NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

NATIONAL INCOME LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2019

DATE OF REPORT: MARCH 31, 2021

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

NATIONAL INCOME LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

DATE OF REPORT:	MARCH 31, 2021
EXAMINER:	RACHELLE GOWINS

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	6
	D. Service agreements	7
	E. Management	10
4.	Territory and plan of operations	12
	A. Statutory and special deposits	12
	B. Direct operations	12
	C. Reinsurance	13
5.	Significant operating results	14
6.	Financial statements	19
	A. Independent accountants	19
	B. Net admitted assets	20
	C. Liabilities, capital and surplus	21
	D. Condensed summary of operations	22
	E. Capital and surplus account	24
7.	Subsequent events	25
8.	Summary and conclusions	26

KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Acting Superintendent

November 9, 2021

Honorable Adrienne A. Harris
Acting Superintendent of Financial Services
New York, New York 10004

Dear Adrienne Harris:

In accordance with instructions contained in Appointment No. 32084, dated May 5, 2020, and annexed hereto, an examination has been made into the condition and affairs of National Income Life Insurance Company, hereinafter referred to as "the Company." The Company's home office is located at 301 Plainfield Road, Suite 150, Syracuse, NY 13212. Due to the COVID-19 pandemic, the examination was conducted remotely.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2020 Edition* (the "Handbook"). The examination covers the four-year period from January 2016 through December 2019. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2019, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was coordinated in conjunction with the examination of the insurer's affiliates: Globe Life and Accident Insurance Company ("GLAIC"); Liberty National Life Insurance Company; United American Insurance Company, all Nebraska domiciled life insurers; American Income Life Insurance Company ("AILIC"), an Indiana domiciled life insurer, Family Heritage Life Insurance Company of America, an Ohio domiciled life insurer; Globe Life Insurance Company of New York ("GLICNY"), a New York domiciled insurer. The coordinated examination was led by the State of Nebraska, with participation from the states of Indiana, New York and Ohio. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2016 through 2019, by the accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. Globe Life Inc., the Company's indirect parent, has an internal audit department and a separate internal control department that are given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX") and the Model Audit Rule ("MAR"). Where applicable, SOX and MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations, or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on May 14, 1996, was licensed on October 16, 2000 and commenced business on November 16, 2000. Initial resources of $8,000,000 consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $6,000,000 were provided through the sale of 100 shares of common stock (with a par value of $20,000 each) for $80,000 per share. On April 5, 2002, a surplus contribution was made in the amount of $5,000,000 bringing the paid in and contributed surplus to $11,000,000, which is the amount of paid in and contributed surplus as of December 31, 2019.

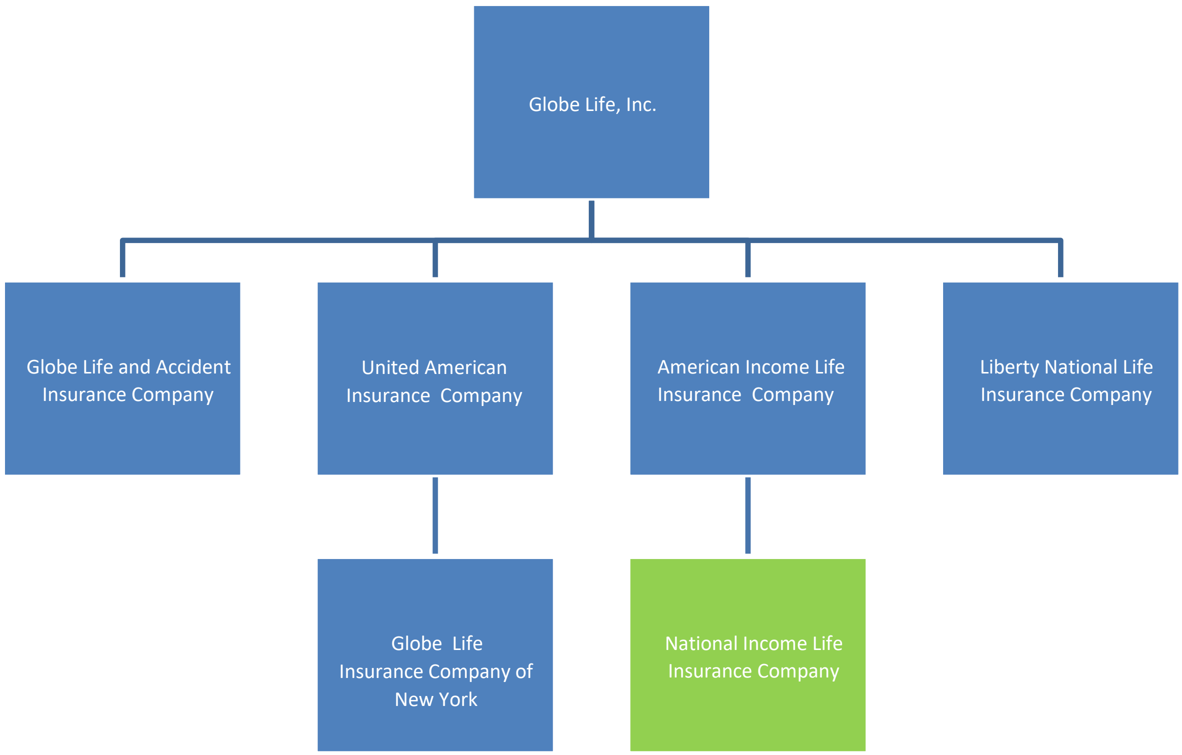
B. Holding Company

The Company is a wholly owned subsidiary of AILIC, an Indiana insurance company. AILIC is in turn a wholly owned subsidiary of Globe Life, Inc., the ultimate parent of the Company. Globe Life, Inc. is a publicly traded Delaware investment advisory company.

First United American Life Insurance Company ("FUALIC") is an affiliate company and is also domiciled in the State of New York. The name of FUALIC was changed to GLICNY effective January 1, 2017.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2019 follows:



D. Service Agreements

The Company had 8 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Service Agreement (Department File No. 31379A)	05/17/2000 Amended 03/01/2001 Amended 06/01/2003 Amended 01/01/2006	AILIC	The Company	Distribution and producer management, marketing support development and administration, reinsurance and underwriting, policy owner and contract holder services, claims processing and payment, actuarial/financial services, information technology, legal services and government relations, general services, human resources.	2016 $(4,007,119) 2017 $(5,399,972) 2018 $(7,528,585) 2019 $(7,818,230)
Service Agreement (Department File No. 31514)	05/17/2000 Amended 01/01/2001 Amended 11/1/2003	GLICNY (f/k/a as FUALIC)	The Company	Provision by GLICNY of supervisory, managerial, oversight and support services in connection with the Company's business and operations. Provision of services by making available to the Company a senior officer with expertise and experience in managing the operations of a life insurance company	2016 $(7,961) 2017 $(8,122) 2018 $(8,330) 2019 $(8,554)
Investment Agreement (Department File No. 31300)	03/24/2003	Globe Life, Inc.	The Company	Investment services	2016 $(627,786) 2017 $(708,488) 2018 $(832,625) 2019 $(981,556)
Service Agreement (Department File No. 49073)	07/01/2014	GLAIC	The Company	Deposit and process renewal premiums paid by the Company's policyholders by check or other non-direct debit forms of payment	2016 $(4,059) 2017 $(3,654) 2018 $(4,161) 2019 $(5,200)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Sublease Agreement (Department File No. 31377)	03/05/2007	GLICNY (f/k/a FUALIC)	The Company	Sublease of office space	2016 $(2,050) 2017 $(2,736) 2018 $(2,736) 2019 $(2,736)
Sale and Assignment Agreement (Department File No. 48038)	12/31/2012	The Company	Globe Life, Inc.	Selling and assignment of qualified debit balances of the Company's insurance agents	2016 $0 2017 $0 2018 $0 2019 $0
Agreement for Temporary Advances (Department File No. 30284)	08/27/2002	AILIC	The Company	To allow for temporary advance of funds in order to meet cash flow needs	2016 $0 2017 $0 2018 $0 2019 $0
Fraud Agreement (Department File No. 31670)	02/24/2004	Globe Life Inc.	The Company	Provide audit staff to carry out NILICO's fraud prevention plan	2016 $0 2017 $0 2018 $0 2019 $0

*Amount of Income or (Expense) Incurred by the Company

The significant increase in expenses allocated to the Company in 2017 as compared to 2016 under the AILIC Service Agreement was due to the reimbursement of salaries, as AILIC started reimbursing GLAIC for these salaries in 2017 and a portion of the costs were allocated to the Company.

The significant increase in expenses allocated to the Company in 2018 as compared to 2017 under the AILIC Service Agreement was primarily a result of increased overhead allocations in accordance with the agreement terms. This overhead allocation consisted of salaries, stock option expenses, and other employee cost allocations.

The Sale and Assignment Agreement and the Fraud Agreement between the Company and Globe Life Inc., as well as the Agreement for Temporary Advances between AILIC and the Company remain in affect although there were no services provided and no income or expense for any of the years under examination.

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

Section 1505(d) of the New York Insurance Law states in part, the following:

> "(d) The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period:…
> (3) rendering of services on a regular or systematic basis; …"

The Company is a member to a Sublease Agreement with its affiliate GLICNY (formerly known as FUALIC) that calls for the Company to sublease office space from GLICNY at 1020 Seventh North Street, Liverpool, New York 13088. The Sublease Agreement was submitted and non-disapproved by the Department effective March 5, 2007 (Department file No. 31377).

Subsequently, effective May 1, 2017, both GLICNY and the Company moved their principal offices in New York to 301 Plainfield Road, Suite 150, Syracuse, NY 13212. The Company and GLICNY then entered into a new Sublease Agreement for this new location. Although GLICNY submitted and received non-disapproval for this new Sublease Agreement, the Company never submitted the Sublease Agreement to the Department as required by Section 1505(d)(3) of the New York Insurance Law.

The Company violated Section 1505(d)(3) of the New York Insurance Law by entering into a Sublease Agreement with an affiliate without submitting the Sublease Agreement to the Department for non-disapproval at least thirty days thereto.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2019, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2019, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John R. Camillo* Manhasset, New York	Retired United Insurance Company of America	2019
James M. Darden Dallas, Texas	President National Income Life Insurance Company	2018
Kevin A. Dattellas* Warners, New York	Chief Financial Officer Solvay Bank	2005
Michael S. Henrie Plano, Texas	Treasurer Globe Life Insurance Company of New York	2017
Denis M. Hughes* Staten Island, New York	Senior Operating Partner Stonepeak Infrastructure	2015
Thomas P. Kalmbach McKinney, Texas	Divisional Senior Vice President and Chief Actuary Globe Life Insurance Company of New York	2019
William M. Pressley Parker, Texas	Divisional Vice President National Income Life Insurance Company	2017
James A. Savo Liverpool, New York	Divisional Vice President, Operations and General Manager Globe Life Insurance Company of New York	2000
Joel P. Scarborough Frisco, Texas	Divisional Vice President, Associate General Counsel and Secretary National Income Life Insurance Company	2012

*Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended, and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2019:

Name	Title
James M. Darden	President
Thomas P. Kalmbach	Divisional Senior Vice President and Chief Actuary
William M. Pressley	Divisional Vice President, Investments
Michael S. Henrie	Divisional Senior Vice President, Chief Financial Officer
Steven K. Greer	Chief Executive Officer
David Zophin	President, National Income Life Division
Diane Crosby*	Divisional Senior Vice President
Joel P. Scarborough	Divisional Senior Vice President, Associate General Counsel and Secretary
James A. Savo	Divisional Vice President, Operations and General Manager

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

In September 2020, Marc Massad, Divisional Vice President, Customer Service, replaced Diane Crosby as the Company's designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities, and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is only licensed to write business in New York. In 2019, all life premiums and accident and health premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2019, the Company had $400,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

B. Direct Operations

During the examination period, the Company primarily sold life insurance and accident and health products. The life insurance line included ordinary and term life insurance. The accident and health line included individual and group accident policies. The Company's emphasis is on selling basic individual life coverage and fixed-benefit accident and health insurance to low to middle-income wage earners through the cooperation of labor unions, credit unions, and other associations in the State of New York.

The Company markets its insurance products through independent contractors. The highest contract is a State General Agent ("SGA"). The SGA recruits and recommends individuals for contracts and determines their levels and hierarchies from a set of available options. The structure can be from four to six levels depending on the hierarchy established by the SGA. "Agents" are the lowest level of contracts, and they are personal producers. The contracts above Agents include Supervising Agents, General Agents, Master General Agents, Regional General Agents, and SGA. Depending on how many individuals are in a structure, each individual reports to the next person in the hierarchy line, with the SGA being at the top. The SGA does not personally produce any business.

During the examination period two SGA's, Durhon Oldham and Jim Bianchi Partnership; and Theodore Pappas, produced 20% or more of the Company's business.

C. Reinsurance

As of December 31, 2019, the Company had no reinsurance treaties in effect.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2015	December 31, 2019	Increase / Decrease
Admitted assets	$171,660,318	$305,910,805	$134,250,487
Liabilities	$137,540,463	$265,394,074	$127,853,611
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	11,000,000	11,000,000	0
Unassigned funds (surplus)	21,119,855	27,516,731	6,396,876
Total capital and surplus	$ 34,119,855	$ 40,516,731	$ 6,396,876
Total liabilities, capital and surplus	$171,660,318	$305,910,805	$134,250,487

The Company's invested assets as of December 31, 2019, were mainly comprised of bonds (90.2%).

The majority (98.2%) of the Company's bond portfolio, as of December 31, 2019, was comprised of investment grade obligations.

The increase in admitted assets and liabilities during the examination period was mainly due to the year-over-year increases in bonds and policy reserves and increase in positive cash flow, respectively.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2016	$875,679	$3,236,073	$330,807	$1,127,907
2017	$843,678	$3,622,748	$351,893	$1,186,892
2018	$753,559	$3,904,991	$290,687	$1,214,048
2019	$823,830	$4,260,335	$269,591	$1,232,348

The reason for the significant decrease in individual whole life and term insurance issued in 2018 as compared to 2017 and 2019 was primarily due to the decrease in the Company's 2017 agency field force, resulting in a poor sales year in 2018. As a result of the Company's reduced sales in 2018, the Company made changes to its 2019 sales force by increasing the number of state general agents, middle management agents, and supervising agents. All of these changes combined to significantly increase the amount of individual whole life issued in 2019, however the increase in field force did not increase individual term insurance issued.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	Group			
	2016	2017	2018	2019
Outstanding, end of previous year	762,877	707,346	763,727	788,979
Issued during the year	16,461	66,923	37,401	13,604
Other net changes during the year	(71,992)	(10,542)	(12,149)	(88,357)
Outstanding, end of current year	707,346	763,727	788,979	714,226

The reason for the significant increase in group accident and health policies issued during 2017 as compared to 2016 was primarily the result of the number of groups issued increasing from seven to twenty-three. The five largest of these groups consisted of an additional 46,480 members.

The reason for the significant decrease in group accident and health policies issued in 2018 as compared to 2017 was primarily a result of the number of groups issued decreasing from twenty-three to eighteen, and the average number of members per group decreasing from 2,910 in 2017 to 2,078 in 2018.

The reason for the significant decrease in group accident and health policies issued in 2019 as compared to 2018 was primarily a result of the number of groups issued decreasing from eighteen in 2018 to ten in 2019, and the average number of members per group decreasing from 2,078 in 2018 to 1,360 in 2019.

The reason for the significant fluctuation in group other net changes during the year 2017 compared to 2016 and 2019 compared to 2018 was primarily a result of uneven changes in the number of groups and certificates issued, and the number of members within each group varying from year to year.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company’s filed annual statements:

	2016	2017	2018	2019
Ordinary Life insurance	$ 8,960,867	$7,687,065	$10,148,809	$11,961,660
Total ordinary	$ 8,960,867	$7,687,065	$10,148,809	$11,961,660
Accident and health:				
Group	$ 156,941	$ (105,589)	$ 45,962	$ 0
Other	1,809,009	1,511,776	1,433,381	1,775,392
Total accident and health	$ 1,965,950	$1,406,187	$ 1,479,343	$ 1,775,392
Total	$10,926,817	$9,093,252	$11,628,152	$13,737,052

The reason for the decrease in Ordinary Life Insurance net gain from operations in 2017 as compared to 2016 was primarily the result of an increase in aggregate reserves in 2017.

The reason for the increase in Ordinary Life Insurance net gain from operations in 2018 as compared to 2017 was primarily the result of a $1.5 million increase in net investment income and a decrease in Federal Income tax of $1.05 million, which was a result of the decrease in corporate income tax rates from 35% to 21%.

The reason for the increase in ordinary life insurance net gain from operations in 2019 as compared to 2018 was primarily due to a $1.6 million increase in net investment income.

The zero-amount reported for accident and health group net gain from operations in 2019 was a result of changes made to the 2019 Annual Statement blank. In 2018, group health was reported on column 9 of page 6 (Accident and Health - Group). This column was removed by the NAIC. For 2019 and going forward, all health business is combined and reported in column 6 of page 6 (Accident and Health).

The reason for the significant decrease in accident and health other net gain from operations in 2017 as compared to 2016 was primarily a result of an increase in general expenses that were allocated to the Company from American Income Life Insurance Company.

The reason for the significant increase in accident and health other net gain from operations in 2019 as compared to 2018 was primarily a result of the 2019 accident and health group net gains from operations being reported separately in the prior year's Annual Statement blank as stated previously, and increases in premiums and net investment income.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2016	2017	2018	2019
Premiums earned	100.0%	100.0%	100.0%	100.0%
Incurred losses	40.6%	49.3%	51.1%	50.1%
Commissions	9.9	9.7	8.9	9.0
Expenses	11.5	13.4	17.2	17.6
	62.0%	72.4%	77.2%	76.7%
Underwriting results	38.0%	27.6%	22.8%	23.3%

The significant increase in incurred losses in 2017 as compared to 2016 was primarily due to lower than normal group accident and health incurred losses in 2016 as a consequence of the Company deciding to non-renew certain group AD&D policies during that year.

The significant increase in expenses in 2018 and 2019 as compared to 2016 and 2017 was primarily due to the change in allocating inter-company expenses, resulting in increased expenses being allocated to the Company and the accident and health line of business.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2019, as contained in the Company's 2019 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2019 filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte & Touche LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$245,230,464
Cash, cash equivalents and short-term investments	4,519,559
Contract loans	12,270,731
Other invested assets	9,906,022
Investment income due and accrued	3,595,329
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,427,095
Deferred premiums, agents' balances and installments booked but deferred and not yet due	23,584,159
Net deferred tax asset	5,285,000
Receivables from parent, subsidiaries and affiliates	92,446
Total admitted assets	$305,910,805

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$244,862,229
Aggregate reserve for accident and health contracts	10,561,793
Contract claims:	
Life	2,249,498
Accident and health	819,166
Premiums and annuity considerations for life and accident and health contracts received in advance	27,755
Interest maintenance reserve	947,006
Commissions to agents due or accrued	17,610
Taxes, licenses and fees due or accrued, excluding federal income taxes	20,000
Current federal and foreign income taxes	189,257
Amounts withheld or retained by company as agent or trustee	19,127
Amounts held for agents' account	683,528
Remittances and items not allocated	231,879
Miscellaneous liabilities:	
Asset valuation reserve	1,617,679
Payable to parent, subsidiaries and affiliates	2,431,878
Payable for securities	272,385
Adjustment for nursing home business	443,284
Total liabilities	$265,394,074
Common capital stock	2,000,000
Gross paid in and contributed surplus	11,000,000
Unassigned funds (surplus)	27,516,731
Surplus	$ 38,516,731
Total capital and surplus	$ 40,516,731
Total liabilities, capital and surplus	$305,910,805

D. Condensed Summary of Operations

	2016	2017	2018	2019
Premiums and considerations	$73,328,829	$80,734,638	$85,810,160	$ 92,321,882
Investment income	7,648,483	8,377,876	9,889,873	11,477,312
Miscellaneous income	7,304	9,466	11,116	9,309
Total income	$80,984,616	$89,121,980	$95,711,149	$103,808,503
Benefit payments	$ 9,861,072	$12,049,684	$13,471,724	$ 15,470,950
Increase in reserves	25,704,772	30,371,382	32,854,243	34,774,417
Commissions	19,464,854	21,665,732	20,789,060	21,708,934
General expenses and taxes	7,813,903	9,928,375	11,843,484	12,607,647
Increase in loading on deferred and uncollected premiums	1,788,025	297,942	705,647	948,432
Miscellaneous deductions	0	0	90,000	0
Total deductions	$64,632,626	$74,313,115	$79,754,158	$ 85,510,380
Net gain (loss) from operations	$16,351,990	$14,808,865	$15,956,991	$ 18,298,123
Federal and foreign income taxes incurred	5,425,173	5,715,613	4,328,839	4,561,071
Net gain (loss) from operations before net realized capital gains	$10,926,817	$ 9,093,252	$11,628,152	$ 13,737,052
Net realized capital gains (losses)	1,605	(9,789)	(13,244)	404
Net income	$10,928,422	$ 9,083,463	$11,614,908	$ 13,737,456

The steady increases in investment income during each year under examination was primarily driven by increases in bond interest of approximately $1.0 million in 2016, $650,000 in 2017, $1.25 million in 2018, and $1.42 million in 2019. These increases correlates to the Company's increased investments in bond instruments during the examination period.

The increase in benefit payments in 2017 as compared to 2016 was primarily due to an approximately $1.38 million increase in traditional death benefits, $325,278 increase in surrender benefits, and a $466,279 increase of disability benefits and benefits under Accident & Health contracts.

The increase in benefit payments in 2018 as compared to 2017 was primarily due to a $958,658 increase in traditional death benefits.

The increase in benefit payments in 2019 as compared to 2018 was primarily due to a $1.02 million increase in traditional death benefits, $860,304 increase in surrender benefits and withdrawals for life contracts, and a $117,967 increase in disability benefits and benefits under Accident & Health contracts.

The significant increase in general expenses and taxes in 2017 as compared to 2016 was primarily a result of an approximate $1.4 million increase in expenses allocated to the Company by AILIC through its administrative services agreement, a $316,971 increase in state premium taxes, a $419,687 in agency expenses allowances.

The significant increase in general expenses and taxes in 2018 as compared to 2017 was primarily a result of an approximate $1.9 million increase in expenses allocated to the Company by AILIC through its administrative service agreement.

E. Capital and Surplus Account

	2016	2017	2018	2019
Capital and surplus, December 31, prior year	$34,119,855	$ 40,054,496	$37,042,135	$ 40,217,379
Net income	$10,928,422	$ 9,083,463	$11,614,908	$ 13,737,456
Change in net deferred income tax	455,000	(2,947,000)	1,101,000	1,266,000
Change in non-admitted assets and related items	(2,068,197)	1,970,821	(197,185)	(2,953,861)
Change in reserve valuation basis	(27,078)	0	0	0
Change in asset valuation reserve	(141,520)	(192,828)	(250,227)	(285,029)
Dividends to stockholders	(3,211,986)	(10,926,817)	(9,093,252)	(11,465,214)
Net change in capital and surplus for the year	5,934,641	(3,012,361)	3,175,245	299,352
Capital and surplus, December 31, current year	$40,054,496	$ 37,042,135	$40,217,379	$ 40,516,731

7. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impact of the pandemic on U.S. insurers.

8. SUMMARY AND CONCLUSIONS

Following is the violation and comment contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by entering into a Sublease Agreement with an affiliate without submitting the Sublease Agreement to the Department for non-disapproval at least thirty days thereto.	9
B	The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.	25

Respectfully submitted,

Rachelle Gowins

Rachelle Gowins
Examination Resources, LLC

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Rachelle Gowins, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Rachelle Gowins

Rachelle Gowins

Subscribed and sworn to before me

this 8th day of December, 2021

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

/s/

Vincent Targia
Principal Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Vincent Targia, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/

Vincent Targia

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 32084

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

RACHELLE GOWINS
(EXAMINATION RESOURCES, LLC)

as a proper person to examine the affairs of the

NATIONAL INCOME LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 5th day of May, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU