



**FINANCIAL CONDITION REPORT ON EXAMINATION**

**OF THE**

**COMMERCIAL TRAVELERS LIFE INSURANCE COMPANY**

**AS OF DECEMBER 31, 2020**

**EXAMINER:**  
**DATE OF REPORT:**

**CHINETA ALFORD, CFE**  
**APRIL 27, 2022**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 8, 2022

Honorable Adrienne A. Harris  
Superintendent of Financial Services  
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32312, dated October 1, 2021, and annexed hereto, an examination has been made into the condition and affairs of Commercial Travelers Life Insurance Company, hereinafter referred to as “the Company”. The Company’s home office is located at 121 State Street, Albany, NY 12207. The Company’s administrative office is located at 2 East Gilman Street, Madison, WI 53703-1494. Due to the COVID-19 pandemic, the examination was conducted remotely.

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 comment contained in this report is summarized below.

- Effective January 2021, National Guardian Life Insurance Company (“NGLIC”) contributed 100% of its shares in the Company to Insurance Strategies Holdings, LLC through a partnership agreement with Federal Life Group. (See item 6 of this report.)
- On December 16, 2021, the Company paid dividends to ISH of \$62,357. The dividend was composed of the transfer of 100% of outstanding shares in CT Agency, Inc. (See item 6 of this report.)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiner's Handbook, 2021 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2018, through December 31, 2020. 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, 2020, 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 called by the Wisconsin Office of the Commissioner of Insurance ("Wisconsin") in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted in conjunction with the examination of the Company's affiliate, NGLIC. Wisconsin served as the lead state with participation from New York. Since the lead and participating states are all accredited by the NAIC, all 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 2018 through 2020, by the accounting firm of Ernst & Young LLP (“EY”). 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 utilizes the internal audit department of its parent. Where applicable, workpapers 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 violations, recommendations, or comments.

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 and commenced business as a cooperative assessment health plan in the State of New York on March 20, 1883, under the name of Commercial Travelers Mutual Accident Association of America. On May 22, 1953, the Company's name was shortened to The Commercial Travelers Mutual Accident Association. On February 16, 1970, the Company was re-incorporated as a mutual accident and health insurance company, licensed under Article 42 of the New York Insurance Law; and hence changed its name to Commercial Travelers Mutual Insurance Company. On May 6, 1988, a merger was effected between the Company and InterAmerica Consolidated Mutual Insurance Company of La Grange, Illinois; as a result, the assets of the two entities were accounted for as a pooling interest, with the Company being the surviving corporation.

On April 20, 2012, the Company entered into an affiliation agreement with NGLIC, a Wisconsin domiciled mutual life insurance company. In conjunction with the affiliation, NGLIC funded the Company with \$5,000,000 in the form of a surplus note and reinsured 50% of the Company's student accident and health insurance to improve the Company's capital position, and most of the positions on the Company's board of directors were held by NGLIC's representatives. On April 25, 2017, during a special meeting of the board of directors, policyholders approved the demutualization of the Company and subsequently its acquisition by NGLIC after a five-year transition to full ownership that began when the two entities entered into the affiliation agreement.

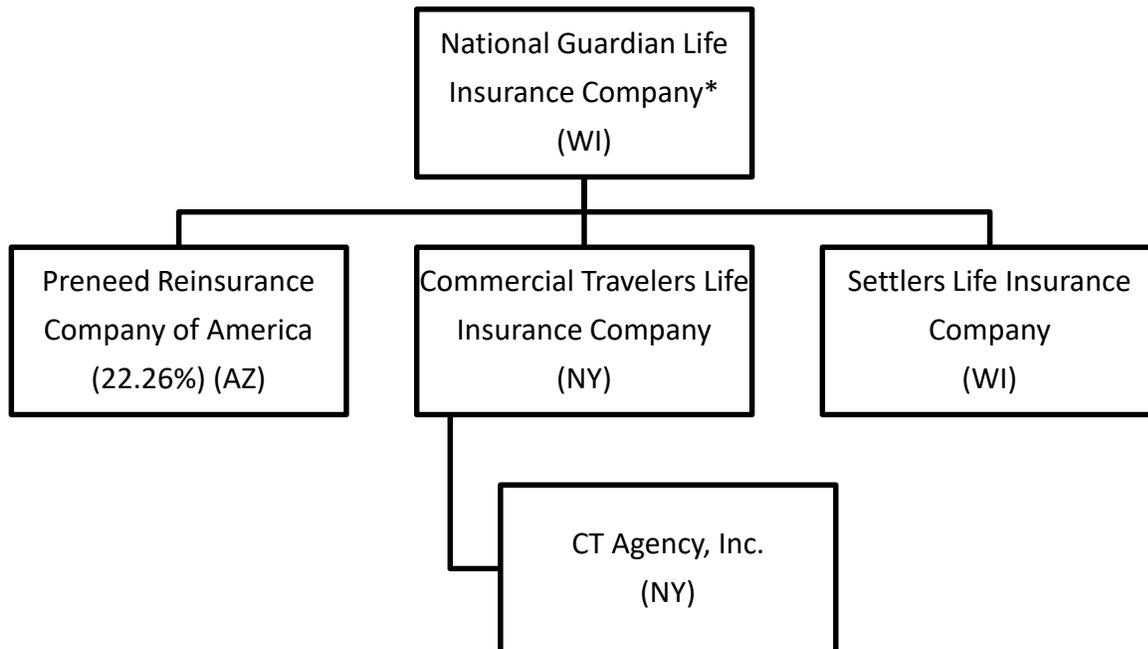
On May 1, 2017, after completing the sponsored demutualization and acquisition, the Company became a subsidiary of NGLIC. The Company's surplus note issued to NGLIC was also repaid and retired. The Company received \$14 million from NGLIC in exchange for issuance of 11 million shares of \$1 par value common capital stock and paid in and contributed surplus of \$3 million. The acquisition resulted in the Company becoming a direct, wholly-owned, stock subsidiary of NGLIC, immediately increasing its total capital and surplus significantly. The Company was granted authority to issue life insurance in its domiciliary state of New York, completing its transition to a stock life insurer and adopting its current name.

B. Holding Company

As of December 31, 2020, the Company was a wholly-owned subsidiary of NGLIC which was also 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, 2020 follows:



\*National Guardian Life Insurance Company owns 53.51% of the outstanding common shares of Preneed Reinsurance Company of America and holds 75% voting control of Preneed Reinsurance Company of America through the common shares it directly holds and the shares it controls, held in a voting trust.

#### 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
Cost Sharing  File No. 53207	07/01/2017	NGLIC	The Company	Agent and broker related services, human resources, information services, legal, actuarial, accounting, and financial	2018 \$(363,295) 2019 \$(347,756) 2020 \$(698,614)
Investment Services  File No. 53207	07/01/2017	NGLIC	The Company	Investment management	2018 \$(65,426) 2019 \$(62,685) 2020 \$(58,956)
Marketing and Administration  File No. 53207	07/01/2017	The Company	NGLIC	Marketing and administration of specific insurance products	2018 \$3,311,607 2019 \$2,676,418 2020 \$0**

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

\*\* The business administered under the agreement was sold to Wellfleet Group, LLC (“Wellfleet”) in 2019.

The Company participates in a federal income tax sharing agreement with NGLIC and Settlers Life Insurance Company. The Company’s participation in the agreement ended effective January 1, 2021. The Company did not consolidate its tax return with any other entity in 2021.

#### 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 three years at the annual meeting of the shareholders held in May of each year. As of December 31, 2020, the board of directors consisted of seven members. Meetings of the board are held quarterly.

The seven board members and their principal business affiliation, as of December 31, 2020, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
David W. Kruger* Madison, Wisconsin	Chief Executive Officer The Fiore Companies Inc.	2018
Frank C. Hastings* Madison, Wisconsin	Retired Chairman J.H. Findorff & Son, Inc.	2017
Harrison J. Hummel III* Mohawk, New York	President and Chief Executive Officer Hummel's Office Plus	2017
Knut A. Olson Middleton, Wisconsin	Chairman, President and Chief Executive Officer National Guardian Life Insurance Company	2019
Daniel P. Olszewski* Middletown, Wisconsin	Director of Weiner Center University of Wisconsin-Madison, School of Business	2019
David Walsh, Chair* Madison, Wisconsin	Attorney and Retired Partner Foley & Lardner, LLP	1981
Gary J. Wolter* Madison, Wisconsin	Chairman, Retired President and Chief Executive Officer MGE Energy, Inc. and Madison Gas & Electric Company	2005

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

In January 2021, Curtis Hastings, Harrison J. Hummel III, and Daniel P. Olszewski resigned from the board and were replaced by Matt Popoli, Jack Sun, Randy Parker, respectively, and William Austin was added to the board.

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 the meetings.

The following is a listing of the principal officers of the Company as of December 31, 2020:

<u>Name</u>	<u>Title</u>
Knut A. Olson	President and Chief Executive Officer
David M. Anderson	Vice President, Chief Operating Officer
Daniel T. Durow	Appointed Actuary
Timothy T. Matson	Vice President, Treasurer
Kimberly A. Shaul	Secretary
Nancy L. Stoddard	Vice President, Chief Financial Officer
Kimberly A. Shaul	Vice President, General Counsel and Corporate Secretary

Jeryl A. Olson, Assistant Vice President and Compliance Officer, is the 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 all states except for Hawaii. The Company is also licensed in the District of Columbia. In 2020, 85.5% of accident and health premiums were received from New York and 5.8% were received from Connecticut. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2020, the Company had \$1,500,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants, and creditors of the Company. As reported in Schedule E of the 2020 filed annual statement, an additional, \$2,868,345 was being held by the states of Arkansas, Florida, Georgia, Massachusetts, Michigan, Nevada, New Hampshire, New Mexico, North Carolina, South Carolina, and Virginia.

##### B. Direct Operations

The Company's primary lines of business include college student and kindergarten to twelfth grade student accident and medical coverage. The Company also has a small in force block of disability and accident insurance.

The Company, NGLIC and Wellfleet entered into purchase agreement on August 23, 2019, and effective September 1, 2019, Wellfleet acquired the Company's student business. Additionally, Wellfleet agreed to provide the administrative services for the acquired business.

The Company's business is produced by multiple agents and brokers.

##### C. Reinsurance

As of December 31, 2020, the Company had reinsurance treaties in effect with two companies, of which one was authorized, accredited, or certified. The Company's accident and health business is reinsured on a coinsurance basis. Reinsurance is provided on an automatic basis. The total face amount of accident and health insurance premiums ceded as of December 31, 2020,

was \$1,935,107, which represents approximately 48% of the total accident and health premiums in force. There was no reserve credit taken for reinsurance ceded to the unauthorized company.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2020, as contained in the Company's 2020 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, 2020, filed annual statement.

### A. Independent Accountants

The firm of EY was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company 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.

EY 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	\$16,449,416
Real estate:	
Properties held for sale	827,745
Cash, cash equivalents and short-term investments	3,158,517
Investment income due and accrued	123,208
Reinsurance:	
Amounts recoverable from reinsurers	21,710
Current federal and foreign income tax recoverable and interest thereon	325,367
Guaranty funds receivable or on deposit	14,933
Electronic data processing equipment and software	<u>7,876</u>
 Total admitted assets	 <u>\$20,931,749</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for accident and health contracts	\$ 637,553
Accident and health	54,732
Premiums and annuity considerations for life and accident and health contracts received in advance	5,740
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	5,492
Other amounts payable on reinsurance	2,478,249
General expenses due or accrued	72,337
Taxes, licenses and fees due or accrued, excluding federal income taxes	(35,322)
Net deferred tax liability	647
Amounts withheld or retained by company as agent or trustee	358
Amounts held for agents' account	160
Remittances and items not allocated	96
Miscellaneous liabilities:	
Asset valuation reserve	124,873
Funds held under reinsurance treaties with unauthorized reinsurers	50,925
Payable to parent, subsidiaries and affiliates	2,972,489
Unclaimed Funds	<u>24,462</u>
 Total liabilities	 \$ <u>6,392,791</u>
 Common capital stock	 \$ 2,750,000
Gross paid in and contributed surplus	11,250,000
Unassigned funds (surplus)	538,958
Surplus	<u>11,788,958</u>
Total capital and surplus	<u>\$14,538,958</u>
 Total liabilities, capital and surplus	 <u>\$20,931,749</u>

D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Premiums and considerations	\$4,051,729	\$3,269,239	\$(1,522,697)
Investment income	581,685	497,999	162,644
Commissions and reserve adjustments on reinsurance ceded	227,519	170,411	174,609
Miscellaneous income	<u>3,614,797</u>	<u>3,134,276</u>	<u>202,654</u>
 Total income	 <u>\$8,475,730</u>	 <u>\$7,071,925</u>	 <u>\$ (982,790)</u>
Benefit payments	\$2,334,216	\$2,556,211	\$ 1,253,886
Increase in reserves	107,970	(596,469)	(4,699,999)
Commissions	593,963	462,930	234,919
General expenses and taxes	5,666,086	5,021,886	5,240,414
Miscellaneous deductions	<u>3,366</u>	<u>11,245</u>	<u>17,908</u>
 Total deductions	 <u>\$8,705,601</u>	 <u>\$7,455,803</u>	 <u>\$ 2,047,128</u>
Net gain (loss)	\$ (229,871)	\$ (383,878)	\$(3,029,918)
Federal and foreign income taxes incurred	<u>(59,534)</u>	<u>(58,243)</u>	<u>(893,033)</u>
 Net gain (loss) from operations before net realized capital gains	 \$ (170,337)	 \$ (325,635)	 \$(2,136,885)
Net realized capital gains (losses)	<u>(2)</u>	<u>0</u>	<u>158,191</u>
 Net income	 <u>\$ (170,339)</u>	 <u>\$ (325,635)</u>	 <u>\$(1,978,694)</u>

E. Surplus Account

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Surplus, December 31, prior year	\$ <u>13,957,546</u>	\$ <u>13,955,069</u>	\$ <u>13,432,970</u>
Net income	\$ (170,339)	\$ (325,635)	\$ (1,978,694)
Change in net unrealized capital gains (losses)	(17,366)	47,549	(172,192)
Change in net deferred income tax	(37,812)	(2,092)	(734,785)
Change in non-admitted assets and related items	(46,500)	78,397	926,004
Change in asset valuation reserve	8,345	(81,236)	49,737
Capital changes:			
Paid in	0	0	(8,250,000)
Surplus adjustments:			
Paid in	0	0	8,250,000
Change in liability for pension benefits	<u>261,195</u>	<u>(239,082)</u>	<u>3,015,918</u>
Net change in capital and surplus for the year	\$ <u>(2,477)</u>	\$ <u>(522,099)</u>	\$ <u>1,105,988</u>
Surplus, December 31, current year	<u>\$13,955,069</u>	<u>\$13,432,970</u>	<u>\$14,538,958</u>

## 6. SUBSEQUENT EVENTS

Subsequent to receiving approval from the Department on October 27, 2020, NGLIC contributed 100% of its shares in the Company to Insurance Strategies Holdings, LLC (“ISH”) through a partnership agreement with Federal Life Group effective January 1, 2021. Pursuant to the agreement, Insurance Strategies Holdings, LLC obtained sole ownership of the Company. As part of the transaction, Insurance Capital Group, LLC acquired 49.9% of the issued and outstanding capital stock of the Company.

On December 16, 2021, the Company paid dividends to ISH of \$62,357. The dividend was composed of the transfer of 100% of outstanding shares in CT Agency, Inc.

## 7. SUMMARY AND CONCLUSIONS

Following are the comments contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	Effective January 2021, NGLIC contributed 100% of its shares in the Company to Insurance Strategies Holdings, LLC through a partnership agreement with Federal Life Group. Pursuant to the agreement, Insurance Strategies Holdings, LLC obtained sole ownership of the Company.	16
B	On December 16, 2021, the Company paid dividends to ISH of \$62,357. The dividend was composed of the transfer of 100% of outstanding shares in CT Agency, Inc.	16

Respectfully submitted,  
*Chineta Alford*  
Chineta Alford, CFE  
Global Insurance Enterprises, Inc.

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

Chineta Alford, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

*Chineta Alford*  
Chineta Alford

Subscribed and sworn to before me  
this 8<sup>th</sup> day of June, 2022

*Audrey Hall*

**AUDREY HALL**  
Notary Public, State of New York  
No. 01HA8274900  
Qualified in Kings County  
Commission Expires January 28, 2025

Respectfully submitted,

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

Courtney Williams  
Principal Insurance Examiner

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

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

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

Courtney Williams

Subscribed and sworn to before me

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

**APPOINTMENT NO. 32312**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **ADRIENNE HARRIS**, 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:

**CHINETA ALFORD**  
**(GLOBAL INSURANCE ENTERPRISES, INC.)**

as a proper person to examine the affairs of the

**COMMERCIAL TRAVELERS 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 October, 2021

**ADRIENNE HARRIS**  
Acting Superintendent of Financial Services

By:

*Mark McLeod*

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**MARK MCLEOD**  
**DEPUTY CHIEF - LIFE BUREAU**

