STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

GREAT WESTERN INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2016

MAY 2018
FILED
State of Utah
Insurance Dept.

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March 1, 2018

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Pursuant to your instructions and in compliance with statutory requirements, a multi-state examination, as of December 31, 2016, has been made of the financial condition and business affairs of:

GREAT WESTERN INSURANCE COMPANY
Ogden, Utah

hereinafter referred to in this report as "GWIC" or "the Company," and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last examination was conducted as of December 31, 2012. This full scope examination covers the period of January 1, 2013 through December 31, 2016, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. 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 following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Utah Code Annotated (UCA) § 31A-2-204(6)(a) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Key activities examined included: Reinsurance, Investments, Related Party & Financial Reporting, Reserving, Claims Handling, and Underwriting/Premiums.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Items of significance in this report are summarized below:

1. During the examination period, the Company held a Reinsurance Contract with Alpha Re Limited ("Alpha Re"), an unauthorized Cayman Islands reinsurer, and associated Trust Agreement and Supplementary Trust Agreement with the Trustee, Wilmington Savings Fund Society, FSB ("WSFS"). The assets held as security for the payment of obligations under the Reinsurance Contract with Alpha Re were subsequently determined to not comply with the requirements of UCA § 31A-17-404.1 and Utah Administrative Code (UAC) R590-173-9. As a result, the credit for reinsurance as either an asset or reduction from liability for reinsurance ceded to Alpha Re is disallowed as of December 31, 2017. (See SUBSEQUENT EVENTS)

2. The Company sold bonds to its affiliated captive insurer, Preneed Insurance Company ("PIC"), from 2010 through 2014. The Company realized gains from these transactions which were not in compliance with Statement of Statutory Accounting Principles (SSAP) No.25 *Affiliates and Other Related Parties.*

   The Department issued a permitted practice allowing the Company to correct this error over a period not to exceed twenty-four (24) months ending December 31, 2019.

3. The valuation and recording of PIC, the Company's affiliated captive insurer, was reported incorrectly prior to disposal. In 2014, PIC was sold to an affiliated party, Preneed Investment Company ("PIC2"). The gain arising from this transaction was not reported in compliance with SSAP No.97 *Investments in Subsidiary, Controlled and Affiliated Entities* and SSAP No. 25.

4. The Company's holding company disclosures and Schedule Y – Part 2 were not reported in accordance with NAIC *Annual Statement Instructions* and SSAP No. 25 from 2014 through 2016.

COMPANY HISTORY

General

The Company was incorporated as a stock life insurance company under the laws of the state of Utah on March 1, 1983. A Certificate of Authority was issued by the Utah Insurance Department on April 26, 1983.

In December 1998, the Company purchased a small inactive company, Great Western Life Insurance Company ("GWLIC"), domiciled in the state of Montana.

In December 2010, the Company formed a Utah pure captive insurance company, Preneed Insurance Company ("PIC"). GWIC had a 50% ownership in PIC at this time. In 2014, John A. Lindquist II purchased the remaining 50% interest in PIC from a related party.

On December 11, 2014, PIC surrendered its captive insurer Certificate of Authority and was repurposed and renamed as Preneed Investment Company ("PIC2"). A Repurchase of Stock and Ownership Agreement was entered into by GWIC and PIC2 on this date. In this agreement, PIC2 repurchased 100% of GWIC's ownership.

Subsequent to the examination period, the Company's ownership and management changed. (See SUBSEQUENT EVENTS)

Dividends and Capital Contributions

The Company did not declare or pay any dividends to policyholders or stockholders during the examination period.

There were no capital contributions to the Company during the examination period.

Subsequent to the examination period, the Company received a capital contribution. (See SUBSEQUENT EVENTS)

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Subsequent to the examination period, the Company was purchased by American Republic Insurance Company. (See SUBSEQUENT EVENTS)

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

The bylaws of the Company indicate the number of directors shall be five (5), or any number larger if approved by the board. The following persons served as directors for the Company as of December 31, 2016:

Name and Location	Title and Principal Occupation
Richard F. Fairbanks II Ogden, UT	President, Fairbanks, Inc.
Thomas M. Belford Omaha, NE	President, John A. Gentleman Mortuaries
John A. Lindquist II Ogden, UT	President and Chief Operating Officer, Great Western Insurance Company
John E. Lindquist Ogden, UT	Chairman of the Board and Chief Executive Officer, Great Western Insurance Company
Thomas H. Johnson Phoenix, AZ	Chairman, Johnson Consulting Group

The officers of the Company as of December 31, 2016 were as follows:

Name	Title
John E. Lindquist	Chairman and Chief Executive Officer
John A. Lindquist II	President and Chief Operating Officer
Nathan D. Felix	Secretary
Todd W. Rich	Treasurer

The Company's audit committee members as of December 31, 2016 were as follows:

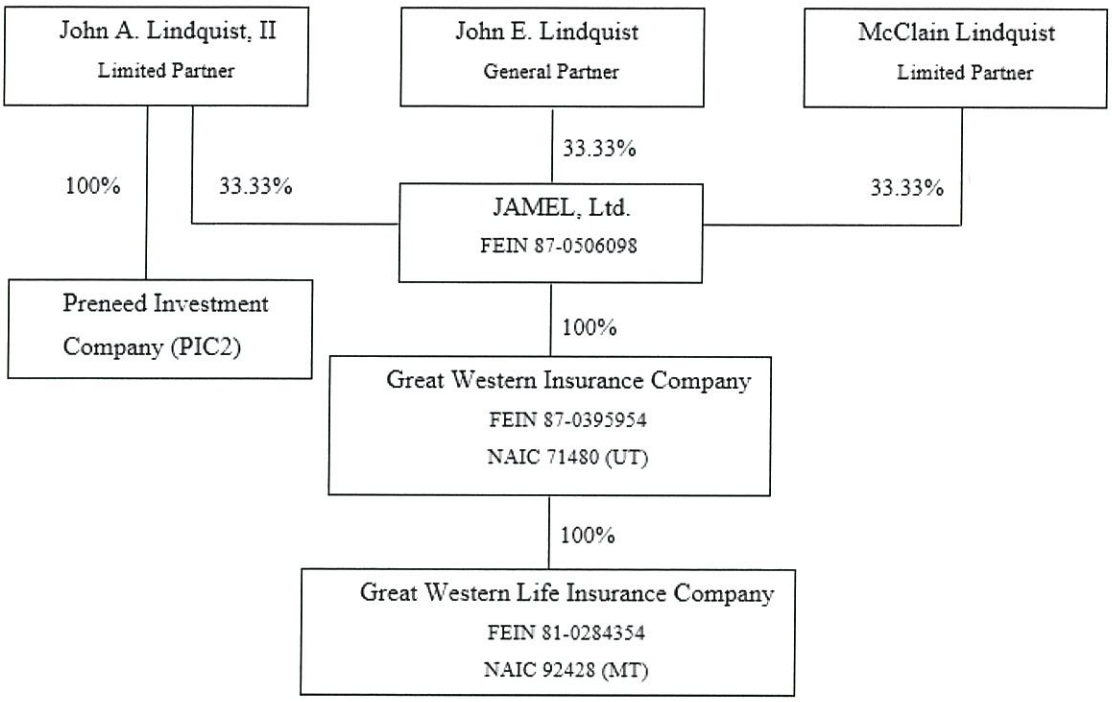
Audit Committee

Name	Title and Principal Occupation
John A. Lindquist II, Committee Chair	President and Chief Operating Officer, Great Western Insurance Company
Richard F. Fairbanks II	President, Fairbanks, Inc.
Thomas H. Johnson	Chairman, Johnson Consulting Group

Subsequent to the examination period, the Company underwent a change to its officers and directors. (See SUBSEQUENT EVENTS)

Holding Company

The Company was owned by a partnership, JAMEL, Ltd., as of December 31, 2016. The ultimate control of the partnership was held by John E. Lindquist, General Partner and 33.33% owner of JAMEL, Ltd. An abbreviated organizational chart illustrating the holding company system as of December 31, 2016 follows:



Subsequent to the examination period, the Company became part of the American Enterprise Mutual Holding Company (AEMHC) system. (See SUBSEQUENT EVENTS)

TERRITORY AND PLAN OF OPERATION

The Company was licensed and authorized to transact life, accident, and health insurance in 46 states and the District of Columbia as of December 31, 2016. The Company is not licensed in Alaska, Hawaii, Connecticut and New York.

The Company writes primarily preneed life insurance. In 2014, the Company began offering a new product to employee benefit plans, the group annuity funding agreement ("GAFA"), which is recorded as a liability for deposit-type contracts. In 2015, the Company began to offer a final expense product.

REINSURANCE

Assumed

The Company has a block of assumed life insurance totaling $15 million of reserves at December 31, 2016.

Ceded

The Company's ceded reinsurance program at December 31, 2016 consists of three coinsurance agreements, the most significant of which is discussed herein:

Ability Re / Alpha Re

On February 18, 2009, the Company entered into a reinsurance contract with Ability Re. The agreement ceded 75% of gross premium for all policies written in 2006, 2007, and 2008 and still in force as of January 1, 2009.

Effective January 1, 2012, Alpha Re was substituted as the assuming reinsurer under the Reinsurance Contract with Ability Re through a novation agreement. As of December 31, 2016, the Reinsurance Contract covered $124 million of reserves. As an event subsequent to the examination date, the Department determined that the assets held as security for the payment of obligations under the Reinsurance Contract with Alpha Re do not comply with the requirements of UCA § 31A-17-404.1 and Utah Administrative Code (UCA) R590-173-9. (See SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS, SUBSEQUENT EVENTS)

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying COMMENTS ON FINANCIAL STATEMENTS reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

GREAT WESTERN INSURANCE COMPANY
BALANCE SHEET
as of December 31, 2016

ASSETS

	Net Admitted Assets
Bonds	$ 1,036,631,719
Preferred stocks	2,000,000
Common stocks	13,394,949
Mortgage loans on real estate	122,840,970
Real estate – occupied by the company	2,820,520
Real estate – held for the production of income	897,042
Cash, equivalents and short-term investments	1,455,066
Contract loans	371,327
Receivables for securities	78,228
Investment income due and accrued	12,060,638
Uncollected premiums and agents' balances in the course of collection	534,152
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,655,516
Amounts recoverable from reinsurers	3,081,751
Current federal and foreign income tax recoverable and interest thereon	1,012,982
Net deferred tax asset	4,427,840
Electronic data processing equipment and software	291,318
Total Assets	$ 1,214,554,018

GREAT WESTERN INSURANCE COMPANY
BALANCE SHEET (CONT.)
as of December 31, 2016

LIABILITIES, SURPLUS AND OTHER FUNDS

	Current Year
Aggregate reserve for life contracts	$ 888,057,874
Liability for deposit-type contracts	206,538,402
Contract claims: life	5,162,332
Premiums and annuity considerations received in advance	587,880
Interest maintenance reserve	18,980,767
General expenses due or accrued	2,033,112
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,055,794
Current federal and foreign income taxes	3,675
Amounts withheld or retained by company as agent or trustee	65,059
Amounts held for agents' account	2,575,094
Remittances and items not allocated	590,485
Borrowed money and interest thereon	2,000,000
Asset valuation reserve	9,032,852
Payable to parent, subsidiaries and affiliates	15,572
Funds held under coinsurance	734,712
Total Liabilities	$ 1,137,433,610
Common capital stock	2,500,000
Gross paid in and contributed surplus	4,000,000
Unassigned funds (surplus)	77,520,407
Less: common treasury stock	6,900,000
Total Capital and Surplus	77,120,407
Total Liabilities, Surplus and Other Funds	$ 1,214,554,017

GREAT WESTERN INSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2016

Premiums and annuity considerations	$ 194,635,715
Net investment income	50,197,948
Amortization of interest maintenance reserve	2,263,821
Commissions and expense allowances on reinsurance ceded	7,219,223
Total income	$ 254,316,707
Death benefits	99,242,963
Annuity benefits	2,745,812
Surrender benefits and withdrawals for life contracts	507,668
Interest and adjustments on contract or deposit-type contract funds	3,983,765
Increase in aggregate reserves for life and accident and health contracts	80,196,336
Total benefits and reserves	$ 186,676,544
Commissions on premiums, annuity considerations and deposit-type contract funds	$ 35,272,613
Commissions and expense allowances on reinsurance assumed	103,136
General insurance expenses	15,662,286
Insurance taxes, licenses and fees, excluding federal income taxes	5,369,516
Increase in loading on deferred and uncollected premiums	832,607
Total expenses	57,240,158
Total expenses, benefits and reserves	$ 243,916,702
Net gain before dividends to policyholders and federal income taxes	$ 10,400,005
Dividends to policyholders	-
Net gain after dividends to policyholders, before federal income taxes	10,400,005
Federal and foreign income taxes incurred	4,741,009
Net gain after dividends and taxes, before realized capital gains (losses)	5,658,996
Net realized capital gains (losses)	2,244,086
Net income	$ 7,903,082

GREAT WESTERN INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2013 through 2016

	2013*	2014*	2015*	2016*
Capital and surplus, December 31, prior year	$ 52,035,678	$ 60,594,588	$ 66,339,171	$ 71,692,508
Net income	14,245,800	5,748,266	8,012,388	7,903,082
Change in net unrealized capital gains (losses)	494,882	628,534	(1,821,399)	(9,781)
Change in net deferred income tax	(3,654,940)	4,666,579	435,445	(325,875)
Change in nonadmitted assets	(1,673,359)	(2,440,742)	(476,210)	631,558
Change in liability for reinsurance	-	-	-	-
Change in asset valuation reserve	(853,473)	(2,858,054)	(796,887)	(1,871,085)
Change in treasury stock	-	-	-	(900,000)
Net change in capital and surplus for the year	8,558,910	5,744,583	5,353,337	5,427,899
Capital and surplus, December 31, current year	$ 60,594,588	$ 66,339,171	$ 71,692,508	$ 77,120,407

* Per the regulatory financial statements filed with the Utah Insurance Department

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2016 as a result of the examination. However, the reinsurance credit for the policies ceded to Alpha Re was subsequently disallowed as of December 31, 2017, which impacted surplus as of that date. (See SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS, SUBSEQUENT EVENTS)

COMMENTS ON FINANCIAL STATEMENT ITEMS

There are no comments on financial statement items as of December 31, 2016 as a result of the examination. However, the reinsurance credit for the policies ceded to Alpha Re was subsequently disallowed as of December 31, 2017. (See SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS, SUBSEQUENT EVENTS)

SUBSEQUENT EVENTS

During the examination period, the Company held a Reinsurance Contract with Alpha Re Limited ("Alpha Re"), an unauthorized Cayman Islands reinsurer, and associated Trust Agreement and Supplementary Trust Agreement with the Trustee, Wilmington Savings Fund Society, FSB ("WSFS"). The assets held as security for the payment of obligations under the Reinsurance Contract with Alpha Re were subsequently determined to not comply with the requirements of UCA § 31A-17-404.1 and Utah Administrative Code (UAC) R590-173-9. As a result, the credit for reinsurance as either an asset or reduction from liability for reinsurance ceded to Alpha Re is disallowed as of December 31, 2017. The reversal of the credit for reinsurance, capital contribution and resulting impact on capital and surplus from December 31, 2016 through December 2017 are as follows:

Capital and surplus at Dec. 31, 2016	$ 77,120,407
Reinsurance in unauthorized and certified companies	(117,489,312)
Change in Surplus Notes	60,000,000
Other Changes in Surplus	12,766,856
Capital and surplus at Dec. 31, 2017	$ 32,397,951

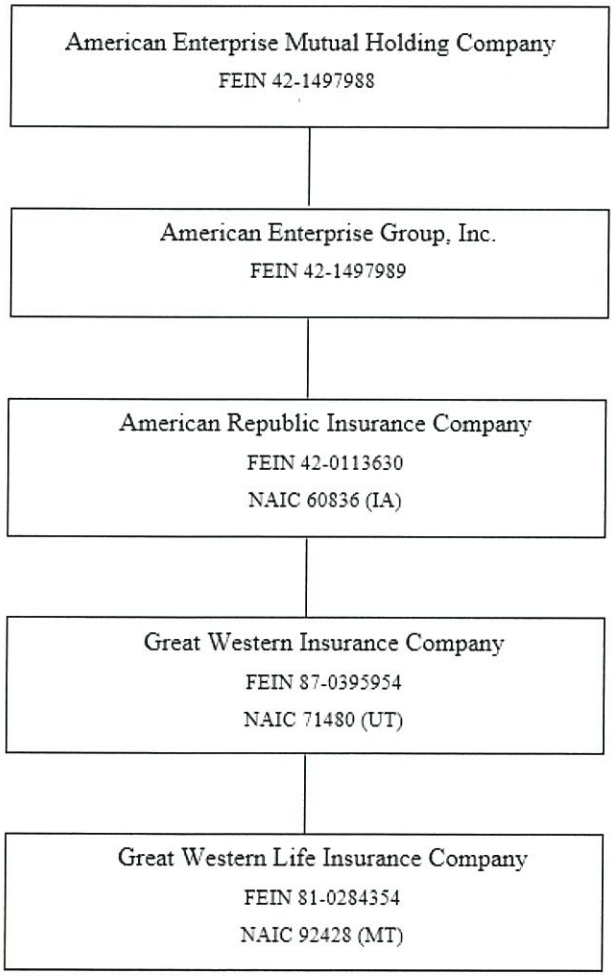
Subsequent to the as of date of this examination, the Company was acquired by American Republic Insurance Company ("American Republic" or "ARIC") through a

Stock Purchase Agreement dated and signed December 29, 2017. The acquisition closed on January 31, 2018.

On December 29, 2017, contingent on the acquisition closing, American Republic agreed to purchase from the Company a contribution note in the principal amount of $60 million for a purchase price of $60 million ("Contribution Note"). The Utah Insurance Commissioner approved the Contribution Note on January 19, 2018, which was reported as surplus at December 31, 2017.

Effective December 31, 2017, contingent on the acquisition closing, the Company terminated its existing reinsurance agreement with American Republic and entered into a 100% Modified Coinsurance Agreement with ARIC, effective December 31, 2017. The Company ceded and ARIC reinsured all of the Company's insurance liabilities for all contracts entered into on or prior to December 31, 2017.

Upon closing of the acquisition on January 31, 2018, the Company became part of the American Enterprise Mutual Holding Company ("AEMHC") system. An abbreviated organizational chart follows:



The following individuals were elected as new directors of the Company:

Name and Location	Primary Occupation
Timothy J. Hall Des Moines, IA	Insurance Executive, American Enterprise Services Company
Sara E. Lehan Des Moines, IA	Vice President, Controller, American Enterprise Services Company
Mark S. Movic Des Moines, IA	Senior Vice President, Chief Financial Officer, Treasurer, American Enterprise Services Company
Thomas A. Swank Des Moines, IA	Chairman of the Board, President, Chief Executive Officer, American Enterprise Services Company
Susan E. Voss Des Moines, IA	Vice President, General Counsel, Secretary, American Enterprise Services Company

The following individuals were elected as new executive officers of the Company:

Name	Title
Thomas A. Swank	Chairman of the Board, President, Chief Executive Officer
Mark S. Movic	Senior Vice President, Chief Financial Officer, Treasurer
Susan E. Voss	Vice President, General Counsel, Secretary
Margaret A. Brown	Vice President, Chief Administrative Officer, Assistant Secretary
Nathan D. Felix*	Vice President, Chief Operating Officer
Joan A. Hentschel	Vice President, Chief Actuary
David J. Keith	Senior Vice President, Chief Operations Officer

* - Individual was an executive officer of the Company prior to acquisition.

Upon closing of the acquisition, the Company became a party to an affiliated Shared Services Agreement with AEMHC and all of its affiliates. The Company also became a party to an affiliated Tax Allocation Agreement with AEMHC and several of its affiliates. The Company will wait to consolidate its tax return with the AEMHC system until the five-year change of ownership disallowance has been surpassed.

CAPITAL AND SURPLUS AS OF DECEMBER 31, 2017

The following statement of capital and surplus was submitted to the Department by the Company for the period ending December 31, 2017:

	2017*
Capital and surplus, December 31, prior year	$ 77,120,407
Net income	(99,585,856)
Change in net unrealized capital gains (losses)	(107,049)
Change in net deferred income tax	(113,786)
Change in nonadmitted assets	(3,969,262)
Change in asset valuation reserve	(946,503)
Change in surplus notes	60,000,000
Net change in capital and surplus for the year	(44,722,456)
Capital and surplus, December 31, current year	$ 32,397,951

* Per the regulatory financial statements filed with the Utah Insurance Department

ACKNOWLEDGEMENT

T. Michael Presley, FSA, MAAA, Consulting Actuary, of Risk & Regulatory Consulting, LLC, performed the actuarial phases of the examination. Kristina Gaddis, CFE, CISA, AES, Senior Examiner, of Risk & Regulatory Consulting, LLC, performed the information systems review. Malis Rasmussen, MSA, CFE, SPIR, Deputy Chief Examiner, supervised the examination. In addition, Natasha Robinson, Financial Examiner, of the Utah Insurance Department, and Scott Eady, CFE, CPA, of Risk & Regulatory Consulting, LLC, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

David L. Flores, CPA, CFE, PIR
Examiner-in-Charge
Utah Insurance Department