

# Best's Rating Report



**AMERITAS LIFE INSURANCE CORP.**

**A**

**AMERITAS LIFE INSURANCE CORP. OF NEW YORK**

**A**

Lincoln, Nebraska



**A**

# Best's Rating Report

## Ultimate Parent: Ameritas Mutual Holding Company

### AMERITAS LIFE INSURANCE CORP.

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### BEST'S CREDIT RATING

Best's Financial Strength Rating: A

Best's Financial Size Category: XIV

Outlook: Stable

### RECENT DEVELOPMENTS

The financials in this document represent year-end 2015 reported results. Since that time the company has acquired Security American Financial Enterprises, Inc., effective on March 31, 2016. As such, in the second quarter of 2016, the results of that acquisition will be represented in the financial data and metrics.

### RATING RATIONALE

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

**Rating Rationale:** The ratings of the members of Ameritas Life Group (Ameritas), Ameritas Life Insurance Corp. (Ameritas Life) and its New York subsidiary, Ameritas Life Insurance Corp. of New York (ALICNY), reflect the group's strong risk-adjusted capitalization, diversified operating earnings, high-quality balance sheet and favorable business profile. These strengths are tempered by fluctuating statutory operating income reported more recently, increased competition within some of Ameritas' core businesses, group dental and vision and individual life insurance, and economic pressures due to the prolonged lower interest rate environment.

Ameritas' overall capitalization is strong, on both an absolute and risk-adjusted basis, with very low financial leverage, below-average intangible assets and a generally conservative investment posture supporting its high-quality balance sheet. The organization maintains a conservative investment profile and low exposure to below-investment-grade bonds relative to industry norms. A.M. Best notes that the group has a slightly higher exposure to mortgages and real estate-related assets as a percentage of its capital and surplus, relative to similarly-rated peers. However, impairments related to these asset classes have been modest. Ameritas' business profile is bolstered by its diversified sources of revenue and earnings from its array of product offerings, including individual life insurance, annuities and disability income insurance; group dental, vision and hearing; retirement plans; mutual

funds and other investment programs. The company is strongly positioned as a top-five provider of group dental and vision, which has historically produced favorable operating results. Furthermore, Ameritas' operations have been more centered on products that are considered more creditworthy. Ameritas' market position within the U.S. life insurance arena has generally remained steady, and recent sales growth has remained in line with industry averages with a focus on traditional and indexed universal life products. The group's favorable business profile is complemented by a unified branding strategy, improved economies of scale and a broad product portfolio.

Consistent with the industry, Ameritas' earnings have been pressured in recent periods due to spread compression. In addition, Ameritas' Calvert operations, which add diversity to the overall organization, have been hindered by investors' movement away from active investment managers to passive investment managers. A.M. Best believes that Ameritas' retirement plans segment lacks some scale and remains challenged to reverse the negative net flows recently experienced. A.M. Best believes the group may find it tough to materially grow future earnings due to the low interest rate environment and the competitive challenges in many of the company's core business lines as the U.S. market continues to mature and consolidate. Additionally, A.M. Best notes that Ameritas recently reported volatility regarding mortality that impacted the profitability of its life business in 2015. A.M. Best believes that a key factor in improving operating returns will be Ameritas' ability to continue to reduce unit costs within the life and annuity lines through strong organic growth and additional technological investments. Moreover, Ameritas needs to continue to build scale and improve its competitive position within the retirement plans segment. Other concerns include Calvert Investments, Inc.'s challenges to generate positive net flows and consistently grow assets under management, as the economy slowly recovers, and continued competition in Ameritas' group dental business from other large national players.

Factors that could result in positive rating movement of the ratings include a trend of increasing statutory return on equity. Factors that may result in negative rating movement include a substantial decline in risk-adjusted capitalization or deterioration in operating results (excluding surplus strain).

### FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
03/02/16	A	03/22/13	A
02/06/15	A	03/14/12	A
03/28/14	A		

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## KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				
		Capital Surplus Funds	Asset Valuation Reserve	Net Premiums Written	Net Invest Income	Net Income
2011	14,953,618	1,399,148	97,231	1,926,552	497,047	96,811
2012	15,786,528	1,348,417	120,181	2,016,803	461,224	95,858
2013	16,253,145	1,551,796	132,382	1,864,791	408,047	191,660
2014	16,822,005	1,623,458	150,223	2,119,666	454,554	129,843
2015	18,148,752	1,511,527	153,917	3,359,643	430,509	-9,498

(\*) Within several financial tables of this report, this company is compared against the Multiple Lines Composite.

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

## BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

Ameritas Life Group (Ameritas) offers a broad array of insurance and financial products and services to individuals, families and businesses. The group has four main business segments: Individual, Group, Financial and Retirement Plans. The core financial strength of Ameritas Mutual Holding Company lies within its insurance companies, Ameritas Life Insurance Corp. (Ameritas Life) and Ameritas Life Insurance Corp. of New York (ALICNY). The July 2014 merger of affiliates Acacia Life Insurance Company and The Union Central Life Insurance Company into Ameritas Life allowed the organization to better meet the insurance and financial services needs of customers under a single and growing national Ameritas brand. Additionally, in March of 2016, Ameritas completed its acquisition of Security American Financial Enterprises, Inc. including its insurance subsidiaries of Security Life Insurance Company of America and Security Health Insurance Company of New York further expanding Ameritas' distribution and customer base.

**Scope of Operations:** Ameritas' individual division includes the individual life, annuity and disability income product lines offered by its core insurance entities. Life insurance products are well diversified and include traditional whole life, term insurance, universal life, variable universal life, and indexed universal life. In December 2015, the company announced an acquisition of several blocks of whole life insurance, with life insurance in force of \$2.1 billion. Total life insurance in force, excluding the acquisition, also increased from 2014. Annuity product lines include traditional fixed annuities, indexed annuities and variable annuities (VAs). Several years ago, Ameritas introduced a VA guaranteed lifetime withdrawal benefit rider to meet the needs of baby boomers as they move into the retirement phase. In response to the uncertain market environment, the company reduced benefits, increased fees and limited investment options in its variable annuity product line. The group also restricted distribution access to broker/dealers. Disability income products include non-cancellable policies, guaranteed renewable policies, and business overhead expense policies. Individual products are marketed in all 50 states and the District of Columbia using a multi-channel platform which includes core general agencies, captive agencies and strategic alliances. The company currently remains focused on increasing the productivity of its

existing field force and expanding the number of producers. The individual division's earnings continue to represent a material portion of Ameritas' consolidated results.

Ameritas' innovative group dental products include its Dental Rewards product, which offers a rollover benefit maximum to its plan participants. Dental Rewards has been a highly successful product for the group and is complemented by the FUSION product, which combines dental and vision benefits. Another innovative product introduction for Ameritas was offering LASIK coverage as a rider to its dental product, the first in the industry. In 2015, Ameritas introduced Ameritas Rewards which allows plan participants to use unused dental maximums for vision and hearing needs. The company's dental franchise continues to be a major contributor to earnings, supported by its efficient cost structure, dental block consolidation expertise, flexible product design, persistency and excellent customer service as evidenced by Ameritas earning their ninth Center of Excellence award from BenchmarkPortal. The group's extensive dental database, which is utilized in pricing, product development and claims management, is crucial to facilitating favorable underwriting results. These competitive advantages continue to allow Ameritas and its partnerships to compete effectively in the increasingly competitive group market. The recent acquisition of Security American and its affiliated companies will further strengthen the company's productivity in the market. Finally, captive distribution within the group division consists of approximately 91 sales associates operating within 30 regional sales offices nationwide, and a number of strategic partnership alliances, third party administrators and brokerage general agency channels. In addition to dental and vision, Ameritas offers a hearing product to complement its current group product portfolio. In 2015, the group division contributed roughly 21% of pre-tax GAAP pre-tax operating earnings to Ameritas.

The main component of the company's financial division is Calvert Investments, Inc. (Calvert). Calvert had approximately \$12.1 billion in AUM at year-end 2015, a decrease of roughly \$1.3 billion from prior year-end, driven by economic headwinds. Calvert offers a broadly diversified portfolio of short-term bonds, equity and long-term bond mutual funds. Calvert has a strong retirement emphasis with a meaningful portion of its assets under management (AUM) from retirement plans invested across various Calvert funds, and also offers various institutional investment products.

The retirement plans segment markets group annuities to the small and mid-sized 401(k) employer market (under 250 employees) and offers products on both a bundled and unbundled basis.

## TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period Ending	DPW		Reinsurance Prem Assumed	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2011	2,099,786	4.6	84,627	4.4
2012	2,150,604	2.4	66,834	-21.0
2013	2,188,733	1.8	125,464	87.7
2014	2,236,121	2.2	69,217	-44.8
2015	2,223,121	-0.6	1,323,252	999.9
5-Yr CAGR	...	2.1	...	74.8

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Period Ending	Reinsurance Prem Ceded		—NPW & Deposits—	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2011	257,861	2.8	2,139,527	4.1
2012	200,634	-22.2	2,251,223	5.2
2013	452,266	125.4	2,028,817	-9.9
2014	185,672	-58.9	2,338,493	15.3
2015	186,730	0.6	3,535,637	51.2
5-Yr CAGR	...	-5.7	...	11.5

**Territory:** The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

**Business Trends:** A.M. Best notes that Ameritas' growth in ordinary life sales has been trending above industry averages in recent years. In 2015, Ameritas' annuity sales increased 6% compared to flat industry growth. This increase was driven by a 14% growth in indexed annuities. The individual division has grown life insurance in force in 2015 and has continued to grow new customers who purchased a life or disability income insurance policy or annuity contract.

Historically, the group division's dental revenue has outpaced industry sales results with double-digit growth rates. Ameritas' dental sales growth trends have historically been strong, particularly within dental PPO, where it maintains a strong and growing dental provider network. The division has reported favorable trends in annualized premium and premium equivalents and serves over 6 million people across the nation.

Consolidated net premium written growth was driven materially by recent acquisitions in ordinary life and dental and vision plans. As such, ordinary life policies and reserves increased accordingly, and total life insurance in force was in excess of \$90 billion at year-end 2015.

Year-end 2015 AUM in the retirement plans division increased to nearly \$4.3 billion. Sales, AUM and earnings have risen modestly in recent periods after experiencing a general decline in prior years due to the financial crisis and the uncertain economic environment. Additionally, through a nationwide network of financial advisors, Ameritas Investment Corp. grew to nearly \$4.4 billion in AUM and launched a series of technological enhancements to better serve the diverse investment needs of individuals and families.

## 2015 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance Prem Assumed—	
	(\$000)	(%)	(\$000)	(%)
Ordinary life	558,257	25.1	1,258,952	95.1
Group life	70	0.0	...	...
Individual annuities	342,062	15.4	137	0.0
Group annuities	589,044	26.5	...	...
Individual A&H	136,462	6.1	346	0.0
Group A&H	597,226	26.9	63,818	4.8
Total	2,223,121	100.0	1,323,252	100.0

Product Line	Reinsurance Prem Ceded		—NPW—	
	(\$000)	(%)	(\$000)	(%)
Ordinary life	146,674	78.5	1,670,535	49.7
Group life	...	...	70	0.0
Individual annuities	-1,282	-0.7	343,481	10.2
Group annuities	-4,756	-2.5	593,801	17.7
Individual A&H	46,095	24.7	90,714	2.7
Group A&H	...	...	661,043	19.7
Total	186,730	100.0	3,359,643	100.0

## BY-LINE RESERVES (\$000)

Product Line	2015	2014	2013	2012	2011
Ordinary life	5,161,274	3,807,782	3,670,310	3,853,071	3,721,948
Group life	11,366	11,739	12,325	13,325	13,486
Supplementary contr	21,341	22,904	23,680	23,297	24,687
Individual annuities	2,111,356	1,996,638	1,904,843	1,988,916	1,922,719
Group annuities	1,202,701	1,197,479	1,193,018	1,479,089	1,454,246
Deposit type contracts	857,978	672,362	543,298	501,338	447,688
Individual A&H	315,907	297,842	278,051	296,842	287,692
Group A&H	5,849	7,318	10,051	10,005	8,851
Total	9,687,772	8,014,064	7,635,575	8,165,883	7,881,316

## LIFE POLICIES STATISTICS

Year	-Ordinary Policies-		-Group Policies-		-Group Certificates-	
	Issued	In Force	Issued	In Force	Issued	In Force
2011	13,156	415,348	...	93	109	4,443
2012	13,217	370,301	5	93	165	4,353
2013	13,847	336,789	1	93	106	3,795
2014	14,017	326,257	4	93	144	3,571
2015	13,861	399,471	...	85	89	3,311

## LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds		Credit	Group	Industrial	Total Insurance In Force
	Term	Term				
2011	39,854,533	46,325,544	...	29,661	...	86,209,738
2012	39,513,384	44,010,576	...	29,647	...	83,553,607
2013	40,527,434	32,991,022	...	27,583	...	73,546,039
2014	36,702,804	36,926,576	...	27,135	...	73,656,516
2015	38,985,831	38,513,622	...	24,762	...	77,524,215

## NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.	Term	Credit	Group	Industrial	Total Insurance Issued	Non-Par (%)	Par (%)
2012	2,304,901	3,789,320	...	2,473	...	6,096,694	89.0	11.0
2013	2,262,405	4,059,934	...	2,359	...	6,324,698	86.0	14.0
2014	2,428,347	3,655,587	...	3,206	...	6,087,140	87.0	13.0
2015	2,537,408	4,274,245	...	2,392	...	6,814,045	86.0	14.0

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## ORDINARY LIFE STATISTICS

Year	Ord. Lapse Ratio	Renew Premium Persist	Average Ord. Policy (in dollars)		Avg Prem	1st Yr Total Prem	1st Yr Comm / 1st Yr Prem	Gen. Exp. / Policies In Force
	%	%	Issued	In Force	(\$/M)	Prem	Prem	In Force
2011	5.3	81.7	456,003	207,489	6.63	20.4	20.1	243.32
2012	8.7	79.7	461,090	225,557	6.63	18.6	20.3	286.16
2013	17.7	79.1	456,585	218,292	8.27	18.7	20.7	328.72
2014	5.6	80.2	434,040	225,679	7.49	17.9	21.4	329.12
2015	5.4	83.6	491,426	194,005	23.45	17.1	22.5	279.71

  

Year	Number of Policies		First Year Premium	Gen'l Exp/Reserves	Return on Reserves
	Issued	In Force	(000)	(%)	(%)
2011	13,156	415,348	111,860	2.67	0.33
2012	13,217	370,301	104,523	2.71	0.15
2013	13,847	336,789	103,540	2.97	0.17
2014	14,017	326,257	98,022	2.78	0.01
2015	13,861	399,471	95,185	2.11	-1.73

## INDIVIDUAL ANNUITY STATISTICS

Year	NPW (000)	Res (000)	Exp to Res (%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	2011	393,118	1,947,406	1.4	11.4	102.9
2012	384,970	2,012,213	1.4	11.9	100.6	19.3
2013	275,404	1,928,523	1.3	15.6	149.0	21.3
2014	329,581	2,019,541	1.3	13.6	116.9	19.1
2015	343,481	2,132,697	1.3	13.8	109.0	17.6

## GROUP ANNUITY STATISTICS

Year	NPW (000)	Res (000)	Exp to Res (%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	2011	522,413	1,454,246	2.5	8.9	129.1
2012	541,760	1,479,089	2.5	8.8	123.6	45.3
2013	457,905	1,193,018	3.2	10.6	158.4	60.8
2014	613,741	1,197,479	3.1	7.9	118.9	60.9
2015	593,801	1,202,701	3.2	8.3	124.0	61.2

## TOTAL ANNUITY ACTUARIAL RESERVES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res (000)	Min or No Surrender Charge (%)	With Surrender Charge 5% or more (%)		No Surrender Allowed (%)
			With MVA (%)	With MVA (%)	
2011	3,401,652	81.5	2.8	11.3	4.4
2012	3,491,302	81.1	3.3	10.8	4.8
2013	3,121,541	80.6	3.9	10.8	4.8
2014	3,217,021	78.8	4.4	10.1	6.7
2015	3,335,398	76.5	5.5	10.9	7.1

## SEPARATE ACCOUNT DATA

	2015	2014	2013	2012	2011
Sep Acct Assets	6,278,575	6,679,996	6,581,547	5,780,865	5,249,306
% Growth	-6.0	1.5	13.9	10.1	-5.7
S/A Assets/Adm Assets	34.6	39.7	40.5	36.6	35.1
Sep Acct Reserves	6,213,349	6,607,665	6,503,080	5,699,738	5,167,052
% Ordinary Life	12.4	12.6	12.7	12.4	12.7
% Individual Annuities	34.8	35.0	35.4	36.6	35.9
% Group Annuities	52.8	52.4	52.0	50.9	51.5
Other Liabilities	65,226	72,332	78,467	81,127	82,253
S/A Prens & Deposits	692,103	738,843	741,471	762,121	730,522
% Ordinary Life	8.9	9.2	9.3	9.1	10.2
% Individual Annuities	17.6	18.4	21.1	30.9	29.3
% Group Annuities	73.5	72.4	69.6	59.9	60.4
Sep Acct Fees & Charges	53,907	55,315	52,919	48,637	48,451
% Ordinary Life	10.1	10.4	10.4	10.7	11.1
% Individual Annuities	42.0	41.9	41.3	40.1	39.2
% Group Annuities	47.9	47.7	48.4	49.2	49.7
Fees & Chgs to Assets%	0.8	0.8	0.9	0.9	0.9
Sep Acct Ben & Wdrwls	856,924	866,553	880,095	770,581	786,524
% Ordinary Life	7.4	6.1	6.9	7.8	7.7
% Individual Annuities	22.6	23.6	25.8	25.7	27.1
% Group Annuities	70.0	70.3	67.2	66.5	65.2
Ben & Wdrwl to Assets%	13.2	13.1	14.2	14.0	14.5

**Market Share/Market Presence:** A.M. Best believes that Ameritas has strong franchises in group dental and through its Calvert Funds as well as an established presence in the life and annuity markets. The company's offerings are diverse by product as well as by geographic region, which has become even further diversified over the last five year period.

Per LIMRA, Ameritas enjoys a top-5 position in new sales of group dental products. On a nationwide basis, the company offers a competitive suite of limited scope health benefits products including dental, vision and hearing insurance. The group division has an insured base of over 6 million participants and contributed roughly 21% to Ameritas' 2015 consolidated pre-tax GAAP operating earnings. The segment's participating provider organization (PPO) panel has approximately 406,000 provider access points covering over 2.5 million employee lives. The organization's group products are sold through a multiple distribution strategy which includes its captive distribution for Ameritas, a leading provider of group dental indemnity, PPO, voluntary and individual dental products and services; and its partnering distribution arrangements. Its market position has been achieved through organic growth, selective block acquisitions and multiple distribution partnering arrangements.

Calvert Investments (Calvert) is a leading investment management company in the responsible investing category. Calvert's investment processes are conservatively structured for the long term and positioned to produce an efficient return that seeks to meet their clients' risk/return profile. The Calvert Research System is a comprehensive, ESG research platform that seeks to understand the full set of impacts that a company has on society and the



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environment. Additionally, Calvert believes in being an active shareholder focused on engagement and advocacy designed to foster progress. Lastly, Calvert offers shareholders direct impact with innovative high social impact investing opportunities. Calvert offers a broad array of equity, bond, and asset allocation strategies, both active and passive, and serves financial advisors and their clients, retirement plans and insurance carriers, and institutional investors. Strategies are available through mutual funds, sub-advisory services, and separate account management.

While the overall scale of the retirement plans division is currently modest, Ameritas has been increasingly focused on expanding its business profile within certain segments of the retirement savings arena. This includes small employers (with defined contribution plans with assets under management of \$3 million or less), local governments (i.e., 401(a) and 457(b) plans), and plan sponsors seeking to limit fiduciary liability. A.M. Best believes that the U.S. retirement market is maturing and represents one of the more profitable segments within the U.S. life and annuity market requiring increased scale and superior risk management capabilities to compete effectively.

Ameritas is a mid-tier player in the individual life and annuity market. The individual division offers a diversified portfolio of whole life, term, universal life, variable universal life, traditional fixed annuities, indexed annuities and individual disability income (DI) products. DI business is reinsured on a coinsurance basis (35% of earned premium) with carriers assuming equal portions in excess of the first \$5,000 of monthly benefit. A.M. Best believes the individual and retirement plans businesses are integral to Ameritas' future growth strategy. In recent periods, the company has experienced a noticeable increase in sales of indexed universal life insurance as well as fixed-indexed annuities.

## GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS (\$000)

	2015	2014	2013	2012	2011
Nebraska	316,020	367,815	277,980	275,213	182,766
California	240,625	246,106	241,352	241,791	248,694
Texas	209,235	195,665	203,790	191,402	187,485
Pennsylvania	127,342	135,671	121,586	142,599	168,021
Ohio	119,143	121,424	110,089	104,628	123,044
Florida	107,095	99,356	104,876	104,350	100,446
North Carolina	99,985	103,402	103,369	114,994	102,410
Georgia	66,207	74,520	70,924	70,031	67,798
Louisiana	63,344	69,941	69,788	46,944	53,013
Virginia	62,236	56,232	67,884	59,157	67,331
All Other	964,301	956,628	957,400	1,001,736	981,891
Total	2,375,534	2,426,760	2,329,038	2,352,844	2,282,899

## RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

Ameritas utilizes a comprehensive enterprise risk management (ERM) framework driven by an ERM committee that is comprised of the CEO, EVP of Investments/Finance, General Counsel, Chief Information Officer, Chief Risk and Planning Officer, and other senior officers of major lines of business.

The ERM department coordinates all risk management activities, reporting and communication. A corporate risk officer is devoted full time to operational risks and risk transfer programs, as well as facilitating risk assessments and doing a comprehensive review and reporting of all risks, with assistance from risk coordinators in the various business units. That risk officer reports to the Chief Risk and Planning Officer, who is ultimately responsible for the execution of the ERM program. Reports are also made to the Ameritas Board and Audit Committee, who also have oversight responsibility. Also, each specific business unit and shared service area designates a risk coordinator to participate in risk identification and assessment, monitoring policies, procedures, and controls, and facilitating risk reporting by the business unit for the enterprise. The risk management process is also supported by the legal and compliance functions, internal and external audit, as well as regulatory bodies.

Ameritas has developed a comprehensive set of policies, procedures, and controls that serve to establish a stated risk appetite for the types of products, services, and investments the insurance companies will be involved in, as well as the tolerances, limits, or extent to which the companies will be exposed to them. The ERM Committee has also established tolerances for operating risks related to capital investment, financial reporting, legal and regulatory matters, code of conduct, reputation, staffing, and systems availability. At any given time there are more than thirty specific risks which are tracked at the enterprise level. Key risks are evaluated, monitored and action plans are created when necessary. When adverse outcomes do occur, Ameritas focuses on determining the lessons to be learned and makes adjustments in order to improve the management and measurement of risk. As part of its risk appetite, Ameritas utilizes reinsurance partnerships to control its level of risk in certain segments and business lines. As with many companies in the industry, Ameritas has increased its focus on technologically-linked risks such as cyber security breaches and overall data integrity. The company completes regular testing to proactively assess any potential threat of breach. Ameritas has effectively demonstrated where its risk management practices support its strategic business planning, and has ERM capabilities which are a good match to its risk profile.

## OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

**Operating Results:** Ameritas has a diversified earnings profile, consisting of the group's insurance and financial services businesses. Within insurance, earnings are further diversified between individual life, annuity, disability income and group dental & vision, with the largest percentage driven by the individual segment. For 2015, each division's GAAP pre-tax operating earnings approximate contributions were as follows: individual (57%), group (21%), financial (8%), retirement plans (4%) and corporate (10%). The company reported consolidated GAAP net income of \$111.1 million for 2015, up slightly from \$109.6 million for 2014. Consolidated net income continues to reflect a moderate amount of volatility in the company's individual and group segments within certain products lines.

On a comparative basis, 2015 GAAP pre-tax operating earnings for the individual division (life, annuity and disability insurance) increased to \$75.6 million from \$62.3 million in the prior year. The increase in earnings was due

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to modest top-line growth in life business reflecting increased premium offset by lower net investment income as a result of market-to-market adjustments on hedging instruments. Segment results were impacted by unfavorable morbidity in disability income and increased mortality in addition to continued spread compression in its fixed annuity and interest-sensitive life lines of business. Expenses were well managed for the segment and in line with prior year, and below expectations. 2014 results were affected by actuarial impacts from assumption unlocking reserve adjustments and software conversions.

The group division's GAAP pre-tax operating results were down slightly from prior year at \$27.3 million year-end 2015 compared to \$33.1 million in the prior year. Recent results reflected a decline in dental premiums and increased operating expenses reported for the segment as in the prior year. 2014 results benefited from favorable morbidity which was offset by higher expenses and the impact of the Affordable Care Act (ACA) insurer fee on the business. In 2015, the vision business within the segment reported top-line growth which was partially offset by increased expenses and a slight uptick in loss ratio. The group division continues to be pressured by the evolving healthcare environment as well as increased competition in the market.

The financial division, which includes broker/dealer, mutual funds and investment advisory operations, reported GAAP pre-tax operating earnings of \$10.5 million as of year-end 2015 compared to \$9.9 million in the prior year. Results reflect a decline in Calvert's assets under management of \$1.3 billion compared to prior year as well as expenses related to strategic initiatives at the Calvert operations.

The retirement plan division's GAAP 2015 pre-tax operating earnings, primarily attributable to its annuity business, were favorable to prior year, reflecting modest top-line growth and favorable net benefits. Interest spreads reported were favorable and net investment income exceeded prior year modestly. 2014 results were impacted by higher net deferred acquisition costs (DAC) related changes, partially offset by continued expense management efforts. Recent years have been impacted in general by a drop in market values, a decline in sales and lower persistency.

Finally, the corporate division's reported 2015 GAAP pre-tax operating earnings declined from prior year-end, reflecting declining net investment income on surplus. GAAP pre-tax operating earnings increased as of year-end 2014, benefiting from lower expenses related to the company's pension plan and corporate projects, as well as enhanced net investment income.

The statutory results exclude the financial services businesses and consist of the following statutory reporting entities: Ameritas Life and Ameritas Life of NY (as well as the recently acquired Security American entity and its affiliates). The Acacia Life and Union Central operations were merged into Ameritas Life on July 1, 2014. On a statutory basis, Ameritas reported a material decline in pre-tax net operating income, primarily driven by the impact of the whole life blocks which were coinsured in late 2015. Ameritas incurred a \$49.3 million commission and expense allowance as a result of the whole life coinsurance agreements. Not accounting for this impact, the individual life business reported a loss of \$2 million driven by unfavorable mortality. Individual annuity business reported a decline in profitability due to the impact of mark-to-market adjustments on guaranteed lifetime withdrawal benefits (GLWB) for the company's variable annuity business. Individual disability business reported favorable results relative to prior year, reflecting a

decline in the loss ratio. 2015 statutory operating results also reflected pressure in the group division related to increased distribution costs and operating expenses, offset by favorable morbidity.

Ameritas' net operating gains were favorable in 2014 compared to prior year. Results reflected increased net premiums written, which included modco reinsurance premium income. Results also reflected favorable growth in net investment income which was offset by less favorable underwriting results reported. The company's individual premiums continue to lag behind prior year, due to macroeconomic pressures. However, the group segment reported favorable growth in its core dental and vision business. A.M. Best notes that the level of general expense reported relative to net premiums was favorable to prior years, reflecting successful expense control efforts.

In 2013, Ameritas reported a significant decline in pre-tax operating earnings (from \$99.8 million in 2012 to \$58.4 million at year-end 2013) due to statutory strain and increased mortality in the ordinary life insurance line of business and the impact from derivatives used as a hedge for the GMWB rider and index products relative to incremental reserves. This was partially offset by increased income on excess surplus. A.M. Best expects statutory earnings may be pressured in the near-term due to the competitive market and economic environment, but over time will benefit from organic growth, achievement of scale and further expense efficiencies.

## PROFITABILITY ANALYSIS (\$000)

Period Ending	Company			
	Pre-tax Net Oper Income	Net Operating Gain	Net Income	Total Return
2011	96,791	94,668	96,811	60,217
2012	83,174	102,498	95,858	36,213
2013	85,820	119,938	191,660	178,578
2014	116,309	125,301	129,843	140,164
2015	44,891	-19,452	-9,498	-74,633
5-Yr Total	426,985	422,953	504,675	340,539

  

Period Ending	Company		Industry Composite	
	Operating ROR (%)	Operating ROE (%)	Operating ROR (%)	Operating ROE (%)
2011	3.7	6.8	5.6	10.5
2012	4.0	7.5	5.6	10.5
2013	4.7	8.3	6.1	9.5
2014	4.7	7.9	4.1	7.4
2015	-0.5	-1.2	6.9	11.3
5-Yr Avg	3.0	5.7	5.7	9.8

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## PROFITABILITY TESTS

Year	Ben Paid to NPW & Dep	Comm & NPW		NOG to Tot Assets	Operating Return on Equity	Net Yield	Pre-tax Invest Total Return
		Exp to NPW	NOG to Tot Assets				
2011	88.1	20.0	0.6	3.7	6.8	5.54	4.91
2012	85.2	19.0	0.7	4.0	7.5	4.96	4.65
2013	98.8	23.0	0.7	4.7	8.3	4.40	5.90
2014	85.2	20.4	0.8	4.7	7.9	4.87	5.29
2015	56.5	15.3	-0.1	-0.5	-1.2	4.12	3.61
5-Year Avg	79.7	19.0	0.5	3.0	5.7	4.76	4.84

(\* Pre-Tax Invest Total Return quarterly calculation based on more limited quarterly data - see Calculation Specifications.

## Company

Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	-Industry Composite-	
					Inv Inc Growth (%)	Inv Yield (%)
2011	6.4	5.5	5.6	4.9	2.0	5.2
2012	-7.2	5.0	5.1	4.7	0.2	5.0
2013	-11.5	4.4	5.8	5.9	-2.2	4.8
2014	11.4	4.9	5.0	5.3	0.3	4.8
2015	-5.3	4.1	4.3	3.6	3.3	4.8
5-Yr Avg	-1.6	4.8	5.1	4.8	0.7	4.9

(\* Pre-Tax Invest Total Return quarterly calculation based on more limited quarterly data - see Calculation Specifications.

## NET OPERATING GAIN (\$000)

Product Line	2015	2014	2013	2012	2011
Ordinary life	-91,993	238	6,315	5,864	12,563
Group life	120	3,498	414	883	669
Supplementary contr	1,121	-112	-366	-379	955
Individual annuities	27,098	38,846	24,119	9,874	17,228
Group annuities	7,806	7,002	-5,245	6,997	8,701
Individual A&H	10,496	8,896	15,393	11,433	12,023
Group A&H	12,427	19,551	17,076	18,051	13,358
Other	13,471	47,383	62,232	49,774	29,171
Total	-19,452	125,301	119,938	102,498	94,668

## ACCIDENT & HEALTH STATISTICS (\$000)

Year	Net Premiums		Loss Ratio	Exp. Ratio	Underwriting Results
	Written	Earned			
2011	660,604	661,000	71.9	26.3	13,503
2012	697,411	694,600	70.9	26.4	19,090
2013	738,764	738,114	66.5	26.5	54,013
2014	771,615	772,543	70.0	27.3	23,135
2015	752,162	753,026	68.9	28.9	18,767
Current Year Experience:					
Group	661,322	662,114	70.4	27.1	18,960
Non-can.	73,935	74,003	62.3	46.5	-6,601
Guarant renew	7,135	7,135	25.6	21.3	3,778
Other	9,770	9,774	52.7	20.4	2,630

## INVESTMENT GAINS (\$000)

Year	Net Inv Income	Company		Unrealized Capital Gains
		Realized Capital Gains	Unrealized Capital Gains	
2011	497,047	2,144	-36,595	
2012	461,224	-6,640	-59,645	
2013	408,047	71,722	-13,082	
2014	454,554	4,542	10,321	
2015	430,509	9,954	-65,136	
5-Year Total	2,251,381	81,722	-164,136	

## BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

**Capitalization:** Capital and surplus have increased in recent years primarily driven by solid operating results and favorable equity markets. However, as of year-end 2015, surplus declined materially, reflecting the statutory impact of the December 2015 coinsurance treaty for several whole life blocks of business as well as impact of unrealized losses tied to market volatility. Stockholder dividends of \$60 million were paid over the past three years to Ameritas Holding Company and increases in non-admitted assets and other charges against surplus further impacted capital and surplus levels. On a qualitative basis, the group's strong capitalization levels are complemented by favorable financial measures including low financial leverage, solid interest coverage, moderate intangibles-to-equity and the hidden value inherent in its ownership of Calvert. A. M. Best considers the company to be more than adequately capitalized relative to its investment and insurance risks, and anticipates favorable trends in the near to medium term.

Current BCAR: 350

## CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Surplus Growth			
	Pre-Tax Net Adjusted Gain	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2011	96,791	2,144	2,123	-36,595
2012	83,174	-6,640	-19,324	-59,645
2013	85,820	71,722	-34,118	-13,082
2014	116,309	4,542	-8,992	10,321
2015	44,891	9,954	64,343	-65,136
5-Yr Total	426,985	81,722	4,032	-164,136



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Year	Source of Surplus Growth			% Chg in C&S
	Change in AVR	Other Changes	Change in C&S	
2011	-10,306	-31,639	18,272	1.3
2012	-22,949	-63,996	-50,732	-3.6
2013	-12,201	37,002	203,379	15.1
2014	-17,842	-51,556	70,766	4.6
2015	-3,694	-33,604	-111,931	-6.9
5-Yr Total	-66,992	-143,793	129,755	1.8

**Liquidity:** The group's overall liquidity is supported by positive net cash flows from its diversified business mix and access to a committed, but fully outstanding, bank line at Ameritas Life. In addition, Ameritas Life is a member of the Federal Home Loan Bank system which provides the potential for additional borrowing capacity at a relatively low cost of funds. Finally, liquidity is further enhanced through Ameritas' mutual holding company structure; its very low financial leverage, which includes \$50 million in unaffiliated surplus notes, due 2026, and relatively modest borrowings from a revolving credit facility, as well as the organization's generally lower risk product portfolio.

## QUALITY OF SURPLUS (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Adjusted C&S
2011	49,871	...	486,555	862,593	1,496,380
2012	49,880	...	484,483	813,934	1,468,597
2013	49,888	...	481,577	1,020,219	1,684,178
2014	50,000	...	459,835	1,113,623	1,773,681
2015	50,000	...	459,844	1,001,683	1,665,444
Year-End C&S					
2011	1,399,148		97,231		
2012	1,348,417		120,181		
2013	1,551,796		132,382		
2014	1,623,458		150,223		
2015	1,511,527		153,917		

## LEVERAGE ANALYSIS

Year	Company				-Industry Composite-	
	C&S to Liab(%)	Surplus Relief(%)	NPW & Dep to Total Capital	Change in NPW & Dep(%)	C&S to Liab(%)	Surplus Relief(%)
2011	18.2	2.5	1.4	4.1	12.1	3.1
2012	17.2	1.4	1.5	5.2	12.2	2.6
2013	21.1	1.4	1.2	-9.9	12.5	3.1
2014	21.2	1.4	1.3	15.3	13.1	2.3
2015	16.3	1.4	2.1	51.2	13.1	2.4

## CEDED REINSURANCE ANALYSIS

Year	Company						-Industry Composite-	
	Face Amount Reins Ceded	Afil Reins Rec/C&S	Unafil Reins Rec/C&S	Total Reins Rec/C&S	Surplus Relief	Reins Leverage	Total Reins Rec/C&S	Reins Leverage
2011	56,518,683	0.2	4.5	4.7	2.5	52.5	4.3	76.6
2012	44,418,138	0.1	2.6	2.7	1.4	52.3	4.2	71.7
2013	35,798,375	0.1	3.0	3.1	1.4	52.6	4.0	84.2
2014	35,384,862	0.0	2.0	2.0	1.4	50.7	3.7	81.7
2015	37,532,786	0.0	2.9	2.9	1.4	59.0	3.7	79.7

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

## LIQUIDITY ANALYSIS

Year	Company				
	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Grade Bonds to Capital	Delq & Foreclsd Mtg to Capital
2011	385,028	56.9	89.6	17.1	0.2
2012	281,411	54.4	86.2	14.8	2.0
2013	324,164	56.3	88.7	11.2	1.6
2014	366,628	57.0	89.5	12.7	0.7
2015	403,496	52.3	87.5	17.5	0.5
Year	Company		Industry Composite		
	Mtg & Cred Ten Lns & RE to Cap	Afil Invest to Capital	Quick Liquidity	Current Liquidity	
2011	80.2	21.2	44.2	81.7	
2012	104.6	16.3	44.5	82.7	
2013	85.9	12.3	43.5	82.3	
2014	83.2	12.7	42.4	81.0	
2015	91.3	12.1	42.8	80.5	

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

**Investments:** Ameritas' investment portfolio is managed by Ameritas Investment Partners, an affiliated company. The general account portfolio is concentrated primarily in fixed income securities (approximately 74% on a consolidated basis) and mortgage loans (13%), with the balance invested in common and preferred stock, real estate, alternative investments, policyholder loans and cash and cash equivalents. The fixed income portfolio is comprised of roughly one-fifth structured securities, and includes investments in residential, commercial and other asset-backed securities that are primarily backed by residential mortgages and student loans. A.M. Best notes that exposure to these securities has declined noticeably in recent periods, and the potential for material investment losses in this sector is limited. Bonds are split with three quarters allocated to public, down slightly from prior years and just under one quarter allocated to privates, as of year-end 2015. Relative to similarly-rated peers, Ameritas has below-average exposure to high-yield bonds as a percentage of statutory capital, reflecting its conservative investment philosophy, financial discipline and superior capitalization. Interest rate risk from the mortgage-backed securities portfolio is actively managed by the monitoring of market values and active asset/liability management.

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Ameritas' mortgage loan portfolio is geographically diversified and primarily comprised of commercial loans on office, retail, apartments, and industrial buildings. Lending activity is driven by conservative underwriting standards (low loan-to-value, loan size and over sixty percent borrower recourse) and the historical performance has been above average, with only a modest amount of delinquencies in recent periods. Ameritas' mortgage loan and real-estate related assets, as a percentage of statutory capital, is slightly higher than similarly-rated peers and includes approximately \$205 million of primarily interest-only loans that were transferred to Ameritas' general account from Acacia Federal Savings Bank before its sale in November 2013.

## INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short-Term	—Real Estate—		Invest. Exp. Ratio
						Gross	Net	
2011	5.54	5.42	2.44	6.54	0.05	30.83	6.20	7.25
2012	4.96	5.23	3.44	5.64	0.09	28.68	3.77	8.68
2013	4.40	5.02	4.98	5.58	0.02	27.90	2.22	10.83
2014	4.87	4.68	1.39	5.39	0.04	26.13	1.74	8.94
2015	4.12	4.19	1.44	5.58	0.04	27.13	1.76	9.13

## INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20+	
Government	3.8	2.6	0.9	0.3	0.0	3
Gov't Agencies & Muni	0.7	2.0	2.1	1.1	0.2	7
Industrial & Misc	4.7	27.2	35.1	11.9	6.8	8
Hybrid Securities	0.2	0.1	...	...	0.3	13
Total	9.3	31.9	38.2	13.3	7.3	8

	2015	2014	2013	2012	2011
<b>Bonds (000)</b>	8,294,037	6,970,047	6,538,206	6,908,065	6,853,253
US Government	4.8	6.9	7.9	9.2	3.2
Foreign Government	0.0	...	...	...	...
Foreign - All Other	18.7	19.3	20.6	21.1	19.9
State/Special Revenue - US	6.3	8.2	9.3	9.4	16.3
Industrial & Misc - US	69.6	64.6	61.1	58.7	58.9
Hybrid Securities	0.6	0.9	1.1	1.6	1.7
Private Issues	24.6	21.0	21.5	21.2	19.4
Public Issues	75.4	79.0	78.5	78.8	80.6

	2015	2014	2013	2012	2011
<b>Bond Quality (%)</b>					
Class 1	57.9	59.9	57.8	55.8	59.3
Class 2	38.7	37.0	39.4	41.1	37.1
Class 3	2.6	2.3	2.2	2.2	2.7
Class 4	0.7	0.7	0.5	0.6	0.7
Class 5	0.1	0.1	0.1	0.2	0.1
Class 6	0.0	0.0	0.0	0.1	0.1

## INVESTMENTS - EQUITIES

	2015	2014	2013	2012	2011
<b>Stocks (000)</b>	569,841	571,389	537,171	485,494	535,836
Unaffiliated Common	72.6	71.2	71.3	63.3	52.6
Affiliated Common	25.9	28.5	28.0	35.8	46.4
Unaffiliated Preferred	1.5	0.3	0.7	0.9	1.0

## INVESTMENTS - MORTGAGE LOANS & REAL ESTATE

	2015	2014	2013	2012	2011
<b>Mortgages (000)</b>	1,458,519	1,402,651	1,378,230	1,468,923	1,133,759
Commercial	86.0	83.4	81.3	80.7	100.0
Residential	14.0	16.6	18.7	19.3	...
<b>Mortgage Quality (%)</b>					
90 Days Delinquent	0.2	0.3	0.8	1.0	...
In Process of Foreclosure	0.4	0.5	0.6	0.9	...
Total Delinquencies	0.5	0.8	1.4	1.9	...
<b>Real Estate (000)</b>	61,213	72,849	67,876	67,279	66,952
Property Occupied by Co	69.9	54.8	45.6	48.2	51.3
Property Held for Inc	9.4	32.8	40.2	47.4	45.3
Property Held for Sale	20.7	12.3	14.2	4.4	3.5

## INVESTMENTS - OTHER INVESTED ASSETS

	2015	2014	2013	2012	2011
<b>Other Inv Assets (000)</b>	1,015,927	722,704	690,500	663,785	721,138
Cash	-2.0	0.4	0.3	2.5	4.3
Short-Term	25.5	21.5	25.3	20.2	22.9
Schedule BA Assets	20.9	24.5	22.5	25.6	24.0
All Other	55.6	53.6	51.9	51.8	48.8

## HISTORY

Date Incorporated: 04/06/1887

Date Commenced: 05/06/1887

Domicile: NE

This company was incorporated under the laws of Nebraska on April 6, 1887 as a stock life company. In 1941, a plan of mutualization was adopted, and by December 1949, all shares were retired. The company was originally incorporated as Bankers Life Insurance Company of Nebraska, and in 1988, the present title was adopted. Effective January 1, 1998, the company converted from a mutual insurance company structure to a stock life insurance company by adopting the mutual holding company structure. All of the shares of the capital stock of Ameritas Life were issued to and are owned by an intermediate stock holding company, Ameritas Holding Company. This structure provides the organization with greater financial flexibility in its capital management which includes access to additional capital from public markets. Evidence of operational flexibility includes mergers of mutual holding companies and subsidiary reorganizations. On January 1, 1999, the Ameritas Mutual Insurance Holding Company was merged with the Acacia Mutual Holding Corporation and renamed Ameritas Acacia Mutual Holding Company. On January 1, 2006, the Ameritas Acacia Mutual Holding

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Company merged with The Union Central Mutual Holding Company and was renamed UNIFI Mutual Holding Company. During 2009, Acacia Life and Union Central were made subsidiaries of Ameritas Life. On May 2, 2012 UNIFI Mutual Holding Company was renamed Ameritas Mutual Holding Company. In July 2014, Acacia Life Insurance Company and The Union Central Life Insurance Company merged into Ameritas Life Insurance Corp.

**Mergers:** Ameritas Variable Life Insurance Company, Nebraska, 2007. LifeRe Insurance Company, Texas, 2008. Acacia Life Insurance Company, District of Columbia, 2014. The Union Central Life Insurance Company, Nebraska, 2014.

## MANAGEMENT

**Officers:** President, Chief Executive Officer and Chairperson, JoAnn M. Martin; President, Steven J. Valerius (Individual Division); Executive Vice President and Treasurer, William W. Lester (Corporate); Executive Vice Presidents, Karen M. Gustin (Group Division), Tim L. Stonehocker; Senior Vice President and Chief Financial Officer, Robert C. Barth; Senior Vice President and Chief Investment Officer, James Mikus; Senior Vice President and Chief Information Officer, Richard A. Wiedenbeck; Senior Vice President and Chief Risk Officer, Susan K. Wilkinson; Senior Vice President and Chief Marketing Officer, Brent F. Korte; Senior Vice President, Secretary and General Counsel, Robert-John H. Sands; Senior Vice Presidents and Chief Actuaries, Robert M. Jurgensmeier (Individual), Linda A. Whitmire (Corporate), Kelly J. Wieseler (Group); Senior Vice President and Chief Human Resource Officer, Randee G. Manley; Senior Vice Presidents, James J. Barone (Group Business Development & MGA Distribution), Ryan C. Beasley (Shared Agency Distribution), Bret L. Benham (Retirement Plans), Patrick D. Fleming (Group National Accounts & Key Partnering Relationships), Cheryl L. Heilman (Individual Operations), Bruce E. Mieth (Group Operations), Lisa A. Mullen (Individual Financial Operations), Paul G. Wesling (Individual DI Product Management).

**Directors:** James P. Abel, J. Sidney Dinsdale, James R. Krieger, JoAnn M. Martin (Chair), Patricia A. McGuire, Tonn M. Ostergard, Kim M. Robak, Paul C. Schorr IV, Bryan E. Slone.

## REGULATORY

An examination of the financial condition was made as of December 31, 2012, by the insurance department of Nebraska. The 2015 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Linda A. Whitmire, Senior Vice President & Chief Actuary, Corporate.

**Reserve basis:** (Current ordinary business): 2001 CSO 3.5%; Net Level, CRVM, GL43 VACARVM (Current deferred annuity business): A-2000 3.5% (Current SPIA business): Group 94 GAR 4.5%, Individual 2012 IAR valuation rates from 2.00%-2.60%.

## REINSURANCE

The company maintains reinsurance treaties with several reinsurance companies for ceding excess for its insurance line. Maximum net retention is \$2,000,000 with retention graded down for ages over 66 and ratings over table A for individual contracts. Business is also ceded for group contracts. For

disability income, \$5,000 of the monthly benefit is retained for non-cancellable and guaranteed renewable policies, and \$15,000 of the monthly benefit is retained for business overhead expense policies.

## FINANCIAL INFORMATION BALANCE SHEET (\$000) - YE 2015

Assets		Liabilities	
Total bonds	8,294,037	+Net policy reserves	8,825,224
Total preferred stocks	8,402	Policy claims	80,820
Total common stocks	561,439	Deposit type contracts	857,978
Mortgage loans	1,458,519	Interest maint reserve	89,674
Real estate	61,213	Comm taxes expenses	127,588
Contract loans	520,163	Asset val reserve	153,917
Cash & short-term inv	238,676	Contingency reserve	3,830
Premis and consids due	96,755	Other liabilities	219,619
Accrued invest income	103,072		
Other assets	527,901	Tot liab w/o sep accts	10,358,650
		Separate account bus	6,278,575
Tot assets w/o sep accts	11,870,177		
Separate account bus	6,278,575	Total liabilities	16,637,225
		Common stock	2,500
		Surplus notes	50,000
		Paid in & contrib surpl	457,438
		Unassigned surplus	991,383
		Other surplus	10,206
Assets	18,148,752	Total	18,148,752

+Analysis of reserves; Life \$5,123,981; annuities \$3,314,057; supplementary contracts with life contingencies \$21,341; accidental death benefits \$460; disability active lives \$12,804; disability disabled lives \$18,472; miscellaneous reserves \$16,924; accident & health \$317,186.

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## SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	194,527
Ordinary life	1,670,535	Matured endowments	2,221
Individual annuities	343,481	Annuity benefits	69,099
Group life	70	Disability benefits	3,208
Group annuities	593,801	Surrender benefits	1,215,418
Acc & health group	661,043	Acc & health benefits	501,440
Acc & health other	90,714	Int on policy funds	9,600
Total premiums	3,359,643	Supplementary contracts	3,410
Supplementary contracts	1,272	Incr life reserves	1,471,497
Net investment income	430,509	Incr a & h reserves	16,596
Amort interest maint res	6,788	Res adj reins assumed	18,726
Comm & exp reins ceded	21,486	Commissions	125,105
Res adj on reins ceded	-20,347	Comm exp reins assumed	49,380
Other income	70,610	Insur taxes lic & fees	48,343
Mgt and/or service fee	6,858	General ins expenses	336,958
		Net transf to sep acct	-277,902
		Misc operating expense	1,169
<b>Total</b>	<b>3,876,819</b>	<b>Total</b>	<b>3,788,795</b>
Gain from operations before FIT & div to policyholders.....			88,024
Dividends to policyholders: life.....			43,133
Dividends to policyholders: accident & health.....			0
Gains from operations after dividends to policyholders.....			44,891
Federal income taxes incurred.....			64,343
Net gain from operations after FIT and dividends.....			-19,452

## CASH FLOW ANALYSIS (\$000)

Funds Provided		Funds Applied	
Gross cash from oper	2,710,489	Benefits paid	1,993,897
Transf from sep account	289,731	Comm, taxes, expenses	527,085
Long-term bond proceeds	953,767	Long-term bonds acquired	1,236,428
Stock proceeds	247,918	Other invest acquired	658,726
Mortgage loan proceeds	223,904	Other cash applied	111,355
Other cash provided	182,043	Incr cash & short-term	80,360
<b>Total</b>	<b>4,607,852</b>	<b>Total</b>	<b>4,607,852</b>

## Ultimate Parent: Ameritas Mutual Holding Company

### AMERITAS LIFE INSURANCE CORP. OF NEW YORK

1350 Broadway, Suite 2201  
New York, NY 10018

Mailing Address: P.O. Box 81889, Lincoln, NE 68501-1889

Web: [www.ameritas.com](http://www.ameritas.com)

Tel.: 877-280-6110

AMB#: 068545

Ultimate Parent#: 051337

Fax: 402-467-7335

NAIC#: 60033

FEIN#: 13-3758127

## BEST'S CREDIT RATING

Best's Financial Strength Rating: **A**

Best's Financial Size Category: **XIV**

Outlook: **Stable**

## RATING RATIONALE

**Rating Rationale:** The ratings of Ameritas Life Insurance Corp. have been extended to the company as it is integral to the group's business strategy as the New York marketing arm and shares the same senior management team and back-office support.

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

The ratings of the members of Ameritas Life Group (Ameritas), Ameritas Life Insurance Corp. (Ameritas Life) and its New York subsidiary, Ameritas Life Insurance Corp. of New York (ALICNY), reflect the group's strong risk-adjusted capitalization, diversified operating earnings, high-quality balance sheet and favorable business profile. These strengths are tempered by fluctuating statutory operating income reported more recently, increased competition within some of Ameritas' core businesses, group dental and vision and individual life insurance, and economic pressures due to the prolonged lower interest rate environment.

Ameritas' overall capitalization is strong, on both an absolute and risk-adjusted basis, with very low financial leverage, below-average intangible assets and a generally conservative investment posture supporting its high-quality balance sheet. The organization maintains a conservative investment profile and low exposure to below-investment-grade bonds relative to industry norms. A.M. Best notes that the group has a slightly higher exposure to mortgages and real estate-related assets as a percentage of its capital and surplus, relative to similarly-rated peers. However, impairments related to these asset classes have been modest. Ameritas' business profile is bolstered by its diversified sources of revenue and earnings from its array of product offerings, including individual life insurance, annuities and disability income insurance; group dental, vision and hearing; retirement plans; mutual funds and other investment programs. The company is strongly positioned as a top-five provider of group dental and vision, which has historically produced favorable operating results. Furthermore, Ameritas' operations have been



# Best's Rating Report

more centered on products that are considered more creditworthy. Ameritas' market position within the U.S. life insurance arena has generally remained steady, and recent sales growth has remained in line with industry averages with a focus on traditional and indexed universal life products. The group's favorable business profile is complemented by a unified branding strategy, improved economies of scale and a broad product portfolio.

Consistent with the industry, Ameritas' earnings have been pressured in recent periods due to spread compression. In addition, Ameritas' Calvert operations, which add diversity to the overall organization, have been hindered by investors' movement away from active investment managers to passive investment managers. A.M. Best believes that Ameritas' retirement plans segment lacks some scale and remains challenged to reverse the negative net flows recently experienced. A.M. Best believes the group may find it tough to materially grow future earnings due to the low interest rate environment and the competitive challenges in many of the company's core business lines as the U.S. market continues to mature and consolidate. Additionally, A.M. Best notes that Ameritas recently reported volatility regarding mortality that impacted the profitability of its life business in 2015. A.M. Best believes that a key factor in improving operating returns will be Ameritas' ability to continue to reduce unit costs within the life and annuity lines through strong organic growth and additional technological investments. Moreover, Ameritas needs to continue to build scale and improve its competitive position within the retirement plans segment. Other concerns include Calvert Investments, Inc.'s challenges to generate positive net flows and consistently grow assets under management, as the economy slowly recovers, and continued competition in Ameritas' group dental business from other large national players.

Factors that could result in positive rating movement of the ratings include a trend of increasing statutory return on equity. Factors that may result in negative rating movement include a substantial decline in risk-adjusted capitalization or deterioration in operating results (excluding surplus strain).

## FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
03/02/16	A	03/22/13	A
02/06/15	A	03/14/12	A
03/28/14	A		

## KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital					Net Income
		Capital Surplus Funds	Asset Valuation Reserve	Net Premiums Written	Net Invest Income	Net Income	
2011	104,643	36,595	257	71,562	2,995	-9,813	
2012	122,311	33,515	375	71,387	4,196	-4,231	
2013	1,112,345	81,806	2,225	285,024	17,851	-45,840	
2014	1,128,779	86,923	3,290	95,311	31,898	-3,922	
2015	1,149,733	65,803	4,270	100,833	34,637	-17,063	

(\* ) Within several financial tables of this report, this company is compared against the Individual Life Composite.

(\* ) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

## BUSINESS PROFILE

Ameritas Life Insurance Corp. of New York (ALICNY), a stock life insurance company domiciled in the State of New York, is a wholly owned subsidiary of Ameritas Life Insurance Corp. (Ameritas Life). Effective October 1, 2011, First Ameritas Life Insurance Corp. of New York changed its name to Ameritas Life Insurance Corp. of New York. In addition, the home office moved from Suffern, New York to New York City. The company's insurance operations consist of life, annuity, disability income, and group dental and vision products issued in the state of New York. Excluding modco reinsurance premium income, ordinary life insurance comprises almost half of net premiums with group health representing approximately one-quarter and annuities (both group and individual) representing roughly thirty percent. A substantial portion of the company's dental premium is marketed by two unrelated outside entities.

In 2010, the company's Board of Directors approved a new plan of operation which was filed with the NY Department of Financial Services (DFS) that outlines a new strategy for the company to be the sole writer of new offerings of insurance products in the state of New York for Ameritas. Several years later, in 2013, the Board approved a Restated Plan of Operations which was filed with DFS that outlines a plan to enter into a series of reinsurance transactions with its affiliate, Union Central Life Insurance Company (Union Central), as part of that company's strategy to voluntarily surrender its New York license. These actions have resulted in increased expenses and new business strain on new product sales. Union Central was merged into Ameritas Life in July of 2014. A.M. Best anticipates that Ameritas Life will continue to provide the necessary capital to the company in future periods to cover this strain, as needed.

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

Ameritas Life Group (Ameritas) offers a broad array of insurance and financial products and services to individuals, families and businesses. The group has four main business segments: Individual, Group, Financial and Retirement Plans. The core financial strength of Ameritas Mutual Holding Company lies within its insurance companies, Ameritas Life Insurance Corp. (Ameritas Life) and Ameritas Life Insurance Corp. of New York (ALICNY). The July 2014 merger of affiliates Acacia Life Insurance Company and The Union Central Life Insurance Company into Ameritas Life allowed the organization to better meet the insurance and financial services needs of customers under a single and growing national Ameritas brand. Additionally, in March of 2016, Ameritas completed its acquisition of Security American Financial Enterprises, Inc. including its insurance subsidiaries of Security Life Insurance Company of America and Security Health Insurance Company of New York further expanding Ameritas' distribution and customer base.

**Scope of Operations:** Ameritas' individual division includes the individual life, annuity and disability income product lines offered by its core insurance entities. Life insurance products are well diversified and include traditional whole life, term insurance, universal life, variable universal life, and indexed universal life. In December 2015, the company announced an acquisition of several blocks of whole life insurance, with life insurance in force of \$2.1 billion. Total life insurance in force, excluding the acquisition, also increased



# Best's Rating Report

from 2014. Annuity product lines include traditional fixed annuities, indexed annuities and variable annuities (VAs). Several years ago, Ameritas introduced a VA guaranteed lifetime withdrawal benefit rider to meet the needs of baby boomers as they move into the retirement phase. In response to the uncertain market environment, the company reduced benefits, increased fees and limited investment options in its variable annuity product line. The group also restricted distribution access to broker/dealers. Disability income products include non-cancellable policies, guaranteed renewable policies, and business overhead expense policies. Individual products are marketed in all 50 states and the District of Columbia using a multi-channel platform which includes core general agencies, captive agencies and strategic alliances. The company currently remains focused on increasing the productivity of its existing field force and expanding the number of producers. The individual division's earnings continue to represent a material portion of Ameritas' consolidated results.

Ameritas' innovative group dental products include its Dental Rewards product, which offers a rollover benefit maximum to its plan participants. Dental Rewards has been a highly successful product for the group and is complemented by the FUSION product, which combines dental and vision benefits. Another innovative product introduction for Ameritas was offering LASIK coverage as a rider to its dental product, the first in the industry. In 2015, Ameritas introduced Ameritas Rewards which allows plan participants to use unused dental maximums for vision and hearing needs. The company's dental franchise continues to be a major contributor to earnings, supported by its efficient cost structure, dental block consolidation expertise, flexible product design, persistency and excellent customer service as evidenced by Ameritas earning their ninth Center of Excellence award from BenchmarkPortal. The group's extensive dental database, which is utilized in pricing, product development and claims management, is crucial to facilitating favorable underwriting results. These competitive advantages continue to allow Ameritas and its partnerships to compete effectively in the increasingly competitive group market. The recent acquisition of Security American and its affiliated companies will further strengthen the company's productivity in the market. Finally, captive distribution within the group division consists of approximately 91 sales associates operating within 30 regional sales offices nationwide, and a number of strategic partnership alliances, third party administrators and brokerage general agency channels. In addition to dental and vision, Ameritas offers a hearing product to complement its current group product portfolio. In 2015, the group division contributed roughly 21% of pre-tax GAAP pre-tax operating earnings to Ameritas.

The main component of the company's financial division is Calvert Investments, Inc. (Calvert). Calvert had approximately \$12.1 billion in AUM at year-end 2015, a decrease of roughly \$1.3 billion from prior year-end, driven by economic headwinds. Calvert offers a broadly diversified portfolio of short-term bonds, equity and long-term bond mutual funds. Calvert has a strong retirement emphasis with a meaningful portion of its assets under management (AUM) from retirement plans invested across various Calvert funds, and also offers various institutional investment products.

The retirement plans segment markets group annuities to the small and mid-sized 401(k) employer market (under 250 employees) and offers products on both a bundled and unbundled basis.

## TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		Reinsurance Prem Assumed	
	(\$000)	(% Chg)	(\$000)	(% Chg)
Ending				
2011	71,480	140.8	1,019	3.3
2012	73,668	3.1	1,026	0.7
2013	92,838	26.0	260,062	999.9
2014	114,053	22.9	2,211	-99.1
2015	123,972	8.7	-520	-99.9
5-Yr CAGR	...	33.1	...	-99.9

Period	Reinsurance Prem Ceded		NPW & Deposits	
	(\$000)	(% Chg)	(\$000)	(% Chg)
Ending				
2011	937	27.3	71,613	138.5
2012	3,307	252.9	71,934	0.4
2013	64,631	999.9	286,875	298.8
2014	20,953	-67.6	103,634	-63.9
2015	23,886	14.0	103,241	-0.4
5-Yr CAGR	...	100.5	...	28.0

**Territory:** The company is licensed in New York.

**Business Trends:** A.M. Best notes that Ameritas' growth in ordinary life sales has been trending above industry averages in recent years. In 2015, Ameritas' annuity sales increased 6% compared to flat industry growth. This increase was driven by a 14% growth in indexed annuities. The individual division has grown life insurance in force in 2015 and has continued to grow new customers who purchased a life or disability income insurance policy or annuity contract.

Historically, the group division's dental revenue has outpaced industry sales results with double-digit growth rates. Ameritas' dental sales growth trends have historically been strong, particularly within dental PPO, where it maintains a strong and growing dental provider network. The division has reported favorable trends in annualized premium and premium equivalents and serves over 6 million people across the nation.

Consolidated net premium written growth was driven materially by recent acquisitions in ordinary life and dental and vision plans. As such, ordinary life policies and reserves increased accordingly, and total life insurance in force was in excess of \$90 billion at year-end 2015.

Year-end 2015 AUM in the retirement plans division increased to nearly \$4.3 billion. Sales, AUM and earnings have risen modestly in recent periods after experiencing a general decline in prior years due to the financial crisis and the uncertain economic environment. Additionally, through a nationwide network of financial advisors, Ameritas Investment Corp. grew to nearly \$4.4 billion in AUM and launched a series of technological enhancements to better serve the diverse investment needs of individuals and families.

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## 2015 BY-LINE BUSINESS (\$000)

Product Line	—DPW—		Reinsurance —Prem Assumed—		Year	Whole Life & Endow.	Term	Credit	Group	Industrial	Total Insurance Issued	Non- Par (%)	Par (%)
	(\$000)	(%)	(\$000)	(%)									
Ordinary life	68,559	55.3	3,484	-99.9	2011	481,148	626,723	...	...	...	1,107,871	83.0	17.0
Individual annuities	3,732	3.0	-1,435	275.9	2012	355,153	730,757	...	...	...	1,085,910	89.0	11.0
Group annuities	20,564	16.6	-4,756	914.8	2013	355,965	676,363	...	...	...	1,032,327	88.0	12.0
Individual A&H	4,045	3.3	1,323	-99.9	2014	444,548	660,741	...	...	...	1,105,290	87.0	13.0
Group A&H	27,072	21.8	864	-99.9	2015	402,769	1,073,747	...	...	...	1,476,516	93.0	7.0
<b>Total</b>	<b>123,972</b>	<b>100.0</b>	<b>-520</b>	<b>100.0</b>									

## NEW LIFE BUSINESS ISSUED (\$000)

Product Line	Reinsurance —Prem Ceded—		—NPW—		Year	Ord. Lapse Ratio	Renew Premium Persist	Average Ord. Policy (in dollars)		Avg Prem (\$/M)	Ist Yr Total Prem	Ist Yr Comm/ Prem	Gen. Exp./ Policies In Force
	(\$000)	(%)	(\$000)	(%)				Issued	In Force				
Ordinary life	22,162	92.8	51,148	50.7	2011	14.9	43.9	430,074	372,653	21.52	88.8	10.7	999.90
Individual annuities	...	...	2,297	2.3	2012	7.0	21.3	386,033	374,072	15.56	37.8	24.6	999.90
Group annuities	...	...	15,808	15.7	2013	14.3	164.8	378,975	307,327	12.10	28.2	21.2	365.73
Individual A&H	1,724	7.2	3,644	3.6	2014	3.8	95.4	359,210	310,679	6.90	22.1	25.8	444.58
Group A&H	...	...	27,936	27.7	2015	9.5	81.0	467,252	318,928	6.69	20.5	26.2	430.56
<b>Total</b>	<b>23,886</b>	<b>100.0</b>	<b>100,833</b>	<b>100.0</b>									

## ORDINARY LIFE STATISTICS

Product Line	Reinsurance —Prem Ceded—		—NPW—		Year	Ord. Lapse Ratio	Renew Premium Persist	Average Ord. Policy (in dollars)		Avg Prem (\$/M)	Ist Yr Total Prem	Ist Yr Comm/ Prem	Gen. Exp./ Policies In Force
	(\$000)	(%)	(\$000)	(%)				Issued	In Force				
Ordinary life	22,162	92.8	51,148	50.7	2011	14.9	43.9	430,074	372,653	21.52	88.8	10.7	999.90
Individual annuities	...	...	2,297	2.3	2012	7.0	21.3	386,033	374,072	15.56	37.8	24.6	999.90
Group annuities	...	...	15,808	15.7	2013	14.3	164.8	378,975	307,327	12.10	28.2	21.2	365.73
Individual A&H	1,724	7.2	3,644	3.6	2014	3.8	95.4	359,210	310,679	6.90	22.1	25.8	444.58
Group A&H	...	...	27,936	27.7	2015	9.5	81.0	467,252	318,928	6.69	20.5	26.2	430.56
<b>Total</b>	<b>23,886</b>	<b>100.0</b>	<b>100,833</b>	<b>100.0</b>									

## BY-LINE RESERVES (\$000)

Product Line	2015	2014	2013	2012	2011	Year	Number of Policies		First Year Premium (000)	Gen'l Exp/ Reserves (%)	Return on Reserves (%)
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)		Issued	In Force			
Ordinary life	450,520	419,373	384,205	51,980	43,709	2011	2,576	4,222	30,044	21.51	-17.09
Individual annuities	136,669	138,057	144,401	9,119	8,385	2012	2,813	6,576	14,478	19.33	-6.40
Group annuities	326,633	318,778	326,488	1,745	554	2013	2,724	33,244	15,711	3.16	-7.73
Deposit type contracts	4,062	4,186	1,039	469	0	2014	3,077	33,794	15,069	3.58	-1.89
Individual A&H	29,754	29,293	30,426	75	-15	2015	3,160	33,787	14,026	3.23	-2.02
Group A&H	800	843	759	660	335						
<b>Total</b>	<b>948,438</b>	<b>910,528</b>	<b>887,316</b>	<b>64,050</b>	<b>52,968</b>						

## INDIVIDUAL ANNUITY STATISTICS

Year	-Ordinary Policies-		-Group Policies-		-Group Certificates-		Year	NPW (000)	Res (000)	Exp to Res(%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	Issued	In Force	Issued	In Force	Issued	In Force							
2011	2,576	4,222	...	...	...	...	2011	4,567	8,385	2.8	8.9	2.1	1.2
2012	2,813	6,576	...	...	...	...	2012	2,042	9,119	2.4	15.8	51.7	11.6
2013	2,724	33,244	...	...	...	...	2013	52,728	144,401	0.2	1.0	17.0	6.2
2014	3,077	33,794	...	...	...	...	2014	2,320	138,057	0.5	43.9	681.2	11.4
2015	3,160	33,787	...	...	...	...	2015	2,297	136,669	0.5	43.5	695.5	11.7

## LIFE POLICIES STATISTICS

Year	-Ordinary Policies-		-Group Policies-		-Group Certificates-		Year	NPW (000)	Res (000)	Exp to Res(%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	Issued	In Force	Issued	In Force	Issued	In Force							
2011	2,576	4,222	...	...	...	...	2011	4,567	8,385	2.8	8.9	2.1	1.2
2012	2,813	6,576	...	...	...	...	2012	2,042	9,119	2.4	15.8	51.7	11.6
2013	2,724	33,244	...	...	...	...	2013	52,728	144,401	0.2	1.0	17.0	6.2
2014	3,077	33,794	...	...	...	...	2014	2,320	138,057	0.5	43.9	681.2	11.4
2015	3,160	33,787	...	...	...	...	2015	2,297	136,669	0.5	43.5	695.5	11.7

## LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds		Term	Credit	Group	Industrial	Total Insurance In Force	Year	NPW (000)	Res (000)	Exp to Res(%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	Term	Group												
2011	723,201	850,141	...	...	...	...	1,573,342	2011	9,870	554	130.5	8.3	6.3	111.5
2012	994,559	1,465,339	...	...	...	...	2,459,897	2012	7,625	1,745	53.6	13.7	14.8	64.5
2013	3,936,107	6,280,686	...	...	...	...	10,216,793	2013	148,157	326,488	0.6	1.8	15.0	6.8
2014	4,185,885	6,313,188	...	...	...	...	10,499,072	2014	10,242	318,778	0.9	36.3	588.3	18.9
2015	4,289,022	6,486,607	...	...	...	...	10,775,629	2015	15,808	326,633	0.9	25.3	351.5	17.0

## GROUP ANNUITY STATISTICS

Year	Whole Life Endow. & Adds		Term	Credit	Group	Industrial	Total Insurance In Force	Year	NPW (000)	Res (000)	Exp to Res(%)	Comm & Exp to NPW (%)	Benefits & Wdrwls to NPW (%)	Benefits & Wdrwls to Res (%)
	Term	Group												
2011	723,201	850,141	...	...	...	...	1,573,342	2011	9,870	554	130.5	8.3	6.3	111.5
2012	994,559	1,465,339	...	...	...	...	2,459,897	2012	7,625	1,745	53.6	13.7	14.8	64.5
2013	3,936,107	6,280,686	...	...	...	...	10,216,793	2013	148,157	326,488	0.6	1.8	15.0	6.8
2014	4,185,885	6,313,188	...	...	...	...	10,499,072	2014	10,242	318,778	0.9	36.3	588.3	18.9
2015	4,289,022	6,486,607	...	...	...	...	10,775,629	2015	15,808	326,633	0.9	25.3	351.5	17.0

# Best's Rating Report

## TOTAL ANNUITY ACTUARIAL RESERVES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res (000)	Min or No Surrender Charge (%)	With Surrender Charge 5% or more (%)	With MVA (%)	No Surrender Allowed (%)
2011	8,940	100.0	...	...	...
2012	10,865	73.6	15.5	6.6	4.4
2013	470,889	94.4	0.8	3.4	1.4
2014	456,835	94.0	0.8	3.7	1.4
2015	463,303	94.0	1.0	3.3	1.7

## SEPARATE ACCOUNT DATA

	2015	2014	2013	2012	2011
Sep Acct Assets	35,615	27,937	20,512	15,288	8,653
% Growth	27.5	36.2	34.2	76.7	999.9
S/A Assets/Adm Assets	3.1	2.5	1.8	12.5	8.3
Sep Acct Reserves	35,615	27,937	20,512	15,288	8,653
% Ordinary Life	0.4	0.5	0.6	0.7	0.9
% Individual Annuities	0.4	0.5	0.9	1.3	2.4
% Group Annuities	99.2	98.9	98.5	98.1	96.6
S/A Prens & Deposits	14,797	9,062	4,678	6,748	9,706
% Ordinary Life	0.1	0.1	0.2	0.1	0.1
% Group Annuities	99.9	99.9	99.8	99.9	99.9
Sep Acct Fees & Charges	329	269	198	136	57
% Ordinary Life	0.3	0.4	0.4	0.5	1.0
% Individual Annuities	0.5	0.7	1.1	1.8	4.4
% Group Annuities	99.1	98.9	98.5	97.7	94.5
Fees & Chgs to Assets%	1.0	1.1	1.1	1.1	1.3
Sep Acct Ben & Wdrwls	6,096	3,050	2,164	1,049	598
% Ordinary Life	...	0.0	0.0	0.0	...
% Individual Annuities	0.2	1.4	1.6	3.0	1.2
% Group Annuities	99.8	98.6	98.4	97.0	98.8
Ben & Wdrwl to Assets%	19.2	12.6	12.1	8.8	13.4

distribution arrangements. Its market position has been achieved through organic growth, selective block acquisitions and multiple distribution partnering arrangements.

Calvert Investments (Calvert) is a leading investment management company in the responsible investing category. Calvert's investment processes are conservatively structured for the long term and positioned to produce an efficient return that seeks to meet their clients' risk/return profile. The Calvert Research System is a comprehensive, ESG research platform that seeks to understand the full set of impacts that a company has on society and the environment. Additionally, Calvert believes in being an active shareholder focused on engagement and advocacy designed to foster progress. Lastly, Calvert offers shareholders direct impact with innovative high social impact investing opportunities. Calvert offers a broad array of equity, bond, and asset allocation strategies, both active and passive, and serves financial advisors and their clients, retirement plans and insurance carriers, and institutional investors. Strategies are available through mutual funds, sub-advisory services, and separate account management.

While the overall scale of the retirement plans division is currently modest, Ameritas has been increasingly focused on expanding its business profile within certain segments of the retirement savings arena. This includes small employers (with defined contribution plans with assets under management of \$3 million or less), local governments (i.e., 401(a) and 457(b) plans), and plan sponsors seeking to limit fiduciary liability. A.M. Best believes that the U.S. retirement market is maturing and represents one of the more profitable segments within the U.S. life and annuity market requiring increased scale and superior risk management capabilities to compete effectively.

Ameritas is a mid-tier player in the individual life and annuity market. The individual division offers a diversified portfolio of whole life, term, universal life, variable universal life, traditional fixed annuities, indexed annuities and individual disability income (DI) products. DI business is reinsured on a coinsurance basis (35% of earned premium) with carriers assuming equal portions in excess of the first \$5,000 of monthly benefit. A.M. Best believes the individual and retirement plans businesses are integral to Ameritas' future growth strategy. In recent periods, the company has experienced a noticeable increase in sales of indexed universal life insurance as well as fixed-indexed annuities.

**Market Share/Market Presence:** A.M. Best believes that Ameritas has strong franchises in group dental and through its Calvert Funds as well as an established presence in the life and annuity markets. The company's offerings are diverse by product as well as by geographic region, which has become even further diversified over the last five year period.

Per LIMRA, Ameritas enjoys a top-5 position in new sales of group dental products. On a nationwide basis, the company offers a competitive suite of limited scope health benefits products including dental, vision and hearing insurance. The group division has an insured base of over 6 million participants and contributed roughly 21% to Ameritas' 2015 consolidated pre-tax GAAP operating earnings. The segment's participating provider organization (PPO) panel has approximately 406,000 provider access points covering over 2.5 million employee lives. The organization's group products are sold through a multiple distribution strategy which includes its captive distribution for Ameritas, a leading provider of group dental indemnity, PPO, voluntary and individual dental products and services; and its partnering

## GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS (\$000)

	2015	2014	2013	2012	2011
New York	110,824	106,808	81,344	68,943	68,304
Connecticut	2,526	2,645	1,690	1,221	479
New Jersey	2,341	3,583	2,859	853	718
Florida	2,293	1,613	852	234	181
Ohio	1,344	1,164	663	73	163
Texas	727	1,073	803	61	41
Aggregate Alien	555	1,343	565	42	22
California	477	239	129	157	156
Utah	470	312	209	9	11
Pennsylvania	393	369	281	169	249
All Other	2,488	2,057	951	1,044	819
Total	124,437	121,206	90,345	72,804	71,143

# Best's Rating Report

## OPERATING PERFORMANCE

**Operating Results:** ALICNY posted net operating losses in recent periods due to new business strain from new sales and expenses associated with Ameritas' new strategy of writing all new business in the state of New York through ALICNY and having Union Central surrender its New York license. The group health line has historically been the primary source of earnings for the group while the ordinary life line has generally posted operating losses over the last five year period due to strain and the lack of scale in this line of business. Annuities have generally comprised only a modest amount of premiums, but increased noticeably starting in 2011 resulting in an operating loss due to the new business strain.

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

Ameritas has a diversified earnings profile, consisting of the group's insurance and financial services businesses. Within insurance, earnings are further diversified between individual life, annuity, disability income and group dental & vision, with the largest percentage driven by the individual segment. For 2015, each division's GAAP pre-tax operating earnings approximate contributions were as follows: individual (57%), group (21%), financial (8%), retirement plans (4%) and corporate (10%). The company reported consolidated GAAP net income of \$111.1 million for 2015, up slightly from \$109.6 million for 2014. Consolidated net income continues to reflect a moderate amount of volatility in the company's individual and group segments within certain products lines.

On a comparative basis, 2015 GAAP pre-tax operating earnings for the individual division (life, annuity and disability insurance) increased to \$75.6 million from \$62.3 million in the prior year. The increase in earnings was due to modest top-line growth in life business reflecting increased premium offset by lower net investment income as a result of market-to-market adjustments on hedging instruments. Segment results were impacted by unfavorable morbidity in disability income and increased mortality in addition to continued spread compression in its fixed annuity and interest-sensitive life lines of business. Expenses were well managed for the segment and in line with prior year, and below expectations. 2014 results were affected by actuarial impacts from assumption unlocking reserve adjustments and software conversions.

The group division's GAAP pre-tax operating results were down slightly from prior year at \$27.3 million year-end 2015 compared to \$33.1 million in the prior year. Recent results reflected a decline in dental premiums and increased operating expenses reported for the segment as in the prior year. 2014 results benefited from favorable morbidity which was offset by higher expenses and the impact of the Affordable Care Act (ACA) insurer fee on the business. In 2015, the vision business within the segment reported top-line growth which was partially offset by increased expenses and a slight uptick in loss ratio. The group division continues to be pressured by the evolving healthcare environment as well as increased competition in the market.

The financial division, which includes broker/dealer, mutual funds and investment advisory operations, reported GAAP pre-tax operating earnings of \$10.5 million as of year-end 2015 compared to \$9.9 million in the prior year. Results reflect a decline in Calvert's assets under management of \$1.3 billion

compared to prior year as well as expenses related to strategic initiatives at the Calvert operations.

The retirement plan division's GAAP 2015 pre-tax operating earnings, primarily attributable to its annuity business, were favorable to prior year, reflecting modest top-line growth and favorable net benefits. Interest spreads reported were favorable and net investment income exceeded prior year modestly. 2014 results were impacted by higher net deferred acquisition costs (DAC) related changes, partially offset by continued expense management efforts. Recent years have been impacted in general by a drop in market values, a decline in sales and lower persistency.

Finally, the corporate division's reported 2015 GAAP pre-tax operating earnings declined from prior year-end, reflecting declining net investment income on surplus. GAAP pre-tax operating earnings increased as of year-end 2014, benefiting from lower expenses related to the company's pension plan and corporate projects, as well as enhanced net investment income.

The statutory results exclude the financial services businesses and consist of the following statutory reporting entities: Ameritas Life and Ameritas Life of NY (as well as the recently acquired Security American entity and its affiliates). The Acacia Life and Union Central operations were merged into Ameritas Life on July 1, 2014. On a statutory basis, Ameritas reported a material decline in pre-tax net operating income, primarily driven by the impact of the whole life blocks which were coinsured in late 2015. Ameritas incurred a \$49.3 million commission and expense allowance as a result of the whole life coinsurance agreements. Not accounting for this impact, the individual life business reported a loss of \$2 million driven by unfavorable mortality. Individual annuity business reported a decline in profitability due to the impact of mark-to-market adjustments on guaranteed lifetime withdrawal benefits (GLWB) for the company's variable annuity business. Individual disability business reported favorable results relative to prior year, reflecting a decline in the loss ratio. 2015 statutory operating results also reflected pressure in the group division related to increased distribution costs and operating expenses, offset by favorable morbidity.

Ameritas' net operating gains were favorable in 2014 compared to prior year. Results reflected increased net premiums written, which included modco reinsurance premium income. Results also reflected favorable growth in net investment income which was offset by less favorable underwriting results reported. The company's individual premiums continue to lag behind prior year, due to macroeconomic pressures. However, the group segment reported favorable growth in its core dental and vision business. A.M. Best notes that the level of general expense reported relative to net premiums was favorable to prior years, reflecting successful expense control efforts.

In 2013, Ameritas reported a significant decline in pre-tax operating earnings (from \$99.8 million in 2012 to \$58.4 million at year-end 2013) due to statutory strain and increased mortality in the ordinary life insurance line of business and the impact from derivatives used as a hedge for the GMWB rider and index products relative to incremental reserves. This was partially offset by increased income on excess surplus. A.M. Best expects statutory earnings may be pressured in the near-term due to the competitive market and economic environment, but over time will benefit from organic growth, achievement of scale and further expense efficiencies.



# Best's Rating Report

## PROFITABILITY ANALYSIS (\$000)

Period	Company			
	Pre-tax Net Oper Income	Net Operating Gain	Net Income	Total Return
Ending				
2011	-9,924	-9,789	-9,813	-9,813
2012	-4,269	-4,186	-4,231	-4,231
2013	-20,346	-45,713	-45,840	-45,571
2014	-11,565	-3,480	-3,922	-3,863
2015	-22,279	-16,593	-17,063	-17,538
5-Yr Total	-68,383	-79,762	-80,868	-81,017

Period	Company		Industry Composite	
	Operating ROR (%)	Operating ROE (%)	Operating ROR (%)	Operating ROE (%)
Ending				
2011	-13.1	-23.5	5.4	7.2
2012	-5.4	-11.9	6.1	7.0
2013	-14.5	-79.3	8.4	9.3
2014	-2.1	-4.1	12.9	13.0
2015	-9.9	-21.7	5.8	8.8
5-Yr Avg	-9.9	-27.0	7.5	9.2

## PROFITABILITY TESTS

Year	Comm &				Operating Return on Equity	Net Yield	Pre-tax Invest Total Return
	Ben Paid to NPW & Dep	Exp to NPW & Dep	NOG to Tot Assets	NOG to Tot Rev			
2011	28.4	29.2	-11.1	-13.1	-23.5	3.79	3.75
2012	57.8	30.8	-3.7	-5.4	-11.9	4.41	4.42
2013	24.4	10.0	-7.4	-14.5	-79.3	3.08	3.14
2014	127.8	32.9	-0.3	-2.1	-4.1	3.04	2.98
2015	122.2	32.6	-1.5	-9.9	-21.7	3.26	3.11
5-Year Avg	61.3	21.9	-2.6	-9.9	-27.0	3.19	3.13

(\*) Pre-Tax Invest Total Return quarterly calculation based on more limited quarterly data - see Calculation Specifications.

## NET OPERATING GAIN (\$000)

Product Line	2015	2014	2013	2012	2011
Ordinary life	-9,082	-7,935	-29,693	-3,325	-7,470
Individual annuities	-1,287	2,259	-5,271	343	-991
Group annuities	-5,851	2,056	-10,836	-514	-454
Individual A&H	-1,155	-668	-2,187	-710	-379
Group A&H	638	686	211	709	825
Other	143	122	2,063	-688	-1,319
Total	-16,593	-3,480	-45,713	-4,186	-9,789

## ACCIDENT & HEALTH STATISTICS (\$000)

Year	Net Premiums Written	Net Premiums Earned	Loss Ratio	Exp. Ratio	Underwriting Results
	2011	23,877	23,763	74.0	24.1
2012	26,146	25,898	72.1	28.4	-207
2013	27,467	27,099	185.8	29.6	-31,359
2014	29,656	29,601	75.5	29.9	-1,617
2015	31,581	31,639	81.6	27.1	-2,611
Current Year Experience:					
Group	27,934	27,977	75.0	22.1	913
Non-can.	3,118	3,137	135.3	71.5	-3,338
Guarant renew	409	405	130.3	27.5	-235
Other	120	120	40.0	18.7	50

## INVESTMENT GAINS (\$000)

Year	Company			Unrealized Capital Gains		
	Net Inv Income	Realized Capital Gains	Pre-tax Invest Total Return (%)			
2011	2,995	-23		...		
2012	4,196	-45		...		
2013	17,851	-127		269		
2014	31,898	-442		58		
2015	34,637	-470		-476		
5-Year Total	91,578	-1,107		-148		
Industry Composite						
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2011	57.7	3.8	3.8	3.8	5.4	5.3
2012	40.1	4.4	4.4	4.4	-6.8	5.0
2013	325.4	3.1	3.1	3.1	3.9	5.3
2014	78.7	3.0	3.0	3.0	15.7	5.9
2015	8.6	3.3	3.2	3.1	-11.7	5.0
5-Yr Avg	55.6	3.2	3.2	3.1	0.8	5.3

(\*) Pre-Tax Invest Total Return quarterly calculation based on more limited quarterly data - see Calculation Specifications.

## BALANCE SHEET STRENGTH

**Capitalization:** ALICNY is well capitalized for its current level of insurance and investment risks and has reported a material increase in its capital and surplus over the past five year period. Capital and surplus had been declining primarily due to net losses as a result of statutory strain and increased expenses associated with Ameritas' new business strategy of writing all business in the state of New York through ALICNY and additional required reserves. A.M. Best believes that Ameritas Life will continue to support ALICNY both financially and strategically.



# Best's Rating Report

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

Capital and surplus have increased in recent years primarily driven by solid operating results and favorable equity markets. However, as of year-end 2015, surplus declined materially, reflecting the statutory impact of the December 2015 coinsurance treaty for several whole life blocks of business as well as impact of unrealized losses tied to market volatility. Stockholder dividends of \$60 million were paid over the past three years to Ameritas Holding Company and increases in non-admitted assets and other charges against surplus further impacted capital and surplus levels. On a qualitative basis, the group's strong capitalization levels are complemented by favorable financial measures including low financial leverage, solid interest coverage, moderate intangibles-to-equity and the hidden value inherent in its ownership of Calvert. A. M. Best considers the company to be more than adequately capitalized relative to its investment and insurance risks, and anticipates favorable trends in the near to medium term.

**Current BCAR: 350**

## CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Surplus Growth			
	Pre-Tax Net Adjusted Gain	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2011	-9,924	-23	-135	...
2012	-4,269	-45	-82	...
2013	-20,346	-127	25,367	269
2014	-11,565	-442	-8,085	58
2015	-22,279	-470	-5,686	-476
5-Yr Total	-68,383	-1,107	11,379	-148

Year	Source of Surplus Growth			
	Change in AVR	Other Changes	Change in C&S	% Chg in C&S
2011	-99	-371	-10,283	-21.9
2012	-118	1,269	-3,080	-8.4
2013	-1,850	95,712	48,291	144.1
2014	-1,065	10,046	5,117	6.3
2015	-979	-2,603	-21,120	-24.3
5-Yr Total	-4,111	104,054	18,926	7.0

## QUALITY OF SURPLUS (\$000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2011	...	...	39,359	-2,764
2012	...	...	40,285	-6,770
2013	...	...	130,293	-48,487
2014	...	...	140,293	-53,370
2015	...	...	140,293	-74,490

Year	Year-End C&S	Asset Valuation Reserve	Adjusted C&S
2011	36,595	257	36,852
2012	33,515	375	33,890
2013	81,806	2,225	84,031
2014	86,923	3,290	90,214
2015	65,803	4,270	70,073

## LEVERAGE ANALYSIS

Year	Company				-Industry Composite-	
	C&S to Liab(%)	Surplus Relief(%)	NPW & Dep to Total Capital	Change in NPW & Dep(%)	C&S to Liab(%)	Surplus Relief(%)
2011	62.3	0.9	1.9	138.5	14.6	2.7
2012	46.3	5.5	2.1	0.4	17.8	2.3
2013	8.3	2.9	3.4	298.8	18.0	2.7
2014	8.9	3.5	1.1	-63.9	17.7	2.5
2015	6.7	5.3	1.5	-0.4	17.7	2.8

## CEDED REINSURANCE ANALYSIS

Year	Company							-Industry Composite-	
	Face Amount Reins Ceded	Affil Reins Rec/C&S	Unaffil Reins Rec/C&S	Total Reins Rec/C&S	Surplus Relief	Reins Leverage	Total Reins Rec/C&S	Reins Leverage	
2011	527,840	...	0.0	0.0	0.9	7.1	2.2	70.2	
2012	1,427,456	...	0.3	0.3	5.5	21.5	2.2	74.2	
2013	5,925,631	0.4	8.5	8.9	2.9	198.3	2.2	86.4	
2014	5,835,798	0.9	3.6	4.5	3.5	177.0	2.4	93.4	
2015	6,076,834	0.5	7.9	8.4	5.3	252.4	2.4	100.8	

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

**Liquidity:** The group's overall liquidity is supported by positive net cash flows from its diversified business mix and access to a committed, but fully outstanding, bank line at Ameritas Life. In addition, Ameritas Life is a member of the Federal Home Loan Bank system which provides the potential for additional borrowing capacity at a relatively low cost of funds. Finally, liquidity is further enhanced through Ameritas' mutual holding company structure; its very low financial leverage, which includes \$50 million in unaffiliated surplus notes, due 2026, and relatively modest borrowings from a revolving credit facility, as well as the organization's generally lower risk product portfolio.

# Best's Rating Report

## LIQUIDITY ANALYSIS

Year	Company					Delnq & Foreclsd Mtg to Capital
	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Grade Bonds to Capital		
2011	25,482	106.0	146.4	0.7	...	...
2012	6,611	85.1	124.1	1.1	...	...
2013	-25,565	64.8	89.8	11.9	...	...
2014	24,089	59.8	90.4	21.3	...	...
2015	22,693	52.9	87.1	30.4	...	...

  

Year	Company		Industry Composite	
	Mtg & Cred Ten Lns & RE to Cap	Affil Invest to Capital	Quick Liquidity	Current Liquidity
2011	12.6	...	49.7	83.5
2012	24.3	...	47.6	82.3
2013	149.7	...	46.1	81.5
2014	149.1	...	45.1	80.7
2015	210.5	...	44.7	80.3

**Investments:** ALICNY's general account investment portfolio is comprised of fixed income securities (83%), cash and short-term investments (1.5%) and 13.7% direct commercial mortgage loans with only a modest amount of policy loans. The fixed income portfolio is almost 98% investment grade as of year-end 2015.

The following text is derived from A.M. Best's Credit Report on Ameritas Life Group (AMB# 069790).

Ameritas' investment portfolio is managed by Ameritas Investment Partners, an affiliated company. The general account portfolio is concentrated primarily in fixed income securities (approximately 74% on a consolidated basis) and mortgage loans (13%), with the balance invested in common and preferred stock, real estate, alternative investments, policyholder loans and cash and cash equivalents. The fixed income portfolio is comprised of roughly one-fifth structured securities, and includes investments in residential, commercial and other asset-backed securities that are primarily backed by residential mortgages and student loans. A.M. Best notes that exposure to these securities has declined noticeably in recent periods, and the potential for material investment losses in this sector is limited. Bonds are split with three quarters allocated to public, down slightly from prior years and just under one quarter allocated to privates, as of year-end 2015. Relative to similarly-rated peers, Ameritas has below-average exposure to high-yield bonds as a percentage of statutory capital, reflecting its conservative investment philosophy, financial discipline and superior capitalization. Interest rate risk from the mortgage-backed securities portfolio is actively managed by the monitoring of market values and active asset/liability management.

Ameritas' mortgage loan portfolio is geographically diversified and primarily comprised of commercial loans on office, retail, apartments, and industrial buildings. Lending activity is driven by conservative underwriting standards (low loan-to-value, loan size and over sixty percent borrower recourse) and the historical performance has been above average, with only a

modest amount of delinquencies in recent periods. Ameritas' mortgage loan and real-estate related assets, as a percentage of statutory capital, is slightly higher than similarly-rated peers and includes approximately \$205 million of primarily interest-only loans that were transferred to Ameritas' general account from Acacia Federal Savings Bank before its sale in November 2013.

## INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short-Term	—Real Estate—		Invest. Exp. Ratio
						Gross	Net	
2011	3.79	4.59	...	6.03	0.03	...	...	5.10
2012	4.41	4.43	...	4.81	0.00	...	...	3.95
2013	3.08	3.15	...	4.43	0.47	...	...	3.63
2014	3.04	3.05	...	3.98	0.08	...	...	4.35
2015	3.26	3.19	...	4.48	0.02	...	...	4.10

## INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20+	
Government	2.3	4.3	1.7	0.7	0.0	4
Gov't Agencies & Muni	1.3	2.7	3.5	2.0	0.0	7
Industrial & Misc	3.0	34.0	32.3	8.6	2.8	7
Hybrid Securities	0.5	0.2	...	...	0.0	2
Total	7.1	41.2	37.6	11.2	2.9	6

	2015	2014	2013	2012	2011
<b>Bonds (000)</b>	887,428	887,964	839,432	87,059	77,789
US Government	7.7	9.1	9.8	11.2	7.7
Foreign - All Other	18.5	18.3	17.9	16.2	14.9
State/Special Revenue - US	9.6	10.9	11.4	12.0	17.2
Industrial & Misc - US	63.4	60.7	59.8	60.1	59.6
Hybrid Securities	0.7	0.9	1.1	0.5	0.6
Private Issues	23.2	18.7	16.4	16.0	14.6
Public Issues	76.8	81.3	83.6	84.0	85.4

	2015	2014	2013	2012	2011
<b>Bond Quality (%)</b>					
Class 1	61.3	64.6	64.0	57.8	63.6
Class 2	36.3	33.3	34.9	41.8	36.1
Class 3	2.1	2.0	1.0	0.4	0.3
Class 4	0.3	0.1	0.1	...	...
Class 5	0.0	0.0	0.0	...	...
Class 6	0.0	0.0	...	...	...

## INVESTMENTS - MORTGAGE LOANS & REAL ESTATE

	2015	2014	2013	2012	2011
<b>Mortgages (000)</b>	147,483	134,491	125,767	8,231	4,647
Commercial	100.0	100.0	100.0	100.0	100.0

# Best's Rating Report

## INVESTMENTS - OTHER INVESTED ASSETS

	2015	2014	2013	2012	2011
Other Inv Assets (000)	41,250	44,309	80,647	5,002	9,790
Cash	7.3	-4.6	14.6	30.7	68.4
Short-Term	30.6	48.6	55.5	27.9	16.9
Schedule BA Assets	2.4	...	...	...	...
All Other	59.8	56.0	29.9	41.4	14.8

## HISTORY

Date Incorporated: 04/01/1993 Date Commenced: 05/17/1994

Domicile: NY

Merger: Ameritas Bankers Assurance Company, New York, 1997.

## MANAGEMENT

**Officers:** Chairperson, JoAnn M. Martin; President, Treasurer and Chief Executive Officer, William W. Lester (Corporate); Executive Vice Presidents, Karen M. Gustin (Group Division), Tim L. Stonehocker; Senior Vice President and Chief Financial Officer, Robert C. Barth; Senior Vice President and Chief Investment Officer, James Mikus; Senior Vice President and Chief Information Officer, Richard Wiedenbeck; Senior Vice President and Chief Risk Officer, Susan K. Wilkinson; Senior Vice President and Chief Marketing Officer, Brent F. Korte; Senior Vice President, Secretary and General Counsel, Robert-John H. Sands; Senior Vice Presidents and Chief Actuaries, Robert M. Jurgensmeier (Individual), Linda A. Whitmire (Corporate), Kelly J. Wieseler (Group); Senior Vice President and Chief Human Resource Officer, Rande G. Manley; Senior Vice Presidents, James J. Barone (Group Business Development & MGA Distribution), Ryan C. Beasley (Shared Agency Distribution), Bret L. Benham (Retirement Plans), Patrick D. Fleming (Group National Accts & Key Partnering Relationships), Cheryl L. Heilman (Individual Operations), Bruce E. Mieth (Group Operations), Lisa A. Mullen (Individual Financial Operations), Steven J. Valerius (Individual Division), Paul G. Wesling (Individual DI Product Management).

**Directors:** Robert C. Barth, Robert K. Crandall, Karen M. Gustin, Robert J. Lanik, William W. Lester, JoAnn M. Martin (Chair), Tim L. Stonehocker.

## REGULATORY

An examination of the financial condition is being made as of December 31, 2012, by the insurance department of New York. The 2015 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Linda A. Whitmire, Senior Vice President & Chief Actuary, Corporate.

**Reserve basis:** (Current ordinary business): 2001 CSO 3.5%; Net Level and CRVM, GL43 VACARVM. (Current deferred annuity business): A-2000 3.5% (Current SPIA business): Individual 2012 IAR valuation rates from 2.00% - 2.60%.

## REINSURANCE

The company maintains reinsurance treaties with several reinsurance companies for ceding excess risks for its individual insurance line. Maximum

net retention is \$2,000,000 with retention graded down for ages over 66 and ratings over table A for individual contracts. Business is also ceded for group contracts. For disability income, \$5,000 of the monthly benefit is retained for non-cancellable and guaranteed renewable policies, and \$15,000 of the monthly benefit is retained for business overhead expense policies.

## FINANCIAL INFORMATION BALANCE SHEET (\$000) - YE 2015

Assets		Liabilities	
Total bonds	887,428	+Net policy reserves	943,613
Mortgage loans	147,483	Policy claims	4,474
Contract loans	23,790	Deposit type contracts	4,062
Cash & short-term inv	15,612	Interest maint reserve	26,072
Premis and consids due	6,710	Comm taxes expenses	1,805
Accrued invest income	9,532	Asset val reserve	4,270
Other assets	23,562	Funds held coinsur	44,918
		Other liabilities	19,100
Tot assets w/o sep accts	1,114,117		
Separate account bus	35,615	Tot liab w/o sep accts	1,048,314
		Separate account bus	35,615
		Total liabilities	1,083,929
		Common stock	2,000
		Paid in & contrib surpl	138,293
		Unassigned surplus	-74,895
		Other surplus	405
Assets	1,149,733	Total	1,149,733

+Analysis of reserves; Life \$444,622; annuities \$445,925; accidental death benefits \$13; disability active lives \$799; disability disabled lives \$1,108; miscellaneous reserves \$21,355; accident & health \$29,790.

# Best's Rating Report

## SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	16,707
Ordinary life	51,148	Annuity benefits	7,052
Individual annuities	2,297	Disability benefits	142
Group annuities	15,808	Surrender benefits	76,778
Acc & health group	27,936	Acc & health benefits	25,336
Acc & health other	3,644	Int on policy funds	98
Total premiums	100,833	Incr life reserves	37,615
Net investment income	34,637	Incr a & h reserves	418
Amort interest maint res	8,004	Res adj reins assumed	-20,347
Comm & exp reins ceded	3,491	Commissions	8,183
Other income	21,196	Comm exp reins assumed	792
Mgt and/or service fee	83	Interest expenses	1,694
		Insur taxes lic & fees	3,183
		General ins expenses	23,315
		Net transf to sep acct	8,623
		Misc operating expense	241
Total	168,245	Total	189,831
Gain from operations before FIT & div to policyholders.....			-21,586
Dividends to policyholders: life.....			693
Gains from operations after dividends to policyholders.....			-22,279
Federal income taxes incurred.....			-5,686
Net gain from operations after FIT and dividends.....			-16,593

## CASH FLOW ANALYSIS (\$000)

### Funds Provided

### Funds Applied

Gross cash from oper	189,377	Benefits paid	126,663
Long-term bond proceeds	110,840	Comm, taxes, expenses	37,003
Mortgage loan proceeds	17,166	Long-term bonds acquired	121,040
Other cash provided	6,440	Mortgage loans acquired	32,013
Deer cash & short-term	3,890	Other cash applied	10,993
Total	327,713	Total	327,713

# Best's Rating Report

## Why is this *Best's*<sup>®</sup> *Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

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