

## Assurity Life Insurance Company

2000 Q Street, Lincoln, Nebraska, United States 68503

**Mailing Address:** P.O. Box 82533, Lincoln, Nebraska, United States 68501-2533

**AMB #:** 007374

**NAIC #:** 71439

**FEIN#:** 38-1843471

**Phone:** 402-476-6500

**Fax:** 402-437-4395

**Website:** [www.assurity.com](http://www.assurity.com)

[Best's Credit Rating Methodology](#) | [Disclaimer](#) | [Best's Credit Rating Guide](#)

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## Assurity Life Insurance Company

### Credit Report

**Report Release Date:**  
February 7, 2019

**Rating Effective Date:**  
January 24, 2019

**Disclosure Information:** View A.M. Best's [Rating Disclosure Form](#)

### Analytical Contacts

#### A.M. Best Rating Services, Inc.

Kevin Varvaro  
Financial Analyst  
[Kevin.Varvaro@ambest.com](mailto:Kevin.Varvaro@ambest.com)  
+1(908) 439-2200 Ext. 5487

Thomas Rosendale  
Director  
[Thomas.Rosendale@ambest.com](mailto:Thomas.Rosendale@ambest.com)  
+1(908) 439-2200 Ext. 5201

**Ultimate Parent:** [051403 - Assurity Group, Inc.](#)

**A.M. Best Rating Unit:** [070511 - Assurity Life Insurance Group](#)

### Best's Credit Ratings:

Rating Effective Date: January 24, 2019

<b>Best's Financial Strength Rating:</b>	A-	<b>Outlook:</b>	Stable	<b>Action:</b>	Affirmed
<b>Best's Issuer Credit Rating:</b>	a-	<b>Outlook:</b>	Stable	<b>Action:</b>	Affirmed

### Five Year Credit Rating History:

Date	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
	Rating	Outlook	Action	Rating	Outlook	Action
01/24/2019	A-	Stable	Affirmed	a-	Stable	Affirmed
01/25/2018	A-	Stable	Affirmed	a-	Stable	Affirmed
02/08/2017	A-	Stable	Affirmed	a-	Stable	Affirmed
01/13/2016	A-	Stable	Affirmed	a-	Stable	Affirmed
10/17/2014	A-	Stable	Affirmed	a-	Stable	Affirmed

### Rating Rationale:

For more detail regarding the Rating Rationale and Best's Credit Report for the Rating Unit, view [Assurity Life Insurance Group \(AMB# 070511\)](#).

## Financial Data Notes:

**Time Period:** Annual - 2017

**Status:** A.M. Best Quality Cross Checked

## Key Financial Indicators:

### Key Financial Indicators (000)

	Year End - December 31				
	2017	2016	2015	2014	2013
Assets	2,632,271	2,605,020	2,472,008	2,463,613	2,449,282
Policyholders' Surplus	334,680	324,910	318,082	300,547	306,426
Asset Valuation Reserve	36,678	33,754	29,598	30,225	30,373
Net Premiums Written	189,153	193,338	189,476	189,727	191,153
Net Investment Income	104,520	106,430	109,193	111,659	114,825
Net Income	16,768	11,951	20,830	19,184	14,641

Source: Bestlink - Best's Statement File - L/H, US

(\*) Within several financial tables of this report, this company is compared against the Individual Life Composite.

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

## Credit Analysis:

### Balance Sheet Strength

### Capitalization:

### Capital Generation Analysis

	Year End - December 31				
	2017	2016	2015	2014	2013
Pre-Tax Net Operating Gain (\$000)	14,667	14,615	20,861	21,721	18,310
Realized Capital Gains (\$000)	-1,075	-1,584	-1,270	-21	-1,011
Income Taxes (\$000)	-3,176	1,079	-1,239	2,516	2,658
Unrealized Capital Gains (\$000)	8,590	1,326	-4,965	1,050	5,617
Change in AVR (\$000)	-2,924	-4,157	627	148	11,548
Other Changes (\$000)	-12,665	-2,293	1,042	-26,261	11,919
Change in Capital & Surplus (\$000)	9,769	6,828	17,535	-5,879	43,724
Change in Capital & Surplus (%)	3.0	2.1	5.8	-1.9	16.6

Source: Bestlink - Best's Statement File - L/H, US

## Capitalization: (Continued...)

### Liquidity Analysis

	Year End - December 31				
	2017	2016	2015	2014	2013
Operating Cash Flow (\$000)	10,110	15,928	5,551	19,593	5,755
Non-Investment Grade Bonds / Capital (%)	13.1	16.3	13.7	7.5	7.3
Delinq & Foreclosed Mortgage / Capital (%)	...	0.3	0.5	0.6	1.3
Mortgage Loans & RE to Capital (%)	127.3	121.1	115.2	112.2	112.5
Affiliated Investment to Capital (%)	18.9	17.5	19.4	15.5	15.7

### Liquidity Ratios (%)

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Quick Liquidity	34.8	38.2	37.7	41.3	41.3	44.8	45.6	44.9	45.3	46.1
Current Liquidity	82.8	84.1	84.0	85.6	86.8	82.2	81.7	80.9	80.8	81.6

Source: Bestlink - Best's Statement File - L/H, US

Industry Composite: Individual Life Composite - Bestlink - Best's Statement File - L/H, US

### Leverage Analysis (%)

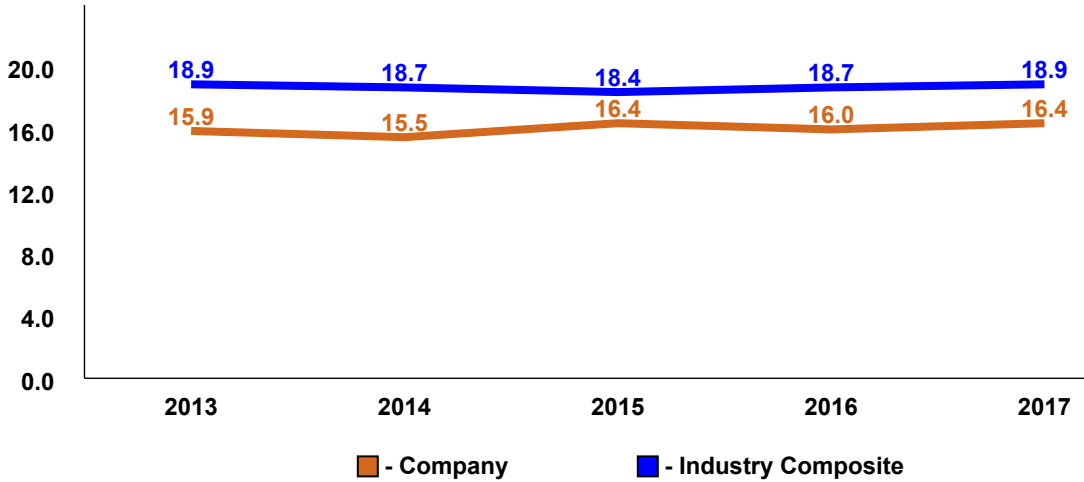
	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Capital & Surplus to Liabilities	16.4	16.0	16.4	15.5	15.9	18.9	18.7	18.4	18.7	18.9
Reinsurance Leverage	59.9	58.5	45.8	40.7	36.5	140.9	135.8	130.8	123.6	113.5
NPW & Deposits to Total Capital	0.5	0.6	0.6	0.6	0.6	0.6	0.5	1.1	0.6	0.8
Change in NPW & Deposits	-3.0	1.0	1.3	-2.7	-15.9	26.8	-54.1	85.5	-15.6	-15.5

Source: Bestlink - Best's Statement File - L/H, US

Industry Composite: Individual Life Composite - Bestlink - Best's Statement File - L/H, US

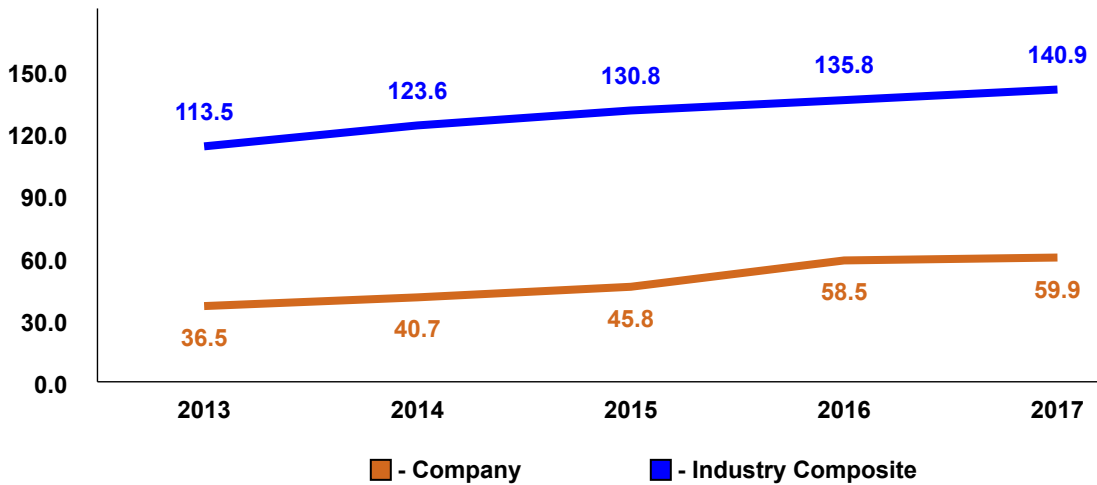
**Capitalization: (Continued...)**

**Capital & Surplus to Liabilities**



Source: Bestlink - Best's Statement File - L/H, US  
Industry Composite: Individual Life Composite - Bestlink - Best's Statement File - L/H, US

**Reinsurance Leverage**



Source: Bestlink - Best's Statement File - L/H, US  
Industry Composite: Individual Life Composite - Bestlink - Best's Statement File - L/H, US

**Asset Liability Management – Investments:**

**Bond Portfolio - 2017 Bonds Distribution by Maturity (%)**

	Years					Years Average Maturity
	0-1	1-5	5-10	10-20	20+	
Government	...	0.1	1.5	0.6	...	9.3
Government Agencies	...	0.2	3.9	7.4	0.6	12.8
Industrial & Miscellaneous	2.5	14.7	37.9	17.1	13.3	10.7
<b>Total</b>	<b>2.6</b>	<b>15.0</b>	<b>43.4</b>	<b>25.1</b>	<b>13.9</b>	<b>11.0</b>

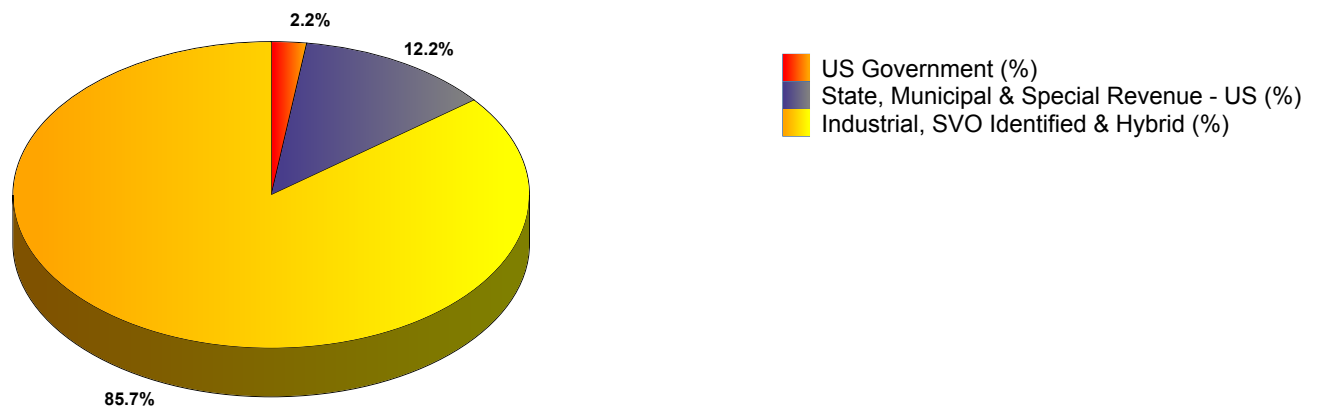
Source: Bestlink - Best's Statement File - L/H, US

**Bond Distribution by Issuer Type**

	Year End - December 31				
	2017	2016	2015	2014	2013
Bonds (\$000)	1,780,530	1,803,589	1,705,693	1,734,432	1,758,569
US Government (%)	2.2	2.3	2.6	1.8	1.8
Foreign Government (%)	...	0.8	0.6	0.7	0.7
State, Municipal & Special Revenue - US (%)	12.2	12.2	10.4	13.8	13.8
Industrial, SVO Identified & Hybrid (%)	85.7	84.7	86.4	83.7	83.7

Source: Bestlink - Best's Statement File - L/H, US

**2017 Bond Distribution By Issuer Type**



Source: Bestlink - Best's Statement File - L/H, US

**Operating Performance**

## Underwriting Results: (Continued...)

### Profitability Test (%)

	Year End - December 31					5-YR Avg/Total
	2017	2016	2015	2014	2013	
Benefits Paid to NPW & Deposits	92.6	87.8	89.4	88.0	89.6	89.5
Commissions & Expenses to NPW & Deposits	48.4	47.5	45.7	46.1	44.7	46.5
Net Operating Gains to Total Assets	0.7	0.5	0.9	0.8	0.6	0.7
Net Operating Gains to Total Revenues	5.6	4.1	6.7	5.8	4.7	5.4
Operating Return on Equity	5.4	4.2	7.1	6.3	5.5	5.7
Net Yield	4.39	4.51	4.67	4.80	4.98	4.67
Pre-tax Invest Total Return	4.53	5.47	4.96	5.21	5.74	5.18

Source: Bestlink - Best's Statement File - L/H, US

### Net Operating Gain (\$000)

	Year End - December 31				
	2017	2016	2015	2014	2013
Ordinary life	10,213	3,874	10,294	5,851	5,918
Group life	1,789	1,459	1,581	2,231	2,236
Supplementary contracts	822	548	378	458	-116
Individual annuities	3,093	3,517	4,147	3,915	3,563
Group annuities	1,786	1,543	1,552	1,685	1,817
Individual A&H	1,900	2,864	4,398	5,438	2,073
Group A&H	-1,760	-269	-250	-372	160
<b>Total</b>	<b>17,843</b>	<b>13,536</b>	<b>22,100</b>	<b>19,205</b>	<b>15,652</b>

Source: Bestlink - Best's Statement File - L/H, US

### Accident & Health Statistics

	Year End - December 31				
	2017	2016	2015	2014	2013
Net Premiums Written (\$000)	68,605	66,376	64,832	64,417	63,321
Net Premiums Earned (\$000)	68,743	66,604	64,599	64,388	63,903
Loss Ratio (%)	51.5	46.7	46.1	46.0	51.4
Expense Ratio (%)	63.1	61.5	62.0	59.9	60.3
Underwriting Results (\$000)	-9,931	-5,301	-5,395	-3,813	-7,085

Source: Bestlink - Best's Statement File - L/H, US

## Business Profile

The following text is derived from Best's Credit Report on Assurity Life Insurance Group (AMB# 070511):

Assurity is a Nebraska-domiciled stock life insurance company and wholly owned subsidiary of Assurity Holdings, Inc., an intermediate non-insurance holding company. The company is ultimately owned by Assurity Group, Inc. (AGI), a Nebraska mutual holding company.

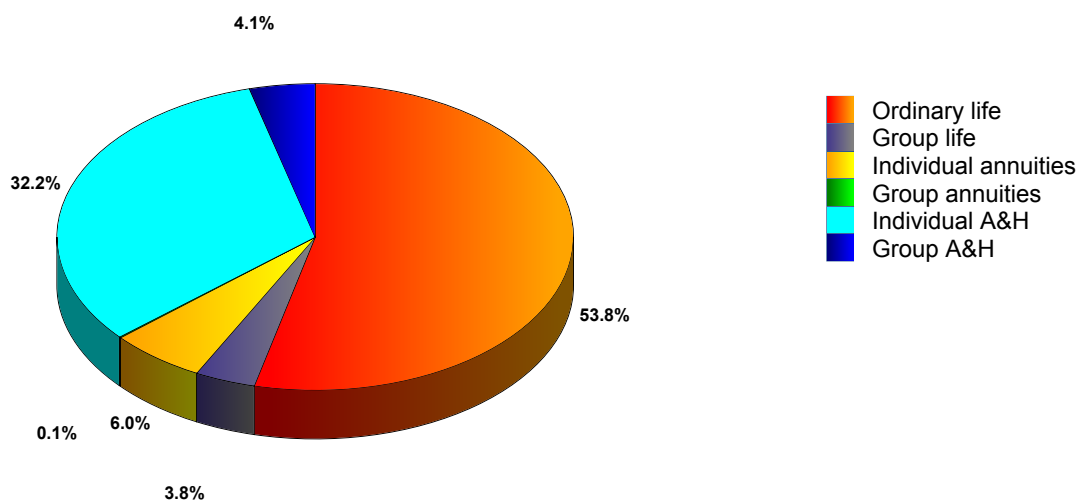
Assurity merged with Security Financial Life Insurance Company (Security Financial), effective January 1, 2007. The merger combined each entity's products for cross-sell distribution initiatives to achieve better profitability and improved efficiency. AGI has been able to consolidate expenses, investments, marketing, technology, administration and legal services to improve overall unit costs and increase profitability.

Assurity maintains a focus on offering protection products to the middle-income market and small businesses. The life insurance products offered by Assurity include a portfolio of whole life, universal life, and term insurance. In addition to the life insurance products, individual disability income, individual single premium deferred annuities, and critical illness insurance represent the breadth of the company's operations.

Assurity markets through two distribution channels - Individual Sales and Worksite Sales. In both sales areas the company works with independent distribution. The ultimate customer target is middle income consumers, where Assurity strives to provide affordable protection products. Assurity established a New York subsidiary in 2016, which gives them distribution in all 50 states and DC. Michigan has the greatest premium concentration primarily due to A&H business, which has not changed in recent years. The Individual Sales channel is the largest sales area with around 30,000 brokers across the country, and markets fixed life, annuity, disability income and other specialty health products targeted at middle income Americans through a system of independent brokers and agents. Annuities are not actively promoted, but viewed as an accommodation to some long tenured agents. Current initiatives in individual sales include carrier relationships, where Assurity partners with another company to allow that company's field force to sell certain Assurity products that the company does not manufacture, usually disability income and critical care illness. Assurity has also worked with call centers on certain products and looks to expand these relationships. Assurity's regional sales managers have focused on developing additional business from established distribution partners, and this is what accounts for the improved sales in the individual sales area.

The Worksite Sales Division markets life and accident and health products to individuals at their worksite with the implied endorsement of their employer. Assurity's portfolio of accident and health offerings includes short-term disability income, hospital indemnity, cancer expense, accident expense and critical illness products. Worksite whole life, and a worksite term life product are also offered. Worksite Sales started from a modest base, but has significantly increased on a percentage basis over the past three years. The target distribution for worksite is the classic worksite broker and mid-sized sophisticated independent employee benefit brokers, and they currently have contracts with 2,000 agents. This distribution has been receptive to Assurity's group and individual products since their basic business was disrupted by the Affordable Care Act (ACA). Providing an enrollment platform where one does not exist (Zyware), expanding their geographic profile, updating their worksite products, and evaluating private exchanges are initiatives that Assurity has undertaken to grow their worksite business. Assurity is also experimenting in new distribution initiatives and has partnered with the Maddock Douglas innovation firm in Chicago to specifically focus on consumer research (insights into what consumers think about these products and how Assurity might effectively reach these consumers) regarding disability income (DI) and critical care illness insurance (CI). A new entity, "Assurity Ventures, Inc.," was established to hold any investment in these joint venture startups. In addition, Assurity has set up a subsidiary, Assurity PEO Holdings, to invest in professional employer organizations (PEO). PEOs are firms that provide a service under which an employer can outsource employee management tasks, such as employee benefits, payroll and workers' compensation, recruiting, risk/safety management, and training and development. Assurity plans to install their worksite products including group life into a PEO that they have an 83% ownership interest in (Resourcing Edge, Inc.).

**2017 Top Product Lines of Business (Net Premiums Written)**





Source: Bestlink - Best's Statement File - L/H, US

### 2017 By-Line Business

Product Line	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)	(\$000)	(%)
Ordinary life	127,014	48.4	4	0.1	25,321	31.7	101,697	53.8
Group life	11,063	4.2	...	...	3,821	4.8	7,242	3.8
Individual annuities	11,319	4.3	...	...	...	...	11,319	6.0
Group annuities	226	0.1	...	...	...	...	226	0.1
Individual A&H	74,042	28.2	6,452	99.9	19,510	24.4	60,985	32.2
Group A&H	39,006	14.8	...	...	31,322	39.2	7,684	4.1
<b>Total</b>	<b>262,671</b>	<b>100.0</b>	<b>6,456</b>	<b>100.0</b>	<b>79,973</b>	<b>100.0</b>	<b>189,153</b>	<b>100.0</b>

Source: Bestlink - Best's Statement File - L/H, US

### Geographical Breakdown By Direct Premium Writings

	2017	2016	2015	2014	2013
Michigan	35,233	34,978	34,079	31,684	28,453
California	20,902	21,760	20,105	21,988	21,544
Nebraska	19,383	19,240	20,534	19,781	20,901
Texas	15,016	13,805	13,962	13,748	12,647
Kansas	13,939	13,859	12,348	12,881	13,769
Pennsylvania	11,725	11,545	11,583	11,441	12,072
Colorado	8,959	7,354	8,317	10,140	7,754
Illinois	8,150	9,067	8,288	7,834	6,383
North Carolina	8,073	7,411	8,085	8,006	8,955
Florida	7,275	7,844	8,341	7,366	7,570
All Other	103,746	107,352	104,898	101,330	97,451
<b>Total</b>	<b>252,400</b>	<b>254,215</b>	<b>250,540</b>	<b>246,199</b>	<b>237,501</b>

Source: Bestlink - Best's Statement File - L/H, US

## Financial Statements:

### Balance Sheet:

#### Balance Sheet:

Admitted Assets	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Bonds	1,780,530	1,803,589
Preferred Stocks	13,493	...
Common Stocks	113,094	100,903
Mortgage Loans	418,617	377,632
Real Estate	53,990	56,809
Contract Loans	120,125	118,297
Cash & short-term Investments	6,559	12,508
Other Invested Assets	45,248	46,704
Premiums & Consideration Due	36,634	36,804
Investment income due & accrued	19,331	18,995
Other Assets	24,649	32,780
<b>Total Assets</b>	<b>2,632,271</b>	<b>2,605,020</b>

Liabilities & Surplus	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Net policy reserves (see components below)	1,846,452	1,843,876
Liabilities for deposit type contracts	166,038	172,885
Policy Claims	26,085	21,432
Interest maintenance reserve	16,866	26,152
Commissions, taxes and expenses	20,767	21,108
Borrowed Money	138,724	105,260
Asset Valuation Reserve	36,678	33,754
Other Liabilities	45,982	55,644
<b>Total Liabilities</b>	<b>2,297,592</b>	<b>2,280,110</b>

**Components of net policy reserves - 2017:** Life \$1,340,811; annuities \$271,434; supplementary contracts with life contingencies \$14,671; accidental death benefits \$618; disability active lives \$3,023; disability disabled lives \$8,676; miscellaneous reserves \$15,015; accident & health \$192,205.

**Components of net policy reserves - 2016:** Life \$1,331,737; annuities \$280,646; supplementary contracts with life contingencies \$16,526; accidental death benefits \$643; disability active lives \$3,089; disability disabled lives \$8,731; miscellaneous reserves \$14,469; accident & health \$188,035.

**Balance Sheet: (Continued...)**

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**Balance Sheet: (Continued...)**

Capital & Surplus	Year End - December 31	
	2017 (\$000)	2016 (\$000)
Common Stock	2,500	2,500
Unassigned Surplus	332,130	322,410
Other Surplus	50	...
Total Policyholders' Surplus	334,680	324,910
Total Liabilities & Surplus	2,632,271	2,605,020

Source: Bestlink - Best's Statement File - L/H, US

## Summary of Operations:

### Summary of Operations (000)

Statement of Income	2017 (\$000)	Expenses	2017 (\$000)
Premiums:		Death benefits	69,351
Ordinary life premiums	101,697	Claims incurred (PC)	...
Individual annuities premiums	11,319	Matured endowments	562
Credit life premiums	...	Annuity & old age benefits	9,110
Group life premiums	7,242	Disability & Accident & Health benefits	346
Group annuities premiums	226	Coupons, annual endowments & similar benefits	...
Accident & Health group premiums	7,684	Surrender benefits	61,581
Accident & Health credit premiums	...	Group conversion	...
Accident & Health other premiums	60,985	Accident & Health benefits	33,448
Industrial life premiums	...	Interest on contract or deposit-type funds	4,241
Miscellaneous premiums	...	Payments on supplemental contracts	2,470
Premiums & annuity considerations	...	Accumulated coupon payments	...
Fraternal premiums	...	Total benefits recodes	...
Aviation reinsurance premiums	...	Increase in life reserves	-1,600
Deposit type funds	...	Increase in accident & health reserves	1,855
Employee benefits plan premiums	...	Increase in liabilities for premium deposit funds	...
Deposit administration funds	...	Change in reserves	...
Other premiums	...	Reserve adjustment on reinsurance assumed	...
Reinsurance premiums	...	Other reserves	...
Total net premiums	189,153	Claim adjustment (PC only)	...
Supplementary contracts	414	Administrative expenses (PC only)	...
Coupon accum interest	...	Commissions on premiums & annuity considerations	41,277
Net investment income	104,520	Commissions & expenses on reinsurance assumed	516
Amortization of Interest Maintenance Reserve	8,828	Other commissions & expenses	...
Net operating gain from separate accounts	...	Reinsurance expenses	...
Commissions & expense allowance on rein ceded	14,877	Interest expenses	...
Reserve adjustment on reinsurance ceded	...	Insurance taxes, licenses & fees	7,310
Reinsurance income	...	General insurance expenses	60,480
Other income	780	Net transfer to separate accounts	...
Difference between net earned & net written (PC only)	...	Other expenses	4
Management and/or service fees	...		
<b>Total operating income</b>	<b>318,572</b>	<b>Total expenses</b>	<b>290,955</b>
		Net operating gain before federal income taxes	...
		Net operating gain before taxes & dividends	27,617
		Net operating gain before refunds to members	...
		Dividends - life	12,950
		Dividends - accident & health	...
		Refund to members (fraternal only)	...

**Summary of Operations: (Continued...)**

**Summary of Operations (000) (Continued...)**

Statement of Income	2017 (\$000)	Expenses	2017 (\$000)
		Net operating gain after dividends & before taxes	14,667
		Federal income taxes	-3,176
		Net operating gain	...
		Net operating gain after federal income taxes	...
		Net operating gain after dividends & taxes	17,843
		Net operating gain after refunds to members	...

Source: Bestlink - Best's Statement File - L/H, US

**Cash Flow Analysis (\$000)**

**Cash Flow Analysis (\$000)**

Funds Provided	2017 (\$000)	Funds Applied	2017 (\$000)
Gross cash from operations	304,948	Benefit and loss payments	176,840
Transfers from separate accounts	...	Commissions, taxes & expenses paid	100,352
Federal income tax refunds	...	Transfers to separate accounts	...
Decrease in contract loans & premium notes	...	Dividends to policyholders	...
Bond proceeds	413,689	Federal income taxes paid	...
Stock proceeds	...	Increase in contract loans & premium notes	...
Mortgage loans proceeds	...	Surplus notes paid back	...
Real estate proceeds	...	Capital notes paid back	...
Collateral loans proceeds	...	Capital paid back	...
Surplus notes paid in	...	Repaid borrowed money	...
Capital notes paid in	...	Repaid capital notes	...
Capital paid in	...	Bonds acquired	390,836
Borrowed money	...	Stocks acquired	...
Capital notes	...	Mortgage loans acquired	...
Other investment proceeds	55,447	Real estate acquired	...
		Collateral loans acquired	...
		Other investments acquired	117,143
		Dividends to stockholders	...
Total Other cash provided	33,464	Total Other cash apportioned	28,326
Decrease in cash & short-term investments	5,949	Increase in cash & short-term investments	...
<b>Total</b>	<b>813,496</b>	<b>Total</b>	<b>813,496</b>

Source: Bestlink - Best's Statement File - L/H, US

## Assurity Life Insurance Company

**Report Revision Date:**  
March 6, 2019

### Company Attributes:

**Industry:** Insurance  
**Business Type:** Life, Annuity, and Accident  
**Entity Type:** Operating Company  
**Organization Type:** Stock  
**Business Status:** In Business - Actively Underwriting  
**Marketing Type:** Independent Agency  
**Financial Size:** IX (\$250 Million to \$500 Million)

### Company History:

**Date Incorporated:** 03/20/1964

**Date Commenced:** 03/20/1964

**Domicile:** United States: Nebraska

### Company Operations:

**Licensed Territory:** (Current since 12/20/2001).The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

2018 Rank	Top 5 Lines of Business by NPW	
1	Ordinary life	52.9%
2	Individual A&H	30.4%
3	Individual annuities	7.4%
4	Group A&H	5.9%
5	Group life	3.2%

Source: Bestlink - Best's Statement File - L/H, US

2018 Rank	Top 5 Geographic Distribution by DPW	
1	United States: MI	13.8%
2	United States: CA	8.4%
3	United States: NE	7.2%
4	United States: TX	6.0%
5	United States: KS	5.8%

### Company Management:

Last significant update on 04/27/2018

#### Officers

**President:** Thomas E. Henning  
**SVP and Chief Marketing Officer:** Todd W. Reimers  
**SVP:** Susan L. Keisler-Munro (Operations)  
**Vice President and Chief Investment Officer:** David D. Lockwood  
**Vice President and Chief Information Officer:** Eric L. Otterstein

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## **Company Management: (Continued...)**

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### **Officers (Continued...)**

**Secretary:** John A. Sharp

**Treasurer:** Marvin P. Ehly

### **Directors**

William R. Cintani

Ryan D. Downs

Steven D. Erwin

Kathleen A. Farrell

David S. Graff

Caren L. Hamilton

Thomas E. Henning

Marc E. LeBaron

Angela L. Muhleisen

Paul M. Schudel

Lyn Wallin Ziegenbein

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## **Regulatory:**

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**Auditor:** KPMG, LLP

An examination of the financial condition was made as of December 31, 2013, by the insurance department of Nebraska. The 2017 annual independent audit of the company was conducted by KPMG, LLP. The annual statement of actuarial opinion is provided by Keith Spilker, Senior Director, Corporate Actuarial.

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## **Additional Resources:**

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