\$ _____	_____ %
14.05 _____	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION

INVESTMENT RISKS INTERROGATORIES

December 31, 2018

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

15.02 Aggregate statement value of investments held in general partnership interests \$ _____ %
Largest 3 investments held in general partnership interests:

15.03 _____ \$ _____ %

15.04 _____ \$ _____ %

15.05 _____ \$ _____ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 16.01 above is yes, responses are not required for the remainder of Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

16.02 Commercial	\$ 152,377	0.1%
16.03 Commercial	\$ 152,191	0.1%
16.04 Commercial	\$ 147,894	0.0%
16.05 Commercial	\$ 142,359	0.0%
16.06 Commercial	\$ 136,760	0.0%
16.07 Commercial	\$ 135,906	0.0%
16.08 Commercial	\$ 133,195	0.0%
16.09 Commercial	\$ 126,600	0.0%
16.10 Commercial	\$ 126,600	0.0%
16.11 Commercial	\$ 124,613	0.0%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans	\$ _____	_____ %
16.13 Mortgage loans over 90 days past due	\$ _____	_____ %
16.14 Mortgage loans in the process of foreclosure	\$ _____	_____ %
16.15 Mortgage loans foreclosed	\$ _____	_____ %
16.16 Restructured mortgage loans	\$ _____	_____ %

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2018

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	\$	%	\$	%	\$	%
17.02	91% to 95%	\$	%	\$	%	\$	%
17.03	81% to 90%	\$	%	\$	%	\$	%
17.04	71% to 80%	\$	%	\$ 1,147,763	0.4%	\$	%
17.05	below 70%	\$	%	\$ 7,015,010	2.3%	\$	%

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02	_____	\$	%
18.03	_____	\$	%
18.04	_____	\$	%
18.05	_____	\$	%
18.06	_____	\$	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans \$ _____ %

Largest three investments held in mezzanine real estate loans:

19.03	_____	\$	%
19.04	_____	\$	%
19.05	_____	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION

INVESTMENT RISKS INTERROGATORIES

December 31, 2018

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.02 Repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.03 Reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.04 Dollar repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.05 Dollar reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	\$ _____	% _____	\$ _____	% _____
21.01 Hedging	\$ _____	% _____	\$ _____	% _____
21.02 Income generation	\$ _____	% _____	\$ _____	% _____
21.03 Other	\$ _____	% _____	\$ _____	% _____

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE
December 31, 2018

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
1. Bonds:				
1.1 U.S. treasury securities	\$	%	\$	%
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	\$ 67,059	0.0%	\$ 67,059	0.0%
1.22 Issued by U.S. government-sponsored agencies	\$ 18,361,640	6.1%	\$ 18,361,640	6.1%
1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)	\$	%	\$	%
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 State, territory, and possession general obligations	\$ 6,137,387	2.1%	\$ 6,137,387	2.1%
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations	\$ 24,053,136	8.0%	\$ 24,053,136	8.0%
1.43 Revenue and assessment obligations	\$ 12,261,266	4.1%	\$ 12,261,266	4.1%
1.44 Industrial development and similar obligations	\$	%	\$	%
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	\$ 115,893	0.0%	\$ 115,893	0.0%
1.512 Issued or guaranteed by FNMA and FHLMC	\$ 1,961,352	0.7%	\$ 1,961,352	0.7%
1.513 All other	\$	%	\$	%
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC, or VA	\$ 44,120,189	14.8%	\$ 44,120,189	14.8%
1.522 Issued by non-U.S. government issuers and collateralized by MBS issued or guaranteed by agencies shown in Line 1.521	\$	%	\$	%
1.523 All other	\$ 2,020,350	0.7%	\$ 2,020,350	0.7%
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	\$ 140,821,539	47.2%	\$ 140,821,539	47.2%
2.2 Unaffiliated non-U.S. securities	\$ 28,043,024	9.4%	\$ 28,043,024	9.4%
2.3 Affiliated securities	\$	%	\$	%

WESTERN FRATERNAL LIFE ASSOCIATION
SUMMARY INVESTMENT SCHEDULE

December 31, 2018

	Gross Investment Holdings*		Admitted Assets as Reported In the Annual Statement**	
	Amount	Percentage	Amount	Percentage
3. Equity interests:				
3.1 Investments in mutual funds	\$ 660,409	0.2%	\$ 660,409	0.2%
3.2 Preferred stocks:				
3.21 Affiliated	\$	%	\$	%
3.22 Unaffiliated	\$	%	\$	%
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	\$	%	\$	%
3.32 Unaffiliated	\$	%	\$	%
3.4 Other equity securities:				
3.41 Affiliated	\$ 5,000	0.0%	\$	%
3.42 Unaffiliated	\$	%	\$	%
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	\$	%	\$	%
3.52 Unaffiliated	\$	%	\$	%
4. Mortgage loans:				
4.1 Construction and land development	\$	%	\$	%
4.2 Agricultural	\$	%	\$	%
4.3 Single family residential properties	\$	%	\$	%
4.4 Multifamily residential properties	\$	%	\$	%
4.5 Commercial loans	\$ 8,162,773	2.7%	\$ 8,162,773	2.7%
4.6 Mezzanine real estate loans	\$	%	\$	%
5. Real estate investments:				
5.1 Property occupied by company	\$ 1,001,328	0.3%	\$ 1,001,328	0.3%
5.2 Property held for production of income (includes \$_____ of property acquired in satisfaction of debt)	\$	%	\$	%
5.3 Property held for sale (including \$_____ property acquired in satisfaction of debt)	\$	%	\$	%
6. Contract loans	\$ 5,225,055	1.7%	\$ 5,225,055	1.7%
7. Derivatives	\$	%	\$	%
8. Receivables for securities	\$ 90,454	0.0%	\$ 90,454	0.0%
9. Securities lending	\$	%	\$	%
10. Cash, cash equivalents, and short-term investments	\$ 4,129,975	1.4%	\$ 4,129,975	1.4%
11. Other invested assets	\$ 1,766,564	0.6%	\$ 1,766,564	0.6%
12. Total invested assets	<u>\$ 299,004,393</u>	<u>100.0%</u>	<u>\$ 298,999,393</u>	<u>100.0%</u>

*Gross Investment Holdings as valued in compliance with NAIC *Accounting Practices & Procedures Manual*.

**The Association has no admitted assets in reinvested collateral related to securities lending.

WESTERN FRATERNAL LIFE ASSOCIATION

STATUTORY FINANCIAL STATEMENTS

December 31, 2019 and 2018



Strohm Ballweg

CPAs • ADVISORS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

We have audited the accompanying statutory financial statements of Western Fraternal Life Association (the Association), which are comprised of the statutory balance sheets as of December 31, 2019 and 2018, and the related statutory statements of operations, surplus, and cash flows for the years then ended, and the related notes to statutory financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Association in accordance with accounting practices prescribed or permitted by the Iowa Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the state of Iowa.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America have not been determined but are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Iowa Insurance Division described in Note 1.

Strohm Ballweg, LLP

Madison, Wisconsin
May 4, 2020

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY BALANCE SHEETS
December 31, 2019 and 2018

	2019	2018
ADMITTED ASSETS		
Cash and invested assets:		
Bonds	\$ 271,504,526	\$ 277,962,835
Common stocks (mutual funds)	850,902	660,409
Mortgage loans on real estate	12,865,985	8,162,773
Real estate occupied by the Association (net of accumulated depreciation of \$1,363,989 in 2019 and \$1,322,158 in 2018)	959,497	1,001,328
Cash and cash equivalents	7,185,654	4,129,975
Contract loans	5,239,963	5,225,055
Other invested assets	2,474,901	1,766,564
Receivables for securities	321,299	90,454
Cash and invested assets	301,402,727	298,999,393
Investment income due and accrued	2,614,081	2,767,001
Uncollected premiums	37,990	36,647
Electronic data processing equipment (net of accumulated depreciation of \$448,979 in 2019 and \$442,908 in 2018)	6,803	12,874
Reinsurance recoverable	4,673	93,759
Total admitted assets	\$ 304,066,274	\$ 301,909,674
LIABILITIES AND SURPLUS		
Liabilities:		
Aggregate reserve for life contracts	\$ 154,452,332	\$ 151,311,723
Aggregate reserve for annuity contracts	113,367,571	113,537,582
Liability for deposit-type contracts	6,593,531	6,774,761
Life contract claims payable	829,000	1,060,000
Refunds payable	710,000	700,000
Unearned and premiums received in advance	749,189	766,817
Commissions payable	28,000	41,000
Accounts payable and accrued expenses	225,600	264,100
Amounts withheld by the Association	823,307	525,337
Interest maintenance reserve	803,244	957,320
Remittances and items not allocated	75,246	104,220
Asset valuation reserve	1,873,227	1,558,618
Other liabilities	421,473	647,701
Total liabilities	280,951,720	278,249,179
Surplus	23,114,554	23,660,495
Total liabilities and surplus	\$ 304,066,274	\$ 301,909,674

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF OPERATIONS
Years Ended December 31, 2019 and 2018

	2019	2018
INCOME		
Life premiums	\$ 9,355,424	\$ 9,860,422
Annuity considerations	7,421,137	5,645,694
Considerations for supplementary contracts with life contingencies	38,883	491,405
Investment income (net of expenses of \$598,519 in 2019 and \$602,272 in 2018)	12,171,954	12,271,694
Amortization of interest maintenance reserve	183,164	221,770
Other income	16,879	21,965
Total income	29,187,441	28,512,950
BENEFITS		
Death	5,436,870	5,510,089
Matured endowments	276,745	95,362
Annuity	6,242,254	4,039,982
Disability	33,050	34,407
Surrender and withdrawals for life contracts	8,249,311	8,088,900
Interest on life contracts or deposit-type contracts	224,943	213,021
Payments on supplementary contracts with life contingencies	342,562	427,107
Increase in aggregate reserves for life contracts	3,305,887	4,529,208
Decrease in aggregate reserves for annuity contracts	(335,289)	(267,620)
Total benefits	23,776,333	22,670,456
OPERATING EXPENSES		
Commissions	1,040,149	1,209,397
General insurance and fraternal expenses	3,908,445	4,193,820
Insurance taxes, licenses, and fees	171,479	193,467
Increase (decrease) in loading on uncollected premiums	(4,414)	2,703
Total operating expenses	5,115,659	5,599,387
Net loss from operations before refunds to members and net realized capital losses	295,449	243,107
Refunds to members	697,825	652,894
Net loss from operations before net realized capital losses	(402,376)	(409,787)
Net realized capital losses	(4,116)	(10,239)
Net loss	\$ (406,492)	\$ (420,026)

See Notes to Statutory Financial Statements

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF SURPLUS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Surplus, beginning of year	<u>\$ 23,660,495</u>	<u>\$ 24,263,438</u>
Net loss	(406,492)	(420,026)
Change in net unrealized capital gains/losses	185,796	(91,663)
Change in nonadmitted assets	(16,274)	9,016
Change in asset valuation reserve	(314,609)	(61,637)
Change in postretirement benefit obligation	<u>5,638</u>	<u>(38,633)</u>
Net change in surplus	<u>(545,941)</u>	<u>(602,943)</u>
Surplus, end of year	<u>\$ 23,114,554</u>	<u>\$ 23,660,495</u>

WESTERN FRATERNAL LIFE ASSOCIATION
STATUTORY STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Cash from operations:		
Net premiums collected	\$ 16,801,855	\$ 15,970,493
Net investment income received	12,952,433	13,065,246
Other income received	16,879	21,965
Benefit related payments	(20,943,078)	(18,260,154)
Commissions and other expenses paid	(5,127,110)	(5,605,880)
Refunds paid to members	(687,825)	(697,894)
	3,013,154	4,493,776
Cash from investments:		
Proceeds from investments sold, matured, or repaid:		
Bonds	37,390,250	26,100,223
Mortgage loans	295,593	306,580
Other invested assets	12,393	-
Miscellaneous	-	54,446
	37,698,236	26,461,249
Cost of investments acquired:		
Bonds	(31,509,954)	(27,806,155)
Common stocks (mutual funds)	-	(199,898)
Real estate	-	(9,388)
Mortgage loans	(4,998,805)	(3,186,246)
Other invested assets	(750,000)	-
Miscellaneous	(230,845)	-
	(37,489,604)	(31,201,687)
Net (decrease) increase in contract loans	14,908	(92,491)
Net cash from investments	193,724	(4,647,947)
Cash flows from financing and miscellaneous sources:		
Net deposits on deposit-type contracts	(181,230)	(252,563)
Other cash provided	30,031	178,083
Net cash from financing and miscellaneous sources	(151,199)	(74,480)
Net change in cash and cash equivalents	3,055,679	(228,651)
Cash and cash equivalents, beginning of year	4,129,975	4,358,626
Cash and cash equivalents, end of year	\$ 7,185,654	\$ 4,129,975

See Notes to Statutory Financial Statements

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Western Fraternal Life Association (the Association), which currently operates in 18 states, is organized as a fraternal benefit society. The Association's principal operations consist of underwriting and servicing member life contracts and annuities and providing fraternal benefits.

A summary of the Association's significant accounting policies follows.

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Iowa Insurance Division (the Division). Prescribed statutory accounting practices include the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual*, which was adopted by the state of Iowa, as well as state insurance laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed. The Association had no such specifically permitted practices.

Statutory accounting practices vary in some respects from U.S. generally accepted accounting principles (GAAP). Such significant differences include the following:

- Investments in debt securities are generally carried at amortized cost. Under GAAP, the Association's debt securities would be classified as held-to-maturity, trading, or available-for-sale. For GAAP, debt securities classified as held-to-maturity would be carried at cost or amortized cost and debt securities classified as trading or available-for-sale would be carried at fair value with the unrealized holding gains and losses reported in income for those securities classified as trading and as a separate component of surplus for those securities classified as available-for-sale.
- Investments in equity securities are generally carried at fair value with unrealized holding gains and losses reported as a direct charge or credit to surplus. Under GAAP, the Association's equity securities would be carried at fair value with the unrealized holding gains and losses reported in income.
- An occupancy rental charge on real estate occupied by the Association is recorded as investment income and as offsetting rental expense; under GAAP, no such rental charge would be recognized.
- Acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred; under GAAP, these acquisition costs would be deferred and recognized as an expense over the periods covered by the contracts.
- Certain assets designated as "nonadmitted assets" (principally office furniture and equipment and non-operating system software) are charged against surplus; under GAAP, office furniture and equipment and non-operating system software would be recognized as assets net of accumulated depreciation and amortization.
- Assets and liabilities related to reinsurance ceded transactions are netted with respective accounts; under GAAP, reinsurance balances would be shown on a separate gross basis.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

- The interest maintenance and asset valuation reserves are required as discussed subsequently in this note; they would not be required under GAAP.
- Revenues for universal life and annuity contracts consist of the entire premiums received, and benefits incurred represent the total death benefits paid and the change in contract reserves. Under GAAP, revenues would include only charges for the cost of insurance, contract initiation and administration, surrender charges, and other fees that have been assessed against account values, and benefits represent the excess of benefits paid over the account value and interest credited to the account values.
- Contract reserves are based on statutory mortality and interest assumptions and without consideration of withdrawals, which may differ from reserves based on reasonably conservative estimates of mortality, interest, and withdrawals as they would be presented under GAAP.
- Refunds to members to be paid in the following year are reflected in the statements of operations for the current year. Under GAAP, refunds to members would be recognized as expense ratably over the contract year.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Association filed with the NAIC and state regulatory authorities, which differs from the presentation and disclosure of financial statements presented under GAAP.

The effects of these variances from GAAP on the accompanying statutory financial statements have not been determined.

Accounting Estimates. The preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to estimated life, annuity, and deposit-type contract reserves and the assumptions regarding other-than-temporary impairment (OTTI) analysis of the investment portfolio.

Cash and Cash Equivalents. For purposes of reporting cash flows, the Association follows statutory accounting practices and considers cash in checking accounts, saving accounts, and certain money market funds to be cash and cash equivalents. The Association occasionally has deposits in a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Association does not believe it is exposed to any significant credit risk on the amounts not insured.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Investments. Investments are valued in accordance with the valuation methods prescribed by the NAIC. Investments in bonds are carried at amortized cost using the scientific interest method; however, bonds with an NAIC designation of six are carried at the lower of amortized cost or fair value. Loan-backed (single class and multi-class mortgage-backed/asset-backed) securities are generally valued at amortized cost using the scientific interest method, including anticipated prepayments at the time of purchase; however, loan-backed securities with an initial NAIC designation of six are carried at the lower of amortized cost or fair value. Prepayment assumptions are obtained from brokers or are based on internal estimates. The retrospective adjustment method is used to value all such securities. Investments in common stocks (mutual funds) of unaffiliated companies are carried at fair value. The investment in an affiliated insurance agency is carried at equity value, which is \$5,000 and is subsequently nonadmitted. Mortgage loans and contract loans are carried at unpaid balances, which approximate fair value. Surplus debentures, which are classified as other invested assets, are carried at amortized cost using the scientific interest method.

Realized gains and losses on the sale of investments are recognized on the specific identification basis and are included in income. The treatment of realized gains and losses on the sale of bonds and other invested assets are further explained in the interest maintenance and asset valuation reserves paragraph of this note. Unrealized gains and losses from changes in the fair value of common stocks (mutual funds) are credited or charged directly to surplus.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Association has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Declines in fair value that are determined to be OTTI are included in the statutory statements of operations as realized capital losses. The Association determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective factors for each security, including the extent of the depressed value, the length of time the value has been depressed, the Association's intent and ability to hold the security, a security's current performance, the current and projected financial condition of the issuer, the issuer's projected ability to service and repay its debt obligations, the industry in which the issuer operates, the estimated future cash flows of loan-backed securities, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral, such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. There were no declines deemed other than temporary for the year ended December 31, 2019, and one decline of \$669 deemed other than temporary for the year ended December 31, 2018.

Property, Equipment, and Software. Real estate is recorded as an admitted asset at cost less accumulated depreciation and is presented as an investment. Electronic data processing equipment and operating system software are recorded as admitted assets at cost less accumulated depreciation and amortization.

Office furniture and equipment and non-operating system software are considered nonadmitted assets for statutory financial statement reporting purposes. Depreciation and amortization are calculated on these assets and charged to expense. The net change in book value (cost less depreciation and amortization) is charged or credited directly to surplus.

Depreciation is calculated by applying the straight-line method over the estimated useful lives of the respective assets. Depreciation expense was \$49,296 in 2019 and \$93,230 in 2018.

Interest Maintenance and Asset Valuation Reserves. The Interest Maintenance Reserve (IMR) captures the realized capital gains and losses that result from changes in the overall level of interest rates for fixed income investments and amortizes these gains and losses into income over the remaining life of the investments sold. The Asset Valuation Reserve is a contingency reserve for possible losses on investments in bonds, common stocks, mortgage loans, real estate, and other invested assets and is recorded as a liability through a charge to surplus.

Premium Revenue and Acquisition Costs. Premium revenue from term and whole life insurance is taken into earnings over the premium paying period of the contracts. Premium revenue from universal life insurance is taken into earnings when received. All life contracts are participating contracts. Annuity premium revenue is taken into earnings when received according to the annuity type, which may be one time for single premium annuities or ratably for annuities with flexible premium options. The related acquisition costs, such as salaries, commissions, and other items, are charged to current operations as incurred.

Reinsurance. In the normal course of business, the Association seeks to limit its exposure to loss on any single insured and to recover a portion of the benefits paid over such limits. This is accomplished primarily through cessions to reinsurers under yearly renewable term and coinsurance contracts. If any reinsurer becomes unable to pay its share of benefits, the Association would be liable for the remaining obligations.

Reinsurance premiums, expenses, and reserves related to reinsured business are accounted for on a basis consistent with that used for the original contracts issued and the terms of the reinsurance contract.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Contract Reserves. The aggregate reserve for life contracts was developed on the basis of statutory interest rates and mortality assumptions. These rates are calculated using mainly the 1941, 1958, 1980, 2001, and 2017 Commissioners Standard Ordinary Mortality Tables and Commissioners Extended Term Tables with assumed interest rates ranging from 2.5 percent to 5.0 percent. Reserves for annuities, supplementary contracts, and other benefits are computed in accordance with recognized and accepted mortality and morbidity tables. In the aggregate, the reserves set up by these methods provide reserves that are greater than or equal to the guaranteed certificate cash values or the amounts required by the Division.

The Association waives deduction of deferred fractional premiums upon death of insureds and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of legally computed reserves.

Contracts issued for substandard lives are charged an additional premium over the regular gross premium for the rated age. Substandard reserves are determined by computing the regular mid-terminal reserve for the plan at the rated age and holding, in addition to the unearned portion of the standard and extra gross premium for one year.

As of December 31, 2019 and 2018, the Association had \$14,284,235 and \$12,347,072, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard of calculation set by the Division. Reserves related to the above insurance totaled \$86,428 and \$72,539 at December 31, 2019 and 2018, respectively.

Tabular interest, tabular less actual reserve released, and tabular cost are determined by formula. The determination of tabular interest on deposit-type funds is validated by multiplying the valuation interest rate by the average funds in force during the year subject to such valuation interest rate.

Income Taxes. The Association, a fraternal benefit society, qualifies as a tax-exempt organization under Section 501(c)(8) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the financial statements.

Subsequent Events. Subsequent events were evaluated through May 4, 2020, which is the date the financial statements were available to be issued.

In early 2020, the World Health Organization declared the COVID – 19 (Coronavirus) outbreak to be a pandemic. The U.S. Government's response to the pandemic included significant limitations on many aspects of Americans' daily lives, including personal mobility and closures of many public facilities. These limitations have caused significant disruption to workflow for U.S. companies and also have negatively impacted the financial markets in the U.S. and around the globe. The Association has not made any adjustments to these financial statements as a result of this uncertainty.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 2 ~ Investments

The cost and fair value of investments at December 31, 2019 and 2018, were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>2019</u>				
Bonds (at amortized cost):				
U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 50,921	\$ 4,171	\$ -	\$ 55,092
Political subdivisions	21,884,541	1,226,053	(2,000)	23,108,594
Special revenue	20,621,864	1,167,366	(18,593)	21,770,637
Industrial and miscellaneous	174,286,044	12,554,603	(226,692)	186,613,955
Loan-backed securities	<u>54,661,156</u>	<u>2,609,866</u>	<u>(94,841)</u>	<u>57,176,181</u>
Total bonds	271,504,526	17,562,059	(342,126)	288,724,459
Common stocks (mutual funds)	699,941	151,956	(995)	850,902
Other invested assets	<u>2,474,901</u>	<u>168,318</u>	<u>-</u>	<u>2,643,219</u>
	<u>\$ 274,679,368</u>	<u>\$ 17,882,333</u>	<u>\$ (343,121)</u>	<u>\$ 292,218,580</u>

The cumulative unrealized loss of \$343,791 as of December 31, 2019, consisted of \$239,745 of unrealized losses on securities in such a position for greater than 12 months and \$104,046 of unrealized losses on securities in such a position for less than 12 months.

2018

Bonds (at amortized cost):

U.S. treasury securities and obligations of U.S. government corporations and agencies

U.S. treasury securities and obligations of U.S. government corporations and agencies	\$ 67,059	\$ 4,495	\$ -	\$ 71,554
Political subdivisions	30,190,523	844,318	(7,481)	31,027,360
Special revenue	30,622,903	679,460	(178,839)	31,123,524
Industrial and miscellaneous	165,596,891	2,692,568	(4,959,609)	163,329,850
Loan-backed securities	<u>51,486,128</u>	<u>1,273,661</u>	<u>(552,811)</u>	<u>52,206,978</u>
Total bonds	277,963,504	5,494,502	(5,698,740)	277,759,266
Common stocks (mutual funds)	699,941	2,635	(42,167)	660,409
Other invested assets	<u>1,766,564</u>	<u>63,780</u>	<u>-</u>	<u>1,830,344</u>
	<u>\$ 280,430,009</u>	<u>\$ 5,560,917</u>	<u>\$ (5,740,907)</u>	<u>\$ 280,250,019</u>

Note 2 ~ Investments (Continued)

The statement value of bonds is lower than the amortized cost by \$669 at December 31, 2018, due to unrealized losses on bonds rated six under the valuation methods prescribed by the NAIC.

The cumulative unrealized loss of \$5,740,907 as of December 31, 2018, consisted of \$3,626,520 of unrealized losses on securities in such a position for greater than 12 months and \$2,114,387 of unrealized losses on securities in such a position for less than 12 months.

The amortized cost and fair value of bonds as of December 31, 2019, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	\$ 5,102,126	\$ 5,158,029
Due after one year through five years	61,584,209	63,862,521
Due after five years through ten years	80,263,050	86,385,947
Due after ten years	124,555,141	133,317,962
	\$ 271,504,526	\$ 288,724,459

The Association is subject to a Minimum Reserve Deposit as required by the Iowa Administrative Code. All of the Association's bonds, stocks, and other invested assets are available to comply with this requirement.

Gains and Losses on Investments. The components of net realized capital losses were as follows:

	2019	2018
Gains	\$ 29,899	\$ 319,789
Losses	(4,927)	(14,945)
Transfers to IMR	(29,088)	(315,083)
Net realized capital losses	\$ (4,116)	\$ (10,239)

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Bonds: Comprised of actively traded U.S. Treasury notes. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Mutual funds: Comprised of exchange-traded mutual funds. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Association at the measurement date.

Note 2 ~ Investments (Continued)

Level 2 Measurements

Bonds and other invested assets: Comprised of government obligations, state and municipal bonds, corporate debt, residential and commercial mortgage-backed securities, other loan-backed securities, and surplus debentures. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Association uses a leading, nationally recognized provider of financial market data and analytics to price the Association's bond and surplus debenture holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

Financial Instruments Reported at Fair Value in the Statutory Balance Sheets

<u>Type of Financial Instrument</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Common stocks (mutual funds)	\$ 850,902	\$ -	\$ -	\$ 850,902
<u>December 31, 2018</u>				
Common stocks (mutual funds)	\$ 660,409	\$ -	\$ -	\$ 660,409

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 2 ~ Investments (Continued)

All Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Fair Value Not Practicable*
<u>December 31, 2019</u>						
Bonds	\$ 288,724,459	\$ 271,504,526	\$ -	\$ 288,724,459	\$ -	\$ -
Common stock (mutual funds)	850,902	850,902	850,902	-	-	-
Mortgage loans	12,865,985	12,865,985	-	-	-	12,865,985
Other invested assets	2,643,219	2,474,901	-	2,643,219	-	-
<u>December 31, 2018</u>						
Bonds	\$ 277,759,266	\$ 277,962,835	\$ -	\$ 277,759,266	\$ -	\$ -
Common stock (mutual funds)	660,409	660,409	660,409	-	-	-
Mortgage loans	8,162,773	8,162,773	-	-	-	8,162,773
Other invested assets	1,830,344	1,766,564	-	1,830,344	-	-

*It was not practicable to determine the fair value of these financial instruments because a quoted market price was not available and the cost of obtaining independent appraisals would be excessive.

The Association does not have any liabilities measured at fair value at December 31, 2019 and 2018.

Note 3 ~ Employee Retirement Plans

The Association sponsors a contributory profit-sharing plan covering its noncommissioned employees. The Association matches 100 percent of the employee's contributions to the plan up to a maximum contribution of 10 percent of the employee's annual earnings. The Association's contributions to the plan for the years ended December 31, 2019 and 2018, were \$170,669 and \$173,347, respectively.

The Association also sponsored a noncontributory defined contribution plan for its commissioned employees. The plan was terminated as of January 1, 2018, and no further contributions were made.

All of the Association's employee benefit plans are qualified under the Internal Revenue Code.

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 4 ~ Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

The withdrawal characteristics of annuity actuarial reserves and deposit-type contracts at December 31, 2019 and 2018, were as follows:

Individual Annuities

	2019		2018	
	Amount	Percent	Amount	Percent
Subject to discretionary withdrawal:				
At book value, less surrender charge of 5 percent or more	\$ 10,268,415	8.90%	\$ 7,704,426	6.27%
At book value, without adjustment	102,112,729	88.10	109,152,610	88.80
Not subject to discretionary withdrawal	3,428,389	3.00	6,062,547	4.93
 Total	 115,809,533	 <u>100.00%</u>	 122,919,583	 <u>100.00%</u>
 Reinsurance ceded	 -		 -	
 Net total	 \$ 115,809,533		 \$ 122,919,583	

Amount with surrender charge of 5 percent or more that will move into category of minimal or no adjustment within 1 year of the statement date \$ 1,201,753

Deposit-Type Contracts (No Life Contingencies)

	2019	
	Amount	Percent
Subject to discretionary withdrawal:		
At book value without adjustment (minimal or no charge or adjustment)	\$ 4,292,820	65.1%
Not subject to discretionary withdrawal	2,300,711	34.9
 Total	 \$ 6,593,531	 <u>100.00%</u>

WESTERN FRATERNAL LIFE ASSOCIATION
NOTES TO STATUTORY FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 5 ~ Analysis of Life Actuarial Reserves by Withdrawal Characteristics

	2019		
	<u>Account Value</u>	<u>Cash Value</u>	<u>Reserve</u>
Subject to discretionary withdrawal, surrender values, or policy loans:			
Term policies with cash value	\$ -	\$ 48,264	\$ 101,765
Universal life	4,200,639	4,058,101	4,124,824
Universal life with secondary guarantees	1,837,204	1,149,282	3,364,108
Other permanent cash value life insurance	41,000,611	130,362,074	141,006,828
Not subject to discretionary withdrawal or no cash values:			
Term policies without cash value	-	-	3,993,989
Accidental death benefits	-	-	70,657
Disability – active lives	-	-	346,254
Disability – disabled lives	-	-	439,136
Miscellaneous reserves	-	-	77,902
 Total	 47,038,454	 135,617,721	 153,525,463
 Reinsurance ceded	 -	 -	 1,515,093
 Net total	 <u>\$ 47,038,454</u>	 <u>\$ 135,617,721</u>	 <u>\$ 152,010,370</u>

Note 6 ~ Surplus

The Association files its Risk-Based Capital (RBC) calculation with the NAIC. The RBC standards establish uniform minimum capital requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2019, the Association's surplus exceeded the minimum levels required by RBC standards.

The Association's surplus was increased (reduced) by the following amounts at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Nonadmitted assets	\$ (31,235)	\$ (14,961)
Asset valuation reserve	(1,873,227)	(1,558,618)
Unrealized gain (loss) on common stocks (mutual funds)	146,264	(39,532)

**INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Western Fraternal Life Association
Cedar Rapids, Iowa

Our audit was made for the purpose of forming an opinion on the statutory financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the statutory financial statements. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. This information is presented in a format consistent with the Annual Statement filed by the Association with the Division or the Annual Statement Instructions. Such information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
May 4, 2020

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA
For the Year Ended December 31, 2019

INVESTMENT INCOME EARNED

U.S. government bonds	\$ 746,254
Other bonds (unaffiliated)	10,640,601
Common stocks (unaffiliated)	21,413
Mortgage loans	456,531
Real estate	240,000
Contract loans	385,860
Cash and cash equivalents	151,245
Other invested assets	<u>128,569</u>
Gross investment income	<u>\$ 12,770,473</u>

INVESTMENTS

Real estate owned, book value less encumbrances	<u>\$ 959,497</u>
Mortgage loans – book value:	
Commercial mortgages	<u>\$ 12,865,985</u>
Total mortgage loans	<u>\$ 12,865,985</u>
Mortgage loans by standing – book value:	
Good standing	<u>\$ 12,865,985</u>
	<u>\$ 12,865,985</u>
Other invested assets – statement value	<u>\$ 2,474,901</u>

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2019

INVESTMENTS

Bonds and stocks of parents, subsidiaries and affiliates – book value:

Bonds	\$ -
Preferred stocks	-
Common stocks	<u>5,000</u>
	<u>\$ 5,000</u>

Bonds and short-term investments by NAIC designation and maturity:

Bonds by maturity-statement value:

Due within 1 year or less	\$ 5,102,126
Over 1 year through 5 years	61,584,209
Over 5 years through 10 years	80,263,050
Over 10 years through 20 years	97,293,830
Over 20 years	<u>27,261,311</u>

Total by maturity \$ 271,504,526

Bonds by class – statement value:

Class 1	\$ 185,645,325
Class 2	81,028,970
Class 3	3,673,141
Class 4	269,618
Class 5	198,986
Class 6	<u>688,486</u>

Total by class \$ 271,504,526

Total bonds publicly traded \$ 213,210,366

Total bonds privately placed \$ 58,294,160

Common stocks – market value	\$ 850,902
Cash on deposit	242,742

WESTERN FRATERNAL LIFE ASSOCIATION
ANNUAL STATEMENT – SELECTED FINANCIAL DATA (Continued)
For the Year Ended December 31, 2019

INSURANCE IN-FORCE

Life insurance in-force:	
Ordinary	\$ 1,142,768,716
Supplementary contracts in-force:	
Ordinary, not involving life contingencies:	
Amount on deposit	1,820,661
Income payable	758,183
Ordinary, involving life contingencies, income payable	305,286
Annuities:	
Ordinary:	
Immediate, amount of income payable	246,846
Deferred, fully paid account balance	17,750,036
Deferred, not fully paid, account balance	94,596,072

OTHER

Deposit funds and dividend accumulations:	
Deposit funds, account balance	\$ 46,081
Dividend accumulations, account balance	4,246,739

WESTERN FRATERNAL LIFE ASSOCIATION
INVESTMENT RISKS INTERROGATORIES
December 31, 2019

1. Reporting entity's total admitted assets as reported on page two of the annual statement. \$ 304,066,274

2. Ten largest exposures to a single issuer/borrower/investment.

Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01 FHLMC	Bond	\$ 17,329,828	5.7%
2.02 FNMA	Bond	\$ 11,137,172	3.7%
2.03 FHLB	Bond	\$ 5,951,762	2.0%
2.04 FEDERAL FARM CREDIT BANK	Bond	\$ 5,012,177	1.6%
2.05 BECTON DICKINSON	Bond	\$ 2,685,827	0.9%
2.06 JOHNSON (S.C.) & SON	Bond	\$ 2,382,881	0.8%
2.07 MICROSOFT CORP	Bond	\$ 2,269,512	0.7%
2.08 DEERE & COMPANY	Bond	\$ 2,041,715	0.7%
2.09 DEPT OF TRANS U.S. (STEP UP)	Bond	\$ 2,000,000	0.7%
2.10 MICHIGAN STATE	Bond	\$ 1,998,394	0.7%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds			Preferred Stocks		
3.01 NAIC – 1	\$ 185,645,323	61.1%	3.07 P/RP – 1	\$	%
3.02 NAIC – 2	\$ 81,028,968	26.6%	3.08 P/RP – 2	\$	%
3.03 NAIC – 3	\$ 3,673,141	1.2%	3.09 P/RP – 3	\$	%
3.04 NAIC – 4	\$ 269,622	0.1%	3.10 P/RP – 4	\$	%
3.05 NAIC – 5	\$ 198,986	0.1%	3.11 P/RP – 5	\$	%
3.06 NAIC – 6	\$ 688,485	0.2%	3.12 P/RP – 6	\$	%

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes No

4.02 Total admitted assets held in foreign investments \$ 23,945,779 7.9%

4.03 Foreign-currency-denominated investments \$ %

4.04 Insurance liabilities denominated in that same foreign currency \$ %

(If response to 4.01 above is yes, responses are not required for Interrogatories 5-10.)

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5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

5.01	Countries rated NAIC – 1	\$ <u>23,762,461</u>	<u>7.8%</u>
5.02	Countries rated NAIC – 2	\$ _____	%
5.03	Countries rated NAIC – 3 or below	\$ <u>183,318</u>	<u>0.1%</u>

6. Largest foreign investment exposures by country, categorized by the country’s NAIC sovereign designation:

Countries rated NAIC – 1

6.01	UNITED KINGDOM	\$ <u>8,003,265</u>	<u>2.6%</u>
6.02	AUSTRALIA	\$ <u>4,793,170</u>	<u>1.6%</u>

Countries rated NAIC – 2

6.03		\$ _____	%
6.04		\$ _____	%

Countries rated NAIC – 3 or below

6.05	BARBADOS	\$ <u>183,318</u>	<u>0.1%</u>
6.06		\$ _____	%

7. Aggregate unhedged foreign currency exposure \$ _____ %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

8.01	Countries rated NAIC – 1	\$ _____	%
8.02	Countries rated NAIC – 2	\$ _____	%
8.03	Countries rated NAIC – 3 or below	\$ _____	%

9. Largest unhedged foreign currency exposures by country, categorized by the country’s NAIC sovereign designation:

Countries rated NAIC – 1

9.01		\$ _____	%
9.02		\$ _____	%

Countries rated NAIC – 2

9.03		\$ _____	%
9.04		\$ _____	%

Countries rated NAIC – 3 or below

9.05		\$ _____	%
9.06		\$ _____	%

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10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percent
10.01 ASTRAZENECA	2FE	\$ 1,732,305	0.6%
10.02 TEVA PHARMACEUTICAL	3FE	\$ 1,707,005	0.6%
10.03 SIEMENS FINANCIER	1FE	\$ 1,121,646	0.4%
10.04 VODAFONE GROUP	2FE	\$ 1,003,130	0.3%
10.05 FIRSTGROUP PLC	2	\$ 1,000,000	0.3%
10.06 HOFER FINANCIAL SERVICES	1PL	\$ 1,000,000	0.3%
10.07 SA POWER NETWORKS	1	\$ 1,000,000	0.3%
10.08 SAP AG	1	\$ 1,000,000	0.3%
10.09 PHILIPS ELECTRONICS	2FE	\$ 757,338	0.2%
10.10 DIAGEO CAPITAL	1FE	\$ 753,274	0.2%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.)

11.02 Total admitted assets held in Canadian investments	\$ _____	_____ %
11.03 Canadian-currency-denominated investments	\$ _____	_____ %
11.04 Canadian-denominated insurance liabilities	\$ _____	_____ %
11.05 Unhedged Canadian currency exposure	\$ _____	_____ %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restriction:

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.)

12.02 Aggregate statement value of investments with contractual sales restrictions	\$ _____	_____ %
Largest 3 investments with contractual sales restrictions:		
12.03 _____	\$ _____	_____ %
12.04 _____	\$ _____	_____ %
12.05 _____	\$ _____	_____ %

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13. Amounts and percentages of admitted assets held in the largest 10 equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13.)

Assets held in equity interests:

13.02 _____	\$ _____	_____ %
13.03 _____	\$ _____	_____ %
13.04 _____	\$ _____	_____ %
13.05 _____	\$ _____	_____ %
13.06 _____	\$ _____	_____ %
13.07 _____	\$ _____	_____ %
13.08 _____	\$ _____	_____ %
13.09 _____	\$ _____	_____ %
13.10 _____	\$ _____	_____ %
13.11 _____	\$ _____	_____ %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 14.01 above is yes, responses are not required for the remainder of Interrogatory 14.)

14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities \$ _____ %
Largest 3 investments held in nonaffiliated, privately placed equities:

14.03 _____	\$ _____	_____ %
14.04 _____	\$ _____	_____ %
14.05 _____	\$ _____	_____ %

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15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.)

15.02 Aggregate statement value of investments held in general partnership interests \$ _____ %
Largest 3 investments held in general partnership interests:

15.03 _____ \$ _____ %

15.04 _____ \$ _____ %

15.05 _____ \$ _____ %

16. Amounts and percentages of the reporting entity's total admitted assets held in the largest 10 mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 16.01 above is yes, responses are not required for the remainder of Interrogatories 16 and 17.)

Total admitted assets held in Mortgage Loans:

16.02 COMMERCIAL	\$ 148,736	0.0%
16.03 COMMERCIAL	\$ 148,601	0.0%
16.04 COMMERCIAL	\$ 144,353	0.0%
16.05 COMMERCIAL	\$ 139,171	0.0%
16.06 COMMERCIAL	\$ 135,664	0.0%
16.07 COMMERCIAL	\$ 133,060	0.0%
16.08 COMMERCIAL	\$ 130,142	0.0%
16.09 COMMERCIAL	\$ 130,078	0.0%
16.10 COMMERCIAL	\$ 128,332	0.0%
16.11 COMMERCIAL	\$ 126,000	0.0%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans	\$ _____	_____ %
16.13 Mortgage loans over 90 days past due	\$ _____	_____ %
16.14 Mortgage loans in the process of foreclosure	\$ _____	_____ %
16.15 Mortgage loans foreclosed	\$ _____	_____ %
16.16 Restructured mortgage loans	\$ _____	_____ %

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17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
17.01	Above 95%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.02	91% to 95%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.03	81% to 90%	\$ _____	% _____	\$ _____	% _____	\$ _____	% _____
17.04	71% to 80%	\$ 812,592	0.3%	\$ _____	% _____	\$ _____	% _____
17.05	below 70%	\$ 12,053,393	4.0%	\$ _____	% _____	\$ _____	% _____

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported in less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.)

Assets held in the 5 Largest Real Estate Holdings:

18.02	_____	\$ _____	% _____
18.03	_____	\$ _____	% _____
18.04	_____	\$ _____	% _____
18.05	_____	\$ _____	% _____
18.06	_____	\$ _____	% _____

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes No
(If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.)

19.02 Aggregate statement value of investments held in mezzanine loans \$ _____ %

Largest three investments held in mezzanine real estate loans:

19.03	_____	\$ _____	% _____
19.04	_____	\$ _____	% _____
19.05	_____	\$ _____	% _____

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20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.02 Repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.03 Reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.04 Dollar repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____
20.05 Dollar reverse repurchase agreements	\$ _____	% _____	\$ _____	\$ _____	\$ _____

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	\$ _____	% _____	\$ _____	% _____
21.01 Hedging	\$ _____	% _____	\$ _____	% _____
21.02 Income generation	\$ _____	% _____	\$ _____	% _____
21.03 Other	\$ _____	% _____	\$ _____	% _____

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
22.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
22.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End		At End of Each Quarter		
			1 st Qtr	2 nd Qtr	3 rd Qtr
23.01 Hedging	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.02 Income generation	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.03 Replications	\$ _____	% _____	\$ _____	\$ _____	\$ _____
23.04 Other	\$ _____	% _____	\$ _____	\$ _____	\$ _____

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	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement*	
	Amount	Percentage	Amount	Percentage
1. Long-Term Bonds (Schedule D, Part 1):				
1.01 U.S. Governments	\$ 22,114,554	7.3%	\$ 22,114,554	7.3%
1.02 All Other Governments	\$	%	\$	%
1.03 U.S. States, Territories and Possessions, etc. Guaranteed	\$ 6,108,061	2.0%	\$ 6,108,061	2.0%
1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	\$ 15,776,480	5.2%	\$ 15,776,480	5.2%
1.05 U.S. Special Revenue and Special Assessment Obligations, etc. Non-Guaranteed	\$ 48,548,835	16.1%	\$ 48,548,835	16.1%
1.06 Industrial and Miscellaneous	\$ 178,956,596	59.5%	\$ 178,956,596	59.5%
1.07 Hybrid Securities	\$	%	\$	%
1.08 Parent, Subsidiaries and Affiliates	\$	%	\$	%
1.09 SVO Identified Funds	\$	%	\$	%
1.10 Bank Loans	\$	%	\$	%
1.11 Total Long-Term Bonds	<u>\$ 271,504,526</u>	<u>90.1%</u>	<u>\$ 271,504,526</u>	<u>90.1%</u>
2. Preferred Stocks (Schedule D, Part 2, Section 1):				
2.01 Industrial and Miscellaneous (Unaffiliated)	\$	%	\$	%
2.02 Parent, Subsidiaries and Affiliates	\$	%	\$	%
2.03 Total Preferred Stocks	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
3. Common Stocks (Schedule D, Part 2, Section 2):				
3.01 Industrial and Miscellaneous Publicly Traded (Unaffiliated)	\$	%	\$	%
3.02 Industrial and Miscellaneous Other (Unaffiliated)	\$	%	\$	%
3.03 Parent, Subsidiaries and Affiliates Publicly Traded	\$	%	\$	%
3.04 Parent, Subsidiaries and Affiliates Other	\$ 5,000	0.0%	\$	%
3.05 Mutual Funds	\$ 850,902	0.3%	\$ 850,902	0.3%
3.06 Unit Investment Trusts	\$	%	\$	%
3.07 Closed-end Funds	\$	%	\$	%
3.08 Total Common Stocks	<u>\$ 855,902</u>	<u>0.3%</u>	<u>\$ 850,902</u>	<u>0.3%</u>
4. Mortgage Loans (Schedule B):				
4.01 Farm Mortgages	\$	%	\$	%
4.02 Residential Mortgages	\$	%	\$	%
4.03 Commercial Mortgages	\$ 12,865,985	4.3%	\$ 12,865,985	4.3%
4.04 Mezzanine Real Estate Loans	\$	%	\$	%
4.05 Total Mortgage Loans	<u>\$ 12,865,985</u>	<u>4.3%</u>	<u>\$ 12,865,985</u>	<u>4.3%</u>

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	Gross Investment Holdings		Admitted Assets as Reported In the Annual Statement*	
	Amount	Percentage	Amount	Percentage
5. Real Estate (Schedule A):				
5.01 Properties Occupied by Company	\$ 959,497	0.3%	\$ 959,497	0.3%
5.02 Properties Held for Production of Income	\$	%	\$	%
5.03 Properties Held for Sale	\$	%	\$	%
5.04 Total Real Estate	<u>\$ 959,497</u>	<u>0.3%</u>	<u>\$ 959,497</u>	<u>0.3%</u>
6. Cash, Cash Equivalents and Short-Term Investments:				
6.01 Cash (Schedule E, Part 1)	\$ 242,742	0.1%	\$ 242,742	0.1%
6.02 Cash Equivalents (Schedule E, Part 2)	\$ 6,942,912	2.3%	\$ 6,942,912	2.3%
6.03 Short-Term Investments (Schedule DA)	\$	%	\$	%
6.04 Total Cash, Cash Equivalents and Short-Term Investments	<u>\$ 7,185,654</u>	<u>2.4%</u>	<u>\$ 7,185,654</u>	<u>2.4%</u>
7. Contract Loans	\$ 5,239,963	1.7%	\$ 5,239,963	1.7%
8. Derivatives (Schedule DB)	\$	%	\$	%
9. Other Invested Assets (Schedule BA)	\$ 2,474,901	0.8%	\$ 2,474,901	0.8%
10. Receivables for Securities	\$ 321,299	0.1%	\$ 321,299	0.1%
11. Securities Lending (Schedule DL, Part 1)	\$	%	\$	%
12. Other Invested Assets	\$	%	\$	%
13. Total Invested Assets	<u>\$ 301,407,727</u>	<u>100.0%</u>	<u>\$ 301,402,727</u>	<u>100.0%</u>

*The Association has no admitted assets in securities lending reinvested collateral.