



# 2018

## Annual Report



# Report from 2018



2018 was a year of transition for National Guardian Life Insurance Company (NGL) and its subsidiaries in a number of ways. A new president and chief executive officer was selected by the board of directors at the end of 2018 in preparation for the retirement of Mark L. Solverud, who currently serves as CEO Emeritus until he retires at the end of April 2019. Knut A. Olson is now the president and chief executive officer of NGL and all of its subsidiaries. He will provide for you his background and perspective in the second part of this report.

The difficult decision was made in 2018 to eliminate the sale of final expense products through NGL's subsidiary, Settlers Life Insurance Company. The company itself continues to exist but the final expense products are no longer being marketed. The administration of the in force policies is being transferred from Bristol, Virginia to NGL's corporate headquarters in Madison, Wisconsin. We were unable to achieve both the sales level and profit target established for this operation. This change has a positive effect on NGL as more resources and capital may now be devoted to marketing other lines of business.

Overall NGL had very solid sales and financial results for 2018. Another sales record was achieved in 2018. Strong sales is key to preserving the long term financial strength of the company for the benefit of all policyholders. Total sales for 2018 were \$838 million, which is an increase of approximately 7% over 2017. The 2018 sales results contributed to the growth of the consolidated statutory assets of NGL to a record \$4.5 billion as of the end of 2018.

Our largest sales area is our Preneed line of business. Preneed is life insurance used to fund pre-arranged funeral contracts. Sales in this line for 2018 were \$452 million which was almost identical to the results of 2017. We have a significant market share in the preneed market, and the market as a whole is not growing significantly. While demographics are positive for the funeral industry in the next several decades, the rapid growth in cremations over traditional burials puts downward pressure on preneed sales volume. Therefore, we do not expect our sales to increase significantly each and every year. Of course we continue to seek additional growth where possible.

We are developing and marketing other types of insurance products through our Individual Life and Annuity line of business. Sales were strong in this area, totaling \$137 million. This was up by 16% over 2017. Significant sales were achieved in both single premium life insurance and single premium immediate annuities. Both of these products assist seniors in their estate planning.



We will soon be introducing a hybrid type of life insurance that includes a chronic illness rider that has appeal for those concerned about long term care costs but do not want, or cannot afford, traditional long term care insurance.

Sales of final expense insurance products, through our subsidiary Settlers Life Insurance Company, totaled \$11.0 million which was level with 2017. Final expense insurance is basic insurance coverage for individuals to help offset funeral and other end-of-life expenses. As indicated previously, this level is not sufficient to maintain our activity in this market. While the market is large and important, there are many companies pursuing this market and margins have been driven to levels that are challenging for most companies.

Sales in our Group Markets line of business (group accident and health) totaled \$237 million, an increase of 16% over 2017. Over \$100 million of this business is group dental and vision coverages sold through the workplace. Another \$90 million is student accident and health business marketed by our subsidiary Commercial Travelers Life Insurance Company, located in Utica, New York. Various other product types are being pursued or considered to expand Group Markets.

Strong net income and growth in surplus are also necessary to maintain NGL's financial strength. On a consolidated statutory basis, NGL had a net gain in 2018 of \$37 million which is a very solid result given the pressure that low investment rates continue to place on our operating performance. As a result, capital and statutory surplus rose 2.6% to \$363 million as of year-end. This is a very secure level given the group's size, asset quality and business mix. These financial indicators reflect a financially strong company, as does NGL's A- (Excellent) rating from A.M. Best Company, the leading provider of ratings and financial data for the insurance industry.

The actions we take each year are done with our policyholders' interests first and foremost in mind. As a mutual company we are not owned by stockholders but instead exist to serve our policyholders. We are extremely grateful for all of you who place your trust in NGL and its subsidiaries. We thank you sincerely for your business. We are also grateful for all of those who serve our policyholders, including our thousands of sales representatives, more than 400 employees, our board of directors and others associated with NGL in any way. Thank you all for helping to make our company successful.

For more information we invite you to visit our website at [www.nglic.com](http://www.nglic.com).



Mark L. Solverud

Chief Executive Officer Emeritus



# Report from the President



NGL had a strong 2018 under Mark Solverud's leadership. The company has grown to new heights and is poised to continue to deliver value to you, our policyholders, for years to come.

I am joining NGL after spending the last 28 years in both the field and home offices of other large insurers in both the U.S. and Canada. It has been my privilege to have always worked for insurers that, like NGL, are owned by and managed for the benefit of its policyholders.

As I embark on my time leading NGL, please be assured that maintaining a healthy, growing company that is able to meet and exceed your expectations and fulfill the promises we have made will always be my top priority.

A handwritten signature in black ink that reads "Knut A. Olson".

Knut A. Olson  
President & Chief Executive Officer



*Knut A. Olson, NGL President & CEO with Mark L. Solverud, NGL CEO Emeritus.*



# Board of Directors



**Elizabeth M. Burns**  
President & Chief  
Executive Officer  
Morgan Murphy Media  
Cave Creek, AZ &  
Madison, WI



**Amie T. Goldman**  
Chief Strategy Officer  
Quartz Health Solutions  
Madison, WI



**F. Curtis Hastings**  
Retired Chairman  
J.H. Findorff & Son Inc.  
Madison, WI



**Erik S. Johnson**  
Chairman & Chief  
Executive Officer  
Hy Cite Enterprises  
Madison, WI



**David W. Kruger**  
Chairman & Chief  
Executive Officer  
Fiore Companies  
Madison, WI



**John D. Larson**  
Chairman Emeritus  
& Retired Chief  
Executive Officer  
National Guardian Life  
Insurance Company  
Madison, WI



**Knut A. Olson**  
President & Chief  
Executive Officer  
National Guardian Life  
Insurance Company  
Madison, WI



**Daniel P. Olszewski**  
Director  
Weinert Center for  
Entrepreneurship at  
UW-Madison  
Madison, WI



**Mark L. Solverud**  
Chief Executive Officer  
Emeritus  
National Guardian Life  
Insurance Company  
Madison, WI



**David G. Walsh**  
Chairman, Attorney &  
Retired Partner  
Foley & Lardner LLP  
Madison, WI



**Judith B. Ward**  
Senior Consultant  
AGB Search  
Washington, D.C.



**Gary J. Wolter**  
Chairman, Retired  
President & Chief  
Executive Officer  
MGE Energy, Inc. & MGE  
Madison, WI



# Consolidated Financial Statements

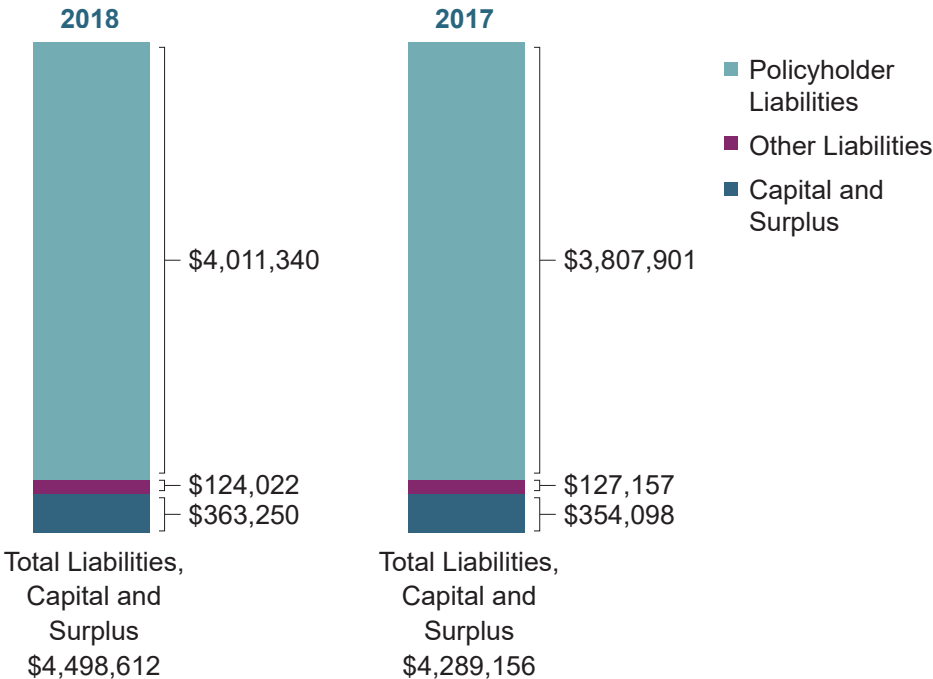
## Summary of Financial Position

Consolidated Statutory Basis (in thousands)

### Assets

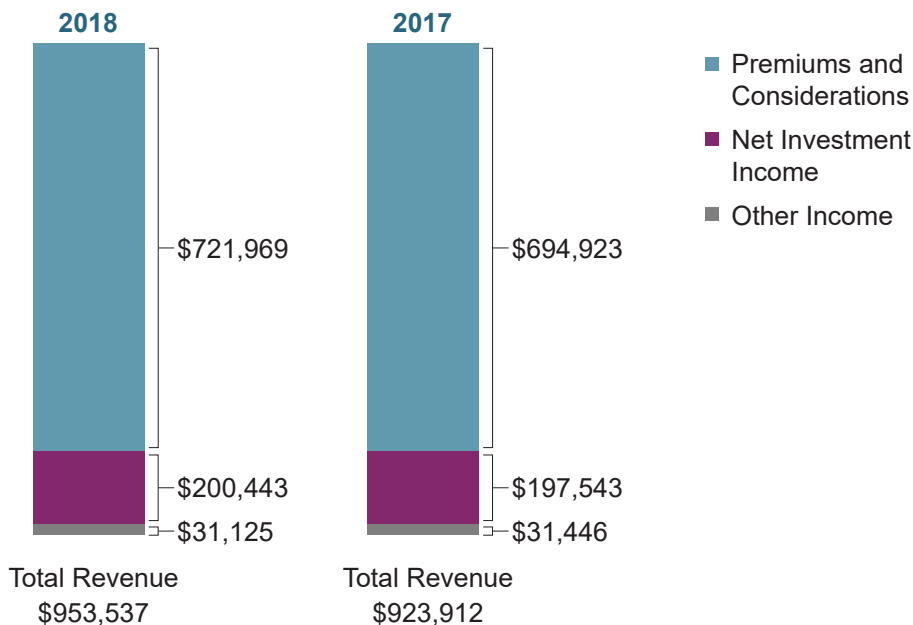
	2018	2017
Bonds .....	<b>\$3,847,007</b>	\$3,602,364
Mortgage Loans.....	<b>106,346</b>	105,121
Cash and Short-Term Investments.....	<b>151,006</b>	183,313
Other Invested Assets .....	<b>245,668</b>	252,697
Other Assets .....	<b>148,585</b>	145,661
<b>Total Assets .....</b>	<b>\$4,498,612</b>	\$4,289,156

### Liabilities, Capital and Surplus



## Summary of Operations

Consolidated Statutory Basis (in thousands)



	2018	2017
Total Revenue.....	<b>953,537</b>	923,912
Policy Benefits.....	<b>663,350</b>	635,407
Commissions and Operating Expenses .....	<b>236,587</b>	230,561
Net Gain Before Income Taxes.....	<b>53,600</b>	57,944
Income Taxes .....	<b>18,014</b>	19,590
Net Gain from Operations.....	<b>35,586</b>	38,354
Capital Gains (Losses) .....	<b>1,407</b>	(323)
Net Income .....	<b>\$36,993</b>	\$38,031

**Basis of Presentation:** These statements reflect management's presentation of the consolidated financial condition of National Guardian Life Insurance Company and its results of operations in accordance with statutory accounting principles.



# Senior Officers

## **Knut A. Olson**

President & Chief Executive Officer

## **Mark L. Solverud**

Chief Executive Officer Emeritus

## **Executive Vice President**

### **Robert A. Mucci**

Treasurer & Director of Corporate Services

## **Senior Vice President**

### **Nancy L. Stoddard**

Chief Actuary

## **Vice Presidents**

### **Tracy K. Bredeson**

Director of Human Resources

### **Stephanie A. Ek**

Director of Administration Services

### **Patrick M. Juarez**

Director of Specialty Insurance Markets

### **Derek J. Metcalf**

Chief Financial Officer

### **Elinor E. Munsayac**

Director of Information Services

### **Steven M. Phelps**

Director of Preneed Marketing

### **Deirdre K. Ragan**

Director of Technology & Program Management

### **Kimberly A. Shaul**

General Counsel & Corporate Secretary

### **Carl M. Wackerle**

Individual Life & Annuity Sales

### **Robert R. Walkowiak**

Director of Corporate Risk Management

## **National Guardian Life Insurance Company**

Commercial Travelers Life Insurance Company

Preneed Reinsurance Company of America

Settlers Life Insurance Company

All ratings are current as of 02/21/19.

National Guardian Life Insurance Company is not affiliated with  
The Guardian Life Insurance Company of America, a/k/a The Guardian or Guardian Life.

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