



COLORADO BANKERS LIFE INSURANCE COMPANY

2327 Englert Dr.

Durham, North Carolina 27713

State of Domicile: North Carolina

Incorporated: May 28, 1974

NAIC Company Number: 84786

NAIC Group Code: 4827

Management's Discussion and Analysis
for the year ended December 31, 2017

This discussion provides an assessment by management of the current financial position, results of operations, changes in capital and surplus accounts, and cash flow and liquidity for Colorado Bankers Life Insurance Company. Information presented in this discussion supplements the financial statements, exhibits and schedules in the 2017 Annual Statement.

Colorado Bankers Life Insurance Company

Financial Position

December 31

(in 000's)

	Assets	
	2016	2017
Bonds	\$ 142,754	\$ 655,939
Common Stock	-	319
Policy Loans	5,983	6,712
Cash & Equivalents	38,898	496,711
Short Term Investments	143,168	84,730
Receivable for Securities	<u>21</u>	<u>6,579</u>
Total Invested Assets	330,824	1,250,990
Net Deferred Tax Asset	4,723	1,616
Other Assets	<u>18,507</u>	<u>65,870</u>
Total Assets	<u>\$ 354,054</u>	<u>\$ 1,318,476</u>
	Liabilities	
Policy Reserves	\$ 100,241	\$ 840,364
Other Policy Liabilities	11,428	20,701
Funds Held Under Reinsurance Treaties	178,252	305,156
Amounts Due or Accrued	4,720	28,438
Asset Valuation Reserve	<u>\$ 925</u>	<u>\$ 2,079</u>
Total Liabilities	<u>\$ 295,566</u>	<u>\$ 1,196,738</u>
	Capital and Surplus	
Common Capital Stock	\$ 1,500	\$ 1,500
Preferred Capital Stock	1,000	1,000
Other Than Special Surplus Fund WI	-	11,087
Surplus Notes	9,000	9,000
Gross Paid in and Contributed	26,026	74,791
Unassigned Surplus	<u>20,963</u>	<u>24,359</u>
Total Capital and Surplus	<u>\$ 58,489</u>	<u>\$ 121,738</u>
Total Liabilities and Capital and Surplus	<u>\$ 354,054</u>	<u>\$ 1,318,476</u>

Colorado Bankers Life Insurance Company

Results of Operations

December 31

(in 000's)

	2016	2017
Premiums Earned	\$ 61,696	\$ 783,211
Net Investment Income	14,941	35,154
Other Revenue	<u>4,461</u>	<u>10,215</u>
Total Revenue	81,098	828,580
Benefits Incurred	15,507	23,844
Increase in Policy and Contract Reserves	8,897	732,068
Operating Costs	<u>49,577</u>	<u>57,373</u>
Total Expenses before Taxes	73,980	813,284
Income (Loss) before Income Taxes and Capital Gains (Losses)	<u>\$ 7,118</u>	<u>\$ 15,296</u>
Federal Income Tax Expense/(Benefit)	<u>2,161</u>	<u>10,508</u>
Income (Loss) before Capital Gains (Losses)	<u>\$ 4,957</u>	<u>\$ 4,788</u>
Net Realized Capital Gains (Losses)	<u>-</u>	<u>9,760</u>
Net Income (Loss)	<u>\$ 4,957</u>	<u>\$ 14,548</u>

Colorado Bankers Life Insurance Company

Cash Flow and Liquidity

December 31

(in 000's)

Operations

	2016	2017
Premiums Received (Paid)	\$ 61,586	\$ 783,630
Investment Income Received	8,985	26,197
Other Income Received	589	6,634
Claims Paid	(15,894)	(15,832)
Federal and Foreign Income Taxes Paid	(82)	-
Operating Expenses Paid	<u>(48,051)</u>	<u>(73,114)</u>
 Net Cash from Operations	 <u>\$ 7,131</u>	 <u>\$ 727,516</u>

Investment Activities

Proceeds from Sale or Maturity of Long Term Invested Assets	\$ 270,837	\$ 358,928
Gain from Cash and Short Term Investments	-	10,746
Cost of Long Term Investments Acquired	(254,668)	(866,945)
Other Decreases	<u>(870)</u>	<u>(730)</u>
 Cash used in Investment Activities	 <u>\$ 15,299</u>	 <u>\$ (498,000)</u>

Financing Activities

Capital Paid In	\$ -	\$ 35,000
Other - Net Cash Provided	<u>15,310</u>	<u>134,860</u>
 Cash Provided by Financing Activities	 <u>\$ 15,310</u>	 <u>\$ 169,860</u>
 Net Increase (Decrease) in Cash and Short Term Investments	 <u>\$ 37,741</u>	 <u>\$ 399,376</u>

Colorado Bankers Life Insurance Company

Company Overview

Global Bankers Insurance Group (Global Bankers) is part of Eli Global LLC, a privately-held consortium of over 100 businesses serving the needs of our clients in industries in over 15 different sectors including insurance, technology, healthcare services, and financial services. Founded in 1991, Eli Global has approximately 7,500 people working in more than 20 countries.

Global Bankers is the managing company for a family of insurance and reinsurance companies located across the U.S. and abroad. We specialize in all forms of life and annuity products. Our portfolio of companies includes both direct writing insurance entities and reinsurance companies. Our goal is to optimize and expand our portfolio of insurance companies, while profitably growing our premium base through traditional as well as innovative insurance sales, reinsurance transactions, acquisitions and hybrid structures.

At Global Bankers, we're unique, innovative, and agile. We can move quickly on the front-end of a process, yet we are patient and make long-term investments focused on capital generation. In addition to our agile model, we can generate solid investment returns through our proprietary investment platform. We are also investing in technology to help make our insurance operations efficient and consumer friendly.

Global Bankers continues to deliver on a unique investment strategy with sustainable and profitable growth. We've committed to a buy-and-hold philosophy that judiciously empowers our member companies by increasing their yield while managing existing assets diligently. All our member companies are highly capitalized.

Colorado Bankers Life Insurance Company (the Company) is one of the member insurance companies of Global Bankers. The Company is a stock life insurance company and is a wholly owned subsidiary of GBIG Holdings, Inc. SNA Capital, LLC owns 100% of GBIG Holdings, Inc and Greg E. Lindberg owns 100% of SNA Capital, LLC.

The Company operates in two business segments – Life & Worksite products and annuity products. Life & Worksite products are distributed on a general agency basis and annuity products are currently distributed primarily through financial institutions. In November 2017 the Company launched a suite of Multi-Year Guaranty Annuities and is actively working to expand to additional distribution partners for this product line.

The primary focus for worksite business has historically been on federal, state and local government employees where products are sold either at home or at the worksite. The Company continues to increase its focus on direct individual markets to reduce concentration risks with the military and postal markets.

The Company offers a portfolio of voluntary benefit plans to individuals or through payroll deductions to employer groups. Worksite products include an individual critical illness policy, that pays a percentage of term life insurance benefit upon the diagnosis of a specified critical illness; a

permanent whole life insurance policy, designed to cover final expenses; a modified whole life policy and a ten-year renewal level term policy, both of which include a flexible premium deferred annuity rider; an individual accident only policy; and an individual health-based critical illness policy.

Significant Events

In 2017 the Company had a number of significant transactions that are highlighted below.

Effective May 15, 2017, the Company entered into a reinsurance agreement with Nederlandsche Algemeene Maatschappij Van Levensverzekering "Conservatrix" N.V, a public limited liability company incorporated under the laws of the Netherlands (Ceding Company). The Company assumed insurance policies in force as of March 31, 2017 on an excess of loss basis.

Effective June 30, 2017, the Company entered into a reinsurance agreement with Bankers Life Insurance Company (BLIC, Ceding Company). The Company assumed on a co-insurance basis the retained Annuity contracts of BLIC issued in all states except the State of Florida.

In the second quarter of 2017 the Company received Additional Paid in Surplus of \$35M to support the reinsurance agreements noted above.

Effective July 1, 2017, the Company entered into a reinsurance agreement with Grange Life Insurance Company (Ceding Company). The Company assumed on a co-insurance basis, certain annuity policies issued from 1984 through 2014 as per the reinsurance agreement.

Effective November 1, 2017, the Company began selling Multi-Year Guaranteed Annuities (MYGA) and during the final 2 months of 2017, generated \$187 million of paid premium in the new MYGA products.

Effective December 1st, 2017, the Company entered into a reinsurance agreement with Motorists Life Insurance Company (Ceding Company). The Company assumed on a co-insurance basis, certain annuity policies as per the reinsurance agreement.

Effective December 31st, 2017, the Company entered into a reinsurance agreement with Bankers Reinsurance Company LTD (Retrocessionaire). The Company ceded the insurance policies in force as of March 31, 2017 which were assumed from Nederlandsche Algemeene Maatschappij Van Levensverzekering "Conservatrix" N.V, a public limited liability company as per the Funds withheld Retrocession agreement.

Financial Condition

Assets

Total assets increased \$964M during 2017. The following table shows the various components of the change in the Company's total assets:

	2016	2017	\$ Change	% Change
Bonds	142,754	655,939	513,185	359%
Common Stock	-	319	319	
Policy Loans	5,983	6,712	729	12%
Cash	26,403	142,482	116,079	440%
Cash Equivalents	12,495	354,229	341,734	2735%
Short Term Investments	143,168	84,730	(58,438)	-41%
Receivables for Securities	21	6,579	6,558	
Total Invested Assets	330,824	1,250,990	920,166	278%
Net Admitted Deferred Tax Assets	4,723	1,616	(3,107)	-66%
Other Assets	18,507	65,870	47,363	256%
Total Assets	354,054	1,318,476	964,422	272%

The significant increase in assets is due to the various reinsurance deals noted above, as well as sales and capital contributions. As of December 31, 2017, the Company had 46% of its invested assets in cash and short-term investments, much higher than the target asset allocation. This was due to the inflow of significant cash in the 4th quarter from the reinsurance deals and annuity sales. The Company is redeploying this in early 2018 to reach its targeted asset mix.

The Company continues to look for shorter duration NAIC 1 and NAIC 2 investment opportunities that meet the Company's yield targets and cash will be deployed as these investment opportunities are identified. Cash equivalents represent investments in commercial paper.

Liabilities

Liabilities increased \$901M during 2017 primarily due to the various reinsurance deals in 2017 that accounted for \$658M of reserves at the end of the year and \$187M of annuity sales after the launch of the new MYGA products. The table below shows reserves as of December 31, 2017 for the reinsurance transactions completed in 2017.

<i>millions</i>	<u>Reserve</u>
Bankers Life Insurance Co	364
Conservatrix	122
Grange Life Insurance Co	55
Motorists Life Insurance Co	<u>117</u>
	658

Capital and Surplus

The Company's total capital and surplus increased \$63M during 2017 to a balance of \$122M. Growth was from Paid in Capital of \$49M (\$35M cash contribution and \$15M from elimination of tax liabilities under the tax sharing agreement), Net Income of \$15M, and Deferred Gain on the ceding commission from Bankers Re of \$11M, partially offset by unrealized foreign exchange capital losses (\$6M) which are offset in net income (capital neutral), lower net deferred income tax (\$3M), and amortization of IMR (\$1M).

Management intends to maintain a Company Action Level (CAL) RBC ratio of 450%. The current ratio is well above that level, but it is anticipated that this will come down toward the target as capital is required to support new product growth. The Company will act as needed to support sales growth and maintain the targeted 450% RBC.

Summary of Operations

Excluding realized gains and losses, the Company had pre-tax income of \$15.3M in 2017 compared to pre-tax income of \$7.1M in 2016. The primary drivers of the increase were favorable mortality experience and spread income on annuities. The increase occurred in spite of \$5M in non-core items including ceding commissions paid to Grange and Motorist, as well as new business strain from \$187M of annuity premium partially offset by \$17M ceding commission received from Bankers Re. \$6M of the Bankers Reinsurance ceding commission was recognized in 2017 with the remaining \$11M being deferred.

Statement of Cash Flows

Net cash, cash equivalents and short-term investments increased by \$399M during 2017. The majority of this increase is due to significant cash inflows late in the year from annuity sales and assumed reinsurance. As mentioned earlier, a large portion of this was redeployed early in 2018 to shift toward the Company's target asset allocation. The Company has a very strong cash position and is well positioned to handle policyholder and other obligations as they come due. The short duration of our current investment portfolio also adds to the Company's ability to meet maturing

obligations. Cash flows from normal operations have remained consistently strong and management does not anticipate having any cash flow constraints in the foreseeable future.

	2016	2017
Net Cash from Operations	7,131	727,516
Cash used in Investment Activities	15,299	(498,000)
Cash Provided by Financing Activities	<u>15,310</u>	<u>169,860</u>
Net Increase (Decrease) in Cash and Short Term Investments	\$ 37,741	\$ 399,376

Liquidity and Capital Resources

The Company has been very successful at managing the business for profitability and capital growth. As previously indicated, the company expects to receive capital contributions in 2018 to support growth in sales and is committed to maintaining a CAL RBC ratio of 450%.

The Company also has a well-capitalized parent that can be a source of liquidity in an unusual, unforeseen circumstance but management does not anticipate any such circumstances.

Management intends to increase sales activity in 2018, in an effort to build future profits. Sales activity will be closely monitored to manage both capital and current period profit.

The Company does not have material commitments for capital expenditures at this time.

There are no off-balance sheet items which exist for Colorado Bankers Life Insurance Company.