

Combined Report of the Examination of
The Northwestern Mutual Life Insurance Company and its Subsidiaries
Milwaukee, Wisconsin
As of December 31, 2022

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February 29, 2024

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of the following Wisconsin-domiciled life, accident, and health insurance companies, hereinafter referred to as the "Group":

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY
NORTHWESTERN MUTUAL LONG TERM CARE INSURANCE COMPANY
WYSH LIFE AND HEALTH INSURANCE COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of The Northwestern Mutual Life Insurance Company (NML) and Northwestern Mutual Long Term Care Insurance Company (NLTC) was conducted in 2018 as of December 31, 2017. Wysh Life and Health Insurance Company (Wysh) was acquired by NML in April 2021, and redomiciled from Arizona to Wisconsin in April 2021. The previous examination of Wysh was conducted by the Arizona Department of Insurance in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the Group included the following companies:

Company	State
The Northwestern Mutual Life Insurance Company	Wisconsin
Northwestern Long Term Care Insurance Company	Wisconsin
Wysh Life and Health Insurance Company	Wisconsin

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the Group were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the Group's operations accorded a high priority by the examiner-in-charge when planning the examination.

The Group is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Certain financial data in this report is rounded to the nearest thousand which may cause slight rounding differences for the totals. The report discloses which numbers are rounded.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Wisconsin Office of the Commissioner of Insurance (OCI). The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy

analysis, and deferred life insurance premiums. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

Investment Review

The Capital Markets Bureau of the NAIC was engaged by the OCI to perform a review of the Group's invested assets portfolio as of December 31, 2022. The results of that review were reported to the examiner-in-charge. As deemed appropriate, the review's findings are referenced in this report.

II. HISTORY AND PLAN OF OPERATION

The Northwestern Mutual Life Insurance Company

The Northwestern Mutual Life Insurance Company (NML) owns 100% interest in Northwestern Long Term Care Insurance Company (NLTC) and Wysh Life and Health Insurance Company (Wysh). NML was organized in 1857 as The Mutual Life Insurance Company of the State of Wisconsin. The name was changed in 1865 to the current name.

In 2022, NML collected direct premium in the following states:

California	\$ 1,266,348,301	7.3%
Florida	1,237,081,819	7.1
New York	1,176,962,120	6.8
Texas	1,155,498,588	6.7
Illinois	1,154,657,766	6.7
Wisconsin	791,941,899	4.6
Georgia	661,229,043	3.8
Pennsylvania	572,959,016	3.3
Minnesota	547,374,164	3.2
New Jersey	520,129,674	3.0
All others	<u>8,264,352,491</u>	<u>47.6</u>
Total	<u>\$22,222,929,883</u>	<u>100.0%</u>

NML is licensed and wrote business in all 50 states and the District of Columbia. The major product marketed by NML is ordinary life insurance written on a participating basis. Other products include individual annuities, disability income insurance, variable life insurance, and variable annuities. In addition, NML offers CompLife, which combines a basic amount of whole life, plus extra protection consisting of one-year term insurance and paid-up additions provided by policy dividends. The major products are marketed through NML's career agent distribution system.

Northwestern Long Term Care Insurance Company

NLTC was organized in Illinois in 1953 as the Poulsen Insurance Company of America. In 1969, the Standard of America Financial Corporation, a Delaware corporation, acquired the company and changed its name to the Standard of America Life Insurance Company. In 1977, the Sundstrand Corporation, a Delaware corporation, acquired the company. In 1982, NML acquired the company by purchasing all of its outstanding shares from Sundstrand Corporation. Effective October 10, 1997, the company redomesticated from Illinois to Wisconsin and the company's name was changed to its current name.

In 2022, NLTC collected direct premium in the following states:

Illinois	\$ 57,247,847	7.0%
Florida	56,114,945	6.9
California	51,191,607	6.3
Wisconsin	47,629,986	5.8
New York	45,457,423	5.6
Texas	38,845,567	4.7
North Carolina	34,197,702	4.2
Minnesota	32,932,157	4.0
Ohio	29,269,919	3.6
Georgia	26,428,307	3.2
All others	<u>398,653,617</u>	<u>48.7</u>
Total	<u>\$817,969,077</u>	<u>100.0%</u>

NLTC is licensed and wrote business in all 50 states and the District of Columbia. Prior to August 1998, NLTC's insurance business consisted of paying benefits on supplementary contracts purchased by contract owners from NLTC prior to 1996. In August 1998, NLTC began selling its first long-term care insurance product, QuietCare RR. NLTC reinsured 80% of this business in order to limit its exposure to loss on any single insured and to recover a portion of benefits paid. New long-term care insurance products were introduced in 2002, QuietCare RS, and in 2010, QuietCare TT. In July 2012, NLTC announced the suspension of the lifetime benefit period and limited payment options for all new sales and policy changes beginning August 24, 2012, for its long-term care products in response to the historically low-interest rate environment and updated industry morbidity information. NML made a capital contribution to NLTC of \$300 million in 2012.

In 2015, NLTC introduced QuietCare UU, which was priced on a gender-distinct basis to reflect the differences in anticipated claim costs. A repriced QuietCare UU product was introduced in 2016 and is the current product for new sales.

Implementation of an in-force premium rate increase for QuietCare RR, RS, and TT2010 series policies began in approved states in 2017 with rate increases ranging from 10% for a three-year benefit period to 30% for a lifetime benefit period. Policyholders were given the option to offset the rate increase by decreasing coverage if desired. Also in 2017, the company raised the minimum age of purchase from 18 to 30 and made modifications to certain underwriting requirements. Policyholder dividends have also been reduced in recent periods, with NLTC paying no policyholder dividends during the period of the examination.

NLTC has no employees and distributes policies exclusively through NML’s career agent distribution system. NLTC has contracted with NML for management and all administrative services. See the “Affiliated Companies” section of this report for information on the contract with NML.

Wysh Life and Health Insurance Company

Wysh was organized in Arizona in 1972 as the National Teachers Life Insurance Company and in 1988 changed its name to Advanta Life Insurance Company. In 1998, it merged with its formerly wholly owned subsidiaries, Direct National Life Insurance Company and TSO National Life Insurance Company. In 2010, the company was acquired by Prosperity Life Insurance Group, Inc., and changed its name to United Prosperity Life Insurance Company and again changed its name to Smart Insurance Company in 2012. In 2013, the company was acquired by Smart Insurance Group Holdings, Inc. In 2018, the company was acquired by Reinsurance Company of Missouri and changed its name to Greenhouse Life Insurance Company. In April 2021, the company was acquired by NML as a shell, the company was redomesticated from Arizona to Wisconsin, and the company’s name was changed to its current name.

In 2022, Wysh collected direct premium in the following states:

Texas	\$ 49,129	35.2%
Maryland	10,838	7.8
Colorado	9,987	7.1
All other	<u>69,773</u>	<u>49.9</u>
Total	<u>\$139,718</u>	<u>100.0%</u>

Wysh is licensed in 41 states and the District of Columbia and wrote business in 33 states and the District of Columbia. As of the report of examination date the company writes term life insurance, accidental death insurance, and blanket life insurance sold to financial institutions that provide a small death benefit for each deposit account holder. Individual products are marketed using a digital platform and distributed in a direct-to-consumer model.

Wysh has no employees. Wysh has contracted with NML and its service affiliates for management and all administrative services. See the “Affiliated Companies” section of this report for information on the contract with NML.

The following table is a summary of the net insurance premiums written by the Group in 2022. The growth of the Group is discussed in the “Financial Data” section of this report.

Premium Income (in thousands)				
Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Individual				
Life insurance	\$18,705,511	\$0	\$ 994,427	\$17,711,084
Annuities	1,957,558			1,957,558
Long term care and other	2,240,805		2,692	2,238,113
Group				
Annuities	164,749			164,749
Accident and health	121,315		49,361	71,954
Life insurance	<u>13,105</u>	<u>—</u>	<u>5,523</u>	<u>7,582</u>
Total Premium Income	<u>\$23,203,043</u>	<u>\$0</u>	<u>\$1,052,003</u>	<u>\$22,151,040</u>

III. MANAGEMENT AND CONTROL

Board of Trustees

NML's bylaws allow for a minimum of nine and a maximum of 20 members on the board of trustees. Currently, the board of trustees consists of 15 members who are elected at the annual meeting of policyholders. The four-year terms of the trustees are staggered so that the policyholders elect approximately one-fourth of the board each year. Members of the company's board of trustees may also be members of other boards in the holding company group.

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

Name and Residence	Principal Occupation	Term Expires
Anne F. Ackerley New York, New York	Managing Director Blackrock Retirement Group	2024
Nicholas E. Brathwaite San Francisco, California	Founding Managing Partner Celesta Capital	2025
P. Russell Hardin Atlanta, Georgia	President Robert W. Woodruff Foundation	2024
Andrew J. Harmening Milwaukee, Wisconsin	President and Chief Executive Officer Associated Bank	2024
David P. Hollander Haverford, Pennsylvania	Retired Principal, Global Insurance Leader Ernst & Young, LLP – Philadelphia, PA	2026
Randolph W. Melville Plano, Texas	Retired Senior Vice President and General Manager West Division Frito-Lay North America	2024
Jaime Montemayor Minneapolis, Minnesota	Chief Digital and Technology Officer General Mills, Inc.	2026
Timothy H. Murphy Purchase, New York	Chief Administrative Officer Mastercard, Inc.	2027
Andrew N. Nunemaker Milwaukee, Wisconsin	Chief Executive Officer Groupware Technologies	2026
Anne M. Paradis Sunderland, Maryland	Retired Chief Executive Officer MicroTek, Inc.	2025
Sandra R. Rogers Scottsdale, Arizona	Retired Vice President – Supply Chain Hillrom	2027
John E. Schlifske Milwaukee, Wisconsin	Chairman and Chief Executive Officer The Northwestern Mutual Life Insurance Company	2025

Name and Residence	Principal Occupation	Term Expires
Aarti S. Shah Carmel, Indiana	Retired Senior Vice President – Chief Information and Digital Officer Eli Lilly	2025
Ralph A. Weber Milwaukee, Wisconsin	Acting General Counsel Marquette University	2024
Juan C. Zarate Washington, DC	Global Co-Managing Partner and Chief Strategy Officer K2 Integrity	2027

Officers of the Company

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

Name	Office
John E. Schlifske	Chairman and Chief Executive Officer
Timothy J. Gerend	President
Aditi J. Gokhale	Executive Vice President, Chief Strategy Officer and Head of Retail and Institutional Investments
Todd M. Jones	Executive Vice President and Chief Financial Officer
Raymond J. Manista	Executive Vice President, Chief Legal Officer, Chief Compliance Officer and Secretary
Christian W. Mitchell	Executive Vice President and Chief Customer Officer
John C. Roberts	Executive Vice President and Chief Distribution Officer
Don J. Robertson	Executive Vice President and Chief Human Resources Officer
Jeffrey D. Sippel	Executive Vice President and Chief Information Officer
Kamilah D. Williams-Kemp	Executive Vice President and Chief Insurance Officer

Committees of the Board

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

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

Audit Committee

Juan C. Zarate, Chairperson
David P. Hollander
Timothy H. Murphy
Andrew N. Nunemaker
Sandra R. Rogers
Aarti S. Shah

Distribution and Technology Committee

Jaime Montemayor, Chairperson
David P. Hollander
Randolph W. Melville
Anne M. Paradis
Sandra R. Rogers
Aarti S. Shah
Juan C. Zarate

Executive Committee

John E. Schlifske, Chairperson
Nicholas E. Brathwaite
P. Russell Hardin
Jaime Montemayor
Ralph A. Weber
Juan C. Zarate

Finance Committee

Nicholas E. Brathwaite, Chairperson
P. Russell Hardin
Timothy H. Murphy
Andrew N. Nunemaker
John E. Schlifske
Ralph A. Weber

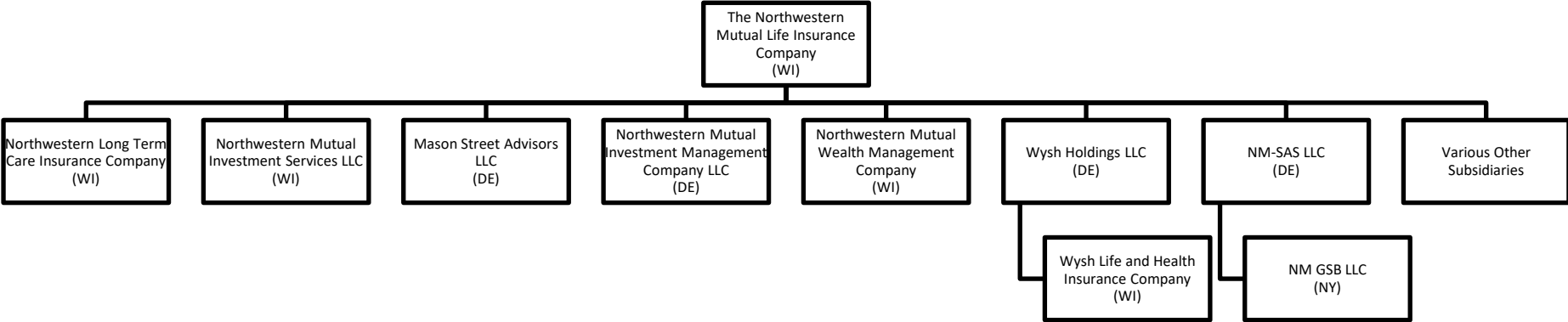
**Human Resources, Nominating and
Corporate Governance Committee**

Ralph A. Weber, Chairperson
Nicholas E. Brathwaite
P. Russell Hardin
Randolph W. Melville
Jaime Montemayor
Anne M. Paradis

IV. AFFILIATED COMPANIES

NML, NLTC, and Wysh are members of a holding company system which includes over 130 entities. An abbreviated organizational chart below depicts the relationships among the affiliates in the Group. A brief description of affiliates deemed significant to the examination follows the organizational chart.

**Organizational Chart
As of December 31, 2022**



Northwestern Long Term Care Insurance Company (NLTC)

Pursuant to the introduction of NLTC's QuietCare long-term care product, NML and NLTC executed two agreements. Effective January 1, 1998, NML and NLTC entered into a Product and General Service Agreement, which replaced a previous service agreement. Under the terms of the current agreement, NML agreed to contribute to NLTC the long-term care product developed by NML at an amount that reflects NML's actual development expense. NLTC reported this transaction as a capital contribution. NLTC then expensed the development costs and non-admitted the related software. No goodwill was carried as a result of the transaction. In addition to the contribution of the product, NML agreed to provide all requested services including legal, accounting, investment, marketing, and information technology services as necessary for NLTC's operation. Reimbursement to NML for these services is based on actual expenses incurred and allocation of shared costs based on the number of employee hours of service provided to each entity. The agreement also provides that, rather than direct reimbursement from NLTC for future services, NML may choose to have its capital investment in NLTC increased by the value of the services rendered. The option was exercised for start-up costs incurred prior to the product's introduction in August 1998. Beginning in September 1998, NLTC began reimbursing NML for administrative expenses. In 2022, expense reimbursements paid by NLTC to NML under the Product and General Service Agreement were \$38 million.

Effective April 29, 1998, NML and NLTC entered into a Capital Support Agreement and Guarantee of Benefits under which NML agrees to maintain the capital and surplus of NLTC at a level that is greater than the lesser of a) 30% of earned premium plus 5% of the value of total net reserves, or b) 150% of the NAIC Risk-Based Capital (RBC) requirements applicable to NLTC. NML also guarantees to the policyholders of NLTC the ability of NLTC to pay all policy benefits due on contracts of insurance sold by NLTC during the term of the agreement. Effective September 18, 2012, NML and NLTC amended the agreement to extend the term to December 31, 2017, or at such time as NML has invested a total of \$800 million in NLTC. Effective December 31, 2017, NML and NLTC amended the agreement to extend the term to December 31, 2022, or at such time as NML has invested a total of \$200 million in NLTC. Effective August 31, 2020, NML and NLTC amended the agreement to extend the term to December 31, 2025, or 90 days after NML has invested a total of \$300 million in NLTC. As of December 31, 2022, NML

contributed an aggregate of \$230 million to NLTC. The guarantee to policyholders of NLTC survives the termination of the agreement.

Effective October 1, 2014, NLTC and NML entered into a reinsurance agreement under which NML assumed 100% of the risks associated with the NLTC's long-term care business in force, apart from the long-term care business already reinsured by Munich American Reassurance Company (MARC). The agreement also provides 100% automatic reinsurance on all new long-term care business issued by NLTC subsequent to the effective date of the agreement. As a result of this agreement, assets, liabilities, policyholder surplus, and net premium of NLTC declined substantially in 2014. In April 2017, NLTC and MARC reached an agreement to fully commute (or recapture) the long-term care business which NLTC had previously ceded to MARC, effective January 1, 2017. NLTC and NML amended their existing automatic coinsurance agreement and reinsured 100% of the recaptured long-term care business with NML, effective January 1, 2017. As a result, NML now reinsures all of NLTC's long-term care business. The only remaining obligations of NLTC consist of a small block of supplementary contracts with life contingencies, a product that is no longer actively being sold, and deposit funds related to long-term care policy owner refunds. In 2022, premium revenue and benefit expense assumed by NML under the under the reinsurance agreement were \$840 million and \$771 million, respectively.

NLTC is party to a consolidated federal tax agreement with NML and certain of its subsidiaries. NML, as the filer of a consolidated federal income tax return, collects from or refunds to those subsidiaries their share of consolidated federal income taxes as determined pursuant to the agreement. This generally requires the parties to determine their share of consolidated tax payments or refunds as if each subsidiary filed a separate federal income tax return on a stand-alone basis.

As of December 31, 2022, NLTC had approximately 271 thousand policies in force and their statutory annual statements reported net admitted assets of \$338 million, liabilities of \$103 million, and policyholders' surplus of \$235 million. Operations for 2022 produced an earned net income of \$9.1 million.

Wysh Life and Health Insurance Company (Wysh)

Wysh was acquired in 2021 and redomesticated from Arizona to Wisconsin the same year. During the examination period, Wysh wrote life insurance products marketed through a digital platform and distributed through a direct-to-consumer model.

Effective April 1, 2021, NML and Wysh entered into a General Services Agreement with NML and NML subsidiary NM GSB, LLC, also known as String + Key (S&K). Under the terms of the agreement, NML and S&K provide certain management, administrative, compliance, legal, marketing, actuarial management, and other services to Wysh. In 2022, Wysh paid \$12 million to S&K and \$504 thousand to NML under the General Services Agreement for services provided to Wysh by each entity.

Wysh is party to a consolidated federal tax agreement with NML and certain of its subsidiaries. NML, as the filer of a consolidated federal income tax return, collects from or refunds to those subsidiaries their share of consolidated federal income taxes as determined pursuant to the agreement. This generally requires the parties to determine their share of consolidated tax payments or refunds as if each subsidiary filed a separate federal income tax return on a stand-alone basis.

As of December 31, 2022, Wysh had approximately 510 policies in-force and their statutory annual statements reported net admitted assets of \$63 million, liabilities of \$3 million, and policyholders' surplus of \$60 million. Operations for 2022 produced earned net loss of \$16 million.

Northwestern Mutual Investment Services LLC (NMIS)

NMIS is a wholly owned subsidiary of NML. NMIS is a Securities and Exchange Commission (SEC) registered broker-dealer and investment adviser and a member of the Financial Industry Regulatory Authority (FINRA) offering investment products and services to clients of Northwestern Mutual companies. NMIS is the principal underwriter and distributor of NML's variable annuity and variable life insurance products and is the principal underwriter and distributor of the Column Funds proprietary mutual funds.

Effective May 6, 2006, NMIS and NML entered into a distribution agreement related to services involving the distribution of NML's variable annuity and life insurance products that are supported by assets held in NML's separate accounts. Under this agreement, NMIS acts in an agency capacity as principal underwriter and selling broker-dealer for those lines of business. The distribution agreement also

sets the terms under which NMIS selects, trains, and supervises the financial representatives who sell variable annuities and variable life insurance. NML pays an annual fee to NMIS based on expenses incurred by NMIS in performing these services. In 2022, NML paid NMIS fees of \$8 million for its services.

Effective January 1, 2002, NML and NMIS entered into a master service agreement. Under the agreement, NML provides NMIS with certain administrative services and support with respect to NMIS broker-dealer and investment advisory business and grants NMIS the right to use certain equipment and facilities. The agreement term is one year, with automatic renewal for successive one-year terms unless one party gives 90 days' prior written notice of non-renewal. NML is reimbursed for these services and facilities based on either expenses incurred or an allocation of expenses, as defined in the agreement. In 2022, NMIS paid \$51 million to NML for applicable services and facilities fees.

As of December 31, 2022, the audited financial statements of NMIS reported assets of \$223 million, liabilities of \$53 million, and member's equity of \$170 million. Operations for 2022 produced a net income of \$208 million.

Mason Street Advisors, LLC (MSA)

MSA is a single member limited liability company whose sole member is NML. MSA was formed on May 31, 2001, by NML and is wholly owned and controlled by the company. MSA is an investment advisor registered with the SEC under the Investment Advisers Act of 1940, as amended. MSA currently provides investment advisory services and certain administrative services to the following investment companies registered under the Investment Company Act of 1940, as amended ("Investment Company Act"):

- Northwestern Mutual Series Fund, Inc. (the "Series Fund"). The Series Fund is registered under the Investment Company Act and consists of multiple separate series (collectively the "Series Fund Portfolios"). MSA serves as the investment adviser and provides certain administrative services to the Series Fund pursuant to an advisory agreement between MSA and the Series Fund on behalf of the Series Fund Portfolios. MSA's investment advisory services to the Series Fund are subject to the general supervision of the Board of Directors of the Series Fund. The Series Fund Portfolios serve only as underlying investment options for NML's variable life and variable annuity products.

- Column Funds (collectively, the “Column Funds”). The Column Funds are a separate series of the Trust for Professional Managers (“TPM”), which is registered under the Investment Company Act. MSA serves as the investment adviser to the Column Funds pursuant to an investment advisory agreement between MSA and TPM on behalf of the Column Funds. MSA’s investment advisory services to the Column Funds are subject to the general supervision of the Board of Trustees of TPM. MSA provides certain administrative services to the Column Funds pursuant to an administrative services agreement with TPM on behalf of the Column Funds. The Column Funds are offered only through subsidiaries of NML.

MSA’s fee rates for the Series Fund Portfolios and the Column Funds are described in the respective Fund’s registration statement on file with the SEC.

MSA is managed and operated by MSA employees under the direction of the MSA Board of Directors. NML employees perform certain administrative and support services for MSA, for which NML is reimbursed under an amended and restated administrative services agreement dated October 1, 2011, amended January 1, 2015, and further amended October 31, 2023. The agreement also grants MSA the right to use certain property, equipment, and facilities of NML. In 2022, MSA paid \$6 million to NML for applicable services and facilities under this agreement.

As of December 31, 2022, the financial statements of MSA reported assets of \$88 million, liabilities of \$9 million, and member’s equity of \$79 million. Operations for 2022 produced a net income of \$34 million.

Northwestern Mutual Investment Management Company, LLC (NMIMC)

NMIMC provides investment management and investment advisory services with respect to privately placed debt and equity securities, real estate investments, publicly traded securities, derivatives, and related investments for NML’s general account, its group annuity separate account, NLTC, and certain wholly-owned subsidiaries of NML for their capital accounts, the Northwestern Mutual Foundation, Inc., and certain private investment funds.

NMIMC provides investment management, advisory, and administrative and support services related to the management of NML’s general and group annuity separate accounts, and numerous investment subsidiaries owned directly by NML or through its wholly owned subsidiaries. NML pays

NMIMC an investment management fee based on the value of managed assets as of the last business day of each month and NMIMC pays NML for services, facilities, and leased premises based upon mutually agreed terms. In 2022, NML and NLTC paid NMIMC \$262 million and \$109 thousand, respectively, under this agreement.

NML provides administrative and support services and provides certain property, equipment, and facilities to NMIMC under an Administrative Services Agreement, effective January 1, 2015. In 2022, NMIMC paid \$50 million to NML for applicable services and facilities under this agreement.

As of December 31, 2022, the financial statements of NMIMC reported assets of \$235 million, liabilities of \$105 million, and member's equity of \$130 million. Operations for 2022 produced a net income of \$67 million.

Northwestern Mutual Wealth Management Company (WMC)

WMC is a wholly-owned subsidiary of NML. WMC is a limited-purpose, federally chartered savings bank whose principal business is providing fiduciary services, including investment advisory services, certain trust services, and financial planning services.

Effective May 31, 2006, NML and WMC entered into a Master Services Agreement where NML is to perform certain administrative and support services with respect to WMC's trust and investment advisory business and its facilities and to include WMC employees under certain NML benefit plans. WMC agrees to compensate NML for the services provided based on a fee schedule for the given service being provided. The initial term of this agreement was through December 31, 2006, and is renewed automatically for successive one-year terms unless notice of non-renewal is given by either party not less than 60 calendar days prior to the end of the initial or renewal term or 90 days' prior written notification. In 2022, WMC paid NML fees totaling \$31 million under this agreement.

Effective June 1, 2018, NML and WMC entered into The Northwestern Mutual Field Associations Health Care Benefits Plan Trust (Trust) with other members of NML's contractor distribution system. The Trust is a means to obtain, provide, and pay for insurance benefits for the members' members, employees, and their dependents. WMC is the trustee of the Trust and has entered into contracts with insurance companies to provide these benefits to participants and pay the premiums due. In 2022, the Trust paid WMC \$5 thousand in fees for its services.

As of December 31, 2022, the audited financial statements of WMC reported assets of \$380 million, liabilities of \$128 million, and total equity of \$252 million. Operations for 2022 produced a net income of \$117 million.

NM GSB, LLC

NM GSB, LLC (also known as String & Key or S&K) is a digital engineering and development firm that provides development and innovation services to the Group. As of December 31, 2022, the financial statements of S&K reported assets of \$7.2 million, liabilities of \$720 thousand, and member's equity of \$6.4 million. Operations for 2022 produced a net loss of \$4.4 million.

Agreements with Affiliates

In addition to the agreements mentioned above, NML provided management and administrative services to NML Real Estate Holdings, LLC and NML Securities Holdings, LLC under the Investment Management Agreement between NML and NMIMC.

NML is also party to additional tax-sharing agreements with certain subsidiaries. NML, as the filer of a consolidated federal income tax return, collects from or refunds to these subsidiaries their share of consolidated federal income taxes, as determined pursuant to the tax-sharing agreements. These agreements generally require that these subsidiaries determine their share of consolidated tax payments or refunds as if each subsidiary filed a separate federal income tax return on a stand-alone basis.

V. REINSURANCE

NML reinsures segments of its business to limit the amount of risk on an individual life, to provide a more competitive price for a broader range of policyholders, to enable a better classification of impaired lives, to protect participating policy owners from adverse experience on other business, to minimize the company's risk when entering a new line of business, or to align interests when outsourcing administration. NML cedes a relatively small amount of business to numerous unaffiliated companies. Ceded net reinsurance premiums were approximately 7.8% of direct premiums written in 2023. Other than the long-term care business written by NLTC, NML does not assume any reinsurance. NML's reinsurance portfolio at the time of the examination is described below.

Automatic Reinsurance of Term

NML currently reinsures on a Yearly Renewable Term (YRT) basis, at 90%, two-term insurance products to a pool of six reinsurers. The policies are reinsured if they remain in force as term life. This program excludes lives with large cumulative amounts of term insurance and applications qualifying for the substandard programs. In addition, the risk passes back to NML if the coverage is converted to a permanent life insurance plan. NML's underwriting evaluation determines qualification for and reinsurance pricing classification. The pool of reinsurers for new and in-force business consists of:

- General Re Life Corporation (GenRe)
- Munich American Reassurance Company (Munich)
- RGA Reinsurance Company (RGA)
- SCOR Global Life USA Reinsurance Company (SCOR USA)
- Swiss Re Life and Health America Inc. (Swiss RE)
- Hannover Life Reassurance Company of America (Hannover)

Automatic Reinsurance for Substandard Nonsmokers

Under this program, NML can offer a standard plus policy to non-tobacco or occasional tobacco-using applicants who meet the company's underwriting standards for substandard classes 1 to 5. The coverage is subject to a minimum of \$50 thousand and a maximum of \$10 million of life insurance. The risk is 100% ceded automatically and the first \$3 million of conditional receipt claims is split equally among the four participating reinsurers (except NML retains 50% of conditional receipt claims on lives it evaluates class 1). The reinsurance remains in force if the policy remains in force, even if it is on a term life policy later converted to permanent life coverage. The current participating reinsurers are SCOR USA,

RGA, GenRe, and Swiss RE. This program resulted in \$4.8 million of ceded first-year premiums in 2023. The program covered \$79.4 billion of reinsurance in force as of December 31, 2023.

Automatic Reinsurance for Substandard Tobacco Users

Under this program, NML can offer a standard plus policy to tobacco-using applicants who meet the company's underwriting standards for substandard classes 1 to 5. The coverage is subject to a minimum of \$50 thousand and a maximum of \$10 million of life insurance. As with the program above, the risk is 100% ceded automatically and the first \$3 million of conditional receipt claims is split evenly among the four participating reinsurers (except NML retains 50% of conditional receipt claims on lives it evaluates class 1). The current participating reinsurers are SCOR USA, GenRe, Swiss RE, and RGA. This coverage also continues for the lifetime of the underlying coverage. This program resulted in \$0.9 million of ceded first-year premiums in 2023 and had \$5.7 billion of reinsurance in force as of December 31, 2023.

Facultative Substandard Reinsurance

Prepaid substandard policies that do not qualify for one of the automatic programs and that meet specified face value or premium minimums are eligible for the facultative substandard reinsurance program. Under this program, underwriting papers are forwarded to several reinsurers who make competitive offers. The reinsurer offering the most favorable classification reinsures the entire contract; NML retains no mortality risk. This coverage continues for the lifetime of the reinsurance coverage. This program involved \$1.2 million of first-year reinsurance premiums and \$25.8 billion of reinsurance in force in 2023. Reinsurers currently participating in this program include GenRe, SCOR USA, Munich, RGA, and Swiss RE.

Facultative Excess Reinsurance

To avoid irregular mortality costs from the untimely deaths of one or more insureds with very large policies, NML established a retention limit of life insurance of up to \$40 million per life for most ages. Applicants whose total risk retained by NML would exceed its retention limits or automatic program limits are almost always reinsured on a facultative basis. Much more frequently, if the life qualifies for one of NML's three most favorable tobacco or nontobacco classes, the underwriting papers are sent to excess amount reinsurers. Otherwise, they are sent for competitive offers to the reinsurers participating in the

facultative substandard reinsurance program. Reinsurers currently participating in this program include GenRe, SCOR USA, Munich, RGA and, Swiss RE. Under the facultative excess program, NML ceded \$0.7 million of first-year premiums in 2023. These programs represented about \$2.9 billion of reinsurance as of December 31, 2023.

Automatic Reinsurance for Joint Substandard

This program provides automatic reinsurance of survivorship products with a minimum amount of \$100 thousand and a maximum cumulative amount of \$8 million for a pair of lives if either life is rated in any of five substandard non-tobacco or tobacco classes. (These are the same classes as the automatic reinsurance programs for nonsmokers and smokers, respectively.) The risks are reinsured by RGA and Munich; NML retains no mortality risk on these lives. The coverage also continues for the lifetime of the underlying coverage. Under this program, NML ceded \$9 thousand of first-year premiums in 2023. The program represented about \$1.8 billion of reinsurance in force as of December 31, 2023.

Automatic Guaranteed Issue Reinsurance for Corporate Clients

A pool of three reinsurers provides automatic YRT reinsurance of 60% of the mortality risk on Bank Owned Life (BOLI) and Corporate Owned Life (COLI) insurance business. Current participating reinsurers are Hannover, Munich, and Swiss RE. Amounts of insurance must be based on a formula benefit and are limited to an amount related to the number of lives in the group. This program allows NML to write BOLI and COLI business to larger limits at more competitive premium rates than if retained. NML paid \$0.2 million of first-year reinsurance premiums under this program in 2023. The program represented about \$14.3 billion of reinsurance in force as of December 31, 2023.

Information Called For (ICF)

Applicants on which NML seeks to reinsure on a YRT basis (single and survivorship) the entire mortality risk amount at a classification equal to or more favorable than its own anticipated classification, evaluated up to the time of submission are eligible for the reinsurance program. Under this program, underwriting papers are forwarded to several reinsurers who make competitive offers based on the information in the application and the associated underwriting requirements. The reinsurer offering the most favorable classification reinsures all the mortality risk except for dividend additions. This coverage also continues for the lifetime of the reinsured coverage. These reinsurers participate in an unceded claim

pool to share claims on facultative applicants who die during the underwriting period. Current participating reinsurers are GenRE, RGA, Swiss RE, and SCOR USA.

Group Disability Reinsurance

NML participates with Standard Insurance Company (Standard) to offer both long-term and short-term disability coverage for employees of small businesses. Due to its group disability experience, Standard performs product development, pricing, underwriting, and claims administration. The business is written on NML paper, but Standard reinsures 60% of the risk. In addition, NML recaptures the entire risk on any life who converts to individual disability income coverage upon leaving the employer. NML ceded \$60.5 million of net (first-year and renewal) reinsurance premiums under this program in 2023. The program represented about \$1.2 billion of monthly benefit reinsurance in force as of December 31, 2023.

Group Life Reinsurance

NML also participates with Standard to offer life insurance for employees of small businesses. Standard performs product development, pricing, underwriting, and claims administration. The business is written on NML paper, but Standard reinsures 60% of the risk. NML may recapture the risk under the terms of the treaty. In addition, NML recaptures the entire risk on any life who converts to individual life insurance upon leaving the employer. This agreement was effective as of September 1, 2017. NML ceded \$6.9 million of net (first-year and renewal) reinsurance premiums under this program in 2023, and the program represented about \$6.4 billion of benefit reinsurance in force as of December 31, 2023.

Wysh Reinsurance

Wysh reinsures segments of its business to limit the amount of risk on an individual life, to provide a more competitive price for a broader range of policyholders, or to minimize the company's risk when entering a new line of business. Wysh cedes nearly all of its risk to numerous unaffiliated companies. Ceded net reinsurance premiums were approximately 35% of direct premiums written in 2023. Wysh does not assume any reinsurance.

Wysh reinsures the risk on all its product lines with either YRT or coinsurance. As of December 31, 2023, the coverage is ceded as follows:

Coverage	Amount Ceded	Reinsurer	Reinsurance Type
Wysh Term Life	100%	Hannover	YRT
Wysh AD	80%	Hannover	YRT
Wysh Blanket Life	50%	GenRe	Coinsurance
Legacy Ethos Term Life	100%	RGA	Coinsurance
Legacy SMART MOLI	100%	Swiss Re	Coinsurance

So long as Wysh continues to make premium payments, no reinsurer may terminate coverage for the in-force policies.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of NML as reported to the commissioner of insurance in the December 31, 2022, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

The Northwestern Mutual Life Insurance Company
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$187,268,386,406	\$	\$187,268,386,406
Stocks:			
Preferred stocks	177,643,620		177,643,620
Common stocks	2,361,113,953		2,361,113,953
Mortgage loans on real estate:			
First liens	51,044,240,727		51,044,240,727
Other than first liens	753,534,128		753,534,128
Real estate:			
Occupied by the company	557,724,913		557,724,913
Held for production of income	2,348,151,094		2,348,151,094
Cash, cash equivalents, and short-term investments	4,476,307,111		4,476,307,111
Contract loans	17,653,597,426	382,928	17,653,214,498
Derivatives	1,679,803,101		1,679,803,101
Other invested assets	28,003,403,531	261,182,031	27,742,221,500
Receivables for securities	498,706,861		498,706,861
CSA Receivable	187,137,268		187,137,268
Investment income due and accrued	2,264,009,078	2,130,550	2,261,878,528
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	133,971,314	1,802,272	132,169,042
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	2,780,107,322		2,780,107,322
Reinsurance:			
Amounts recoverable from reinsurers	44,800,850		44,800,850
Other amounts receivable under reinsurance contracts	81,078,928		81,078,928
Current federal and foreign income tax recoverable and interest thereon	873,862,653		873,862,653
Net deferred tax asset	2,159,120,499	50,136,064	2,108,984,435
Guaranty funds receivable or on deposit	51,013,631		51,013,631
Electronic data processing equipment and software	496,878,259	469,165,345	27,712,914
Furniture and equipment, including health care delivery assets	115,693,054	115,693,054	
Receivable from parent, subsidiaries and affiliates	25,549,597		25,549,597
Write-ins for other than invested assets:			
Employees and agents trusts	938,454,731		938,454,731
Prepaid pension cost	817,692,551	817,692,551	
Agents balance	100,825,527	100,825,527	
Prepaid expenses and miscellaneous	95,272,133	95,272,133	
Miscellaneous accounts receivable and other	24,999,029	4,787,025	20,212,004
Tax recoveries in process	15,000,000		15,000,000
Receivable for securities (unsettled within 15 days of end of period)	3,041,242	3,041,242	
	<u>3,041,242</u>	<u>3,041,242</u>	

The Northwestern Mutual Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2022

Aggregate reserve for life contracts	\$228,100,619,668
Aggregate reserve for accident and health contracts	12,972,956,697
Liability for deposit-type contracts	10,986,574,583
Contract claims:	
Life	936,154,218
Accident and health	118,281,197
Policyholders' dividends/refunds to members and coupons due and unpaid	305,603,431
Provision for policyholders' dividends, refunds to members, and coupons payable in the following calendar year:	
Apportioned for payment	6,820,000,000
Premiums and annuity considerations received in advance	167,851,637
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	109,112,537
Interest maintenance reserve	(211,651,963)
Commissions to agents due or accrued	61,009,306
Commissions and expense allowances payable on reinsurance assumed	11,336,096
General expenses due or accrued	352,514,712
Transfers to separate accounts due or accrued (net)	(146,419,771)
Taxes, licenses, and fees due or accrued, excluding federal income taxes	27,148,040
Unearned investment income	61,986,216
Amounts withheld or retained by reporting entity as agent or trustee	249,581,431
Remittances and items not allocated	270,119,185
Miscellaneous liabilities:	
Asset valuation reserve	7,175,628,905
Payable to parent, subsidiaries and affiliates	99,026,728
Derivatives	218,877,870
Payable for securities	2,341,243,415
Write-ins for liabilities:	
Liability for purchase agreements	2,294,351,667
Liability for deferred compensation plans	1,640,427,578
Deferred commissions	807,928,339
Post-retirement benefit obligation	381,044,511
Reserve for guaranty fund	54,150,001
Interest on policy and contract funds due or accrued	9,329,683
Miscellaneous and other liabilities	4,912,148
Payable to reinsurer	4,171,112
Total liabilities excluding separate accounts business	<u>276,223,869,177</u>
From separate accounts statement	<u>34,281,154,575</u>
Total Liabilities	310,505,023,752

Surplus notes	\$ 4,480,341,801	
Unassigned funds (surplus)	<u>25,404,798,837</u>	
Total Capital and Surplus		<u>29,885,140,638</u>
Total Liabilities, Capital and Surplus		<u>\$340,390,164,390</u>

The Northwestern Mutual Life Insurance Company
Summary of Operations
For the Year 2022

Premiums and annuity considerations for life and accident and health contracts		\$22,150,987,529
Considerations for supplementary contracts with life contingencies		136,649,390
Net investment income		11,476,637,996
Amortization of interest maintenance reserve		291,559,660
Commissions and expense allowances on reinsurance ceded		119,835,645
Miscellaneous income:		
Income from fees associated with investment management, administration, and contract guarantees from separate accounts		414,468,104
Charges and fees for deposit-type contracts		25,189
Contract fees and other income		<u>305,791,469</u>
Total income items		34,895,954,982
Death benefits	\$ 5,056,444,629	
Matured endowments	6,576,447	
Annuity benefits	626,064,312	
Disability benefits and benefits under accident and health contracts	920,547,027	
Surrender benefits and withdrawals for life contracts	4,912,681,164	
Interest and adjustments on contract or deposit-type contract funds	100,473,359	
Payments on supplementary contracts with life contingencies	141,884,385	
Increase in aggregate reserves for life and accident and health contracts	<u>12,165,910,540</u>	
Subtotal	23,930,581,863	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	1,687,909,778	
Commissions and expense allowances on reinsurance assumed	116,280,446	
General insurance expenses and fraternal expenses	1,959,449,895	
Insurance taxes, licenses, and fees excluding federal income taxes	410,371,722	
Increase in loading on deferred and uncollected premiums	(15,967,383)	
Net transfers to or (from) separate accounts net of reinsurance	(489,785,949)	
Write-ins for deductions:		
Fines and penalties	402,529	
Miscellaneous charges to operations	<u>(568,946)</u>	
Total deductions		<u>27,598,673,976</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		7,297,281,006

Dividends to policyholders and refunds to members	<u>6,833,435,022</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes	463,845,984
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>(160,488,471)</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)	624,334,455
Net realized capital gains or (losses)	<u>287,605,201</u>
Net Income (Loss)	<u>\$ 911,939,656</u>

The Northwestern Mutual Life Insurance Company
Cash Flow
For the Year 2022

Premiums collected net of reinsurance		\$15,672,533,514
Net investment income		10,910,716,358
Miscellaneous income		<u>623,168,377</u>
Total		27,206,418,248
Benefit- and loss-related payments	\$10,472,696,363	
Net transfers to separate accounts, segregated accounts, and protected cell accounts	(445,956,774)	
Commissions, expenses paid, and aggregate write-ins for deductions	3,995,580,639	
Dividends paid to policyholders	230,357,281	
Federal and foreign income taxes paid (recovered)	<u>(227,255,845)</u>	
Total deductions		<u>14,025,421,664</u>
Net cash from operations		13,180,996,585
Proceeds from investments sold, matured, or repaid:		
Bonds	\$40,363,188,968	
Stocks	2,241,435,648	
Mortgage loans	3,368,188,920	
Real estate	67,060,173	
Other invested assets	3,611,649,240	
Net gains (losses) on cash, cash equivalents, and short-term investments	(720,355)	
Miscellaneous proceeds	<u>925,656,420</u>	
Total investment proceeds		50,576,459,014
Cost of investments acquired (long-term only):		
Bonds	51,982,858,751	
Stocks	1,013,168,537	
Mortgage loans	6,678,689,379	
Real estate	27,276,636	
Other invested assets	3,160,059,668	
Miscellaneous applications	<u>3,042,186,925</u>	
Total investments acquired		65,904,239,896
Net increase (or decrease) in contract loans and premium notes	<u>151,640,522</u>	
Net cash from investments		(15,479,421,404)
Cash from financing and miscellaneous sources:		
Net deposits on deposit-type contracts and other insurance liabilities	2,239,137,181	
Other cash provided (applied)	<u>749,509,305</u>	
Net cash from financing and miscellaneous sources		<u>2,988,646,486</u>

Reconciliation:Net Change in Cash, Cash Equivalents,
and Short-Term Investments

690,221,667

Cash, cash equivalents, and short-term
investments:

Beginning of year

3,786,085,444

End of year

\$4,476,307,111

**The Northwestern Mutual Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2022**

Assets			\$340,390,164,390
Less investments in insurance subsidiaries			294,891,947
Plus security surplus of insurance subsidiaries			289,291,947
Less liabilities			<u>310,505,023,752</u>
Adjusted surplus			29,879,540,638
Annual adjusted premium:			
Individual life and health	\$13,446,520,622		
Factor	<u>15%</u>		
Total		\$2,016,978,093	
Group life and health	134,408,311		
Factor	<u>10%</u>		
Total		13,440,831	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds			<u>391,366,467</u>
Compulsory surplus requirement (subject to a \$2,000,000 minimum)			<u>2,421,785,391</u>
Compulsory Surplus Excess (Deficit)			<u>\$27,457,755,247</u>
Adjusted surplus (from above)			\$29,879,540,638
Security surplus requirement (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)			<u>2,663,963,930</u>
Security Surplus Excess (Deficit)			<u>\$ 27,215,576,708</u>

The Northwestern Mutual Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2022
(Amounts in thousands)

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$29,283,152	\$24,957,453	\$24,216,250	\$22,134,151	\$20,850,229
Net income	911,940	977,768	425,304	1,267,518	782,962
Change in net unrealized capital gains/(losses)	(1,467,861)	3,463,890	757,732	1,168,610	(121,106)
Change in net unrealized foreign exchange capital gains/(losses)	(80,823)	25,373	41,448	(27,641)	(4,700)
Change in net deferred income tax	470,248	(475,694)	806,609	(130,452)	(76,382)
Change in nonadmitted assets and related items	(71,429)	(579,485)	227,880	(143,044)	168,956
Change in reserve on account of change in valuation bases	(223,977)		(124,434)	1,247,427	627,407
Change in asset valuation reserve	577,222	(371,346)	(1,158,970)	(1,605,859)	(261,997)
Change in surplus notes	5,238	902,080	5,134	620,339	85
Cumulative effect of changes in accounting principles	125,595		4,779		
Surplus adjustments:					
Change in surplus as a result of reinsurance	(3,694)		(2,718)		(1,389)
Write-ins for gains and (losses) in surplus:					
Benefit plan adjustments	443,166	381,240	(242,180)	(314,850)	141,146
Prior period and other adjustments	<u>(63,635)</u>	<u>1,875</u>	<u>621</u>	<u>51</u>	<u>28,940</u>
Capital and Surplus, End of Year	<u>\$29,885,141</u>	<u>\$29,283,152</u>	<u>\$24,957,453</u>	<u>\$24,216,250</u>	<u>\$22,134,151</u>

Growth of The Northwestern Mutual Life Insurance Company (in thousands)

Year	Admitted Assets (excluding Separate Account Assets)	Liabilities (excluding Separate Account Liabilities)	Capital and Surplus
2022	\$306,109,010	\$276,223,869	\$29,885,141
2021	292,270,818	262,987,666	29,283,152
2020	270,320,205	245,362,752	24,957,453
2019	255,486,182	231,269,933	24,216,250
2018	242,450,774	220,316,623	22,134,151
2017	232,586,920	211,736,691	20,850,229

Net Life Premiums, Annuity Considerations, and Deposits (in thousands)

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2022	\$17,718,615	\$2,122,307	\$110,813
2021	17,940,233	2,362,139	115,866
2020	14,795,449	2,176,912	101,237
2019	14,469,618	2,224,460	94,524
2018	13,526,159	2,287,947	94,057
2017	13,425,558	2,211,005	97,322

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2022	\$2,220,785,044	\$807,454,833	\$1,413,330,211
2021	2,119,059,433	728,519,430	1,390,540,003
2020	1,996,887,920	638,824,156	1,358,063,764
2019	1,910,792,967	566,183,470	1,344,609,497
2018	1,832,393,235	536,866,019	1,295,527,216
2017	1,758,858,478	517,981,224	1,240,877,254

Accident and Health (in thousands)

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2022	\$2,297,984	\$1,692,812	\$270,206	\$309,864	98.9%
2021	2,233,412	1,514,355	281,900	289,801	93.4
2020	2,161,686	1,495,264	263,166	276,829	94.2
2019	2,077,439	1,789,333	272,701	269,301	112.2
2018	1,991,406	1,234,298	274,840	276,781	89.7
2017	2,036,698	1,211,189	252,089	285,535	85.9

* Includes increase in contract reserves

** Includes taxes, licenses, and fees

NML assumes 100% of the underwriting activity for NLTC. Substantially all of Wysh's underwriting activity is reinsured with external third parties and is not reflected in the tables above. In 2022, Wysh produced about \$146 thousand of direct written premium.

NML's net life premium increased 30% or \$4.3 billion during the examination period. The company has seen consistent growth during the examination period with a significant increase in 2021 as the COVID-19 pandemic caused an increase in demand for life insurance products and greater utilization of remote sales by NML's agents. Annuity considerations fluctuated around \$2.2 billion during the examination period. Deposit-type contract funds rose 18% or \$17 million during the examination period as the life premium increased.

Net premium in the Accident and Health table above includes assumed long-term care business from NLTC in addition to disability insurance written directly by NML. In 2022, NML assumed \$840 million of long-term care premium from NLTC. Net Accident and Health premium earned, the majority of which is individual disability insurance, increased 15% or \$307 million during the examination period. The tables above reflect a consistent pattern of premium growth in all lines of business from a combination of strong sales and excellent persistence.

Assets increased 26% to \$306 billion and liabilities increased 25% to \$276 billion over the examination period. Surplus increased 35% to \$29.9 billion over the examination period.

Beginning in early 2022, interest rates began to rise sharply following a prolonged period of low rates. The rapid increase in interest rates was a contributing factor to the Interest Maintenance Reserve (IMR) reported by NML turning negative. Statement of Statutory Accounting Principles (SSAP) No. 7 requires that net negative IMR balances are disallowed from being reported on the statutory statement. In November of 2022, NML and NLTC requested, and the OCI granted, a permitted practice beginning with the financial reporting period ending December 31, 2022, allowing net negative IMR balances to be reported as negative liabilities on their statutory statements. The permitted practice was approved subject to conditions set forth in a confidential stipulation and order that establishes a minimum RBC requirement calculated on a basis without the permitted practice along with other conditions. During the examination, a consulting actuary verified that NML and NLTC are in compliance with the conditions of the permitted practice, including the appropriate amount of negative IMR in their RBC calculation, for the December 31, 2022, annual statement. As of December 31, 2022, NML reported a net IMR liability of negative \$212 million.

NML issued additional surplus notes during the examination period. In September 2019, NML issued a note for about \$1.34 billion at an interest rate of 3.625%, maturing on September 30, 2059. In March 2021, NML issued a note for \$900 million at an interest rate of 3.450%, maturing on March 30, 2051. In combination with two notes issued in March 2010 and September 2017, NML had four surplus notes with a combined carrying value of about \$4.5 billion as of December 31, 2022. In 2022, NML recognized \$200 million of interest expense for the year and a cumulative life-to-date interest expense of \$1.7 billion related to the surplus notes. At the time of issuance, the surplus notes were distributed pursuant to Rule 144A under the Securities Act of 1993. Interest is payable semi-annually.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2022, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

The were no specific comments or suggestions in the previous examination report.

Summary of Current Examination Results

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

Filings for Director and Officer Changes

On October 13, 2023, NLTC informed the OCI of multiple director and officer changes that were effective in June 2023 and July 2023, several months after their effective dates. NLTC is required to inform OCI of officer and director changes within 15 days of the effective date of the change under s. Ins. 6.52(5) Wis. Adm. Code. It is recommended that NLTC file director and officer changes with OCI in compliance with the Wisconsin Administrative Code.

VIII. CONCLUSION

The Northwestern Mutual Life Insurance Company and its subsidiaries include three life, accident, and health insurance companies domiciled in Wisconsin. The current examination, which covers the period from January 1, 2018, to December 31, 2022, was conducted by the Wisconsin Office of the Commissioner of Insurance. This examination report includes all three insurance companies under examination.

NML and NLTC have reported a consistent pattern of premium growth in all lines of business from a combination of strong sales and excellent persistence during the examination period. Effective April 1, 2021, Wysh was acquired by NML as part of the Group's strategy to expand into sales marketed through a digital platform and distributed through a direct-to-consumer model.

Due to a sharp increase in interest rates beginning in 2022 resulting in negative IMR balances reported by NML, NML and NLTC were granted a permitted practice in 2022 and subsequently amended in 2023 to allow for reporting of net negative IMR balances.

The previous examination of NML and NLTC did not result in any recommendations. The current examination resulted in one recommendation for NLTC.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 39 - Filings for Director or Officer Changes—It is recommended that NLTC file director and officer changes with OCI in compliance with the Wisconsin Administrative Code.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Jeffrey Boyd	Insurance Financial Examiner
Kayleigh Chrostowski	Insurance Financial Examiner
Thomas Hilger, CFE	Insurance Financial Examiner
Robert Monroe	Insurance Financial Examiner
Reanna Ottoson	Insurance Financial Examiner
Junji Nartatez, CISA	IT Specialist
Terry Lorenz, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist and Data Specialist

Respectfully submitted,



Diana Havitz
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

NML and NLTC have been granted a permitted accounting practice from the OCI originally effective December 31, 2022, that allows for the full admissibility of their net negative interest maintenance reserve (IMR) balance. During 2023, the NAIC adopted Interpretation 23-01 Net Negative (Disallowed) Interest Maintenance Reserve (INT 23-01), which allows the admission of a net negative IMR balance up to 10% of adjusted general account capital and surplus (10% threshold), subject to certain conditions. Subsequent to this adoption, NML and NLTC's permitted practice was amended (effective December 31, 2023, until further notice) to reflect NML and NLTC being subject to the terms of the INT 23-01 provisions and the continued full admission of NML and NLTC's total net negative IMR above the 10% threshold. As of December 31, 2023, NML reported an Admitted Disallowed IMR as a write-in asset of \$2.5 billion under the permitted practice. See also the "Financial Data" section for further information about the permitted practice that was in place during the examination period.

In 2023, NML and Wysh entered into two effectively identical Capital Support Agreements. The effective dates are September 20, 2023, for the New York agreement and November 16, 2023, for the New Jersey agreement. The agreements commit NML to contribute additional capital to Wysh if Wysh's RBC ratio were to fall below 400%. The agreements are differentiated by requiring changes to have the approval of the State of New Jersey Department of Banking & Insurance or the approval of the New York State Department of Financial Services. Changes to the agreements would also require approval of the OCI. These agreements will terminate after 10 years.

XII. APPENDIX A: MANAGEMENT AND CONTROL

Northwestern Long Term Care Insurance Company

Board of Directors

The NLTC Board of Directors consists of seven individuals elected annually to serve until the following annual meeting of shareholders or until their successors are duly elected and qualified. Officers are elected annually in a board meeting. Members of NLTC's Board of Directors may also be members of other boards of directors in the holding company group.

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

Name and Residence	Principal Occupation	Term Expires
Jason R. Handal Milwaukee, Wisconsin	Vice President – Risk Products Northwestern Long Term Care Insurance Company	2024
Jason T. Klawonn Milwaukee, Wisconsin	Vice President and Chief Actuary Northwestern Long Term Care Insurance Company	2024
Kenneth M. Latus Milwaukee, Wisconsin	President and Chief Executive Officer Northwestern Long Term Care Insurance Company	2024
Cheri L. McCourt Milwaukee, Wisconsin	Vice President – Claims Northwestern Long Term Care Insurance Company	2024
Christian W. Mitchell Milwaukee, Wisconsin	Chief Customer Officer Northwestern Long Term Care Insurance Company	2024
Sarah R. Schneider Milwaukee, Wisconsin	Vice President – Distribution Services Northwestern Long Term Care Insurance Company	2024
Kamilah D. Williams-Kemp Milwaukee, Wisconsin	Chairwoman of the Board Northwestern Long Term Care Insurance Company	2024

Officers of the Company

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

Name	Office
Kenneth M. Latus	President and Chief Executive Officer
Kamilah D. Williams-Kemp	Chairwoman of the Board
Chris J. Behling	Vice President – Risk Selection Strategy
Stephanie A. Lyons	Vice President – Investment Risk and Operations
Todd M. Jones	Executive Vice President and Chief Financial Officer
Laura M. Deaner	Vice President and Chief Information Security Officer
Ryan W. Heinemann	Vice President and General Counsel
Jeffrey J. Lueken	Vice President and Chief Investment Officer
Charles S. Mondesir	Vice President and Controller
Jason T. Klawonn	Vice President and Chief Actuary
Raymond J. Manista	Executive Vice President, Chief Legal Officer and Secretary
Karen A. Molloy	Vice President and Treasurer
Jeffrey D. Sippel	Executive Vice President and Chief Information Officer

Committees of the Board

NLTC does not have any committees except for an Audit Committee. The Audit Committee consists of the same members as the NML Audit Committee.

Wysh Life and Health Insurance Company

Board of Directors

The Wysh Board of Directors consists of five individuals elected annually who serve until the annual meeting of the shareholders next succeeding his or her election, or until his or her successor, if any, shall have been elected and qualified, or until his or her death, or until he or she shall become permanently disabled, or until he or she shall resign or shall have been removed. Members of Wysh's Board of Directors may also be members of other boards of directors in the holding company group.

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

Name and Residence	Principal Occupation	Term Expires
Aditi J. Gokhale Milwaukee, Wisconsin	Executive Vice President, Chief Strategy Officer and Head of Retail and Institutional Investments The Northwestern Mutual Life Insurance Company	2024
Todd M. Jones Milwaukee, Wisconsin	Executive Vice President and Chief Financial Officer The Northwestern Mutual Life Insurance Company	2024
John C. Roberts Milwaukee, Wisconsin	Executive Vice President and Chief Distribution Officer The Northwestern Mutual Life Insurance Company	2024
Kamilah D. Williams-Kemp Milwaukee, Wisconsin	Executive Vice President and Chief Insurance Officer The Northwestern Mutual Life Insurance Company	2024
Jeffrey D. Sippel Milwaukee, Wisconsin	Executive Vice President and Chief Information Officer The Northwestern Mutual Life Insurance Company	2024

Principal Officers of the Company

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

Name	Office
Alex Matjanec	President and Chief Executive Officer
Susan Park	Vice President, Treasurer, and Chief Financial Officer
Jonathan Prokup	Secretary and General Counsel
Josh Weintraub	Vice President and Chief Actuary

Committees of the Board

Wysh does not have any committees.

XIII. APPENDIX B: FINANCIAL DATA

**Northwestern Long Term Care Insurance Company
Assets
As of December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$213,757,195	\$	\$213,757,195
Cash, cash equivalents, and short-term investments	21,388,644		21,388,644
Write-ins for invested assets:			
Investment income due and accrued	2,194,424		2,194,424
Reinsurance:			
Amounts recoverable from reinsurers	14,697,613		14,697,613
Other amounts receivable under reinsurance contracts	11,336,096		11,336,996
Guaranty funds receivable or on deposit	3,358,996		3,358,996
Receivable from parent, subsidiaries and affiliates	58,978,831		58,978,831
Prepaid reinsurance premium	12,407,133		12,407,133
Remittances and items not allocated	<u>15,889</u>	<u> </u>	<u>15,889</u>
Total Assets	<u>\$338,134,821</u>	\$	<u>\$338,134,821</u>

Northwestern Long Term Care Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2022

Aggregate reserve for life contracts		\$ 126,998
Liability for deposit-type contracts		788,685
Premiums and annuity considerations received in advance		12,407,133
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance		71,016,505
Interest maintenance reserve		12,229,139
Taxes, licenses, and fees due or accrued, excluding federal income taxes		787,280
Net deferred tax liability		1,172,159
Miscellaneous liabilities:		
Asset valuation reserve		1,205,194
Payable to parent, subsidiaries and affiliates		28,686
Reserve for guaranty fund		<u>3,065,000</u>
Total Liabilities		102,826,779
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	230,199,110	
Unassigned funds (surplus)	<u>2,608,932</u>	
Total Capital and Surplus		<u>235,308,042</u>
Total Liabilities, Capital and Surplus		<u>\$338,134,821</u>

Northwestern Long Term Care Insurance Company
Summary of Operations
For the Year 2022

Net investment income		\$ 8,527,819
Amortization of interest maintenance reserve		539,470
Commissions and expense allowances on reinsurance ceded		<u>119,974,805</u>
Total income items		129,042,094
Interest and adjustments on contract or deposit-type contract funds	\$ 47,480	
Payments on supplementary contracts with life contingencies	28,279	
Increase in aggregate reserves for life and accident and health contracts	<u>(104,941)</u>	
Subtotal	(29,182)	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	56,448,139	
General insurance expenses and fraternal expenses	45,337,488	
Insurance taxes, licenses, and fees excluding federal income taxes	18,205,433	
Fines and penalties	<u>50</u>	
Total deductions		<u>119,961,928</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		9,080,166
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes		9,080,166
Federal and foreign income taxes incurred (excluding tax on capital gains)		<u>(92,107)</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)		9,172,273
Net realized capital gains or (losses)		<u>(33,374)</u>
Net Income (Loss)		<u>\$ 9,138,899</u>

Northwestern Long Term Care Insurance Company
Cash Flow
For the Year 2022

Premiums collected net of reinsurance		\$ 825,489
Net investment income		8,531,722
Miscellaneous income		<u>119,974,805</u>
Total		129,332,016
Benefit- and loss-related payments	\$ 2,805,297	
Commissions, expenses paid, and aggregate write-ins for deductions	<u>120,244,256</u>	
Total deductions		<u>123,049,553</u>
Net cash from operations		6,282,463
Proceeds from investments sold, matured, or repaid:		
Bonds	\$ 1,273,334	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>(12,056)</u>	
Total investment proceeds		1,261,278
Cost of investments acquired (long-term only):		
Bonds	<u>33,124,828</u>	
Total investments acquired		<u>33,124,828</u>
Net cash from investments		(31,863,550)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock		10,000,000
Net deposits on deposit-type contracts and other insurance liabilities		(67,544)
Other cash provided (applied)		<u>(664,059)</u>
Net cash from financing and miscellaneous sources		<u>9,268,397</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(16,312,690)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>37,701,333</u>
End of year		<u>\$ 21,388,644</u>

Northwestern Long Term Care Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2022

The following schedule details items affecting NLTC's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$218,270,326	\$195,004,772	\$173,505,311	\$141,768,711	\$104,107,282
Net income	9,138,899	9,370,438	7,426,353	7,007,677	2,860,174
Change in net deferred income tax	(1,852,284)	(1,959,309)	(1,359,243)	(1,475,078)	(30,460)
Change in nonadmitted assets and related items		1,054,140	661,509	1,475,016	56,332
Change in asset valuation reserve	(248,899)	(199,715)	(229,158)	(271,015)	(224,617)
Surplus adjustments:					
Paid in	<u>10,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>25,000,000</u>	<u>35,000,000</u>
Capital and Surplus, End of Year	<u>\$235,308,042</u>	<u>\$218,270,326</u>	<u>\$195,004,772</u>	<u>\$173,505,311</u>	<u>\$141,768,711</u>

Wysh Life and Health Insurance Company
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$41,507,081		\$41,507,081
Cash, cash equivalents, and short-term investments	20,974,493		20,974,493
Investment income due and accrued	144,076		144,076
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,509		1,509
Reinsurance:			
Amounts recoverable from reinsurers			
Net deferred tax asset	5,924,694	\$5,924,694	
Prepaid expenses	151,992	151,992	
Premiums in transit	3,336		3,336
Intangible assets net of depreciation	<u>149,167</u>	<u>149,167</u>	<u> </u>
Total Assets	<u>\$68,856,348</u>	<u>\$6,225,853</u>	<u>\$62,630,495</u>

Wysh Life and Health Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2022

Aggregate reserve for life contracts		\$ 1,275,549
Aggregate reserve for accident and health contracts		96
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance		20,146
Interest maintenance reserve		7,739
Commissions to agents due or accrued		1,408
General expenses due or accrued		231,768
Taxes, licenses, and fees due or accrued, excluding federal income taxes		2,518
Miscellaneous liabilities:		
Payable to parent, subsidiaries and affiliates		<u>1,507,367</u>
Total Liabilities		3,046,590
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	80,003,359	
Unassigned funds (surplus)	<u>(22,919,454)</u>	
Total Capital and Surplus		<u>59,583,905</u>
Total Liabilities, Capital and Surplus		<u>\$62,630,495</u>

Wysh Life and Health Insurance Company
Summary of Operations
For the Year 2022

Premiums and annuity considerations for life and accident and health contracts		\$ 50,782
Net investment income		678,061
Amortization of interest maintenance reserve		329
Commissions and expense allowances on reinsurance ceded		<u>18,852</u>
Total income items		748,024
Increase in aggregate reserves for life and accident and health contracts	\$ 1,252,954	
Commissions on premiums, annuity and deposit-type contract funds (direct business only)	16,948	
General insurance expenses and fraternal expenses	15,141,089	
Insurance taxes, licenses, and fees excluding federal income taxes	<u>115,824</u>	
Total deductions		<u>16,526,815</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		(15,778,791)
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes		(15,778,791)
Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)		(15,778,791)
Net realized capital gains or (losses)		<u>2,145</u>
Net Income (Loss)		<u><u>\$(15,776,646)</u></u>

Wysh Life and Health Insurance Company
Cash Flow
For the Year 2022

Premiums collected net of reinsurance		\$ 49,896
Net investment income		288,325
Miscellaneous income		<u>18,852</u>
Total		357,073
Benefit- and loss-related payments	(\$ 6,660)	
Commissions, expenses paid, and aggregate write-ins for deductions	13,537,364	
Federal and foreign income taxes paid (recovered)	<u>(2,145)</u>	
Total deductions		<u>13,528,559</u>
Net cash from operations		(13,171,486)
Proceeds from investments sold, matured, or repaid:		
Bonds	<u>\$ 2,067,192</u>	
Total investment proceeds		2,067,192
Cost of investments acquired (long-term only):		
Bonds	<u>38,210,606</u>	
Total investments acquired		<u>38,210,606</u>
Net increase (or decrease) in contract loans and premium notes		
Net cash from investments		(36,143,414)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	67,066,000	
Other cash provided (applied)	<u>(868,662)</u>	
Net cash from financing and miscellaneous sources		<u>66,197,338</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		16,882,438
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>4,092,055</u>
End of year		<u>\$20,974,493</u>

Wysh Life and Health Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2022

The following schedule details items affecting Wysh's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$8,748,455	\$9,265,814	\$9,595,034	\$9,935,086	\$5,453,377
Net income	(15,776,646)	(8,555,299)	(289,220)	(340,052)	(368,291)
Change in net unrealized capital gains/losses	(242,165)				
Change in net deferred income tax	5,924,694				
Change in nonadmitted assets and related items	(6,136,434)	(49,419)	(40,000)		
Surplus adjustments: Paid in	<u>67,066,000</u>	<u>8,087,359</u>	<u> </u>	<u> </u>	<u>4,850,000</u>
Capital and Surplus, End of Year	<u>\$59,583,905</u>	<u>\$8,748,455</u>	<u>\$9,265,814</u>	<u>\$9,595,034</u>	<u>\$9,935,086</u>