

ANNUAL STATEMENT

OF THE

Athene Annuity and Life Company

TO THE

Insurance Department

OF THE

STATE OF

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

☒ **LIFE, ACCIDENT AND HEALTH**

☐ **FRATERNAL BENEFIT SOCIETIES**

2019

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	36,240,868,412		36,240,868,412	37,954,373,669
2. Stocks (Schedule D):				
2.1 Preferred stocks	138,427,963		138,427,963	121,789,115
2.2 Common stocks	553,757,140		553,757,140	477,529,433
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	8,686,183,107		8,686,183,107	6,070,077,813
3.2 Other than first liens.....	1,585,847,605		1,585,847,605	1,639,441,726
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)	9,388,542		9,388,542	9,388,542
4.3 Properties held for sale (less \$ encumbrances)	57,000		57,000	57,000
5. Cash (\$ (15,205,436) , Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$ 2,839,445,724 , Schedule DA)	2,824,240,288		2,824,240,288	1,444,252,897
6. Contract loans (including \$ premium notes)	167,732,270		167,732,270	189,508,910
7. Derivatives (Schedule DB)	703,224,810		703,224,810	749,445,723
8. Other invested assets (Schedule BA)	2,491,955,207	1,472,189	2,490,483,018	1,989,268,742
9. Receivables for securities	37,507,207		37,507,207	46,185,084
10. Securities lending reinvested collateral assets (Schedule DL)				
11. Aggregate write-ins for invested assets	18,044,029		18,044,029	42,236,577
12. Subtotals, cash and invested assets (Lines 1 to 11)	53,457,233,578	1,472,189	53,455,761,388	50,733,555,231
13. Title plants less \$ charged off (for Title insurers only)				
14. Investment income due and accrued	437,327,115	357,500	436,969,615	437,501,299
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	3,505		3,505	4,123
15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)	7,201,100		7,201,100	8,112,340
15.3 Accrued retrospective premiums (\$) and contracts subject to redetermination (\$)				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	194,170,174		194,170,174	211,730,978
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts	957,432,489	426,846	957,005,643	1,148,353,301
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				19,381,825
19. Guaranty funds receivable or on deposit	609,371		609,371	11,689
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates	6,988,270		6,988,270	428,518
24. Health care (\$) and other amounts receivable	52,646,223	2,845,027	49,801,196	46,167,786
25. Aggregate write-ins for other than invested assets	392,123,584	4,758,959	387,364,625	362,530,697
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	55,505,735,408	9,860,521	55,495,874,888	52,967,777,787
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	10,008,987,370		10,008,987,370	5,029,174,416
28. Total (Lines 26 and 27)	65,514,722,778	9,860,521	65,504,862,258	57,996,952,203
DETAILS OF WRITE-INS				
1101. Derivative Collateral Asset	18,044,029		18,044,029	42,236,577
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	18,044,029		18,044,029	42,236,577
2501. Corporate Owned Life Insurance (COLI)	386,568,895		386,568,895	361,748,235
2502. Miscellaneous Assets	5,554,688	4,758,959	795,730	782,462
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	392,123,584	4,758,959	387,364,625	362,530,697

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$45,144,173,871 (Exh. 5, Line 9999999) less \$ included in Line 6.3 (including \$36,126,863,496 Modco Reserve)	45,144,173,871	44,937,658,234
2. Aggregate reserve for accident and health contracts (including \$1,526,625 Modco Reserve)	3,041,637	3,589,927
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$301,404,963 Modco Reserve)	376,755,187	435,597,932
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11)	197,115,576	206,920,090
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11)	8,577	12,006
5. Policyholders' dividends/refunds to members \$ and coupons \$ due and unpaid (Exhibit 4, Line 10)		
6. Provision for policyholders' dividends, refunds to members and coupons payable in following calendar year - estimated amounts:		
6.1 Policyholders' dividends and refunds to members apportioned for payment (including \$ Modco)		
6.2 Policyholders' dividends and refunds to members not yet apportioned (including \$ Modco)		
6.3 Coupons and similar benefits (including \$ Modco)		
7. Amount provisionally held for deferred dividend policies not included in Line 6		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ discount; including \$5,403 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of lines 4 and 14)	5,403	4,505
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts		
9.2 Provision for experience rating refunds, including the liability of \$ accident and health experience rating refunds of which \$ is for medical loss ratio rebate per the Public Health Service Act		
9.3 Other amounts payable on reinsurance, including \$ assumed and \$1,859,438,315 ceded	1,859,438,315	1,956,144,235
9.4 Interest maintenance reserve (IMR, Line 6)	119,691,633	115,959,150
10. Commissions to agents due or accrued-life and annuity contracts \$10,612,690 accident and health \$ and deposit-type contract funds \$	10,612,690	11,155,010
11. Commissions and expense allowances payable on reinsurance assumed		
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 7)	16,234,198	14,547,495
13. Transfers to Separate Accounts due or accrued (net) (including \$(175) accrued for expense allowances recognized in reserves, net of reinsured allowances)	1,758,070,283	1,050,112,530
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 6)	631,600	13,800
15.1 Current federal and foreign income taxes, including \$ on realized capital gains (losses)	4,859,895	41,259,937
15.2 Net deferred tax liability	63,803,851	
16. Unearned investment income	3,714,756	3,020,170
17. Amounts withheld or retained by reporting entity as agent or trustee	1,388,334	2,231,406
18. Amounts held for agents' account, including \$1,077,550 agents' credit balances	1,077,550	3,597,955
19. Remittances and items not allocated	68,745,042	157,657,501
20. Net adjustment in assets and liabilities due to foreign exchange rates		
21. Liability for benefits for employees and agents if not included above		42,809,662
22. Borrowed money \$50,000,000 and interest thereon \$144,194	50,144,194	
23. Dividends to stockholders declared and unpaid		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve (AVR, Line 16, Col. 7)	797,698,439	644,533,824
24.02 Reinsurance in unauthorized and certified (\$) companies		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$) reinsurers	1,369,159,277	1,411,232,746
24.04 Payable to parent, subsidiaries and affiliates	12,960,550	14,025,316
24.05 Drafts outstanding		
24.06 Liability for amounts held under uninsured plans		
24.07 Funds held under coinsurance		
24.08 Derivatives	41,536,552	39,463,437
24.09 Payable for securities	15,439,662	21,332,390
24.10 Payable for securities lending		
24.11 Capital notes \$ and interest thereon \$		
25. Aggregate write-ins for liabilities	2,744,276,394	940,230,423
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	54,660,583,465	52,053,109,683
27. From Separate Accounts Statement	9,635,631,049	4,709,678,697
28. Total liabilities (Lines 26 and 27)	64,296,214,514	56,762,788,380
29. Common capital stock	10,000,000	10,000,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds		
32. Surplus notes		
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1)	961,950,467	952,052,243
34. Aggregate write-ins for special surplus funds		
35. Unassigned funds (surplus)	236,697,277	272,111,580
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 29 \$)		
36.2 shares preferred (value included in Line 30 \$)		
37. Surplus (Total Lines 31+32+33+34+35-36) (including \$373,356,322 in Separate Accounts Statement)	1,198,647,744	1,224,163,823
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55)	1,208,647,744	1,234,163,823
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	65,504,862,258	57,996,952,203
DETAILS OF WRITE-INS		
2501. Derivative Collateral Liability	2,361,611,119	875,837,195
2502. Repurchase Agreement Liability	210,878,335	
2503. Miscellaneous Liability	71,552,709	1,156,536
2598. Summary of remaining write-ins for Line 25 from overflow page	100,234,232	63,236,692
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	2,744,276,394	940,230,423
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above)		
3401.		
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page		
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)		

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	1,696,380,582	1,272,542,499
2. Considerations for supplementary contracts with life contingencies	3,426,266	2,084,517
3. Net investment income (Exhibit of Net Investment Income, Line 17)	2,591,326,621	3,331,541,787
4. Amortization of Interest Maintenance Reserve (IMR, Line 5)	12,514,845	12,526,969
5. Separate Accounts net gain from operations excluding unrealized gains or losses	32,768,190	(1,793,871)
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	837,341,226	843,875,751
7. Reserve adjustments on reinsurance ceded	(1,862,540,764)	(1,239,157,364)
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	6,000,486	9,358,934
8.2 Charges and fees for deposit-type contracts		
8.3 Aggregate write-ins for miscellaneous income	30,367,195	14,969,049
9. Total (Lines 1 to 8.3)	3,347,584,647	4,245,948,272
10. Death benefits	986,802	1,912,216
11. Matured endowments (excluding guaranteed annual pure endowments)		
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8)	287,631,322	237,185,461
13. Disability benefits and benefits under accident and health contracts	442,263	465,384
14. Coupons, guaranteed annual pure endowments and similar benefits		
15. Surrender benefits and withdrawals for life contracts	766,344,853	645,170,390
16. Group conversions		
17. Interest and adjustments on contract or deposit-type contract funds	16,093,107	17,022,504
18. Payments on supplementary contracts with life contingencies	9,086,679	8,976,427
19. Increase in aggregate reserves for life and accident and health contracts	190,160,379	1,697,817,747
20. Totals (Lines 10 to 19)	1,270,745,405	2,608,550,128
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1)	584,113,567	658,551,984
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	556,982	689,230
23. General insurance expenses and fraternal expenses (Exhibit 2, Line 10, Cols. 1, 2, 3, 4 and 6)	304,788,383	274,366,758
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3 + 5)	14,348,037	5,483,850
25. Increase in loading on deferred and uncollected premiums	(4)	2
26. Net transfers to or (from) Separate Accounts net of reinsurance	890,959,573	464,892,550
27. Aggregate write-ins for deductions	119,001,844	60,951,265
28. Totals (Lines 20 to 27)	3,184,513,786	4,073,485,768
29. Net gain from operations before dividends to policyholders, refunds to members and federal income taxes (Line 9 minus Line 28)	163,070,860	172,462,504
30. Dividends to policyholders and refunds to members	38	
31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30)	163,070,823	172,462,504
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(108,031,238)	19,768,341
33. Net gain from operations after dividends to policyholders, refunds to members and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	271,102,061	152,694,163
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$31,015,880 (excluding taxes of \$15,327,625 transferred to the IMR)	(30,120,346)	(72,058,940)
35. Net income (Line 33 plus Line 34)	240,981,714	80,635,223
CAPITAL AND SURPLUS ACCOUNT		
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2)	1,234,163,823	1,164,208,655
37. Net income (Line 35)	240,981,714	80,635,223
38. Change in net unrealized capital gains (losses) less capital gains tax of \$12,454,119	80,991,683	75,011,017
39. Change in net unrealized foreign exchange capital gain (loss)	(11,982,342)	4,443,959
40. Change in net deferred income tax	(70,731,557)	53,029,808
41. Change in nonadmitted assets	(3,100,724)	(201,140)
42. Change in liability for reinsurance in unauthorized and certified companies		
43. Change in reserve on account of change in valuation basis, (increase) or decrease		
44. Change in asset valuation reserve	(153,164,616)	(83,698,965)
45. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1)		
46. Surplus (contributed to) withdrawn from Separate Accounts during period	(20,000,000)	(173,783,018)
47. Other changes in surplus in Separate Accounts Statement	21,092,413	172,747,187
48. Change in surplus notes		
49. Cumulative effect of changes in accounting principles		
50. Capital changes:		
50.1 Paid in		
50.2 Transferred from surplus (Stock Dividend)		
50.3 Transferred to surplus		
51. Surplus adjustment:		
51.1 Paid in	9,898,224	24,072,918
51.2 Transferred to capital (Stock Dividend)		
51.3 Transferred from capital		
51.4 Change in surplus as a result of reinsurance	(117,123,107)	(29,152,375)
52. Dividends to stockholders	(409,420)	
53. Aggregate write-ins for gains and losses in surplus	(1,968,348)	(53,149,446)
54. Net change in capital and surplus for the year (Lines 37 through 53)	(25,516,079)	69,955,168
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	1,208,647,744	1,234,163,823
DETAILS OF WRITE-INS		
08.301. COLI Income	30,339,559	15,120,314
08.302. Miscellaneous Income (Expense)	27,636	(151,265)
08.303.		
08.398. Summary of remaining write-ins for Line 8.3 from overflow page		
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398)(Line 8.3 above)	30,367,195	14,969,049
2701. Funds Withheld Adjustment - Ceded	115,152,450	93,685,207
2702. Miscellaneous Expense	45,263,133	165,181
2703. Transfer to IMR - Ceded	(40,728,435)	(36,752,804)
2798. Summary of remaining write-ins for Line 27 from overflow page	(685,304)	3,853,681
2799. Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above)	119,001,844	60,951,265
5301. Correction of Prior Period Error	(3,161,394)	(54,262,625)
5302. Athene Re IV Tax Sharing Agreement	1,193,046	1,113,179
5303.		
5398. Summary of remaining write-ins for Line 53 from overflow page		
5399. Totals (Lines 5301 thru 5303 plus 5398)(Line 53 above)	(1,968,348)	(53,149,446)

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	1,700,658,788	1,275,400,217
2. Net investment income	2,558,386,398	3,214,717,260
3. Miscellaneous income	832,032,297	866,096,824
4. Total (Lines 1 through 3)	5,091,077,483	5,356,214,301
5. Benefit and loss related payments	2,671,322,496	1,873,258,757
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	183,001,819	86,153,558
7. Commissions, expenses paid and aggregate write-ins for deductions	938,772,628	935,550,519
8. Dividends paid to policyholders	38	
9. Federal and foreign income taxes paid (recovered) net of \$ 16,411,246 tax on capital gains (losses)	(25,243,057)	5,772,896
10. Total (Lines 5 through 9)	3,767,853,924	2,900,735,730
11. Net cash from operations (Line 4 minus Line 10)	1,323,223,559	2,455,478,571
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	7,753,211,809	7,330,905,730
12.2 Stocks	45,305,333	24,461,814
12.3 Mortgage loans	1,147,107,404	1,016,847,010
12.4 Real estate		9,850,020
12.5 Other invested assets	237,462,497	326,326,264
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	772,916	3,013
12.7 Miscellaneous proceeds	59,965,719	41,677,517
12.8 Total investment proceeds (Lines 12.1 to 12.7)	9,243,825,678	8,750,071,368
13. Cost of investments acquired (long-term only):		
13.1 Bonds	6,147,696,337	6,960,019,372
13.2 Stocks	229,269,546	104,335,092
13.3 Mortgage loans	3,716,569,675	3,755,618,111
13.4 Real estate		
13.5 Other invested assets	671,956,800	447,528,618
13.6 Miscellaneous applications	5,892,729	223,383,953
13.7 Total investments acquired (Lines 13.1 to 13.6)	10,771,385,087	11,490,885,147
14. Net increase (decrease) in contract loans and premium notes	(21,776,640)	(20,498,339)
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(1,505,782,769)	(2,720,315,441)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds	50,144,194	
16.4 Net deposits on deposit-type contracts and other insurance liabilities	(58,842,745)	(86,224,034)
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,571,245,152	(1,380,786,420)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	1,562,546,601	(1,467,010,454)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,379,987,391	(1,731,847,323)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,444,252,897	3,176,100,220
19.2 End of year (Line 18 plus Line 19.1)	2,824,240,288	1,444,252,897

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001. Capital contribution of stock compensation expense (financing)	9,898,224	9,072,918
20.0002. Capital contribution of stock compensation expense (investing)	(765,250)	(691,949)
20.0003. Capital contribution of stock compensation expense (operating)	(9,132,974)	(8,380,969)
20.0004. Reinsurance activity settled in bonds (operating)	345,189,964	372,176,281
20.0005. Reinsurance activity settled in bonds (investing)	(345,189,964)	(372,176,281)
20.0006. Security exchanges and asset in kind trades – bond proceeds (investing)	1,409,147,543	1,156,632,177
20.0007. Security exchanges and asset in kind trades – bonds acquired (investing)	(1,552,615,543)	(950,199,668)
20.0008. Security exchanges and asset in kind trades – stock proceeds (investing)	190,000,331	17,710,008
20.0009. Security exchanges and asset in kind trades – stocks acquired (investing)	(46,532,331)	(17,710,008)
20.0010. Security exchanges and asset in kind trades – other invested asset proceeds (investing)	11,532,999	
20.0011. Security exchanges and asset in kind trades – other invested assets acquired (investing)	(11,532,999)	(52,816,500)
20.0012. Interest capitalization (operating)	4,503,249	7,755,617
20.0013. Interest capitalization (investing)	(4,503,249)	(7,755,617)

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Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0014. Transfer from Schedule B to Schedule BA – proceeds (investing)	1,688,704	94,300
20.0015. Transfer from Schedule B to Schedule BA – acquired (investing)	(1,688,704)	(94,300)
20.0016. Dividends paid – Schedule BA distribution (investing)	409,420	
20.0017. Dividends paid (financing)	(409,420)	
20.0018. Schedule BA distribution – proceeds (investing)		8,894,137
20.0019. Schedule BA distribution – acquired (investing)		(8,894,137)
20.0020. Capital contribution (financing)		15,000,000
20.0021. Capital contribution – stocks acquired (investing)		(15,000,000)
20.0022. Security exchanges and asset in kind trades – mortgage loans acquired (investing)		(153,616,009)

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of **Athene Annuity and Life Company** (the Company) have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Iowa.

The Insurance Division, Department of Commerce, of the State of Iowa (the Division) recognizes only statutory accounting practices prescribed or permitted by the State of Iowa for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Iowa Insurance Law. The NAIC's *Accounting Practices & Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Iowa. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

Among the products issued by the Company are indexed universal life insurance and indexed annuities. These products allow a portion of the premium to earn interest based on certain indices, primarily the Standard & Poor's 500 Composite Stock Price Index. Call options, futures, variance swaps and total return swaps are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. In 2006, the Commissioner of the Division issued Bulletin 06-01, *Accounting for Derivative Instruments Used to Hedge the Growth in Interest Credited for Index Products*, which prescribes that an insurer may elect to recognize changes in the fair value of derivative instruments purchased to hedge indexed products in the statement of operations. The Company has elected to apply Bulletin 06-01 to its futures, variance swaps and total return swaps, which resulted in an increase of \$2.2 million and a decrease of \$1.5 million to the Company's net income for the years ended December 31, 2019 and December 31, 2018, respectively. Application of Bulletin 06-01 does not impact the Company's statutory surplus amounts.

In 2009, the Commissioner of the Division promulgated Iowa Administrative Code (IAC) Section 191-97, *Accounting for Certain Derivative Instruments Used to Hedge the Growth in Interest Credited for Indexed Insurance Products and Accounting for the Indexed Insurance Products Reserve*, which prescribes that an insurer may elect (i) to use an amortized cost method to account for certain derivative instruments, such as call options, purchased to hedge the growth in interest credited to the customer on indexed insurance products and (ii) to utilize an indexed annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero. IAC Section 191-97 does not apply to products that do not guarantee a minimum interest accumulation, such as our variable and index-linked deferred annuities. The Company has elected to apply IAC Section 191-97 to its eligible over the counter (OTC) call options and reserve liabilities. As a result, the Company's net income increased by \$113.6 million and decreased by \$182.3 million for the years ended December 31, 2019 and December 31, 2018, respectively, and the Company's statutory surplus decreased by \$79.8 million and increased by \$38.7 million as of December 31, 2019 and December 31, 2018, respectively.

The NAIC requires annuities issued by life insurance companies on or after January 1, 2015, to use the 2012 Individual Annuity Reserving (IAR) Mortality Table. In 2015, the Division promulgated IAC Section 43.3(5), which set an elective alternative effective date of January 1, 2016 for adoption of the 2012 IAR Mortality Table. The Company chose to use the Annuity 2000 Mortality Table for all annuities issued in 2015, which resulted in an increase of \$1.6 million and \$0.6 million to the Company's net income for the years ended December 31, 2019 and December 31, 2018, respectively. The Company's statutory surplus increased by \$4.9 million and \$3.3 million as of December 31, 2019 and December 31, 2018, respectively.

A reconciliation of the Company's net income and statutory surplus between practices prescribed or permitted by the State of Iowa and NAIC SAP is shown below:

	SSAP #	F/S Page	F/S Line #	2019	2018
Net Income					
(1) State basis (Page 4, Line 35, Columns 1 & 2)	XXX	XXX	XXX	\$ 240,981,714	\$ 80,635,223
(2) State prescribed practices that are an increase / (decrease) from NAIC SAP:					
Derivative Instruments Bulletin 06-01	86	4	38	2,192,043	(1,482,864)
Derivative Instruments and Equity Indexed Reserves IAC 191-97	86, 51	2, 3	7, 1	113,621,392	(182,324,925)
2012 IAR Mortality Table for Annuities Issued in 2015 IAC 43.3(5)	51	3	1	1,648,673	604,857
(3) State permitted practices that are an increase / (decrease) from NAIC SAP:					
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$ 123,519,605</u>	<u>\$ 263,838,155</u>
Surplus					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	\$ 1,208,647,744	\$ 1,234,163,823
(6) State prescribed practices that are an increase / (decrease) from NAIC SAP:					
Derivative Instruments and Equity Indexed Reserves IAC 191-97	86, 51	2, 3	7, 1	(79,827,185)	38,699,504
2012 IAR Mortality Table for Annuities Issued 2005 IAC 43.3(5)	51	3	1	4,928,212	3,279,539
(7) State permitted practices that are an increase / (decrease) from NAIC SAP:					
SSAP No. 72 Surplus Reset	72	3	33, 35		
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$ 1,283,546,716</u>	<u>\$ 1,192,184,780</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Life premiums are recognized as income over the premium paying period of the related policies. Annuity considerations are recognized as revenue when received. Accident and health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies and Going Concern (Continued)

The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. The aggregate amount of policyholders' dividends is related to actual interest, mortality, morbidity, and expense experience for the year and to the appropriate level of statutory surplus to be retained by the Company.

In addition, the Company uses the following accounting policies, as applicable:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds, other than loan-backed and structured securities, are stated at amortized cost or fair value based on their rating by the NAIC. Bonds held at amortized cost are amortized using the scientific interest method on a yield-to-worst basis.
- (3) Common stocks are stated at market value except that investments in stocks of subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis. Federal Home Loan Bank (FHLB) stock is carried at fair value, which is presumed to be par because it can only be redeemed by the bank.
- (4) Preferred stocks are stated in accordance with the guidance provided in SSAP No. 32, *Preferred Stock*.
- (5) Mortgage loans on real estate are stated at amortized cost.
- (6) Loan-backed and structured securities are stated at amortized cost or fair market value based on their rating by the NAIC. Changes to estimated cash flows on the securities are accounted for retrospectively for securities that are highly rated at the time of purchase and in which the security cannot be contractually prepaid or settled in such a way that the Company would not recover substantially all of the recorded investment. The prospective method is used for those securities where an other than temporary impairment has been taken, the security is not highly rated at the time of purchase, securities where receipt of all contractual principal cash flows is not expected, or those securities that can be contractually prepaid or settled in such a way that the Company would not recover substantially all of the recorded investment. Loan-backed and structured securities stated at amortized cost are amortized or accreted using the scientific interest method.
- (7) The Company carries investments in affiliated common stocks directly and indirectly owned at Statutory (insurance companies) or GAAP (non-insurance companies) net worth plus unamortized goodwill, if applicable, multiplied by the percent of the Company's ownership interest.
- (8) Investments in joint ventures, partnerships, or limited liability companies are valued at the Company's proportionate share of US GAAP equity of the entity, adjusted for audited results upon receipt. Changes in US GAAP equity are recorded as an unrealized gain or loss in the Company's capital and surplus. These investments are valued based on the timeliness of information received, which ranges from recording timely to a lag of up to three months.
- (9) Call option derivative assets that hedge the growth in interest credited to the hedged policy as a direct result of changes in the related indices are recorded at amortized cost. Replication synthetic asset transactions are reported at amortized cost. Derivative instruments used in hedging transactions that meet the criteria of a highly effective hedge shall be considered an effective hedge and are permitted to be valued and reported in a manner that is consistent with the hedged items. All other derivative assets and liabilities are stated at fair value.
- (10) The Company does not have premium deficiency reserves for accident and health business.
- (11) Unpaid losses and loss adjustment expenses on any accident and health business include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates. While management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are periodically reviewed and any adjustment is reflected in the period determined.
- (12) The Company has not modified its capitalization policy from the prior period.
- (13) The Company does not have any pharmaceutical rebate receivables.

D. Going Concern

Management's assessment of the relevant conditions through February 27, 2020 does not give rise to substantial doubt of the Company's ability to continue as a going concern.

2. Accounting Changes and Corrections of Errors

During the current year's financial statement preparation, the Company discovered errors within prior period Annual Statements relating to reserves. After consideration of materiality and in accordance with SSAP No. 3, *Accounting Changes and Correction of Errors*, the corrections were recorded directly to surplus. The impact of the correction of reserves decreased surplus by \$3.2 million in 2019 and represented less than 1% of ending capital and surplus as of both December 31, 2019 and 2018.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

On October 2, 2013, Athene Annuity & Life Assurance Company (AADE) contributed Athene Annuity & Life Assurance Company of New York (AANY), a New York insurance company, to the Company, which included remaining unamortized goodwill of \$10.7 million. The Company maintained AADE's original goodwill amortization schedule.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Purchased Entity	Acquisition Date	Cost of Acquired Entity	Original Amount of Admitted Goodwill	Admitted Goodwill as of the Reporting Date	Amount of Goodwill Amortized During the Reporting Period	Admitted Goodwill as a % of SCA BACV, Gross of Admitted Goodwill
Athene Annuity & Life Assurance Company of New York	10/02/2013	\$ 193,313,705	\$ 10,649,373	\$ 3,194,812	\$ 1,064,937	1.004%

B. Statutory Merger - None

C. Assumption Reinsurance - None

D. Impairment Loss - None

4. Discontinued Operations - None

Notes to the Financial Statements

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

- (1) The maximum and minimum lending rates for new mortgage loans acquired during 2019 were 9.20% and 0.00%, respectively.
- (2) The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 282.49%.
- (3) Taxes, assessments and any amounts advanced and not included in mortgage loan total - None
- (4) Age analysis of mortgage loans and identification of mortgage loans in which the insurer is a participant or co-lender in a mortgage loan agreement

		Residential		Commerical		Mezzanine	Total
		Farm	Insured	All Other	Insured	All Other	
a.	Current Year						
1.	Recorded Investment (All)						
(a)	Current	\$	\$	\$ 2,395,947,145	\$	\$ 6,446,521,615	\$ 1,299,953,488
(b)	30 - 59 days past due			66,438,130			66,438,130
(c)	60 - 89 days past due			24,903,949			24,903,949
(d)	90 - 179 days past due			12,590,530			12,590,530
(e)	180+ days past due			26,297,495			26,297,495
2.	Accruing Interest 90-179 Days Past Due						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
(b)	Interest accrued						
3.	Accruing Interest 180+ Days Past Due						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
(b)	Interest accrued						
4.	Interest Reduced						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
(b)	Number of loans						
(c)	Percent reduced	%	%	%	%	%	%
5.	Participant or Co-lender in a Mortgage Loan Agreement						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
b.	Prior Year						
1.	Recorded Investment						
(a)	Current	\$	\$	\$ 2,048,676,401	\$	\$ 4,138,583,252	\$ 1,408,560,035
(b)	30 - 59 days past due			69,284,378			69,284,378
(c)	60 - 89 days past due			15,917,434			15,917,434
(d)	90 - 179 days past due			13,215,310			13,215,310
(e)	180+ days past due			15,710,646			15,710,646
2.	Accruing Interest 90-179 Days Past Due						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
(b)	Interest accrued						
3.	Accruing Interest 180+ Days Past Due						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
(b)	Interest accrued						
4.	Interest Reduced						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$
(b)	Number of loans						
(c)	Percent reduced	%	%	%	%	%	%
5.	Participant or Co-lender in a Mortgage Loan Agreement						
(a)	Recorded investment	\$	\$	\$	\$	\$	\$

- (5) Investment in impaired loans with or without allowance for credit losses and impaired loans subject to a participant or co-lender mortgage loan agreement for which the reporting entity is restricted from unilaterally foreclosing on the mortgage loan - None
- (6) Investment in impaired loans - average recorded investment, interest income recognized, recorded investment on nonaccrual status and amount of interest income recognized using a cash-basis method of accounting - None

Notes to the Financial Statements

5. Investments (Continued)

(7) Allowance for credit losses

	2019	2018
a. Balance at beginning of period	\$ 427,917	\$ 1,099,031
b. Additions charged to operations	193,720	408,443
c. Direct write-downs charged against the allowances		
d. Recoveries of amounts previously charged off		(1,079,557)
e. Balance at end of period	<u>\$ 621,637</u>	<u>\$ 427,917</u>

(8) Mortgage loans derecognized as a result of foreclosure - None

(9) The company recognizes interest income on its impaired loans upon receipt.

B. Debt Restructuring

	2019	2018
(1) The total recorded investment in restructured loans, as of year-end	\$ 9,008,720	\$ 8,973,531
(2) The realized capital losses related to these loans	\$ 2,732,252	
(3) Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	\$	\$
(4) The Company accrues interest income on restructured bonds to the extent it is deemed collectible (delinquent less than 90 days). Amounts over 90 days past due are nonadmitted. The Company does not accrue interest income on impaired mortgage loans. Net investment income reflects interest income on impaired mortgage loans only after the payment is received.		

C. Reverse Mortgages - None

D. Loan-Backed Securities

- (1) Prepayment assumptions for loan-backed bonds and structured securities were obtained from broker dealer survey values or internal estimates.
- (2) Loan-backed and structured securities with a recognized other-than-temporary impairment (OTTI)

Other-than-temporary impairment was recognized on loan-backed securities due to the intent to sell or inability or lack of intent to retain the investment for a period of time sufficient to recover the amortized cost basis.

	(1)	(2)		(3)
	Amortized Cost Basis Before Other-Than-Temporary Impairment	Other-Than-Temporary Impairment Recognized in Loss		Fair Value 1 - (2a + 2b)
		(2a) Interest	(2b) Noninterest	
OTTI Recognized 1st Quarter				
a. Intent to sell	\$	\$	\$	\$
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
c. Total 1st Quarter	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
OTTI Recognized 2nd Quarter				
d. Intent to sell	\$	\$	\$	\$
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
f. Total 2nd Quarter	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
OTTI Recognized 3rd Quarter				
g. Intent to sell	\$	\$	\$	\$
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
i. Total 3rd Quarter	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
OTTI Recognized 4th Quarter				
j. Intent to sell	\$ 35,993,513	\$ 4,483,591	\$	\$ 31,509,922
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis				
l. Total 4th Quarter	<u>\$ 35,993,513</u>	<u>\$ 4,483,591</u>	<u>\$</u>	<u>\$ 31,509,922</u>
m. Annual aggregate total		<u>\$ 4,483,591</u>	<u>\$</u>	

Notes to the Financial Statements

5. Investments (Continued)

(3) Securities held that were other-than-temporarily impaired due to the present value of cash flows expected to be collected was less than the amortized cost of securities

(1)	(2)	(3)	(4)	(5)	(6)	(7)
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
05946XQS5	\$ 2,158,321	\$ 2,113,843	\$ 44,478	\$ 2,113,843	\$ 2,027,670	03/31/2019
12667GXA6	2,952,927	2,916,913	36,014	2,916,913	2,817,277	03/31/2019
38375B7Z9	544,260	520,158	24,101	520,158	520,158	03/31/2019
38375BSB9	984,948	957,435	27,513	957,435	957,435	03/31/2019
38376RNN2	2,310,984	2,264,943	46,041	2,264,943	2,219,427	03/31/2019
38376RSY3	3,267,257	3,197,701	69,555	3,197,701	3,171,402	03/31/2019
38376RVB9	4,890,731	4,847,095	43,635	4,847,095	4,846,754	03/31/2019
45660LT41	5,986,101	5,959,730	26,371	5,959,730	5,931,106	03/31/2019
61762BAU9	10,392,372	10,333,557	58,815	10,333,557	9,964,242	03/31/2019
66704JAC2	4,640,740	4,576,161	64,579	4,576,161	4,564,500	03/31/2019
66704JAG3	29,879,692	29,750,308	129,383	29,750,308	28,952,000	03/31/2019
79548KZL5	2,085,903	2,050,414	35,489	2,050,414	2,016,067	03/31/2019
86359LHX0	5,798,418	5,750,331	48,087	5,750,331	5,716,761	03/31/2019
86359LQS1	7,369,949	7,242,053	127,896	7,242,053	7,116,352	03/31/2019
92990GAF0	8,537,078	8,476,872	60,206	8,476,872	8,456,490	03/31/2019
66704JAG3	29,933,286	29,866,657	66,629	29,866,657	29,116,500	06/30/2019
07386Hqw4	3,713,106	3,681,874	31,232	3,681,874	3,681,874	06/30/2019
225470B77	11,192,759	11,126,871	65,888	11,126,871	11,110,371	06/30/2019
36185MDQ2	6,675,585	6,617,446	58,139	6,617,446	6,617,446	06/30/2019
39538WEE4	6,807,997	6,735,620	72,377	6,735,620	7,024,093	06/30/2019
47233AAP2	2,877,240	2,844,946	32,295	2,844,946	2,783,475	06/30/2019
52525LAT7	904,542	429,879	474,663	429,879	347,793	06/30/2019
86359LQS1	7,043,447	6,994,851	48,597	6,994,851	6,936,115	06/30/2019
92990GAF0	7,986,008	7,955,544	30,464	7,955,544	7,955,544	06/30/2019
38375UQG8	4,212,843	4,170,973	41,870	4,170,973	3,859,249	09/30/2019
92990GAF0	6,955,127	6,911,399	43,728	6,911,399	6,895,787	09/30/2019
12667F7M1	3,610,137	3,595,726	14,411	3,595,726	3,595,726	09/30/2019
86359LQS1	6,877,653	6,710,872	166,782	6,710,872	6,697,833	09/30/2019
61762BAU9	10,632,291	10,510,076	122,216	10,510,076	10,496,871	09/30/2019
45660NS22	622,272	586,262	36,010	586,262	586,004	09/30/2019
17309FAD0	2,951,477	2,836,455	115,022	2,836,455	2,761,417	09/30/2019
16165TAY9	4,089,117	4,042,244	46,873	4,042,244	3,998,716	12/31/2019
61766LAY5	1,908,319	1,882,497	25,822	1,882,497	1,882,497	12/31/2019
Total			\$ 2,335,180			

(4) All impaired securities for which an OTTI has not been recognized in earnings as a realized loss

The following table shows the gross unrealized losses and fair values of loan-backed securities, which have not been impaired to fair value, aggregated by length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2019:

	Amount
a. The aggregate amount of unrealized losses:	
1. Less than 12 months	\$ 26,117,101
2. 12 months or longer	\$ 96,869,071
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	\$ 1,430,119,115
2. 12 months or longer	\$ 1,998,487,362

(5) A full analysis of all relevant qualitative considerations was completed in reaching the conclusion that the impairments were not other-than-temporary, including the intent and ability to hold the investment for a period of time sufficient to allow for a recovery in value. Specific events that may influence the operations of the issuer and impaired earnings potential are reviewed in addition to length of time and extent to which the fair value has been less than cost.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions - None

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Repurchase Transaction - Cash Taker - Overview of Secured Borrowing Transactions

Notes to the Financial Statements

5. Investments (Continued)

(1) Information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral

The Company participates in short-term repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends bonds and receives cash as collateral. The Company monitors the estimated fair value of the collateral and the securities loaned throughout the duration of the contract and contributes additional collateral as necessary. Securities loaned under these agreements may be sold or re-pledged by the transferee.

(2) Type of repo trades used

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Bilateral (Yes/No)				Yes
b. Tri-Party (Yes/No)				No

(3) Original (flow) & residual maturity

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. Open - No maturity	\$	\$	\$	\$ -
2. Overnight	\$	\$	\$	\$ -
3. 2 days to 1 week	\$	\$	\$	\$ -
4. Over 1 week to 1 month	\$	\$	\$	\$ -
5. Over 1 month to 3 months	\$	\$	\$	\$ 210,878,335
6. Over 3 months to 1 year	\$	\$	\$	\$ -
7. Over 1 year	\$	\$	\$	\$ -
b. Ending Balance				
1. Open - No maturity	\$	\$	\$	\$ -
2. Overnight	\$	\$	\$	\$ -
3. 2 days to 1 week	\$	\$	\$	\$ -
4. Over 1 week to 1 month	\$	\$	\$	\$ -
5. Over 1 month to 3 months	\$	\$	\$	\$ 210,878,335
6. Over 3 months to 1 year	\$	\$	\$	\$ -
7. Over 1 year	\$	\$	\$	\$ -

(4) Fair value of securities sold and/or acquired that resulted in default

The Company did not have any securities sold or outstanding for which the repurchase agreement defaulted as of December 31, 2019.

(5) Securities "sold" under repo - secured borrowing

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. BACV	XXX	XXX	XXX	\$ 203,428,070
2. Nonadmitted - Subset of BACV	XXX	XXX	XXX	\$ -
3. Fair Value	\$	\$	\$	\$ 219,598,439
b. Ending Balance				
1. BACV	XXX	XXX	XXX	\$ 203,428,070
2. Nonadmitted - Subset of BACV	XXX	XXX	XXX	\$ -
3. Fair Value	\$	\$	\$	\$ 219,598,439

Notes to the Financial Statements

5. Investments (Continued)

(6) Securities sold under repo - secured borrowing by NAIC designation

Ending Balance	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	None	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Nonadmitted
a. Bonds - BACV	\$ 38,429,588	\$ 164,998,482	\$	\$	\$	\$	\$	\$
b. Bonds - FV	40,990,832	178,607,607						
c. LB & SS - BACV								
d. LB & SS - FV								
e. Preferred stock - BACV								
f. Preferred stock - FV								
g. Common stock								
h. Mortgage loans - BACV								
i. Mortgage loans - FV								
j. Real estate - BACV								
k. Real estate - FV								
l. Derivatives - BACV								
m. Derivatives - FV								
n. Other invested assets - BACV								
o. Other invested assets - FV								
p. Total assets - BACV	\$ 38,429,588	\$ 164,998,482	\$	\$	\$	\$	\$	\$
q. Total assets - FV	\$ 40,990,832	\$ 178,607,607	\$	\$	\$	\$	\$	\$
p = (a+c+e+g+h+j+l+n)								
q = (b+d+f+g+i+k+m+o)								

(7) Collateral received - secured borrowing

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a.	Maximum Amount				
1.	Cash	\$	\$	\$	\$ 210,878,335
2.	Securities (FV)	\$	\$	\$	\$
b.	Ending Balance				
1.	Cash	\$	\$	\$	\$ 210,878,335
2.	Securities (FV)	\$	\$	\$	\$

(8) Cash & non-cash collateral received - secured borrowing by NAIC designation

Ending Balance	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	None	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Does Not Qualify as Admitted
a. Cash	\$ 210,878,335	\$	\$	\$	\$	\$	\$	\$
b. Bonds - FV								
c. LB & SS - FV								
d. Preferred stock - FV								
e. Common stock								
f. Mortgage loans - FV								
g. Real estate - FV								
h. Derivatives - FV								
i. Other Invested Assets - FV								
j. Total collateral assets - FV (sum of a through i)	\$ 210,878,335	\$	\$	\$	\$	\$	\$	\$

(9) Allocation of aggregate collateral by remaining contractual maturity

		Fair Value
a.	Overnight and continuous	\$ -
b.	30 Days or less	-
c.	31 to 90 Days	210,878,335
d.	More than 90 days	-

Notes to the Financial Statements

5. Investments (Continued)

(10) Allocation of aggregate collateral reinvested by remaining contractual maturity

	Amortized Cost	Fair Value
a. 30 Days or less	\$ -	\$ -
b. 31 to 60 Days	-	-
c. 61 to 90 Days	-	-
d. 91 to 120 Days	-	-
e. 121 to 180 Days	-	-
f. 181 to 365 Days	-	-
g. 1 to 2 Years	-	-
h. 2 to 3 Years	-	-
i. More than 3 years	183,779,724	183,658,829

(11) Liability to return collateral - secured borrowing (total)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. Cash (Collateral - All)	\$ -	\$ -	\$ -	\$ 210,878,335
2. Securities Collateral (FV)	\$ -	\$ -	\$ -	\$ -
b. Ending Balance				
1. Cash (Collateral - All)	\$ -	\$ -	\$ -	\$ 210,878,335
2. Securities Collateral (FV)	\$ -	\$ -	\$ -	\$ -

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Repurchase Transaction - Cash Provider - Overview of Secured Borrowing Transactions

(1) Information regarding the company policy or strategies for engaging in repo programs, policy for requiring collateral

Included in short-term investments are amounts receivable under reverse repurchase agreements, which involves the purchase of investments from a seller with the agreement that the investments will be repurchased by the seller at a specified price, and at a specified date or within a specified period of time, not to exceed 364 days. The investments purchased, which represent collateral on a secured lending arrangement, are not reflected in the Company's consolidated balance sheets. Instead, the secured lending arrangement is reflected as a short-term investment for the principal amount loaned under the agreement. Amounts loaned under reverse repurchase agreements totaled \$85.0 million at December 31, 2019. The collateral received was \$282.0 million at December 31, 2019.

(2) Type of repo trades used

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Bilateral (Yes/No)			YES	YES
b. Tri-Party (Yes/No)			NO	NO

(3) Original (flow) & residual maturity

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. Open - No maturity	\$ -	\$ -	\$ -	\$ -
2. Overnight	\$ -	\$ -	\$ -	\$ -
3. 2 days to 1 week	\$ -	\$ -	\$ -	\$ -
4. Over 1 week to 1 month	\$ -	\$ -	\$ -	\$ -
5. Over 1 month to 3 months	\$ -	\$ -	\$ -	\$ -
6. Over 3 months to 1 year	\$ -	\$ -	\$ 85,000,000	\$ 85,000,000
7. Over 1 year	\$ -	\$ -	\$ -	\$ -
b. Ending Balance				
1. Open - No maturity	\$ -	\$ -	\$ -	\$ -
2. Overnight	\$ -	\$ -	\$ -	\$ -
3. 2 days to 1 week	\$ -	\$ -	\$ -	\$ -
4. Over 1 week to 1 month	\$ -	\$ -	\$ -	\$ -
5. Over 1 month to 3 months	\$ -	\$ -	\$ -	\$ -
6. Over 3 months to 1 year	\$ -	\$ -	\$ 85,000,000	\$ 85,000,000
7. Over 1 year	\$ -	\$ -	\$ -	\$ -

(4) Fair value of securities sold and/or acquired that resulted in default - None

(5) Fair value of securities acquired under repo - secured borrowing

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount	\$ 85,000,000	\$ 85,000,000	\$ 85,000,000	\$ 85,000,000
b. Ending Balance	\$ 85,000,000	\$ 85,000,000	\$ 85,000,000	\$ 85,000,000

Notes to the Financial Statements

5. Investments (Continued)

(6) Securities acquired under repo - secured borrowing by NAIC designation

Ending Balance	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	None	NAIC 1	NAIC 2	NAIC 3	NAIC 4	NAIC 5	NAIC 6	Does Not Qualify as Admitted
a. Bonds - FV	\$	\$ 85,000,000	\$	\$	\$	\$	\$	\$
b. LB & SS - FV								
c. Preferred stock - FV								
d. Common stock								
e. Mortgage loans - FV								
f. Real estate - FV								
g. Derivatives - FV								
h. Other invested assets - FV								
i. Total assets - FV (Sum of a through h)	\$	\$ 85,000,000	\$	\$	\$	\$	\$	\$

(7) Collateral provided - secured borrowing

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. Cash	\$	\$	\$	\$ -
2. Securities (FV)	\$	\$	\$ 273,829,906	\$ 282,042,764
3. Securities (BACV)	XXX	XXX	XXX	XXX
4. Nonadmitted Subset (BACV)	XXX	XXX	XXX	XXX
b. Ending Balance				
1. Cash	\$	\$	\$	\$ -
2. Securities (FV)	\$	\$	\$ 273,829,906	\$ 282,042,764
3. Securities (BACV)	\$	\$	\$ 273,829,906	\$ 282,042,764
4. Nonadmitted Subset (BACV)	\$	\$	\$	\$ -

(8) Allocation of aggregate collateral pledged by remaining contractual maturity

	Amortized Cost	Fair Value
a. Overnight and continuous	\$ -	\$ -
b. 30 Days or less	-	-
c. 31 to 90 Days	-	-
d. More than 90 days	282,042,764	282,042,764

(9) Recognized receivable for return of collateral - secured borrowing

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. Cash	\$	\$	\$	\$
2. Securities (FV)	\$	\$	\$ 85,000,000	\$ 85,000,000
b. Ending Balance				
1. Cash	\$	\$	\$	\$ -
2. Securities (FV)	\$	\$	\$ 85,000,000	\$ 85,000,000

(10) Recognized liability to return collateral - secured borrowing (total) - None

- H. Repurchase Agreements Transactions Accounted for as a Sale - None
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale - None
- J. Real Estate

(1) Impairment loss - None

(2) Real estate sold or classified held for sale - None

(3) Changes to a plan of sale for an investment in real estate - None

(4) Retail land sales operations - None

(5) Participating mortgage loan features - None
- K. Low-Income Housing Tax Credits (LIHTC) - None

Notes to the Financial Statements

5. Investments (Continued)

L. Restricted Assets

(1) Restricted assets (including pledged)

Gross (Admitted & Nonadmitted) Restricted											
Current Year							Current Year				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity	Total (1 + 3)	Total From Prior Year	Increase / (Decrease) (5 - 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5-8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets, %	Admitted to Total Admitted Assets, %
a. Subject to contractual obligation for which liability is not shown	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....	%	%
b. Collateral held under security lending agreements	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
c. Subject to repurchase agreements	210,878,335	.....	.....	.....	210,878,335	.....	210,878,335	.....	210,878,335	0.322	0.322
d. Subject to reverse repurchase agreements	85,000,000	.....	.....	.....	85,000,000	.....	85,000,000	.....	85,000,000	0.130	0.130
e. Subject to dollar repurchase agreements	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
f. Subject to dollar reverse repurchase agreements	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
g. Placed under option contracts	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
i. FHLB capital stock	78,048,000	.....	.....	.....	78,048,000	47,048,000	31,000,000	.....	78,048,000	0.119	0.119
j. On deposit with states	4,734,395	.....	.....	.....	4,734,395	6,661,724	(1,927,329)	.....	4,734,395	0.007	0.007
k. On deposit with other regulatory bodies	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
l. Pledged as collateral to FHLB (including assets backing funding agreements)	1,729,088,342	.....	.....	.....	1,729,088,342	1,220,540,486	508,547,856	.....	1,729,088,342	2.639	2.640
m. Pledged as collateral not captured in other categories	90,936,730	.....	.....	.....	90,936,730	113,930,723	(22,993,993)	.....	90,936,730	0.139	0.139
n. Other restricted assets	4,022,116	.....	.....	.....	4,022,116	6,661,724	(2,639,608)	.....	4,022,116	0.006	0.006
o. Total restricted assets	\$ 2,202,707,917	\$	\$	\$	\$ 2,202,707,917	\$ 1,394,842,657	\$ 807,865,260	\$	\$ 2,202,707,917	3.362%	3.363%

(2) Detail of assets pledged as collateral not captured in other categories (contracts that share similar characteristics, such as reinsurance and derivatives, are reported in the aggregate)

Gross (Admitted & Nonadmitted) Restricted										Percentage	
Current Year											
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Description of Assets	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity	Total (1 + 3)	Total From Prior Year	Increase/ (Decrease) (5 - 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets, %	Admitted to Total Admitted Assets, %	
Reinsurance trusts	\$... 72,892,701	\$	\$	\$	\$... 72,892,701	\$... 71,694,146	\$..... 1,198,555	\$... 72,892,702	.....0.111%	.....0.111%	
Derivative collateral asset	18,044,029	.....	.....	.....	18,044,029	42,236,577	(24,192,548)	18,044,028	.....0.028	.....0.028	
Total	\$ 90,936,730	\$	\$	\$	\$ 90,936,730	\$ 113,930,723	\$ (22,993,993)	\$ 90,936,730	0.139%	0.139%	

(3) Detail of other restricted assets (contracts that share similar characteristics, such as reinsurance and derivatives, are reported in the aggregate)

Gross (Admitted & Nonadmitted) Restricted										Percentage	
Current Year											
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Description of Assets	Total General Account (G/A)	G/A Supporting Separate Account (S/A) Activity	Total S/A Restricted Assets	S/A Assets Supporting G/A Activity	Total (1 + 3)	Total From Prior Year	Increase/ (Decrease) (5 - 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets, %	Admitted to Total Admitted Assets, %	
Commercial mortgages	\$.... 4,022,116	\$	\$	\$	\$.... 4,022,116	\$.... 6,661,724	\$....(2,639,608)	\$.... 4,022,116	.....0.006%	.....0.006%	
Total	\$ 4,022,116	\$	\$	\$	\$ 4,022,116	\$ 6,661,724	\$ (2,639,608)	\$ 4,022,116	0.006%	0.006%	

Notes to the Financial Statements

5. Investments (Continued)

(4) Collateral received and reflected as assets within the reporting entity's financial statements

	(1)	(2)	(3)	(4)
Collateral Assets	Book/Adjusted Carrying Value (BACV)	Fair Value	% of BACV to Total Assets (Admitted and Nonadmitted)	% of BACV to Total Admitted Assets
General Account:				
a. Cash, cash equivalents and short-term investments	\$ 2,361,611,119	\$ 2,361,611,119	4.255%	4.255%
b. Schedule D, Part 1				
c. Schedule D, Part 2, Section 1				
d. Schedule D, Part 2, Section 2				
e. Schedule B				
f. Schedule A				
g. Schedule BA, Part 1				
h. Schedule DL, Part 1				
i. Other				
j. Total Collateral Assets (a+b+c+d+e+f+g+h+i)	\$ 2,361,611,119	\$ 2,361,611,119	4.255%	4.255%
Separate Account:				
k. Cash, cash equivalents and short-term investments	\$	\$	%	%
l. Schedule D, Part 1				
m. Schedule D, Part 2, Section 1				
n. Schedule D, Part 2, Section 2				
o. Schedule B				
p. Schedule A				
q. Schedule BA, Part 1				
r. Schedule DL, Part 1				
s. Other				
t. Total Collateral Assets (k+l+m+n+o+p+q+r+s)	\$	\$	%	%
			(1)	(2)
			Amount	% of Liability to Total Liabilities
u. Recognized Obligation to Return Collateral Asset (General Account)			\$ 2,361,611,119	4.321%
v. Recognized Obligation to Return Collateral Asset (Separate Account)			\$	%

M. Working Capital Finance Investments - None

N. Offsetting and Netting of Assets and Liabilities - None

O. 5GI Securities

Investment	Number of 5GI Securities		Aggregate BACV		Aggregate Fair Value	
	2019	2018	2019	2018	2019	2018
(1) Bonds - amortized cost	1	1	\$ 11,731,254	\$ 11,731,254	\$ 11,191,616	\$ 11,385,565
(2) LB & SS - amortized cost	4	4	1,573,531	1,568,113	2,435,564	1,938,144
(3) Preferred stock - amortized cost						
(4) Preferred stock - fair value						
(5) Total (1+2+3+4)	5	5	\$ 13,304,785	\$ 13,299,367	\$ 13,627,180	\$ 13,323,709

P. Short Sales - None

Q. Prepayment Penalty and Acceleration Fees

	General Account	Separate Account
(1) Number of CUSIPs	47	5
(2) Aggregate Amount of Investment Income	\$ 25,900,129	\$ 754,427

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Investments in Joint Ventures, Partnerships or Limited Liability Companies that Exceed 10% of Admitted Assets - None

B. Impaired Investments in Joint Ventures, Partnerships and Limited Liability Companies

The Company recognized other-than-temporary impairments of \$5.5 million and \$45.4 million as of December 31, 2019 and 2018, respectively, on partnerships and limited liability companies included in Schedule BA. The impairments were based on an assessment that future cash flows of affected limited partnerships would be less than the cost basis of the limited partnership. Fair value is determined by statements received from the partnerships and limited liability companies.

Notes to the Financial Statements

7. Investment Income

A. Due and Accrued Income Excluded from Surplus

All investment income due and accrued with amounts over 90 days past due, with the exception of mortgage loans in default, was nonadmitted.

B. Total Amount Excluded

The total amount excluded was \$0.4 million as of December 31, 2019 and 2018.

8. Derivative Instruments

A. Derivatives under SSAP No. 86 - Derivatives

(1) The Company utilizes derivative instruments which may include the following:

Options: The Company has issued fixed indexed products. These contracts credit interest based on certain indices, primarily the Standard & Poor's 500® Composite Stock Price Index. Over-the-counter (OTC) option contracts, call options and call spreads are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. Upon exercise, the Company will receive the fair value of the call option. The parties with whom the Company enters into OTC option contracts are highly rated financial institutions where contracts are supported by collateral, which minimizes the credit risk associated with such contracts.

Variance Swaps: The Company has issued fixed indexed products. These contracts credit interest based on certain indices, primarily the Standard & Poor's 500® Composite Stock Price Index. The Company uses variance swaps to hedge the market risks from changes in volatility for these products. Under variance swaps, the Company and the counterparty agree to exchange amounts calculated based on a fixed rate (implied volatility at inception of transaction) and realized volatility over the life of the transaction (similar to an interest rate swap). Generally, no cash is exchanged at the outset of the contract and neither party makes principal payments. The parties with whom the Company enters into OTC variance swaps contracts are highly rated financial institutions which minimizes the credit risk associated with such contracts.

Interest Rate Swaps: The Company uses interest rate swaps to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Generally, no cash is exchanged at the outset of the contract and neither party makes principal payments.

The interest rate swaps that qualify for hedge accounting in accordance SSAP No. 86, *Derivatives*, are recorded in a manner consistent with the hedged asset or liability. Qualifying interest rate swaps hedging liabilities, are carried at amortized cost. Cash which is exchanged as the difference between fixed and floating interest rates is recognized in the statements of operations through investment income. If the contract is terminated prior to maturity, a realized gain or loss is reported in the statements of operations for the amount of cash exchanged in order to close the contract.

Futures: Under exchange-traded futures contracts, the Company agrees to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily fair values of those contracts. Futures contracts are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. The clearing broker with whom the Company enters into exchange-traded futures are regulated futures commission merchants who are members of a trading exchange.

Futures are recorded at fair value of margin on deposit with the clearing broker and changes in this margin on deposit are recognized in the Summary of Operations through investment income.

Currency Swaps: Foreign currency swaps are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets denominated in foreign currencies. With a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the inception and termination of the currency swap by each party.

The currency swaps that qualify for hedge accounting in accordance with SSAP No. 86 are recorded in a manner consistent with the hedged asset or liability. The change in the value of the hedged item due to fluctuations in foreign exchange rates is recorded as unrealized capital gains or losses until the time of sale. As such, the qualifying currency swap also records the change in value associated with fluctuations in foreign currency exchange rates in unrealized capital gains and losses.

Forwards: The Company uses foreign exchange forward contracts to hedge certain invested assets against movement in foreign currency. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. Foreign exchange forward contracts are utilized in non-qualifying hedging relationships.

Credit Default Swaps: Credit default swaps are used to synthetically create the characteristics of a bond, or hedge credit risk, referred to as a replication synthetic asset transaction (RSAT). An RSAT is created by coupling a bond with a credit default swap to create a synthetic instrument that is cheaper than its cost in the cash market or one which has better default characteristics. These transactions provide the Company with a periodic premium to compensate it for accepting credit risk and are used to enhance investment income and improve the default characteristics of the portfolio. The exposure amount of such agreement, which is usually the notional amount, is equal to the maximum proceeds that must be paid by a counterparty for a defaulted security. Should a credit event occur on a reference entity, a counterparty would be required to pay the notional amount in exchange for receipt of an obligation of the reference entity. Generally, there is no cash requirement at the initiation of the credit default swap contract.

Credit default swaps used in replication transactions are carried at amortized cost. The premiums received are accrued and recognized in the Summary of Operations through investment income over the life of the agreements. A capital loss would be recorded on the date of default, through the Summary of Operations, to reflect the difference between the notional amount paid and the fair value of the bonds received.

Total Return Swaps: The Company purchases total return swaps to gain exposure and benefit from a reference asset without actually having to own it. Total return swaps are contracts in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset, which includes both the income it generates and any capital gains.

See Note 1 for further explanation of the accounting policy for derivatives.

(2) See part (1) above.

(3) See part (1) above.

(4) There were no derivative contracts with financing premiums.

Notes to the Financial Statements

8. Derivative Instruments (Continued)

- (5) There were no gains or losses recognized in unrealized gains or losses during the reporting period representing the component of the derivative instrument's gain or loss excluded from the assessment of hedge effectiveness.
- (6) There were no net gains or losses recognized in unrealized gains or losses during the reporting period resulting from derivatives that no longer qualify for hedge accounting.
- (7) There are no derivatives accounted for as cash flow hedges of a forecasted transaction.
- (8) Premium Cost for Derivative Contracts - None

B. Derivatives under SSAP No. 108 - Derivative Hedging Variable Annuity Guarantees (Life/Fraternal Only) - None

9. Income Taxes

A. Components of the Net Deferred Tax Asset/(Liability)

(1) Change between years by tax character

	2019			2018			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	Total (Col 1+2)	Ordinary	Capital	Total (Col 4+5)	Ordinary (Col 1-4)	Capital (Col 2-5)	Total (Col 7+8)
(a) Gross deferred tax assets	\$ 291,918,465	\$	\$ 291,918,465	\$ 398,428,885	\$	\$ 398,428,885	\$ (106,510,420)	\$	\$ (106,510,420)
(b) Statutory valuation allowance adjustments									
(c) Adjusted gross deferred tax assets (1a - 1b)	291,918,465		291,918,465	398,428,885		398,428,885	(106,510,420)		(106,510,420)
(d) Deferred tax assets nonadmitted									
(e) Subtotal net admitted deferred tax asset (1c - 1d)	\$ 291,918,465	\$	\$ 291,918,465	\$ 398,428,885	\$	\$ 398,428,885	\$ (106,510,420)	\$	\$ (106,510,420)
(f) Deferred tax liabilities	342,014,054	13,708,262	355,722,316	366,278,072	12,768,988	379,047,060	(24,264,018)	939,274	(23,324,744)
(g) Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	\$ (50,095,589)	\$ (13,708,262)	\$ (63,803,851)	\$ 32,150,813	\$ (12,768,988)	\$ 19,381,825	\$ (82,246,402)	\$ (939,274)	\$ (83,185,676)

(2) Admission calculation components SSAP No. 101

	2019			2018			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	Total (Col 1+2)	Ordinary	Capital	Total (Col 4+5)	Ordinary (Col 1-4)	Capital (Col 2-5)	Total (Col 7+8)
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$	\$	\$	\$	\$	\$	\$	\$	\$
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (lesser of 2(b)1 and 2(b)2 below)	56,935,255		56,935,255	65,413,221		65,413,221	(8,477,966)		(8,477,966)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	56,935,255		56,935,255	65,413,221		65,413,221	(8,477,966)		(8,477,966)
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	181,297,162	XXX	XXX	182,217,300	XXX	XXX	(920,138)
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	234,983,210		234,983,210	333,015,664		333,015,664	(98,032,454)		(98,032,454)
(d) Deferred tax assets admitted as the result of application of SSAP No. 101.									
Total (2(a) + 2(b) + 2(c))	\$ 291,918,465	\$	\$ 291,918,465	\$ 398,428,885	\$	\$ 398,428,885	\$ (106,510,420)	\$	\$ (106,510,420)

(3) Ratio used as basis of admissibility

	2019	2018
(a) Ratio percentage used to determine recovery period and threshold limitation amount	868.400 %	852.800 %
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 2,053,238,689	\$ 1,886,820,415

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

9. Income Taxes (Continued)

(4) Impact of tax-planning strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage

	2019		2018		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary	Capital	Ordinary	Capital	Ordinary (Col. 1-3)	Capital (Col. 2-4)
1. Adjusted gross DTAs amount from Note 9A1 (c)	\$ 291,918,465	\$	\$ 398,428,885	\$	\$ (106,510,420)	\$
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	— %	— %	— %	— %	— %	— %
3. Net admitted adjusted gross DTAs amount from Note 9A1(e)	\$ 291,918,465	\$	\$ 398,428,885	\$	\$ (106,510,420)	\$
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	— %	— %	— %	— %	— %	— %

(b) Use of reinsurance-related tax-planning strategies

Does the company's tax-planning strategies include the use of reinsurance? NO

B. Regarding Deferred Tax Liabilities That Are Not Recognized

No DTLs have been recognized with respect to life insurance policies owned by the Company insuring the lives of certain officers and employees. The Company intends to realize tax-exempt benefits upon the deaths of the insured lives. If, however, the Company surrendered all of the policies prior to the deaths of the insured lives, the Company would incur a tax liability of approximately \$47.8 million on unprovided taxable temporary differences of approximately \$227.6 million.

No unrecognized DTL exists for temporary differences related to investments in foreign subsidiaries or foreign corporate joint ventures that are essentially permanent in duration.

C. Major Components of Current Income Taxes Incurred

Current income taxes incurred consist of the following major components:	(1)	(2)	(3)
	2019	2018	Change (1-2)
1. Current Income Tax			
(a) Federal	\$ (108,031,238)	\$ 19,768,341	\$ (127,799,579)
(b) Foreign			
(c) Subtotal	\$ (108,031,238)	\$ 19,768,341	\$ (127,799,579)
(d) Federal income tax on net capital gains	46,343,505	49,211,753	(2,868,248)
(e) Utilization of capital loss carry-forwards			
(f) Other			
(g) Federal and foreign income taxes incurred	<u>\$ (61,687,733)</u>	<u>\$ 68,980,094</u>	<u>\$ (130,667,827)</u>

Notes to the Financial Statements

9. Income Taxes (Continued)

	(1)	(2)	(3)
Current income taxes incurred consist of the following major components:	2019	2018	Change (1-2)
2. Deferred Tax Assets			
(a) Ordinary			
(1) Discounting of unpaid losses	\$	\$	\$
(2) Unearned premium reserve			
(3) Policyholder reserves	244,554,541	343,851,628	(99,297,087)
(4) Investments			
(5) Deferred acquisition costs	44,522,092	43,309,581	1,212,511
(6) Policyholder dividends accrual			
(7) Fixed assets	3,944	4,147	(203)
(8) Compensation and benefits accrual	—	8,990,029	(8,990,029)
(9) Pension accrual			
(10) Receivables - nonadmitted	996,253	855,376	140,877
(11) Net operating loss carry-forward	3,764	3,291	473
(12) Tax credit carry-forward	—		—
(13) Other (including items less than 5% of total ordinary tax assets)	1,837,871	1,414,833	423,038
(99) Subtotal	\$ 291,918,465	\$ 398,428,885	\$ (106,510,420)
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted			
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 291,918,465	\$ 398,428,885	\$ (106,510,420)
(e) Capital			
(1) Investments	\$	\$	\$
(2) Net capital loss carry-forward			
(3) Real estate			
(4) Other (including items < 5% of total capital tax assets)			
(99) Subtotal	\$	\$	\$
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted			
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)			
(i) Admitted deferred tax assets (2d + 2h)	\$ 291,918,465	\$ 398,428,885	\$ (106,510,420)
Current income taxes incurred consist of the following major components:	(1)	(2)	(3)
	2019	2018	Change (1-2)
3. Deferred Tax Liabilities			
(a) Ordinary			
(1) Investments	\$ 118,095,411	\$ 117,876,061	\$ 219,350
(2) Fixed assets			
(3) Deferred and uncollected premium	1,512,967	1,704,457	(191,490)
(4) Policyholder reserves	222,405,676	246,689,960	(24,284,284)
(5) Other (including items < 5% of total ordinary tax liabilities)	—	7,594	(7,594)
(99) Subtotal	\$ 342,014,054	\$ 366,278,072	\$ (24,264,018)
(b) Capital			
(1) Investments	\$ 13,708,262	\$ 12,768,988	\$ 939,274
(2) Real estate			
(3) Other (including items < 5% of total capital tax liabilities)			
(99) Subtotal	\$ 13,708,262	\$ 12,768,988	\$ 939,274
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 355,722,316	\$ 379,047,060	\$ (23,324,744)
4. Net deferred tax assets/liabilities (2i - 3c)	\$ (63,803,851)	\$ 19,381,825	\$ (83,185,676)

The change in net deferred taxes is comprised of the following (this analysis is exclusive of the tax effect of unrealized capital gain (losses) as the deferred taxes on unrealized gains (losses) are reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	2019	2018	Change
Adjusted gross deferred tax assets	291,918,465	398,428,885	(106,510,420)
Total deferred tax liabilities	(355,722,316)	(379,047,060)	23,324,744
Net deferred tax assets (liabilities)	(63,803,851)	19,381,825	(83,185,676)
Tax effect of unrealized gans (losses)			12,454,119
Change in net deferred income tax			(70,731,557)

Notes to the Financial Statements

9. Income Taxes (Continued)

D. Among the More Significant Book to Tax Adjustments

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. Among the more significant book to tax adjustments were the following:

	2019	Effective Tax Rate
Provision computed at statutory rate	\$ 34,432,935	21.000%
Permanent differences		
IMR	2,952,508	1.801
Nontaxable income	(6,785,336)	-4.138
Nondeductible expenses	10,179,853	6.209
Affiliated expenses	824,627	0.503
Non-admitted assets	(651,152)	-0.397
Specific reserves in surplus	(33,313)	-0.020
Prior year true-up and adjustments	(9,512,053)	-5.801
Unrealized gain ceded	(12,386,529)	-7.554
Reinsurance adjustment A-791	(8,752,088)	-5.338
Tax rate change	(1,225,628)	-0.747
Total	\$ 9,043,824	5.516%

	2019	Effective Tax Rate
Federal and foreign income taxes incurred	\$ (108,031,238)	-65.886%
Realized capital gains (losses) tax	46,343,505	28.264
Federal taxes allocated to period period adjustments	—	—
Change in net deferred income taxes	70,731,557	43.138
Total statutory income taxes	\$ 9,043,824	5.516%

E. Operating Loss and Tax Credit Carryforwards

(1) The Company has tax attribute carry forwards as follows:

Year Incurred	Operations Loss Deductions	
	Amount	Expiring
2013 2nd short period	\$ 15,671	2033
2013 1st short period	\$ 2,253	2032

(2) Income tax expense available for recoupment

The amount of capital gains taxes incurred available for recoupment in the event of future capital losses are:

	Total
2017	\$ —
2018	—
2019	33,872,683

(3) There are no aggregate amount of deposits reported as admitted assets under Section 6603 of the Internal Revenue Code as of December 31, 2019 and 2018.

F. Consolidated Federal Income Tax Return

The Company files as a member of a consolidated federal income tax return with its indirect parent company, Athene USA Corporation. The Company is a party to a written tax sharing agreement that has been approved by the Board of Directors. Allocation of tax benefits is based on separate returns. Losses are paid at the time they can be used in the consolidated return. Intercompany tax balances are settled quarterly.

The Company has also entered into a supplemental tax sharing agreement with Athene Re USA IV, Inc. (Athene Re IV), whereby the Company is obligated to perform all of Athene Re IV's tax sharing obligations and is entitled to accept all of Athene Re IV's tax sharing benefits. Accordingly, any current taxes payable or receivable by Athene Re IV are reflected by the Company.

The following entities are included in the consolidated return:

Athene USA Corporation
Athene Annuity & Life Assurance Company
Athene Annuity & Life Assurance Company of New York
Athene Annuity and Life Company
Athene Annuity Re Ltd.
Athene Assignment Corporation
Athene Life Insurance Company of New York
Athene London Assignment Corporation
Athene Re USA IV, Inc.
Centralife Annuities Services, Inc
P.L. Assigned Services
Structured Annuity Reinsurance Company

Notes to the Financial Statements

9. Income Taxes (Continued)

G. Federal or Foreign Income Tax Loss Contingencies

The Company does not have any tax loss contingencies for which it is reasonably possible that the total tax liability will significantly increase within 12 months of the reporting date.

H. Repatriation Transition Tax (RTT) - None

I. Alternative Minimum Tax (AMT) Credit - None

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. The Company's various affiliated relationships, agreements and transactions are discussed within Notes 10A through 10F and the 2019 affiliated transactions are disclosed in Schedule Y, part 2. Investments in affiliated entities are disclosed in the investment schedules.

During February 2018, Athene Life Re Ltd. (ALRe) formed a subsidiary Bermuda reinsurer, Athene Annuity Re Ltd. (AARE) which has been licensed with the Bermuda Monetary Authority. During 2018, pursuant to a Contribution Agreement, Athene Holding, Ltd. (AHL) contributed Athene USA Corporation, an indirect parent of the Company, and its subsidiaries to AHL's wholly owned subsidiary ALRe.

The Company cedes a quota share of its annuity business to AARE and AADE, a 100% quota share of its funding agreement business to AARE and 100% of the Closed Block liabilities to Athene Re IV. The Company cedes to Structured Annuity Reinsurance Company a 100% quota share of its benefits payable for all structured annuity contracts issued by the Company to Aviva London Assignment Corporation (an affiliated company prior to October 2, 2013). See disclosures in Schedule S and Schedule Y, part 2.

Some employees of Athene Employee Services LLC participate in one or more Share Award Agreements (the Agreements) sponsored by AHL, an indirect parent of the Company, for which the Company has no legal obligation. Salary expense of Athene Employee Services LLC is partially allocated to the Company through the Shared Services Agreement. Under SSAP No. 104R, *Share-Based Payments*, the stock compensation expense associated with the Agreements that would have been allocated to the Company is required to be recorded as a capital contribution to the reporting entity. The Company has allocated the stock compensation expense associated with the Agreements based on the same methodology as the Shared Services Agreement. In accordance with SSAP No. 104R, the Company incurred expense and recorded a capital contribution under the Agreements totaling \$9.9 million and \$9.1 million for the years ended December 31, 2019 and 2018, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

During July 2018, the Company received a \$15.0 million capital contribution from its direct parent, AADE, and the Company made a \$15.0 million capital contribution to its wholly-owned subsidiary, AANY.

B. See part A above.

C. See part A above.

D. As of December 31, 2019 and 2018, respectively, the Company reported \$7.0 million and \$0.4 million receivable due from affiliates and \$13.0 million and \$14.0 million payable due to affiliates. All intercompany balances shown as payable to or receivable from parent, subsidiaries and affiliates are settled within 45 days of their incurrence under the terms of the intercompany expense sharing agreements.

E. See Note 14 for details of the Company's affiliated guarantees.

F. The Company is party to an investment management agreement with affiliate Apollo Insurance Solutions Group, LLC (ISG), formerly Athene Asset Management LLC, under which ISG agrees to provide asset management services in exchange for management fees. The Company pays 30 basis points (bps) per annum on the Company's managed assets. The Company incurred ISG investment expenses on its general and separate account assets of \$176.5 million and \$150.9 million in 2019 and 2018, respectively.

The Company participates in a Shared Services and Cost Sharing Agreement with certain other affiliated companies pursuant to which each party thereto agreed to provide certain financial, legal and other services to the other parties. The Company incurred related expenses under these agreements totaling \$255.5 million and \$236.0 million in 2019 and 2018, respectively.

G. The operating results and financial position of the Company as reported in these financial statements would not be significantly different from those that would have been obtained if the Company were autonomous.

H. Amount Deducted for Investment in Upstream Company - None

I. The Company does not hold an investment in a subsidiary, controlled or affiliated company (SCA) that exceeds 10% of admitted assets.

J. The Company did not recognize any impairment write downs for its investment in SCAs during the statement period.

K. The Company does not hold an investment in a foreign insurance subsidiary.

L. The Company does not hold an investment in a downstream noninsurance holding company.

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (Continued)

M. All SCA Investments

(1) Balance sheet value (admitted and nonadmitted) all SCAs (except 8b(i) entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
Total SSAP No. 97 8a Entities	XXX	\$	\$	\$
b. SSAP No. 97 8b(ii) Entities				
Total SSAP No. 97 8b(ii) Entities	XXX	\$	\$	\$
c. SSAP No. 97 8b(iii) Entities				
Centralife Annuities Services, Inc.	100.000%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(iii) Entities	XXX	\$ -	\$ -	\$ -
d. SSAP No. 97 8b(iv) Entities				
Total SSAP No. 97 8b(iv) Entities	XXX	\$	\$	\$
e. Total SSAP No. 97 8b Entities (except 8b(i) entities) (b+c+d)	XXX	\$ -	\$ -	\$ -
f. Aggregate Total (a+e)	XXX	\$ -	\$ -	\$ -

(2) NAIC filing response information

SCA Entity	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received (Yes/No)	NAIC Disallowed Entities Valuation Method, Resubmission Required (Yes/No)	Code**
a. SSAP No. 97 8a Entities						
Total SSAP No. 97 8a Entities			\$			
b. SSAP No. 97 8b(ii) Entities						
Total SSAP No. 97 8b(ii) Entities			\$			
c. SSAP No. 97 8b(iii) Entities						
Centralife Annuities Services, Inc.	S2	07/03/2019	\$ -	Y	N	N/A
Total SSAP No. 97 8b(iii) Entities			\$ -			
d. SSAP No. 97 8b(iv) Entities						
Total SSAP No. 97 8b(iv) Entities			\$			
e. Total SSAP No. 97 8b Entities (except 8b(i) entities) (b+c+d)			\$ -			
f. Aggregate Total (a+e)			\$ -			

* S1 - Sub-1, S2 - Sub-2 or RDF - Resubmission of Disallowed Filing

** I - Immaterial or M - Material

N. Investment in Insurance SCAs

The Company owns all of the outstanding capital stock of Athene Re IV, a special purpose financial captive life insurance company domiciled in the State of Vermont.

(1) Athene Re IV, with the explicit permission of the Commissioner of the Vermont Department of Financial Regulation of the State of Vermont, has included as admitted assets the value of a letter of credit serving as collateral for reinsurance credit taken by the Company in connection with reinsurance agreements entered into between Athene Re IV and the Company. Under NAIC SAP, the letter of credit would not otherwise be treated as an admitted asset.

(2) The monetary effect on net income and surplus

The monetary effect on net income and surplus as a result of using an accounting practice that differed from NAIC SAP, the amount of the investment in the insurance SCA per audited statutory equity and amount of the investment if the insurance SCA had completed statutory financial statements in accordance with the AP&P Manual is as follows:

SCA Entity (Investments in Insurance SCA Entities)	Monetary Effect on NAIC SAP		Amount of Investment	
	Net Income Increase (Decrease)	Surplus Increase (Decrease)	Per Audited Statutory Equity	If the Insurance SCA had Completed Statutory Financial Statements*
Athene Re IV	\$	\$ 136,901,150	\$ 32,526,929	\$

* Per AP&P Manual (without permitted or prescribed practices)

As of the issue date of this report, the 2019 statutory audit of Athene Re IV has not been completed.

(3) If Athene Re IV had not been permitted to include the letter of credit in surplus, its risk-based capital would have been below Mandatory Control Level.

O. SCA and SSAP No. 48 Entity Loss Tracking - None

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

11. Debt

- A. Athene USA Corporation (AUSA) is the holder of a five-year, Unsecured Revolving Promissory Note dated May 1, 2016 (the Promissory Note) with a maximum principal amount not to exceed \$200 million, among AUSA and certain of its subsidiaries, including the Company. The Promissory Note was approved by the Iowa Insurance Division. Interest shall accrue on the principal balance from time to time outstanding at a rate per annum equal to 1 month London Interbank Offered Rate + 162.5 bps. The Company shall pay such interest in arrears quarterly on the last day of each March, June, September and December, on any day any portion of the principal balance is repaid or prepaid. No amount has been drawn under the Promissory Note by the Company during the years ended December 31, 2019 or 2018, and as such, no interest expense has been incurred by the Company during the years ended December 31, 2019 or 2018.
- B. FHLB (Federal Home Loan Bank) Agreements

- (1) The Company is a member of the FHLB of Des Moines. Through its membership, the Company is eligible to borrow under variable rate short-term federal fund arrangements to provide additional liquidity. These borrowings are accounted for as borrowed money under SSAP No. 15, *Debt and Holding Company Obligations*. During 2019, the Company borrowed \$50.0 million in the general account and \$425.0 million in the separate account. The borrowings have maturity dates in February and May 2020 and carry an interest rate of 1.8%. During 2018, the Company borrowed \$183.0 million in the general account, which matured in August 2018 and carried an interest rate of 2.2%. The Company incurred interest expense on the short-term borrowings of \$1.1 million and \$1.3 million in the general and separate account for the years ended December 31, 2019 and 2018 respectively.

The Company has issued separate account funding agreements to the FHLB of Des Moines in exchange for cash resulting in a liability of \$1.19 billion as of December 31, 2019. The Company uses these funds in an investment spread strategy, consistent with its other investment spread operations. As such, the Company applies SSAP No. 52, *Deposit-Type Contracts*, accounting treatment to these funds, consistent with its other deposit-type contracts. It is not part of the Company's strategy to utilize these funds for operations, and any funds obtained from the FHLB of Des Moines for use in general operations would be accounted for consistent with SSAP No. 15 as borrowed money.

The Company must provide appropriate collateral to borrow under the arrangements described above. The borrowing capacity available to the Company under these agreements is largely a factor of the Company's ability to post eligible collateral, as well as internal limits such as single-holder exposure limits (10% of the entity's balance sheet liabilities) and NAIC capital requirements.

The tables below indicate the amount of FHLB of Des Moines stock purchased, collateral pledged, assets and liabilities related to the agreements with FHLB of Des Moines.

- (2) FHLB capital stock

- (a) Aggregate totals

	(1) Total (2+3)	(2) General Account	(3) Separate Accounts
1. Current Year			
(a) Membership stock - Class A	\$	\$	\$
(b) Membership stock - Class B	10,000,000	10,000,000	
(c) Activity stock	68,048,000	68,048,000	
(d) Excess stock			
(e) Aggregate total (a+b+c+d)	\$ 78,048,000	\$ 78,048,000	\$
(f) Actual or estimated borrowing capacity as determined by the insurer	\$ 1,900,000,000		
2. Prior Year-End			
(a) Member stock - Class A	\$	\$	\$
(b) Membership stock - Class B	10,000,000	10,000,000	
(c) Activity stock	37,048,000	37,048,000	
(d) Excess stock			
(e) Aggregate total (a+b+c+d)	\$ 47,048,000	\$ 47,048,000	\$
(f) Actual or estimated borrowing capacity as determined by the insurer	\$ 1,500,000,000		

- (b) Membership stock (class A and B) eligible and not eligible for redemption

Membership Stock	Eligible for Redemption					
	(1) Current Year Total (2+3+4+5+6)	(2) Not Eligible for Redemption	(3) Less Than 6 Months	(4) 6 Months to Less Than 1 Year	(5) 1 to Less Than 3 Years	(6) 3 to 5 Years
1. Class A	\$	\$	\$	\$	\$	\$
2. Class B	\$ 10,000,000	\$ 10,000,000	\$	\$	\$	\$

- (3) Collateral pledged to FHLB

- (a) Amount pledged as of reporting date

	(1) Fair Value	(2) Carrying Value	(3) Aggregate Total Borrowing
1. Current year total general and separate accounts total collateral pledged (Lines 2+3)	\$ 1,802,768,492	\$ 1,729,088,342	\$ 1,701,200,000
2. Current year general account total collateral pledged	\$ 1,802,768,492	\$ 1,729,088,342	\$ 50,000,000
3. Current year separate accounts total collateral pledged	\$	\$	\$ 1,651,200,000
4. Prior year total general and separate accounts total collateral pledged	\$ 1,256,829,839	\$ 1,220,540,486	\$ 926,200,000

Notes to the Financial Statements

11. Debt (Continued)

(b) Maximum amount pledged during reporting period

	(1)	(2)	(3)
	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
1. Current year total general and separate accounts maximum collateral pledged (Lines 2+3)	\$ 1,802,768,492	\$ 1,729,088,342	\$ 1,701,200,000
2. Current year general account maximum collateral pledged	\$ 1,802,768,492	\$ 1,729,088,342	\$ 50,000,000
3. Current year separate accounts maximum collateral pledged	\$	\$	\$ 1,651,200,000
4. Prior year total general and separate accounts maximum collateral pledged	\$ 1,256,829,839	\$ 1,220,540,486	\$ 926,200,000

(4) Borrowing from FHLB

(a) Amount as of the reporting date

	(1)	(2)	(3)	(4)
	Total (2+3)	General Account	Separate Accounts	Funding Agreements Reserves Established
1. Current Year				
(a) Debt	\$ 475,000,000	\$ 50,000,000	\$ 425,000,000	XXX
(b) Funding agreements	1,226,200,000		1,226,200,000	\$ 1,194,642,685
(c) Other				XXX
(d) Aggregate total (a+b+c)	<u>\$ 1,701,200,000</u>	<u>\$ 50,000,000</u>	<u>\$ 1,651,200,000</u>	<u>\$ 1,194,642,685</u>
2. Prior Year-end				
(a) Debt	\$	\$	\$	XXX
(b) Funding agreements	926,200,000		926,200,000	\$ 912,994,994
(c) Other				XXX
(d) Aggregate total (a+b+c)	<u>\$ 926,200,000</u>	<u>\$</u>	<u>\$ 926,200,000</u>	<u>\$ 912,994,994</u>

(b) Maximum amount during reporting period (current year)

	(1) Total (2+3)	(2) General Account	(3) Separate Accounts
1. Debt	\$ 475,000,000	\$ 50,000,000	\$ 425,000,000
2. Funding agreements	1,226,200,000		1,226,200,000
3. Other			
4. Aggregate total (Lines 1+2+3)	<u>\$ 1,701,200,000</u>	<u>\$ 50,000,000</u>	<u>\$ 1,651,200,000</u>

11B(4)b4 (Columns 1, 2 and 3) should be equal to or greater than 11B(4)a1(d) (Columns 1, 2 and 3 respectively)

(c) FHLB - Prepayment obligations

	Does the company have prepayment obligations under the following arrangements (YES/NO)?
1. Debt	YES
2. Funding agreements	YES
3. Other	NO

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan - None
- B. Investment Policies and Strategies of Plan Assets - None
- C. Fair Value of Each Class of Plan Assets - None
- D. Expected Long-Term Rate of Return for the Plan Assets - None
- E. Defined Contribution Plans - None
- F. Multiemployer Plans - None
- G. Consolidated/Holding Company Plans

The Company is allocated a portion of the costs related to a qualified contribution savings and retirement plan sponsored by AUSA. The plan is a qualified 401(k) plan covering officers and employees. The plan provides only non-discretionary company matching contributions. Expenses allocated to the Company from the plans for AUSA's contributions amounted to \$5.2 million and \$4.6 million for 2019 and 2018, respectively.

H. Postemployment Benefits and Compensated Absences

The Company had deferred compensation plans for agents which were not funded by the Company. The liability for these plans was included on Page 3, Line 21. These plans were frozen as of December 31, 2016. During 2019, the Company paid out the \$42.8 million liability.

Notes to the Financial Statements

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans (Continued)

- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - None

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- 1. At December 31, 2019 the Company has authorized and issued 10.0 million shares of \$1 par common stock which are outstanding and owned by AADE.
- 2. Dividend Rate of Preferred Stock - None
- 3. The payment of dividends by the Company to its parent is regulated under Iowa law. Under Iowa law, the Company may pay dividends only from the earned surplus arising from its business and must receive the prior approval (or non-disapproval) of the Iowa Insurance Commissioner to pay any dividend that would exceed certain statutory limitations.

In connection with the acquisition of Aviva USA during 2013, AHL entered into a Net Worth Maintenance Agreement to provide capital support to the Company such that AHL is obligated to maintain the Company's capital and surplus in an amount sufficient to maintain the Company's total adjusted capital to be at least 200% of company action level risk based capital. The agreement also provides that the Company will not pay any dividends if such dividends would cause the company action level risk based capital ratio to fall below 200%.

- 4. During June 2019, the Company distributed 100% of its membership interests in Athene Securities, LLC to its direct parent, AADE, through a dividend of \$0.4 million.
- 5. Within the limitations presented in item (3), above, the Company may pay dividends in 2019 of \$236.7 million.
- 6. The unassigned surplus is held for the benefit of the Company's shareholder.
- 7. Surplus Advances - None
- 8. Stock Held for Special Purposes - None
- 9. Changes in Special Surplus Funds - None
- 10. Unassigned funds (surplus)

The portion of unassigned funds (surplus) represented or reduced by unrealized gains and (losses), net of capital gains tax is \$81.0 million at December 31, 2019.

- 11. Company-Issued Surplus Debentures or Similar Obligations - None
- 12. Impact of Any Restatement Due to Prior Quasi-Reorganizations - None
- 13. During the quarter ended March 31, 2017, the Company recorded a surplus reset under SSAP No. 72, *Surplus and Quasi-Reorganizations*, in the amount of \$1,502.3 million, resulting in a reclassification between unassigned surplus and gross paid-in and contributed surplus. In accordance with SSAP No. 72, the Company is required to disclose this surplus reset for ten years following its effective date.

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments

- (1) Commitments or contingent commitment(s) to an SCA entity, joint venture, partnership, or limited liability company

As of December 31, 2019, the Company has unfunded commitments to invest in certain bonds, mortgage loans, and partnership interests. The total unfunded commitments of the general and separate accounts are \$1,766.7 million.

Effective July 31, 2019, the Company entered into a Capital Maintenance Agreement to provide capital support to its wholly-owned subsidiary, AANY, such that the Company has agreed to maintain AANY's total adjusted capital in an amount at least equal to 300% of AANY's company action level risk based capital. The agreement will remain in effect until both parties agree in writing to its termination and receive prior written approval from the regulating body. Given the current capital level of AANY, the likelihood of payment by the Company under the terms of this agreement is remote. See the table below for additional detail.

Effective July 31, 2019, the Company entered into an agreement to guarantee payment of all amounts due from its subsidiary, AANY, to the contract and certificate holders under the terms of a group annuity contract issued by AANY during August 2019. As part of the issuance, AANY received sufficient assets to fund future obligations of the contract and the chance of any payments by the Company under this guarantee is remote. Further, it is expected that the previously mentioned Capital Maintenance Agreement between the Company and AANY would preclude any payments that would be required under this guarantee. This agreement will remain in effect until all obligations related to the group annuity contract have been satisfied. See the table below for additional detail.

The Company has guaranteed the tenant obligations of a former affiliate, Aviva Investors Americas LLC, under a lease of premises located on the 21st floor of 375 Park Avenue, New York City. In addition to guaranteeing the payment of rent under the lease, the Company has guaranteed the payment of all additional rent due under the lease and agreed to indemnify the landlord from any out-of-pocket loss, costs or damages arising out of any failure by Aviva Investors Americas LLC to pay or perform any of its obligations under the lease including, without limitations, reasonable attorneys' fees and costs of collection. This guarantee arose due to the landlord's requirement that an entity with publicly available financial information serve as guarantor. The lease term runs through April 30, 2020. The Company has been indemnified for any liability relating to this guarantee under the terms of the stock purchase agreement between Aviva plc and AHL. See the table below for additional detail.

Notes to the Financial Statements

14. Liabilities, Contingencies and Assessments (Continued)

(2) Nature and circumstances of guarantee

(1)	(2)	(3)	(4)	(5)
Nature and Circumstances of Guarantee and Key Attributes	Liability Recognition of Guarantee	Ultimate Financial Statement Impact if Action Under the Guarantee is Required	Maximum Potential Amount of Future Payments (Undiscounted) the Guarantor Could be Required to Make Under the Guarantee	Current Status of Payment or Performance Risk of Guarantees
Guarantee of total adjusted capital ratio of AANY (a) (b)	\$	Common Stocks (Page 2, Line 2.2)	\$	No payments required since inception...
Guarantee related to group annuity contract issued by AANY (a) (b)	Common Stocks (Page 2, Line 2.2) .....	.....	No payments required since inception...
Guarantee related to tenant obligations of Aviva Investors Americas LLC	-	General Insurance Expenses (Page 4, Line 23)	1,979,647	No payments required since inception...
Total	\$ -		\$ 1,979,647	

- (a) Liability recognition is not required as guarantee is made to or on behalf of wholly-owned insurance subsidiary
(b) No limitation on the maximum potential future payments under the guarantee

(3) Aggregate compilation of guarantee obligations

Only one guarantee has been made by the Company. Aggregate compilation is not necessary given the indemnification noted above.

a. Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees (should equal total of Column 4 for (2) above)	\$ 1,979,647
b. Current liability recognized in F/S	
1. Noncontingent liabilities	\$
2. Contingent liabilities .....	.....
c. Ultimate financial statement impact if action under the guarantee is required	
1. Investments in SCA	\$
2. Joint venture .....	.....
3. Dividends to stockholders (capital contribution) .....	.....
4. Expense	1,979,647
5. Other .....	.....
6. Total (should equal (3)a)	\$ 1,979,647

B. Assessments

(1) Based on the 2019 National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) Report, the Company has identified insolvencies. The Company fulfilled premium-based guaranty funds assessments of \$0.2 million during the current period. It is expected that the identified insolvencies will result in retrospective premium-based guaranty fund assessments against the Company. During 2019, future estimated costs to be assessed against the Company from identified insolvencies from the NOLHGA Report were increased by \$0.6 million, which has been charged to operations in the current period and the liability increased.

(2) Assets (Liabilities) recognized from paid and accrued premium tax offsets and policy surcharges

a. Assets recognized from paid and accrued premium tax offsets and policy surcharges, prior year-end	\$ 11,689
b. Decreases current year:	
Paid premium tax offset applied	\$ 182,294
c. Increases current year:	
Change in accrued premium tax offset	\$ 779,976
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges, current year-end	\$ 609,371

(3) Guaranty fund liabilities and assets related to long-term care insolvencies - None

C. Gain Contingencies - None

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits - None

E. Joint and Several Liabilities - None

F. All Other Contingencies

The Company and certain of its insurance subsidiaries have experienced increased service and administration complaints related to the conversion and administration of the block of life insurance business acquired in connection with Athene Holding Ltd.'s acquisition of Aviva USA Corporation and reinsured to affiliates of Global Atlantic Financial Group Ltd. The life insurance policies included in this block have been and are currently being administered by AllianceOne, a subsidiary of DXC Technology Company, which was retained by such Global Atlantic affiliates to provide services on such policies. AllianceOne also administers certain annuity policies that were on Aviva USA Corporation's legacy policy administration systems that were also converted in connection with the acquisition of Aviva USA Corporation and have experienced similar service and administration issues.

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

14. Liabilities, Contingencies and Assessments (Continued)

As a result of the difficulties experienced with respect to the administration of such policies, Athene received notifications from several state regulators, including but not limited to the New York Department of Financial Services (NYDFS), the California Department of Insurance and the Texas Department of Insurance, indicating, in each case, that the respective regulator planned to undertake a market conduct examination or enforcement proceeding of the Company or one of its subsidiaries, as applicable, relating to the treatment of policyholders subject to Athene reinsurance agreements with affiliates of Global Atlantic and the conversion of such annuity policies, including the administration of such blocks by AllianceOne. On June 28, 2018, Athene Life Insurance Company of New York (ALICNY) entered into a consent order with the NYDFS resolving that matter in a manner that ultimately did not have a material impact on its financial condition, when considering AHL's indemnification from affiliates of Global Atlantic, which was passed to ALICNY in the form of a capital contribution in the third quarter of 2018. Global Atlantic is currently in negotiation with the CDI to resolve the pending action related to the converted life insurance policies. The Company does not expect any settlement to be material to its financial condition.

In addition to the foregoing, the Company has received inquiries, and expects to continue to receive inquiries, from other regulatory authorities regarding the conversion matter. In addition to the examinations and proceedings initiated to date, it is possible that other regulators may pursue similar formal examinations, inquiries or enforcement proceedings and that any examinations, inquiries and/or enforcement proceedings may result in fines, administrative penalties and payments to policyholders. The Company is not currently able to estimate the amount of any such fines, penalties or payments arising from these matters with reasonable certainty, but it is possible that such amounts may be material.

Pursuant to the terms of the reinsurance agreements between Athene and the relevant affiliates of Global Atlantic, the applicable affiliates of Global Atlantic have financial responsibility for the ceded life block and are subject to significant administrative service requirements, including compliance with applicable law. The agreements also provide for indemnification to Athene, including for administration issues.

On January 23, 2019, the Company received a letter from the NYDFS, with respect to a recent Pension Risk Transfer (PRT) transaction, which expressed concerns with the Company's interpretation and reliance upon certain exemptions from licensing in New York in connection with certain activities performed by employees in the PRT channel, including specific activities performed within New York. The Company is currently in discussions with the NYDFS to identify approaches to resolve its concerns. As of December 31, 2019 the Company has accrued an amount for its best estimate of a probable loss, which represents less than 4% of the Company's capital and surplus as of December 31, 2019.

In 2000 and 2001, two insurance companies which were subsequently merged into AAIA, purchased broad based variable COLI policies from American General Life Insurance Company (American General) that, as of December 31, 2019, had an asset value of \$386.6 million, and is included in other assets on the consolidated balance sheets. In January 2012, the COLI policy administrator delivered to AAIA a supplement to the existing COLI policies and advised that American General and ZC Resource Investment Trust (ZC Trust) had unilaterally implemented changes set forth in the supplement that if effective, would: (1) potentially negatively impact the crediting rate for the policies and (2) change the exit and surrender protocols set forth in the policies. In March 2013, AAIA filed suit against American General, ZC Trust, and ZC Resource LLC in Chancery Court in Delaware, seeking, among other relief, a declaration that the changes set forth in the supplement were ineffectual and in breach of the parties' agreement. The parties filed cross motions for judgment as a matter of law, and the court granted defendants' motion and dismissed without prejudice on ripeness grounds. The issue that negatively impacts the crediting rate for one of the COLI policies has subsequently been triggered and on April 3, 2018, we filed suit against the same defendants in Chancery Court in Delaware seeking substantially similar relief. Defendants moved to dismiss and the Court heard oral arguments on February 13, 2019. The Court issued an opinion on July 31, 2019 that did not address the merits, but found that Chancery Court did not have jurisdiction over our claims and directed us to either amend our complaint or transfer the matter to Delaware Superior Court. The matter has been transferred to the Delaware Superior Court. Defendants renewed their motion to dismiss and the Superior Court heard oral arguments on December 18, 2019. The Superior Court took the matter under advisement and we expect an opinion in the next few months. If the supplement is ultimately deemed to be effective, the purported changes to the policies could impair AAIA's ability to access the value of guarantees associated with the policies. The value of the guarantees included within the asset value reflected above is \$187.5 million as of December 31, 2019.

Following the Fifth Circuit Court of Appeals' June 21, 2018 vacatur of the Department of Labor Fiduciary Rule, federal and state regulators have increased focus on updating the processes and requirements tied to the sale of insurance and annuity products. The U.S. Securities and Exchange Commission (SEC), NAIC, and several states have taken action or are exploring options that may impact the Company and its subsidiaries. If these rules do not align, the distribution of products by the Company and its subsidiaries could be further complicated.

On June 5, 2019, the SEC adopted a rulemaking package designed to enhance the quality and transparency of retail investors' relationships with investment advisers and broker-dealers. The rule package is effective on September 10, 2019 with a compliance date of June 30, 2020. The rulemaking package included: Regulation Best Interest - the Broker-Dealer Standard of Conduct; the new Form CRS Relationship Summary; and two separate interpretations under the Investment Advisers Act of 1940. The Company, along with the industry, is evaluating the regulation, which may affect the distribution of products by the Company and its subsidiaries.

On July 17, 2018, the NYDFS issued a regulation, Suitability and Best Interests in Life Insurance and Annuity Transactions, adopting a "best interest" standard for those licensed to sell life insurance and annuity products in New York. The regulation became effective on annuity transactions on August 1, 2019 and the Company's subsidiary, AANY, has taken appropriate actions to comply with the regulation's requirements. The regulation becomes effective on life insurance transactions on February 1, 2020. The NAIC has indicated it will adopt an updated version of the Suitability in Annuity Transactions Model Regulation to include concepts of best interest in 2020, that when adopted, may affect the distribution of products by the Company and its subsidiaries.

In addition to the cases previously discussed, the Company is routinely involved in litigation and other proceedings, reinsurance claims and regulatory proceedings arising in the ordinary course of its business. At present, no contingencies related to pending litigation and regulatory matters are considered material in relation to the financial position of the Company.

15. Leases - None

16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk

1. Face Amount of the Company's Financial Instruments with Off-Balance-Sheet Risk

The table below summarizes the face amount of the Company's financial instruments with off-balance-sheet risk:

	Assets		Liabilities	
	2019	2018	2019	2018
a. Swaps	\$ 1,089,196,850	\$ 1,386,980,247	\$ 1,392,201,027	\$ 615,827,040
b. Futures	5,716	2,025	728	1,176
c. Options	34,952,314,211	32,992,889,916	71,040,000	317,059,918
d. Total	<u>\$ 36,041,516,777</u>	<u>\$ 34,379,872,188</u>	<u>\$ 1,463,241,755</u>	<u>\$ 932,888,134</u>

2. The Company's futures, swaps, and options have off-balance sheet risk. See Note 8 for information regarding the Company's derivative instruments.

Notes to the Financial Statements

16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk (Continued)

3. The Company is exposed to credit-related losses in the event of nonperformance by counterparties on derivative instruments. The Company does not anticipate non-performance by any of these counterparties. Purchasing instruments from financial institutions with high credit ratings minimizes the credit risk associated with such instruments. The amount of exposure is represented by the fair value (market value) at the reporting date less any posted collateral. Collateral support documents are negotiated to further reduce this exposure where deemed necessary. Exchange-traded derivatives are affected through a regulated exchange and positions are marked to market daily.
4. The counterparty may be required to post collateral for any derivative contracts that are entered. The amount of collateral that is required is determined by the market value and credit threshold of the counterparty.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - None

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans - None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators - None

20. Fair Value Measurements

A. Fair Value Measurement

(1) Fair value measurements at reporting date

Description for each class of asset or liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
a. Assets at fair value					
Bonds: CMBS	\$	4,560	2,308,527		2,313,087
Bonds: RMBS		361,220			361,220
Common stocks unaffiliated	37,190,622	80,851,476	2,571,003		120,613,101
Derivative assets: Currency swaps		2,459,965			2,459,965
Derivative assets: Futures	5,569,796				5,569,796
Derivative assets: Forwards		1,235,916			1,235,916
Derivative Assets: Total Return Swaps		1,972,753			1,972,753
Separate account assets: Variable products		30,752,568			30,752,568
Total assets at fair value/NAV	\$ 42,760,418	\$ 117,638,459	\$ 4,879,530		\$ 165,278,407
b. Liabilities at fair value					
Derivative liabilities: Options	\$	1,324,131			1,324,131
Derivative liabilities: Futures	758,395				758,395
Derivative liabilities: Forwards		5,340,827			5,340,827
Separate account liabilities: Variable products		30,752,394			30,752,394
Total liabilities at fair value	\$ 758,395	\$ 37,417,352			\$ 38,175,747

(2) Fair value measurements in Level 3 of the fair value hierarchy

Description	Ending balance as of 12/31/2018	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2019
a. Assets										
Bonds: CMBS	\$ -	\$ 2,308,527								2,308,527
Common stocks unaffiliated	2,489,736				81,267					2,571,003
Total assets	\$ 2,489,736	\$ 2,308,527			\$ 81,267					\$ 4,879,530
b. Liabilities										
Total liabilities										

Assets transferred into Level 3 primarily included assets with credit rating changes at the end of the period.

- (3) Transfers between fair value hierarchy levels are recognized at the end of the period in which the transfer occurs.
- (4) The following discussion describes the valuation methodologies and inputs used for assets and liabilities measured and disclosed at fair value. The techniques utilized in estimating the fair values of financial instruments are reliant on the assumptions used.

Fair value estimates are based on quoted market prices when available. When quoted market prices are not available, the Company utilizes commercially available pricing vendors that utilize observable market inputs, like recent trading activity, to derive fair value. When vendor prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Company estimates the fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect risk inherent in a particular methodology, model or input employed.

The Company's financial assets and liabilities carried at estimated fair value have been classified, for disclosure purposes, based on a hierarchy defined by current accounting guidance. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2 - Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability.

Level 2 inputs include the following:

Notes to the Financial Statements

20. Fair Value Measurements (Continued)

1. Quoted prices for similar assets or liabilities in active markets,

2. Observable inputs other than quoted market prices, and

3. Observable inputs derived principally from market data through correlation or other means.
- Level 3 - Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing, or other similar techniques.

Assets and liabilities are valued as discussed below in part C.

(5) See parts (1) through (4) above.

- B. Other Fair Value Disclosures - None
- C. Fair Values for All Financial Instruments by Level 1, 2 and 3

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Assets - Bonds	\$ 38,963,597,704	\$ 36,240,868,412	\$ 4,425,971	\$ 36,333,314,564	\$ 2,625,857,169	\$	\$
Assets - Preferred stocks	145,775,526	138,427,963	—	114,524,522	31,251,004		
Assets - Common stocks unaffiliated	120,613,101	120,613,101	37,190,622	80,851,476	2,571,003		
Assets - Mortgage loans - first liens	8,970,244,074	8,686,183,107			8,970,244,074		
Assets - Mortgage loans - other than first liens	1,594,623,268	1,585,847,605			1,594,623,268		
Assets - Policy loans	167,732,270	167,732,270		167,732,270			
Assets - Cash and short-term investments	2,824,555,774	2,824,240,288	2,720,492,661	2,001,001	102,062,113		
Assets - Derivative assets	2,459,713,173	703,224,810	5,569,796	2,454,143,377	—		
Assets - Derivative collateral assets	18,044,029	18,044,029	18,044,029	—	—		
Assets - Other invested assets	2,537,424,367	2,490,483,018		50,4325,559	224,610,579	1,808,488,228	
Assets - Separate account: variable products	30,752,568	30,752,568		30,752,568			
Assets - Separate account: group annuity	10,177,956,636	9,624,240,556	115,625,003	8,728,270,555	1,289,766,219	44,294,859	
Assets - Separate account: index-linked products	31,298,579	31,302,063	12,017,882	19,280,698			
Liabilities - Deposit-type contracts	409,348,105	376,755,187			409,348,105		
Liabilities - Derivative liabilities	22,860,853	41,536,552	819,030	18,701,760	3,340,062		
Liabilities - Derivative collateral	2,361,611,119	2,361,611,119	2,361,611,119	—	—		
Liabilities - Repurchase agreement	210,878,335	210,878,335	—	210,878,335	—		
Liabilities - Separate account: group annuity deposit-type contracts	1,355,363	1,397,636			1,355,363		

Bonds and short-term investments – The Company obtains the fair value for most marketable, public bonds without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, broker-dealer quotes, credit quality, issuer spreads, bids, offers, and other reference data. If the Company cannot value a public bond with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3. The Company values privately placed bonds based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer. In some instances, the Company uses a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer, and cash flow characteristics of the security. Privately placed fixed maturity securities are classified as Level 2 or 3.

Preferred stocks and common stocks unaffiliated – The Company values equity securities, typically private equities or equity securities not traded on an exchange, using several commercial pricing services or an internal model. The securities priced by a commercial pricing service are classified as Level 2 and the securities priced by an internal model are classified as Level 3. In addition, unaffiliated common stocks include FHLB stock, which is carried at fair value, which is presumed to be par because it can only be redeemed by the bank and is classified as Level 2.

Mortgage loans – The Company estimates mortgage loans on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

Policy loans – The fair value of policy loans classified as Level 2 is equal to the carrying value of the loans, which are collateralized by the cash surrender value of the associated insurance contracts.

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, measures of volatility, prepayment rates, and correlation of the inputs. The Company considers and incorporates counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. The Company also evaluates and includes its own nonperformance risk in valuing derivatives. The majority of the Company's derivatives trade are in liquid markets; therefore, the Company can verify model inputs and model selection does not involve significant management judgment and are classified within Level 2. If the Company cannot verify model inputs and model selection does involve significant management judgment, the derivatives are classified as Level 3.

Notes to the Financial Statements

20. Fair Value Measurements (Continued)

Other invested assets – Within other invested assets, partnerships are valued based on net asset value information provided by the general partner or related asset manager. These partnership interests usually include multiple underlying investments for which either observable market prices or other valuation methods are used to determine the fair value. These investments are reported in the Net Asset Value (NAV) column. Other than partnerships, other invested assets may include surplus notes and other investments with bond or stock characteristics and the Company attempts to value these using several commercial pricing services, which would be classified as Level 2 assets. If the Company cannot value with a commercial pricing vendor, the Company obtains broker quotes (or utilizes an internally-developed model) and are considered to be Level 3 assets.

Separate account assets (variable products) – Separate account assets classified as Level 2 are valued based on the fair value of the underlying funds. Fair values and changes in the fair values of the underlying funds accrue directly to the policy owners and are not included in the Company's revenues and expenses or surplus.

Separate account assets (group annuity) – Financial instruments within this separate account classified as Level 2 and 3 or included in the NAV column are valued using the same fair value assumptions and methods utilized in the general account.

Repurchase agreements - The carrying value of the repurchase agreements liability approximates fair value and is reported as level 2.

Deposit-type contracts (including separate account group annuity) – Deposit-type contracts classified as Level 3 include single premium immediate annuities (SPIA) and supplemental contracts. Fair value of SPIA and supplemental contracts are calculated by discounting best estimate cash flows based on mortality and market interest rate assumptions.

D. Not Practicable to Estimate Fair Value - None

E. Nature and Risk of Investments Reported at NAV

The Company invests in certain non-fixed income, alternative investments in the form of limited partnerships (investment funds) which are reported at NAV. Adjustments to the carrying amount reflect the Company's pro rata ownership percentage of the operating results as indicated by NAV in the investment fund financial statements. The NAV from the investment fund financial statements can be on a lag of up to three months when investee information is not received in a timely manner. These investments are listed in the NAV column of the fair value tables above as this is the primary method for reporting fair value for these investments.

As of December 31, 2019, the Company's general and separate accounts have \$998.3 million unfunded commitments to invest in these investment funds.

21. Other Items

A. Unusual or Infrequent Items - None

B. Troubled Debt Restructuring - None

C. Other Disclosures

The Company is the owner and beneficiary of life insurance policies included in aggregate write-ins for other than invested assets at their cash surrender values pursuant to SSAP No. 21, *Other Admitted Assets*. At December 31, 2019, the cash surrender value in the investment vehicle was \$386.6 million and was allocated 100% to other invested assets based on the primary underlying investment characteristics.

During 2019, the Company novated 18,336 policies with statutory policy reserves of \$494.1 million to Accordia Life and Annuity Company (Accordia). These policies were previously 100% ceded to Accordia through a coinsurance agreement entered into in 2013, and therefore the novation had no impact on the Company's balance sheet, income or capital and surplus position.

D. Business Interruption Insurance Recoveries - None

E. State Transferable and Non-Transferable Tax Credits

(1) Carrying value of transferable and non-transferable state tax credits gross of any related tax liabilities and total unused transferable and non-transferable state tax credits by state and in total

Description of State Transferable and Non-transferable Tax Credits	State	Carrying Value	Unused Amount
Enhanced Capital Connecticut Fund I, LLC	CT	\$ 215,943	\$ 495,503
Guaranty Fund Assessment Credits	Various	609,371	609,371
Total		<u>\$ 825,314</u>	<u>\$ 1,104,874</u>

(2) Method of estimating utilization of remaining transferable and non-transferable state tax credits

The Company estimated the utilization of the remaining transferable and non-transferable state tax credits by projecting future premium taking into account policy growth and rate changes, projecting future tax liability based on projected premium, tax rates and tax credits, and comparing projected future tax liability to the availability of remaining transferable and non-transferable state tax credits

(3) Impairment loss - None

(4) State tax credits admitted and nonadmitted

	Total Admitted	Total Nonadmitted
a. Transferable	\$ 215,943	\$ —
b. Non-transferable	\$ 609,371	\$ —

F. Subprime-Mortgage-Related Risk Exposure

(1) The Company engages in direct lending to the subprime markets. The Company's exposure to subprime risk is primarily limited to whole mortgage loans and investments within the fixed maturity investment portfolio in the form of securities collateralized by mortgages that have characteristics of subprime lending.

The Company generally defines subprime whole mortgage loans as borrowers with impaired credit history and lower FICO scores. In 2019 and 2018, the Company invested in residential whole loans which consisted of borrowers with lower FICO scores. The price paid for the residential loans factored in the consideration of the borrower's ability to repay along with the overall credit profile of the loan. The Company will continue to monitor the performance of the subprime residential mortgage loans along with performance expectations.

Notes to the Financial Statements

21. Other Items (Continued)

The Company's portfolio also contains residential mortgage backed securities that include subprime mortgage exposure. The risk of such defaults is generally higher in the case of subprime mortgages. The acquisition value of these residential mortgage backed securities factored in the consideration of that default risk. Quarterly, we monitor and evaluate the undiscounted expected future cash flows associated with these residential mortgage backed securities based on updates to key assumptions.

(2) Direct exposure through investments in subprime mortgage loans

	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Value of Land and Buildings	Other-Than- Temporary Impairment Losses Recognized	Default Rate
a. Mortgages in the process of foreclosure	\$ 4,681,906	\$ 4,598,960	\$ 6,646,525	\$	%
b. Mortgages in good standing	278,347,936	309,399,801	429,651,365		
c. Mortgages with restructured terms					
d. Total	\$ 283,029,842	\$ 313,998,761	\$ 436,297,890	\$	XXX

(3) Direct exposure through other investments

	Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than- Temporary Impairment Losses Recognized
a. Residential mortgage-backed securities	\$ 525,115,586	\$ 559,957,199	\$ 608,302,983	\$ 35,489
b. Commercial mortgage-backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investment in SCAs *				
f. Other assets				
g. Total	\$ 525,115,586	\$ 559,957,199	\$ 608,302,983	\$ 35,489

* These investments comprise 0% of the company's invested assets.

(4) Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage - None

G. Retained Assets - None

H. Insurance-Linked Securities (ILS) Contracts - None

I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy - None

22. Events Subsequent

Subsequent events have been considered through February 27, 2020 for the statutory statement dated December 31, 2019.

Effective January 30, 2020, AADE entered into a Capital Maintenance Agreement to provide capital support to the Company, in an amount sufficient to satisfy the insurance laws of the State of New Jersey, in order to obtain authority for the Company to issue registered index-linked annuities in New Jersey. The agreement will remain in effect for ten years.

The Company did not write any accident and health insurance premium that is subject to Section 9010 of the federal Affordable Care Act.

23. Reinsurance

Gains on cession of inforce blocks of business are to be accounted for in accordance with Appendix A-791 of the NAIC Accounting Practices and Procedures Manual which requires that any increase in surplus (net of federal income tax) resulting from reinsurance agreements entered into or amended which involve the reinsurance of business issued prior to the effective date of the agreements shall be deferred and identified separately as a surplus item by the ceding company. Subsequent recognition of the surplus increase as income shall be reflected on a net of tax basis as earnings emerge from the business reinsured. Based on the emergence of earnings of previous reinsurance of inforce blocks of business in 2019 and 2018, \$41.7 million and \$2.1 million, respectively, was amortized into income.

Effective July 1, 2019, the Company entered into a modified coinsurance agreement with Athene Annuity Re Ltd. to cede 80% of certain index-linked deferred annuity business issued on or after the effective date of the treaty. The agreement is on a modified coinsurance basis, under which the Company retains the reserves and supporting assets relating to this business. These reserves and assets are held in a separate account and the reinsurance is recorded in the corresponding separate account. Modified coinsurance reserves for this agreement were \$11.8 million as of December 31, 2019.

Effective April 1, 2019, the Company entered into a modified coinsurance agreement with Athene Annuity Re Ltd. to cede 80% of certain pension risk transfer business issued on or after the effective date of the treaty. The agreement is on a modified coinsurance basis, under which the Company retains the reserves and supporting assets relating to this business. These reserves and assets are held in one or more separate accounts and the reinsurance is recorded in the corresponding separate account. Modified coinsurance reserves for this agreement were \$2.4 billion as of December 31, 2019.

On March 6, 2019, Scottish Re (U.S.), Inc. (Scottish Re), a reinsurer of the Company, was ordered into receivership for purposes of rehabilitation by the Court of Chancery of the State of Delaware. On May 16, 2019, the Iowa Insurance Division suspended Scottish Re's license to do business in Iowa. As of December 31, 2019, the Company has performed an impairment assessment on the reserve credit from Scottish Re. It was determined that the reserves are not impaired at this time primarily due to the Trust account held by Scottish Re for the benefit of the Company.

Notes to the Financial Statements

23. Reinsurance (Continued)

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1)

Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (X)
- (2)

Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes () No (X)

Section 2 – Ceded Reinsurance Report – Part A

- (1)

Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes () No (X)
- (2)

Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

Section 3 – Ceded Reinsurance Report – Part B

- (1)

What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$ –
- (2)

Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

- B. Uncollectible Reinsurance - None
- C. Commutation of Ceded Reinsurance - None
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation - None
- E. Reinsurance of Variable Annuity Contracts with an Affiliated Captive Reinsurer - None
- F. Reinsurance Agreement with an Affiliated Captive Reinsurer - None
- G. Ceding Entities That Utilize Captive Reinsurers to Assume Reserves Subject to the XXX/AXXX Captive Framework - None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination - None

25. Change in Incurred Losses and Loss Adjustment Expenses - None

26. Intercompany Pooling Arrangements - None

27. Structured Settlements - None

28. Health Care Receivables - None

29. Participating Policies

As of December 31, 2019 and 2018, 59.8% and 54.2%, respectively, of life insurance policies were participating. All participating life insurance policies are included in reinsurance agreements with Athene Re IV or Accordia. The method of accounting for policyholder dividends is based upon dividends credited annually to policyholders on their policy anniversary date plus the change from the prior period on one year's projected dividend liability on policies in force at the statement date. Source data is produced from the policy administration system. The amount of dividend expense incurred was less than \$0.1 million and \$0 for the years ended December 31, 2019 and 2018, respectively. There was no additional income allocated to participating policyholders.

30. Premium Deficiency Reserves - None

31. Reserves for Life Contracts and Annuity Contracts

1.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. The reserve for surrender values promised in excess of the legally computed reserves is shown in Exhibit 5, Miscellaneous Reserves.

The Company offers riders on its fixed annuities which provides for future withdrawal and death benefits. In accordance with the NAIC's Accounting Practices and Procedures Manual, the rider should be reserved for under the revised Actuarial Guideline 33 (AG33). The Company requested and received approval to use an alternative methodology under the Practical Consideration section of AG 33 from the Insurance Division, Department of Commerce of the State of Iowa for policies issued prior to January 1, 2014. The reserve held at December 31, 2019 was based on Actuarial Guideline 43 (AG43) for policies issued prior to January 1, 2014, the approved alternative method for these contracts. For policies issued January 1, 2014 and after, the reserve was based on AG33.

Notes to the Financial Statements

31. Reserves for Life Contracts and Annuity Contracts (Continued)

2. Mean reserves for substandard policies are determined by computing the regular mean reserve for the policy and holding in addition one half of the extra premium charge for the year. For payout annuities involving life contingencies, reserve for substandard policies are calculated using rated ages instead of the true issue ages of the insureds.
3. As of December 31, 2019, the Company had \$1,307.6 million of insurance in force for which the gross premiums were less than the net premiums according to the standard of valuation set by the State of Iowa. Reserves to cover the above shortfall in premium totaled \$28.0 million at December 31, 2019, are calculated annually, and were included in reserves on Page 3, Line 1 (Exhibit 5, Miscellaneous Reserves).
4. The tabular interest at December 31, 2019, (Page 7, Line 4), tabular less actual reserve released (Page 7, Line 5) and tabular cost (Page 7, Line 9) have been determined by formula as described in the NAIC instructions for Page 7.
5. The tabular interest on funds not involving life contingencies is calculated as the product of the mean fund balance and the average valuation interest rate.
6. Details for Other Changes - None

32. Analysis of Annuity Actuarial Reserves and Deposit Type Contract Liabilities by Withdrawal Characteristics

A. Individual Annuities

	General Account	Separate Account With Guarantees	Separate Account Nonguaranteed	Total	Percent of Total
(1) Subject to discretionary withdrawal					
a. With market value adjustment	\$ 35,970,403,059	\$ -	\$ 14,709,569	\$ 35,985,112,628	69.898 %
b. At book value less current surrender charge of 5% or more	3,348,847,822	-	-	3,348,847,822	6.505
c. At fair value	-	-	30,752,394	30,752,394	0.060
d. Total with market value adjustment or at fair value (total of a through c)	39,319,250,881	-	45,461,963	39,364,712,844	76.462
e. At book value without adjustment (minimal or no charge or adjustment)	9,582,857,422	-	-	9,582,857,422	18.614
(2) Not subject to discretionary withdrawal	2,534,817,102	-	-	2,534,817,102	4.924
(3) Total (gross: direct + assumed)	51,436,925,405	-	45,461,963	51,482,387,368	100.000 %
(4) Reinsurance ceded	7,900,478,927	-	-	7,900,478,927	
(5) Total (net) (3 - 4)	\$ 43,536,446,478	\$ -	\$ 45,461,963	\$ 43,581,908,441	
(6) Amount included in A(1)b above that will move to A(1)e in the year after the statement date:	\$ 447,938,602	\$ -	\$ -	\$ 447,938,602	

B. Group Annuities

	General Account	Separate Account With Guarantees	Separate Account Nonguaranteed	Total	Percent of Total
(1) Subject to discretionary withdrawal					
a. With market value adjustment	\$ 235,306,670	\$ -	\$ -	\$ 235,306,670	2.165 %
b. At book value less current surrender charge of 5% or more	127,360	-	-	127,360	0.001
c. At fair value	-	-	-	-	
d. Total with market value adjustment or at fair value (total of a through c)	235,434,031	-	-	235,434,031	2.167
e. At book value without adjustment (minimal or no charge or adjustment)	1,298,951,074	-	-	1,298,951,074	11.954
(2) Not subject to discretionary withdrawal	-	9,332,252,879	-	9,332,252,879	85.880
(3) Total (gross: direct + assumed)	1,534,385,105	9,332,252,879	-	10,866,637,984	100.000 %
(4) Reinsurance ceded	-	-	-	-	
(5) Total (net) (3 - 4)	\$ 1,534,385,105	\$ 9,332,252,879	\$ -	\$ 10,866,637,984	
(6) Amount included in B(1)b above that will move to B(1)e in the year after the statement date:	\$ -	\$ -	\$ -	\$ -	

Notes to the Financial Statements

32. Analysis of Annuity Actuarial Reserves and Deposit Type Contract Liabilities by Withdrawal Characteristics (Continued)

C. Deposit-Type Contracts (no life contingencies)

		General Account	Separate Account With Guarantees	Separate Account Nonguaranteed	Total	Percent of Total
(1)	Subject to discretionary withdrawal					
a.	With market value adjustment	\$	\$	\$	\$%
b.	At book value less current surrender charge of 5% or more .....	.....	.....	.....	.....	.....
c.	At fair value .....	.....	.....	.....	.....	.....
d.	Total with market value adjustment or at fair value (total of a through c) .....	.....	.....	.....	.....	.....
e.	At book value without adjustment (minimal or no charge or adjustment) .....	.....	.....	.....	.....	.....
(2)	Not subject to discretionary withdrawal	617,676,235	1,197,493,028		1,815,169,263	100.000
(3)	Total (gross: direct + assumed)	617,676,235	1,197,493,028		1,815,169,263	100.000%
(4)	Reinsurance ceded	240,921,048	1,196,095,392		1,437,016,440	
(5)	Total (net) (3 - 4)	\$ 376,755,187	\$ 1,397,636	\$	\$ 378,152,823	
(6)	Amount included in C(1)b above that will move to C(1)e in the year after the statement date:	\$	\$	\$	\$	

D. Reconciliation of Total Annuity Actuarial Reserves and Deposit Fund Liabilities Amounts

	Amount
Life & Accident & Health Annual Statement	
(1) Exhibit 5, annuities, total (net)	\$ 44,809,305,419
(2) Exhibit 5, supplementary contracts with life contingencies section, total (net)	261,526,163
(3) Exhibit of Deposit-type Contracts, Line 14, Column 1	376,755,187
(4) Subtotal	45,447,586,769
Separate Accounts Annual Statement	
(5) Exhibit 3, Line 0299999, Column 2	9,377,714,842
(6) Exhibit 3, Line 0399999, Column 2	—
(7) Policyholder dividend and coupon accumulations	
(8) Policyholder premiums	
(9) Guaranteed interest contracts	
(10) Other contract deposit funds	1,397,636
(11) Subtotal	9,379,112,478
(12) Combined total	\$ 54,826,699,247

Notes to the Financial Statements

		General Account			Separate Account – Guaranteed and Nonguaranteed		
		Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
A.	Subject to discretionary withdrawal, surrender values, or policy loans:						
(1)	Term Policies with Cash Value.....	\$ –	\$ 1,872,948,760	\$ 1,997,505,819	\$	\$	\$
(2)	Universal Life	434,278,442	430,826,596	427,276,157
(3)	Universal Life with Secondary Guarantees	15,088,474	13,101,082	53,409,761
(4)	Indexed Universal Life	259,940,519	247,351,910	216,973,403
(5)	Indexed Universal Life with Secondary Guarantees	373,691,730	343,361,650	790,349,324
(6)	Indexed Life	–	–	–
(7)	Other Permanent Cash Value Life Insurance	22,760,929	22,760,929	22,911,024
(8)	Variable Life	–	–	–
(9)	Variable Universal Life	–	–	–
(10)	Miscellaneous Reserves	–	–	–
B.	Not subject to discretionary withdrawal or no cash values						
(1)	Term Policies without Cash Value	XXX	XXX	85,599,834	XXX	XXX
(2)	Accidental Death Benefits	XXX	XXX	201,597	XXX	XXX
(3)	Disability - Active Lives	XXX	XXX	8,736,097	XXX	XXX
(4)	Disability - Disabled Lives	XXX	XXX	11,326,341	XXX	XXX
(5)	Miscellaneous Reserves	XXX	XXX	81,730,769	XXX	XXX
C.	Total (gross: direct + assumed) ..	\$ 1,105,760,094	\$ 2,930,350,927	\$ 3,696,020,125	\$	\$	\$
D.	Reinsurance Ceded	1,033,569,694	2,859,142,958	3,622,677,837
E.	Total (net) (C) - (D)	\$ 72,190,400	\$ 71,207,969	\$ 73,342,288	\$	\$	\$

	Amount
Life & Accident & Health Annual Statement:	
(1) Exhibit 5, Life Insurance Section, Total (net)	\$ 71,124,245
(2) Exhibit 5, Accidental Death Benefits Section, Total (net)	1,424
(3) Exhibit 5, Disability – Active Lives Section, Total (net)	–
(4) Exhibit 5, Disability – Disabled Lives Section, Total (net)	–
(5) Exhibit 5, Miscellaneous Reserves Section, Total (net)	2,216,619
(6) Subtotal	<u>\$ 73,342,288</u>
Separate Accounts Annual Statement:	
(7) Exhibit 3, Line 0199999, Column 2 .....	.....
(8) Exhibit 3, Line 0499999, Column 2 .....	.....
(9) Exhibit 3, Line 0599999, Column 2 .....	.....
(10) Subtotal (Lines (7) through (9)) .....	.....
(11) Combined Total ((6) and (10))	<u>\$ 73,342,288</u>

A. Deferred and Uncollected Life Insurance Premiums and Annuity Considerations

Type	Gross	Net of Loading
(1) Industrial	\$ -	\$ -
(2) Ordinary new business	-	-
(3) Ordinary renewal	5,920,918	7,201,100
(4) Credit life	-	-
(5) Group life	-	-
(6) Group annuity	-	-
(7) Totals	\$ 5,920,918	\$ 7,201,100

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

35. Separate Accounts

A. Separate Account Activity

(1) The Company maintains four separate account arrangements. The first arrangement includes one separate account containing funding agreement policies issued to the FHLB, known as Separate Account – Funding Agreements. The second arrangement includes one separate account, known as ALAC Separate Account I, consisting of individual variable annuities of a non-guaranteed return nature. The third arrangement, known as Group Annuity Separate Accounts, includes five separate accounts supporting annuities payable under group fixed annuity contracts issued to various employers, or trusts established by such employers, in respect of those employers’ pension plans. The fourth arrangement includes one separate account consisting of index-linked deferred annuity contracts, known as Index-Linked Deferred Annuity Separate Account.

(2) Separate account assets legally insulated from the general account claims

In accordance with the products/transactions recorded within the separate account, some assets are considered legally insulated whereas others are not legally insulated from the general account. The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general account. As of December 31, 2019 and 2018, the Company’s separate account statements included legally insulated assets of \$10,009.0 million and \$5,029.2 million, respectively. The assets legally insulated from the general account as of December 31, 2019, are attributed to the following separate account arrangements:

Product/Transaction	Legally Insulated Assets	Separate Account Assets (Not Legally Insulated)
Separate Account - Funding Agreements	\$	\$ 4,722
Separate Account I - Variable Annuities	30,752,569	
Group Annuity Separate Accounts	9,934,826,308	
Index-Linked Deferred Annuity Separate Account	43,403,772	
Total	\$ 10,008,982,648	\$ 4,722

(3) Separate account products that have guarantees backed by the general account

The Company’s variable annuity product guarantees a minimum death benefit. The Company’s general account has not paid towards separate account guarantees for the past five years. The Company’s variable annuity separate account has not paid risk charges for the past five years.

The Company’s Group Annuity Separate Account and Index-Linked Deferred Annuity Separate Account liabilities are guaranteed by the general account. The Company’s general account has not paid towards separate account guarantees for the past five years.

In accordance with the products/transaction recorded within the separate account, some separate account liabilities are guaranteed by the general account. (In accordance with the guarantees provided, if the investment proceeds are insufficient to cover the rate of return guaranteed for the product, the policyholder proceeds will be remitted by the general account.)

To compensate the general account for the risk taken, the separate account has paid risk charges as follows for the past five (5) years:

- a. 2019 \$ 5,572,622
- b. 2018 \$ 8,878,343
- c. 2017 \$ 1,906,267
- d. 2016 \$
- e. 2015 \$

(4) There are no securities lending transactions in the separate account.

B. General Nature and Characteristics of Separate Accounts Business

Separate Account - Funding Agreements: The funding agreement policies are secured by the assets in the Company’s general account which are not subject to claims that arise out of any other business of the Company. The funding agreement policies may not be accelerated by the holder unless there is a default under the agreement, but the Company may retire the funding agreement policies at any time. The assets and liabilities of this separate account are carried at amortized cost.

ALAC Separate Account I: Net investment experience of this separate account is credited directly to the policyholder and can be positive or negative, as determined by the performance and/or fair value of the investments held in the separate account. These variable annuities generally provide an incidental death benefit of the greater of account value or premium paid. The assets and liabilities of these accounts are carried at fair value. This business has been included in column 4 of the table below.

Group Annuity Separate Accounts: The group fixed annuity contracts obligate the Company’s general account to make annuity payments if the separate account is not able to do so. The assets and liabilities of this separate account are carried at amortized cost. During 2018, the Company’s general account contributed \$173.8 million of seed money to Group Annuity Separate Accounts.

Index-linked Deferred Annuity Separate Account: The index-linked annuity separate account supports registered index-linked deferred annuity contracts issued by the Company. The separate account assets are legally segregated and are not subject to claims which may arise from any other business of the Company. The assets and liabilities are carried at amortized cost. During 2019, the Company’s general account contributed \$20.0 million of seed money to the Index-Linked Deferred Annuity Separate Account.

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity and Life Company

Notes to the Financial Statements

35. Separate Accounts (Continued)

Information regarding the separate accounts of the Company is as follows. All amounts are for separate accounts as of or for the year ended December 31, 2019.

	Indexed	Nonindexed Guarantee Less than/equal to 4%	Nonindexed Guarantee More than 4%	Nonguaranteed Separate Accounts	Total
(1) Premiums, considerations or deposits for period ending 12/31/2019	\$	\$ 1,017,021,588	\$	\$ 65,001	\$ 1,017,086,589
(2) Reserves at 12/31/2019 for accounts with assets at:					
a. Fair value				30,752,394	30,752,394
b. Amortized cost		9,348,360,084			9,348,360,084
c. Total reserves	\$	\$ 9,348,360,084	\$	\$ 30,752,394	\$ 9,379,112,478
(3) By withdrawal characteristics:					
a. Subject to discretionary withdrawal:					
1. With market value adjustment	\$	\$	\$	\$	\$
2. At book value without market value adjustment and with current surrender charge of 5% or more					
3. At fair value				30,752,394	30,752,394
4. At book value without market value adjustment and with current surrender charge less than 5%					
5. Subtotal	\$	\$	\$	\$ 30,752,394	\$ 30,752,394
b. Not subject to discretionary withdrawal		9,348,360,084			9,348,360,084
c. Total	\$	\$ 9,348,360,084	\$	\$ 30,752,394	\$ 9,379,112,478
(4) Reserves for asset default risk in lieu of AVR	\$	\$	\$	\$	\$

C. Reconciliation of Net Transfers To or (From) Separate Accounts

(1) Transfers as reported in the Summary of Operations of the Separate Accounts Statement

a. Transfers to Separate Accounts (Page 4, Line 1.4)	\$ 1,013,716,542
b. Transfers from Separate Accounts (Page 4, Line 10)	\$ 122,756,969
c. Net transfers to or (from) Separate Accounts (a - b)	\$ 890,959,573

(2) Reconciling adjustments - None

(3) Transfers as reported in the Summary of Operations of the Life, Accident & Health Annual Statement

(1c + 2) = (Page 4, Line 26)	\$ 890,959,573
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36. Loss/Claim Adjustment Expenses - None