

# **ANNUAL STATEMENT**

**OF THE**

**Athene Annuity & Life Assurance 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 & Life Assurance Company

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	15,921,950,276		15,921,950,276	10,987,478,024
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	91,252,487		91,252,487	87,168,478
2.2 Common stocks .....	1,224,014,227	37,729	1,223,976,498	1,239,963,516
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....	2,674,741,630		2,674,741,630	1,754,476,638
3.2 Other than first liens .....	556,677,590		556,677,590	574,868,675
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) .....				
4.3 Properties held for sale (less \$ .....				
encumbrances) .....				
5. Cash (\$ .....66,950,927 , Schedule E - Part 1), cash equivalents				
(\$ .....10,050,881 , Schedule E - Part 2) and short-term				
investments (\$ .....1,068,024,829 , Schedule DA) .....	1,145,026,637		1,145,026,637	922,628,925
6. Contract loans (including \$ ..... premium notes) .....	2,776,790		2,776,790	3,030,136
7. Derivatives (Schedule DB) .....	152,131,771		152,131,771	41,745,123
8. Other invested assets (Schedule BA) .....	1,657,599,292	594,664	1,657,004,628	1,277,187,859
9. Receivables for securities .....	9,399,357		9,399,357	860,049
10. Securities lending reinvested collateral assets (Schedule DL) .....				
11. Aggregate write-ins for invested assets .....	7,750,000		7,750,000	5,599,813
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	23,443,320,058	632,393	23,442,687,665	16,895,007,236
13. Title plants less \$ ..... charged off (for Title insurers				
only) .....				
14. Investment income due and accrued .....	158,923,348	1,309,367	157,613,982	112,390,019
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....				
15.2 Deferred premiums and agents' balances and installments booked but				
deferred and not yet due (including \$ .....				
earned but unbilled premiums) .....				
15.3 Accrued retrospective premiums (\$ ..... ) and				
contracts subject to redetermination (\$ ..... ) .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	57,520,042		57,520,042	61,843,716
16.2 Funds held by or deposited with reinsured companies .....	2,533,460,136		2,533,460,136	2,598,123,428
16.3 Other amounts receivable under reinsurance contracts .....	2,200,750,378		2,200,750,378	2,213,913,972
17. Amounts receivable relating to uninsured plans .....				
18.1 Current federal and foreign income tax recoverable and interest thereon .....				8,960,618
18.2 Net deferred tax asset .....	102,395,213	54,172,418	48,222,795	16,561,755
19. Guaranty funds receivable or on deposit .....	579,098		579,098	622,756
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 .....	184,190		184,190	
24. Health care (\$ ..... ) and other amounts receivable .....	11,072,254	1,960	11,070,294	10,180,877
25. Aggregate write-ins for other than invested assets .....	8,808,660	4,575,940	4,232,721	
26. Total assets excluding Separate Accounts, Segregated Accounts and				
Protected Cell Accounts (Lines 12 to 25) .....	28,517,013,380	60,692,078	28,456,321,303	21,917,604,376
27. From Separate Accounts, Segregated Accounts and Protected Cell				
Accounts .....	14,426,214		14,426,214	12,509,189
28. Total (Lines 26 and 27) .....	28,531,439,594	60,692,078	28,470,747,517	21,930,113,565
<b>DETAILS OF WRITE-INS</b>				
1101. Derivative collateral asset .....	7,750,000		7,750,000	5,599,813
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) .....	7,750,000		7,750,000	5,599,813
2501. Miscellaneous assets .....	8,808,660	4,575,940	4,232,721	
2502. ....				
2503. ....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	8,808,660	4,575,940	4,232,721	

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$ .....20,102,934,270 (Exh. 5, Line 9999999) less \$ ..... included in Line 6.3 (including \$ .....13,766,867,117 Modco Reserve) .....	20,102,934,270	14,819,372,234
2. Aggregate reserve for accident and health contracts (including \$ ..... Modco Reserve) .....		
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$ .....3,901,351,769 Modco Reserve) .....	4,070,026,522	3,076,990,414
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11) .....	46,101,014	38,735,718
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11) .....		
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) .....	35,706	34,951
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 \$ ..... accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of lines 4 and 14) .....		
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 \$ .....28,471,579 assumed and \$ .....1,830,914,305 ceded .....	1,859,385,884	2,068,395,746
9.4 Interest maintenance reserve (IMR, Line 6) .....	41,999,785	40,024,458
10. Commissions to agents due or accrued-life and annuity contracts \$ .....103,091 accident and health \$ .....497,259 and deposit-type contract funds \$ .....	600,350	625,739
11. Commissions and expense allowances payable on reinsurance assumed .....	8,379,728	26,739,586
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 7) .....	984,856	1,894,516
13. Transfers to Separate Accounts due or accrued (net) (including \$ .....16,927 accrued for expense allowances recognized in reserves, net of reinsured allowances) .....	16,927	(38,887)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 6) .....	231,277	222,956
15.1 Current federal and foreign income taxes, including \$ ..... on realized capital gains (losses) .....	13,807,916	
15.2 Net deferred tax liability .....		
16. Unearned investment income .....	40,898	37,417
17. Amounts withheld or retained by reporting entity as agent or trustee .....	188,265	221,440
18. Amounts held for agents' account, including \$ ..... agents' credit balances .....		
19. Remittances and items not allocated .....	20,294,261	4,640,310
20. Net adjustment in assets and liabilities due to foreign exchange rates .....		
21. Liability for benefits for employees and agents if not included above .....		
22. Borrowed money \$ ..... and interest thereon \$ .....		
23. Dividends to stockholders declared and unpaid .....		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve (AVR, Line 16, Col. 7) .....	365,552,729	188,720,053
24.02 Reinsurance in unauthorized and certified (\$ ..... ) companies .....		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$ ..... ) reinsurers .....		
24.04 Payable to parent, subsidiaries and affiliates .....	6,356,679	12,282,872
24.05 Drafts outstanding .....		
24.06 Liability for amounts held under uninsured plans .....		
24.07 Funds held under coinsurance .....		
24.08 Derivatives .....	33,353,686	23,225,271
24.09 Payable for securities .....	65,783,857	17,291,748
24.10 Payable for securities lending .....		
24.11 Capital notes \$ ..... and interest thereon \$ .....		
25. Aggregate write-ins for liabilities .....	294,579,313	54,126,844
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25) .....	26,930,653,925	20,373,543,387
27. From Separate Accounts Statement .....	14,426,214	12,509,189
28. Total liabilities (Lines 26 and 27) .....	26,945,080,139	20,386,052,576
29. Common capital stock .....	2,500,000	2,500,000
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) .....	1,186,812,580	1,173,317,219
34. Aggregate write-ins for special surplus funds .....		
35. Unassigned funds (surplus) .....	336,354,799	368,243,769
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 \$ ..... in Separate Accounts Statement) .....	1,523,167,378	1,541,560,989
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55) .....	1,525,667,378	1,544,060,989
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) .....	28,470,747,517	21,930,113,565
<b>DETAILS OF WRITE-INS</b>		
2501. Derivative collateral liability .....	162,071,888	34,203,242
2502. Repurchase agreement liability .....	99,849,323	
2503. Unclaimed funds .....	22,869,919	19,848,946
2598. Summary of remaining write-ins for Line 25 from overflow page .....	9,788,184	74,656
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	294,579,313	54,126,844
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) .....		

## 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) .....	1,213,947,510	4,544,539,834
2. Considerations for supplementary contracts with life contingencies .....	47,358,635	101,196,070
3. Net investment income (Exhibit of Net Investment Income, Line 17) .....	810,285,053	570,865,523
4. Amortization of Interest Maintenance Reserve (IMR, Line 5) .....	13,937,057	11,655,776
5. Separate Accounts net gain from operations excluding unrealized gains or losses .....		
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1) .....	385,457,215	352,651,506
7. Reserve adjustments on reinsurance ceded .....	3,837,891,710	2,991,614,340
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts .....	450,689	482,947
8.2 Charges and fees for deposit-type contracts .....		
8.3 Aggregate write-ins for miscellaneous income .....	116,521,781	123,352,495
9. Total (Lines 1 to 8.3) .....	6,425,849,651	8,696,358,491
10. Death benefits .....	423,790	820,805
11. Matured endowments (excluding guaranteed annual pure endowments) .....	232	
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8) .....	127,246,153	93,938,215
13. Disability benefits and benefits under accident and health contracts .....		
14. Coupons, guaranteed annual pure endowments and similar benefits .....		
15. Surrender benefits and withdrawals for life contracts .....	515,505,288	355,472,765
16. Group conversions .....		
17. Interest and adjustments on contract or deposit-type contract funds .....	73,020,339	117,192,745
18. Payments on supplementary contracts with life contingencies .....	11,725,394	5,555,006
19. Increase in aggregate reserves for life and accident and health contracts .....	5,283,562,037	7,415,652,696
20. Totals (Lines 10 to 19) .....	6,011,483,232	7,988,632,232
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1) .....	3,648,763	4,056,640
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1) .....	455,976,384	516,954,148
23. General insurance expenses and fraternal expenses (Exhibit 2, Line 10, Cols. 1, 2, 3, 4 and 6) .....	29,196,135	28,705,001
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3 + 5) .....	1,258,078	1,901,778
25. Increase in loading on deferred and uncollected premiums .....		
26. Net transfers to or (from) Separate Accounts net of reinsurance .....	(530,921)	(449,200)
27. Aggregate write-ins for deductions .....	(88,540,306)	144,700,016
28. Totals (Lines 20 to 27) .....	6,412,491,364	8,684,500,615
29. Net gain from operations before dividends to policyholders, refunds to members and federal income taxes (Line 9 minus Line 28) .....	13,358,287	11,857,875
30. Dividends to policyholders and refunds to members .....	33,031	31,077
31. Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes (Line 29 minus Line 30) .....	13,325,256	11,826,798
32. Federal and foreign income taxes incurred (excluding tax on capital gains) .....	87,906,048	(21,067,775)
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) .....	(74,580,792)	32,894,574
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ .....11,524,068 (excluding taxes of \$ .....4,487,346 transferred to the IMR) .....	(11,174,926)	(14,708,060)
35. Net income (Line 33 plus Line 34) .....	(85,755,718)	18,186,514
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2) .....	1,544,060,989	1,347,657,138
37. Net income (Line 35) .....	(85,755,718)	18,186,514
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....14,385,811 .....	90,098,194	(5,646,321)
39. Change in net unrealized foreign exchange capital gain (loss) .....	26,283,181	(12,720,213)
40. Change in net deferred income tax .....	100,219,269	1,685,873
41. Change in nonadmitted assets .....	(59,037,852)	(470,354)
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 .....	(176,832,676)	11,827,831
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 .....		
47. Other changes in surplus in Separate Accounts Statement .....		
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 .....	13,495,360	186,536,955
51.2 Transferred to capital (Stock Dividend) .....		
51.3 Transferred from capital .....		
51.4 Change in surplus as a result of reinsurance .....	74,093,494	(2,842,812)
52. Dividends to stockholders .....	(409,420)	
53. Aggregate write-ins for gains and losses in surplus .....	(547,444)	(153,621)
54. Net change in capital and surplus for the year (Lines 37 through 53) .....	(18,393,611)	196,403,851
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38) .....	1,525,667,378	1,544,060,989
<b>DETAILS OF WRITE-INS</b>		
08.301. Funds withheld adjustment - assumed .....	116,439,156	123,200,908
08.302. Miscellaneous income .....	82,626	151,587
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) .....	116,521,781	123,352,495
2701. Reserve adjustments on reinsurance assumed .....	(87,602,774)	156,178,381
2702. Transfer to IMR - assumed .....	(1,260,527)	(3,543,516)
2703. Transfer to IMR - ceded .....	1,191,647	(8,748,508)
2798. Summary of remaining write-ins for Line 27 from overflow page .....	(868,652)	813,659
2799. Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above) .....	(88,540,306)	144,700,016
5301. Tax sharing agreement .....	(547,444)	7,646,566
5302. Correction of prior period error .....		(7,800,187)
5303. ....		
5398. Summary of remaining write-ins for Line 53 from overflow page .....		
5399. Totals (Lines 5301 thru 5303 plus 5398)(Line 53 above) .....	(547,444)	(153,621)

ANNUAL STATEMENT FOR THE YEAR 2019 OF THE Athene Annuity & Life Assurance Company

**CASH FLOW**

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	1,261,306,145	1,232,918,856
2. Net investment income .....	756,465,831	504,308,288
3. Miscellaneous income .....	382,754,961	349,442,323
4. Total (Lines 1 through 3) .....	2,400,526,938	2,086,669,467
5. Benefit and loss related payments .....	(3,355,458,815)	(2,560,483,810)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	(586,735)	(415,894)
7. Commissions, expenses paid and aggregate write-ins for deductions .....	505,725,152	535,711,159
8. Dividends paid to policyholders .....	32,276	34,542
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 11,584,580 tax on capital gains (losses) .....	81,696,372	8,143,155
10. Total (Lines 5 through 9) .....	(2,768,591,750)	(2,017,010,847)
11. Net cash from operations (Line 4 minus Line 10) .....	5,169,118,688	4,103,680,314
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	3,176,455,872	2,658,230,104
12.2 Stocks .....	172,286,008	2,265,625
12.3 Mortgage loans .....	833,421,308	279,487,683
12.4 Real estate .....		
12.5 Other invested assets .....	175,095,036	138,698,410
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	1,857,401	1,226,644
12.7 Miscellaneous proceeds .....	50,633,992	3,361,078
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	4,409,749,617	3,083,269,544
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	8,039,643,157	4,570,403,569
13.2 Stocks .....	297,292,583	55,899,850
13.3 Mortgage loans .....	1,729,448,210	1,317,514,776
13.4 Real estate .....		
13.5 Other invested assets .....	514,320,548	441,606,009
13.6 Miscellaneous applications .....	10,689,494	182,876,503
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	10,591,393,992	6,568,300,707
14. Net increase (decrease) in contract loans and premium notes .....	(253,345)	(55,608)
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(6,181,391,030)	(3,484,975,555)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		12,200,772
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	993,036,108	(274,881,109)
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	241,633,945	(71,203,180)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	1,234,670,053	(333,883,517)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	222,397,712	284,821,242
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	922,628,925	637,807,683
19.2 End of year (Line 18 plus Line 19.1) .....	1,145,026,637	922,628,925

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

20.0001. Security exchanges and asset in kind trades - bond proceeds (investing) .....	1,383,740,701	435,680,744
20.0002. Security exchanges and asset in kind trades - loan proceeds (investing) .....		35,000,000
20.0003. Security exchanges and asset in kind trades - bonds acquired (investing) .....	(1,496,201,101)	(470,680,744)
20.0004. Security exchanges and assets in kind trade - stocks proceeds (investing) .....	144,355,995	4,490,427
20.0005. Security exchanges and assets in kind trade - stocks acquired (investing) .....	(31,895,595)	(4,490,427)
20.0006. Reinsurance activity settled in bonds (operating) .....	80,724,636	133,316,729
20.0007. Assumed reinsurance activity settled in bonds (investing) .....	8,665,008	18,094,971
20.0008. Ceded reinsurance activity settled in bonds (investing) .....	(89,389,645)	(151,411,700)
20.0009. Capital contribution of stock compensation expense (financing) .....	13,495,360	11,536,955
20.0010. Capital contribution of stock compensation expense (investing) .....	(9,898,224)	(9,072,918)
20.0011. Capital contribution of stock compensation expense (operating) .....	(3,597,136)	(2,464,037)
20.0012. Capital contribution - bonds acquired (investing) .....		(147,799,228)
20.0013. Capital contribution - stocks acquired (investing) .....		(15,000,000)

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

20.0014. Capital contribution (financing) .....	162,799,228
20.0015. Schedule BA distribution other invested assets - proceeds (investing) .....	4,922,322
20.0016. Schedule BA distribution other invested assets - acquired (investing) .....	(4,922,322)
20.0017. Reinsurance inception (operating) .....	3,201,373,635
20.0018. Reinsurance inception miscellaneous proceeds (investing) .....	21,655,012
20.0019. Reinsurance inception bonds - acquired (investing) .....	(2,966,500,705)
20.0020. Reinsurance inception stocks - acquired (investing) .....	(7,284,310)
20.0021. Reinsurance inception mortgage loans - acquired (investing) .....	(296,054,380)
20.0022. Reinsurance inception other invested assets - acquired (investing) .....	(4,206,743)
20.0023. Reinsurance inception contract loans - acquired (investing) .....	(1,703,929)
20.0024. Reinsurance inception (financing) .....	52,721,420

## Notes to the Financial Statements

## 1. Summary of Significant Accounting Policies and Going Concern

## A. Accounting Practices

The accompanying financial statements of **Athene Annuity & Life Assurance 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 Delaware.

The Department of Insurance of the State of Delaware (the Department) recognizes only statutory accounting practices prescribed or permitted by the State of Delaware for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Delaware 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 Delaware. The Department has the right to permit other specific practices that deviate from prescribed practices.

Effective December 31, 2014, the Company received a permitted practice to use the standard scenario to determine the reserve on its variable annuity policies and thus did not calculate the stochastic scenario reserve as required under Actuarial Guideline 43. The Company does not believe this difference in valuation method has any impact on the calculated reserves. Therefore, the Company's net income and statutory surplus are not affected as a result of this permitted practice.

A reconciliation of the Company's net income and statutory surplus between practices prescribed by the State of Delaware 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	\$ (85,755,718)	\$ 18,186,514
(2) State prescribed practices that are an increase / (decrease) from NAIC SAP:					
(3) State permitted practices that are an increase / (decrease) from NAIC SAP:					
Standard scenario on variable annuities	51	3	1	-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$ (85,755,718)</u>	<u>\$ 18,186,514</u>
Surplus					
(5) State basis (Page 3, Line 38, Columns 1 & 2)	XXX	XXX	XXX	\$ 1,525,667,378	\$ 1,544,060,989
(6) State prescribed practices that are an increase / (decrease) from NAIC SAP:					
(7) State permitted practices that are an increase / (decrease) from NAIC SAP:					
Standard scenario on variable annuities	51	3	1	-	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$ 1,525,667,378</u>	<u>\$ 1,544,060,989</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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ significantly from those estimates.

## C. Accounting Policy

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

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.

## Notes to the Financial Statements

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

(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 fair value. Derivatives 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 asset. All other derivatives are carried at fair value.

(10) The Company does not have premium deficiency reserves for the accident and health business.

(11) The Company has ceded 100% the liabilities for losses and loss/claim adjustment expenses for accident and health contracts.

(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 - None

### 3. Business Combinations and Goodwill

#### A. Statutory Purchase Method - None

#### B. Statutory Merger

- Effective December 31, 2018, Athene Life Insurance Company (ALIC), a stock life insurance company domiciled in the State of Delaware, merged with and into the Company.
- The transaction was accounted for as a statutory merger.
- Prior to the merger, the Company owned 100% of the outstanding capital stock of ALIC and accounted for ALIC as an investment in affiliated common stock carried at ALIC's statutory capital and surplus. The Company remained as the surviving entity, and no changes were made to the Company's capital stock.
- Pre-merger separate company revenue, net income, and other surplus adjustments for the nine months ended September 30, 2018 for the Company and ALIC are presented below:

	<u>Athene Annuity &amp; Life Assurance Company</u>	<u>Athene Life Insurance Company</u>
Premiums and other income	6,866,071,592	2,111,647
Benefits and expenses	6,904,368,909	575,605
Dividends to policyholders	24,391	—
Federal income tax (benefit) expense	(15,912,032)	385,310
Net realized capital losses, net of tax and transfers to interest maintenance reserve	(4,538,706)	(15,131)
Net (loss) income	<u>(26,948,382)</u>	<u>1,135,601</u>
Correction of prior period error	(7,800,187)	—
Common stock issuance	—	1,500,000
Capital contribution	183,621,510	12,682
Change in net unrealized capital gains and losses, net of tax	78,618,476	916,551
Change in net deferred income tax	3,046,450	12,646
Change in nonadmitted assets	(392,660)	—
Change in asset valuation reserve	(29,397,534)	145,111
Tax sharing agreement	3,215,837	—
Reinsurance adjustment	(526,387)	(366,932)
Total change in capital and surplus	<u>203,437,123</u>	<u>3,355,659</u>

In accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors*, the merger was reflected in the accompanying financial statements and disclosures as if the merger occurred on January 1, 2017.

- No adjustments were made directly to the surplus of the Company as a result of the merger.

#### C. Assumption Reinsurance - None

#### D. Impairment Loss - None

### 4. Discontinued Operations - None

### 5. Investments

#### A. Mortgage Loans, including Mezzanine Real Estate Loans

- The maximum and minimum lending rates for new mortgage loans acquired during 2019 were 9.08% and 0.001%, respectively.
- 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 671.47%.
- Taxes, assessments and any amounts advanced and not included in mortgage loan total - None

Notes to the Financial Statements

5. Investments (Continued)

(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

	Farm	Residential		Commerical		Mezzanine	Total
		Insured	All Other	Insured	All Other		
a. Current Year							
1. Recorded Investment (All)							
(a) Current	\$	\$	\$ 997,828,589	\$	\$ 1,733,989,736	\$ 436,277,149	\$ 3,168,095,474
(b) 30 - 59 days past due			33,015,515				33,015,515
(c) 60 - 89 days past due			8,209,236				8,209,236
(d) 90 - 179 days past due			5,709,863				5,709,863
(e) 180+ days past due			27,561,578				27,561,578
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	\$	\$	\$ 714,219,117	\$	\$ 1,056,185,292	\$ 507,923,236	\$ 2,278,327,645
(b) 30 - 59 days past due			26,485,611		127,152		26,612,763
(c) 60 - 89 days past due			9,075,683				9,075,683
(d) 90 - 179 days past due			4,784,665				4,784,665
(e) 180+ days past due			11,222,994				11,222,994
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

(7) Allowance for credit losses

	2019	2018
a. Balance at beginning of period	\$ 678,437	\$ 34,768
b. Additions charged to operations	10,494,008	643,669
c. Direct write-downs charged against the allowances		
d. Recoveries of amounts previously charged off		
e. Balance at end of period	\$ 11,172,445	\$ 678,437

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

(9) The company recognizes interest income on impaired loans upon receipt. Cash receipts are applied first to interest and then to principal.

**Notes to the Financial Statements**

**5. Investments (Continued)**

B. Debt Restructuring

	2019	2018
(1) The total recorded investment in restructured loans, as of year-end	\$ 154,261	\$ 154,261
(2) The realized capital losses related to these loans	\$	\$
(3) Total contractual commitments to extend credit to debtors owing receivables whose terms have been modified in troubled debt restructurings	\$	\$
(4) The Company does not accrue interest income on impaired loans. Net investment income reflects interest income on impaired 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) Amortized Cost Basis Before Other- Than-Temporary Impairment	(2) Other-Than-Temporary Impairment Recognized in Loss		(3) 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	\$	\$	\$	\$
OTTI Recognized 2nd Quarter				
d. Intent to sell	\$ 66,796,557	\$ 10,524,490	\$	\$ 56,272,067
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	\$ 66,796,557	\$ 10,524,490	\$	\$ 56,272,067
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	\$	\$	\$	\$
OTTI Recognized 4th Quarter				
j. Intent to sell	\$	\$	\$	\$
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	\$	\$	\$	\$
m. Annual aggregate total		\$ 10,524,490	\$	

- (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) CUSIP	(2) Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	(3) Present Value of Projected Cash Flows	(4) Recognized OTTI	(5) Amortized Cost After OTTI	(6) Fair Value at Time of OTTI	(7) Date of Financial Statement Where Reported
02660TFK4	4,295,458	4,251,774	43,684	4,251,774	4,240,806	03/31/2019
12543WAA6	3,222,980	3,197,476	25,504	3,197,476	3,146,369	03/31/2019
59024KAF0	5,131,504	5,101,714	29,790	5,101,714	5,095,190	06/30/2019
86360JAN1	2,437,207	2,396,983	40,224	2,396,983	2,260,096	09/30/2019
76112HAA5	2,779,377	2,621,216	158,161	2,621,216	2,615,070	12/31/2019
Total			\$ 297,363			

**Notes to the Financial Statements**

**5. Investments (Continued)**

(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.

	<u>Amount</u>
a. The aggregate amount of unrealized losses:	
1. Less than 12 months .....	\$ 36,162,544
2. 12 months or longer .....	\$ 42,120,452
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months .....	\$ 1,697,433,449
2. 12 months or longer .....	\$ 922,551,422

(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

(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

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

(3) Original (flow) & residual maturity

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
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 .....	\$	\$	\$	\$ 99,849,323
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 .....	\$	\$	\$	\$ 99,849,323
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

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
a. Maximum Amount				
1. BACV .....	XXX	XXX	XXX	\$ 91,508,452
2. Nonadmitted - Subset of BACV .....	XXX	XXX	XXX	\$
3. Fair Value .....	\$	\$	\$	\$ 102,647,246
b. Ending Balance				
1. BACV .....	XXX	XXX	XXX	\$ 91,508,452
2. Nonadmitted - Subset of BACV .....	XXX	XXX	XXX	\$
3. Fair Value .....	\$	\$	\$	\$ 102,647,246

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	\$ 39,814,609	\$ 51,693,843	\$	\$	\$	\$	\$	\$
b. Bonds - FV	45,318,658	57,328,588						
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	\$ 39,814,609	\$ 51,693,843	\$	\$	\$	\$	\$	\$
q. Total assets - FV	\$ 45,318,658	\$ 57,328,588	\$	\$	\$	\$	\$	\$

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	\$	\$	\$	\$ 99,849,323
2. Securities (FV)	\$	\$	\$	\$
b. Ending Balance				
1. Cash	\$	\$	\$	\$ 99,849,323
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	\$ 99,849,323	\$	\$	\$	\$	\$	\$	\$
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)	\$ 99,849,323	\$	\$	\$	\$	\$	\$	\$

(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	99,849,323
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	99,849,323	99,988,651

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
a. Maximum Amount				
1. Cash (Collateral - All)	\$ .....	\$ .....	\$ .....	\$ 99,849,323
2. Securities Collateral (FV)	\$ .....	\$ .....	\$ .....	\$ .....
b. Ending Balance				
1. Cash (Collateral - All)	\$ .....	\$ .....	\$ .....	\$ 99,849,323
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
b. Ending Balance	\$ .....	\$ .....	\$ 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 - 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)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year							Current Year			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	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	99,849,323				99,849,323		99,849,323		99,849,323	0.350	0.351
d. Subject to reverse repurchase agreements	85,000,000				85,000,000		85,000,000		85,000,000	0.298	0.299
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	14,490,900				14,490,900	4,490,900	10,000,000		14,490,900	0.051	0.051
j. On deposit with states	5,289,881				5,289,881	6,606,961	(1,317,080)		5,289,881	0.019	0.019
k. On deposit with other regulatory bodies											
l. Pledged as collateral to FHLB (including assets backing funding agreements)											
m. Pledged as collateral not captured in other categories	8,471,325,894				8,471,325,894	5,692,354,482	2,778,971,412		8,471,325,894	29.691	29.754
n. Other restricted assets	9,760,873				9,760,873	24,656,500	(14,895,627)		9,760,873	0.034	0.034
<b>o. Total restricted assets</b>	<b>\$ 8,685,716,871</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ 8,685,716,871</b>	<b>\$ 5,728,108,843</b>	<b>\$ 2,957,608,028</b>	<b>\$ .....</b>	<b>\$ 8,685,716,871</b>	<b>30.443%</b>	<b>30.508%</b>

(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)

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							Percentage		
	Current Year							Current Year		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	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 Trust	\$ 8,463,575,894	\$ .....	\$ .....	\$ .....	\$ 8,463,575,894	\$ 5,686,754,669	\$ 2,776,821,225	\$ 8,463,575,894	29.664%	29.727%
Derivative Collateral	7,750,000				7,750,000	5,599,813	2,150,187	7,750,000	0.027	0.027
<b>Total</b>	<b>\$ 8,471,325,894</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ 8,471,325,894</b>	<b>\$ 5,692,354,482</b>	<b>\$ 2,778,971,412</b>	<b>\$ 8,471,325,894</b>	<b>29.691%</b>	<b>29.754%</b>

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

Description of Assets	Gross (Admitted & Nonadmitted) Restricted							Percentage		
	Current Year							Current Year		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	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, %
New York Tax Sharing Agreement Escrow	\$ 9,760,873	\$ .....	\$ .....	\$ .....	\$ 9,760,873	\$ 24,656,500	\$ (14,895,627)	\$ 9,760,873	0.034%	0.034%
<b>Total</b>	<b>\$ 9,760,873</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ 9,760,873</b>	<b>\$ 24,656,500</b>	<b>\$ (14,895,627)</b>	<b>\$ 9,760,873</b>	<b>0.034%</b>	<b>0.034%</b>

**Notes to the Financial Statements**

**5. Investments (Continued)**

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

Collateral Assets	(1) Book/Adjusted Carrying Value (BACV)	(2) Fair Value	(3) % of BACV to Total Assets (Admitted and Nonadmitted)	(4) % of BACV to Total Admitted Assets
General Account:				
a. Cash, cash equivalents and short-term investments	\$ 162,071,888	\$ 162,071,888	0.568%	0.569%
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)	<u>\$ 162,071,888</u>	<u>\$ 162,071,888</u>	<u>0.568%</u>	<u>0.569%</u>
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)	<u>\$</u>	<u>\$</u>	<u>%</u>	<u>%</u>

	(1) Amount	(2) % of Liability to Total Liabilities
u. Recognized Obligation to Return Collateral Asset (General Account)	\$ 162,071,888	0.602%
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	3	3	\$ 5,384,127	\$ 5,399,759	\$ 5,435,904	\$ 5,595,042
(2) LB & SS - amortized cost						
(3) Preferred stock - amortized cost		1		35,415,625		35,415,625
(4) Preferred stock - fair value						
(5) Total (1+2+3+4)	<u>3</u>	<u>4</u>	<u>\$ 5,384,127</u>	<u>\$ 40,815,384</u>	<u>\$ 5,435,904</u>	<u>\$ 41,010,667</u>

P. Short Sales - None

Q. Prepayment Penalty and Acceleration Fees

	General Account	Separate Account
(1) Number of CUSIPs	31	
(2) Aggregate Amount of Investment Income	\$ 5,415,396	\$

**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 \$11.8 million and \$11.9 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 \$1.3 million and less than \$0.1 million as of December 31, 2019 and 2018, respectively.

### 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.

**Swaptions:** A swaption is an option to enter into a swap with a forward starting effective date. The Company uses swaptions to hedge the interest rate exposure associated with the minimum crediting rate. Increases in interest rates will generate losses on assets that are backing liabilities. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium when it purchases the swaption. The Company utilizes these contracts in non-qualifying hedging relationships.

**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.

**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 brokers 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 realized gain or loss.

**Currency Swaps:** The Company has certain foreign currency swaps 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, *Derivatives*, 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. Certain forwards are designated and accounted for as cash flow hedges. 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.

**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.

(5) There were no gains or losses recognized in unrealized gains or losses during the reporting period representing the component of the derivative's 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

Notes to the Financial Statements

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	\$ 215,613,140	\$ 1,443,789	\$ 217,056,929	\$ 126,371,388	\$ 2,305,239	\$ 128,676,627	\$ 89,241,752	\$ (861,450)	\$ 88,380,302
(b) Statutory valuation allowance adjustments									
(c) Adjusted gross deferred tax assets (1a - 1b)	215,613,140	1,443,789	217,056,929	126,371,388	2,305,239	128,676,627	89,241,752	(861,450)	88,380,302
(d) Deferred tax assets nonadmitted	54,172,418		54,172,418				54,172,418		54,172,418
(e) Subtotal net admitted deferred tax asset (1c - 1d)	\$ 161,440,722	\$ 1,443,789	\$ 162,884,511	\$ 126,371,388	\$ 2,305,239	\$ 128,676,627	\$ 35,069,334	\$ (861,450)	\$ 34,207,884
(f) Deferred tax liabilities	92,399,176	22,262,540	114,661,716	89,852,332	22,262,540	112,114,872	2,546,844	-	2,546,844
(g) Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	\$ 69,041,546	\$ (20,818,751)	\$ 48,222,795	\$ 36,519,056	\$ (19,957,301)	\$ 16,561,755	\$ 32,522,490	\$ (861,450)	\$ 31,661,040

(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)	48,222,795		48,222,795	38,681,255		38,681,255	9,541,540		9,541,540
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	48,222,795		48,222,795	38,681,255		38,681,255	9,541,540		9,541,540
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	221,616,687	XXX	XXX	231,580,095	XXX	XXX	(9,963,408)
(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	113,217,927	1,443,789	114,661,716	87,690,133	2,305,239	89,995,372	25,527,794	(861,450)	24,666,344
(d) Deferred tax assets admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	\$ 161,440,722	\$ 1,443,789	\$ 162,884,511	\$ 126,371,388	\$ 2,305,239	\$ 128,676,627	\$ 35,069,334	\$ (861,450)	\$ 34,207,884

(3) Ratio used as basis of admissibility

	2019	2018
(a) Ratio percentage used to determine recovery period and threshold limitation amount	840.958%	835.000%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 2,354,045,558	\$ 2,201,334,060

(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)	\$ 215,613,140	\$ 1,443,789	\$ 126,371,388	\$ 2,305,239	\$ 89,241,752	\$ (861,450)
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)	\$ 161,440,722	\$ 1,443,789	\$ 126,371,388	\$ 2,305,239	\$ 35,069,334	\$ (861,450)
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

As of December 31, 2019 and December 31, 2018, no unrecognized DTLs exist.

Notes to the Financial Statements

9. Income Taxes (Continued)

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

	(1) 2019	(2) 2018	(3) Change (1-2)
Current income taxes incurred consist of the following major components:			
1. Current Income Tax			
(a) Federal	\$ 87,906,048	\$ (21,067,775)	\$ 108,973,823
(b) Foreign			
(c) Subtotal	\$ 87,906,048	\$ (21,067,775)	\$ 108,973,823
(d) Federal income tax on net capital gains	16,011,414	2,585,830	13,425,584
(e) Utilization of capital loss carry-forwards			
(f) Other			
(g) Federal and foreign income taxes incurred	\$ 103,917,462	\$ (18,481,945)	\$ 122,399,407

	(1) 2019	(2) 2018	(3) Change (1-2)
Current income taxes incurred consist of the following major components:			
2. Deferred Tax Assets			
(a) Ordinary			
(1) Discounting of unpaid losses	\$	\$	\$
(2) Unearned premium reserve			
(3) Policyholder reserves	145,426,606	76,705,937	68,720,669
(4) Investments	11,625,838	(9,381,094)	21,006,932
(5) Deferred acquisition costs	42,634,342	30,438,024	12,196,318
(6) Policyholder dividends accrual	7,498	7,340	158
(7) Fixed assets			
(8) Compensation and benefits accrual			
(9) Pension accrual			
(10) Receivables - nonadmitted	412		412
(11) Net operating loss carry-forward		11,881,076	(11,881,076)
(12) Tax credit carry-forward			
(13) Other (including items less than 5% of total ordinary tax assets)	15,918,444	16,720,105	(801,661)
(99) Subtotal	\$ 215,613,140	\$ 126,371,388	\$ 89,241,752
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted	54,172,418		54,172,418
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	\$ 161,440,722	\$ 126,371,388	\$ 35,069,334
(e) Capital			
(1) Investments	\$ 1,443,789	\$ 2,305,239	\$ (861,450)
(2) Net capital loss carry-forward			
(3) Real estate			
(4) Other (including items < 5% of total capital tax assets)			
(99) Subtotal	\$ 1,443,789	\$ 2,305,239	\$ (861,450)
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted			
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	1,443,789	2,305,239	(861,450)
(i) Admitted deferred tax assets (2d + 2h)	\$ 162,884,511	\$ 128,676,627	\$ 34,207,884

	(1) 2019	(2) 2018	(3) Change (1-2)
Current income taxes incurred consist of the following major components:			
3. Deferred Tax Liabilities			
(a) Ordinary			
(1) Investments	\$ 61,704,057	\$ 50,408,250	\$ 11,295,807
(2) Fixed assets			
(3) Deferred and uncollected premium			
(4) Policyholder reserves	28,744,451	38,177,111	(9,432,660)
(5) Other (including items < 5% of total ordinary tax liabilities)	1,950,668	1,266,971	683,697
(99) Subtotal	\$ 92,399,176	\$ 89,852,332	\$ 2,546,844
(b) Capital			
(1) Investments	\$ 22,262,540	\$ 22,262,540	\$ -
(2) Real estate			
(3) Other (including items < 5% of total capital tax liabilities)			
(99) Subtotal	\$ 22,262,540	\$ 22,262,540	\$ -
(c) Deferred tax liabilities (3a99 + 3b99)	\$ 114,661,716	\$ 112,114,872	\$ 2,546,844
4. Net deferred tax assets/liabilities (2i - 3c)	\$ 48,222,795	\$ 16,561,755	\$ 31,661,040

**Notes to the Financial Statements**

**9. Income Taxes (Continued)**

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	217,056,929	128,676,627	88,380,302
Total deferred tax liabilities	<u>(114,661,716)</u>	<u>(112,114,872)</u>	<u>(2,546,844)</u>
Net deferred tax assets (liabilities)	102,395,213	16,561,755	85,833,458
Tax effect of unrealized gains (losses)			<u>14,385,811</u>
Change in net deferred income tax			<u><u>100,219,269</u></u>

D. Among the More Significant Book to Tax Adjustments

The provision for federal income taxes incurred is different from that 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	\$ 2,871,624	21.000%
Permanent differences		
IMR	1,357,161	9.925
Nontaxable income	(301,836)	-2.207
Nondeductible expenses	3,576	0.026
Other permanent adjustments	1,614,978	11.810
Unrealized gain/(loss) - options	22,083,253	161.493
Affiliated expenses	(14,223)	-0.104
Non-admitted assets	(1,021,741)	-7.472
Specific reserves in surplus	(2,203,742)	-16.116
Prior year true-up and adjustments	61,299	0.448
Unrealized losses ceded	(21,483,070)	-157.104
Reinsurance adjustment A-791	(679,469)	-4.969
Tax rate change	1,410,383	10.314
Total	<u>\$ 3,698,193</u>	<u>27.045%</u>

	2019	Effective Tax Rate
Federal and foreign income tax incurred	\$ 87,906,048	642.851%
Realized capital gains (losses) tax	16,011,414	117.090
Change in net deferred income taxes	(100,219,269)	-732.897
Total statutory income taxes	<u>\$ 3,698,193</u>	<u>27.045%</u>

E. Operating Loss and Tax Credit Carryforwards

- (1) The Company has no tax attributes to carry forward at December 31, 2019.
- (2) Income tax expense available for recoupment

	Total
2017	\$ _____
2018	_____
2019	6,405,981

- (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 is included in a consolidated federal income tax return with an affiliated company, Athene USA Corporation. The Company has a written agreement approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Allocation of tax benefits is based on separate returns. Losses are paid at the time they can be used in the consolidated return or on a separate return basis. Intercompany tax balances are settled quarterly.

Under the tax sharing agreement, any tax period of the affiliated group must be calculated in accordance with NY Circular Letter 1979-33. The tax charge to each New York insurer under the agreement shall not be more than it would have paid if it had filed on a separate return basis. As a result, for any tax attributes a New York insurer can use on a separate return basis not currently utilized by the consolidated group, the future tax benefit of those tax attributes are transferred to the Company until such time they can be utilized by the consolidated group.

The following entities are included in the consolidated return:

- Athene USA Corporation
- Athene Annuity and Life Company
- Athene Annuity & Life Assurance Company
- Athene Annuity & Life Assurance Company of New York
- Athene Annuity Re Ltd.
- Athene Assignment Corporation
- Athene Life Insurance Company of New York
- Athene London Assignment Corporation

## Notes to the Financial Statements

### 9. Income Taxes (Continued)

Athene Re USA IV, Inc.  
Centralife Annuities Services, Inc  
P.L. Assigned Services  
Structured Annuity Reinsurance Company

#### 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 twelve 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 2018 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 (AUSA), the direct parent of the Company, and its subsidiaries to AHL's wholly owned subsidiary ALRe.

The Company cedes a quota share on multiple treaties of annuity business to AARE. The Company cedes a quota share of funding agreement business to ALRe, a Bermuda-domiciled affiliate. The Company also assumes a quota share of annuity business from its direct subsidiary Athene Annuity and Life Company, indirect subsidiaries Athene Annuity & Life Assurance Company of New York and Structured Annuity Reinsurance Company and from an affiliated entity, Venerable Insurance and Annuity Company (VIAC). 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 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 \$13.5 million and \$11.5 million in 2019 and 2018, respectively, which includes amounts contributed by the Company to downstream insurance subsidiaries.

During 2018, the Company received capital contributions from its direct parent, AUSA, totaling \$175 million, and the Company made a \$15 million capital contribution to its wholly-owned subsidiary, Athene Annuity and Life Company (AALA).

#### B. See part A above.

#### C. See part A above.

#### D. As of December 31, 2019 and 2018, respectively, the Company reported \$0.2 million and \$0 million receivable due from affiliates and \$6.4 million and \$12.3 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. Guarantees or Contingencies - None

#### 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. Pursuant to the agreement, the company pays ISG 30 basis point per annum on the company's managed assets. The company incurred expense of \$58.9 million and \$37.2 million in 2019 and 2018, respectively, for asset management fees with affiliates.

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 \$13.7 million and \$19.0 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. As an audit will not be performed, the Company nonadmitted its investment in wholly-owned subsidiary holding company, P.L. Assigned Services, Inc. The amount nonadmitted was less than \$0.1 million at both December 31, 2019 and December 31, 2018.

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				
P.L. Assigned Services, Inc.	100.000%	\$ 37,729	\$ _____	\$ 37,729
Total SSAP No. 97 8b(ii) Entities	XXX	\$ 37,729	\$ _____	\$ 37,729
c. SSAP No. 97 8b(iii) Entities				
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	\$ 37,729	\$ _____	\$ 37,729
f. Aggregate Total (a+e)				
	XXX	\$ 37,729	\$ _____	\$ 37,729

(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						
P.L. Assigned Services, INC	S2	07/03/2019	\$ -	Y	N	N/A
Total SSAP No. 97 8b(ii) Entities			\$ -			
c. SSAP No. 97 8b(iii) Entities						
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

As an audit is not conducted for P.L. Assigned Services, Inc. the investment is fully nonadmitted on the Company's balance sheet.

N. Investment in Insurance SCAs

The Company owns all of the outstanding capital stock of AAIA, a life insurance company domiciled in the State of Iowa. AAIA in turn owns all of the outstanding capital stock of Athene Re USA IV, Inc. (Athene Re IV), a special purpose financial captive life insurance company domiciled in the State of Vermont.

(1) In 2006, the Commissioner of the Iowa Insurance Division, Department of Commerce, of the State of Iowa (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. AAIA has elected to apply Bulletin 06-01 to its futures, variance swaps and total return swaps. Under NAIC SAP, changes in fair value of such derivative instruments would be recorded directly to surplus. Application of Bulletin 06-01 does not impact AAIA's statutory surplus.

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. AAIA has elected to apply IAC Section 191-97 to its over the counter (OTC) call options and reserve liabilities. Under NAIC SAP, derivative call options would be carried at fair value with changes in fair value recorded directly to surplus and the reserves would change in relation to the movements in fair value of the derivative call options with changes recorded through income.

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. AAIA has elected to use the Annuity 2000 Mortality Table for annuities issued between January 1, 2015 and December 31, 2015.

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 an admitted asset the value of a letter of credit serving as collateral for reinsurance credit taken by AAIA in connection with reinsurance agreements entered into between Athene Re IV and AAIA. Under NAIC SAP, the letter of credit would not otherwise be treated as an admitted asset.

Notes to the Financial Statements

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

(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 Statutory Accounting Practices and Procedures (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 Annuity and Life Company .....	\$ 117,462,108	\$ (74,898,973)	\$ 1,208,647,744	\$ 1,283,546,716
Athene Re USA IV, Inc. ....	\$ .....	\$ 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 audits of Athene Annuity and Life Company and Athene Re IV have not been completed.

(3) If AAIA was not allowed to apply Bulletin 06-01, IAC 191-97, and IAC 43.3 (5), its risk-based capital would still have been in excess of regulatory requirements. 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

11. Debt

A. 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 Delaware Department of Insurance. 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 basis points. 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. On April 19, 2018, the Company drew an advance of \$75 million under the Promissory Note. The Company repaid the \$75 million advance on June 29, 2018, resulting in no amount outstanding under the Promissory Note as of December 31, 2018. The Company incurred interest expense on the Promissory Note of \$0.5 million for the year ended December 31, 2018. No amount was drawn under the Promissory Note during the year ended December 31, 2019, and as such, no interest expense has been incurred by the Company during the year ended December 31, 2019.

B. FHLB (Federal Home Loan Bank) Agreements

(1) Through its membership in the FHLB of Indianapolis, the Company's predecessor by merger, ALIC, had issued funding agreements in exchange for cash advances. On August 11, 2016, ALIC provided the FHLB of Indianapolis with notice of its withdrawal of membership. The merger of ALIC effective December 31, 2018 terminated ALIC's membership in the FHLB of Indianapolis. The Company holds FHLB Class B Membership Stock which is available for redemption on August 12, 2021. There are no remaining funding agreement liabilities with the FHLB of Indianapolis.

During 2019, the Company became a member of the FHLB of Des Moines and is eligible to borrow under variable-rate short-term federal fund arrangements to provide additional liquidity. Total available borrowings are determined by the amount of collateral pledged, but cannot exceed 20% to 40% of the Company's total assets dependent upon the internal credit rating. The Company did not participate in short-term federal funds borrowing during 2019 and thus did not incur interest expense during 2019.

(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 .....	14,490,900	14,490,900	.....
(c) Activity stock .....	.....	.....	.....
(d) Excess stock .....	.....	.....	.....
(e) Aggregate total (a+b+c+d) .....	\$ 14,490,900	\$ 14,490,900	\$ .....
(f) Actual or estimated borrowing capacity as determined by the insurer .....	\$ .....		
2. Prior Year-End			
(a) Member stock - Class A .....	\$ .....	\$ .....	\$ .....
(b) Membership stock - Class B .....	14,490,900	14,490,900	.....
(c) Activity stock .....	.....	.....	.....
(d) Excess stock .....	.....	.....	.....
(e) Aggregate total (a+b+c+d) .....	\$ 14,490,900	\$ 14,490,900	\$ .....
(f) Actual or estimated borrowing capacity as determined by the insurer .....	\$ .....		

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)  
11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

**Notes to the Financial Statements**

**11. Debt (Continued)**

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

Membership Stock	(1) Current Year Total (2+3+4+5+6)	(2) Not Eligible for Redemption	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	\$ 14,490,900	\$ 10,000,000	\$	\$	\$ 4,490,900	\$

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)  
 11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

(3) Collateral pledged to FHLB

(a) Amount pledged as of reporting date

The Company did not have any amounts pledged to FHLB as of December 31, 2019 and 2018.

(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)	\$	\$	\$
2. Current year general account maximum collateral pledged	\$	\$	\$
3. Current year separate accounts maximum collateral pledged	\$	\$	\$
4. Prior year total general and separate accounts maximum collateral pledged	\$ 39,895,873	\$ 39,489,961	\$ 24,900,000

(4) Borrowing from FHLB

The Company had no borrowings from FHLB as of December 31, 2019 and 2018.

(a) Amount as of the reporting date - None

(b) Maximum amount during reporting period (current year) - None

(c) FHLB - Prepayment obligations - None

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans - None**

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

- At December 31, 2019, the Company has authorized and issued 5,000 shares of \$500 par common stock which are outstanding and owned by AUSA.
- Dividend Rate of Preferred Stock - None
- Delaware insurance law states that the maximum dividend payment over a 12-month period may not, without prior approval from the Insurance Commissioner, be paid from a source other than earned surplus or exceed the greater of the prior year's net statutory gain from operations or 10% of policyholders' surplus. In 2012, Athene Holding Ltd. (AHL), the Company's indirect parent, 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 as those terms are defined in the insurance laws of Delaware as of October 1, 2012. 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% unless approved by the Delaware Department of Insurance.
- During June 2019, the Company's direct subsidiary, AAIA, distributed 100% of its membership interests in Athene Securities, LLC to the Company through a dividend of \$0.4 million. The Company then immediately distributed 100% of the membership interests in Athene Securities, LLC to its direct parent, AUSA, through a dividend of \$0.4 million. No dividends were paid by the Company during 2018.
- Within the limitations presented in item (3), above, the Company may pay dividends in 2019 of \$152.3 million.
- The unassigned surplus is held for the benefit of the Company's shareholder.
- Surplus Advances - None
- Stock Held for Special Purposes - None
- Changes in Special Surplus Funds - None
- Unassigned funds (surplus)  
The portion of the unassigned funds (surplus) represented or reduced by unrealized gains and (losses), net of capital gains tax is \$90.1 million at December 31, 2019.
- Company-Issued Surplus Debentures or Similar Obligations - None
- Impact of Any Restatement Due to Prior Quasi-Reorganizations - None
- Effective Date(s) of Quasi-Reorganizations in the Prior 10 Years - None

**Notes to the Financial Statements**

**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 are \$979.4 million.

- (2) Nature and circumstances of guarantee - None  
 (3) Aggregate compilation of guarantee obligations - None

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 \$0.1 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 less than \$0.1 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 .....	\$ 622,756
b. Decreases current year:	
Paid premium tax offset applied .....	\$ 127,910
c. Increases current year:	
Change in accrued premium tax offset .....	\$ 84,252
d. Assets recognized from paid and accrued premium tax offsets and policy surcharges, current year-end	<u>\$ 579,098</u>

- (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

*Perdue Matter* - On December 28, 2012, John D. Perdue, Treasurer of the State of West Virginia (the Treasurer), filed suit against Liberty Life Insurance Company (Liberty), now the Company. The Complaint alleges that Liberty failed to conduct annual searches to identify deceased insureds to whom benefits were owed and failed to timely escheat unclaimed death benefits owed to deceased insureds for whom claims were not paid pursuant to West Virginia's Unclaimed Property Act (the UPA). Based on the alleged failure to comply with the UPA, the Treasurer seeks to assess fines, penalties, interest and attorneys' fees against Liberty for its purported willful, fraudulent and/or negligent conduct. The Treasurer further seeks injunctive relief requiring Liberty to implement and adopt policies and procedures to identify deceased insureds. The Treasurer filed virtually identical civil actions against more than sixty other life insurance companies doing business in the State of West Virginia. The defendant insurers collectively filed motions to dismiss which were granted on December 27, 2013. The Treasurer appealed the dismissal order and on June 16, 2015, the West Virginia Supreme Court reversed. Liberty subsequently filed an answer to the Treasurer's complaint on November 9, 2015 and also filed counter-claims for declaratory relief asserting that the Treasurer's claims violated the primary jurisdiction of the West Virginia Insurance Commissioner, the due process clauses of the United States and West Virginia constitutions and the excessive fines and penalties clauses of the West Virginia constitution. The parties resolved the matter at mediation on August 15, 2019 for an immaterial amount.

*Corporate-owned Life Insurance (COLI) Matter* - 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.

*Regulatory Matters* - Certain insurance subsidiaries of the Company 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's legacy policy administration systems that were also converted in connection with the acquisition of Aviva USA and have experienced similar service and administration issues.

## 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, certain insurance subsidiaries of the Company received notifications from several state regulators, including but not limited to the New York Department of Financial Services (NYDFS), the California Department of Insurance (CDI) 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, the Company's indirect subsidiary, 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, certain insurance subsidiaries of the Company have received inquiries, and expect 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's subsidiary AAIA received a letter from the NYDFS, with respect to a recent pension risk transfer (PRT) transaction, which expressed concerns with AAIA'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. AAIA is currently in discussions with the NYDFS to resolve its concerns. As of December 31, 2019, AAIA has accrued an amount for its best estimate of a probable loss, which represents an amount less than 4% of the Company's capital and surplus 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, 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 indirect subsidiary, Athene Annuity & Life Assurance Company of New York (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 other 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.

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	\$ 188,731,358	\$ 144,248,450	\$ 558,921,689	\$ 291,495,505
b. Futures	655	202		284
c. Options	4,847,603,223	5,167,713,738	520,549	241,319,859
d. Total	\$ 5,036,335,236	\$ 5,311,962,390	\$ 559,442,238	\$ 532,815,648

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

The current credit exposure of the Company's derivative contracts is limited to the fair value at the reporting date less collateral held. Credit risk is managed by entering into transactions with creditworthy counterparties and obtaining collateral where appropriate and customary. The Company also attempts to minimize its exposure to credit risk through the use of various credit monitoring techniques. 100% of the net credit exposure for the Company from derivative contracts is with investment-grade counterparties.

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

Notes to the Financial Statements

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
<b>a. Assets at fair value</b>					
Bonds: RMBS	\$	\$	2,077,519	\$	2,077,519
Common Stock: unaffiliated	720,547	14,497,222	110,985		15,328,754
Derivative assets: Options		143,758,535			143,758,535
Derivative assets: Futures	2,835,848				2,835,848
Derivative assets - Forwards		1,878,606			1,878,606
Separate account assets: Variable products		14,426,214			14,426,214
<b>Total assets at fair value/NAV</b>	<b>\$ 3,556,395</b>	<b>\$ 174,560,577</b>	<b>\$ 2,188,504</b>	<b>\$</b>	<b>\$ 180,305,476</b>
<b>b. Liabilities at fair value</b>					
Derivative liabilities: Currency swaps	\$	774,301	\$	\$	774,301
Derivative liabilities: Options		44,889			44,889
Derivative liabilities: Forwards		10,393,781			10,393,781
Separate account liabilities: Variable products		14,443,142			14,443,142
<b>Total liabilities at fair value</b>	<b>\$</b>	<b>\$ 25,656,113</b>	<b>\$</b>	<b>\$</b>	<b>\$ 25,656,113</b>

There were no transfers into or out of Level 3 of the fair value hierarchy during 2019.

(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
<b>a. Assets</b>										
Bonds: RMBS	\$	\$	\$	95,879	(1,169,365)	3,151,004				2,077,519
Common stocks unaffiliated	147,652				(36,667)					110,985
<b>Total assets</b>	<b>\$ 147,652</b>	<b>\$</b>	<b>\$</b>	<b>\$ 95,879</b>	<b>\$ (1,206,032)</b>	<b>\$ 3,151,004</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,188,504</b>
<b>b. Liabilities</b>										
<b>Total liabilities</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

(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:
  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.

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

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

B. Other Fair Value Disclosures - None

## Notes to the Financial Statements

## 20. Fair Value Measurements (Continued)

## C. Fair Values for All Financial Instruments by Level 1, 2 and 3

Aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

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	\$ 16,483,056,979	\$ 15,921,950,276	\$ 13,292,291	\$ 14,375,950,359	\$ 2,093,814,329	\$	\$
Assets - Preferred stocks	95,320,097	91,252,487		70,823,343	24,496,754		
Assets - Common stocks unaffiliated	15,328,754	15,328,753	720,547	14,497,222	110,985		
Assets - Mortgage loans - first liens	2,779,835,395	2,684,741,630			2,779,835,395		
Assets - Mortgage loans - other than first liens	554,482,745	556,677,590			554,482,745		
Assets - Cash and short-term investments	1,145,440,216	1,145,026,637	759,892,694	283,410,989	102,136,533		
Assets - Policy loans	2,776,790	2,776,790		2,776,790			
Assets - Derivative assets	154,472,687	152,131,771	2,835,848	151,636,839			
Assets - Derivative collateral	7,750,000	7,750,000	7,750,000				
Assets - Other invested assets	1,662,046,783	1,657,004,628		90,921,433	86,678,060	1,484,447,290	
Assets - Separate account: variable products	14,426,214	14,426,214		14,426,214			
Liabilities - Repurchase agreements	99,849,323	99,849,323		99,849,323			
Liabilities - Deposit-type contracts	4,186,279,503	4,070,026,522		3,893,682,108	292,597,395		
Liabilities - Derivative liabilities	14,536,721	33,353,686		14,536,721			
Liabilities - Derivative collateral liability	162,071,888	162,071,888	162,071,888				

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 is 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, credit 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.

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 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 separate account assets accrue directly to the policyowners and are not included in the Company's revenues and expenses or surplus.

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

Deposit-type contracts – Deposit-type contracts are classified as Level 3 include single premium immediate annuities (SPIA), supplemental contracts, and group pension contracts. Fair value of SPIA, supplemental contracts, and group pension are calculated by discounting best estimate cash flows based on mortality and market interest rate assumptions. Fair value of funding agreements are calculated by discounting future cash flows using market rates on the valuation date, and are classified as Level 2.

## D. Not Practicable to Estimate Fair Value - None

**Notes to the Financial Statements**

**20. Fair Value Measurements (Continued)**

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 net asset value (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 has \$645.1 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 - None

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
Guaranty Fund Assessment Credits	Various	\$ 396,940	\$ 396,940
Total		<u>\$ 396,940</u>	<u>\$ 396,940</u>

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

The Company estimates 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 tax credits.

- (3) Impairment loss - None

- (4) State tax credits admitted and nonadmitted

	Total Admitted	Total Nonadmitted
a. Transferable	\$	\$
b. Non-transferable	\$ 396,940	\$

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.

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	\$ 3,799,733	\$ 3,388,630	\$ 4,684,686	\$	%
b. Mortgages in good standing	167,774,841	188,333,545	295,457,046		
c. Mortgages with restructured terms					
d. Total	<u>\$ 171,574,574</u>	<u>\$ 191,722,175</u>	<u>\$ 300,141,732</u>	<u>\$</u>	<u>XXX</u>

**Notes to the Financial Statements**

**21. Other Items (Continued)**

(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	\$ 149,922,799	\$ 156,517,342	\$ 167,543,911	\$
b. Commercial mortgage-backed securities				
c. Collateralized debt obligations				
d. Structured securities				
e. Equity investment in SCAs *				
f. Other assets				
g. Total	\$ 149,922,799	\$ 156,517,342	\$ 167,543,911	\$

\* 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, the Company entered into a Capital Maintenance Agreement to provide capital support to its wholly-owned subsidiary AAIA, in an amount sufficient to satisfy the insurance laws of the State of New Jersey, in order to obtain authority for AAIA to issue registered index-linked annuities in New Jersey. The agreement will remain in effect for ten years. Given the current capital level of AAIA, the likelihood of payment by the Company under the terms of this agreement is remote.

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 in-force 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 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. As a result of the historical cession of business to Protective Life Insurance Company, the Company previously recorded a deferred gain at inception through surplus. Based on the emergence of earnings from the reinsured business in 2019 and 2018, \$3.2 million and \$3.8 million, respectively, was amortized into income.

Effective July 1, 2019, the Company recaptured a modified coinsurance agreement originally entered into with Reliastar Life Insurance Company (RLI) on June 1, 2018. This agreement assumed a 20% quota share of an existing block of fixed annuity business issued by RLI. Modco reserves held at RLI for business assumed by the Company were \$84.7 million at December 31, 2018. The modified coinsurance reserves that were recaptured by RLI were \$82.7 million as of July 1, 2019.

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)

**Notes to the Financial Statements**

**23. Reinsurance (Continued)**

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 (X) No ( )

- a If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. \$ –

- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? \$ 198,548

- (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, less than 1% of life policies were participating. 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 Company's policy administration system. The amount of dividend expense incurred was less than \$0.1 million for the years ended December 31, 2019 and December 31, 2018. 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 for the period beyond the date of death. Reserves for these benefits are included in Exhibit 5, Life Insurance. Reserve for surrender values in excess of reserves, if any, as legally computed are reported in Exhibit 5, Life Reserves.
2. Extra premiums are charged according to underwriting classifications. For Debit-Ordinary substandard policies, reserves are calculated using the same interest rate as for standard policies but using multiples of standard rates of mortality. For regular Ordinary substandard policies, reserves are calculated by computing the regular reserve for the plan and adding one-half of the extra premium charge for the year to that reserve.
3. As of December 31, 2019, the Company had \$662.6 million of insurance in force for which the gross premiums are less than the net premiums according to the standard of valuation set by the State of Delaware. Reserves to cover the above shortfall in premium totaled \$7.4 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 Deposit-type Contracts is the amount actually credited or accrued to the funds during the year.
6. Details for Other Changes

There are no significant changes in reserves shown on the Other Increases (net) line on Page 7, Line 7. The significant changes in reserves shown on the Other net change in reserves line on Exhibit 7, Line 4 as of December 31, 2019 are as follows:

Notes to the Financial Statements

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

Item	Total	Industrial Life	Ordinary			Credit Life Group and Individual	Group	
			Life Insurance	Individual Annuities	Supplementary Contracts		Life Insurance	Annuities
Exhibit 7 - Funding agreement Day 1 Discounted Cash Flow Gain	\$ (50,970,642)	\$	\$	\$ (50,970,642)	\$	\$	\$	\$
Exhibit 7 - Funding agreement foreign currency translation adjustment	(3,013,412)			(3,013,412)				
3106999 Total	<u>\$ (53,984,054)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (53,984,054)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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	\$ 11,168,471,845	\$	\$	\$ 11,168,471,845	55.901%
b. At book value less current surrender charge of 5% or more	3,864,503,805			3,864,503,805	19.343
c. At fair value		3,177,859		3,177,859	0.017
d. Total with market value adjustment or at fair value (total of a through c)	15,032,975,650	3,177,859		15,036,153,509	75.260
e. At book value without adjustment (minimal or no charge or adjustment)	4,121,847,951			4,121,847,951	20.631
(2) Not subject to discretionary withdrawal	820,893,630			820,893,630	4.109
(3) Total (gross: direct + assumed)	19,975,717,231	3,177,859		19,978,895,090	100.000%
(4) Reinsurance ceded	8,117,037			8,117,037	
(5) Total (net) (3 - 4)	\$ 19,967,600,194	\$ 3,177,859	\$	\$ 19,970,778,053	
(6) Amount included in A(1)b above that will move to A(1)e in the year after the statement date:	\$ 146,764,906	\$	\$	\$ 146,764,906	

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	\$ 50,044,791	\$	\$	\$ 50,044,791	37.086%
b. At book value less current surrender charge of 5% or more					
c. At fair value	2,337,317			2,337,317	1.732
d. Total with market value adjustment or at fair value (total of a through c)	52,382,107			52,382,107	38.818
e. At book value without adjustment (minimal or no charge or adjustment)	10,997,240			10,997,240	8.150
(2) Not subject to discretionary withdrawal	71,563,607			71,563,607	53.032
(3) Total (gross: direct + assumed)	134,942,955			134,942,955	100.000%
(4) Reinsurance ceded	2,337,317			2,337,317	
(5) Total (net) (3 - 4)	\$ 132,605,638	\$	\$	\$ 132,605,638	
(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)	19,469,491	.....	.....	19,469,491	0.476
(2) Not subject to discretionary withdrawal	4,069,111,876	.....	.....	4,069,111,876	99.524
(3) Total (gross: direct + assumed)	4,088,581,367	.....	.....	4,088,581,367	100.000%
(4) Reinsurance ceded	18,554,844	.....	.....	18,554,844	
(5) Total (net) (3 - 4)	\$ 4,070,026,522	\$ .....	\$ .....	\$ 4,070,026,522	
(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)	\$ 19,920,696,135
(2) Exhibit 5, supplementary contracts with life contingencies section, total (net)	179,509,696
(3) Exhibit of Deposit-type Contracts, Line 14, Column 1	4,070,026,522
(4) Subtotal	24,170,232,354
Separate Accounts Annual Statement	
(5) Exhibit 3, Line 0299999, Column 2	.....
(6) Exhibit 3, Line 0399999, Column 2	3,177,859
(7) Policyholder dividend and coupon accumulations	-
(8) Policyholder premiums	-
(9) Guaranteed interest contracts	-
(10) Other contract deposit funds	-
(11) Subtotal	3,177,859
(12) Combined total	<u>\$ 24,173,410,212</u>

**Notes to the Financial Statements**

**33. Analysis of Life Actuarial Reserves by Withdrawal Characteristics**

	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	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....	\$ .....
(2) Universal Life	593,431,311	601,256,251	621,974,928	.....	.....	.....
(3) Universal Life with Secondary Guarantees	.....	.....	.....	.....	.....	.....
(4) Indexed Universal Life	1,014,143	931,737	1,014,143	.....	.....	.....
(5) Indexed Universal Life with Secondary Guarantees	.....	.....	.....	.....	.....	.....
(6) Indexed Life	.....	.....	.....	.....	.....	.....
(7) Other Permanent Cash Value Life Insurance	1,280,832	697,894,756	779,997,091	.....	.....	.....
(8) Variable Life	.....	.....	.....	.....	.....	.....
(9) Variable Universal Life	1,559,718	1,559,718	1,561,947	11,247,491	11,247,491	11,265,283
(10) Miscellaneous Reserves	.....	.....	13,790	.....	.....	.....
B. Not subject to discretionary withdrawal or no cash values						
(1) Term Policies without Cash Value	XXX	XXX	282,285,484	XXX	XXX	.....
(2) Accidental Death Benefits	XXX	XXX	4,054,429	XXX	XXX	.....
(3) Disability - Active Lives	XXX	XXX	4,016,881	XXX	XXX	.....
(4) Disability - Disabled Lives	XXX	XXX	10,737,237	XXX	XXX	.....
(5) Miscellaneous Reserves	XXX	XXX	7,470,816	XXX	XXX	.....
C. Total (gross: direct + assumed)	\$ 597,286,004	\$ 1,301,642,462	\$ 1,713,126,746	\$ 11,247,491	\$ 11,247,491	\$ 11,265,283
D. Reinsurance Ceded	594,631,673	1,298,988,130	1,710,398,307	.....	.....	.....
E. Total (net) (C) - (D)	\$ 2,654,331	\$ 2,654,332	\$ 2,728,439	\$ 11,247,491	\$ 11,247,491	\$ 11,265,283

	Amount
F.	
Life & Accident & Health Annual Statement:	
(1) Exhibit 5, Life Insurance Section, Total (net)	\$ 2,723,972
(2) Exhibit 5, Accidental Death Benefits Section, Total (net)	12
(3) Exhibit 5, Disability – Active Lives Section, Total (net)	3,705
(4) Exhibit 5, Disability – Disabled Lives Section, Total (net)	750
(5) Exhibit 5, Miscellaneous Reserves Section, Total (net)	.....
(6) Subtotal	\$ 2,728,439
Separate Accounts Annual Statement:	
(7) Exhibit 3, Line 0199999, Column 2	11,265,283
(8) Exhibit 3, Line 0499999, Column 2	.....
(9) Exhibit 3, Line 0599999, Column 2	.....
(10) Subtotal (Lines (7) through (9))	11,265,283
(11) Combined Total ((6) and (10))	\$ 13,993,722

**34. Premiums and Annuity Considerations Deferred and Uncollected - None**

**35. Separate Accounts**

A. Separate Account Activity

- (1) The Company utilizes separate accounts to record and account for assets and liabilities from the variable universal life and variable annuity product lines.
- (2) Separate account assets legally insulated from the general account claims

In accordance with the products recorded within the separate account, all assets are considered legally insulated from the general account claims. As of December 31, 2019 and 2018 the Company's separate account statement included legally insulated assets of \$14.4 million and \$12.5 million, respectively. The assets legally insulated from the general account as of December 31, 2019 are attributed to the following products:

**Notes to the Financial Statements**

**35. Separate Accounts (Continued)**

Product/Transaction	Legally Insulated Assets	Separate Account Assets (Not Legally Insulated)
Variable Universal Life Insurance	\$ 11,248,331	\$
Variable Annuities	3,177,883	
<b>Total</b>	<b>\$ 14,426,214</b>	<b>\$</b>

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

The Company currently has two products that guarantee a minimum death benefit. The Company's general account has not paid towards the separate account guarantees for the past five years. The separate account has not paid risk charges for the past five years.

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

**B. General Nature and Characteristics of Separate Accounts Business**

Separate accounts are utilized to record and account for two lines of business - Variable Annuities and Variable Universal Life.

The Company previously sold variable annuity and variable universal life products with a non-guaranteed return. The Company stopped marketing these products at the beginning of 2009. The net investment experience of these separate accounts is credited directly to the policyholder and can be positive or negative. The assets and liabilities of these accounts are carried at fair market value. This business is included in non-guaranteed separate accounts in the following table.

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	\$	\$	\$	\$ 349,250	\$ 349,250
(2) Reserves at 12/31/2019 for accounts with assets at:					
a. Fair value				14,443,142	14,443,142
b. Amortized cost					
c. Total reserves	\$	\$	\$	\$ 14,443,142	\$ 14,443,142
(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				14,443,142	14,443,142
4. At book value without market value adjustment and with current surrender charge less than 5%					
5. Subtotal	\$	\$	\$	\$ 14,443,142	\$ 14,443,142
b. Not subject to discretionary withdrawal					
c. Total	\$	\$	\$	\$ 14,443,142	\$ 14,443,142
(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)	\$ 349,250
b. Transfers from Separate Accounts (Page 4, Line 10)	\$ 880,171
c. Net transfers to or (from) Separate Accounts (a - b)	\$ (530,921)

(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)	\$ (530,921)
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**36. Loss/Claim Adjustment Expenses - None**