FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

NATIONAL INCOME LIFE INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **NEAL RISCHALL, CFE**

DATE OF REPORT: **MAY 29, 2025**

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June 25, 2025

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

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32697, dated September 6, 2024, 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.

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. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2024 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2020 through December 31, 2023. 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, 2023, 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, and United American Insurance Company, all of which are 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; and Globe Life Insurance Company of New York ("GLICNY"), a New York domiciled insurer. The examination was called by the State of Nebraska, in accordance with the NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted as part of the Globe Life Group. The State of Nebraska served as the lead state 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 2020 through 2023, by the accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion in in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX") and the NAIC's 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 corrective actions taken by the Company with respect to the violation contained in the prior financial condition report on examination. The prior report also contained one comment, which did not require any corrective action to be taken by the Company. The results of the examiner's review are contained in item 5 of this report.

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.

2. DESCRIPTION OF COMPANY

A. History

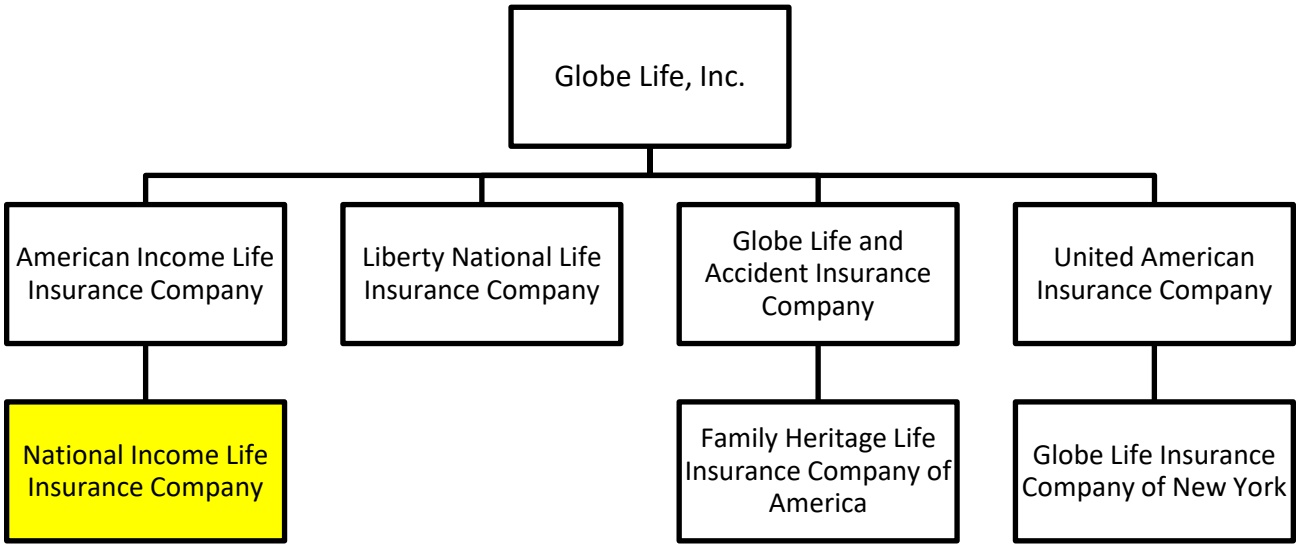
The Company was incorporated as a stock life insurance company under the laws of New York on May 14, 1996, was licensed on October 16, 2000, and commenced business on November 16, 2000. Initial resources of $8,000,000 consisting of common capital stock of $2,000,000 and paid in and contributed surplus 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, 2023.

B. Holding Company

The Company is a wholly owned subsidiary of AILIC, an Indiana domiciled 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. GLICNY, formerly known as First United American Life Insurance Company ("FUALIC") is an affiliate company and is also domiciled in the State of New York.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2023, follows:



D. Service Agreements

The Company had five significant 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 of Service(s)	Specific Service(s) Covered	Expense* For Each Year of the Examination
Service Agreement Addendum #1 Effective 03/01/2001 Addendum #2 Effective 06/01/2003 Addendum #3 File No. 31379A Effective 01/01/2006	05/17/2000	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 and financial services, information technology, legal services and government relations, general services, human resources	2020 $(7,938,417) 2021 $(9,103,232) 2022 $(8,610,875) 2023 $(8,971,048)
Investment Agreement File No. 31300	03/24/2003	Globe Life, Inc. (formerly known as Torchmark Corporation)	The Company	Investment services	2020 $(1,104,036) 2021 $(1,387,865) 2022 $(1,434,000) 2023 $(1,622,774)
Service Agreement File No. 31514 Amendment to Service Agreement File No. cannot be located Effective 01/01/2001 Addendum #1 File No. 31541 Effective 11/01/2003 Name Change Addendum 05/17/2017	05/17/2000	GLICNY (formerly known as FUALIC)	The Company	Provision by FUALIC 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	2020 $(8,763) 2021 $(8,965) 2022 $(8,965) 2023 $(9,520)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient of Service(s)	Specific Service(s) Covered	Expense* For Each Year of the Examination
Service Agreement File No. 49073	07/01/2014	GLAIC	The Company	Deposit and process renewal premiums paid by the Company policyholders by check or other non-direct debit forms of payment.	2020 $(30,648) 2021 $(56,354) 2022 $(54,374) 2023 $(71,931)
Sublease Agreement File No. 54752	05/01/2017 Renewed and Extended Effective 7/31/2022	GLICNY	The Company	Sublease of office space	2020 $(2,830) 2021 $(2,736) 2022 $(2,736) 2023 $(3,188)

*Amount of Expense Incurred by the Company

The significant increase in expenses allocated to the Company in 2021 as compared to 2020 under the AILIC Service Agreement (File No. 31379A) was due to the Company's obligation to reimburse AILIC for salaries paid relating to services provided under the agreement.

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven 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, 2023, 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, 2023, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John R Camillo* New York	Retired United Insurance Company of America	2019
Kevin A. Dattellas* New York	Chief Financial Officer Solvay Bank	2005

Name and Residence	Principal Business Affiliation	Year First Elected
Michael S. Henrie Texas	Divisional Senior Vice President, Corporate Accounting, Chief Financial Officer and Treasurer National Income Life Insurance Company	2017
Denis M. Hughes* New York	Senior Operating Partner Stonepeak Partners LP	2003
R. Brian Mitchell Texas	President National Income Life Insurance Company	2023
Pamela I. Ramirez Texas	Director National Income Life Insurance Company	2023
James A. Savo New York	Divisional Vice President, Operations and General Manager National Income Life Insurance Company	2002
Joel P. Scarborough Texas	Divisional Senior Vice President, General Counsel and Secretary National Income Life Insurance Company	2012
Dolores L. Skarjune Texas	Divisional Senior Vice President, Administration National Income Life Insurance Company	2024

*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, 2023:

Name	Title
R. Brian Mitchell	President
John O. Norton	Divisional Senior Vice President
Michael S. Henrie	Divisional Senior Vice President and Treasurer
Joel P. Scarborough	Divisional Senior Vice President and Secretary

Name	Title
Steven K. Greer	Chief Executive Officer, National Income Life Division
David S. Zophin	President, National Income Life Division
Christopher J. Colamarino	Divisional Senior Vice Senior President
Paul Anderson*	Divisional Senior Vice President

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

3. 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 2023, 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, 2023, 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 sells its insurance products through independent agents. Each agent works directly for an independent State General Agent ("SGA"). The SGA is responsible for identifying, establishing, and maintaining relationships with associations and for recruiting and supervising all agents. 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 SGAs. 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, Brett Gryska and Theodore Pappas, produced 20% or more of the Company's business.

C. Reinsurance

As of December 31, 2023, the Company had one authorized reinsurance treaty in effect. The Company's life business is reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic basis for policies that do not exceed the retention limits specified in the agreement. Policies that do not qualify for automatic reinsurance may be submitted on a facultative basis.

The maximum retention limit for individual life contracts is $500,000. The total face amount of life insurance ceded as of December 31, 2023, was $4,287,130, which represents 0.06% of the total face amount of life insurance in force.

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2023, as contained in the Company's 2023 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, 2023 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 31 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	$401,719,485
Cash, cash equivalents and short-term investments	7,113,572
Contract loans	22,871,976
Other invested assets	16,941,909
Investment income due and accrued	5,810,840
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,931,202
Deferred premiums, agents' balances and installments booked but deferred and not yet due	22,773,755
Current federal and foreign income tax recoverable and interest thereon	3,639,614
Net deferred tax asset	7,306,000
Admitted disallowed Interest Maintenance Reserve ("IMR")	909,493
Total admitted assets	$491,017,846

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$408,495,050
Aggregate reserve for accident and health contracts	15,777,349
Contract claims:	
Life	4,984,890
Accident and health	774,859
Premiums and annuity considerations for life and accident and health contracts received in advance	41,141
Commissions to agents due or accrued	18,675
Taxes, licenses and fees due or accrued, excluding federal income taxes	31,500
Amounts withheld or retained by company as agent or trustee	85,732
Amounts held for agents' account	578,343
Remittances and items not allocated	671,141
Miscellaneous liabilities:	
Asset valuation reserve	58,359
Payable to parent, subsidiaries and affiliates	3,056,144
Uncashed drafts and checks pending escheatment	430,488
Total liabilities	$435,003,671
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	11,000,000
Admitted disallowed IMR	909,493
Unassigned funds (surplus)	42,104,682
Surplus	$ 54,014,175
Total capital and surplus	$ 56,014,175
Total liabilities, capital and surplus	$491,017,846

D. Condensed Summary of Operations

	2020	2021	2022	2023
Premiums and considerations	$ 95,361,805	$106,498,739	$115,255,607	$123,383,712
Investment income	12,616,950	13,718,920	15,763,931	18,073,409
Miscellaneous income	3,997	599	442	303
Total income	$107,982,752	$120,218,258	$131,019,980	$141,457,424
Benefit payments	$ 18,704,067	$ 19,641,395	$ 20,580,253	$ 22,859,673
Increase in reserves	37,173,190	41,762,051	43,465,780	46,447,356
Commissions	23,384,285	26,009,558	26,837,000	27,990,795
General expenses and taxes	13,186,070	14,808,567	14,420,278	16,174,931
Increase in loading on deferred and uncollected premiums	(3,714,939)	(356,079)	(291,786)	(316,926)
Total deductions	$ 88,732,673	$101,865,492	$105,011,525	$113,155,829
Net gain (loss)	$ 19,250,079	$ 18,352,766	$ 26,008,455	$ 28,301,595
Federal and foreign income taxes incurred	4,378,368	5,649,770	6,749,087	6,907,563
Net gain (loss) from operations before net realized capital gains	$ 14,871,711	$ 12,702,996	$ 19,259,368	$ 21,394,032
Net realized capital gains (losses)	(545)	(14,364)	(180,310)	(4,586,393)
Net income	$ 14,871,166	$ 12,688,632	$ 19,079,058	$ 16,807,639

E. Capital and Surplus Account

	2020	2021	2022	2023
Capital and surplus, December 31, prior year	$ 40,516,731	$ 39,128,729	$ 41,676,893	$ 49,440,561
Net income	$ 14,871,166	$ 12,688,632	$ 19,079,058	$ 16,807,639
Change in net deferred income tax	997,000	1,777,000	1,411,000	1,273,000
Change in non-admitted assets and related items	(3,183,742)	148,197	(48,252)	928,334
Change in asset valuation reserve	(335,375)	(327,046)	(175,068)	2,396,807
Dividends to stockholders	(13,737,052)	(11,738,619)	(12,503,068)	(14,832,168)
Net change in capital and surplus for the year	$ (1,388,003)	$ 2,548,164	$ 7,763,670	$ 6,573,612
Capital and surplus, December 31, current year	$ 39,128,729	$ 41,676,893	$ 49,440,561	$ 56,014,175

5. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and comment contained in the prior financial condition report on examination and the subsequent actions taken by the Company where applicable:

Item	Description
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. The Company submitted the lease agreement to the Department, and the Department issued a non-disapproval letter to the Company on May 31, 2017.
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.

Respectfully submitted,

Neal Rischall

Neal Rischall, CFE
INS Regulatory Insurance Services, Inc.

STATE OF MINNESOTA)
) SS:
COUNTY OF DAKOTA)

Neal Rischall, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

Neal Rischall

Neal Rischall

Subscribed and sworn to before me

this 24th day of June 2025

STATE OF Minnesota
COUNTY OF Dakota
SUBSCRIBED AND SWORN TO BEFORE ME
THIS 24th DAY OF June, 2025,
BY Luisa Diaz Wichtendahl
NOTARY PUBLIC

LUISA DIAZ WICHTENDAHL
NOTARY PUBLIC - MINNESOTA
MY COMMISSION EXPIRES 01/31/30

Respectfully submitted,

/s/
Sauhung You
Associate Insurance Examiner

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

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

/s/
Sauhung You

Subscribed and sworn to before me

this_____ day of _____

APPOINTMENT NO. 32697

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **ADRIENNE A. HARRIS**, 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:*

NEAL RISCHALL
(INS REGULATORY INSURANCE SERVICES, INC.)

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 he 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 6th day of September, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU