

**STATE OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

REPORT OF EXAMINATION

OF

**PIONEER MUTUAL LIFE
INSURANCE COMPANY**

FARGO, NORTH DAKOTA

**AS OF
DECEMBER 31, 2019**



STATE OF NORTH DAKOTA
INSURANCE DEPARTMENT

I, the undersigned, Insurance Commissioner of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of


Pioneer Mutual Life Insurance Company

Fargo, North Dakota

as of December 31, 2019, with the original on file in this Department and that the same is an accurate duplicate therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal at my
office in the City of Bismarck, this 17th day of
May, 2021.





Jon Godfread
Insurance Commissioner

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Fargo, North Dakota
April 20, 2021

Honorable Jon Godfread
Insurance Commissioner
North Dakota Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505-0320

Dear Commissioner:

Pursuant to your instructions and statutory requirements, an examination has been made of the books, records, and financial condition of

Pioneer Mutual Life Insurance Company

Statutory Home Office
3523 45th Street South, Suite 100
Fargo, ND 58104

Administrative Offices
One America Square
PO Box 368
Indianapolis, IN 46206-0368

hereinafter referred to as the ("Company") or ("PMLIC"), was last examined as of December 31, 2014, by representatives of the North Dakota Insurance Department, hereinafter referred to as the ("Department").

The present examination was conducted as of December 31, 2019, by representatives of the Department.

SCOPE OF EXAMINATION

This examination was a multi-state, risk focused financial condition examination conducted in accordance with N.D.C.C. ("N.D.C.C.") § 26.1-03-19.3 and observed guidelines and procedures contained in the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review its corporate affairs and insurance operations. The last examination covered the period of January 1, 2010, to December 31, 2014. This statutory examination covers the period of January 1, 2015 through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

The examination was conducted in accordance with examination policies and standards established by the Department and procedures recommended by the NAIC. In accordance with the NAIC Financial Condition Examiners Handbook, the examination was planned and performed 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. The examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The Group's information systems were examined and evaluated (Exhibit C) by representatives of Noble Consulting Services, Inc. Mark E. Alberts, FSA, MAAA of Alberts Actuarial Consulting, LLC provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2019. Winthrop Capital Management provided all investment specialist services throughout the examination and conducted a review of the Company's investment related risks as of December 31, 2019.

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. Statements were prepared by management and are therefore the responsibility of management. 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 was conducted as part of a coordinated examination with the Indiana Department of Insurance ("INDOI") serving as the lead state and included the three insurance companies in the American United Mutual Insurance Holding Company Group:

American United Life Insurance Company ("AUILC")
The State Life Insurance Company ("SLIC")
Pioneer Mutual Life Insurance Company ("PMLIC" or "the Company")

STATUS OF PRIOR EXAM FINDINGS

The Company was in compliance with the prior examination recommendations.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings or material changes in the financial statements.

SUBSEQUENT EVENTS

The Company continues to monitor the impact of the COVID-19 outbreak on their business. The Company is unable to accurately estimate the impact of COVID-19 on their business due to numerous uncertainties, including the severity and duration of the outbreak, actions that may be taken by government authorities, and the severity and duration of the economic impact of the outbreak. The Company has enacted its business continuity plan and they have the ability to sustain and support its operations and to meet the obligations to the policyholders and claimants.

HISTORY

PMLIC was incorporated on November 3, 1947, as a legal reserve mutual life insurance company. The Company is an outgrowth of the society known as the Ancient Order of United Workman ("AOUW") which originated in Meadville, Pennsylvania, in 1868. As an assessment organization, it issued charters to various divisions of the United States. In 1889, the Grand Lodge of the Dakotas was formed and conducted business under that charter until 1895, at which time it split along state boundaries into two independent orders. The North Dakota fraternal eventually absorbed the Grand Lodges of various states through a succession of mergers and mutualized itself in 1947. In 1948, the AOUW officially changed its name to PMLIC. PMLIC was the first company to write hospital, medical, and surgical insurance on a non-cancelable and guaranteed-renewable-to-age-65 basis.

On March 22, 2000, the Company entered into an affiliation agreement with American United Life Insurance Company ("AULIC") for the purpose of broadening product lines and pursuing strategic alliances. On December 20, 2001, the policy owner members of the Company approved a plan of reorganization under which the Company reorganized from a mutual insurance company to a stock company wholly owned by American United Mutual Insurance Holding Company ("AUMIHC"). The Plan of Reorganization had previously been approved by the NDID and the INDOI on October 8, 2001, and October 16, 2001, respectively. The AUMIHC members approved the reorganization plan on December 13, 2001.

On January 1, 2002, the Company merged with AUMIHC. The merger converted the Company from a mutual to a stock insurance company, OneAmerica Financial Partners, Inc. ("OAFP"). In 2009, the Company closed its Fargo, North Dakota, office and moved the majority of its operations to Indianapolis, Indiana, as a means of providing economies of scale. As part of this process, the shareholders elected to remove the prior appointed directors and appoint new directors based in Indianapolis and already part of the AUMIHC Group.

All 30,000 common shares issued and outstanding of the Company were issued to AUMIHC through OAFP. AUMIHC will, at all times, control at least a majority of the voting shares of the capital stock. Policyholder membership rights exist at AUMIHC while the policyholder contract rights remain with the Company, AULIC, a peer company within the AUMIHC holding company guarantees the insurance liabilities of the Company in the event that the Company becomes unable to honor its liabilities.

Capital Stock

As of December 31, 2019, the Company had 30,000 shares of common stock with a par value of \$100 per share, of which 30,000 were issued and outstanding. The Company has no preferred stock outstanding. The Company did not pay any shareholder dividends during the examination period.

During the examination period, there were no changes to paid-in and contributed surplus and no surplus notes were issued or outstanding.

MANAGEMENT AND CONTROL

Shareholders

The Bylaws provide that the annual meeting of the shareholders shall be held on the third Thursday in February each year for the purpose of electing directors and for the transaction of such other business as may come before the members.

Special meetings of the shareholders may be called by the Chief Executive Officer of the Company, by the Board of Directors ("Board"), or by shareholders holding 25 percent or more of the voting power of the Company.

At the meeting of shareholders, a majority of the votes entitled to be cast on a matter at the meeting constitutes a quorum.

Board of Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board consisting of no less than 6 and no more than 18 directors, the number of which for each year shall be determined by the shareholders at the annual meeting of the Company. Directors are elected at the annual shareholders meeting and serve for one year and until a successor is duly elected and qualified.

The Bylaws state an annual meeting of the directors shall be held as soon as practical after the annual shareholder meeting. The Board meets quarterly. Special meetings of the Board may be called by or at the request of the Chairman of the Board, or by any seven directors, upon five days' notice. Directors duly elected and serving at December 31, 2019, together with their addresses and business affiliations are as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
James Scott Davison Zionsville, Indiana	Chairman, President, and Chief Executive Officer OneAmerica Financial Partners, Inc.
Jeffrey David Holley Zionsville, Indiana	Executive VP, Finance, Operations and Institutional OneAmerica Financial Partners, Inc.
John Charles Mason Fishers, Indiana	Senior Vice President, Chief Investment Officer OneAmerica Financial Partners, Inc.
Richard Michael Ellery Carmel, Indiana	Senior Vice President, General Counsel, and Secretary OneAmerica Financial Partners, Inc.
Sandra McCarthy Indianapolis, Indiana	President of Retirement Services OneAmerica Financial Partners, Inc.
Karin Wyvette Sarratt Carmel, Indiana	Senior Vice President and Chief Human Resources Officer OneAmerica Financial Partners, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman of the Board, a President, a Chief Executive Officer, one or more Senior Vice Presidents, one or more additional Vice Presidents, a General Counsel, a Treasurer, a Secretary, a Controller, a Chief Actuary, and such other officers as the Board may elect. The Chairman of the Board shall be chosen from among the directors of the Company, and if the Chairman of the Board ceases to be a director, he or she shall cease to hold that office as soon as his or her successor is elected and qualified. More than one office may be held by the same person, except the duties of the President and Secretary shall not be performed by the same person.

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Officer</u>	<u>Title</u>
James Scott Davidson	Chairman, President, and Chief Executive Officer
Jeffrey David Holley	Executive Vice President, Finance, Operations and Institutional
Richard Michael Ellery	Senior Vice President, General Counsel, and Secretary
James Humphrey	Actuary
Dennis Cameron Martin	President – Individual Life and Financial Services
Gene Patrick Berry	Senior Vice President
David Allen Brentlinger	Senior Vice President
Jason Robert Lilien	Senior Vice President
James Donald McGovern II	Senior Vice President
Andrew John Michie	Senior Vice President
Andrew Vance Wilkinson	Senior Vice President
George Granville Graessle IV	Vice President
Jay Brian Williams	Vice President
Dennis Joseph Sandelski	Assistant Vice President
Nancy Brady Moore	Senior Director

Committees

In accordance with the Bylaws, if considered necessary, the standing committees of the Board of Directors will be the following: Audit Committee, Compensation and Nominating Committee, Executive Committee, and Finance Committee. At the annual meeting, the Board designates the members of each standing committee and names the chairman thereof. It was also noted unless the Board has established standing committees, the duties of such standing committees shall be performed by the corollary standing committee of AUMIHC.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

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

Minutes of Meetings of the Shareholders and Board of Directors

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.

The Company committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Executive Committee, and Investment Committee.

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, 2019.

HOLDING COMPANIES, SUBSIDIARIES AND AFFILIATES

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2019:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
American United Mutual Insurance Holding Company		
OneAmerica Financial Partners, Inc.		
OneAmerica Asset Management, LLC		
McCready & Keene, Inc.		
OneAmerica Retirement Services, LLC		
OneAmerica Investment Advisory Services, LLC		
NewOhio, LLC		
OldOhio, LLC		
Pioneer Mutual Life Insurance Company	67911	ND
The State Life Insurance Company	69116	IN
MRO-S, LLC		
American United Life Insurance Company	60895	IN
AUL Reinsurance Management Services, LLC		
OneAmerica Securities, Inc.		
MRO-A, LLC		

Cost Sharing and Other Agreements

Affiliation Agreement and Guarantees

On March 22, 2000, the Company entered into an Affiliation Agreement with AULIC. The Agreement required AULIC to file an application to reorganize itself under the Indiana mutual insurance holding company law and for the Company to reorganize under AULIC's mutual holding company structure. Both companies retained their respective names and assets,

liabilities, and capital and surplus. The Company moved its operations from Fargo, North Dakota, to AUMIHC's home office in Indianapolis, Indiana, in 2009.

According to Section 1.7 of the Affiliation Agreement, AULIC and PMLIC shall each recognize a special responsibility to the other companies' policyholders and subsidiaries' policyholders. To this end, each company shall guarantee the insurance liabilities of the other companies and the other companies' subsidiaries to their respective policyholders, including those policyholders acquired by each company following the Company's reorganization date. Insurance liabilities mean the contractual benefits owing by the applicable company or subsidiary to its policyholders under the terms of its various insurance and annuity policies and contracts validly issued.

Administrative Services Agreement

The Company entered into an agreement with AULIC effective September 1, 2004, for AULIC to provide support services to the PMLIC including finance, accounting, tax, internal auditing, underwriting, claims administration, premium billing and collection, policyholder servicing, advertising and sales promotional services. This agreement was amended and restated on January 1, 2017. Fees paid to AULIC for services provided for the benefit of PMLIC are set annually by AULIC and approved annually by PMLIC's Board of Directors.

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement with AULIC, SLIC, and OAFP on May 7, 2008. The method of allocation between the companies is based upon separate return calculations with current credit for losses and tax credits. Intercompany tax balances are settled quarterly.

Investment Management Services Agreements

Effective January 1, 2013, AULIC ceased providing investment management services to PMLIC and One America Asset Management, LLC (OAM) became the investment adviser to PMLIC. The Investment Management Services Agreement between OAM and PMLIC was approved by the NDID on December 28, 2012. Under this agreement, OAM acts as an investment manager for PMLIC for a fee. PMLIC pays OAM a rate determined annually sufficient to cover OAM's expenses attributable to the work performed by OAM for the benefit of PMLIC.

Loan Agreement

In 2008, AULIC, SLIC, PMLIC, and OAFP entered into a Loan Agreement under which they make certain loans to one another, on an ongoing basis, for liquidity and general corporate purposes. No loans have been made or are outstanding pursuant to these loan agreements as of December 31, 2019.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employee through a fidelity bond issued by Fidelity & Deposit Company of Maryland. The bond covers the AUMIHC Group for fidelity, forgery and alteration, securities, and computer fraud and

has an aggregate loss liability limit of \$10,000,000 with a deductible amount of \$250,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company is also covered on other types of coverage including, but not limited to business automobile, business travel, computer crime, cyber, general liability, mortgage protection, property umbrella, and workers compensation.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2019:

<u>Where Deposited</u>	<u>Security</u>	<u>Book Value</u>	<u>Fair Value</u>
Arkansas	Bond	\$ 199,977	\$ 200,070
Georgia	Bond	55,028	55,550
Indiana	Bond	141,446	142,055
Massachusetts	Bond	100,000	100,098
New Hampshire	Bond	525,014	530,250
New Mexico	Bond	411,679	413,588
North Carolina	Bond	410,207	414,100
South Carolina	Bond	80,040	80,800
Texas	Bond	155,078	156,550
Virginia	Bond	230,116	232,300
North Dakota	Bond	1,863,887	1,876,640
Total Deposits		<u>\$4,172,472</u>	<u>\$4,202,001</u>

The bond on deposit with the State of North Dakota is held for the protection of all policyholders.

TERRITORY AND PLAN OF OPERATION

The company is licensed to write business in all states and the District of Columbia, except Alaska and New York. The Company is servicing existing policyholders, but is not marketing to or pursuing new business.

REINSURANCE

Reinsurance Assumed

The Company assumed no reinsurance during the examination period.

Reinsurance Ceded

The Company has maintained a per-life retention cap of \$500,000 since it was acquired by OneAmerica Group in 2002. Permanent life business is reinsured through a series of yearly renewable term ("YRT") agreements placed with financially stable counterparties.

One of the Company's reinsurers, TransAmerica Life Insurance Company, assumed premiums and reserves totaling \$1.8 million and \$25.3 million respectively, or approximately 80 percent of total 2019 ceded activity.

All treaties subject to reserve credit limitations contain an Insolvency Clause as required by N.D.C.C. § 26.1.02-21.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and transaction cycles were reviewed during the course of the examination.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners and were used to extent deemed appropriate for this examination.

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2019. This statement is followed by supporting statements and reconciliations presented in the following order:

Statements of Assets, December 31, 2019

Statement of Liabilities, Surplus, and Other Funds, December 31, 2019

Summary of Income, Year 2019

Reconciliation of Capital and Surplus, January 1, 2015, through December 31, 2019

These financial statements are based on the statutory financial statements filed by the Company with the North Dakota Insurance Department and present the financial condition of the Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Pioneer Mutual Life Insurance Company
Statement of Assets
as of December 31, 2019

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$458,477,975		\$458,477,975
Mortgage loans on real estate:			
First liens	8,089,780		8,089,780
Cash, cash equivalents and short-term investments	7,560,669		7,560,669
Contract loans	22,220,367		22,220,367
Other invested assets	4,115,787		4,115,787
Receivables for securities	29,077		29,077
Investment income due and accrued	4,044,211		4,044,211
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	99,874		99,874
Deferred premiums and agents' balances and installments booked but deferred and not yet due	1,087,859		1,087,859
Reinsurance:			
Amounts recoverable from reinsurers	646,503		646,503
Net deferred tax asset	9,488,315	\$5,271,117	4,217,198
Guaranty funds receivable or on deposit	131,161		131,161
Aggregate write-ins for other invested assets	5,751	5,751	0
Totals	\$515,997,329	\$ 5,276,868	\$510,720,461

Pioneer Mutual Life Insurance Company
Statement of Liabilities, Surplus, and Other Funds
as of December 31, 2019

Aggregate reserve for life contracts	\$446,972,293
Aggregate reserve for accident and health contracts	994
Liability for deposit-type contracts	12,074,301
Contract claims:	
Life	1,834,116
Provision for policyholders' dividends and coupons payable in the following calendar year – estimated amounts:	
Dividends apportioned for payment	337,710
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	18,521
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance, including assumed and ceded	200,000
Interest maintenance reserve	10,636
Taxes, licenses and fees due or accrued, excluding federal income taxes	241,990
Current federal and foreign income taxes	39,044
Unearned investment income	26,537
Amounts withheld or retained by company as agent or trustee	11,402
Remittances and items not allocated	1,835,453
Miscellaneous liabilities:	
Asset valuation reserve	2,758,818
Payable to parent, subsidiaries and affiliates	3,193
Aggregate write-ins for liabilities	<u>798,440</u>
 Total Liabilities	 \$467,163,448
 Common capital stock	 3,000,000
 Gross paid in and contributed surplus	 7,000,000
Aggregate write-ins for special surplus funds	700,000
Unassigned funds (surplus)	<u>32,857,013</u>
Surplus	<u>40,557,013</u>
 Total Capital and Surplus	 <u>\$43,557,013</u>
 Total Liabilities and Surplus	 <u>\$510,720,461</u>

Pioneer Mutual Life Insurance Company
Summary of Income
for the Year Ended December 31, 2019

Premiums and annuity considerations for life and accident and health contracts	\$ 13,260,441
Net investment income	22,939,679
Amortization of Interest Maintenance Reserve	97,471
Commissions and expense allowances on reinsurance ceded	<u>99,243</u>
Total	\$ 36,396,834
Deduct:	
Death benefits	14,763,512
Matured endowments (excluding guaranteed annual pure endowments)	55,822
Annuity benefits	3,687,433
Disability benefits and benefits under accident and health contracts	93,324
Surrender benefits and withdrawals for life contracts	13,332,506
Interest and adjustments on contract or deposit-type contract funds	372,314
Payments on supplementary contracts with life contingencies	6,000
Increase in aggregate reserves for life and accident and health contracts	<u>3,255,705</u>
Total	\$ 35,566,616
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	485,553
General insurance expenses	3,302,928
Insurance taxes, licenses and fees, excluding federal income taxes	498,831
Increase in loading on deferred and uncollected premiums	<u>(35,462)</u>
Total	\$ 39,818,466
Net gain from operations before dividends to policyholders and federal income taxes	(3,421,632)
Dividends to policyholders	<u>332,752</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ (3,754,384)
Federal and foreign income taxes incurred (excluding tax on capital gains)	<u>716,663</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ (4,471,047)
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax (excluding taxes transferred to the IMR)	<u>2,439</u>
Net loss	\$ (4,468,608)

Pioneer Mutual Life Insurance Company
Reconciliation of Capital and Surplus Account

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital and surplus, December 31, prior year	\$46,897,320	\$37,487,686	\$46,459,297	\$47,451,666	\$38,345,150
Net income	(4,468,608)	9,089,956	(6,640,042)	(1,740,308)	9,842,186
Change in net unrealized capital gains or (losses) less capital gains tax	92	(92)			
Change in net deferred income tax	1,518,200	(1,313,350)	(2,655,257)	1,201,581	(2,749,419)
Change in nonadmitted assets	378,225	1,670,356	646,856	(1,464,091)	1,996,118
Change in asset valuation reserve	(768,215)	102,745	182,091	140,722	17,632
Cumulative effect of changes in accounting principles			454,711		
Aggregate write-ins for gains and losses in surplus		(139,981)	(959,970)	869,727	
Net change in capital and surplus for the year	<u>(3,340,307)</u>	<u>9,409,634</u>	<u>(8,971,612)</u>	<u>(992,369)</u>	<u>9,106,516</u>
Capital and surplus, December 31, current year	<u>\$43,557,013</u>	<u>\$46,897,320</u>	<u>\$37,487,686</u>	<u>\$46,459,297</u>	<u>\$47,451,666</u>

CONCLUSION

The financial condition of the Company, as of December 31, 2019, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$510,720,461</u>
Total Liabilities	\$467,163,448	
Capital and Surplus	<u>43,557,013</u>	
Liabilities, Surplus, and Other Funds		<u>\$510,720,461</u>

No adjustments were made to the balance sheet or income statement amounts reported by the Company in its 2019 Annual Statement.

Since the last examination conducted as of December 31, 2014, the Company's admitted assets decreased \$650,718, total liabilities decreased \$5,862,581, and capital and surplus increased \$5,211,863.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,



Colton Schulz, CFE, CFE (Fraud)
Supervising Examiner
North Dakota Insurance Department