STATE OF MISSOURI

DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of American Financial Security Life Insurance Company for the period ended December 31, 2024, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Angela L. Nelson, Director, Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, history, corporate records, management and control, territory and plan of operations, accounts and records, financial statements, comments on the financial statements, subsequent events and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of American Financial Security Life Insurance Company as of December 31, 2024, be and is hereby ADOPTED as filed and for American Financial Security Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement and verify compliance with each item mentioned in the Comments on the Financial Statement and/or Summary of Recommendations section of such report; and (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 29th day of June, 2026.

Angela L. Nelson, Director
Department of Commerce and Insurance

REPORT OF
FINANCIAL EXAMINATION OF

AMERICAN FINANCIAL SECURITY LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2024

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
May 27, 2026

Honorable Angela L. Nelson, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Nelson:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

American Financial Security Life Insurance Company (NAIC #69337)

hereinafter referred to as such, as AFSLIC, or as the Company. Its administrative office is located at 152 West 57th Street, 37th Floor, New York, New York, 10019, telephone number 561-756-8130. The fieldwork for this examination began on October 1, 2025, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of American Financial Security Life Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2018, through December 31, 2020. The current examination covers the period of January 1, 2021, through December 31, 2024, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (*Handbook*), except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to AFSLIC included Capital and Surplus, Investments, Related Party, Reinsurance, Reserves/Claims Handling, and

Underwriting. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in section 374.205 of the Revised Statutes of Missouri (RSMo) (Examination, director may conduct, when…) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

In the previous AFSLIC examination report, there was a significant finding related to AFSLIC's history of reporting errors on quarterly and annual statements filed with the NAIC and the Department. The current examination also identified significant errors in the financial statement filings for each year under examination. These errors were the result of the Company's failure to follow NAIC Annual Statement instructions and the incorrect application of the *Statements of Statutory Accounting Principles (SSAP*), particularly *SSAP Number 5 – Liabilities, Contingencies, and Impairments of Assets*, *SSAP Number 15 – Debt and Holding Company Obligations*, and *SSAP Number 25 – Affiliates and Other Related Parties*. Several of the reporting errors are summarized in the Comments on Financial Statement Items section of this examination report. The errors were considered material in the aggregate and resulted in examination adjustments that resulted in a net decrease to surplus of $6.204 million as of December 31, 2024. See the "FINANCIAL STATEMENT CHANGES RESULTING FROM FINANCIAL EXAMINATION" section of this report for additional details.

Additionally, AFSLIC failed to comply with section 382.195.1, RSMo (Prohibited transactions, exceptions) and section 376.295.1 (Additional prohibited acts – authorized transactions) by inappropriately engaging in transactions with its direct parent, American Financial Security Holding, Inc. (AFSH). These issues of non-compliance are summarized in the "COMMENTS ON FINANCIAL STATEMENT ITEMS" section of this report and the "Intercompany Transactions" subsection of this report.

AFSLIC also failed to comply with sections 382.100 to 382.180, RSMo, in that it failed to file a complete annual registration statement (Forms B and C) in 2024. Additional details related to this issue of non-compliance are included under the "Holding Company, Subsidiaries, and Affiliates" subsection of this report.

COMPANY HISTORY

General

The Company commenced business on July 23, 1957, under the name of Survivor's Benefit Insurance Company. On December 1, 1981, the Company's name was changed to Penn Diversified Insurance and Annuity Company, and on May 17, 1989, the name was changed to its current name of American Financial Security Life Insurance Company. The Company was placed in court-ordered rehabilitation on March 30, 1993, where it remained until the order was terminated and the Company was placed into administrative supervision on November 22, 2005.

The Company was purchased out of administrative supervision on November 20, 2005, by ACA Assurance and was subsequently sold in 2008 to AFSH, a Delaware-domiciled holding company jointly owned by Carol and Michael Sonnenberg as majority shareholders. The Company currently operates as a stock life insurance company under Chapter 376 RSMo (Life, Health and

Accident Insurance).

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions, or other major corporate events during the examination period.

Dividends and Capital Contributions

The Company did not pay any dividends or receive any capital contributions during the examination period. However, in 2025, AFSLIC received a capital contribution of $500,000 from AFSH.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors (Board) that is elected by the stockholder. The Company's Bylaws specify that the number of Directors shall not be less than nine, nor more than ten. The Board consisted of eight members instead of the required minimum of nine members as of December 31, 2024. The Directors elected and serving as of December 31, 2024, were as follows:

Name and Address	Principal Occupation and Business Affiliation
Michael Sonnenberg New York, New York	President and Co-Owner American Financial Security Holdings, Inc.
Michael Camilleri Boca Raton, Florida	President and Chief Executive Officer AFSLIC
John Maloney Boca Raton, Florida	Chief Financial Officer AFSLIC
James Pickens Maumelle, Arkansas	Attorney/President Mike Pickens Law Firm
Eric Serna Santa Fe, New Mexico	President Global Financial Strategies, LLC
Melinda Green Deltona, Florida	Secretary AFSLIC
Carol Sonnenberg New York, New York	Co-Owner American Financial Security Holdings, Inc.
A. Robert Del Giacco Coral Springs, Florida	Broker/Owner Cornerstone Realty Consultants, LLC

Senior Officers
The officers elected and serving, as of December 31, 2024, were as follows:

Name	**Office**
Michael Camilleri	President and Chief Executive Officer
John Maloney	Chief Financial Officer
Melinda Green	Secretary
Robert Pillartz	Chief Operating Officer

Principal Committees
The Company's Bylaws grant the Board authority to establish one or more committees. As of December 31, 2024, the Board of Directors had established an Investment Committee and an Audit Committee.

Corporate Records
The Company's Articles of Incorporation (Articles) and Bylaws were reviewed. There were no revisions to either document during the examination period; however, the Articles were amended on February 9, 2026, to update the mailing and statutory addresses to match the Company's current operations. The minutes of the Board of Directors, Shareholders, Investment Committee, and Audit Committee were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates
AFSLIC is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo (Definitions). As such, the Company is required to file an annual registration statement (Forms B and C) in accordance with sections 382.100 through 382.180, RSMo and 20 *Code of State Regulations* (*CSR*) 200-11.101(11) & (12). These filings are due on May 1st annually. As of the date of this report, AFSLIC has yet to provide the Department with the holding company's 2024 financial statements, resulting in a "failure to file" in accordance with section 382.180, RSMo (Failure to file registration statement, summary, or enterprise risk report a violation). As such, AFSLIC is in violation of sections 382.100 through 382.180 RSMo. AFSLIC's initial Form B and C filings were incomplete for each year under examination. Additionally, the Form B and C filings regularly contained numerous errors and inconsistencies with other information provided by the Company.

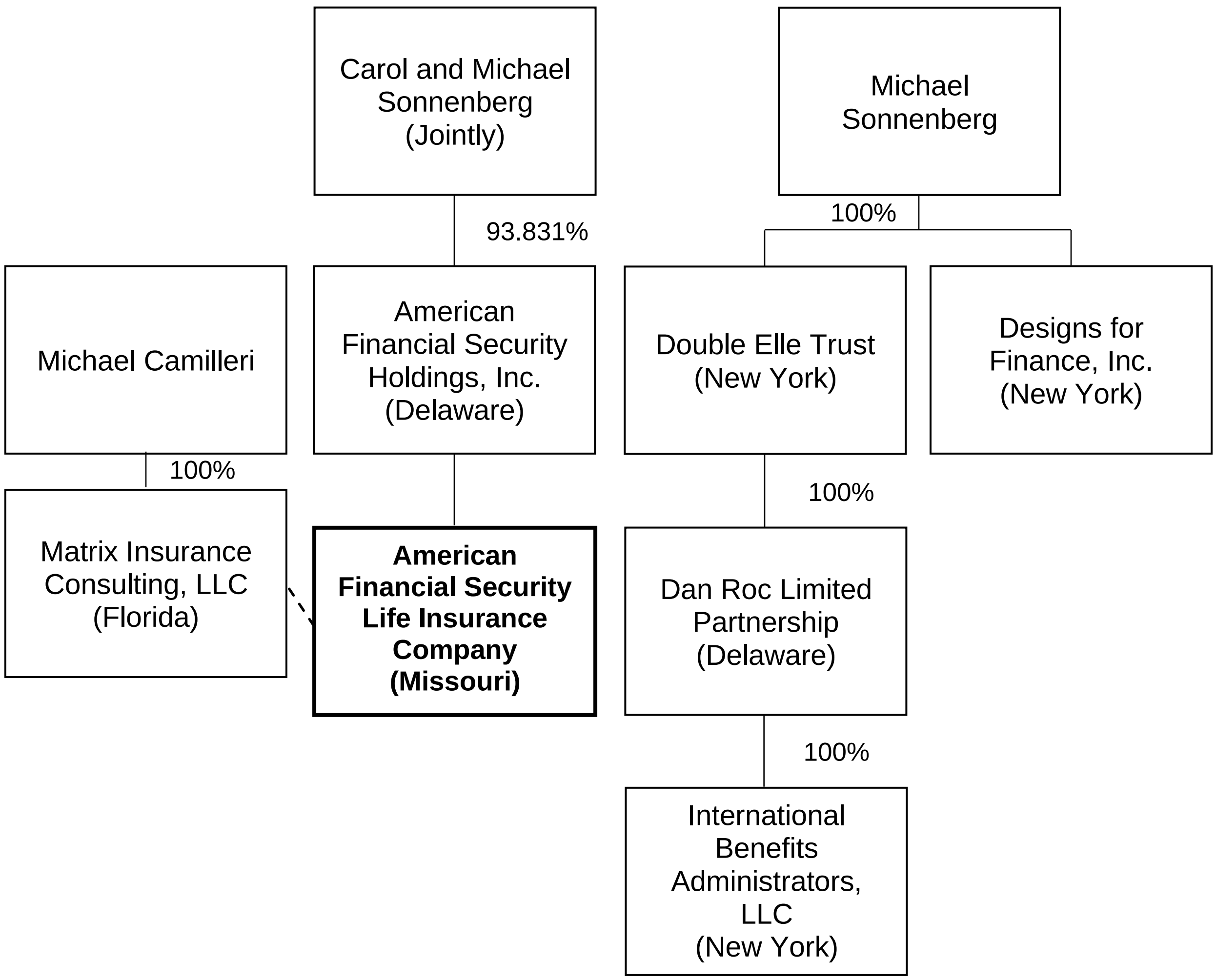
As of December 31, 2024, the ultimate controlling person(s) of AFSLIC are Michael and Carol Sonnenberg, through their 93.831% ownership of AFSH.

AFSLIC is affiliated with International Benefits Administrators, LLC (IBA) of Garden City, New York, by way of common ownership. IBA is a third-party administrator that performs claims processing services for AFSLIC pursuant to a written agreement between the two entities. Michael and Carol Sonnenberg also own various other non-insurance company entities that do not have direct associations with AFSLIC.

The Company is also affiliated with Matrix Insurance Consulting, LLC (Matrix Consulting) of Boca Raton, Florida Matrix Consulting is 100% owned by Michael Camilleri, who also serves as the President, Chief Executive Officer, and Director of AFSLIC. Matrix Consulting provided management and administrative services for AFSLIC from 2008 until the contract was terminated effective December 31, 2021.

Organizational Chart

The following organizational chart, as provided by the Company, depicts the applicable portion of the holding company group as of December 31, 2024. The chart depicted below does not include several non-insurer companies that are owned or controlled by the ultimate controlling persons.



According to Schedule Y, Part 1 of AFSLIC's 2024 Annual Statement and the organizational chart submitted with AFSLIC's 2024 Form B, Carol and Michael Sonnenberg own 93.831% of American Financial Security Holdings, Inc. However, per a compilation prepared by a Certified Public Accountant (CPA) for the Sonnenbergs, Carol Sonnenberg is the sole owner of the 93.831% interest in AFSH. After reviewing all available information, the examination team concluded that Michael and Carol Sonnenberg share the 93.831% ownership interest in AFSH. Subsequent to the examination period, there was a change in the ownership percentages of AFSH. See the "SUBSEQUENT EVENTS" section of this examination report for details related to this change.

Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2024. A brief description of these agreements is as follows:

Claims Services Agreement: Effective May 6, 2010, IBA agreed to provide claims administration services for policies issued by AFSLIC. These administration services include adjustment, management, handling, oversight, and payment of claims.

Facilities Use Agreement: Effective April 1, 2019, AFSLIC and AFSH agreed to share expenses of the Company's New York office based on a time and space allocation percentage.

During the previous examination period, AFSLIC failed to comply with section 382.195, RSMo (Prohibited transactions, exceptions), by inappropriately engaging in transactions with affiliated entities without prior approval from the Department. In April of 2022, the Division of Insurance Company Regulation (Division) of the Department initiated an administrative proceeding against AFSLIC by filing a Verified Statement of Charges alleging violations of several laws and regulations, including the inappropriate transactions with affiliates. The Division and AFSLIC resolved the proceedings after corrective actions were taken by AFSLIC. A summary of the violations and related corrective actions specific to inappropriate transactions with affiliates is provided below:

- **AFSH Management Agreement**: On its 2019 Form B, AFSLIC reported that its parent, AFSH, was providing administrative, financial, management and marketing services to AFSLIC. AFSLIC did not obtain prior approval for this transaction from the Department as required by section 382.195, RSMo (Prohibited transactions, exceptions). During 2021, AFSH returned to AFSLIC $360,000 in funds received under this Management Agreement that was not approved by the Department.
- **Loan:** In accordance with a promissory note signed by Mr. Sonnenberg for AFSLIC's parent, AFSH, on December 1, 2020, AFSLIC loaned $1.3 million to AFSH without obtaining prior approval from the Department as required by section 382.195, RSMo (Prohibited transactions, exceptions) and section 376.295, RSMo (Additional prohibited acts – Authorized actions). On January 19, 2021, AFSLIC received a payment of $1.3 million from AFSH, which represented repayment of the principal balance of the promissory note.
- **Matrix Management Agreement:** Effective April 1, 2021, AFSLIC agreed to increase the fees AFSLIC paid to Matrix Consulting under the Management Agreement, without obtaining from the Director prior approval of the amendment to the Management Agreement as required by section 382.195, RSMo (Prohibited transactions, exceptions). AFSLIC and Matrix Consulting terminated the Management Agreement effective December 31, 2021.
- **Transfers**: During the prior examination period, AFSLIC made two cash transfers totaling $655,000 to AFSH, without obtaining prior approval from the Department as required by section 382.195, RSMo (Prohibited transactions, exceptions). AFSH returned these funds to AFSLIC in April 2022.
- **Facilities Use Agreement**: In April 2019, AFSLIC opened a new regional office in New York, New York. At least two of the individuals occupying space in this office spent at least part of their time working for entities other than AFSLIC, including AFSH and affiliate Designs for Finance, Inc. AFSLIC entered into an arrangement with these affiliates (and possibly other entities) whereby AFSLIC would be responsible for the entirety of the lease payments and other expenses associated with the operations of the New York office and none of these fees or expenses would be allocated to the other entities sharing the office. AFSLIC entered into this arrangement with its affiliates without obtaining prior approval from the Department as required by section 382.195, RSMo (Prohibited transactions, exceptions). AFSLIC filed a Form D and an amended Facilities Use Agreement with the Department on October 12, 2022. The amended agreement included an allocation of rent

and expenses to other occupants.

The current examination discovered additional transactions between AFSH and AFSLIC that were not in compliance with section 382.195, RSMo (Prohibited transactions, exceptions) and section 376.295.1, RSMo (Additional prohibited acts – authorized actions). A summary of these transactions is provided below:

- **AFSH Line of Credit Note and Credit Agreement**: AFSLIC's 2023 and 2024 Form B describes a $4.0 million Line of Credit Note secured by its parent, AFSH from First National Bank of Ottawa (now doing business as American Commercial Bank & Trust) on March 31, 2021. The credit limit was increased to $6.0 million effective May 10, 2022. The Line of Credit Note is governed by the terms of a Credit Agreement. AFSLIC and AFSH are listed as "credit parties" on the Credit Agreement. AFSLIC did not obtain prior approval for this transaction from the Department as required by section 382.195.1, RSMo (Prohibited transactions, exceptions) and section 376.295.1, RSMo (Additional prohibited acts – authorized actions). Additionally, as AFSLIC is party to the Credit Agreement, a liability for the outstanding Line of Credit Note balance should have been established in the Company's balance sheet in accordance with *SSAP Number 5 – Liabilities, Contingencies and Impairments of Assets* and *SSAP Number 15 – Debt and Holding Company Obligations.* See the "COMMENTS ON FINANCIAL STATEMENT ITEMS" and "FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION" sections of this report for details related to the impact of this liability to the Company's balance sheet and surplus.
- **Note Payments:** During 2024, AFSLIC advanced to AFSH funds totaling $391,218 to cover payments on the Line of Credit Note. AFSLIC advanced an additional $1,048,000 in funds to AFSH for Line of Credit Note payments in 2025, bringing the total advanced to AFSH to $1,439,218. AFSLIC failed to obtain prior approval from the Department for these transactions as required by section 382.195.1, RSMo (Prohibited transactions – exceptions). As such, the receivable balance as of year-end 2024 should have been non-admitted in accordance with *SSAP Number 25 – Affiliates and Other Related Parties.* See the "COMMENTS ON FINANCIAL STATEMENT ITEMS" and "FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION" sections of this report for the related effect on the Company's balance sheet and surplus.
- **Facilities Use Agreement:** During 2023, the Company amended the terms of its Facilities Use Agreement, but failed to provide prior notice to the Department as required under 20 *CSR* 200-11.101(16).

TERRITORY AND PLAN OF OPERATION

AFSLIC is licensed by the state of Missouri to write the business of life, accident and health, and annuity insurance. In addition to Missouri, the Company is licensed to write business in thirty-two other states.

The Company's main lines of direct business are short-term medical (STM) and limited medical (LM). The majority of the STM and LM business is under program management with Xchange Benefits, LLC (Xchange Benefits) for administration, marketing, and solicitation of sales. Xchange Benefits, as the Program Manager, additionally appoints and contracts with sub-producers as agents of the Company. Major sub-producers during the examination period included, but were not limited to, The National Congress of Employers (NCE), Group Plan Administrators, and Adroit Health Group, LLC. Associations, such as NCE, obtain group policies from AFSLIC and market them to their members. Individual policies are then sold to the association members through contracted producers and sub-producers. The Company contracts with affiliated third-party administrator, IBA, as well as an unaffiliated third party administrator, to process its claims and perform other claims handling functions.

In addition to the STM and LM business, AFSLIC is a direct writer of a small amount of accidental death and dismemberment (ADD), critical illness, minimum essential coverage, dental, and pharmaceutical. The Company began writing supplemental Medicare policies in 2021 under a 100% quota share agreement with Aetna Life Insurance Company, with the program currently in runoff.

During the examination period, the Company also had significant assumption participation in a quota share STM reinsurance program with Standard Life and Casualty Insurance Company, as well as a quota share ADD reinsurance program with LifeShield National Insurance Company.

GROWTH OF COMPANY AND LOSS EXPERIENCE

Capital and Surplus decreased overall during the examination period due to underwriting losses.

The table below summarizes the Company's growth for the period under examination:

($000s omitted)

Year	Total Assets	Net Premium Income	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2021	$ 23,021	$ 20,674	$ 629	$ 668	$ 12,077	171.2%
2022	23,385	20,750	(715)	61	13,456	154.2%
2023	19,723	21,372	56	251	13,680	156.2%
2024	17,494	21,057	(3,554)	(3,193)	11,194	188.1%

Total hospital and medical benefits increased during the examination period, as revenues increased at a slower rate, resulting in an increase in the medical loss ratio over the exam period.

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

($000s omitted)

Year	Total A&H Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2021	$ 20,564	$ 4,737	23.0%
2022	20,780	6,415	30.9%
2023	21,464	5,853	27.3%
2024	21,228	7,892	37.2%

REINSURANCE

General
The Company's reported premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

($000s omitted)

Premium Type	2021	2022	2023	2024
Direct Premiums Written	$ 28,202	$ 29,558	$ 30,536	$ 28,517
Reinsurance Assumed:				
Non-Affiliates	947	1,555	1,750	1,872
Reinsurance Ceded:				
Non-Affiliates	8,475	10,363	10,955	9,299
Net Premiums	**$ 20,674**	**$ 20,750**	**$ 21,331**	**$ 21,091**

Assumed Reinsurance
Effective April 1, 2017, AFSLIC entered into an Accidental Death and Dismemberment Quota Share Reinsurance Agreement with LifeShield National Insurance Co. (LifeShield). Under the terms of the agreement AFSLIC assumes a 50% quota share of LifeShield's gross liability on policies up to $100,000 in coverage. AFSLIC also assumes a 50% quota share on extra contractual obligations not to exceed $10,000,000 per contract year.

Effective November 1, 2019, AFSLIC entered into a Short-Term Medical Quota Share Reinsurance agreement with Standard Life and Casualty Insurance Company (Standard Life). Under the terms of the agreement, AFSLIC assumes a 50% quota share of policies written with a maximum limit of $1,000,000 per covered person, per agreement year. AFSLIC's extra contractual obligations are subject to a 50% share of a maximum of $1,000,000 per covered person, per agreement year, up to an aggregate maximum of $5,000,000 per agreement year.

Ceded Reinsurance
Effective April 1, 2017, AFSLIC entered into an Accidental Death and Dismemberment Quota Share Reinsurance Agreement with LifeShield. Under the terms of the agreement LifeShield assumes a 50% quota share of AFSLIC's gross liability on policies up to $100,000 in coverage. LifeShield also assumes a 50% quota share on extra contractual obligations not to exceed $10,000,000 per contract year.

Effective July 1, 2018, AFSLIC entered into a Short-Term Medical Excess of Loss Reinsurance Agreement with US Fire. AFSLIC's STM policies are offered with various policy limits ($250,000, $500,000, or $1,000,000). Under the terms of this agreement, AFSLIC retains the first $125,000 for all policy limits and US Fire is responsible for the remainder, up to the policy limit.

Effective October 1, 2020, AFSLIC entered into a Short-Term Medical Quota Share Reinsurance Agreement with Federal Life Insurance Company (FLIC). Under the terms of the agreement, FLIC assumed an 80% quota share of AFSLIC's program-managed STM policies, with maximum limits of $1,000,000 per covered person, per agreement period. The ceding percentage decreased to 45% in 2021, 25% in 2022, and 20% in 2023. Extra contractual obligations are subject to the same respective shares and limits up to an aggregate maximum of $5,000,000 per agreement period. The agreement terminated on December 31, 2023, and is in runoff.

Effective October 1, 2020, AFSLIC entered into a Medicare Supplement Coinsurance Agreement with Aetna Life Insurance Company (Aetna). Under the terms of the agreement, Aetna assumes a 100% quota share of AFSLIC's Medicare Supplement policies. The agreement terminated on September 30, 2024, and is in runoff.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

Independent Auditor
The CPA firm, MarksNelson, LLC in Kansas City, Missouri performed the statutory audit of the Company for all years under examination. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion
The Company's actuarial opinion regarding reserves and other actuarial items was issued by Mark Haarer, FSA, MAAA, for the years of 2021 and 2022. Mr. Haarer is employed by Mark Haarer Consulting, LLC in Elkhart, Indiana. The Company's actuarial opinion for the years of 2023 and 2024 was issued by Gregory Warren, FSA, FCA, MAAA. Mr. Warren is employed by Axene Health Partners, LLC in Littleton, Colorado.

Consulting Actuary
Pursuant to a contract with the Department, Scott S. Garduno, FSA, MAAA, of Examination Resources, LLC, reviewed the underlying actuarial assumptions and methodologies used by AFSLIC to determine the adequacy of reserves and other actuarial items. Mr. Garduno determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2024.

Information Systems
Kim Dobbs, CFE, AES, CISA, Information Systems Examiner-in-Charge with the Department, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of AFSLIC for the period ending December 31, 2024. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the Comments on Financial Statement Items section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS
As of December 31, 2024

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 10,980,871	$ -	$ 10,980,871
Stocks:			
Common Stocks	450,230	-	450,230
Cash, Cash Equivalents, and Short-Term Investments	1,162,819	-	1,162,819
Investment Income Due and Accrued	84,283	-	84,283
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	442,496	-	442,496
Reinsurance:			
Other Amounts Receivable Under Reinsurance Contracts	36,865	-	36,865
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	119,516	-	119,516
Net Deferred Tax Asset	750,603	-	750,603
Furniture and Equipment, Including Health Care Delivery Assets	26,876	26,876	-
Receivables from Parent, Subsidiaries, and Affiliates	220,685	-	220,685
Aggregate Write-Ins for Other-Than-Invested Assets	3,490,018	244,823	3,245,195
TOTAL ASSETS	**$ 17,765,262**	**$ 271,699**	**$ 17,493,563**

LIABILITIES, SURPLUS AND OTHER FUNDS
As of December 31, 2024

Claims Unpaid	$ 5,329,635
Aggregate Health Policy Reserves	410,643
General Expenses Due or Accrued	439,861
Amounts Due to Parent, Subsidiaries and Affiliates	11,025
Aggregate Write-Ins for Liabilities	108,679
TOTAL LIABILITIES	**$ 6,299,843**
Common Capital Stock	1,500,000
Gross Paid In and Contributed Surplus	12,403,307
Unassigned Funds (Surplus)	(2,709,587)
TOTAL CAPITAL AND SURPLUS	**$ 11,193,720**
TOTAL LIABILITIES AND SURPLUS	**$ 17,493,563**

SUMMARY OF OPERATIONS

For the Year Ended December 31, 2024

Net Premium Income	$	21,056,744
Change in Unearned Premium Reserves and Reserve for Rate Credits		(11,299)
Aggregate Write-Ins for Other Health Care Related Revenues		182,358
Total Revenue	**$**	**21,227,803**
Hospital/Medical Benefits		17,521,082
Net Reinsurance Recoveries		10,080,468
Non-Health Claims (Net)		50,000
Claims Adjustment Expenses		2,282,446
General Administrative Expenses		14,556,549
Increase in Reserves for Life and Accident and Health Contracts		451,776
Total Underwriting Deductions	**$**	**24,781,385**
Net Underwriting Gain (Loss)	**$**	**(3,553,582)**
Net Investment Income Earned		358,599
Net Realized Capital Gains (Losses)		2,077
Net Investment Gain (Loss)	**$**	**360,676**
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	**$**	**(3,192,906)**
Federal and Foreign Income Taxes Incurred		-
NET INCOME (LOSS)	**$**	**(3,192,906)**

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2021, to December 31, 2024

($000's omitted)

		2021		2022		2023		2024
Capital and Surplus, Beginning of Year	$	13,256	$	12,077	$	13,456	$	13,680
Net Income (Loss)		668		61		251		(3,193)
Change in Net Unrealized Capital Gains (Losses)		210		(545)		(2)		61
Change in Net Deferred Income Tax		535		(441)		22		645
Change in Nonadmitted Assets		(2,536)		2,312		(48)		-
Change in Asset Valuation Reserve		(55)		(8)		2		-
Net Change in Capital and Surplus	$	(1,179)	$	1,379	$	224	$	(2,487)
Capital and Surplus, End of Year	**$**	**12,077**	**$**	**13,456**	**$**	**13,680**	**$**	**11,194**

COMMENTS ON FINANCIAL STATEMENT ITEMS

NOTE 1: Assets Line 23 Receivables from Parent, Subsidiaries, and Affiliates $ 220,685

During 2024, AFSLIC advanced to AFSH funds totaling $391,218 to cover payments on AFSH's Line of Credit Note with American Commercial Bank & Trust, without obtaining prior approval from the Department as required by section 382.195.1, RSMo (Prohibited transactions, exceptions). The balance outstanding as of December 31, 2024, was $220,685. Because approval from the Department was not obtained, the entire balance should have been nonadmitted in accordance with *SSAP Number 25 – Affiliates and Other Related Parties*, which would have resulted in a reduction to net assets and capital and surplus, as summarized in the "FINANCIAL STATEMENT CHANGES RESULTING FROM FINANCIAL EXAMINATION" section below.

NOTE 2: Liability Line 23 Aggregate Write-ins for Other Liabilities $ 5,983,282

As noted under the "Intercompany Transactions" subsection, on March 31, 2021, AFSH secured a $4.0 million Line of Credit Note from First National Bank of Ottawa (now doing business as American Commercial Bank & Trust). The credit limit was increased to $6.0 million effective May 10, 2022. The Line of Credit Note is governed by the terms of a Credit Agreement. AFSLIC and AFSH are both listed as "credit parties" on the Credit Agreement. AFSLIC did not obtain prior approval for this transaction from the Department as required by section 382.195.1, RSMo (Prohibited transactions, exceptions) and section 376.295.1, RSMo (Additional prohibited acts – authorized actions). As of December 31, 2024, the outstanding balance on the Line of Credit Note was $5,983,282.

Additionally, based upon a review of the terms of the Line of Credit Note and Credit Agreement, AFSLIC is the guarantor to the Line of Credit Note should AFSH fail to perform its obligations under the Line of Credit Note. As such, AFSLIC should have reported the outstanding Line of Credit Note balance as a write-in liability on the balance sheet, in accordance with *SSAP Number 5 – Liabilities, Contingencies and Impairments of Assets* and *SSAP Number 15 – Debt and Holding Company Obligations*, which would have resulted in an increase to liabilities and a reduction to capital and surplus, as summarized in the "FINANCIAL STATEMENT CHANGES RESULTING FROM FINANCIAL EXAMINATION" section below.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

Reported Surplus as of December 31, 2024				$ 11,193,720
		Increase	**Decrease**	
Assets Line 23	(Note 1 above)	$ -	$ 220,685	
Liabilities Line 23	(Note 2 above)	-	5,983,282	
Net Increase (Decrease) to Surplus				$ (6,203,967)
Adjusted Surplus as of December 31, 2024				**$ 4,989,753**

SUMMARY OF RECOMMENDATIONS

Financial Reporting Errors — Pages 2, 4, 6-7, 13

The examination team noted numerous reporting errors in AFSLIC's financial statements and supporting schedules/exhibits, as well as several discrepancies between information reported on the financial statements and other regulatory filings, such as the Insurance Holding Company System Annual Registration Statements (Form B) and Summary of Changes to Registration (Form C). The Company should ensure that transactions are accounted for in accordance with Statutory Accounting Principles, applicable statutes and regulations, and Annual Statement Instructions. The Company should also ensure that information presented in the annual statement is consistent with information reported in other regulatory filings.

Intercompany and Related Party Transactions — Pages 2, 6-7, 13

As described in the "Intercompany Transactions" subsection of this report, AFSLIC engaged in inappropriate transactions with affiliates by not obtaining approval from the Department prior to engaging in the transaction in accordance with section 382.195.1, RSMo (Prohibited transactions, exceptions) and (on at least one occasion) section 376.295.1, RSMo (Additional prohibited acts – authorized actions). The Company should ensure it complies with all statutes and regulations regarding intercompany and related party transactions, including but not limited to, obtaining prior approval from the Department for these transactions.

SUBSEQUENT EVENTS

Significant events and/or transactions occurred subsequent to the examination period, as follows:

- In December of 2025, AFSH entered into a stock purchase agreement under which it received $2 million in exchange for shares of authorized but not yet issued capital stock, resulting in a decrease in Michael and Carol Sonnenberg's ownership interest in AFSH from 93.831% to 85.69%.
- In December of 2025, AFSH returned funds to AFSLIC in the amount of $1.2 million that AFSLIC had advanced to AFSH during 2024 and 2025, including amounts that had been used to cover payments on AFSH's Line of Credit Note discussed previously in the "Intercompany Transactions" subsection and "COMMENTS ON FINANCIAL STATEMENT ITEMS" section of this report.
- Effective December 31, 2025, AFSLIC was removed as a credit party and guarantor on AFSH's Line of Credit Note due to AFSH's refinancing of the Line of Credit Note and Credit Agreement discussed previously in the "Intercompany Transactions" subsection and "COMMENTS ON FINANCIAL STATEMENT ITEMS" section of this report.

As a result of the above noted subsequent corrective actions, as well as other financial activity, the Company reported surplus of $9,153,709 as of December 31, 2025.

ACKNOWLEDGMENT

In addition to the undersigned, Kimberly Dobbs, CFE, AES, CISA, and Jessica Jones, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Platte)

I, Laura Church, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of American Financial Security Life Insurance Company, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Laura Church, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 27th day of May, 2026.

My commission expires: 2/14/28

Notary Public

ASHLEY DAVIDSON
My Commission Expires
02-14-2028
NOTARY SEAL
Platte
County
Commission # 24970887
NOTARY PUBLIC - STATE OF MISSOURI

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and Insurance