

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

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

JUNE 4, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

JOSEPH HOFMEISTER, CFE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Linda A. Lacewell  
Superintendent

June 4, 2020

The Honorable Linda A. Lacewell  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31953, dated May 10, 2019, and annexed hereto, an examination has been made into the condition and affairs of Companion Life Insurance Company, hereinafter referred to as “the Company,” at its administrative office located at 3300 Mutual of Omaha Plaza, Omaha, NE 68175. The Company’s home office is located at 888 Veterans’ Memorial Highway, Suite 515, Hauppauge, NY 11778.

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.

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2015, to December 31, 2018. 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, 2018, 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 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 examination was coordinated and conducted with the examination of the Company's ultimate parent, Mutual of Omaha Insurance Company ("Mutual of Omaha"), a Nebraska-domiciled insurer. The examination was led by the State of Nebraska with participation from the State of New York. Since the lead and participating state are both accredited by the NAIC, both states deemed it appropriate to rely on each other's work.

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 2015 through 2018, by the accounting firm of Deloitte & Touche LLP (“Deloitte”). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company’s parent, Mutual of Omaha, has an internal audit department and a separate internal control department which was given the task of assessing the Company’s internal control structure.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendation contained in the prior report on examination. The result of the examiner’s review is contained in item 7 of this report.

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

### 3. DESCRIPTION OF COMPANY

#### A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on June 3, 1949, was licensed on July 1, 1949, and commenced business on July 18, 1949. Initial resources of \$1,500,000, consisting of capital of \$500,000 and paid in and contributed surplus of \$1,000,000, were provided through the sale of 5,000 shares of common stock (with a par value of \$100 each) for \$300 per share.

The Company's articles of incorporation were amended in 1985 to change the par value to \$400 per share, but the stock certificate reviewed during the examination did not reflect the change in par value. Per examiner's recommendation, the Company obtained an updated stock certificate, which now shows 5,000 outstanding shares at \$400 par value.

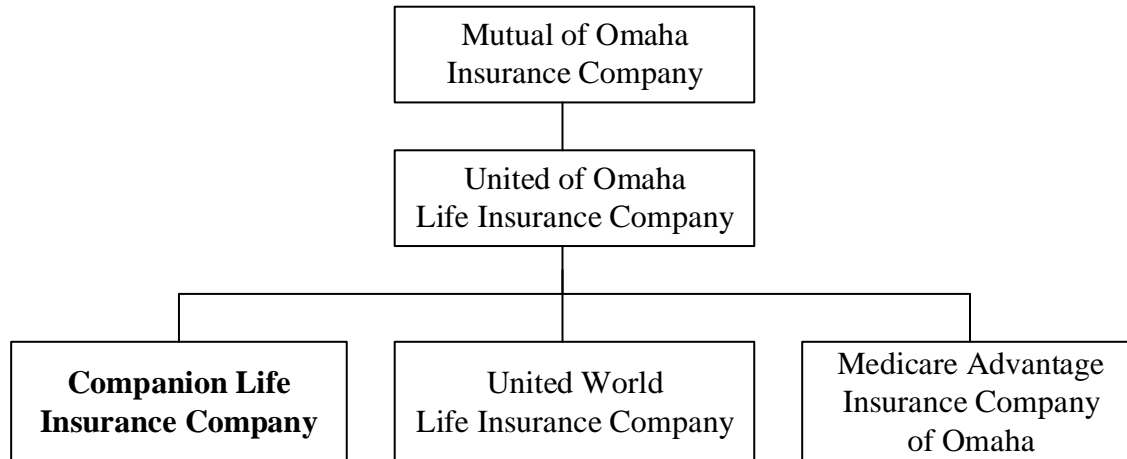
The Company respectively received a capital contribution of \$14,000,000, \$15,000,000, and \$27,000,000 in 2014, 2015, and 2017 from its parent, United of Omaha Life Insurance Company ("United of Omaha").

#### B. Holding Company

The Company is a wholly-owned subsidiary of United of Omaha, a Nebraska life insurance company, which in turn is a wholly-owned subsidiary of Mutual of Omaha, a Nebraska insurance company and the ultimate parent of the 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, 2018, follows:





#### D. Service Agreements

The Company had one service agreement in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Providers of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
Administrative Service Agreement	12/31/1980	United of Omaha and Mutual of Omaha	The Company	Provides operational, facility, administrative, and other support services	2015 \$(30,056,632)
Amendment	01/10/1996				2016 \$(30,726,109)
Amendment	12/31/2007				2017 \$(26,638,227)
Amendment	06/01/2010				2018 \$(23,464,309)
Amendment	05/12/2016				

\*Amount of Expense Incurred by the Company

The Company participates in a consolidated federal income tax allocation agreement with its parent and other affiliates.

#### 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 12 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2018, the board of directors consisted of seven members. Meetings of the board are held annually in May.

The seven board members and their principal business affiliation, as of December 31, 2018, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
James T. Blackledge Elkhorn, Nebraska	Chairman and President Companion Life Insurance Company	2015
	Chairman and Chief Executive Officer Mutual of Omaha Insurance Company United of Omaha Life Insurance Company	
Alexander M. Dye* New York, New York	Attorney Willkie Farr & Gallagher LLP	2005

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Frank L. Hayes* Omaha, Nebraska	Owner/Certified Public Accountant Hayes & Associates, LLC	2011
Richard R. Hrabchak  Omaha, Nebraska	Vice President, Chief Investment Officer Companion Life Insurance Company  Executive Vice President, Chief Investment Officer Mutual of Omaha Insurance Company United of Omaha Life Insurance Company	2017
Charles T. Locke III* Darien, Connecticut	Attorney Locke & Herbert LLP	1987
Paula R. Meyer* St. Ansgar, Iowa	Retired President RiverSource Funds Management Group Ameriprise Certificate Company	2013
Stacy A. Scholtz Omaha, Nebraska	Chief Administrative Officer Mutual of Omaha Insurance Company United of Omaha Life Insurance Company	2015

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

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, 2018:

<u>Name</u>	<u>Title</u>
James T. Blackledge	Chairman and President
Richard R. Hrabchak	Vice President, Chief Investment Officer
Scott M. Priebe	Treasurer
Alan D. Brinkman	Vice President, Appointed Actuary
Jay A. Vankat	Corporate Secretary
Kurt S. Christiansen	Vice President

Daniel J. Kennelly, Vice President and Chief Compliance Officer, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 64 (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 three states, namely Connecticut, New Jersey, and New York. In 2018, 98.4% of life premiums, 100% of accident and health premiums, 90.7% of annuity considerations, and 99.8% of 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, 2018, the Company had \$230,000 (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's principle lines of business during the examination period are individual life insurance, group life insurance, individual annuities, and group pension annuities. The individual life line includes whole life, term life, traditional universal life, and indexed universal life insurance products. The group life line includes only group term life insurance products. The individual annuities line includes deferred fixed annuities and single premium immediate fixed annuities. The group pension annuities include group fixed annuities and 401(k) plan variable annuities that are offered to employer groups and plan sponsors of retirement plans. The Company also markets company-owned life insurance products. The Company offers its products to employer groups, plan sponsors of defined benefit plans, 401(k) qualified retirement plans, and individuals ages 50 to 75 with low-to-middle incomes. In March 2018, the Company ceased writing individual term life, universal life, and individual fixed and deferred annuities in New York. The Company also no longer offers individual variable life and annuity products; the existing blocks of business are in run-off and are totally ceded.

The Company markets its products primarily through a network of Mutual of Omaha's career agents, direct mail, stockbrokers, financial planners, and banks.

### C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with 15 companies, of which 11 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term bases. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$100,000 per policy. The total face amount of life insurance ceded as of December 31, 2018, was \$15,466,060,827, which represents 77% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$34,357,130, was supported by letters of credit, funds withheld, and miscellaneous balances. The Company did not have any assumed insurance business as of December 31, 2018.

The Company amended and restated its coinsurance reinsurance agreement with United of Omaha on July 1, 2016. Under the agreement, the Company cedes 90% of indexed universal life policies on a quota share basis to United of Omaha. Following a review of the amended agreement, the Department raised concerns about several of the provisions, as follows:

- Investment income was credited to the funds withheld account at the end of each month with agreed upon interest rate. 11 NYCRR 127 (Insurance Regulation 102) requires investment income to be determined according to a specific formula. The ceding company's (the Company) use of the funds withheld was also found to be restricted.
- The insolvency clause did not conform to the prescribed language provided under Section 1308(a)(2) of the New York Insurance Law.
- In the event of insolvency, the reinsurer (United of Omaha) was not responsible for funding the statutory reserves under this treaty.
- The laws by which the agreement was governed were listed as the laws of Nebraska instead of the laws of New York.
- Issues were noted in the procedures for reporting noncompliance under the administration clause and in the references to other reinsurance agreements.

The Company also entered into an excess yearly renewable term excess agreement with United of Omaha on July 1, 2016. Under the agreement, the Company cedes indexed universal life insurance policies subject to a \$100,000 retention. The treaty contained many

of the same provisions as the coinsurance agreement, and the Department requested the agreement be amended in the same manner.

Subsequently, the Company further amended its treaties with United of Omaha to address the concerns of the Department.

## 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 (decline) during the period under review:

	December 31, <u>2014</u>	December 31, <u>2018</u>	Increase (Decrease)
Admitted assets	<u>\$956,858,496</u>	<u>\$1,170,982,767</u>	<u>\$214,124,271</u>
Liabilities	<u>\$899,596,823</u>	<u>\$1,114,701,238</u>	<u>\$215,104,415</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	59,650,000	101,650,000	42,000,000
Group contingency life reserve	2,709,463	4,103,723	1,394,260
Unassigned funds (surplus)	<u>(7,097,790)</u>	<u>(51,472,194)</u>	<u>(44,374,404)</u>
Total capital and surplus	<u>\$ 57,261,673</u>	<u>\$ 56,281,529</u>	<u>\$ (980,144)</u>
Total liabilities, capital and surplus	<u>\$956,858,496</u>	<u>\$1,170,982,767</u>	<u>\$214,124,271</u>

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, mainly comprised bonds (86.7%) and mortgage loans (7.4%). The majority of the Company's bond portfolio (99%), as of December 31, 2018, comprised investment grade obligations.

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

<u>Year</u>	<u>Individual Whole Life</u>		<u>Individual Term</u>		<u>Group Life</u>	
	<u>Issued</u>	<u>In Force</u>	<u>Issued</u>	<u>In Force</u>	<u>Issued &amp; Increases</u>	<u>In Force</u>
2015	\$367,642	\$5,261,136	\$1,363,059	\$5,237,494	\$1,191,343	\$7,795,906
2016	\$362,228	\$5,372,035	\$1,341,108	\$6,164,285	\$ 846,919	\$7,338,293
2017	\$204,823	\$5,227,569	\$ 188,465	\$5,968,524	\$ 761,187	\$7,511,075
2018	\$147,687	\$5,077,152	\$ 25,493	\$5,673,939	\$1,979,413	\$9,383,098

The Company ceased issuing individual term and universal life products in 2017 and fully ended its agency and brokerage sales in 2018. The Company increased sales of its group life products sold directly to consumers.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	<u>Ordinary Annuities</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Outstanding, end of previous year	5,443	5,182	4,912	4,625
Issued during the year	85	88	54	19
Other net changes during the year	<u>(346)</u>	<u>(358)</u>	<u>(341)</u>	<u>(312)</u>
Outstanding, end of current year	<u>5,182</u>	<u>4,912</u>	<u>4,625</u>	<u>4,332</u>

The number of issues decreased in 2018 because the Company stopped selling ordinary annuities in March 2018.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Ordinary:				
Life insurance	\$(7,411,387)	\$(2,812,096)	\$(13,908,467)	\$2,755,850
Individual annuities	523,272	6,220	7,594	(786,234)
Supplementary contracts	<u>(9,639)</u>	<u>35,654</u>	<u>9,525</u>	<u>15,799</u>
Total ordinary	<u>\$(6,897,754)</u>	<u>\$(2,770,222)</u>	<u>\$(13,891,348)</u>	<u>\$1,985,415</u>
Group:				
Life	\$ (69,066)	\$ 680,387	\$ 482,327	\$ 462,347
Annuities	<u>664,432</u>	<u>1,597,259</u>	<u>844,640</u>	<u>(423,557)</u>
Total group	\$ 595,366	\$ 2,277,646	\$ 1,326,967	\$ 38,790
Other accident and health	\$ <u>(569)</u>	\$ <u>(26)</u>	\$ <u>(2,673)</u>	\$ <u>1,066</u>
Total	<u>\$(6,302,957)</u>	<u>\$ (492,602)</u>	<u>\$(12,567,054)</u>	<u>\$2,025,270</u>

The decrease in net loss in the ordinary life insurance line of business in 2016, compared with 2015, was due to less change in asset adequacy reserves and lesser new business strain. The increase in net loss in 2017 was due to significantly higher asset adequacy reverses, offset by improved mortality. The net gains reported in 2018 was due to significantly less change in asset adequacy reserves.

The decrease in net gain in the individual annuities line of business during the examination period was due to substantially lower investment returns and reduced sales volumes.

The increase in net gain in group annuities in 2016, compared with 2015, was due to higher revenues that resulted from a \$4.9 million increase in annuity deposits, offset by changes in reserves. Group income annuities increased by \$2.9 million due to the continued demand for employer termination annuities.

The decline in group annuities in 2017 and 2018 was due to higher benefits, reserves, and taxes. The Tax Cuts and Jobs Act of 2017 (the "Tax Act of 2017") included changes to the tax reserves at January 1, 2018, of which \$4.4 million was attributed to group annuities. Federal income



taxes on group annuities were overstated as a result of the tax adjustments. The federal income tax allocation created an increase for group annuities of approximately \$900,000.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2018, as contained in the Company's 2018 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, 2018 filed annual statement.

### A. Independent Accountants

The Company retained the firm of Deloitte to audit its combined statutory-basis statements of financial position as of December 31 of each examination year, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

Deloitte 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	\$ 929,956,783
Stocks:	
Preferred stocks	3,700,000
Common stocks	515,133
Mortgage loans on real estate:	
First liens	79,708,770
Cash, cash equivalents and short-term investments	23,788,572
Contract loans	35,273,474
Receivable for securities	2,558
Investment income due and accrued	8,439,645
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(3,085,890)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	11,459,681
Reinsurance:	
Amounts recoverable from reinsurers	2,261,791
Other amounts receivable under reinsurance contracts	783,669
Net deferred tax asset	5,030,843
Guaranty funds receivable or on deposit	137,724
Receivables from parent, subsidiaries and affiliates	2,811,766
Suspense items	197,444
Amounts due from non-affiliates	5,342
Prepaid ceded premium (N.Y.C.L. 11)	1,634,059
From separate accounts, segregated accounts and protected cell accounts	\$ <u>68,361,404</u>
Total admitted assets	<u>\$1,170,982,767</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 957,051,651
Liability for deposit-type contracts	15,856,551
Contract claims:	
Life	2,537,790
Provision for policyholder's dividends and coupons payable in following calendar year – Estimated amounts:	
Dividends apportioned for payment	11,192
Premiums and annuity considerations for life and accident and health contracts received in advance	308,852
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	1,564
Commissions to agents due or accrued	878,663
General expenses due or accrued	425,064
Transfers to separate accounts due or accrued	(55,579)
Taxes, licenses and fees due or accrued, excluding federal income taxes	23,361
Current federal and foreign income taxes	275,747
Unearned investment income	752,010
Amounts withheld or retained by company as agent or trustee	26,463
Amounts held for agents' account	1,729,631
Remittances and items not allocated	2,734,577
Liability for benefits for employees and agents if not included above	9,488
Miscellaneous liabilities:	
Asset valuation reserve	5,829,787
Reinsurance in unauthorized companies	53,223
Funds held under reinsurance treaties with unauthorized reinsurers	53,671,252
Payable to parent, subsidiaries and affiliates	1,948,659
Drafts outstanding	591,947
Abandoned property	1,665,787
Amounts due non-affiliates	3,300
Liability for interest due and unpaid on policy claims	8,856
From Separate Accounts statement	<u>68,361,404</u>
Total liabilities	<u>\$1,114,701,238</u>
Common capital stock	2,000,000
Gross paid in and contributed surplus	101,650,000
Group contingency life reserve	4,103,723
Unassigned funds (surplus)	(51,472,194)
Surplus	<u>\$ 54,281,529</u>
Total capital and surplus	<u>\$ 56,281,529</u>
Total liabilities, capital and surplus	<u>\$1,170,982,767</u>

D. Condensed Summary of Operations

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Premiums and considerations	\$ 98,770,513	\$103,712,810	\$ 99,730,027	\$ 97,947,517
Investment income	39,852,316	39,834,075	42,395,757	43,165,996
Commissions and reserve adjustments on reinsurance ceded	4,625,867	4,290,820	4,457,263	5,023,153
Miscellaneous income	<u>786,087</u>	<u>758,782</u>	<u>718,791</u>	<u>806,270</u>
Total income	<u>\$144,034,783</u>	<u>\$148,596,487</u>	<u>\$147,301,838</u>	<u>\$146,942,936</u>
Benefit payments	\$ 64,139,191	\$ 67,791,910	\$ 68,016,659	\$ 72,365,671
Increase in reserves	44,647,303	40,514,166	57,766,276	40,860,617
Commissions	8,913,731	9,428,558	6,791,353	6,169,574
General expenses and taxes	29,414,177	30,065,819	25,908,980	22,569,252
Increase in loading on deferred and uncollected premiums	1,046,446	484,520	(132,157)	528,389
Miscellaneous deductions	<u>1,371,456</u>	<u>1,589,216</u>	<u>1,790,270</u>	<u>1,926,539</u>
Total deductions	<u>\$149,532,304</u>	<u>\$149,874,189</u>	<u>\$160,141,381</u>	<u>\$144,420,042</u>
Net gain (loss)	\$ (5,497,521)	\$ (1,277,702)	\$ (12,839,543)	\$ 2,522,894
Dividends	74,816	50,493	10,910	11,192
Federal and foreign income taxes incurred	<u>730,620</u>	<u>(835,593)</u>	<u>(283,400)</u>	<u>486,433</u>
Net gain (loss) from operations				
before net realized capital gains	\$ (6,302,957)	\$ (492,602)	\$ (12,567,053)	\$ 2,025,269
Net realized capital gains (losses)	<u>(598,803)</u>	<u>(450,000)</u>	<u>(595,004)</u>	<u>(375,063)</u>
Net income	<u>\$ (6,901,761)</u>	<u>\$ (942,602)</u>	<u>\$ (13,162,058)</u>	<u>\$ 1,650,207</u>

The significant increase in reserves in 2017 was primarily due to a \$25 million reserve increase for interest-sensitive, term and traditional life products, a \$25 million reserve increase for assets adequacy, and an \$8 million net increase for annuity sales. The assets adequacy reserve was primarily due to the year-end changes in interest rate environment and income tax law.

The notable decrease in commissions in 2017 and 2018 is consistent with the lower sale volumes during the years due to the cessation of sales of individual term life, universal life, and individual fixed and deferred annuities.

## E. Capital and Surplus Account

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and surplus, December 31, prior year	<u>\$ 57,261,673</u>	<u>\$50,911,038</u>	<u>\$ 47,893,084</u>	<u>\$57,412,745</u>
Net income	\$ (6,901,761)	\$ (942,602)	\$(13,162,058)	\$ 1,650,207
Change in net unrealized capital gains (losses)	686,815	(24,891)	(56,717)	(244,479)
Change in net deferred income tax	8,484,153	(494,942)	(15,182,746)	825,604
Change in non-admitted assets and related items	(7,592,115)	(1,978,058)	13,307,773	(2,418,310)
Change in liability for reinsurance in unauthorized companies	69	42,130	5,165	86,029
Change in reserve valuation basis	(14,239,901)	710,601	(2,366,059)	(858,981)
Change in asset valuation reserve	(227,715)	(407,806)	96,973	(236,364)
Surplus adjustments:				
Paid in	15,000,000	0	27,000,000	0
Change in loading on deferred premium asset corresponding to valuation basis change in Exhibit 5A	0	77,615	(122,671)	65,078
Change in accounting principle	<u>(1,560,180)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>(6,350,635)</u>	<u>(3,017,954)</u>	<u>9,519,661</u>	<u>(1,131,216)</u>
Capital and surplus, December 31, current year	<u>\$ 50,911,038</u>	<u>\$47,893,084</u>	<u>\$ 57,412,745</u>	<u>\$56,281,529</u>

The \$15 million change in non-admitted assets in 2017 was due to a 15% of surplus limitation applied to deferred tax assets that decreased from \$37.1 million at 2016 year-end to \$24.1 million at 2017 year-end. At the beginning of 2017, the deferred tax assets were valued using the rate of 35%; and at the end of 2017, because of the Tax Reform Act of 2018, the deferred tax assets were valued using the rate of 21%.

The change in reserves in 2015 was due to increases that resulted from the Departments' prior examination of the Company. The increases included a net single payment calculation adjustment of \$1,839,901 was related to Actuarial Guidance 38 for universal life policies with secondary guarantees, a \$11,700,000 asset adequacy from cash flow testing prescribed under the Department's methodology, and an additional \$700,000 in excess of valuation net premiums over gross premiums on group term life insurance.

## 7. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus—COVID-19—was reported in Wuhan, China. The virus has subsequently spread to other parts of the world, including the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Donald J. Trump declared the pandemic a national emergency. The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner.

The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.

The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.

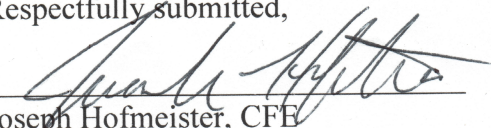


## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent actions taken by the Company in response to the citation:


<u>Item</u>	<u>Description</u>
A	<p>The examiner recommended that the Company continue to compute and strengthen its reserves using the assumptions and methodology as agreed upon with the Department.</p> <p>The Company has continued to use the assumptions and methodology in a manner acceptable to the Department in their stand-alone asset adequacy analysis. The Company held an additional \$72.5 million in reserves at 2018 year-end as a result of this analysis.</p>

Respectfully submitted,

  
Joseph Hofmeister, CFE  
Eide Bailly, LLP

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

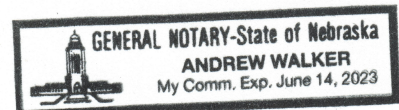
Joseph Hofmeister, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

  
Joseph Hofmeister

Subscribed and sworn to before me

this 5<sup>th</sup> day of JUNE 2020





Respectfully submitted,

\_\_\_\_\_  
/s/

Anthony Mauro  
Principal Insurance Examiner

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

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

\_\_\_\_\_  
/s/

Anthony Mauro

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, LINDA A. LACEWELL, Acting 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:

**JOSEPH HOFMEISTER**  
**(EIDE BAILLY, LLP)**

as a proper person to examine the affairs of the

**COMPANION 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 10th day of May, 2019

LINDA A. LACEWELL  
Acting Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

