



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

COMPANION LIFE INSURANCE COMPANY

AS OF DECEMBER 31, 2022

EXAMINER:

DENISE SAUNDERS

DATE OF REPORT:

JUNE 7, 2024

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 10, 2024

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. 32544, dated May 25, 2023, and annexed hereto, an examination has been made into the condition and affairs of Companion Life Insurance Company, hereinafter referred to as “the Company.” The Company’s administrative office is located at 3300 Mutual of Omaha Plaza, Omaha, NE 68175. The Company’s home office is located at 425 Broadhollow Road, Melville, NY 11747.

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. 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, 2023 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2019 to December 31, 2022. 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, 2022, 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 State of Nebraska served as the lead state with participation from the State of 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 2019 through 2022, 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 and compliance with the Model Audit Rule (“MAR”). Where applicable, MAR 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.

2. 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. In 1985, the articles of incorporation were amended to change the par value to \$400 per share.

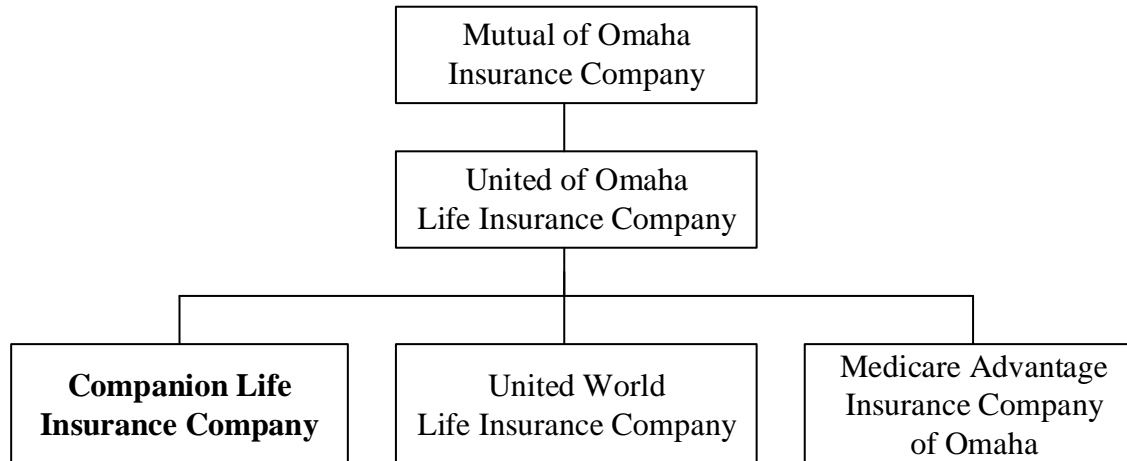
The Company received a capital contribution of \$10,000,000 in 2020 from its parent, United of Omaha Life Insurance Company (“United of Omaha”). There were no contributions in 2019, 2021, and 2022. There was a subsequent capital contribution of \$11,600,000 in 2023.

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, 2022 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
Amended and Restated Intercompany Services Agreement	12/31/1980	United of Omaha and Mutual of Omaha	The Company	Services include Human Resources administration and management of employee benefit plans, facilities, payroll, finance and accounting for investments, internal audit, compliance, information technologies, marketing, legal, corporate services and broker-dealer investment advisory services.	2022 \$(18,107,733) 2021 \$(18,199,661) 2020 \$(18,624,638) 2019 \$(18,396,784)
Amendment	01/10/1996				
Amendment	12/31/2007				
Amendment	06/01/2020				
Amendment	05/12/2016				
Amendment	08/01/2020				

* 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, 2022, 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, 2022, 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
Frank L. Hayes* Omaha, Nebraska	Owner/Certified Public Accountant Hayes & Associates, LLC	2011
Richard R. Hrabchak Heber City, Utah	Vice President Companion Life Insurance Company	2017
	Chief Investment Officer and Chief Financial Officer Mutual of Omaha Insurance Company United of Omaha Life Insurance Company	
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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Stacy A. Scholtz Omaha, Nebraska	Executive Vice President 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

Effective May 16, 2023, Ryan M. Comins, replaced Charles T. Locke as a member of the board.

The following is a listing of the principal officers of the Company as of December 31, 2022:

<u>Name</u>	<u>Title</u>
James T. Blackledge	Chairman and President
Scott L. Herchenbach	Vice President, Treasurer
Jay A. Vankat	Corporate Secretary

Thomas R. Oldham, the Company's Director Enterprise Privacy & Compliance Risk, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

Effective February 28, 2024, Amy D. Swartwood replaced Scott L. Herchenbach as Treasurer.

3. 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 2022, 98.2% of life premiums, 100% of accident and health premiums, 89.4% of annuity considerations, and 96.4% 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, 2022, 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 principal lines of business during the examination period are individual life insurance, group life insurance, and group annuities. The individual life line includes a guaranteed issue small face amount whole life product sold to persons ages 50-75. The group life line includes group term life insurance products sold to large employer groups. The group 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 has a closed block of individual variable life and annuity products which are in runoff and totally ceded. This closed block of business is administered by Security Benefit Life Insurance Company.

The Company markets its products primarily through a network of Mutual of Omaha career agents, independent contractors, direct mail, and financial planners.

C. Reinsurance

As of December 31, 2022, the Company had reinsurance treaties in effect with 15 companies, of which 12 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, 2022, was \$16,427,739,823, which represents 78% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$29,820,335, was supported by letters of credit, funds withheld, and miscellaneous balances. The Company did not have any assumed insurance business as of December 31, 2022.

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2022, as contained in the Company's 2022 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, 2022 filed annual statement.

A. Independent Accountants

The firm of Deloitte was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31 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.

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	\$1,039,172,750
Stocks:	
Preferred stocks	1,423,700
Mortgage loans on real estate:	
First liens	42,313,335
Cash, cash equivalents and short-term investments	12,950,803
Contract loans	34,448,932
Other invested assets	9,175,148
Receivable for securities	102,926
Investment income due and accrued	9,862,936
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(6,653,028)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	16,060,410
Reinsurance:	
Amounts recoverable from reinsurers	6,118,647

Other amounts receivable under reinsurance contracts	2,210,304
Net deferred tax asset	4,889,701
Guaranty funds receivable or on deposit	25
Receivables from parent, subsidiaries and affiliates	2,173,668
Other assets nonadmitted	
Prepaid ceded premium (N.Y.C.L. 11)	2,343,827
Suspense items	9,547
Amounts due from non-affiliates	34,045
From separate accounts, segregated accounts and protected cell accounts	<u>47,893,466</u>
Total admitted assets	<u>\$1,224,531,142</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 998,628,521
Liability for deposit-type contracts	9,623,596
Contract claims:	
Life	1,570,580
Provision for policyholders' dividends and coupons payable in	
Dividends apportioned for payment	8,980
Premiums and annuity considerations for life and accident and health	
contracts received in advance	343,493
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	484
Interest maintenance reserve	518,424
Commissions to agents due or accrued	1,424,988
General expenses due or accrued	583,288
Transfers to separate accounts due or accrued	(35,694)
Taxes, licenses and fees due or accrued, excluding federal income taxes	(559,854)
Current federal and foreign income taxes	141,797
Unearned investment income	655,829
Amounts withheld or retained by company as agent or trustee	92,460
Amounts held for agents' account	1,437,112
Remittances and items not allocated	347,068
Miscellaneous liabilities:	
Asset valuation reserve	7,552,664
Reinsurance in unauthorized companies	659
Funds held under reinsurance treaties with unauthorized reinsurers	67,712,104
Payable to parent, subsidiaries and affiliates	2,558,780
Drafts outstanding	1,070,777
Abandoned property	1,849,352
Other misc liabilities	700,000
Accounts payable	116,233
Summary of remaining write-ins for Line 25 from overflow page	22,317
From Separate Accounts statement	<u>47,893,466</u>
 Total liabilities	 <u>\$1,144,257,424</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	111,650,000
Group contingency life reserve	5,838,136
Unassigned funds (surplus)	<u>(39,214,419)</u>
Surplus	<u>\$ 78,273,717</u>
Total capital and surplus	<u>\$ 80,273,717</u>
 Total liabilities, capital and surplus	 <u>\$1,224,531,142</u>

D. Condensed Summary of Operations

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Premiums and considerations	\$(23,938,612)	\$ 90,820,199	\$ 93,065,560	\$108,754,669
Investment income	44,473,038	44,121,922	44,791,190	43,082,428
Net gain from operations from Separate Accounts	0	0	0	0
Commissions and reserve adjustments on reinsurance ceded	3,520,943	5,337,644	5,330,544	5,613,137
Miscellaneous income	<u>762,971</u>	<u>650,558</u>	<u>661,584</u>	<u>480,398</u>
Total income	<u>\$ 24,818,340</u>	<u>\$140,930,323</u>	<u>\$143,848,878</u>	<u>\$157,930,632</u>
Benefit payments	\$ 72,567,111	\$ 73,594,963	\$ 70,240,792	\$ 75,747,335
Increase in reserves	(54,124,814)	40,746,128	16,053,238	44,012,535
Commissions	5,968,288	6,401,487	8,156,084	8,450,688
General expenses and taxes	19,100,919	20,635,090	20,629,514	20,500,601
Increase in loading on deferred and uncollected premiums	605,754	129,363	1,681,066	455,815
Miscellaneous deductions	<u>(6,215,827)</u>	<u>2,202,338</u>	<u>2,155,823</u>	<u>2,288,934</u>
Total deductions	<u>\$ 37,901,431</u>	<u>\$143,709,369</u>	<u>\$118,916,517</u>	<u>\$151,455,908</u>
Net gain (loss)	\$(13,083,091)	\$ (2,779,046)	\$ 24,932,361	\$ 6,474,724
Dividends	10,431	9,490	5,925	9,350
Federal and foreign income taxes incurred	<u>1,612,798</u>	<u>1,864,479</u>	<u>560,729</u>	<u>2,812,083</u>
Net gain (loss) from operations before net realized capital gains	\$(14,706,320)	\$ (4,653,015)	\$ 24,365,707	\$ 3,653,291
Net realized capital gains (losses)	<u>1,401,912</u>	<u>(203,818)</u>	<u>(413,103)</u>	<u>(170,118)</u>
Net income	<u>\$(13,304,409)</u>	<u>\$ (4,856,831)</u>	<u>\$ 23,952,605</u>	<u>\$ 3,483,173</u>

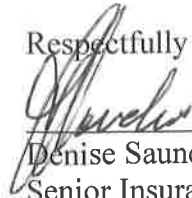
E. Capital and Surplus Account

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$ <u>56,281,529</u>	\$ <u>52,581,602</u>	\$ <u>50,237,980</u>	\$ <u>75,905,190</u>
Net income	\$(13,304,409)	\$ (4,856,831)	\$23,952,605	\$ 3,483,173
Change in net unrealized capital gains (losses)	127,201	(226,346)	44,035	386,557
Change in net deferred income tax	2,626,273	4,102,538	(4,469,521)	1,316,243
Change in non-admitted assets and related items	(2,374,752)	(4,858,663)	4,231,671	(1,274,419)
Change in liability for reinsurance in unauthorized companies	2,081	29,803	17,363	3,317
Change in reserve valuation basis	7,900,039	(529)	1,659,396	1,537,745
Change in asset valuation reserve	(400,713)	(459,168)	231,661	(1,094,657)
Surplus adjustments:				
Paid in	0	10,000,000	0	0
Change in loading on deferred premium asset corresponding to valuation basis change in Exhibit 5A	1,724,352	4,313	0	(2,997)
Prior year adjustments	0	(6,000,000)	0	13,564
Change in DPA corresponding to valuation basis change in Exhibit 5A	<u>0</u>	<u>(78,740)</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(3,699,927)</u>	\$ <u>(2,343,623)</u>	\$ <u>25,667,211</u>	\$ <u>4,368,527</u>
Capital and surplus, December 31, current year	\$ <u>52,581,602</u>	\$ <u>50,237,980</u>	\$ <u>75,905,190</u>	\$ <u>80,273,717</u>

5. SUBSEQUENT EVENTS

The Company has four reinsurance contracts in effect to cede life insurance business to Scottish Re (U.S.), Inc. (“Scottish Re”) with \$70.6 million in-force and \$1.28 million reserve credits taken in 2022. There are also \$3.83 million in paid losses and \$596,998 in un-paid losses in 2022. Scottish Re was placed in liquidation in July 2022. The Company plans to recapture the business presently ceded to Scottish Re as of September 30, 2023 11:59 p.m., the cancellation date, per the liquidation and injunction order. The Company will retain risk up to its current policyholder retention of \$100,000 and any remaining risk will be ceded to its parent United of Omaha via existing intercompany reinsurance agreements. The Company has continued to monitor the Scottish Re recoverability and the estimate of \$700,000 remains as the expected loss. On December 31, 2023, the Company wrote off reinsurance balances of a total of \$925,919 that management deemed to be uncollectible and the Company will continue to monitor the collectability of the remaining reinsurance balances.

Respectfully submitted,



Denise Saunders
Senior Insurance Examiner

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

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



Denise Saunders

Subscribed and sworn to before me

this 10th day of June, 2024



Audrey Hall
Notary Public, State of New York
Reg. No. 01HA0010698
Qualified in Kings County
Commission Expires 07/07/2027

APPOINTMENT NO. 32544

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ADRIENNE A. HARRIS, 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:

DENISE SAUNDERS

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 she 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 25th day of May, 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

mark mcLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

