



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

August 12, 2021

VIA ELECTRONIC MAIL

RESPONSE OF CHIEF ACCOUNTANT'S OFFICE
DIVISION OF INVESTMENT MANAGEMENT

Stephen E. Roth
Eversheds Sutherland (US) LLP
Email: steveroth@eversheds-sutherland.com

Re: Midland National Life Insurance Company

By letter dated August 10, 2021, you request permission under Regulation S-X §3-13 (“Rule 3-13”) for Midland National Life Insurance Company (“Midland”) to file audited financial statements prepared in accordance with statutory accounting principles¹ (“SAP”), in place of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), in registration statements on Form S-1 filed in the future for certain contracts in satisfaction of the financial information required by Form S-1, including the requirements of Items 11(e), 11(f), 11(g), and 16(b) of Form S-1, as described in your letter. These contracts are standalone index-linked annuity contracts or combination annuity contracts that offer both variable investment options as well as registered index-linked investment options, and contingent deferred annuity contracts (collectively, the “Contracts”).

Background

Midland

You state that Midland is a stock life insurance company, domiciled in the State of Iowa, that is subject to regulation by the Iowa Insurance Division. You also state that Midland is a direct wholly-owned subsidiary of Sammons Financial Group (“SFG”), a

¹ You note that these principles are those that are prescribed or permitted by Midland’s domiciliary state regulator.

holding company, and is an indirect wholly-owned subsidiary of Sammons Enterprise, Inc. (“SEI”), a diversified industrial holding company and ultimate parent company of Midland.

As to the parent companies of Midland, you state that neither SFG nor SEI are reporting companies under the Securities Exchange Act of 1934 (the “Exchange Act”), but both prepare GAAP financials under guidance that applies to private companies. You state that Midland currently provides certain GAAP financial information to SFG for use in SFG’s consolidated financial statements. You also state that this GAAP financial information also supports the preparation of SEI’s consolidated GAAP financial statements. You further state, however, that this GAAP financial information does not constitute a GAAP reporting package or partial GAAP financial statements.

You state that Midland currently files SAP financial statements in connection with the registration of its variable annuity contracts and variable life insurance contracts on Forms N-4 and N-6, respectively (collectively, the “variable insurance products”). In seeking relief with respect to the Contracts, you state that Midland will not be able to rely on the permission requested in your letter to use SAP financial statements in place of GAAP financial statements for the Contracts if Midland must begin preparing GAAP financial statements for any purpose.

You state that Midland is eligible for the exemption from filing periodic reports required by the Exchange Act provided by rule 12h-7 under the Exchange Act and will rely on this exemption and comply with its conditions so long as Midland relies on the requested relief.² In this regard, you note that (1) Midland is subject to supervision by the insurance commissioner of the state of Iowa; and (2) Midland files an annual statement of its financial condition with, and is supervised and its financial condition is periodically examined by, the insurance commissioner of its domiciliary state.³

The Contracts

You state that the Contracts will be standalone index-linked annuity contracts, combination annuity contracts that offer both variable investment options as well as registered index-linked investment options, and contingent deferred annuity contracts. You also state that (1) the Contracts will not constitute an equity interest in Midland and will be subject to

² Rule 12h-7 exempts insurance companies from filing Exchange Act reports with respect to certain specified types of securities that are subject to state insurance regulation and are registered under the Securities Act if certain other conditions are satisfied. 17 CFR 240.12h-7.

³ Rule 12h-7(a) and (c) specify that an issuer qualifying under the rule is a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any State (as defined in the Exchange Act); and files an annual statement of its financial condition with, and is supervised and its financial condition examined periodically by, the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of the issuer's domiciliary State.

regulation under the insurance laws of Midland's domiciliary state;⁴(2) the Contracts will not be listed, traded or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any other similar system and Midland will take steps reasonably designed to ensure that a trading market for the Contracts does not develop,⁵ and (3) prospectuses for the Contracts will disclose that Midland relies on the relief provided by rule 12h-7.⁶

Discussion

You note that Rule 3-13 provides that the Commission may, upon the informal written request of the registrant, and where consistent with the protection of investors, permit the omission of one or more of the financial statements required by Regulation S-X or the filing in substitution thereof of appropriate statements of comparable character. You assert that, for the Form S-1 registration statement of the Contracts, SAP financial statements audited by an independent auditor⁷ are appropriate statements of a comparable character to GAAP financial statements and would be consistent with investor protection.

In support of this claim, you assert that investors in the Contracts will be most interested in information relevant to assessing Midland's ability to fulfill its contractual obligations.⁸ You assert that SAP financial statements would provide investors in the Contracts with sufficient information to assess Midland's solvency and its ability to meet its contractual obligations.⁹

⁴ Rule 12h-7(b) specifies that the securities that would otherwise trigger Exchange Act reporting obligations must not constitute an equity interest in the issuer, and must either be securities subject to regulation under the insurance laws of the domiciliary State of the issuer or guarantees of securities that are subject to regulation under the insurance laws of that jurisdiction.

⁵ Rule 12h-7(d) requires that those securities must not be listed, traded, or quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any other similar system, network, or publication for trading or quoting. Rule 12h-7(e) requires that an issuer take steps reasonably designed to ensure that a trading market for the securities does not develop.

⁶ Rule 12h-7(f) provides that the prospectus for the securities must contain a statement indicating that the issuer is relying on the exemption provided by the rule.

⁷ You state that the independent auditor engaged to audit the SAP financial statements will be registered with and subject to inspection by the Public Company Accounting Oversight Board, and will satisfy the independence standards of Article 2 of Regulation S-X.

⁸ You note the Commission recognized, in proposing variable annuity registration forms, that contract owners, participants, and annuitants may not want or need disclosure about the financial performance of the insurance company, but instead may be interested only in the insurer's solvency. *Registration Form for Insurance Company Separate Accounts that Offer Variable Annuity Contracts*, Securities Act Release No. 6502 and Investment Company Act Release No. 13689 (Dec. 22, 1983).

⁹ You also note that, while GAAP financial statements assist investors in understanding Midland's going concern value, investors in the Contracts do not need information regarding Midland's going concern value since there is no secondary market in the Contracts.

In this regard, you claim that SAP financial statements contain detailed information about an insurance company's assets and liabilities, including its regulatory capital and surplus, which serve as financial cushions for paying contract owner claims. In addition, you claim that SAP financial statements enable state regulators to determine Midland's ability to meet contract owner obligations based on the availability of readily marketable assets when obligations are due.

Based on the facts and representations set forth in your letter as summarized above, as well as the conditions outlined above, and without necessarily agreeing with all of your analysis, your request for permission under Rule 3-13 for Midland to file SAP financial statements, audited by an independent auditor, in lieu of GAAP financial statements in registration statements filed for the Contracts on Form S-1, as it relates to the accounting basis of those financial statements only and as described above, is granted.¹⁰

¹⁰ Our analysis underlying this assurance has been developed in consultation with the staff of the Commission's Office of the Chief Accountant.

This relief is provided for the Contracts described in your letter based on the facts disclosed therein, including that the Contracts seeking to rely on the relief are non-variable annuity contracts classified as market-value adjusted annuities, contingent deferred annuities, and/or indexed annuities. As to any Contract registered or materially amended in the future, this permission is subject to the Commission staff's assessment of the Contract's registration statement for consistency with the facts described in your letter and the intended product types. In this regard, you have stated that Midland will notify the staff, in a letter accompanying the filing of any new registration statement for a Contract or any post-effective amendment to an existing registration statement that reflects a material change to a Contract, of its intent to rely on the permission granted in this letter.

If you have any questions regarding this letter, please call the Chief Accountant's Office of the Division of Investment Management at (202) 551-6918.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jenson Wayne".

Jenson Wayne
Chief Accountant
Division of Investment Management

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

August 10, 2021

Mr. Jenson Wayne
Chief Accountant
Division of Investment Management
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Re: Midland National Life Insurance Company

Dear Mr. Wayne:

On behalf of Midland National Life Insurance Company ("Midland" or the "Company"), we respectfully request that, pursuant to Rule 3-13 of Regulation S-X ("Rule 3-13"), the staff of the Division of Investment Management (the "Staff") permit the Company to file audited financial statements prepared in accordance with statutory accounting principles ("SAP") prescribed or permitted by its domiciliary state regulators, in place of financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") in registration statements on Form S-1 that the Company intends to file, for certain contracts, as described in this letter, in satisfaction of the financial information required by Form S-1, including the requirements of Items 11(e), 11(f), 11(g) and 16(b) of the Form. These contracts are standalone index-linked annuity contracts or combination annuity contracts that offer both variable investment options and registered index-linked investment options, and contingent deferred annuity contracts (the "Contracts").

The Company is currently developing the Contracts and intends to register them with the Securities and Exchange Commission ("SEC") in the near future. Because the Contracts will be insurance products subject to state regulation, the Company believes that SAP financial statements are of a comparable character to GAAP financial statements and would provide investors in the Contracts ("Contractowners") with sufficient information to assess its ability to meet its obligations under the Contracts, and that filing SAP financial statements in place of GAAP financial statements in registration statements on Form S-1 for the Contracts would be consistent with investor protection.

Furthermore, time and cost burdens of preparing GAAP financial statements solely for insurance contracts that must be registered on Form S-1, such as the Contracts, may impede many insurance companies from offering these products. As evidenced by the number of similar Rule 3-13 requests that the Staff has granted, reducing these burdens will increase the number of such products offered in the marketplace and broaden choices available to investors among such products for retirement and other long-term purposes.

I. The Company

Midland is a stock life insurance company domiciled in Iowa that offers individual life and annuity products in 49 states and the District of Columbia. It is a direct wholly-owned subsidiary of Sammons Financial Group ("SFG"), which is a holding company with 100% ownership in five principal subsidiaries, including Midland and North American Company for Life and Health Insurance, and an indirect wholly owned subsidiary of Sammons Enterprise, Inc. ("SEI"), which is a diversified industrial holding company.

As an Iowa domiciled insurance company, the Company is subject to supervision by the Iowa Insurance Division. It must prepare SAP financial statements that are audited by an independent

auditor and filed with the Iowa Insurance Division and with the National Association of Insurance Commissioners (“NAIC”). These financial statements are periodically examined by state regulators as part of a comprehensive regulatory program that focuses on the Company’s solvency, with the goal of ensuring that the Company can fulfill its contractual obligations to its contractowners. The ultimate objective of state solvency regulation is to ensure that the insurance company can pay contractowner liabilities when they come due and that the insurance company maintains capital and surplus at all times in such forms as required by state law to provide a margin of safety. With the objective of solvency regulation and contractowner protection, statutory accounting principles focus on the insurance company’s balance sheet and solvency and emphasize the insurance company’s liquidity.

Midland currently files SAP financial statements in connection with the registration of its variable annuity contracts and variable life insurance contracts (collectively, “variable insurance products”) on Form N-4 and N-6, respectively, which forms permit the Company to file SAP financial statements in place of GAAP financial statements as long as the Company meets certain criteria, including that it would not otherwise have to prepare GAAP financial statements. The Company has also filed a registration statement for certain funding agreements for sale in the group annuity market, which is not yet effective and in connection with which it is requesting GAAP accounting relief from the Commission.

While Midland would have to prepare full entity level GAAP financial statements only in connection with issuing the Contracts and certain funding agreements that are currently in registration,¹ it does currently provide certain GAAP financial information to SFG, its direct parent company, for use in SFG’s GAAP consolidated financial statements, which financial information also is used to support the preparation of consolidated GAAP financial statements of SEI, Midland’s ultimate parent company. The GAAP information that Midland prepares for SFG and SEI, however, does not constitute a GAAP reporting package or partial GAAP financial statements.

Midland is eligible for the exemption from filing periodic reports required by the Securities Exchange Act of 1934 (the “1934 Act”) that is provided by Rule 12h-7 under that Act. It will rely on the exemption and comply with the conditions imposed by the rule so long as it relies on the permission provided in response to this letter. Midland is subject to supervision by the Insurance Commissioner of the State of Iowa. The Contracts, which will be the only securities issued by the Company registered with the SEC, other than the variable insurance products and the previously mentioned funding agreements, will not represent an equity interest in the Company and will be subject to regulation under Iowa Insurance law. Midland files an annual statement of its financial condition with the Iowa Insurance Commissioner. The Contracts will not be listed, traded, quoted on an exchange, alternative trading system, inter-dealer quotation system, electronic communications network, or any similar system. Furthermore, Midland will take steps reasonably designed to ensure that a trading market for the Contracts does not develop. Prospectuses for the Contracts will disclose that the Company relies on the relief provided by Rule 12h-7.

II. The Contracts

The Contracts that Midland proposes to register with the SEC on Form S-1 and for which it seeks relief will be standalone index-linked annuity contracts or combination annuity contracts that offer variable investment options as well as registered index-linked investment options, and contingent deferred annuity contracts.

Index-linked annuity contracts, like variable annuity contracts, provide the potential for a higher return than traditional fixed annuity contracts to Contractowners in the form of interest based on

¹ Midland will not be able to rely on the permission requested herein to use SAP financial statements in place of GAAP financial statements for the Contracts if it must prepare GAAP financial statements for any purpose.

the performance of one or more market indices or other benchmarks. Although these contracts do shift some market risk to Contractowners, index-linked annuity contracts also provide some protection against negative market performance, for example, by subjecting the performance of such market indices or other benchmarks to a buffer or floor.

During the accumulation phase, owners of index-linked annuity contracts will be able to select among several index-linked investment options each of which will be linked to the performance of a specified market index or benchmark. These interest crediting options may include a floor, which will establish the maximum negative market performance to which the Contractowner will be exposed, or a buffer, which will establish the maximum amount of negative market performance that the Company will absorb, and a cap, which will establish the maximum positive market performance that will be credited to the Contract at the end of the investment option period. Investment options with floors or buffers that expose the Contractowner to greater risk will have a higher corresponding cap and a greater potential for higher credited interest. Index-linked investment options may include other forms of protection or limits on the maximum positive performance credited to the Contract. Proceeds payable to a Contractowner who withdraws Contract value or surrenders the Contract before the end of the investment option period will be adjusted according to a prescribed formula.

Contingent deferred annuity contracts guarantee that the Contractowner will receive minimum lifetime payments on assets held in an associated mutual fund, brokerage or investment advisory account without regard to the investment performance of the assets as long as specified conditions of the guarantee are satisfied. Minimum lifetime payments will be determined by reference to the performance of the assets held in the associated account during the accumulation period of the Contract. At the end of the accumulation period, payments will be guaranteed for the Contractowner's lifetime so long as the Contractowner does not take withdrawals from the associated account in excess of the annual minimum lifetime payment. Any such excess withdrawal typically will result in a proportional reduction in the Contractowner's annual minimum lifetime payment.

The Contractowner's withdrawals will be deducted from the assets held in the associated account. If the withdrawals combined with poor investment performance deplete assets held in the associated account and the Contractowner has satisfied the conditions of the guarantee, the insurance company will continue to make guaranteed lifetime payments to the Contractowner out of its general account assets. Contingent deferred annuity contracts are designed to insure the Contractowner against outliving the assets held in the associated account.

III. Request for Relief

Rule 3-13 of Regulation S-X provides that the SEC "may upon the informal written request of the registrant, and where consistent with the protection of investors permit the omission of one or more of the financial statements herein required or the filing in substitution thereof of appropriate statements of a comparable character." Midland requests relief pursuant to Rule 3-13 of Regulation S-X to file SAP financial statements in place of GAAP financial statements in the Form S-1 registration statements for the Contracts. For the reasons stated herein, the Company believes that SAP financial statements audited by an independent auditor² included in Form S-1 registration statements for the Contracts are appropriate statements of a comparable character to GAAP financial statements and would be consistent with investor protection.

² The auditor will satisfy the independence standards of Article 2 of Regulation S-X and be registered with and subject to inspection by the PCAOB ("Independent Auditor").

IV. SAP financial statements will provide investors in the Contracts with sufficient information to assess the Company's ability to meet its contractual obligations.

Forms N-3, N-4 and N-6 used to register variable insurance products under the Securities Act of 1933 already permit use of SAP financial statements in place of GAAP financial statements if the insurance company issuing the contract meets certain criteria, including that it would not have to prepare GAAP financial statements except for use in registration statements on such forms. When proposing Forms N-3 and N-4 for variable annuity contracts with instructions permitting the use of SAP financial statements, the SEC recognized that guarantees associated with annuity payments and other benefits provided by the contracts, which are backed by the insurance company's general account, depend on the solvency of the insurance company, and that the contractowners, participants and annuitants who invest in the contracts may not want or need disclosure about the financial performance of the insurance company, but instead may be interested only in the company's solvency.³

Similar to investors in variable annuity contracts, Contractowners will be most interested in information relevant to assessing the Company's ability to fulfill its contractual obligations. SAP financial statements are designed precisely to provide this information. They will contain detailed information about the Company's assets and liabilities as well as its regulatory capital and surplus, which will serve as financial cushions for paying Contractowner claims. Furthermore, SAP financial statements will enable state regulators to determine the Company's ability to meet Contractowner obligations based on the availability of readily marketable assets when obligations are due. In contrast, GAAP financial statements assist investors in understanding a company's going concern value. Due to the absence of any secondary market in the Contracts, Contractowners will not need information regarding the Company's going concern value. For these reasons, SAP financial statements would provide Contractowners with sufficient information to assess the Company's solvency and its ability to meet its contractual obligations. GAAP financial statements, on the other hand, would not provide any additional informative value to Contractowners that would justify the cost and administrative burdens of preparing and auditing the additional set of financial statements solely to include in Form S-1 registration statements for the Contracts.

V. Conclusion

For the reasons discussed above, SAP financial statements are appropriate financial statements of a comparable character to GAAP financial statements and will provide investors in the Contracts with sufficient information to assess the Company's ability to meet its obligations under the Contracts, and filing SAP financial statements in place of GAAP financial statements would be consistent with investor protection.

We respectfully request, on behalf of Midland, that the Staff grant relief under Rule 3-13 of Regulation S-X to permit the Company to file SAP financial statements audited by an independent auditor in place of GAAP financial statements in the Form S-1 registration statements for the Contracts. Should you provide the requested relief, the Company will notify the Staff in a letter, accompanying the filing of any new registration statement for a Contract or any post-effective amendment to an existing registration statement that reflects a material change to a Contract, of its intent to rely on the permission granted in response to this letter.

³ See Registration Form for Insurance Company Separate Accounts that Offer Variable Annuity Contracts (Proposing Release) Rel. Nos. 33-6502 and IC-13689 (December 22, 1983).

Thank you for your attention to this matter. Please contact me at 202-383-0158 or Lorna MacLeod at 202-383-0817 if you need additional information or have any questions concerning this request.

Sincerely,

A handwritten signature in cursive script that reads "Stephen E. Roth".

Stephen E. Roth
Eversheds Sutherland (US) LLP

cc: Andrea Magovern, Esq.
Alexis Cunningham
Michael Pawluk, Esq.
Brett Agnew, Esq.