

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American Income Life Insurance Company)
1200 Wooded Acres)
Waco, TX 76710)

Examination of: **American Income Life Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Income Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 25, 2017, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Income Life Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

6/28/2017
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8773

STATE OF INDIANA) BEFORE THE INDIANA
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Examination of: **American Income Life Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Income Life Insurance Company (hereinafter “Company”) for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on March 17, 2017.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 25, 2017 and was received by the Company on June 1, 2017.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Income Life Insurance Company as of December 31, 2015.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the American Income Life Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 28th day of
June, 2017.



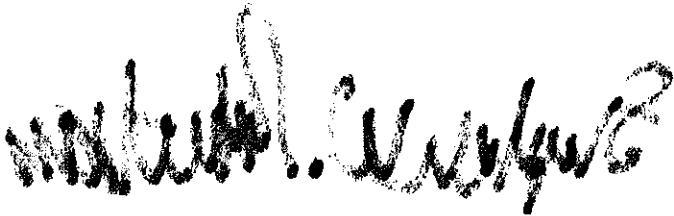
Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style and is somewhat faded and blurry.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

AMERICAN INCOME LIFE INSURANCE COMPANY

NAIC Co. Code 60577
NAIC Group Code 0290

As of

December 31, 2015

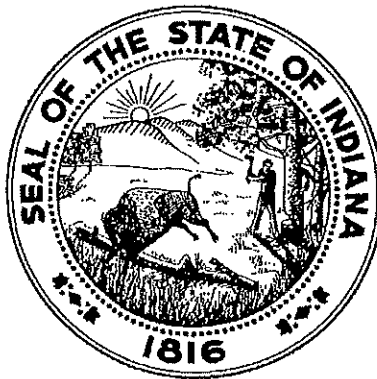


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

March 17, 2017

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3890, an examination has been made of the affairs and financial condition of:

American Income Life Insurance Company
1200 Wooded Acres
Waco, Texas 76710

hereinafter referred to as the "Company" or "AIL", an Indiana domestic stock, life insurance company. The examination was conducted at the corporate offices of the Company in Waco, Texas, and the corporate offices of Torchmark Corporation in McKinney, Texas.

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2006 through December 31, 2010. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2011 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The 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.

The examination of the Nebraska domestic insurance companies of Torchmark Group was called by the Nebraska Department of Insurance (NEDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The NEDOI served as the lead state on the examination, and the INDOI, the New York State Department of Financial Services, and the Ohio Department of Insurance served as participants.

Mark Alberts, FSA, MAAA, provided actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2015.

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. 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, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated on July 16, 1954, as a stock, life insurance company under the laws of the state of Indiana and commenced business on August 1, 1954.

The Company began operations issuing primarily accident and health insurance and in the early 1970's made the transition to issuing predominantly life insurance products. In 1989, all of the outstanding shares of the Company's common stock were acquired by Trust Life Insurance Company (Trust Life), which in turn was simultaneously acquired by American Income Holding, Inc. (AI Holding). In November 1994, Torchmark Corporation (TMK), a publicly traded insurance and diversified financial services holding company, acquired 100% interest in AI Holding.

On November 16, 1995, the Board of Directors (Board) approved a Plan of Reorganization and Liquidation (Plan) involving TMK, AI Holding, Trust Life, and the Company. The Plan resulted in eliminating Trust Life and AI Holding as intermediate holding companies of the Company and making the Company a direct subsidiary of TMK. On November 5, 1998, TMK contributed 100% of the common stock of the Company to Globe Life and Accident Insurance Company (Globe), an insurance company domiciled in the state of Nebraska. On November 7, 2013, Globe transferred ownership of the Company back to TMK.

CAPITAL AND SURPLUS

The Company has 23,360,214 shares authorized, and 11,680,107 shares of common stock outstanding as of the examination date. All Shares are Class A shares. The Company has no preferred stock.

The Company issued a \$25,000,000 surplus note to Torchmark Corporation in 2012. The surplus note pays 5.25% interest semi-annually and matures in 2042. The Company paid interest of \$1,039,063 for 2013, and \$1,312,500 for years 2014 and 2015, with proper approval by the INDOI, in accordance with IC 27-1-7-19.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to Globe and TMK during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2015	\$ 151,568	\$ 151,568	\$ 0
2014	132,938	132,938	0
2013	122,150	122,150	0
2012	107,000	107,000	0
2011	103,358	103,358	0
<u>Total</u>	<u>\$617,014</u>	<u>\$617,014</u>	<u>\$ 0</u>

In accordance with IC 27-1-23-4(h), the payment of ordinary dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net gains from operations of such insurer of the prior year. All dividends paid during the examination period were ordinary in nature. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2015, the Company was licensed to transact business in all states except New York, the District of Columbia, Canada, and New Zealand. The Company sells term and traditional whole life insurance products and supplemental accident and health policies. AIL contracts with exclusive, independent contractors to solicit their life and accident and health products. The Company's target markets are working families who are contacted through their labor union, credit union, association, or referrals. AIL's top three (3) lines of business by direct writings include traditional life, individual accident only, and individual specified disease.

AIL currently has eight (8) employees and 524 independent agents located in Canada. Premiums written from these employees and independent agents in Canada account for approximately twelve percent (12%) of AIL's total premiums. AIL currently writes nearly two percent (2%) of their total premiums from approximately 175 independent agents that work in New Zealand.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums and Annuity Considerations	Net Income
2015	\$3,078,080	\$2,835,559	\$242,521	\$730,398	\$141,522
2014	2,898,631	2,669,768	228,863	713,748	151,648
2013	2,694,743	2,462,470	232,273	747,901	132,629
2012	2,518,323	2,298,579	219,744	723,115	122,168
2011	2,291,144	2,095,708	195,436	669,625	107,702

Admitted Assets and Liabilities increased throughout the examination period, primarily due to gains from operations.

The Company's surplus and other funds decreased in 2014 primarily due to unrealized capital losses related to affiliated investments and employee benefit plans.

Total net premiums decreased by \$34.2 million in 2014 due to an increase in direct renewal premiums of \$35.3 million, an increase in production of new business of \$20.6 million, and an increase in premiums ceded of \$90.1 million.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the Board shall be composed of six (6) directors. At least one (1) of the directors must be a resident of the state of Indiana. The shareholders, at each annual meeting, elect the members of the Board. At year-end 2015, the Company was not in compliance with its Bylaws. See the Other Significant Issues section of this Report of Examination.

The following is a listing of persons serving as directors at December 31, 2015, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Ben Lutek McKinney, Texas	Director Senior Vice President and Chief Actuary, AIL
Joel Scarborough Frisco, Texas	Director Senior Vice President and Associate Counsel, TMK
Roger Smith Frisco, Texas	Director President and Chief Executive Officer, AIL
Frank Svoboda Grapevine, Texas	Director Executive Vice President and Chief Financial Officer, TMK
William Wood Indianapolis, Indiana	Director Retired

Officers

The Bylaws state that the officers of the Company shall consist of a Chairman of the Board, a Chief Executive Officer, a President, one (1) or more Vice-Presidents, a Secretary, a Treasurer, and any such additional officers as may be authorized from time to time by resolution of the Board. Any two (2) or more of such offices may be held by the same person, except the duties of the Chief Executive Officer and Secretary, or President and Secretary, shall not be performed by the same person. All officers shall be appointed by resolution of the Board, and shall hold such office until either termination of employment or removal by resolution of the Board.

The following is a list of the officers and their respective titles as of December 31, 2015:

<u>Name</u>	<u>Office</u>
Roger Smith	President
Michael Henrie	Senior Vice President and Chief Financial Officer
Carol McCoy	Secretary
Ben Lutek	Senior Vice President and Actuary
Domenico Bertini	Executive Vice President
Susan Allen	Senior Vice President
David Carlson	Senior Vice President
David Cochrane	Senior Vice President
Diana Crosby	Senior Vice President
Debra Gamble	Senior Vice President
Robert Mitchell	Senior Vice President
Randall Mull	Senior Vice President
John Rogers, Jr.	Senior Vice President
Joel Scarborough	Senior Vice President
Dolores Skarjune	Senior Vice President
Dawn Troxell	Senior Vice President
Bobby Gattis, Jr.	Vice President
Pamela Miller	Vice President
William Pressley	Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2015.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. The Company could not provide current Oath of Office statements for the directors listed in the Management and Control section of this Report of Examination. The Company is not in compliance with IC 27-1-7-10(i). See the Other Significant Issues section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws state the annual meeting of shareholders is to be held on the last Monday in April. During 2012 and 2013, the annual meeting of the shareholders was not held on the last Monday in April and the Company is not in compliance with their Bylaws. The Company is in compliance with IC 27-1-7-7(b). See the Other Significant Issues section of this Report of Examination.

The TMK Corporation committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Enterprise Risk Management Committee, and Governance and Nominating Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2015:

	<u>NAIC Co. Code</u>	<u>State of Domicile</u>
Torchmark Corporation		
Liberty National Life Insurance Company	65331	NE
Globe Life and Accident Insurance Company	91472	NE
American Income Life Insurance Company	60577	IN
National Income Life Insurance Company	10093	NY
American Income Marketing Services, Inc.		
Union Heritage Life Assurance Company, Ltd.		
Family Heritage Life Insurance Company of America	77968	OH
United American Insurance Company	92916	NE
First United American Life Insurance Company	74101	NY

Affiliated Agreements

Purchase and Sales Agreement

Effective December 31, 2015, the Company entered into a Purchase and Sales Agreement with TMK. Pursuant to the agreement, the Company sold all its outstanding common stock of its wholly-owned subsidiary, AILIC Receivables Corporation (ARC), for their fair market value. TMK issued a 3.25% annual, \$18 million promissory note, payable on March 30, 2016, to AIL to fund the purchase. The agreement and loan were not required to be submitted in advance to the INDOI since the transaction did not equal or exceed three percent (3%) of the Company's admitted assets as of December 31, 2014. Pursuant to this agreement, there were no fees paid as of December 31, 2015.

Services Agreement

Effective December 31, 1995, and as amended January 1, 1999, January 1, 2001, and January 1, 2012, the Company entered into a Services Agreement with TMK. Pursuant to the agreement, each company provides to the other, on request, accounting, aviation, banking, cash management, employee benefit, financial, investment, legal, management advisory, strategic planning, and other services. Pursuant to this agreement, the Company paid TMK \$14.2 million in 2015 and owed TMK \$312.7 thousand at year-end.

Receivables Sale Agreement

Effective December 21, 1999, the Company entered into a Receivables Sale Agreement with its wholly-owned affiliate, ARC. Pursuant to the agreement, AIL sells its qualified agent receivables to ARC, who in turn sells them to TMK Re Ltd. The agreement was non-disapproved June 5, 2000. Pursuant to this agreement, ARC paid the Company \$1.3 million in 2015 and owed the Company \$3.2 million at year-end.

Services Agreement

Effective July 1, 1999, and as amended January 1, 2006, the Company entered into a Services Agreement with National Income Life Insurance Company (NIL). Pursuant to the agreement, the Company provides actuarial, administrative services, claims, information technology, marketing, and underwriting to NIL. The agreement was non-disapproved February 26, 2003. The agreement was amended to allow for the provision of certain administrative support, employee benefit plan, office, outside payroll, and secretarial services. Pursuant to this agreement, NIL paid the Company \$3.5 million in 2015 and owed the Company \$1.0 million at year-end.

Consolidated Tax Allocation Agreement

The Company continues to be a party to a consolidated federal income tax allocation agreement with certain affiliates on a consolidated basis with TMK, according to generally accepted accounting principles. This master agreement between TMK and its affiliates was dated August 29, 1990. The Company became a party to this agreement in 1999 and it was non-disapproved on June 24, 2002.

Medical Records Agreement

Effective February 1, 2007, the Company entered into a Medical Records Agreement with Globe, Liberty National Life (LNL), and United American Insurance Company (UA). Pursuant to the agreement, the Company will obtain medical records from Globe, LNL, and UA to be utilized in the affiliates underwriting and claims investigation processes. AIL receives an \$11.00 service fee for each set of medical records requested and is reimbursed for the actual cost of the medical records received from the provider. The agreement was non-disapproved on December 5, 2007. Pursuant to this agreement the affiliates paid the Company \$739.9 thousand in 2015.

Information Technology Services Agreement

Effective January 1, 2008, the Company entered into an Information Technology Services Agreement with UA. Pursuant to the agreement, UA will provide information technology and data processing services to the Company. The agreement was non-disapproved December 10, 2007. Pursuant to this agreement, the Company paid UA \$1.2 million in 2015.

Services Agreement

Effective January 1, 2011, the Company entered into a Services Agreement with Globe, LNL, and UA. Pursuant to the agreement, the Company established terms to allocate salary expenses, employee benefit costs, and cost of goods and services purchased from third parties which benefit not only the company providing the service, but also benefit another one of the parties of the agreement. The service agreement was non-disapproved March 23, 2011. The agreement was amended effective January 1, 2015, to add Family Heritage Life Insurance Company of America (FHL) as a party to the agreement and non-disapproved February 18, 2015. Pursuant to this agreement, the Company paid affiliates \$6.0 million in 2015.

Services Agreement

Effective May 1, 2012, the Company entered into a Services Agreement with Union Heritage Life Assurance Company of Dublin, Ireland (Union Heritage). Pursuant to the agreement, the Company will provide Union Heritage with the following services: distribution/producer management; marketing support, development and administration; reinsurance and underwriting; actuarial/financial services; information technology; legal services and government relations; human resources; and advertising. The Service Agreement was non-disapproved March 23, 2011. Pursuant to this agreement, the Company received \$167.5 thousand from Union Heritage in 2015.

Recruiting Agreement

Effective March 1, 2006, the Company entered into a Recruiting Agreement with Globe, UA, and Liberty. Pursuant to the agreement, Globe agrees to perform agent recruiting services for the Company. The agreement as well as Amendment No. 1 to the Recruiting Agreement was non-disapproved on October 2, 2013. Pursuant to this agreement, the Company paid Globe \$96.7 thousand in 2015.

Cost Sharing Agreement

Effective May 1, 2014, the Company entered into a Cost Sharing Agreement with TMK, Globe, UA, LNL, and FHL. Pursuant to the agreement, the companies will share the costs of the Naming Rights Agreement (NRA) for Globe Life Park in Arlington, Texas as well as costs incurred by TMK to remodel the Rangers' ballpark suite and for ballpark signage. Globe will pay 67.4% of NRA and all signage costs. The Company, UA, LNL, and FHL will be allocated approximately the remaining 32.6% to be paid over 10 years. The agreement was non-disapproved on August 5, 2014. Pursuant to this agreement, the Company paid \$656.5 thousand in allocated costs in 2015.

Information Technology Cost-Sharing Agreement

Effective October 1, 2014, the Company entered into an Information Technology Cost-Sharing Agreement with UA, LNL, and Globe. Pursuant to the agreement, affiliates will provide for cost allocations related to the purchase of computer software and implementation services associated with an insurance agent compensation system. The agreement was non-disapproved on December 29, 2014. This agreement was amended effective July 1, 2015, and non-disapproved October 2, 2015. Pursuant to this agreement, the Company paid \$3.3 million in allocated costs in 2015.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Great American Insurance Company. The bond has a single loss coverage limit of \$5.0 million, with a \$100.0 thousand deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2015, including but not limited to directors and officers liability, excess liability, fiduciary liability, general liability, property liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has a funded noncontributory defined benefit plan for all hourly employees who have completed one (1) year of service with the Company. Certain assets of the Company in the form of a guaranteed investment contract in the amount of \$17.0 million were allocated in 2015 to pay future benefits. The benefits are set up as a monthly amount for each year of service with the Company. Cost for the plan has been calculated on the projected unit credit funding actuarial method. Contributions are made periodically to fund plan obligations. The amount of the accumulated benefit obligation for defined benefit pension plan was \$27.2 million for 2015.

The Company's exempt employees are covered by a qualified defined contribution pension plan. Contributions of 6% of each employee's compensation are made each year, subject to limitation. All Company contributions are subject to a vesting schedule based on the employee's years of service. The Company's contribution for the plan was \$710.4 thousand for 2015.

Certain executive officers are covered by a postretirement life insurance plan sponsored by TMK. The Company was allocated \$42.0 thousand for 2015 as its annual share of the plan. The Company's liability under this plan was \$775.4 thousand as of December 31, 2015.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits, (in 000s), at December 31, 2015:

<u>State/Country</u>	<u>Book Value</u>	<u>Fair Value</u>
For the Benefit of All Policyholders:		
Indiana	\$ 2,366	\$ 2,362
Canada	175,203	185,834
New Zealand	18,179	19,065
All Other Special Deposits:		
Georgia	35	35
New Mexico	105	105
North Carolina	420	420
Total Deposits	<u>\$ 196,308</u>	<u>\$ 207,821</u>

REINSURANCE

Below is a summary of the Company's material reinsurance transactions.

Effective July 1, 2013, the Company entered into a Reinsurance Agreement with UA. The agreement is on a modified coinsurance basis and the Company cedes to UA, on a 90% quota share basis, the risks on life policies issued in the United States between July 1, 2013 and December 31, 2013. The Company retains, controls, and owns all assets for the modified coinsurance reserves. The Company provides compensation through reinsurance premiums equal to the Quota Share of the gross premiums collected during the accounting period. The agreement was non-disapproved on October 4, 2013. Pursuant to this agreement, the Company had premiums ceded payable of \$7,979,086 as of December 31, 2015.

Effective January 1, 2014, the Company entered into a Reinsurance Agreement with FHL. The agreement is on a coinsurance basis and the Company cedes to FHL, on a 50% quota share basis, the risks on life policies issued in the United States on or after January 1, 2014. The agreement was non-disapproved on April 17, 2014. Pursuant to this agreement, the Company had premiums ceded payable of \$27,498,242 as of December 31, 2015.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2014 and December 31, 2015, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2011 through December 31, 2015, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

AMERICAN INCOME LIFE INSURANCE COMPANY

Assets

As of December 31, 2015

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 2,392,404
Stocks:	
Preferred stocks	39,169
Common stocks	41,854
Real estate:	
Properties occupied by the company	804
Cash, cash equivalents and short-term investments	52,220
Contract loans	152,405
Other invested assets	83,248
Subtotals, cash and invested assets	<u>2,762,104</u>
Investment income due and accrued	39,766
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	10,133
Deferred premiums, agents' balances and installments booked but deferred and not yet due	179,840
Reinsurance:	
Amounts recoverable from reinsurers	2,305
Other amounts receivable under reinsurance contracts	35,729
Current federal and foreign income tax recoverable and interest thereon	16,445
Net deferred tax asset	8,284
Guaranty funds receivable or on deposit	369
Electronic data processing equipment and software	773
Receivables from parent, subsidiaries and affiliates	17,523
Aggregate write-ins for other than invested assets	4,810
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts**	<u>3,078,080</u>
Total**	<u>\$ 3,078,080</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The amounts include immaterial rounding differences.

AMERICAN INCOME LIFE INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2015
 (in 000s)

	Per Examination*
Aggregate reserve for life contracts	\$2,479,366
Aggregate reserve for accident and health contracts	96,667
Liability for deposit-type contracts	86,946
Contract claims:	
Life	26,919
Accident and health	13,767
Provision for policyholders' dividends and coupons payable in the following calendar year – estimated amounts:	
Dividends apportioned for payment	20
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	1,168
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance including assumed and ceded	35,477
Interest maintenance reserve	16,631
Commissions to agents due or accrued-life and annuity contracts accident and health and deposit-type contract funds	271
General expenses due or accrued	4,901
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,985
Amounts withheld or retained by company as agent or trustee	426
Amounts held for agents' account, including agents' credit balances	3,681
Remittances and items not allocated	2,235
Liability for benefits for employees and agents if not included above	29,283
Borrowed money and interest thereon	277
Miscellaneous liabilities:	
Asset valuation reserve	24,387
Payable to parent, subsidiaries and affiliates	1,123
Aggregate write-ins for liabilities	10,030
Total liabilities excluding Separate Accounts business	2,835,559
Total liabilities	2,835,559
Common capital stock	11,680
Surplus notes	25,000
Gross paid in and contributed surplus	30,000
Aggregate write-ins for other than special surplus funds	1
Unassigned funds (surplus)	175,840
Surplus	230,841
Totals	242,521
Totals**	\$3,078,080

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The amounts include immaterial rounding differences.

AMERICAN INCOME LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2015
(in 000s)

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$ 730,398
Net investment income	130,654
Amortization of Interest Maintenance Reserve	1,140
Commissions and expense allowances on reinsurance ceded	124,252
Reserve adjustments on reinsurance ceded	13,822
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	1,506
Total	1,001,772
Death benefits	130,421
Matured endowments	223
Annuity benefits	14
Disability benefits and benefits under accident and health contracts	27,538
Surrender benefits and withdrawals for life contracts	49,567
Interest and adjustments on contract or deposit-type contract funds	5,573
Payments on supplementary contracts with life contingencies	14
Increase in aggregate reserves for life and accident and health contracts	153,234
Totals	366,585
Commissions on premiums, annuity considerations, and deposit-type contract funds	278,933
General insurance expenses	82,721
Insurance taxes, licenses and fees, excluding federal income taxes	18,015
Increase in loading on deferred and uncollected premiums	5,233
Aggregate write-ins for deductions	42,064
Totals	793,552
Net gain from operations before dividends to policyholders and federal income taxes	208,220
Dividends to policyholders	22
Net gain from operations after dividends to policyholders and before federal income taxes	208,197
Federal and foreign income taxes incurred	66,490
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	141,707
Net realized capital gains (losses) less capital gains tax	(185)
Net income**	\$ 141,522

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The amounts include immaterial rounding differences.

AMERICAN INCOME LIFE INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2015	2014	2013	2012	2011
Capital and surplus, December 31, prior year	\$228,863	\$232,273	\$219,744	\$195,436	\$200,072
Net income	141,522	151,648	132,629	122,168	107,702
Change in net unrealized capital gains or (losses) less capital gains tax	20,464	(15,515)	1,261	2,274	(7,412)
Change in net unrealized foreign exchange capital gain (loss)	(6,719)	(1,514)	2,589	(1,457)	2,635
Change in net deferred income tax	10,563	(2,484)	1,920	(10,821)	(291)
Change in nonadmitted assets	(7,248)	(382)	(383)	(997)	(886)
Change in asset valuation reserve	(3,357)	(2,224)	(3,337)	(5,887)	(3,026)
Change in surplus notes	-	-	-	25,000	-
Surplus adjustment:					
Paid in	10,000	-	-	-	-
Dividends to stockholders	(151,568)	(132,938)	(122,150)	(107,000)	(103,358)
Aggregate write-ins for gains and losses in surplus	-	-	-	1,029	-
Net change in capital and surplus for the year	<u>13,658</u>	<u>(3,410)</u>	<u>12,529</u>	<u>24,309</u>	<u>(4,637)</u>
Capital and surplus, December 31, current year**	<u>\$242,521</u>	<u>\$228,863</u>	<u>\$232,273</u>	<u>\$219,744</u>	<u>\$195,436</u>

** The amounts include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

The Bylaws provide that the Board shall be composed of six (6) directors. At year-end 2015, the Company had only five (5) directors and was not in compliance with their Bylaws. It is recommended that the Company elect six (6) directors in accordance with its Bylaws.

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. The Company could not provide current Oath of Office statements for the directors listed in the Management and Control section of this Report of Examination. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board.

The Company's Bylaws state the annual meeting of shareholders is to be held on the last Monday in April. During 2012 and 2013, the annual meeting of the shareholders was not held on the last Monday in April and the Company is not in compliance with their Bylaws. It is recommended that the Company hold its annual meeting of shareholders in accordance with its Bylaws.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.


AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Alberts Actuarial Consulting, LLC, performed an examination of American Income Life Insurance Company, as of December 31, 2015.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

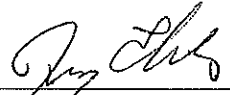
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of American Income Life Insurance Company as of December 31, 2015, as determined by the undersigned.



Nadine Treon, CFE
Noble Consulting Services, Inc.

Under the supervision of,



Jerry Ehlers, Examinations Manager
Indiana Department of Insurance

State of: Indiana

County of: Marion

On this 21 day of February 2017 before me personally appeared, Nadine Treon, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires



Notary Public

