



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
FINANCIAL CONDITION REPORT ON EXAMINATION  
OF THE  
BANKERS CONSECO LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

OCTOBER 3, 2016

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EXAMINER:

VITALIY KYRYK, CFE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

September 21, 2018

Honorable Maria T. Vullo  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31094, dated December 1, 2014, and annexed hereto, an examination has been made into the condition and affairs of Bankers Consec Life Insurance Company, hereinafter referred to as “the Company,” at its administrative office located at 11825 N Pennsylvania Street, Carmel, Indiana, 46032. The Company’s home office is located at 350 Jericho Turnpike, Suite 304, Jericho, New York, 11753.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

## 1. EXECUTIVE SUMMARY

The material findings contained in this report are summarized below.

Effective October 1, 2013, the Company entered into a coinsurance agreement with Beechwood Re LTD (“BRe”), an unauthorized company. Under the agreement, the Company ceded its older inforce long-term care business to BRe. (See item 4C of this report)

In September 2016, subsequent to the examination period but prior to the date of this report, the Company recaptured the business from BRe, citing incurable material breaches of the long-term care reinsurance agreement, fraud, and breaches of fiduciary duties and the obligation to deal honestly and in good faith. A total of \$224.4 million in reserves were recaptured. (See item 7 of this report)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the NAIC *Financial Condition Examiners Handbook, 2014 Edition* (the “Handbook”). The examination covers the five-year period from January 1, 2009 through December 31, 2013. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2013 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners (“NAIC”). The Handbook guidance provides for the establishment of an examination plan based on the examiner’s assessment of risk in the insurer’s operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management’s compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examinations of Washington National Insurance Company (“WNIC”) and Conseco Life Insurance Company (“CLIC”), both Indiana domestic insurers, were called by the Indiana Department of Insurance (“IDOI”) in accordance with the Handbook guidelines, through the NAIC’s Financial Examination Electronic Tracking System (“FEETS”). The IDOI served as the lead state on the examination. The Department participated on the coordinated examination of WNIC and CLIC, serving in the capacity of a participating state.

Information about the Company’s organizational structure, business approach and control environment were utilized to develop the examination approach. The Company’s risks and management activities were evaluated incorporating the NAIC’s nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational

- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2009 through 2013, by the accounting firm of PricewaterhouseCoopers (“PwC”). The Company received an unqualified opinion for all the years under the examination. Certain audit work papers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 (“SOX”). Where applicable, SOX work papers and reports were reviewed and portions were relied upon for this examination. The examiner reviewed the prior report on examination which did not contain any financial condition violations, recommendations or comments relating to the financial exam.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

### 3. DESCRIPTION OF COMPANY

#### A. History

The Company was incorporated as American Accident and Health Insurance Company, a stock accident and health insurance Company, under the laws of New York on April 29, 1987, was licensed on June 24, 1987, and commenced business on July 13, 1987. Initial resources of \$300,000 were provided through the sale of 100 shares of common stock for \$3,000 per share. Effective December 31, 1991, Arista Insurance Company (“Arista”) assumed 100% of the Company’s liabilities under a transfer and assumption agreement. Concurrently, the Company entered into a stock purchase agreement with Arista, whereby Arista purchased 100% of the Company’s issued and outstanding stock. On December 20, 1995, American Travellers Life Insurance Company purchased all the outstanding shares of the Company from Arista. In 1996, the name of the Company was changed to American Travellers Insurance Company of New York. Also in 1996, Consec, Inc. (“Consec”), an Indiana Company, acquired the American Travellers Group and became the ultimate parent of the Company. On September 30, 1997, the Company became licensed to write life insurance and annuities in New York and changed its name to Consec Life Insurance Company of New York.

In 1998, the Company increased its capital from \$300,000 to \$2,000,000 by increasing the par value of each of the 100 authorized and issued shares for the Company’s common stock from \$3,000 to \$20,000 and by decreasing its paid in surplus by \$1,700,000.

On December 29, 2000 and December 21, 2001, the Company received cash contributions to paid in and contributed surplus from its immediate parent, Consec Senior Health Insurance Company (“Consec Senior Health”), in the amounts of \$3,000,000 and \$5,000,000 respectively.

CNO Financial Group, Inc., a Delaware corporation (“CNO”), became the successor to Consec in connection with the bankruptcy reorganization which became effective September 8, 2003.

On December 23, 2003 and December 23, 2004, the Company received additional cash contributions to paid in and contributed surplus from Consec Senior Health, in the amounts of \$1,000,000 and \$5,000,000 respectively.

On June 30, 2005, ownership of the Company was transferred from Consec Senior Health to Consec Life Texas via a 100% stock dividend. The Company received a contribution to surplus

of \$6,000,000 on September 30, 2005, and an additional cash contribution to surplus of \$1,000,000 on December 28, 2005 from Conseco Life Texas.

In June 2006, the Company changed its name to Bankers Conseco Life Insurance Company.

In 2006 and 2007, the Company received surplus contributions from Conseco Life Texas in the amounts of \$17,000,000 and \$24,500,000 respectively.

On March 26, 2013, the Company received a cash contribution of \$5,000,000 from its parent, Conseco Life Texas. Capital and paid in and contributed surplus were \$2,000,000 and \$43,504,212, respectively, as of December 31, 2013.

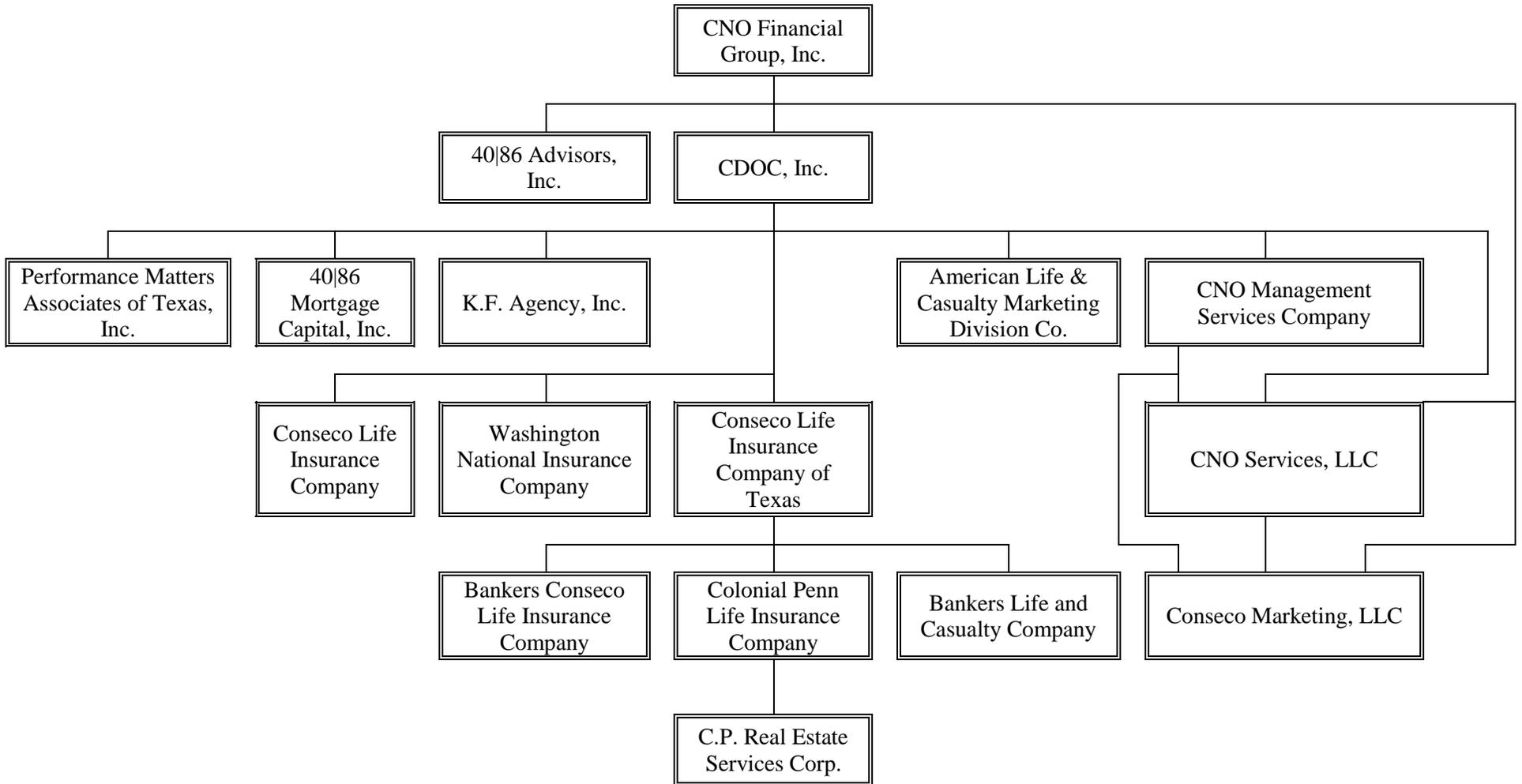
#### B. Holding Company

The Company is a wholly owned subsidiary of Conseco Life Texas, a Texas stock life insurance company. Conseco Life Texas is in turn a wholly owned subsidiary of CDOC, Inc., a Delaware domiciled corporation. The ultimate parent of the Company is CNO, a Delaware publicly held financial services holding company.

Effective July 1, 2014, Conseco Life Insurance Company, a wholly owned subsidiary of CDOC, Inc. was sold to Wilton Reassurance Company.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2013, follows:



#### D. Service Agreements

The Company had three service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Investment Advisory (Department File No. 27006)	1/1/2000	4086 Advisors, Inc.	The Company	Supervise and direct the composition of the portfolio of investable assets, including the purchase, retention and disposition thereof, in accordance with BCLIC's written investment objectives and policies.	2013: \$(732,183) 2012: \$(740,287) 2011: \$(618,599) 2010: \$(554,015) 2009: \$(464,014)
Services Agreement (Department File No. 27006)	1/1/2000	CNO Services, LLC	The Company	Corporate secretary, actuarial, strategic planning and oversight, functional support, internal audit, licensing, human resources, purchasing, real estate and facilities, compliance, data processing, corporate tax, policyholder services, underwriting, claims, sales and marketing, telemarketing, financial, legal, and supporting clerical.	2013: \$(4,918,579) 2012: \$(5,013,095) 2011: \$(4,995,297) 2010: \$(4,109,666) 2009: \$(4,433,220)
Amend. No. 1 (Department File No. 29447)	4/1/2001			Amends Section 4.i Policyholder Services.	
Amend. No. 2 (Department File No. 30037)	3/1/2002			Amends Section 4.i Policyholder Services.	
Amend. No. 3 (File No. 37632)	9/1/2007			Recognizes name change, reflects the change in principal office and updates various services.	
Services Agreement (Department File No. 35906)	5/1/2007	Bankers Life and Casualty Company	The Company	Paymaster services to agents, managers and administrative staff; real estate and facilities services; and field support services in regard to the selling of products in New York.	2013: \$(4,997,321) 2012: \$(5,031,473) 2011: \$(4,298,954) 2010: \$(3,255,797) 2009: \$(2,691,056)

\* Amount of Income or (Expense) Incurred by the Company

Effective January 1, 2004, the Company files a life-nonlife consolidated income tax return with CNO and its subsidiaries.

### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 13 directors. The minimum number of directors of the Company shall be increased to not less than 13 within one year following the end of the calendar year in which the Company's admitted assets exceed one and one half billion dollars. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2013, the board of directors consisted of seven members. At least one regular meeting of the board is held each year in addition to the annual meeting in June.

The seven board members and their principal business affiliation, as of December 31, 2013, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Thomas D. Barta Carmel, IN	Senior Vice President, Finance and Business Development CNO Services, LLC	2011
Steven M. DePerrior* Rochester, NY	Managing Principal Burke Group	2004
Gerardo Monroy Philadelphia, PA	Senior Vice President Bankers Conseco Life Insurance Company	2011
Christopher J. Nickele Arlington Heights, IL	Executive Vice President, Product Management Bankers Conseco Life Insurance Company	2008
Scott R. Perry Chicago, IL	Chairman and President Bankers Conseco Life Insurance Company	2006
Ian F. Wismann* Staten Island, NY	Director Next Web Media	2001
Ronald L. Wobbeking* Naples, FL	Consultant Self Employed Arbitrator	2007

\* Not affiliated with the Company or any other company in the holding company system

In January 2014, Thomas D. Barta resigned from the board and was replaced by Scott L. Goldberg.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2013:

<u>Name</u>	<u>Title</u>
Scott R. Perry	Chairman and President
Erik M. Holding	Senior Vice President and Treasurer
Alexis M. Berg	Secretary
Jeremy D. Williams	Vice President and Valuation Actuary
Bruce K. Baude	Executive Vice President, Chief Operations and Technology Officer
Eric R. Johnson	Executive Vice President, Investments
Christopher J. Nickele	Executive Vice President, Product Management
Matthew J. Zimpfer	Executive Vice President, Chief Compliance Officer, General Counsel and Assistant Secretary
Mark E. Billingsley	Senior Vice President, Actuarial
Michael J. Buckley	Senior Vice President, Sales
William D. Fritts, Jr.*	Senior Vice President, Regulatory and Government Affairs, Consumer Services Officer
Michael D. Heard	Senior Vice President, Operations
John R. Kline	Senior Vice President and Chief Accounting Officer
Gerardo M. Monroy	Senior Vice President
Karl W. Kindig	Assistant Secretary

\* Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

#### 4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in New York only. In 2013, all of life premiums, accident and health premiums, annuity considerations, and deposit type funds were received from New York. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2013, the Company had \$410,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

##### B. Direct Operations

The Company sells life insurance through direct marketing and life, annuities, Medicare supplement and long-term care products through career agents in New York. The Company also has closed blocks of annuity and long-term care products sold through professional independent producers.

Effective July 1, 2014, Conseco Life Insurance Company, a wholly owned subsidiary of CDOC, Inc. was sold to Wilton Reassurance Company.

##### C. Reinsurance

As of December 31, 2013, the Company assumed reinsurance from one company, Intramerica Life Insurance Company. The Company assumes this business on a co-insurance basis. The total face amount of life insurance and fixed annuity assumed as of December 31, 2013 was \$15,107,934. Reinsurance is provided on an indemnity basis.

The Company also had two ceded reinsurance contracts in effect with authorized companies as of December 31, 2013; one with Munich American Reassurance Company and one with Swiss Re Life & Health America Inc. The total face amount of insurance ceded to each company as of December 31, 2013 was \$4,731,573 and \$5,122,359, respectively.

Effective October 1, 2013, the Company entered into a coinsurance agreement with Beechwood Re LTD (“BRe”), an unauthorized company. Under the agreement, the Company

ceded its older inforce long-term care business to BRe. The transaction closed on February 18, 2014, with a net settlement amount of \$197,146,000. As of December 31, 2013, \$198,191,615 reserve credit taken for the reinsurance ceded to BRe, was supported by a trust agreement.

## 5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$254,305,597</u>	<u>\$383,204,642</u>	<u>\$128,899,045</u>
Liabilities	<u>\$226,487,858</u>	<u>\$337,700,430</u>	<u>\$111,212,572</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	70,753,047	75,753,047	5,000,000
Unassigned funds (surplus)	<u>(44,935,308)</u>	<u>(32,248,835)</u>	<u>12,686,473</u>
Total capital and surplus	<u>\$ 27,817,739</u>	<u>\$ 45,504,212</u>	<u>\$ 17,686,473</u>
Total liabilities, capital and surplus	<u>\$254,305,597</u>	<u>\$383,204,642</u>	<u>\$128,899,045</u>

The Company's invested assets as of December 31, 2013, were mainly comprised of bonds (96%). The majority (98%) of the Company's bond portfolio, as of December 31, 2013, was comprised of investment grade obligations. The majority of the investments were publicly traded (85%); the remaining investments were privately placed.

The Company has grown from six branch offices in 2008 to eleven branch offices as of December 31, 2013. Over that time the Company has steadily grown sales of primary life and annuity products through its career agent force as well as adding direct marketing of life products. This growth in sales is the primary driver of the increases in admitted assets and liabilities between the examination years. These increases were partially offset by ceding the older in-force long-term care block in 2013. Upon ceding this business in 2013, the Company recognized a significant tax benefit that is the primary driver of the increase in unassigned funds. In 2013, the Company received a surplus contribution of \$5 million from its direct parent, Consec Life Texas, which explains the change in gross paid in and contributed surplus.

The following indicates, for each of the years listed below, the amount of individual whole life insurance issued and in force (in thousands of dollars):

<u>Year</u>	<u>Issued</u>	<u>In Force</u>
2009	\$ 54,806	\$236,710
2010	\$ 67,959	\$299,473
2011	\$ 98,518	\$382,144
2012	\$120,426	\$436,778
2013	\$127,324	\$511,747

The increase in issued and in force business was primarily due to increases in branch offices and the addition of direct marketing of life products.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	<u>Ordinary</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Outstanding, end of previous year	3,512	3,856	4,603	5,422	5,915
Issued during the year	835	1,219	1,507	1,499	1,459
Other net changes during the year	<u>(491)</u>	<u>(472)</u>	<u>(688)</u>	<u>(1,006)</u>	<u>(3,332)</u>
Outstanding, end of current year	<u>3,856</u>	<u>4,603</u>	<u>5,422</u>	<u>5,915</u>	<u>4,042</u>

The increases in new issues are primarily the result of growth of the Company's Medicare Supplement business. Other net changes primarily consist of the run-off of the Company's older in-force long-term care block that was ceded in 2013.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Ordinary:					
Life insurance	\$ 1,504,568	\$ 2,073,015	\$ 2,810,907	\$ 1,012,461	\$ 1,702,509
Individual annuities	38,337	(364)	149,029	217,630	605,434
Supplementary contracts	<u>11,229</u>	<u>790</u>	<u>3,490</u>	<u>(2,413)</u>	<u>2,455</u>
Total ordinary	<u>\$ 1,554,134</u>	<u>\$ 2,073,441</u>	<u>\$ 2,963,426</u>	<u>\$ 1,227,678</u>	<u>\$ 2,310,398</u>
Group:					
Life	\$ <u>840</u>	\$ <u>4,945</u>	\$ <u>15,394</u>	\$ <u>8,525</u>	\$ <u>7,991</u>
Total group	<u>\$ 840</u>	<u>\$ 4,945</u>	<u>\$ 15,394</u>	<u>\$ 8,525</u>	<u>\$ 7,991</u>
Accident and health:					
Other	<u>(5,828,122)</u>	<u>(1,644,117)</u>	<u>(3,941,899)</u>	<u>(4,168,506)</u>	<u>18,393,619</u>
Total accident and health	<u>\$(5,828,122)</u>	<u>\$(1,644,117)</u>	<u>\$(3,941,899)</u>	<u>\$(4,168,506)</u>	<u>\$18,393,619</u>
All other lines	<u>\$ 1,000,208</u>	<u>\$ 958,935</u>	<u>\$ 968,139</u>	<u>\$ 948,518</u>	<u>\$ 987,990</u>
Total	<u>\$(3,272,940)</u>	<u>\$ 1,393,204</u>	<u>\$ 5,059</u>	<u>\$(1,983,786)</u>	<u>\$21,699,998</u>

Losses in accident and health lines of business for the years from 2009 to 2012 were primarily the result of unfavorable experience on the Company's older in-force long-term care block. The significant gain in 2013 is primarily the result of the tax benefit from ceding this block of business. In each year presented, the long-term care results were the primary driver of the Company's total gain/loss from operations. Gains in the annuity line in 2012 and 2013 are attributed to new sales of single premium deferred annuities. The unfavorable changes in the gain from operations on life business from 2011 to 2012 is primarily the result of increased death benefits on graded benefit life products in 2012 due to New York's acceleration of new regulations related to the use of the Social Security Death Master file.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	235.3%	191.0%	202.0%	206.5%	(1248.1)%
Commissions	11.3	10.5	9.4	9.2	3.3
Expenses	<u>20.4</u>	<u>17.5</u>	<u>17.1</u>	<u>15.2</u>	<u>1420.7</u>
Subtotal	<u>267.0%</u>	<u>219.0%</u>	<u>218.4%</u>	<u>230.9%</u>	<u>175.9%</u>
Underwriting results	<u>(167.0)%</u>	<u>(119.0)%</u>	<u>(128.4)%</u>	<u>(130.9)%</u>	<u>(75.9) %</u>

In each year under examination, the long-term care results were the primary drivers of the unfavorable experience related to the accident and health business of the Company. In 2013, the Company ceded its block of long-term care business resulting in a decrease to reserves and an increase in a reinsurance payable for the transfer of assets of \$195.6 million. The change in reserves and corresponding change in this reinsurance payable are reflected in incurred losses and expenses in 2013. This caused the spike in the expenses ratio for 2013, without the ceding transaction, the ratio would have been 16.2% and in line with the previous years.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Company's 2013 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2013 filed annual statement.

### A. Independent Accountants

The firm of PwC was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31<sup>st</sup> of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

### B. Net Admitted Assets

Bonds	\$339,260,524
Cash, cash equivalents and short-term investments	10,696,983
Contract loans	3,597,917
Investment income due and accrued	4,924,723
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	151,513
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,828,738
Current federal and foreign income tax recoverable and interest thereon	18,978,063
Net deferred tax asset	747,974
Receivables from parent, subsidiaries and affiliates	2,349
Health care and other amounts receivable	<u>15,858</u>
Total admitted assets	<u>\$383,204,642</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$109,624,287
Aggregate reserve for accident and health contracts	3,981,516
Liability for deposit-type contracts	333,000
Contract claims:	
Life	4,163,024
Accident and health	1,508,594
Premiums and annuity considerations for life and accident and health contracts received in advance	608,521
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	197,163,489
Interest maintenance reserve	12,992,194
Commissions to agents due or accrued	14,433
General expenses due or accrued	152,251
Taxes, licenses and fees due or accrued, excluding federal income taxes	(202,339)
Unearned investment income	4,960
Amounts withheld or retained by company as agent or trustee	2,324
Amounts held for agents' account	47
Remittances and items not allocated	387,376
Miscellaneous liabilities:	
Asset valuation reserve	1,974,292
Reinsurance in unauthorized companies	1,323,373
Payable to parent, subsidiaries and affiliates	1,234,794
Unclaimed funds	<u>2,434,293</u>
 Total liabilities	 \$337,700,430
 Common capital stock	 2,000,000
Gross paid in and contributed surplus	75,753,047
Unassigned funds (surplus)	<u>(32,248,835)</u>
Surplus	\$ <u>43,504,212</u>
Total capital and surplus	\$ <u>45,504,212</u>
 Total liabilities, capital and surplus	 \$ <u>383,204,642</u>

D. Condensed Summary of Operations

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Premiums and considerations	\$ <u>34,986,116</u>	\$ <u>37,505,028</u>	\$ <u>44,848,151</u>	\$ <u>48,671,520</u>	\$ <u>49,197,124</u>
Investment income	14,914,695	16,365,833	18,020,006	19,169,726	18,178,599
Miscellaneous income	130,785	0	0	0	0
Commissions and reserve adjustments on reinsurance ceded	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>570,345</u>
Total income	\$ <u>50,031,596</u>	\$ <u>53,870,861</u>	\$ <u>62,868,157</u>	\$ <u>67,841,246</u>	\$ <u>67,946,068</u>
Benefit payments	\$23,591,871	\$25,225,830	\$29,585,116	\$36,495,908	\$ 32,288,180
Increase in reserves	19,585,512	19,572,746	19,547,240	19,103,192	(183,188,636)
Commissions	2,971,466	3,390,531	3,940,189	4,033,874	4,628,231
General expenses and taxes	7,407,699	7,791,885	8,790,624	10,336,950	12,816,263
Increase in loading on deferred and uncollected premiums	391,723	741,696	813,109	1,058,760	701,534
Miscellaneous deductions	<u>53,030</u>	<u>(4,301,114)</u>	<u>24,893</u>	<u>14,721</u>	<u>196,421,494</u>
Total deductions	\$ <u>54,001,301</u>	\$ <u>52,421,574</u>	\$ <u>62,701,171</u>	\$ <u>71,043,405</u>	\$ <u>63,667,066</u>
Net gain (loss) from operations	\$ (3,969,705)	\$ 1,449,287	\$ 166,986	\$ (3,202,159)	\$ 4,279,002
Federal and foreign income taxes incurred	<u>(696,766)</u>	<u>56,083</u>	<u>161,926</u>	<u>(1,218,373)</u>	<u>(17,420,996)</u>
Net gain (loss) from operations before net realized capital gains	\$ (3,272,939)	\$ 1,393,204	\$ 5,060	\$ (1,983,786)	\$ 21,699,998
Net realized capital gains (losses)	<u>(864,755)</u>	<u>803,206</u>	<u>(43,508)</u>	<u>0</u>	<u>0</u>
Net income	\$ <u>(4,137,695)</u>	\$ <u>2,196,410</u>	\$ <u>(38,449)</u>	\$ <u>(1,983,786)</u>	\$ <u>21,699,998</u>

E. Capital and Surplus Account

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital and surplus, December 31, prior year	<u>\$27,817,739</u>	<u>\$24,983,663</u>	<u>\$26,404,157</u>	<u>\$26,011,534</u>	<u>\$22,558,525</u>
Net income	\$ (4,137,695)	\$ 2,196,410	\$ (38,449)	\$ (1,983,786)	\$21,699,998
Change in net deferred income tax	435,163	(283,990)	352,439	408,927	(18,547,894)
Change in non-admitted assets and related items	(905,425)	(570,380)	(489,228)	(1,577,039)	(16,437,238)
Change in liability for reinsurance in unauthorized companies	0	0	0	0	(1,323,373)
Change in asset valuation reserve	0	(1,107,089)	(245,809)	(301,112)	(320,283)
Surplus adjustments:					
Paid in	0	0	0	0	5,000,000
Change in additional deferred tax assets admitted under SSAP 10R election	<u>1,773,880</u>	<u>44,783</u>	<u>28,424</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>(2,834,076)</u>	<u>1,420,494</u>	<u>(392,623)</u>	<u>(3,453,009)</u>	<u>22,945,687</u>
Capital and surplus, December 31, current year	<u>\$24,983,663</u>	<u>\$26,404,157</u>	<u>\$26,011,534</u>	<u>\$22,558,525</u>	<u>\$45,504,212</u>

## 7. SUBSEQUENT EVENT

In September 2016, subsequent to the examination period but prior to the date of this report, the Company recaptured the business from BRe, citing incurable material breaches of the long-term care reinsurance agreement, fraud, and breaches of fiduciary duties and the obligation to deal honestly and in good faith. A total of \$224.4 million in reserves were recaptured.

Respectfully submitted,



Vitaliy Kyryk, CFE  
Noble Consulting Services, Inc.

STATE OF NEW YORK     )  
  )SS:  
COUNTY OF NEW YORK    )

Vitaliy Kyryk, being duly sworn, deposes and says that the foregoing report, subscribed by him,  
is true to the best of his knowledge and belief.



Vitaliy Kyryk

Subscribed and sworn to before me  
this 25<sup>th</sup> day of October, 2018  
Audrey Hall

**AUDREY HALL**  
NOTARY PUBLIC, STATE OF NEW YORK  
Registration No. 01HA6274900  
Qualified in Kings County  
Commission Expires January 28, 2021



APPOINTMENT NO. 31094

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**VITALY KYRYK**  
**(NOBLE CONSULTING SERVICES, INC.)**

as a proper person to examine the affairs of the

**BANKERS CONSECO LIFE INSURANCE COMPANY**

and to make a report to me in writing of the condition of said

**COMPANY**

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name  
and affixed the official Seal of the Department  
at the City of New York

this 1st day of December, 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
\_\_\_\_\_  
MICHAEL MAFFEI  
ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

