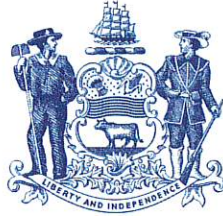


**EXAMINATION REPORT**  
**OF**  
**ATHENE ANNUITY & LIFE ASSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2017**

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 of

**ATHENE ANNUITY & LIFE ASSURANCE COMPANY**

is a true and correct copy of the document filed with this Department.

Attest By: Reynon Brown

Date: 10<sup>th</sup> day of June, 2019



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 18 day of June, 2019.

Trinidad Navarro  
Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF  
ATHENE ANNUITY & LIFE ASSURANCE COMPANY  
AS OF  
DECEMBER 31, 2017

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink that reads "Trinidad Navarro".

Trinidad Navarro  
Insurance Commissioner

Dated this 18 day of June, 2019

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## **SALUTATION**

May 24, 2019

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
Rodney Building  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.018, dated March 14, 2018, an examination has been made of the affairs, financial condition and management of

### **ATHENE ANNUITY & LIFE ASSURANCE COMPANY**

hereinafter referred to as the Company or AADE. AADE was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street; Wilmington, Delaware 19801. The examination was conducted at the administrative office of the Company located at 7700 Mills Civic Parkway, West Des Moines, Iowa 50266-3862. The report of examination thereon is respectfully submitted.

### **SCOPE OF EXAMINATION**

We have performed our multi-state examination of AADE. The last examination was conducted as of December 31, 2013, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2014 through December 31, 2017. Our examination was performed as part of the multi-state coordinated examination of the Athene Group (Group) of regulated entities, wherein Delaware is the lead state. Subsequent to the start

of this examination, the Group was renamed Apollo Global Management Group (Apollo Group) and lead state responsibilities were reassigned for the reorganized and expanded Apollo Group to Iowa. The examination was conducted concurrently with that of the Company's Iowa domiciled affiliates, Athene Annuity and Life Company (AAIA), Structured Annuity Reinsurance Company (STAR) and the Company's New York domiciled affiliates, Athene Annuity & Life Assurance Company of New York (AANY) and Athene Life Insurance Company of New York. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware, as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work papers of the 2017 audit of the Company and certain of its affiliates have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

The Company was originally incorporated in South Carolina as Southeastern Life Insurance Company (SLIC) on November 3, 1905 and commenced business on January 1, 1906. The Company's name was changed from SLIC to Liberty Life Insurance Company in 1941. The Company operated under the ultimate control of The Liberty Corporation until November 1, 2000, when it was acquired by RBC Insurance Holdings (USA) Inc. (RBCIH). RBCIH was a Delaware insurance holding company ultimately controlled by Royal Bank of Canada (RBC). The Company operated under ultimate control of RBC until April 29, 2011, when it was acquired by Athene Holding Ltd. (AHL). Prior to this acquisition, AHL's primary

operations consisted of its Bermuda domiciled reinsurer, Athene Life Re Ltd. (ALRe). In July 2011, AHL acquired Investors Insurance Company (IIC) and subsequently contributed IIC's issued and outstanding shares to the Company on September 30, 2011. IIC was later merged into the Company and dissolved effective December 31, 2013. On September 30, 2011, the Company redomesticated from South Carolina to Delaware and its name was changed to AADE effective February 1, 2012. In mid to late 2012, AHL acquired Presidential Life Corporation and its wholly owned subsidiary Presidential Life Insurance Company (PLIC) through a series of transactions that ultimately led to PLIC being renamed AANY and becoming a wholly owned subsidiary of the Company. The Company remained AHL's primary United States operating entity until late 2013 when it became party to AHL's largest acquisition to date.

On October 2, 2013, AHL acquired Aviva USA Corporation (Aviva USA) and certain of its subsidiaries consisting primarily of Aviva Life and Annuity Company, which is the entity currently known as AAIA. AHL renamed Aviva USA to Athene USA Corporation (AUSA) and performed a corporate reorganization contributing its existing ownership of the Company to AUSA, contributing ownership of AAIA and its subsidiaries to the Company and contributing the Company's existing ownership of AANY to AAIA. AUSA remained a direct wholly owned subsidiary of AHL until subsequent to the examination period when AHL contributed AUSA and its subsidiaries to ALRe effective March 20, 2018. ALRe has been a direct wholly owned subsidiary of AHL since its inception.

### Capitalization

The Company's Certificate of Incorporation authorizes the issue of 5,000 shares of common stock with a \$500 par value. As of December 31, 2017, the Company had 5,000 common shares issued and outstanding totaling \$2.5 million. All outstanding common shares of



the Company are owned by AUSA. As of December 31, 2017, the Company reported gross paid in and contributed surplus of \$987 million.

### Dividends

The Company did not authorize, declare, or pay shareholder dividends during the examination period.

## **MANAGEMENT AND CONTROL**

### Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board of Directors (Board). The Board shall not have less than one member and the total number of directors shall be determined by the Board.

Each Director is elected annually by the stockholder and holds office until the next annual election or until resignation or removal. Directors duly elected and serving as of December 31, 2017, were as follows:

<u>Name</u>	<u>Title</u>
James Richard Belardi <sup>1</sup>	Chairman and Chief Executive Officer of AHL Chairman and Chief Executive Officer of Athene Asset Management
Francis Patrick Sabatini	Consultant Audit Committee Chairman for AUSA and all AUSA entities
Lawrence John Ruisi	Consultant Independent Board of Directors of AHL, AUSA and all AUSA entities
Hope Scheffler Taitz	Consultant Audit Committee Member for AHL <sup>2</sup> Independent Board of Directors of AUSA and all AUSA entities
Martin Philip Klein	Executive Vice President and Chief Financial Officer of AHL
Grant Kvalheim	Chief Executive Officer of AUSA
Christopher Robert Welp	Executive Vice President of Insurance Operations of AUSA

<sup>1</sup>Subsequent to the examination period, James Richard Belardi resigned as Chairman, Chief Executive Officer and Director of the Company and was replaced by Grant Kvalheim as Chairman and Chief Executive Officer and by Mitra Hormozi as Director. James Richard Belardi remains the Chairman and Chief Executive Office of AHL. Mitra Hormozi is an independent Board member of AHL as well as AUSA and all AUSA entities. Ms. Hormozi is the current Executive Vice President and General Counsel of Revlon, Inc.

<sup>2</sup>Subsequent to the examination period, in 2018, the Company learned that under the Rules of the New York Stock Exchange (NYSE), Hope Taitz could not be considered as an “independent” director because of a relative by marriage who is employed by the Company’s external auditor. Ms. Taitz is considered to be an independent director for all purposes other than NYSE Rules. In order for the Company to be able to comply with the NYSE Rules, Ms. Taitz resigned from the AHL Audit Committee and was replaced by Robert Borden.

## Officers

The Company’s officers were elected in accordance with its bylaws during the period under examination. The bylaws require election of a President (who may also be the Chief Executive Officer), a Treasurer, a Secretary, and any Vice Presidents, Assistant Secretaries, Assistant Treasurers or other officers as may be appointed by the Board. Any number of offices may be held by the same person. The Company’s primary officers serving as of December 31, 2017, were as follows:

<u>Name</u>	<u>Title</u>
James Richard Belardi <sup>1</sup>	Chief Executive Officer
Grant Kvalheim	President
Erin Clayton Kuhl <sup>1</sup>	Treasurer
Erik Harlan Askelsen <sup>1</sup>	Secretary

<sup>1</sup>James Richard Belardi resigned subsequent to the examination period and Grant Kvalheim was appointed President and Chief Executive Officer of the Company. Erik Harlan Askelsen resigned subsequent to the examination period and was replaced by Blaine Thomas Doerrfeld. Erin Clayton Kuhl resigned subsequent to the examination period and has been replaced by Travis Michael Tweed.

## Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investment transactions as required by 18 *Del. C.* § 1304. In addition, review of Company files found that written

correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919.

#### Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. AHL, the Company's ultimate parent company, was formed on September 3, 2008, as a Bermuda exempted company. As of December 31, 2017, AHL conducted its operations through three direct subsidiaries: AUSA; ALRe; and AGER Bermuda Holdings Ltd. (AGER). AUSA serves as the United States holding company for the Company's United States annuity operations and its United States insurance subsidiaries. ALRe is a Class E registered (re)insurer licensed in Bermuda reinsuring products for affiliated entities and third-party life insurance companies. AGER consists of several German operating entities that were acquired in October 2015 with most of the business placed in run-off by the predecessor owner in early 2010. As of December 31, 2017, AGER had limited active operations. AGER and its subsidiaries were deconsolidated via a carve-out and private placement offering subsequent to the examination period.

AHL operated as a privately held company from its inception until December 9, 2016, when its Class A shares were first listed on the New York Stock Exchange. The Class A common shares represent 55% of the aggregate voting power and restrict any one holder, together with its affiliates, from controlling in excess of 9.9% of the total outstanding vote of AHL. Meanwhile, the Class B common shares represent the remaining 45% of AHL's aggregate voting power and are controlled by Apollo Global Management, LLC (AGM). AGM has maintained ultimate control of AHL since it was founded. Additionally, AGM owns and controls Athene Asset Management LLC (AAM), which acts as the primary investment manager

for AHL. The AHL Chairman and Chief Executive Officer also serves as the Chairman and Chief Executive Officer of AAM, thus serving a dual role with duty to both AHL and AGM. AGM is also the ultimate controlling party of several other United States and international insurance entities. AGM's expansion into the United States insurance market, in addition to its control of AHL, has resulted in the NAIC expanding and renaming the Group from Athene Group to the Apollo Group subsequent to the examination period. AGM is ultimately controlled by its three Managing Members: Mr. Leon Black, Mr. Joshua Harris and Mr. Marc Rowan.

The following is an abbreviated organizational chart of the holding company system as of December 31, 2017:

<u>Company</u>	<u>Domicile</u>
Apollo Global Management, LLC	Delaware
Athene Asset Management, LP <sup>1</sup>	Cayman Partnership
Athene Holding, Ltd.	Bermuda
AGER Bermuda Holding Ltd. <sup>2</sup>	Bermuda
Athene Lebensversicherung AG	Germany
Athene Life Re Ltd.	Bermuda
Athene USA Corporation <sup>3</sup>	Iowa
Athene Employee Services, LLC	Iowa
<b>Athene Annuity &amp; Life Assurance Company</b>	<b>Delaware</b>
Athene Life Insurance Company <sup>4</sup>	Delaware
Athene Annuity and Life Company	Iowa
Athene Re USA IV, Inc.	Vermont
Structured Annuity Reinsurance Company	Iowa
Athene Annuity & Life Assurance Company of New York	New York
Athene Life Insurance Company of New York	New York

<sup>1</sup>Now known as AAM, which is domiciled in Delaware.

<sup>2</sup>Subsequent to the examination period, AGER was carved-out of AHL via a private placement offering, whereby AHL's equity interest in the AGER was exchanged for common shares. AGER and its subsidiaries are now Athora Holding Ltd.

<sup>3</sup>Subsequent to the examination period, AHL contributed AUSA and its subsidiaries to ALRe. Additionally, ALRe formed a subsidiary Bermuda reinsurer, Athene Annuity Re Ltd (AARE).

<sup>4</sup>Subsequent to the examination period, ALIC merged with and into the Company under the statutory merger method of accounting.

### Agreements with Affiliates

The following is a summary of the Company's significant affiliated agreements in force, excluding agreements associated with related party invested assets, as of December 31, 2017:

- Investment Management Agreement - Effective April 29, 2011, and amended December 16, 2011 and November 1, 2015, the Company entered into an Investment Management Agreement with AAM. AAM is a subsidiary of AGM. In accordance with the agreement, AAM agrees to provide asset management services in exchange for management fees. In addition, the Company pays subadvisor fees to AAM and AGM affiliates. Pursuant to the agreement, the Company pays AAM twenty-one basis points per annum on the Company's managed assets. The agreement was amended subsequent to the examination period primarily related to modification of the agreements fee structure.
- Shared Services and Cost Sharing Agreements – The Company is party to Shared Services and Cost Sharing Agreement(s) with Athene Employee Services LLC, AAM, AHL, AUSA, AAIA, and certain other affiliated companies, pursuant to which each party thereto agrees to provide certain financial, legal and other services to the other parties.
- Tax Allocation Agreement - Effective October 2, 2013, the Company entered into a Tax Allocation Agreement with certain of its affiliated companies whereby it files as a member of a consolidated federal income tax return. The Agreement sets forth the manner in which the total combined federal income tax is allocated to each entity that is a party to the consolidation. Allocation of tax benefits is based on separate returns. Losses are paid at the time used in the consolidated return or on a separate return basis. State income and franchise taxes paid on a combined, consolidated or similar basis will be

apportioned in an equitable manner using a methodology similar to the methodology used for federal taxes.

- Net Worth Maintenance Agreement - Effective October 1, 2012, the Company entered into a Net Worth Maintenance Agreement with AHL. In accordance with the agreement, AHL agreed to maintain the Company's "total adjusted capital" at a minimum of 200% of "Company Action Level Risk Adjusted Capital" in accordance with methods prescribed by the NAIC.
- Promissory Note – Effective May 1, 2016, the Company became party to an Unsecured Revolving Promissory Note (Promissory Note) among AUSA and certain of its subsidiaries. In accordance with the Promissory Note, AUSA is the holder of a five-year unsecured revolving note with a maximum principal amount not to exceed \$200 million. No amount has been drawn under the Promissory Note by the Company as of December 31, 2017. Subsequent to the examination period, the Company drew a \$75 million advance on April 19, 2018, and the balance was repaid on June 29, 2018.
- Purchase Agreement - During 2015, the Company entered into a Purchase Agreement, pursuant to which Athene Global Funding (AGF), a special-purpose, non-affiliated statutory-trust, may offer up to \$5 billion of its senior secured medium-term notes, under a Funding Agreement Backed Notes (FABN) program. In accordance with the agreement, AGF uses the net proceeds from the sale of each series of medium-term notes to purchase one or more funding agreements, or deposit-type contracts, from the Company. Each series of medium-term notes sold by AGF is typically sold to a syndicate of institutional investors. Subsequent to the examination period, the Purchase

Agreement was amended to increase the offering of senior secured medium-term notes under the FABN program to \$10 billion.

- Funding Agreements - On December 18, 2015, the Company issued four funding agreements totaling \$138 million to Athene Lebensversicherung AG (ALV). The funding agreements have maturities starting on December 18, 2019, and ending on December 18, 2030, with interest due quarterly. As of December 31, 2017, ALV was an indirectly owned subsidiary of AGER, which was a directly owned subsidiary of AHL. ALV was party to AHL's carve-out and private placement offering of AGER that occurred subsequent to the examination period.

#### **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2017, the Company is licensed in the District of Columbia, Puerto Rico and all states except New York. The Company is authorized to transact the business of life insurance including annuities, variable annuities, variable life and credit life, health and credit health as defined by 18 *Del. C.* §902 "Life insurance" and 18 *Del. C.* §903 "Health insurance".

The Company has historically issued individual life insurance, annuities and related spread products. However, the Company has not actively marketed retail type products since 2015. Currently, the Company focuses primarily on the issuance of FABN (deposit-type contracts) to financial institutions along with its assumptive reinsurance platform. The Company also maintains the structure and preliminary approvals to conduct business in the pension risk transfer market including the establishment of a comingled separate account for this purpose.

The Company's previously described product offerings are components of the overall AHL product and distribution strategy. AHL's full suite of products offered through the Company and its subsidiaries are described as follows according to AHL's four distribution

channels: (1) retail sales of fixed and fixed-indexed annuity products; (2) institutional products, which include funding agreements and pension risk transfer transactions; (3) fixed annuity reinsurance agreements with third-party life insurance and annuity providers; and (4) opportunistic purchases of companies.

## **REINSURANCE**

### **Assumed Reinsurance**

The Company assumes business from third parties as well as affiliates. The third-party reinsurance assumed business is a primary component of AHL's overall business and distribution strategy. In accordance with this strategy, the Company actively seeks and enters primarily into quota share agreements with nationally recognized direct writers of annuity products. The Company also assumes business from its indirectly owned subsidiaries including AANY and STAR. Subsequent to the examination period, the Company entered into an assumptive reinsurance agreement with AAIA, whereby it assumes 50% of the retail business written by AAIA. These affiliated assumptive reinsurance agreements are primarily related to AUSA's overall capital management and reinsurance strategy. The majority of business assumed under these affiliated contracts is retroceded to an affiliate as further described in the following discussion of ceded reinsurance.

### **Ceded Reinsurance**

The Company cedes business to both affiliates and third-parties in accordance with the overall AHL corporate strategy. The Company cedes approximately 80% to 100% (depending on the line of business) of all direct and assumed business, net of third-party cessions, to its affiliate ALRe on a quota share modified-coinsurance basis. The direct business consists of legacy business that is no longer written by the Company. The legacy business is in run-off and



administered by a third-party administrator. The Company's active business strategy consists of third-party assumed reinsurance and the sale of FABN to institutional investors. Underwriting risks associated with these active distribution strategies, as well as the affiliated assumptions described previously, are reinsured by ALRe under various affiliated agreements. Subsequent to the examination period, all ALRe cessions, except those related to funding agreements, were recaptured and replaced by new agreements, whereby the business is ceded to AARE, a newly formed subsidiary of ALRe. The Company primarily utilizes third-party reinsurance to cede all risk associated with products acquired through acquisitions that are not consistent with AHL's core product strategy. Business ceded under the Company's third-party reinsurance agreements consists primarily of life insurance business. The Company did not enter any significant new third-party ceded reinsurance agreements during the examination period.

The Company reported direct, assumed and ceded premiums and annuity considerations for the years ended December 31, 2017, and the prior examination date of December 31, 2013, as follows:

	<u>2017</u>	<u>% of Total Gross &amp; Assumed Business</u>	<u>2013</u>	<u>% of Total Gross &amp; Assumed Business</u>
Direct Business	\$ 128,901,489	31%	\$ 961,412,927	92%
Reinsurance assumed (from affiliates)	48,861,335	12%	58,477,253	6%
Reinsurance assumed (from non-affiliates)	<u>233,848,062</u>	<u>57%</u>	<u>27,972,438</u>	<u>3%</u>
Gross direct and assumed business	<u>\$ 411,610,886</u>	<u>100%</u>	<u>\$ 1,047,862,618</u>	<u>100%</u>
Reinsurance ceded (to affiliates)	225,641,337	55%	659,648,845	63%
Reinsurance ceded (to non-affiliates)	<u>134,762,363</u>	<u>33%</u>	<u>188,077,057</u>	<u>18%</u>
Net direct and assumed business	<u>\$ 51,207,186</u>	<u>12%</u>	<u>\$ 200,136,716</u>	<u>19%</u>

Additionally, the Company reported activity related to issuance and administration of deposit-type contracts, which include funding agreements.

	<b><u>2017</u></b>	<b><u>2013</u></b>
Balance beginning of year	\$ 409,420,070	\$ 88,669,729
Deposits received during year	2,756,743,998	8,484,427
Investment earnings credited to account	76,069,983	3,841,352
Other net change in reserves	(11,476,387)	(1,024,031)
Net surrender or withdrawal payments	<u>52,507,342</u>	<u>23,657,639</u>
Balance end of year before reinsurance	<u>\$ 3,178,250,322</u>	<u>\$ 76,313,838</u>
Reinsurance balance at beginning of year	\$ 104,616,663	\$ 710,605,506
Net change in reinsurance assumed	(8,926,397)	(215,906,950)
Net change in reinsurance ceded	<u>(575,618)</u>	<u>(1,058,816)</u>
Reinsurance balances end of year	<u>\$ 96,265,884</u>	<u>\$ 495,757,372</u>
Net balance end of year after reinsurance	<u>\$ 3,274,516,206</u>	<u>\$ 572,071,210</u>

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2017
- Statement of Liabilities, Capital and Surplus as of December 31, 2017
- Statement of Income for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2017

**Statement of Assets**  
**As of December 31, 2017**

	<u>Assets</u>	<u>Non admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 5,986,005,031		\$ 5,986,005,031
Preferred stocks	26,750,000		26,750,000
Common stocks	1,245,852,725	37,854	1,245,814,871
Mortgage loans on real estate	1,029,197,430		1,029,197,430
Cash and cash equivalents	187,896,651		187,896,651
Short-term investments	427,833,004		427,833,004
Contract loans	1,381,815		1,381,815
Derivatives	87,736,369		87,736,369
Other invested assets	930,211,726		930,211,726
Receivables for securities	3,300,711		3,300,711
Aggregate write-ins for invested assets - derivative collateral asset	2,599,813		2,599,813
Subtotals, cash and invested assets	<u>\$ 9,928,765,275</u>	<u>\$ 37,854</u>	<u>\$ 9,928,727,421</u>
Investment income due and accrued	50,979,226	470,034	50,509,192
Amounts recoverable from reinsurers	64,880,771		64,880,771
Funds held by or deposited with reinsured companies	2,628,443,465		2,628,443,465
Other amounts receivable under reinsurance companies	493,431,126		493,431,126
Net deferred tax asset	23,370,184		23,370,184
Guaranty funds receivable or on deposit	858,513		858,513
Receivable from parent, subsidiaries and affiliates	167,030		167,030
Other amounts receivable	541,159	23,506	517,653
Aggregate write-ins for other than invested assets	652,478	652,478	-
Total assets excluding Separate Accounts	<u>\$ 13,192,089,227</u>	<u>\$ 1,183,872</u>	<u>\$ 13,190,905,355</u>
From Separate Accounts	<u>14,213,512</u>		<u>14,213,512</u>
Totals	<u><u>\$ 13,206,302,739</u></u>	<u><u>\$ 1,183,872</u></u>	<u><u>\$ 13,205,118,867</u></u>

**Statement of Liabilities, Capital and Surplus**  
**As of December 31, 2017**

		<u>Notes</u>
Aggregate reserve for life contracts	\$ 7,364,718,604	1
Liability for deposit-type contracts	3,274,516,206	1
Contract claims: Life	17,338,623	1
Policyholder dividends apportioned for payment	38,416	
Other amounts payable on reinsurance assumed and ceded	575,881,291	
Interest Maintenance reserve	57,117,911	
Commissions to agents due or accrued-life and annuity contracts	869,383	
Commissions and expense allowance payable on reinsurance assumed	10,487,903	
General expenses due or accrued	1,928,928	
Transfers to Separate Account due or accrued (net)	(5,581)	
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,888,344	
Current federal and foreign income taxes	25,311,591	
Unearned investment income	49,399	
Amounts withheld or retained by company as agent or trustee	161,143	
Remittances and items not allocated	4,905,908	
Asset valuation reserve	200,065,765	
Payable to parent, subsidiaries and affiliates	7,792,775	
Derivatives	6,032,144	
Payable for securities	173,908,851	
Aggregate write-ins for liabilities	119,240,614	
Total liabilities excluding Separate Accounts business	<u>\$ 11,843,248,218</u>	
From Separate Accounts Statement	14,213,512	
Total liabilities	<u>\$ 11,857,461,730</u>	
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	986,780,264	
Unassigned funds (surplus)	358,376,873	
Capital and Surplus	<u>\$ 1,347,657,137</u>	
Total liabilities, capital stock and surplus	<u>\$ 13,205,118,867</u>	

**Statement of Income**  
**For the Year Ended December 31, 2017**

Premiums and annuity considerations for life and accident and health contracts	\$ 51,207,186
Considerations for supplementary contracts with life contingencies	258,471
Net investment income	391,158,525
Amortization of Interest Maintenance Reserve	15,446,782
Commissions and expense allowances on reinsurance ceded	68,655,070
Reserve adjustments on reinsurance ceded	(830,810,140)
Miscellaneous income	<u>143,588,973</u>
Total revenue and other policyholder adjustments	<u>\$ (160,495,133)</u>
Death benefits	236,137
Matured endowments	118,163
Annuity benefits	55,045,803
Surrender benefits and withdrawals for life contracts	114,510,774
Interest and adjustments on contract or deposit-type contract funds	49,544,149
Payments on supplementary contracts with life contingencies	1,334,384
Increase in aggregate reserves for life and accident and health contracts	<u>(317,784,680)</u>
Total benefits and policyholder adjustments	<u>\$ (96,995,270)</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 5,436,117
Commissions and expense allowances on reinsurance assumed	22,764,858
General insurance expenses	33,831,187
Insurance taxes, licenses and fees, excluding federal income taxes	11,139,318
Net transfers to or (from) Separate Accounts net of reinsurance	(921,924)
Aggregate write-ins for deductions	<u>(44,545,298)</u>
Total selling general and other expenses	<u>\$ 27,704,258</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ (91,204,121)
Dividends to policyholders	<u>32,740</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ (91,236,861)
Federal and foreign income taxes incurred	<u>(28,673,632)</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses	\$ (62,563,229)
Net realized capital gains	<u>86,819,214</u>
Net income	<u>\$ 24,255,985</u>

**Reconciliation of Capital and Surplus  
For the Period from the Prior Examination  
As of December 31, 2013 to December 31, 2017**

Capital and Surplus, December 31, 2013		\$ 1,050,062,755
Net income		\$ 279,588,306
Additions:		
Change in net unrealized capital gains (losses)	\$ 177,710,191	
Change in non-admitted assets	4,280,478	
Surplus adjustments	(73,079,252)	
Total Additions		\$ 108,911,417
Deductions:		
Change in net deferred income tax	\$ (48,752,373)	
Change in net unrealized foreign capital gains (losses)	(1,953,440)	
Change in reserve on account of change to valuation basis	(6,153,966)	
Change in asset valuation reserve	(5,752,120)	
Aggregate write-ins for gains (losses) in surplus	(28,293,442)	
Total Deductions		\$ (90,905,341)
Capital and Surplus, December 31, 2017		<u>\$1,347,657,137</u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE  
EXAMINATION**

There were no changes made to the Company's financial statements as reported in its 2017 NAIC Annual Statement as a result of this examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Note 1:**

<b>Aggregate reserve for life contracts</b>	<b>\$ 7,364,718,604</b>
<b>Liability for deposit-type contracts</b>	<b>3,274,516,206</b>
<b>Contract claims: Life</b>	<b>17,338,623</b>

The Department retained the actuarial services of INS Consultants Inc. (Consulting Actuary) to perform a risk-focused review of the Company's significant reserving and pricing

activities. The Consulting Actuary assisted in review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. The Consulting Actuary performed an independent reserve analysis including an assessment of the Company's reserves for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. The Consulting Actuary also reviewed the Company's asset adequacy analysis filed in accordance with the Actuarial Opinion Memorandum Regulation for the year ended December 31, 2017.

### **SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 24, 2019, the date that this examination report was available to be issued. Based on this evaluation, the following transactions were deemed material for disclosure in this examination report.

- AHL performed an organizational and affiliated reinsurance program restructure in response to the United States tax reform including the following transactions:
  - During 2018, pursuant to a Contribution Agreement, AHL contributed AUSA and its subsidiaries to AHL's wholly owned subsidiary ALRe.
  - During 2018, ALRe formed a subsidiary Bermuda reinsurer, AARE, which has been licensed with the Bermuda Monetary Authority.
  - Effective January 1, 2018, the Company recaptured a retrocession modified coinsurance agreement originally entered into with ALRe on November 1, 2012 and amended on December 31, 2012 and January 1, 2016. This treaty retroceded 80% of the assumed Liberty Bankers Life Insurance Company annuity business, 89% of the assumed AANY annuity business and 80% of the assumed Royal Neighbors of America annuity business. The Company subsequently entered into

a retrocession modified coinsurance agreement with AARe (Omnibus Treaty) effective January 1, 2018, to cede the same quota shares of these blocks of business. The modified coinsurance reserves that were recaptured from ALRe and ceded to AARe under the Omnibus Treaty were \$2.2 billion as of January 1, 2018.

- Effective January 1, 2018, the Company recaptured a modified coinsurance agreement originally entered into with ALRe on August 1, 2017. This agreement retroceded 80% of the assumed Lincoln National Life Insurance Company (LNL) business issued on or after August 1, 2017. The modified coinsurance reserves that were recaptured from ALRe were \$169 million as of January 1, 2018. Effective July 1, 2018, the Company amended the Omnibus Treaty to cede 80% of the LNL business to AARe.
- Effective January 1, 2018, the Company recaptured a retrocession modified coinsurance agreement originally entered into with ALRe on December 16, 2011. This agreement retroceded 80% of the assumed Transamerica Life Insurance Company (TLIC) annuity business. The Company subsequently entered into a retrocession modified coinsurance agreement with AARe effective January 1, 2018 to cede the same 80% quota share of this TLIC business. The modified coinsurance reserves that were recaptured from ALRe and ceded to AARe were \$674 million as of January 1, 2018.
- Effective January 1, 2018, the Company recaptured a modified coinsurance agreement originally entered into with ALRe on April 29, 2011. This agreement ceded 75% of the inforce (as of April 29, 2011) and future annuity business,



which was increased to 80% on January 1, 2014. The Company subsequently entered into a modified coinsurance agreement with AARe effective January 1, 2018 to cede the same 80% quota share of the annuity business. The modified coinsurance reserves that were recaptured from ALRe and ceded to AARe were approximately \$3 billion as of January 1, 2018.

- Effective April 1, 2018, the Company recaptured a modified coinsurance agreement originally entered into with ALRe on April 1, 2015. This agreement ceded 100% of the funding agreement business issued on or after April 1, 2015. The Company subsequently entered into a new modified coinsurance agreement with ALRe effective April 1, 2018 to cede the same 100% quota share of the funding agreement business. Modified coinsurance reserves for this agreement were \$2.8 billion and \$3.1 billion as of December 31, 2018 and 2017 respectively, which includes funding agreements issued to AGF and ALV.
- The Company entered into the following new third-party assumptive reinsurance agreements including affiliated cessions as applicable:
  - Effective June 1, 2018, the Company entered into two quota share reinsurance agreements, one coinsurance and one modified coinsurance, with Voya Insurance and Annuity Company (VIAC) to assume a 20% quota share of all fixed annuity business issued by VIAC prior to the effective date of the treaty. Assumed reserves on the coinsurance treaty were \$3.2 billion and modco reserves held at VIAC for business assumed by the Company were \$82 million as of December 31, 2018.

- Effective June 1, 2018, the Company entered into a quota share coinsurance agreement with VIAC to assume a 20% quota share of all guaranteed minimum income benefit rider policies issued by VIAC on or after the effective date of the treaty. Assumed reserves were \$41.9 million at December 31, 2018.
- Effective June 1, 2018, the Company entered into a quota share modified coinsurance agreement with Reliastar Life Insurance Company (RLI) to assume a 20% quota share of all fixed annuity business issued by RLI prior to the effective date of the treaty. Modco reserves held at RLI for business assumed by the Company were \$84.7 million as of December 31, 2018.
- Effective September 1, 2018, the Company entered into a quota share coinsurance agreement with Massachusetts Mutual Life Insurance Company (MassMutual) to assume a 50% quota share of certain multi-year guaranteed annuities (MYGA) policies issued or renewed by MassMutual on or after the effective date of the treaty. The Company subsequently amended the Omnibus Treaty to cede 80% of this business to AARe. Assumed reserves were \$696 million as of December 31, 2018, of which \$557 million represented modified coinsurance reserves ceded to AARe. Effective March 1, 2019, the quota share coinsurance agreement with MassMutual was amended to increase the Company's quota share percentage from 50% to 75%.
- Effective September 17, 2018, the Company entered into a quota share coinsurance agreement with Brighthouse Life Insurance Company (Brighthouse) to assume an 80% quota share of certain MYGA policies issued by Brighthouse on or after the effective date of the treaty. The Company subsequently amended

the Omnibus Treaty to cede 80% of this business to AARe. Assumed reserves were \$33 million as of December 31, 2018 of which \$26.6 million represented modified coinsurance reserves ceded to AARe.

- Effective September 17, 2018, the Company entered into a quota share coinsurance agreement with Brighthouse Life Insurance Company of New York (BLICNY) to assume an 80% quota share of certain MYGA policies issued by BLICNY on or after the effective date of the treaty. No covered policies were issued through December 31, 2018.
- The Company performed or was subject to the following other significant transactions or events:
  - Effective January 1, 2018, the Company entered into a coinsurance agreement with AAIA to assume 50% of all retail annuity business issued by AAIA on or after January 1, 2018. The Company subsequently entered into a retrocession modified coinsurance agreement with AARe effective January 1, 2018 to cede an 80% quota share of this AAIA retail annuity business.
  - On April 19, 2018, the Company drew a \$75 million advance on the Promissory Note among AUSA and certain of its subsidiaries. The Company repaid the \$75 million advance on June 29, 2018.
  - Effective June 15, 2018, the Company amended its Purchase Agreement with AGF to increase the offering of senior secured medium-term notes under the FABN program from \$5 billion to \$10 billion.

- Effective December 31, 2018, ALIC merged with and into the Company under the statutory merger method of accounting in accordance with *SSAP No. 3, Accounting Changes and Correction of Errors*.
- Effective January 1, 2019, the Company amended its Investment Management Agreement with AAM. The amendment increased the management fees payable by the Company from 21 basis points to 30 basis points per annum on the Company's managed assets. The amendment also provides that the Company will not pay any Sub-Manager fees.
- In 2019, the Group was renamed the Apollo Group and lead state responsibility for the reorganized and expanded Group to Iowa. The following illustrates the entities of the Apollo Group as of the issuance of this examination report:

**Athene Group**

<u>NAIC</u>	<u>Company Name</u>	<u>State of Domicile</u>	<u>Company Type</u>
13965	Athene Life Insurance Company <sup>1</sup>	DE	Life
61492	Athene Annuity & Life Assurance Company	DE	Life
61689	Athene Annuity & Life Company	IA	Life
15306	Structured Annuity Reinsurance Company	IA	Life
63932	Athene Life Ins Co of NY	NY	Life
68039	Athene Annuity & Life Assurance Company of New York	NY	Life
14179	Athene Re USA IV Inc	VT	Captive

**Other Entities in Group**

80942	Voya Insurance & Annuity Company	IA	Life
16308	Rocky Range, Inc.	AZ	Captive
65951	Merit Life Insurance Company	IN	Life
52615	Upper Peninsula Health Plan LLC	MI	Health
41211	Triton Insurance Company	TX	P&C
60518	American Health & Life Insurance Company	TX	Life
24899	Alea North America Insurance Company	NY	P&C
20613	SPARTA Insurance Company	CT	P&C
23671	National American Insurance Company of California	CA	P&C
19269	Danielson National Insurance Company	CA	P&C
44016	National Home Insurance Company, RRG	CO	P&C
11671	ProBuilders Specialty Insurance Company, RRG	DC	P&C
10717	Aspen Specialty Insurance Company	ND	P&C
43460	Aspen American Insurance Company	TX	P&C

<sup>1</sup>Subsequent to the examination period, Athene Life Insurance Company merged with and into the Company under the statutory merger method of accounting.

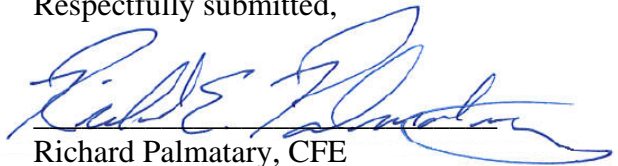
**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

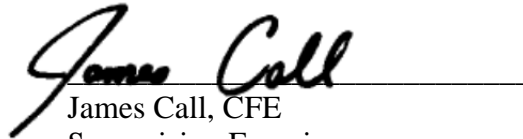
**CONCLUSION**

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Consulting Actuary, the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Richard Palmatary, CFE  
Examiner In-Charge  
State of Delaware



James Call, CFE  
Supervising Examiner  
State of Delaware