

American Savings Life Insurance Company

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2021 and 2020



AMERICAN SAVINGS LIFE INSURANCE COMPANY

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Independent Auditor's Report

To the Board of Directors
American Savings Life Insurance Company:

Report on the Statutory Financial Statements

We have audited the accompanying statutory financial statements of **American Savings Life Insurance Company**, which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2021 and 2020, and the related statutory statements of operations, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the accounting practices prescribed or permitted by the Insurance Department of the State of Arizona. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the statutory financial statements, the **American Savings Life Insurance Company** prepared these statutory financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of Arizona, which is a basis of accounting other than U.S. generally accepted accounting principles.

The effects on the statutory financial statements of the variances between the statutory basis of accounting described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the statutory financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of **American Savings Life Insurance Company** as of December 31, 2021 and 2020, or the results of operations or cash flow for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of **American Savings Life Insurance Company** as of December 31, 2021 and 2020, and the results of its operations and its cash flow for the years then ended, on the basis of accounting described in Note 2.

Larson & Company PC

Salt Lake City, Utah
May 19, 2022

AMERICAN SAVINGS LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS
AS OF DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|--|---------------|---------------|
| <u>ADMITTED ASSETS</u> | | |
| CASH AND INVESTMENTS | | |
| Bonds, mutual funds, long term certificates of deposit | \$ 4,431,894 | \$ 4,946,497 |
| Common stocks | 1,793,164 | 1,512,649 |
| Mortgage loans, net | 43,545,683 | 48,388,016 |
| Properties occupied by the company | 449,852 | 438,895 |
| Properties held for sale | 2,630,434 | 2,949,169 |
| Cash and short-term investments | 19,407,137 | 10,638,733 |
| Policy contract loans | 93,356 | 93,590 |
| Total cash and investments | 72,351,521 | 68,967,549 |
| INVESTMENT INCOME DUE AND ACCRUED | 394,566 | 399,083 |
| PREMIUMS DEFERRED AND UNCOLLECTED | 9,342 | 9,968 |
| NET DEFERRED TAX ASSET | 507,409 | 86,804 |
| OTHER ASSETS | 1,607 | 16,112 |
| Total admitted assets | \$ 73,264,445 | \$ 69,479,517 |
| <u>LIABILITIES AND CAPITAL AND SURPLUS</u> | | |
| LIABILITIES | | |
| Reserves for life policies and annuity contracts | \$ 37,579,961 | \$ 35,850,903 |
| Liability for deposit-type contracts | 15,899,851 | 13,035,603 |
| Reserves for policy and contract claims | 13,362 | 37,272 |
| Other policyholder funds | 66,518 | 62,480 |
| Interest maintenance reserve | 10 | 852 |
| Accounts payable, accrued expenses and other | 2,289,339 | 3,407,038 |
| Income tax payable | 8,541 | 598 |
| Asset valuation reserve | 1,912,773 | 1,744,111 |
| Total liabilities | 57,770,354 | 54,138,857 |
| CAPITAL AND SURPLUS | | |
| Common stock - \$.10 par value 10,000,000,000 shares authorized; 9,316,899 issued and 4,306,360 outstanding in 2021; 9,310,605 issued and 4,876,621 outstanding in 2020 | 931,690 | 931,061 |
| Paid-in capital and contributed surplus | 2,750,311 | 2,723,745 |
| Unassigned surplus | 19,857,194 | 19,206,156 |
| Treasury stock | (8,045,104) | (7,520,301) |
| Total capital and surplus | 15,494,091 | 15,340,659 |
| Total liabilities and capital and surplus | \$ 73,264,445 | \$ 69,479,517 |

The accompanying notes to the statutory financial statements
are an integral part of these statements

AMERICAN SAVINGS LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|--|---------------------|-------------------|
| REVENUES AND DEPOSITS | | |
| Premiums and annuity considerations | \$ 2,594,022 | \$ 2,338,231 |
| Considerations for supplementary contracts with life contingencies | 1,821 | 3,293 |
| Net investment income | 4,147,135 | 3,664,515 |
| Amortization of interest maintenance reserve | 1,961 | 1,586 |
| Miscellaneous income | 2,513 | 2,294 |
| Total revenues and deposits | 6,747,452 | 6,009,918 |
| EXPENSES AND WITHDRAWALS | | |
| Death benefits | 19,108 | 129,814 |
| Annuity benefits | 2,001,886 | 3,167,186 |
| Surrender benefits | 34,439 | 14,584 |
| Interest on policy for contract funds | 406,831 | 400,291 |
| Increase in life insurance and annuity reserves | 1,729,058 | 362,866 |
| Commissions on premiums | 40,235 | 43,971 |
| General insurance expenses | 996,841 | 920,337 |
| Insurance taxes licenses and fees (excluding federal income tax) | 102,132 | 81,366 |
| Change in loading | (299) | (259) |
| Total expenses and withdrawals | 5,330,231 | 5,120,157 |
| Net gain from operations before dividends and federal income taxes | 1,417,221 | 889,761 |
| Dividends to policy holders | (61,067) | (56,736) |
| Federal income tax (excluding tax on capital gains of \$24,255 and \$34,661 for 2019 and 2018, respectively) | (325,345) | (362,829) |
| Net realized capital gains less capital gains tax and transfers to interest maintenance reserve | 83,889 | 159,284 |
| NET INCOME | \$ 1,114,697 | \$ 629,481 |

The accompanying notes to the statutory financial statements are an integral part of these statements

AMERICAN SAVINGS LIFE INSURANCE COMPANY
STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Capital Stock | Capital in Excess of Par | Unassigned Surplus | Treasury Stock | Total |
|---|--------------------------|---|-------------------------------|---------------------------|----------------------|
| Balances, December 31, 2019 | \$ 930,494 | \$ 2,700,769 | \$ 19,389,943 | \$ (7,193,288) | \$ 15,827,918 |
| Net income | | | 629,481 | | 629,481 |
| Dividends declared and paid | | | (887,962) | | (887,962) |
| Issue employee compensation in stock | 566 | 22,976 | | | 23,542 |
| Repurchase capital stock | | | | (327,013) | (327,013) |
| Change in unrealized capital gains (losses) | | | 659,997 | | 659,997 |
| Change in net deferred income tax | | | 212,949 | | 212,949 |
| Change in nonadmitted assets | | | (648,711) | | (648,711) |
| Change in asset valuation reserve | | | (149,541) | | (149,541) |
| Balances, December 31, 2020 | \$ 931,060 | \$ 2,723,745 | \$ 19,206,156 | \$ (7,520,301) | \$ 15,340,660 |
| Net income | | | 1,114,697 | | 1,114,697 |
| Dividends declared and paid | | | (961,738) | | (961,738) |
| Issue employee compensation in stock | 629 | 26,566 | | | 27,196 |
| Repurchase capital stock | | | | (524,803) | (524,803) |
| Change in unrealized capital gains (losses) | | | 342,878 | | 342,878 |
| Change in net deferred income tax | | | 12,616 | | 12,616 |
| Change in nonadmitted assets | | | 311,247 | | 311,247 |
| Change in asset valuation reserve | | | (168,661) | | (168,661) |
| Balances, December 31, 2021 | \$ 931,689 | \$ 2,750,311 | \$ 19,857,194 | \$ (8,045,104) | \$ 15,494,091 |

The accompanying notes to the statutory financial statements are an integral part of these statements

AMERICAN SAVINGS LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|--|----------------------|----------------------|
| OPERATING ACTIVITIES: | | |
| Premiums received | \$ 2,596,480 | \$ 2,343,101 |
| Investment and other income received (excluding net realized gains and net of investment expenses) | 4,141,259 | 3,764,534 |
| Total funds provided by operations | 6,737,739 | 6,107,635 |
| Benefit and loss related payments | (2,486,175) | (3,684,603) |
| Commissions, other expenses and taxes paid | (1,159,123) | (1,058,216) |
| Dividends paid to policyholders | (56,741) | (52,670) |
| Federal income tax (excluding tax on capital gains of \$24,225 and \$34,661 for 2019 and 2018, respectively) | (300,000) | (435,901) |
| Total cash used for operations | (4,002,039) | (5,231,390) |
| Net cash from operating activities | 2,735,701 | 876,244 |
| INVESTING ACTIVITIES: | | |
| Proceeds from investments sold, matured or repaid: | | |
| Bonds | 896,691 | 715,535 |
| Stocks | 354,236 | 408,931 |
| Mortgage loans | 24,072,917 | 12,840,615 |
| Real Estate | 974,012 | 2,357,337 |
| Total investment proceeds | 26,297,856 | 16,322,418 |
| Cost of long-term investments acquired: | | |
| Bonds | (475,112) | (983,864) |
| Stocks | (311,861) | (432,025) |
| Mortgage loans | (19,644,197) | (18,398,600) |
| Real Estate | (206,731) | (140,629) |
| Total investments acquired | (20,637,901) | (19,955,119) |
| (Increase) decrease in policy loans | 234 | 17,026 |
| Net cash from investing activities | 5,660,189 | (3,615,675) |
| FINANCING ACTIVITIES (OTHER CASH PROVIDED OR APPLIED): | | |
| Capital and paid in surplus, less treasury stock | (497,607) | (303,472) |
| Net deposits on deposit type contract funds | 2,864,247 | 728,531 |
| Cash dividends paid | (961,738) | (887,962) |
| Other cash (applied) | (1,032,387) | 1,913,057 |
| Net cash from financing activities | 372,515 | 1,450,155 |
| CHANGE IN CASH AND SHORT-TERM INVESTMENTS | 8,768,405 | (1,289,276) |
| CASH AND SHORT-TERM INVESTMENTS, beginning of year | 10,638,733 | 11,928,009 |
| CASH AND SHORT-TERM INVESTMENTS, end of year | \$ 19,407,138 | \$ 10,638,733 |

The accompanying notes to the statutory financial statements are an integral part of these statements

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 1 – Organization

American Savings Life Insurance Company (the Company) is a registered capital stock life, health and accident insurance company authorized to conduct business in the states of Arizona and Utah. The Company is currently engaged in life and disability insurance business. While it is customary in the insurance industry for a significant portion of income to be derived from investments in mortgage loans, securities and bank deposits, a majority of the Company's income is derived from such sources.

Company Reorganization

On February 15, 2007, American Savings Life Insurance Company purchased 325,000 shares as 100% ownership of the newly formed ASL Financial Group, Inc. for \$325,000 in cash and real estate mortgage loans. ASL Financial Group then purchased 300,000 shares as 100% ownership in the newly formed American Life Financial Corporation for \$300,000 in cash and real estate mortgage loans. American Life Financial Corporation has been formed to increase the Company's mortgage investing opportunities and ASL Financial Group is a holding company, which at some future date could serve as a holding company for both American Saving Life Insurance Company as well as American Life Financial Corporation.

Note 2 – Summary of Significant Accounting Policies

The significant accounting policies applicable to the Company's statutory financial statements are summarized below:

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with the accounting and valuation practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and/or the Arizona Department of Insurance. The principal differences between statutory basis financial statements and those prepared on a U.S. generally accepted accounting principles (U.S. GAAP) basis as they affect the Company, are that for statutory purposes:

- Investments in real estate are reported net of related obligations, if any, rather than on a gross basis. Changes between cost and admitted asset investment amounts are credited or charged directly to unassigned surplus rather than to a separate surplus account;
- Valuation allowances, if necessary, are established for mortgage loans based on the difference between the unpaid loan balance and the estimated fair value of the underlying real estate when such loans are determined to be in default as to the scheduled payments. Under U.S. GAAP, valuation allowances would be established when the Company determined it is probable that it will be unable to collect all amounts (both principal and interest) due according to the contractual terms of the loan agreement. Such allowances are based on the present value of expected future cash flows discounted at the loan's effective interest rate or, if foreclosure is probable, on the estimated fair value of the underlying real estate, less estimated cost to sell;

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 2 – Summary of Significant Accounting Policies (continued)

- Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating as described below in valuation of investments, unrealized gains or losses are credited or charged directly to surplus; for U.S GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of surplus for those designated as available-for-sale;
- Investments in 100% owned subsidiary companies are not filed with the Securities Valuation Office so they are considered non-admitted and therefore not reported on the statutory basis;
- Certain assets designated as “nonadmitted,” principally furniture and equipment, agents’ debit balances, and other assets not specifically identified as an admitted asset within the National Association of Insurance Commissioners’ (NAIC) Accounting Practices and Procedures manual (NAIC SAP) are excluded from the accompanying statement of admitted assets, liabilities and stockholders’ surplus and are charged directly to unassigned surplus. Under U.S. GAAP, such assets are included in the balance sheet;
- Policy acquisition costs incurred in connection with acquiring new business are charged to current operations rather than being deferred and amortized over the premium paying period of the policy;
- Deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, subject to a valuation allowance for deferred tax assets not realizable, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within one to three years of the balance sheet date or 15% of stockholders’ surplus excluding any net deferred tax assets, EDP equipment and operating software, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are nonadmitted. Deferred taxes do not include amounts for state income taxes. Under U.S. GAAP, state income taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, and a valuation allowance is established for deferred tax assets not realizable;
- A liability for guaranty fund and other assessments (net of certain offsets depending on state rules) is accrued after insolvency has occurred regardless of whether the assessment is based on premiums written before or after the insolvency. Under U.S. GAAP, the assessment recognized is typically accrued when premiums are written because the assessment generally is based on prospective premium writings;
- Cash and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under U.S. GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less;

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 2 – Summary of Significant Accounting Policies (continued)

- Interest rate related realized capital gains (net of losses) are reported as a liability (Interest Maintenance Reserve) and amortized to the maturity date of the instrument sold or called. Under U.S. GAAP, the realized capital gains (net of losses) are recorded in the income statement in the year incurred instead of being amortized over the remaining life of the instrument sold or called;
- An Asset Valuation Reserve is set up to establish a reserve to offset potential credit-related investment losses on all invested asset categories. Under U.S. GAAP such losses are recognized in the income statement when incurred;
- Policy reserves are based on statutory mortality and interest requirements and without consideration of withdrawals, whereas U.S. GAAP reserves are based on Company experience for mortality, interest and withdrawals;
- On a statutory basis, the Company does not report comprehensive income, as required by FASB codification *ASC 220, Comprehensive Income*;

The effects of the foregoing variances from U.S. GAAP on the accompanying statutory basis financial statements have not been determined, but are presumed to be material.

The Insurance Department of the State of Arizona recognizes only statutory accounting practices prescribed or permitted by the State of Arizona for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Arizona Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Arizona.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of one year or less at the time of purchase to be cash equivalents.

Restricted Securities

In accordance with the State of Arizona Insurance Regulations, long-term bonds with an aggregate value of \$211,214 and \$568,251 in 2021 and 2020, respectively, were assigned, as a security deposit, for the benefit of the Arizona State Treasurer.

Investments

Bonds, which management generally intends to hold until maturity (unless market conditions warrant the realization of capital appreciation to maximize overall yields), are carried at amortized cost. Common stock and mutual funds are generally required to be reported at the market value. Mortgage loans are carried at the aggregate unpaid balance, real estate held for sale is carried at lower of cost or market less accumulated depreciation. Investments in LLCs and partnership interests are carried at the underlying audited income tax basis equity of the investee and are included with other invested assets in the financial statements.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Valuations of Investments

Investments are stated at valuation rates prescribed by, or deemed acceptable to, the NAIC. Bonds not backed by other loans are stated at amortized cost using the interest method, and equity security values approximate fair values, unless otherwise prescribed by the NAIC. Under NAIC guidelines, when market value rates are not available for bonds, fair value rates are determined by the Company. Realized gains or losses on the sale of bonds are determined based on the specific amortized cost of the investments sold and are included in net income. Realized gains or losses on the sale of equity securities are based on the specific-identification method and are included in net income. Unrealized gains and losses from revaluation of equity securities are reflected in stockholders' surplus. Mortgage loans on real estate, real estate contracts for sale and policy loans, are stated at the aggregate unpaid principal balances. The Company reviews its investment portfolio for reductions in fair value below cost that, in the opinion of the Company, represent a permanent or other-than temporary impairment (OTTI). Declines in fair value of investments deemed to be OTTI or permanent are accounted for as a realized loss. During the years ended December 31, 2021 and 2020, the Company recognized OTTIs on properties held for sale, realizing a loss of \$28,738 and \$0, respectively.

Furniture and Equipment

The Company has a policy of expensing all data processing and furniture and equipment related costs that are within the annual limits as established by IRC Section 179 income tax deduction. Maintenance and repairs that do not materially extend the useful lives are charged to earnings as incurred.

Depreciation of data processing equipment and furniture and fixtures is provided over the estimated useful lives of the assets on the straight-line method. The useful lives for data processing equipment are three years. The useful lives for furniture and fixtures are seven to ten years. Depreciation expense for furniture and fixtures for the years ended December 31, 2021 and 2020 totaled \$5,163 and \$5,614, respectively.

Line of Credit

The Company has an unsecured line-of-credit agreement with a bank, which enables the Company to borrow up to \$3,000,000. Borrowings under the line-of-credit agreement as of December 31, 2021 and 2020 amounted to \$0. The interest rate is a variable interest rate which is 0.050 percentage points under the Wall Street Journal Prime Rate with an interest rate floor of 3.25%.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Aggregate Policy Reserves

Unless specifically required by contract, the Company waives deferred fractional premiums subsequent to the death of an insured. Fractional premiums paid beyond the date of death are refunded only when paid in advance beyond a policy anniversary. No surrender value is promised in excess of the reserve as legally computed. Substandard policies are valued at the equal reserve for the rated age (an age greater than the actual age) or where substandard extra premium is required, at the legal reserve plus one-half the annual substandard premium. No policies have a gross premium less than required net premiums. Tabular interest, tabular less actual reserves released, tabular cost and tabular interest on fund not involving life contingencies are determined by formulas outlined in the annual statement instructions. For the determination of tabular Interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as one hundredth of the product of such valuation rate of interest times the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation. The interest rates range from 1.75% - 5.5%.

Income Taxes

During the year ended December 31, 2014, the Company adopted SSAP 101, *Income Taxes*, and began accounting for deferred income taxes. Please see Note 11 for additional information.

Basis of Premium Revenue Recognition

Premiums on life contracts are recognized as revenue when due on an annualized premium basis. Premiums on annuities are recognized as revenue when collected in accordance with *Statements of Statutory Accounting Principles No. 50 – Classifications and Definitions of Contracts in Force*.

Deferred and uncollected life insurance premiums as of December 31 were as follows:

| Type | 2021 | |
|-----------------------|----------|----------------|
| | Gross | Net of Loading |
| Ordinary new business | \$ - | \$ - |
| Ordinary renewal | 9,342 | 9,043 |
| Totals | \$ 9,342 | \$ 9,043 |

| Type | 2020 | |
|-----------------------|-----------|----------------|
| | Gross | Net of Loading |
| Ordinary new business | \$ - | \$ - |
| Ordinary renewal | 12,403 | 9,968 |
| Totals | \$ 12,403 | \$ 9,968 |

Policy Claims Pending

The liability for policy claims is based on estimates of the costs on individual claims reported plus estimated claims incurred but unreported prior to December 31, 2021.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Reinsurance

The Company had no agreements with nonaffiliated reinsurers or reinsured policies during the period covered by this report.

Estimates

The preparation of these statutory financial statements in conformity with the accounting and valuation practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and/or the Arizona Department of Insurance requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of temporary cash investments, fixed maturity securities and mortgage loans.

COVID-19 Uncertainties

The COVID-19 pandemic could have an impact on the Company’s underwriting results going forward. The Company is unable to predict the impact at this time.

Note 3 – Cash and Investments

The Company maintains certificates of deposit at several banks with amounts not exceeding \$250,000. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The money market funds utilized by the Company invest in short-term U.S. government and commercial paper securities. Cash on demand deposits at times may exceed the federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses relating to these accounts and does not believe it is exposed to any significant credit risks relating to these accounts.

Cash and short-term investments consist of the following:

| | December 31 | |
|---------------------------------------|--------------------|---------------|
| | 2021 | 2020 |
| Money market mutual funds | \$ 2,958,758 | \$ 2,243,939 |
| Certificates of deposit | 256,497 | 253,846 |
| Demand Deposits | 16,191,882 | 8,587,719 |
| Total cash and short-term investments | \$ 19,407,137 | \$ 11,085,503 |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 3 – Cash and Investments (continued)

Bonds

Bonds at year end are summarized as follows:

| | 2021 | | |
|------------------------------|----------------------------------|---|------------|
| Fair Value | Book/ Adjusted Carrying Value | Excess of Book Value over Fair Value | |
| Bonds: | | | |
| U.S. Government | \$ 1,735,978 | \$ 1,737,128 | \$ (1,150) |
| Industrial and miscellaneous | 2,841,906 | 2,694,766 | 147,140 |
| Total bonds | \$ 4,577,884 | \$ 4,431,894 | \$ 145,990 |
| | 2020 | | |
| Fair Value | Book/ Adjusted Carrying Value | Excess of Book Value over Fair Value | |
| Bonds: | | | |
| U.S. Government | \$ 2,385,740 | \$ 2,371,187 | \$ 14,554 |
| Industrial and miscellaneous | 2,830,409 | 2,575,310 | 255,099 |
| Total bonds | \$ 5,216,150 | \$ 4,946,497 | \$ 269,653 |

Maturities of bonds by amortized cost (admitted asset value) and fair value of bonds as of December 31, 2021, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Book Value | Fair Value |
|-------------------|--------------|--------------|
| 2022 | \$ - | \$ - |
| 2023 through 2026 | 287,349 | 302,431 |
| 2027 through 2031 | 894,554 | 951,077 |
| 2032 through 2041 | 1,930,037 | 2,003,494 |
| Over 20 Years | 1,319,954 | 1,320,883 |
| Totals | \$ 4,431,894 | \$ 4,577,884 |

The proceeds from sales of bonds and gross realized gains and gross realized losses on sales of bonds as of December 31 are as follows:

| | 2021 | 2020 |
|-----------------------|------------|------------|
| Proceeds from sales | \$ 911,614 | \$ 715,117 |
| Gross realized gains | - | - |
| Gross realized losses | (12,849) | - |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 3 – Cash and Investments (continued)

Common Stock

The Company's investments in common stock consist of the following:

| | December 31 | |
|--|--------------|--------------|
| | 2021 | 2020 |
| Unaffiliated common stock - fair value | \$ 1,793,164 | \$ 1,512,649 |
| Unaffiliated common stock - cost basis | \$ 1,123,017 | \$ 1,074,329 |

Mortgage Loans

Mortgage loans consist of commercial and consumer loans collateralized by real estate. The Company's lending policies are to loan up to 70% of appraised values at interest rates ranging from 6.50% or more and terms ranging from 1 to 15 years. The Company has a concentration of mortgage loans in central Arizona.

The Company will establish a valuation allowance for loans where it is probable that all amounts due will be uncollectable. This allowance is comprised of the recorded value of the loan less the fair value of the collateral and consideration of high risk loans. An allowance was not considered necessary for the years ended December 31, 2021 and 2020.

The Company defines subprime loans as loans with an interest rate above prime and an initial loan to property value above 50%. The Company does not lend above 70% loan to value using this buffer to reduce exposure to loss due to changes in asset value. The current default rate on subprime mortgage loans was 4.1% as of December 31, 2021.

All amounts held in subprime mortgage loans as of December 31, 2021 are as follows:

| | Book Value | Fair Value | Value of Land & Buildings |
|--|---------------|---------------|---------------------------|
| Subprime mortgages in process of foreclosure | \$ 752,909 | \$ 752,909 | \$ 1,500,000 |
| Subprime mortgages in good standing | 14,048,322 | 14,048,322 | 36,105,000 |
| Total subprime mortgages | \$ 14,801,231 | \$ 14,801,231 | \$ 37,605,000 |

All amounts held in subprime mortgage loans as of December 31, 2020 are as follows:

| | Book Value | Fair Value | Value of Land & Buildings |
|--|---------------|---------------|---------------------------|
| Subprime mortgages in process of foreclosure | \$ 504,446 | \$ 504,446 | \$ 950,000 |
| Subprime mortgages in good standing | 22,066,655 | 22,066,655 | 40,265,000 |
| Total subprime mortgages | \$ 22,571,102 | \$ 22,571,102 | \$ 41,215,000 |

There was one subprime loan in the process of foreclosure at December 31, 2021.

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NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 3 – Cash and Investments (continued)

The following is the composition of the mortgage receivable aging at year-end:

| | December 31 | |
|---|---------------|---------------|
| | 2021 | 2020 |
| In good standing with interest accruing | \$ 39,804,332 | \$ 47,644,786 |
| Over 90 days with interest accruing | 3,140,846 | 60,809 |
| In foreclosure, interest accruing | 752,909 | 876,576 |
| Mortgage receivable | 43,698,087 | 48,582,172 |
| Deferred gain on installment sales | (121,624) | (149,627) |
| Deferred income on installment sales | (30,780) | (44,529) |
| Allowance for delinquent mortgage loans | - | - |
| Total mortgage loans | \$ 43,545,683 | \$ 48,388,016 |

Real Estate

In November 2007, the Company acquired 40 acres near Salome, Arizona as an investment property with a current book value of \$105,285. In May 2006, the Company entered into a real estate investment joint venture with Boa Sorte, LLC (The Cardon Group) for the purchase of approximately 4,700 acres near Holbrook, AZ with a current book value of \$986,035. In 1974, the Company acquired property in Sunvalley, AZ as an investment property with a current book value of \$90,150. In 2009 the Company acquired property in Phoenix, Arizona as an investment property with a current book value of \$300,000. These investments are non-admitted assets with a total current book value of \$1,481,469 and therefore, are not included with the Company's admitted assets in the accompanying statutory financial statements.

During 2021, the Company sold three properties acquired through foreclosure, reporting a loss of \$58,057 and gain of \$59,443, respectively. During 2020, the Company sold twelve properties acquired through foreclosure, reporting a loss of \$0 and gain of \$646,342, respectively.

Properties

Properties occupied by the Company consist of a portion of the building located at 935 E. Main Street, Mesa AZ. The cost of the building and improvements is depreciated over the estimated useful life of the building (39 years). Depreciation is computed on the straight-line method for statutory purposes. In accordance with Statements of *Statutory Accounting Principles No. 40*, properties 50% occupied by the reporting entity, including common areas, will be reported as property occupied by the company.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 3 – Cash and Investments (continued)

The following is a summary of properties occupied by the Company:

| | December 31 | |
|--------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Building | \$ 434,605 | \$ 434,605 |
| Improvements | 199,209 | 175,015 |
| | 633,814 | 609,620 |
| Accumulated depreciation | (259,594) | (246,358) |
| | 374,219 | 363,262 |
| Land | 75,633 | 75,633 |
| | <u>\$ 449,852</u> | <u>\$ 438,895</u> |

Net Investment Income

Net investment income is primarily made up of mortgage loan interest received and accrued and interest and dividends received or accrued on bonds. It also includes amortization of any purchase premium or discount using the interest method, adjusted prospectively for any change in estimated yield-to-maturity. Net investment income is reduced by direct and allocated investment expenses.

The following summarizes the components of net investment income at year end:

| | December 31 | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Bonds and long term certificates of deposits | \$ 157,298 | \$ 138,673 |
| Common stock | 8,624 | 10,413 |
| Cash and short term investments | 41,933 | 81,484 |
| Mortgage loans | 4,662,627 | 4,268,906 |
| Receivables secured by real estate | 409,065 | 327,960 |
| Other invested assets | - | - |
| Policy loans | 5,154 | 5,590 |
| Gross investment income | <u>5,284,701</u> | <u>4,833,026</u> |
| Investment expenses | (991,280) | (960,960) |
| Investment taxes (excluding federal income tax) | (94,820) | (136,231) |
| Depreciation on real estate and other invested assets | (51,466) | (71,320) |
| Net investment income | <u>\$ 4,147,135</u> | <u>\$ 3,664,515</u> |

Fair Value Measurement

Investments are being disclosed utilizing an established framework for measuring fair value, and an established fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 3 – Cash and Investments (continued)

Valuation techniques that are consistent with the market, income, or cost approach, are used to measure fair value.

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

- **Level 1 investments** use quoted prices in active markets for identical assets the entity has the ability to access.
- **Level 2 investments** use inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- **Level 3 investments** have no observable values for the assets and rely on management’s own assumptions that market participants would use in pricing the asset. The entity has no such investments.

The following table presents the entity’s fair value hierarchy for those investments measured at fair value on a recurring basis as of December 31:

| Assets at fair value | 2021 | | | |
|--|---------------------|-------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Common Stocks (affiliated; non-admitted) | \$ - | \$ - | \$ 545,391 | \$ 545,391 |
| Common Stocks (unaffiliated) | 1,793,164 | - | - | 1,793,164 |
| Common Stocks (mutual funds) | - | - | - | - |
| Other Invested Assets | - | - | - | - |
| | <u>\$ 1,793,164</u> | <u>\$ -</u> | <u>\$ 545,391</u> | <u>\$ 2,338,555</u> |

| Assets at fair value | 2020 | | | |
|--|---------------------|-------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Common Stocks (affiliated; non-admitted) | \$ - | \$ - | \$ 434,339 | \$ 434,339 |
| Common Stocks (unaffiliated) | 1,512,649 | - | - | 1,512,649 |
| Common Stocks (mutual funds) | - | - | - | - |
| Other Invested Assets | - | - | - | - |
| | <u>\$ 1,512,649</u> | <u>\$ -</u> | <u>\$ 434,339</u> | <u>\$ 1,946,988</u> |

The fair value measurements of investments in level 3 of the fair value hierarchy are presented in the following tables:

| Assets: | 2021 | | | | | | |
|--|-------------------------------|------------------------|--------------------------|---|--|-------------|------------------------------|
| | Beginning Balance at 1/1/2021 | Transfers into Level 3 | Transfers out of Level 3 | Total gains and (losses) included in Net Income | Total gains and (losses) included in Surplus | Settlements | Ending Balance at 12/31/2021 |
| Common Stocks (affiliated; non-admitted) | \$ 434,339 | \$ - | \$ - | \$ 111,052 | \$ - | \$ - | \$ 545,391 |
| | <u>\$ 434,339</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 111,052</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 545,391</u> |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 3 – Cash and Investments (continued)

| | 2020 | | | | | | |
|--|-------------------------------------|---------------------------|--------------------------------|--|---|-------------|------------------------------------|
| | Beginning Balance at 1/1/2020 | Transfers into Level 3 | Transfers out of Level 3 | Total gains and (losses) included in Net Income | Total gains and (losses) included in Surplus | Settlements | Ending Balance at 12/31/2020 |
| Assets: | | | | | | | |
| Common Stocks (affiliated; non-admitted) | \$ 284,696 | \$ - | \$ - | \$ - | \$ 149,643 | \$ - | \$ 434,339 |
| Other Invested Assets | 165,354 | - | - | (545,336) | 379,983 | - | - |
| | <u>\$ 450,050</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (545,336)</u> | <u>\$ 529,625</u> | <u>\$ -</u> | <u>\$ 434,339</u> |

There were no purchases, issuances, or sales of level 3 investments during the years ended December 31, 2021 and 2020, respectively.

The fair value and admitted asset value of assets are as follows as of December 31:

| Type of Financial Instrument | 2021 | | | | |
|--|-------------------------|--------------------|-----------|--------------|------------|
| | Aggregate Fair Value | Admitted Assets | (Level 1) | (Level 2) | (Level 3) |
| Bonds | \$ 4,577,884 | \$ 4,431,894 | \$ - | \$ 4,577,884 | \$ - |
| Common Stocks (level 3 includes non-admit) | 2,338,555 | 1,793,164 | 1,793,164 | | 545,391 |
| Mortgage Loans | 43,545,683 | 43,545,683 | | | 43,545,683 |
| Real Estate | 4,561,756 | 3,080,287 | | | 4,561,756 |
| Contract Loans | 93,356 | 93,356 | | | 93,356 |
| Other Invested Assets | - | - | - | - | - |

| Type of Financial Instrument | 2020 | | | | |
|--|-------------------------|--------------------|-----------|--------------|------------|
| | Aggregate Fair Value | Admitted Assets | (Level 1) | (Level 2) | (Level 3) |
| Bonds | \$ 5,216,150 | \$ 4,946,497 | \$ - | \$ 5,216,150 | \$ - |
| Common Stocks (level 3 includes non-adm) | 1,946,988 | 1,512,649 | 1,512,649 | - | 434,339 |
| Mortgage Loans | 48,388,016 | 48,388,016 | - | - | 48,388,016 |
| Real Estate | 4,870,454 | 3,388,064 | - | - | 4,870,454 |
| Contract Loans | 93,590 | 93,590 | - | - | 93,590 |
| Other Invested Assets | - | - | - | - | - |

Management uses a market approach to determine the fair value of mortgage loans and properties held for sale. Loans are adjusted for changes in the market value of the property collateralized based on local market indices. Property held for sale is adjusted to the most recent appraisal performed. The cost approach is used to determine the fair value of properties occupied by the Company and the property contract loans.

On a quarterly basis, the Company reviews its investment portfolio for securities in an unrealized loss position for other-than-temporary impairment. This review for potential impairment is performed on a specific identification basis and requires significant management judgment related to a number of qualitative and quantitative factors including the severity of the impairment, the duration of the impairment, recent trends and expected market performance. Management believes that the Company's unrealized losses on individual securities at December 31, 2021 and 2020, respectively, represent a temporary decline in market value.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
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Note 3 – Cash and Investments (continued)

The investments summarized below are in an unrealized loss position for which other-than-temporary declines in value have not been recognized as of December 31:

| 2021 | | | |
|----------------------------|------------------------|-----------------|--------------|
| Less than 12 Months | | | |
| | Cost/Amortized Cost | Unrealized Loss | Fair Value |
| Bonds | \$ 744,222 | \$ (11,650) | \$ 732,572 |
| Unaffiliated common stocks | 48,367 | (7,183) | 41,184 |
| | | | |
| 12 Months or More | | | |
| | Cost/Amortized Cost | Unrealized Loss | Fair Value |
| Bonds | \$ 297,808 | \$ (12,479) | \$ 285,329 |
| Unaffiliated common stocks | 4,038 | (1,418) | 2,620 |
| Totals | \$ 1,094,435 | \$ (32,730) | \$ 1,061,705 |
| | | | |
| 2020 | | | |
| Less than 12 Months | | | |
| | Cost/Amortized Cost | Unrealized Loss | Fair Value |
| Bonds | \$ 806,622 | \$ (20,050) | \$ 786,571 |
| Unaffiliated common stocks | 5,159 | (1,041) | 4,119 |
| | | | |
| 12 Months or More | | | |
| | Cost/Amortized Cost | Unrealized Loss | Fair Value |
| Bonds | \$ - | \$ - | \$ - |
| Unaffiliated common stocks | 48,616 | (2,202) | 46,414 |
| Totals | \$ 860,397 | \$ (23,293) | \$ 837,104 |

Note 4 – Reserve for Life Policies and Contracts

The Company accrues liabilities for unpaid claims on its life insurance policies, estimated incurred but unrecorded claims and estimated cost of future claims. The reserve reflects the liability for aggregate reserve amounts which, with additions from premiums to be received and with interest compounded annually at an interest assumption between 1.75% and 5.5% are calculated to be sufficient to meet policy obligations as they mature.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
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Note 4 – Reserve for Life Policies and Contracts (continued)

The following is the reserves activity during 2021 and 2020, respectively:

| | Life Policies and Contracts | Policy and Contract Claims |
|--|--|---------------------------------------|
| Reserves December 31, 2019 | \$ 35,488,037 | \$ 10,000 |
| Prior year claims paid in current year | - | - |
| Incurred claims | - | 129,814 |
| Change in life and annuity reserve | 362,866 | - |
| Current year claims paid | - | (102,542) |
| Reserves December 31, 2020 | \$ 35,850,903 | \$ 37,272 |
| Prior year claims paid in current year | - | (27,272) |
| Incurred claims | - | 19,108 |
| Change in life and annuity reserve | 1,729,058 | - |
| Current year claims paid | - | (15,746) |
| Reserves December 31, 2021 | \$ 37,579,961 | \$ 13,362 |

The following is an analysis of annuity actuarial reserves and deposit type contract liabilities by withdrawal characteristics as of December 31, 2021:

| Subject to Discretionary Withdrawal - Without Adjustment | Individual Annuities Amount | Percent of Total | Deposit Type Contracts Amount | Percent of Total |
|---|--|-----------------------------|--|-----------------------------|
| At book value less current surrender charge of 5% or more | \$ 8,496,370 | 24.8% | \$ - | 0.00% |
| At book value (minimal or no charge or adjustment) | \$ 21,007,117 | 61.4% | \$ 13,301,819 | 83.7% |
| Not subject to discretionary withdrawal | \$ 4,701,218 | 13.7% | \$ 2,598,031 | 16.3% |
| Reconciliation of Total Deposit Fund Liabilities: | | | | |
| Exhibit 5, Annuities section, Total (net) | \$ 34,204,705 | | | |
| Exhibit of Deposit-type contracts, Line 14, Column 1 | | | \$ 15,899,850 | |

The following is an analysis of life actuarial reserves by withdrawal characteristics as of December 31, 2021:

| Separate Account Nonguaranteed | Account Value | Cash Value | Reserve |
|---|----------------------|-------------------|----------------|
| Subject to discretionary withdrawal, surrender values, or policy loans: | | | |
| Other permanent cash value life insurance | \$ 3,137,103 | \$ 3,137,103 | \$ 3,334,588 |
| Not subject to discretionary withdrawal or no cash values: | | | |
| Miscellaneous reserves | \$ - | \$ - | \$ 40,668 |
| Reconciliation of Total Deposit Fund Liabilities: | | | |
| Exhibit 5, Life insurance section, Total (net) | | | \$ 3,334,588 |
| Exhibit 5, Miscellaneous reserves, Total (net) | | | \$ 40,668 |

Note 5 – Guaranteed Investment Contracts

Guaranteed Interest Contracts are amounts held on behalf of outside parties. Interest is paid yearly at a rate equal to Federal Reserve 6-month treasury constant maturity yield and is updated each month with a guaranteed minimum rate of 2.00%. Guaranteed investment contracts are considered a level 3 financial instrument under the fair value hierarchy referred to in Note 3.

Management uses a cost approach to report the fair value of these contracts and the amounts are not adjusted based on any additional criteria.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
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Note 6 – Capital and Surplus

State of Arizona insurance regulations require the Company to keep a minimum capital of \$300,000 and a minimum free surplus of \$150,000. At December 31, 2021 and December 31, 2020, the Company had capital amounts of \$931,690 and \$931,061 respectively and free surplus of \$14,562,401 and \$14,409,599, respectively. Free surplus was reduced by the \$8,045,104 and \$7,520,301 cost of treasury stock in 2021 and 2020, respectively. On February 8, 2011 the Board of Directors authorized the purchase of up to 300,000 shares of Company stock at 90% of the most recent equity value. The equity value is prepared monthly using U.S. GAAP standards and adjusted for any accrued dividends payable.

During 2021, treasury stock increased by the purchase of 133,918 shares of capital stock at prices ranging from \$3.91 to \$4.07 per share. During 2020, treasury stock increased by the purchase of 85,271 shares of capital stock at prices ranging from \$3.75 to \$3.85 per share.

The portion of surplus represented or reduced by each item below is as follows:

| | |
|--|----------------|
| Net unrealized capital gains or (losses) | \$ (670,147) |
| Nonadmitted asset values | \$ (2,133,548) |
| Asset valuation reserve | \$ (1,912,773) |
| Net deferred income taxes | \$ 507,409 |

Note 7 – Participating Insurance Policies

The allocation of dividends to participating policy owners is based on actuarial mortality rates with consideration for investment yields (which are subject to periodic review), issue ages, policy durations and premium charges. The mortality rates correspond with rates assumed in the calculation of the premium charges. Participating business comprised approximately 19% of total life insurance in force at December 31, 2021, and 20% at December 31, 2020.

Note 8 – Claims and Contingencies

The Company has various other legal proceedings and claims pending that are common to its operations. While it is not possible to determine the ultimate outcome of these matters, it is the opinion of management that they will not result in monetary damages that in the aggregate would be material to the business or operations of the Company.

AMERICAN SAVINGS LIFE INSURANCE COMPANY
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Note 9 – Related Parties

There is a significant inter-relationship between policyholders who are also stockholders and members of Company management. Related party transactions involving this group during the years ended December 31, 2021 and 2020, have consisted only of ordinary compensation, expense reimbursement and similar items incurred in the ordinary course of business, except as follows:

- a) Life insurance premiums paid by Company officers and directors totaled 0.7% and 3.8% of total premiums paid in 2021 and 2020, respectively. Company officers and directors also owned 1.3% and 2.7% of total policy face value in 2021 and 2020, respectively.
- b) Byron F. Allen is the President of the Company and also the Administrator of the Company's Profit Sharing Plan detailed in Note 10.
- c) E. Paul Whetten is the Executive Vice President of the Company and also the Trustee of the Company's Profit Sharing Plan detailed in Note 10.

The Company also entered into various transactions with its wholly owned subsidiary, American Life Financial Corporation (ALF) relating to shared administration costs. During 2021 and 2020, ALF personnel provided labor to the Company in the amount of \$363,338 and \$406,785 respectively, all of which was reimbursed as of December 31, 2021. The Company personnel provided labor to ALF under the agreement in the amount of \$3,696 and \$3,378 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, there was a net payable due to ALF of \$21,946 and \$0, respectively. As of December 31, 2021 and 2020 there were no receivables due from ALF. The Company paid ALF for mortgage loan origination and underwriting services provided to the Company in the amount of \$386,845 and \$368,493 during the years ended December 31, 2021 and 2020, respectively.

The Company pays the full amount of expenses for office space and other office support expenses. ALF reimburses the Company for a portion of those expenses. The total expenses reimbursed by ALF for office space and other support expenses were \$17,810 and \$18,960 for both 2021 and 2020, respectively.

Note 10 – Employee Benefit Plans

In 1993 the Company began to sponsor a qualified profit sharing plan available to full-time employees who meet the plan's eligibility requirements. The terms of the plan call for annual discretionary contributions by the Company as determined by the board. The plan contribution was \$63,220 for 2021 and \$72,162 for 2020.

The Company has an employee stock benefit compensation plan, available to employees and directors. The terms of the plan allow employees or directors to specify the greater of \$5,000 or up to 50% of their total compensation for shares of company stock. The allocation price of the stock is 100% of the non-audited generally accepted accounting principles book value for the month preceding enrollment, adjusted for dividends declared but unpaid. Employee may adjust the amount of their payroll allocated to stock compensation every six months. Stock is issued in full shares only. After the stock is issued, the stockholder is prohibited from selling the stock for two years. There are no vesting requirements or minimum requisite service periods before stocks are issued. As such, compensation is expensed as service is performed.

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Note 10 – Employee Benefit Plans (Continued)

During 2021 and 2020, 6,249 and 5,660 shares, respectively, of Company common stock were issued as stock compensation expense under the plan for a total of \$27,196 and \$23,542, respectively. The average price utilized for the determination of the value of such stock issued for compensation for the year ended December 31, 2021 and 2020 was \$4.32 and \$4.16, respectively. As of December 31, 2021 and 2020, \$11,297 and \$5,571 of employee and directors compensation had been set aside for stock issuance as accrued liabilities based on the enrollment stock price of \$4.36 and \$4.27, respectively.

Note 11 – Income Taxes

The Company has an effective income tax rate substantially different from the statutory rate applied to net income for the years ended December 31, 2021 and 2020. The largest difference is due to the qualification of the Company under Internal Revenue Code Section 806(a) for the small life insurance company deduction on its federal income tax return; a deduction that is not recognized on the statutory basis financial statements.

The following is a summary of the differences between statutory pre-tax net income and taxable income:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Statutory pre-tax net income | \$ 1,462,639 | \$ 1,034,652 |
| Dividends received deduction | (3,018) | (3,686) |
| Net due and deferred premiums | 328 | 790 |
| Tax exempt interest income | (12,748) | (12,748) |
| Difference between tax and book depreciation | (4,011) | 1,255 |
| Deferred acquisition costs | (235) | (16,609) |
| Interest maintenance reserve | - | (1,586) |
| Statutory reserve adjustment | 64,239 | 41,589 |
| OTTI impairment | - | - |
| Other items | 3,596 | 1,140,781 |
| | 1,510,790 | 2,184,438 |
| Taxable income before small life insurance company deduction | 1,510,790 | 2,184,438 |
| Small life insurance company deduction | - | - |
| | \$ 1,510,790 | \$ 2,184,438 |

Deferred Tax

During the year ended December 31, 2017, the Company adopted SSAP 101, *Income Taxes*, and began accounting for deferred income taxes.

| | 2021 | | | 2020 | | | Change | | |
|--|------------|-------------|------------|------------|------------|------------|------------|-------------|------------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Change |
| Gross deferred tax assets | \$ 741,416 | \$ 114,432 | \$ 855,848 | \$ 679,246 | \$ 153,036 | \$ 832,282 | \$ 62,170 | \$ (38,604) | \$ 23,566 |
| Statutory valuation allowance adjustments | 174,063 | - | 174,063 | 110,644 | 41,492 | 152,135 | 63,419 | (41,492) | 21,928 |
| Adjusted gross deferred tax assets (1a-1b) | 567,353 | 114,432 | 681,785 | 568,603 | 111,544 | 680,147 | (1,250) | 2,888 | 1,638 |
| Deferred tax assets nonadmitted | - | - | - | 428,492 | 19,497 | 447,989 | (428,492) | (19,497) | (447,989) |
| Net admitted deferred tax asset (1c-1d) | 567,353 | 114,432 | 681,785 | 140,110 | 92,047 | 232,158 | 427,243 | 22,385 | 449,627 |
| Deferred tax liabilities | 33,552 | 140,824 | 174,376 | 53,306 | 92,047 | 145,354 | (19,754) | 48,777 | 29,022 |
| Net admitted deferred tax assets / (liabilities) (1e-1f) | \$ 533,801 | \$ (26,392) | \$ 507,409 | \$ 86,804 | \$ 0 | \$ 86,804 | \$ 446,997 | \$ (26,392) | \$ 420,605 |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
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Note 11 – Income Taxes (continued)

Admissible calculation components per SSAP No. 101, Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10 are as follows:

| | Ordinary | 2021 Capital | Total | Ordinary | 2020 Capital | Total | Ordinary | Change Capital | Total |
|---|------------|-----------------|------------|------------|-----------------|------------|------------|-------------------|------------|
| Federal taxes paid in prior years that can be recovered through loss carrybacks, by tax character | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Amount of adjusted gross DTAs expected to be realized (excluding amount of DTAs report in 9A(2)(a) above) after application of threshold limitation, by tax character (lesser of 2(b)1 and 2(b)2) | 649,162 | | 649,162 | 86,804 | | 86,804 | 562,358 | - | 562,358 |
| Amount of adjusted gross DTAs, expected to be realized within the applicable period following the balance sheet date, by tax character (see Realization Threshold Limitation Table) | 649,162 | XXX | 649,162 | 86,804 | | 86,804 | 562,358 | - | 562,358 |
| Amount of applicable percentage of statutory capital and surplus as required to be shown on the statutory balance sheet adjusted to exclude any net DTAs, EDP equipment and operating system software and any net positive goodwill. (see Realization Threshold Limitation Table) | XXX | XXX | 2,267,945 | XXX | XXX | 2,309,455 | XXX | XXX | (41,510) |
| Amount of adjusted gross DTAs (excluding amount of DTAs reported in 9A(2)a and 9A(2)b that can be offset against existing gross DTLs, by tax character | | 32,624 | 32,624 | 53,306 | 92,047 | 145,354 | (53,306) | (59,423) | (112,730) |
| Amount of DTAs admitted as result of application of SSAP No. 101 by tax character (the sum of 9A(2)a, 9A(2)b and 9A(2)c) | \$ 649,162 | \$ 32,624 | \$ 681,786 | \$ 140,110 | \$ 92,047 | \$ 232,158 | \$ 509,052 | \$ (59,423) | \$ 449,628 |

The ratio percentage and the amount of adjusted capital and surplus used to determine the recovery period and threshold limitation amounts for the admissibility test was 1,177% and \$16,863,742 for the year ended December 31, 2021.

There is no impact of management's tax planning strategies on the Adjusted Gross DTAs and Net Admitted DTAs.

Current income taxes incurred consist of the following major components:

| | 2021 | 2020 | Change |
|---|------------|------------|-------------|
| Current income tax: | | | |
| Federal income taxes | \$ 325,845 | \$ 362,829 | \$ (36,984) |
| Foreign income taxes | - | - | - |
| Subtotal | 325,845 | 362,829 | (36,984) |
| Federal income tax on net capital gains | 22,597 | 42,341 | (19,744) |
| Other | - | - | - |
| Federal and foreign income taxes incurred | \$ 348,442 | \$ 405,170 | \$ (56,728) |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 11 – Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portion of the deferred tax assets and deferred tax liabilities are as follows:

| | 2021 | 2020 | Change |
|--|-------------------|-------------------|-------------------|
| Deferred tax assets: | | | |
| Ordinary: | | | |
| Life Reserve Discounting | \$ 213,242 | \$ 142,178 | \$ 71,064 |
| Deferred Acquisition Costs | 43,500 | 43,549 | (49) |
| Fixed Assets | - | 397 | (397) |
| AMT Credit | - | - | - |
| Non-Admitted Assets | 419,329 | 419,329 | - |
| Operating Loss Carryforward | - | - | - |
| Other | 65,345 | 73,793 | (8,448) |
| Subtotal | <u>741,416</u> | <u>679,246</u> | <u>62,170</u> |
| Statutory valuation allowance adjustments | (174,063) | (110,644) | (63,419) |
| Nonadmitted | - | (428,492) | 428,492 |
| Admitted Ordinary Deferred Tax Assets | <u>567,353</u> | <u>140,110</u> | <u>427,243</u> |
| Capital: | | | |
| OTTI | - | 52,521 | (52,521) |
| Investments | - | - | - |
| Capital loss carryforward | - | - | - |
| Real Estate | - | 100,515 | (100,515) |
| Other | 114,432 | - | 114,432 |
| Subtotal | <u>114,432</u> | <u>153,036</u> | <u>(38,604)</u> |
| Statutory valuation allowance adjustments | - | (41,492) | 41,492 |
| Nonadmitted | - | (19,497) | 19,497 |
| Admitted Capital Deferred Tax Assets | <u>114,432</u> | <u>92,047</u> | <u>22,385</u> |
| Admitted Deferred Tax Assets: | <u>\$ 681,785</u> | <u>\$ 232,158</u> | <u>\$ 449,627</u> |
| Deferred tax liabilities: | | | |
| Ordinary: | | | |
| Fixed Assets | \$ (445) | \$ - | \$ (445) |
| Deferred and Uncollected Premiums | (362) | (1,571) | 1,209 |
| Policyholder Reserves | (32,638) | - | (32,638) |
| Other | (107) | (51,735) | 51,628 |
| Subtotal: | <u>(33,552)</u> | <u>(53,306)</u> | <u>19,754</u> |
| Capital: | | | |
| Investments | (140,731) | (92,047) | (48,684) |
| Other | (93) | - | (93) |
| Subtotal: | <u>(140,824)</u> | <u>(92,047)</u> | <u>(48,777)</u> |
| Deferred Tax Liability | <u>(174,376)</u> | <u>(145,354)</u> | <u>(29,022)</u> |
| Net admitted deferred tax asset (liability) | <u>\$ 507,409</u> | <u>\$ 86,804</u> | <u>\$ 420,605</u> |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 11 – Income Taxes (continued)

There are no differences for which deferred tax liabilities are not recognized. The change in deferred tax assets is reflected as a change in capital and surplus in the accompanying statutory statements.

The valuation allowance adjustment to gross deferred tax assets as of December 31, 2021 and December 31, 2020 was \$174,063 and \$152,135, respectively. The net change in the total valuation allowance adjustments for December 31, 2021 was an increase of \$21,928.

The Company's income tax expense and change in deferred tax assets/deferred tax liabilities differs from the amount obtained by applying the federal statutory rate of 21% to income before taxes for the following reasons:

| | Amount | Effective tax rate (%) |
|---|-------------------|---------------------------|
| Provision computed at statutory rate | \$ 307,154 | 21.0% |
| Small company deduction | - | 0.0% |
| Tax exempt interest deduction | (2,677) | -0.2% |
| Dividends received deduction | (634) | 0.0% |
| Proration of tax exempt investment income | 803 | 0.1% |
| Disallowed travel and entertainment | - | 0.0% |
| IMR in operating income | 21 | 0.0% |
| Change in statutory valuation reserve | 21,928 | 1.5% |
| Change in nonadmitted assets | - | 0.0% |
| AMT credit | - | 0.0% |
| Other | 48 | 0.0% |
| Totals | \$ 326,643 | 22.3% |
| Federal and foreign income taxes incurred | \$ 325,345 | 22.2% |
| Realized capital gains tax | 22,597 | 1.5% |
| Change in net deferred income taxes | (21,299) | -1.5% |
| Total statutory income taxes | \$ 304,046 | 20.8% |

AMERICAN SAVINGS LIFE INSURANCE COMPANY
NOTES TO THE STATUTORY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 11 – Income Taxes (continued)

As of December 31, 2021, the Company did not have any unused operating loss carryforwards and \$0 in AMT tax credit carryforwards to offset against future taxable income.

The following amounts of federal income taxes are available for recoupment in the event of future losses:

| | | |
|------|----|---------|
| 2021 | \$ | 317,266 |
| 2020 | \$ | 458,732 |
| 2019 | \$ | 335,639 |

The Company's federal income tax return is not consolidated with any other entity. The Company's tax returns are subject to IRS audits if requested by the IRS, generally for three years after the return is filed. The Company is subject to state premium taxes and, accordingly, is exempt from state income taxes in a majority of the states in which the Company does business.

As of December 31, 2021 and 2020 the Company has not adopted the provisions of Accounting Standard Codification (ASC) 740, *Income Taxes* because it is not required by the accounting practices prescribed or permitted by the State of Arizona Department of Insurance. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740.

Note 12 – Subsequent Events

Management has evaluated subsequent events through May 19, 2022, the date in which the financial statements were available to be issued. No events or transactions occurred after year-end that require additional disclosure or adjustment to the financial statements.

OTHER LEGAL AND REGULATORY INFORMATION

**Independent Auditor's Report on Other Legal
and Regulatory Information**

To the Board of Directors

American Savings Life Insurance Company:

We have audited the statutory financial statements of **American Savings Life Insurance Company** as of and for the year ended December 31, 2021, and our report thereon dated May 19, 2022, which expressed an unmodified opinion on those statutory financial statements, appears on pages 2-3. The Schedule 1 - Selected Financial Data, Schedule 2 – Summary Investment Schedule and Schedule 3 – Investment Risk Interrogatories are presented for purposes of additional analysis and is not a required part of the statutory financial statements, but are required as other legal and regulatory information required by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual. This information is presented in a format consistent with the Annual Statement filed by **American Savings Life Insurance Company** with the State of Arizona Insurance Department. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.

Larson & Company PC

Salt Lake City, Utah
May 19, 2022

AMERICAN SAVINGS LIFE INSURANCE COMPANY
SCHEDULE 1 – SELECTED FINANCIAL DATA
 FOR THE YEAR ENDED DECEMBER 31, 2021

| INVESTMENT INCOME EARNED | 2021 |
|--|----------------------|
| Other bonds (unaffiliated) | \$ 157,298 |
| Common stocks (unaffiliated) | 8,624 |
| Common stocks of affiliates | - |
| Mortgages loans | 4,662,627 |
| Real estate | 409,065 |
| Premium notes, policy loans and liens | 5,154 |
| Cash on hand and short term investments | 41,933 |
| Other invested assets | - |
| Gross Investment Income | <u>\$ 5,284,701</u> |
| REAL ESTATE OWNED - BOOK VALUE | <u>\$ 4,561,755</u> |
| MORTGAGE LOANS - BOOK VALUE | |
| Residential mortgages | \$ 5,005,876 |
| Commercial mortgages | 38,539,807 |
| Total mortgage loans | <u>\$ 43,545,683</u> |
| MORTGAGE LOANS BY STANDING - BOOK VALUE | |
| Good standing | \$ 39,651,927 |
| Interest overdue more than 90 days, not in foreclosure | 3,140,846 |
| Foreclosure in process | 752,909 |
| | <u>\$ 43,545,683</u> |
| OTHER LONG TERM ASSETS - STATEMENT VALUE | <u>\$ -</u> |
| BONDS AND SHORT-TERM INVESTMENTS BY NAIC DESIGNATION AND MATURITY | |
| <i>Bonds by Maturity – Statement Value:</i> | |
| Due within one year less | \$ - |
| Over 1 year through 5 years | 287,349 |
| Over 5 years through 10 years | 894,554 |
| Over 10 years through 20 years | 1,930,037 |
| Over 20 years | 1,319,954 |
| Total by Maturity | <u>\$ 4,431,894</u> |
| <i>Bonds by NAIC Designation – Statement Value:</i> | |
| NAIC 1 | \$ 3,362,499 |
| NAIC 2 | 1,069,395 |
| NAIC 3 | - |
| NAIC 4 | - |
| Total by NAIC Designation | <u>\$ 4,431,894</u> |
| <i>Total Bonds Publicly Traded</i> | <u>\$ 4,431,894</u> |
| Total Bonds Privately Placed | <u>\$ -</u> |

See independent auditor's report on other legal and regulatory information

AMERICAN SAVINGS LIFE INSURANCE COMPANY
SCHEDULE 1 – SELECTED FINANCIAL DATA (continued)
 FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 |
|---|----------------------|
| 47 Common Stocks – Market Value | <u>\$ 2,338,555</u> |
| 48 Short Term Investments – Book Value | <u>\$ -</u> |
| 53 Cash on Deposit | <u>\$ 16,448,379</u> |
| Life Insurance In Force: | |
| 55 Ordinary | <u>\$ 20,466,282</u> |
| Amount of Accidental Death Insurance In Force Under | |
| 58 Ordinary Policies | <u>\$ -</u> |
| Annuities in Force | |
| 69 Immediate – Amount of Income Payable | <u>\$ 447,063</u> |
| 70 Deferred – Fully Paid Account Balance | <u>\$ 29,310,251</u> |
| Deposit Funds and Dividend Accumulations: | |
| 78 Deposit Funds – Account Balance | <u>\$ 15,888,787</u> |
| 79 Dividend Accumulations – Account Balance | <u>\$ 11,063</u> |

See independent auditor's report on other legal and regulatory information

AMERICAN SAVINGS LIFE INSURANCE COMPANY
SCHEDULE 2 – SUMMARY INVESTMENT SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Investment Categories | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|------|---|---------------------------|----------------------------|---|--|----------------------|----------------------------|
| | | 1 Amount | 2 Percentage Line 13 | 3 Amount | 4 Securities Lending Collateral Amount | 5 Total Amount | 6 Percentage Line 13 |
| 1. | Long-Term Bonds (Schedule D, Part 1): | | | | | | |
| 1.01 | U.S. Governments..... | 1,101,825 | 1.5 | 1,101,825 | | 1,101,825 | 1.5 |
| 1.02 | All Other Governments..... | | 0.0 | | | 0 | 0.0 |
| 1.03 | U.S. States, Territories and Possessions, etc., Guaranteed..... | | 0.0 | | | 0 | 0.0 |
| 1.04 | U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed..... | | 0.0 | | | 0 | 0.0 |
| 1.05 | U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed..... | 635,303 | 0.9 | 635,303 | | 635,303 | 0.9 |
| 1.06 | Industrial and Miscellaneous..... | 2,694,766 | 3.6 | 2,694,766 | | 2,694,766 | 3.7 |
| 1.07 | Hybrid Securities..... | | 0.0 | | | 0 | 0.0 |
| 1.08 | Parent, Subsidiaries and Affiliates..... | | 0.0 | | | 0 | 0.0 |
| 1.09 | SVO Identified Funds..... | | 0.0 | | | 0 | 0.0 |
| 1.10 | Unaffiliated Bank Loans..... | | 0.0 | | | 0 | 0.0 |
| 1.11 | Total Long-Term Bonds..... | 4,431,894 | 6.0 | 4,431,894 | 0 | 4,431,894 | 6.1 |
| 2. | Preferred Stocks (Schedule D, Part 2, Section 1): | | | | | | |
| 2.01 | Industrial and Misc. (Unaffiliated)..... | | 0.0 | | | 0 | 0.0 |
| 2.02 | Parent, Subsidiaries and Affiliates..... | | 0.0 | | | 0 | 0.0 |
| 2.03 | Total Preferred Stock..... | 0 | 0.0 | 0 | 0 | 0 | 0.0 |
| 3. | Common Stocks (Schedule D, Part 2, Section 2): | | | | | | |
| 3.01 | Industrial and Miscellaneous Publicly Traded (Unaffiliated)..... | 1,793,164 | 2.4 | 1,793,164 | | 1,793,164 | 2.5 |
| 3.02 | Industrial and Miscellaneous Other (Unaffiliated)..... | | 0.0 | | | 0 | 0.0 |
| 3.03 | Parent, Subsidiaries and Affiliates Publicly Traded..... | 545,391 | 0.7 | | | 0 | 0.0 |
| 3.04 | Parent, Subsidiaries and Affiliates Other..... | | 0.0 | | | 0 | 0.0 |
| 3.05 | Mutual Funds..... | | 0.0 | | | 0 | 0.0 |
| 3.06 | Unit Investment Trusts..... | | 0.0 | | | 0 | 0.0 |
| 3.07 | Closed-End Funds..... | | 0.0 | | | 0 | 0.0 |
| 3.08 | Total Common Stocks..... | 2,338,555 | 3.1 | 1,793,164 | 0 | 1,793,164 | 2.5 |
| 4. | Mortgage Loans (Schedule B): | | | | | | |
| 4.01 | Farm Mortgages..... | | 0.0 | | | 0 | 0.0 |
| 4.02 | Residential Mortgages..... | 5,005,876 | 6.7 | 5,005,876 | | 5,005,876 | 6.9 |
| 4.03 | Commercial Mortgages..... | 38,539,807 | 51.8 | 38,539,807 | | 38,539,807 | 53.3 |
| 4.04 | Mezzanine Real Estate Loans..... | | 0.0 | | | 0 | 0.0 |
| 4.05 | Total Valuation Allowance..... | | 0.0 | | | 0 | 0.0 |
| 4.06 | Total Mortgage Loans..... | 43,545,683 | 58.5 | 43,545,683 | 0 | 43,545,683 | 60.2 |
| 5. | Real Estate (Schedule A): | | | | | | |
| 5.01 | Properties Occupied by Company..... | 449,852 | 0.6 | 449,852 | | 449,852 | 0.6 |
| 5.02 | Properties Held for Production of Income..... | | 0.0 | | | 0 | 0.0 |
| 5.03 | Properties Held for Sale..... | 4,111,903 | 5.5 | 2,630,434 | | 2,630,434 | 3.6 |
| 5.04 | Total Real Estate..... | 4,561,756 | 6.1 | 3,080,287 | 0 | 3,080,287 | 4.3 |
| 6. | Cash, Cash Equivalents, and Short-Term Investments: | | | | | | |
| 6.01 | Cash (Schedule E, Part 1)..... | 16,448,379 | 22.1 | 16,448,379 | | 16,448,379 | 22.7 |
| 6.02 | Cash Equivalents (Schedule E, Part 2)..... | 2,958,758 | 4.0 | 2,958,758 | | 2,958,758 | 4.1 |
| 6.03 | Short-Term Investments (Schedule DA)..... | | 0.0 | | | 0 | 0.0 |
| 6.04 | Total Cash, Cash Equivalents, and Short-Term Investments..... | 19,407,137 | 26.1 | 19,407,137 | 0 | 19,407,137 | 26.8 |
| 7. | Contract Loans..... | 93,356 | 0.1 | 93,356 | | 93,356 | 0.1 |
| 8. | Derivatives (Schedule DB)..... | | 0.0 | | | 0 | 0.0 |
| 9. | Other Invested Assets (Schedule BA)..... | | 0.0 | | | 0 | 0.0 |
| 10. | Receivables for Securities..... | | 0.0 | | | 0 | 0.0 |
| 11. | Securities Lending (Schedule DL, Part 1)..... | | 0.0 | | XXX | XXX | XXX |
| 12. | Other Invested Assets (Page 2, Line 11)..... | | 0.0 | | | 0 | 0.0 |
| 13. | Total Invested Assets..... | 74,378,381 | 100.0 | 72,351,521 | 0 | 72,351,521 | 100.0 |

See independent auditor's report on other legal and regulatory information

AMERICAN SAVINGS LIFE INSURANCE COMPANY
SCHEDULE 3 – INVESTMENT RISK INTERROGATORIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Reporting entity's total admitted assets as reported on Page 2 of this annual statement.

\$.....73,264,445

Ten largest exposures to a single issuer/borrower/investment.

| | 1 | 2 | 3 | 4 |
|------|---|--------------------------------|---------------|--|
| | <u>Issuer</u> | <u>Description of Exposure</u> | <u>Amount</u> | <u>Percentage of Total Admitted Assets</u> |
| 2.01 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 3,300,000 | 4.5 % |
| 2.02 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 3,065,219 | 4.2 % |
| 2.03 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 2,000,000 | 2.7 % |
| 2.04 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 1,601,218 | 2.2 % |
| 2.05 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 1,461,688 | 2.0 % |
| 2.06 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 1,306,049 | 1.8 % |
| 2.07 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 1,300,000 | 1.8 % |
| 2.08 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 1,230,000 | 1.7 % |
| 2.09 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 1,170,000 | 1.6 % |
| 2.10 | AMERICAN SAVINGS LIFE INSURANCE COMPANY | MORTGAGE LOAN | \$ 983,968 | 1.3 % |

Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

| | 1 | 2 |
|------|--------------|-------------------------|
| | <u>Bonds</u> | <u>Preferred Stocks</u> |
| 3.01 | NAIC 1 | \$ 3,362,499 4.6 % |
| 3.02 | NAIC 2 | \$ 1,069,395 1.5 % |
| 3.03 | NAIC 3 | \$ 0.0 % |
| 3.04 | NAIC 4 | \$ 0.0 % |
| 3.05 | NAIC 5 | \$ 0.0 % |
| 3.06 | NAIC 6 | \$ 0.0 % |
| 3.07 | PI/RP-1 | \$ 0.0 % |
| 3.08 | PI/RP-2 | \$ 0.0 % |
| 3.09 | PI/RP-3 | \$ 0.0 % |
| 3.10 | PI/RP-4 | \$ 0.0 % |
| 3.11 | PI/RP-5 | \$ 0.0 % |
| 3.12 | PI/RP-6 | \$ 0.0 % |

Assets held in foreign investments:

| | | |
|--|--|----------------|
| 4.01 | Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? | Yes [X] No [] |
| If response to 4.01 above is yes, responses are not required for interrogatories 5-10. | | |
| 4.02 | Total admitted assets held in foreign investments | \$ 0.0 % |
| 4.03 | Foreign-currency-denominated investments | \$ 0.0 % |
| 4.04 | Insurance liabilities denominated in that same foreign currency | \$ 0.0 % |

Aggregate foreign investment exposure categorized by NAIC sovereign designation:

| | 1 | 2 |
|------|--------------------------------------|----------|
| 5.01 | Countries designated NAIC 1 | \$ 0.0 % |
| 5.02 | Countries designated NAIC 2 | \$ 0.0 % |
| 5.03 | Countries designated NAIC 3 or below | \$ 0.0 % |

Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

| | 1 | 2 |
|---------------------------------------|-----------|----------|
| Countries designated NAIC 1: | | |
| 6.01 | Country 1 | \$ 0.0 % |
| 6.02 | Country 2 | \$ 0.0 % |
| Countries designated NAIC 2: | | |
| 6.03 | Country 1 | \$ 0.0 % |
| 6.04 | Country 2 | \$ 0.0 % |
| Countries designated NAIC 3 or below: | | |
| 6.05 | Country 1 | \$ 0.0 % |
| 6.06 | Country 2 | \$ 0.0 % |

Aggregate unhedged foreign currency exposure..... \$ 0.0 %

Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

| | 1 | 2 |
|------|--------------------------------------|----------|
| 8.01 | Countries designated NAIC 1 | \$ 0.0 % |
| 8.02 | Countries designated NAIC 2 | \$ 0.0 % |
| 8.03 | Countries designated NAIC 3 or below | \$ 0.0 % |

Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

| | 1 | 2 |
|---------------------------------------|-----------|----------|
| Countries designated NAIC 1: | | |
| 9.01 | Country 1 | \$ 0.0 % |
| 9.02 | Country 2 | \$ 0.0 % |
| Countries designated NAIC 2: | | |
| 9.03 | Country 1 | \$ 0.0 % |
| 9.04 | Country 2 | \$ 0.0 % |
| Countries designated NAIC 3 or below: | | |
| 9.05 | Country 1 | \$ 0.0 % |
| 9.06 | Country 2 | \$ 0.0 % |

See independent auditor's report on other legal and regulatory information

AMERICAN SAVINGS LIFE INSURANCE COMPANY
SCHEDULE 3 – INVESTMENT RISK INTERROGATORIES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Ten largest non-sovereign (i.e. non-governmental) foreign issues:

| | 1 <u>Issuer</u> | 2 <u>NAIC Designation</u> | 3 | 4 | |
|-------|--------------------|------------------------------|----|---|-------|
| 10.01 | | | \$ | | 0.0 % |
| 10.02 | | | \$ | | 0.0 % |
| 10.03 | | | \$ | | 0.0 % |
| 10.04 | | | \$ | | 0.0 % |
| 10.05 | | | \$ | | 0.0 % |
| 10.06 | | | \$ | | 0.0 % |
| 10.07 | | | \$ | | 0.0 % |
| 10.08 | | | \$ | | 0.0 % |
| 10.09 | | | \$ | | 0.0 % |
| 10.10 | | | \$ | | 0.0 % |

Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

| | | |
|-------|---|---|
| 11.01 | Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| 11.02 | Total admitted assets held in Canadian Investments..... | \$ 0.0 % |
| 11.03 | Canadian currency-denominated investments..... | \$ 0.0 % |
| 11.04 | Canadian-denominated insurance liabilities..... | \$ 0.0 % |
| 11.05 | Unhedged Canadian currency exposure..... | \$ 0.0 % |

Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

| | | |
|-------|--|---|
| 12.01 | Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| 12.02 | Aggregate statement value of investments with contractual sales restrictions..... | \$ 0.0 % |
| 12.03 | Largest three investments with contractual sales restrictions: | |
| 12.04 | | \$ 0.0 % |
| 12.05 | | \$ 0.0 % |

Amounts and percentages of admitted assets held in the ten largest equity interests:

| | | |
|-------|--|---|
| 13.01 | Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13. | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| 13.02 | ASL FINANCIAL GROUP..... | \$ 545,391 0.7 % |
| 13.03 | BERKSHIRE HATHAWAY INC CLASS A..... | \$ 450,662 0.6 % |
| 13.04 | ALPHABET INC..... | \$ 121,531 0.2 % |
| 13.05 | MICROSOFT CORP..... | \$ 120,739 0.2 % |
| 13.06 | ICON PLC..... | \$ 91,052 0.1 % |
| 13.07 | VISA INC- CLASS A SHARES..... | \$ 81,700 0.1 % |
| 13.08 | ADOBE SYSTEMS INC..... | \$ 79,388 0.1 % |
| 13.09 | ACCENTURE PLC IRELAND..... | \$ 73,790 0.1 % |
| 13.10 | ABBOTT LABORATORIES..... | \$ 67,274 0.1 % |
| 13.11 | MASTERCARD INCORPORATED CL A..... | \$ 62,881 0.1 % |

Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

| | | |
|-------|---|---|
| 14.01 | Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? If response to 14.01 above is yes, responses are not required for 14.02 through 14.05. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| 14.02 | Aggregate statement value of investments held in nonaffiliated, privately placed equities..... | \$ 0.0 % |
| 14.03 | Largest three investments held in nonaffiliated, privately placed equities: | |
| 14.04 | | \$ 0.0 % |
| 14.05 | | \$ 0.0 % |

Ten Largest Fund Managers

| | 1 <u>Fund Manager</u> | 2 <u>Total Invested</u> | 3 <u>Diversified</u> | 4 <u>Non-Diversified</u> | |
|-------|--------------------------|----------------------------|-------------------------|-----------------------------|--|
| 14.06 | | \$ | \$ | \$ | |
| 14.07 | | \$ | \$ | \$ | |
| 14.08 | | \$ | \$ | \$ | |
| 14.09 | | \$ | \$ | \$ | |
| 14.10 | | \$ | \$ | \$ | |
| 14.11 | | \$ | \$ | \$ | |
| 14.12 | | \$ | \$ | \$ | |
| 14.13 | | \$ | \$ | \$ | |
| 14.14 | | \$ | \$ | \$ | |
| 14.15 | | \$ | \$ | \$ | |

Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

| | | |
|-------|--|---|
| 15.01 | Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| 15.02 | Aggregate statement value of investments held in general partnership interests..... | \$ 0.0 % |
| 15.03 | Largest three investments in general partnership interests: | |
| 15.04 | | \$ 0.0 % |
| 15.05 | | \$ 0.0 % |

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AMERICAN SAVINGS LIFE INSURANCE COMPANY
SCHEDULE 3 – INVESTMENT RISK INTERROGATORIES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

| | | | |
|-------|--|---|-------|
| 16.01 | Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17. | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| | 1 | 2 | |
| | <u>Type (Residential, Commercial, Agricultural)</u> | 3 | |
| 16.02 | COMMERCIAL..... | \$ 3,300,000 | 4.5 % |
| 16.03 | COMMERCIAL..... | \$ 3,065,219 | 4.2 % |
| 16.04 | RESIDENTIAL..... | \$ 2,000,000 | 2.7 % |
| 16.05 | COMMERCIAL..... | \$ 1,601,218 | 2.2 % |
| 16.06 | COMMERCIAL..... | \$ 1,461,688 | 2.0 % |
| 16.07 | COMMERCIAL..... | \$ 1,306,049 | 1.8 % |
| 16.08 | COMMERCIAL..... | \$ 1,300,000 | 1.8 % |
| 16.09 | COMMERCIAL..... | \$ 1,230,000 | 1.7 % |
| 16.10 | COMMERCIAL..... | \$ 1,170,000 | 1.6 % |
| 16.11 | COMMERCIAL..... | \$ 983,968 | 1.3 % |

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

| | | |
|-------|---|--------------------|
| | | <u>Loans</u> |
| 16.12 | Construction loans..... | \$ 0.0 % |
| 16.13 | Mortgage loans over 90 days past due..... | \$ 3,140,846 4.3 % |
| 16.14 | Mortgage loans in the process of foreclosure..... | \$ 752,909 1.0 % |
| 16.15 | Mortgage loans foreclosed..... | \$ 0.0 % |
| 16.16 | Restructured mortgage loans..... | \$ 0.0 % |

Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

| | | | | |
|-------|----------------------|--------------------|----------------------|---------------------|
| | <u>Loan-to-Value</u> | <u>Residential</u> | <u>Commercial</u> | <u>Agricultural</u> |
| | | 1 | 2 | 3 |
| | | 4 | 5 | 6 |
| 17.01 | above 95%..... | \$ 0.0 % | \$ 0.0 % | \$ 0.0 % |
| 17.02 | 91% to 95%..... | \$ 0.0 % | \$ 0.0 % | \$ 0.0 % |
| 17.03 | 81% to 90%..... | \$ 0.0 % | \$ 0.0 % | \$ 0.0 % |
| 17.04 | 71% to 80%..... | \$ 0.0 % | \$ 645,492 0.9 % | \$ 0.0 % |
| 17.05 | below 70%..... | \$ 5,005,876 6.8 % | \$ 37,894,315 51.7 % | \$ 0.0 % |

Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

| | | | |
|-------|---|---|-------|
| 18.01 | Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18. | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | |
| | Largest five investments in any one parcel or group of contiguous parcels of real estate: | | |
| | <u>Description</u> | 2 | |
| | | 3 | |
| 18.02 | 140001 800 TULLY ROAD..... | \$ 1,107,098 | 1.5 % |
| 18.03 | 202020 1861 PETRIFIED FOREST DRIVE..... | \$ 986,035 | 1.3 % |
| 18.04 | 140015 403 E Palma Vista Dr..... | \$ 656,900 | 0.9 % |
| 18.05 | 201000 935 E MAIN STREET - COMPANY OFFICE..... | \$ 448,939 | 0.6 % |
| 18.06 | 146352 I8 & VEKOL VALLEY INTERCHANGE..... | \$ 439,801 | 0.6 % |

Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans.

| | | |
|-------|--|---|
| 19.01 | Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's admitted assets? If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| | 1 | 2 |
| | | 3 |
| 19.02 | Aggregate statement value of investments held in mezzanine real estate loans..... | \$ 0.0 % |
| | Largest three investments held in mezzanine real estate loans: | |
| 19.03 | | \$ 0.0 % |
| 19.04 | | \$ 0.0 % |
| 19.05 | | \$ 0.0 % |

Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

| | | | |
|-------|---|--------------------|-------------------------------|
| | | <u>At Year-End</u> | <u>At End of Each Quarter</u> |
| | | 1 | 2 |
| | | 3 | 4 |
| | | 5 | 6 |
| 20.01 | Securities lending agreements (do not include assets held as collateral for such transactions)..... | \$ 0.0 % | \$ 0.0 % |
| 20.02 | Repurchase agreements..... | \$ 0.0 % | \$ 0.0 % |
| 20.03 | Reverse repurchase agreements..... | \$ 0.0 % | \$ 0.0 % |
| 20.04 | Dollar repurchase agreements..... | \$ 0.0 % | \$ 0.0 % |
| 20.05 | Dollar reverse repurchase agreements..... | \$ 0.0 % | \$ 0.0 % |

Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

| | | | |
|-------|------------------------|--------------|----------------|
| | | <u>Owned</u> | <u>Written</u> |
| | | 1 | 2 |
| | | 3 | 4 |
| 21.01 | Hedging..... | \$ 0.0 % | \$ 0.0 % |
| 21.02 | Income generation..... | \$ 0.0 % | \$ 0.0 % |
| 21.03 | Other..... | \$ 0.0 % | \$ 0.0 % |

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SCHEDULE 3 – INVESTMENT RISK INTERROGATORIES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

| | | <u>At Year-End</u> | | <u>At End of Each Quarter</u> | | |
|-------|------------------------|--------------------|---|-------------------------------|----------------|----------------|
| | | 1 | 2 | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> |
| | | | | 3 | 4 | 5 |
| 22.01 | Hedging..... | \$ | | 0.0 % | \$ | \$ |
| 22.02 | Income generation..... | \$ | | 0.0 % | \$ | \$ |
| 22.03 | Replications..... | \$ | | 0.0 % | \$ | \$ |
| 22.04 | Other..... | \$ | | 0.0 % | \$ | \$ |

Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

| | | <u>At Year-End</u> | | <u>At End of Each Quarter</u> | | |
|-------|------------------------|--------------------|---|-------------------------------|----------------|----------------|
| | | 1 | 2 | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> |
| | | | | 3 | 4 | 5 |
| 23.01 | Hedging..... | \$ | | 0.0 % | \$ | \$ |
| 23.02 | Income generation..... | \$ | | 0.0 % | \$ | \$ |
| 23.03 | Replications..... | \$ | | 0.0 % | \$ | \$ |
| 23.04 | Other..... | \$ | | 0.0 % | \$ | \$ |

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