



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

GERBER LIFE INSURANCE COMPANY

AS OF DECEMBER 31, 2022

EXAMINER:

PABLO RAMOS

DATE OF REPORT:

MAY 17, 2024

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 4, 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. 32555, dated July 10, 2023, and annexed hereto, an examination has been made into the condition and affairs of Gerber Life Insurance Company, hereinafter referred to as "the Company." The Company's home office is located at 1311 Mamaroneck Avenue, White Plains, NY 10605.

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 Examiner's Handbook, 2023 Edition* (the "Handbook"). The examination covers the one-year period from January 1, 2022 through 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 parent, The Western and Southern Life Insurance Company. The examination was led by the State of Ohio with participation from the State of New York. Since the lead and participating states are 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 year 2022, by the accounting firm of Ernst & Young, LLP (“EY”). The Company received an unqualified opinion in 2022. Certain audit workpapers 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 Model Audit Rule (“MAR”). Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective action taken by the Company with respect to the comment and violations contained in the prior report on examination. The result of the examiner’s review is contained in item 5 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 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 December 22, 1967, and was licensed and commenced business on September 30, 1968. Initial resources of \$4,970,250, consisting of common capital stock of \$1,000,000 and paid in and contributed surplus of \$3,970,250, were provided through the sale of 100,000 shares of common stock (with a par value of \$10 each) for \$49.7025 per share.

In August 1994, Gerber Holding Company (“Gerber Holding”) was formed by Sandoz Corporation, the Company’s ultimate parent at that time, to purchase Gerber Products Company (“Gerber Products”).

In March 1996, Sandoz Corporation and Ciba-Geigy Ltd., a large Swiss pharmaceutical company, merged. The merger created Novartis AG Corporation (“Novartis AG”), the second largest pharmaceutical company in the world. Novartis AG then became the ultimate parent of the Company. Prior to April 2004, the Company was a wholly owned subsidiary of Gerber Products, which in turn was a direct wholly owned subsidiary of Gerber Holding. Gerber Holding was in turn a direct wholly owned subsidiary of Novartis Finance Corporation (“Novartis Finance”).

In April 2004, as part of a restructuring of Novartis Corporation’s (“Novartis”) holding company system, Gerber Holding merged into Novartis Finance. Following the merger, Gerber Products allocated all the Company’s stock to Novartis Finance, which became the direct parent of the Company.

Pursuant to a Purchase Agreement dated April 11, 2007, Nestlé S.A., a Swiss transnational food and beverage company, agreed to purchase all the shares of stock of the Company from Novartis Finance. On August 31, 2007, Nestlé Insurance Holdings, Inc. acquired the shares of stock of the Company. The acquisition was approved by the Department on August 21, 2007.

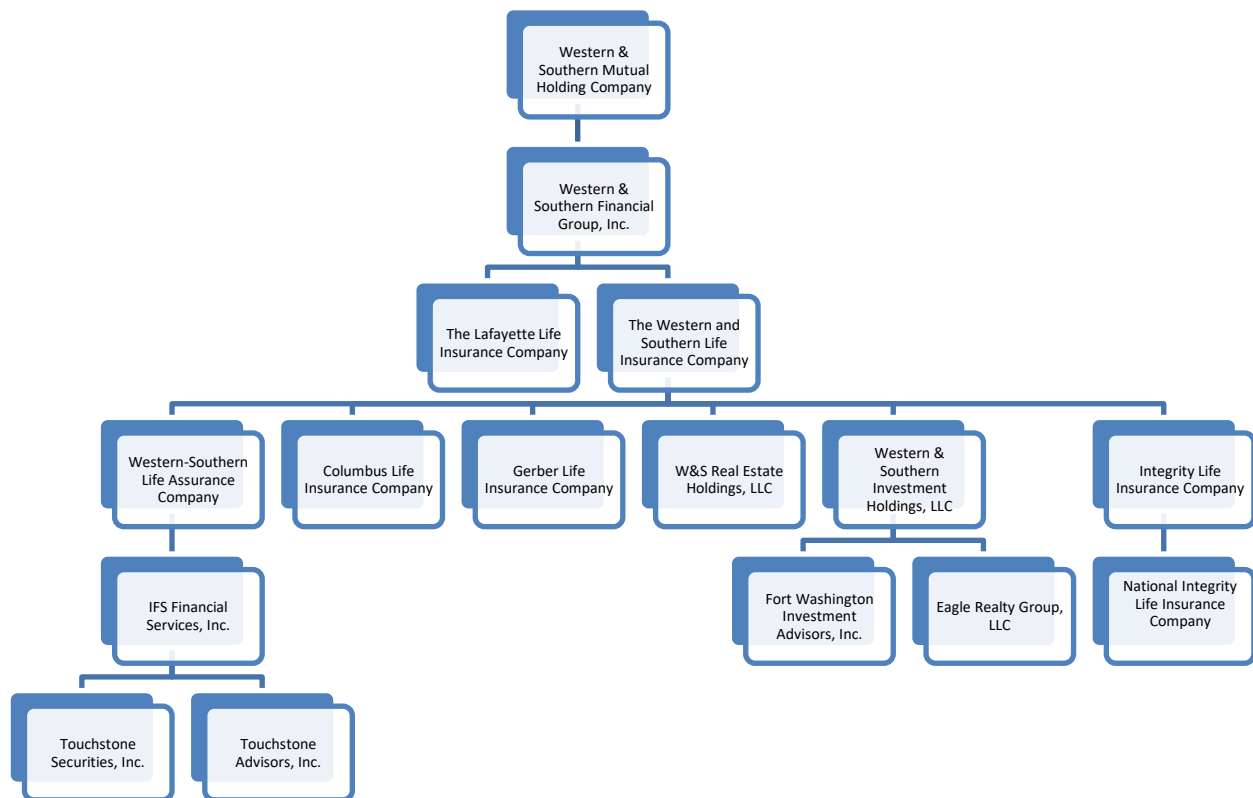
On December 31, 2018, The Western and Southern Life Insurance Company (“W&S”), an Ohio insurance company, acquired all of the issued and outstanding equity interests in the Company pursuant to a Stock Purchase Agreement dated September 17, 2018, from Nestlé Insurance Holdings, Inc., Nestlé S.A., and Nestlé Holdings, Inc., (collectively, “Nestlé”). The acquisition was approved by the Department on December 19, 2018.

B. Holding Company

The Company is a wholly owned subsidiary of W&S. W&S is in turn a wholly owned subsidiary of Western & Southern Financial Group (“WSFG”), an Ohio insurance holding company. The ultimate parent of the Company is Western & Southern Mutual Holding Company, an Ohio entity.

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 seven significant 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 As of Year of the Examination
Administrative Services Agreement File No. 56735 Amendment to Administrative Services Agreement File No. 36735A	12/31/2018	The Western and Southern Life Insurance Company	The Company	Administrative, technological, marketing, accounting, tax, auditing and other services, and office space for a call center in Cincinnati, Ohio.	2022 \$(24,615,926)
Investment Advisory and Management Agreement File No. 56736	12/31/2018	Fort Washington Investment Advisors	The Company	Investment advisory services	2022 \$(1,433,318)
Asset Management Agreement File No. 56737 Amendment to Asset Management Agreement File No. 56737A	12/31/2018	Eagle Realty Group, LLC	The Company	Certain real estate asset management (other than corporate-owned), mortgage loan and related services with respect to the Company's portfolio of real estate investments.	2022 \$(118,385)
Real Estate Asset Management and Related Services Agreement File No. 61692	12/30/2021	The Western and Southern Life Insurance Company	The Company	Physical facilities, including office space, and certain asset management and related services regarding corporate facilities	2022 \$0

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 As of Year of the Examination
Selling Agreement File No. 58024	07/15/2019	Gerber Life Agency, LLC (formerly known as Insurance Profillment Solution, LLC)	The Company	Solicit and sell certain life insurance policies, obtain completed applications for policies, and collect initial premium payment information	2022 \$(29,120)
Legal and Corporate Secretary Services Agreement File No. 61923	03/15/2022	The Company	National Integrity Life Insurance Company and Integrity Life Insurance Company	General legal services	2022 \$7,500
Marketing Services Agreement File No. 60067	09/28/2021	The Company	The Western and Southern Life Insurance Company and affiliates	Marketing services	2022 \$302,740

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

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 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2022, the board of directors consisted of nine members. Meetings of the board are held three times a year.

The nine 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>
John Barrett Cincinnati, Ohio	Chairman, President and Chief Executive Officer Western and Southern Financial Group	2019
George Bunn, Jr.* New York, New York	Owner George R. Bunn Jr., Attorney at Law	2019
Leslie Godridge* New York, New York	Retired, Vice Chair U.S. Bank	2021
Cameron MacRae, III* New York, New York	Retired Partner Duane Morris LLP	2019
Jill McGruder Cincinnati, Ohio	Chief Marketing Officer Western and Southern Financial Group	2019
Newton Merrill* Lyme, Connecticut	Retired, Former Senior Executive Vice President Bank of New York	2019
Jonathan Niemeyer Cincinnati, Ohio	Senior Vice President, Chief Administrative Officer and General Counsel Western and Southern Financial Group	2019
Keith M. O'Reilly Cheshire, Connecticut	President and Chief Executive Officer Gerber Life Insurance Company	2008
Donald Wuebbeling Cincinnati, Ohio	Secretary and Counsel Western and Southern Financial Group	2019

*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, 2022:

<u>Name</u>	<u>Title</u>
Keith M. O'Reilly	President and Chief Executive Officer
Eric Bulis	Senior Vice President, Operations and Chief Information Officer

<u>Name</u>	<u>Title</u>
Tom Conde	Senior Vice President, Group Benefits
Michelle Hoffman	Senior Vice President, Chief Financial Officer and Treasurer
Ayana Gordon*	Senior Vice President, General Counsel and Corporate Secretary
David Rosenbluth	Senior Vice President, Consumer Marketing and Enterprise Direct to Consumer
Warren Silberstein	Senior Vice President, Chief Actuary

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

Effective June 30, 2023, Tom Conde, Senior Vice President, Group Benefits resigned from the Company. Effective July 10, 2023, Jason Streety was elected as Vice President, Group Benefits of the Company.

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 all 50 states, the District of Columbia, and the territory of Puerto Rico. In 2022, 11.0% of life premiums and 5.5% of accident and health premiums 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 \$1,500,000 (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. As reported in Schedule E of the 2022 filed annual statement, an additional \$1,900,000 was being held by the states of Arkansas, Georgia, New Mexico, and North Carolina, and the territory of Puerto Rico.

B. Direct Operations

The Company principally writes individual life insurance and group accident and health products. It is a leader in the juvenile life insurance market, while also providing insurance products for all stages of life. Life insurance products consist of underwritten and guaranteed issue whole life and term life policies and compose approximately two-thirds of the Company's total premium revenue. The Company's group accident and health insurance is predominately issued to employer groups and is mainly composed of medical stop-loss coverage. Ancillary group accident products consist of accidental death and dismemberment ("AD&D"), student accident, vision and dental, whereas ancillary individual accident and health products consist of AD&D, Medicare supplement and hospital indemnity coverages.

The Company primarily markets its life insurance products directly to consumers through direct mail, the internet, cooperative advertising, marketing inserts, direct television broadcasting and customer messaging. Individual life insurance and Medicare supplement insurance (now in run-off) are also marketed through independent agents, whereas medical stop-loss insurance is distributed through Managing General Underwriters.

C. Reinsurance

As of December 31, 2022, the Company had reinsurance treaties in effect with approximately 60 companies, of which 16 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic basis. The Company reinsures approximately 43% of the risk for specific and aggregate stop-loss insurance on self-funded accident and health plans on a quota share basis.

The maximum retention limit for the individual and group business is \$50,000. The total face amount of life insurance ceded as of December 31, 2022, was \$7,013,191,000, which represents 10.98% of the total face amount of life insurance in force. Liabilities for reinsurance ceded to unauthorized companies, was \$58,283,221 of which \$55,249,443, was supported by letters of credit, trust agreements and funds withheld. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling \$97,676, was supported by a trust agreement.

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 EY was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st 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	\$4,718,485,298
Stocks:	
Preferred stocks	11,910,561
Common stocks	70,518,521
Mortgage loans on real estate:	
First liens	134,520,283
Cash, cash equivalents and short-term investments	26,277,692
Contract loans	226,054,125
Other invested assets	40,916,074
Receivable for securities	214,124
Investment income due and accrued	61,537,029
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	41,525,326
Deferred premiums, agents' balances and installments booked but deferred and not yet due	167,214,735
Reinsurance:	

Amounts recoverable from reinsurers	2,380,391
Other amounts receivable under reinsurance contracts	3,038,527
Net deferred tax asset	49,403,662
Guaranty funds receivable or on deposit	981,186
Health care and other amounts receivable	1,064,032
Group benefits account balance	43,452,044
Other receivables	<u>1,764,321</u>
Total admitted assets	<u>\$5,601,257,931</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$4,427,761,710
Aggregate reserve for accident and health contracts	2,220,257
Liability for deposit-type contracts	101,969,909
Contract claims:	
Life	48,162,723
Accident and health	171,237,578
Premiums and annuity considerations for life and accident and health contracts received in advance	13,132,411
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	15,685,116
Interest maintenance reserve	127,071,512
Commissions to agents due or accrued	7,456,636
General expenses due or accrued	17,399,517
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,981,096
Current federal and foreign income taxes	10,754,447
Amounts held for agents' account	9,201
Remittances and items not allocated	427,546
Miscellaneous liabilities:	
Asset valuation reserve	48,552,582
Reinsurance in unauthorized companies	3,033,778
Payable to parent, subsidiaries and affiliates	7,054,894
Payable for Securities	2,929,737
Interest on death claims pending	519,673
Due to group benefits accounts	5,502,714
Miscellaneous payables	<u>429,654</u>
 Total liabilities	 <u>\$5,018,678,691</u>
 Common capital stock	 \$ 148,500,000
Gross paid in and contributed surplus	224,321,134
Unassigned funds (surplus)	<u>209,758,106</u>
Surplus	\$ <u>434,079,240</u>
Total capital and surplus	\$ <u>582,579,240</u>
 Total liabilities, capital and surplus	 <u>\$5,601,257,931</u>

D. Condensed Summary of Operations

	<u>2022</u>
Premiums and considerations	\$ 882,775,554
Investment income	215,703,275
Commissions and reserve adjustments on reinsurance ceded	29,338,206
Miscellaneous income	<u>9,575,203</u>
 Total income	 <u>\$1,137,392,238</u>
 Benefit payments	 \$ 472,678,548
Increase in reserves	315,923,401
Commissions	111,542,057
General expenses and taxes	179,650,457
Increase in loading on deferred and uncollected premiums	(1,970,563)
Miscellaneous deductions	<u>6,696,092</u>
 Total deductions	 <u>\$1,084,519,992</u>
 Net gain (loss)	 \$ 52,872,246
Federal and foreign income taxes incurred	<u>10,324,536</u>
 Net gain (loss) from operations before net realized capital gains	 \$ 42,547,710
Net realized capital gains (losses)	<u>(3,378,996)</u>
 Net income	 <u>\$ 39,168,714</u>

E. Capital and Surplus Account

	<u>2022</u>
Capital and surplus, December 31, prior year	\$ <u>540,052,453</u>
Net income	\$ 39,168,714
Change in net unrealized capital gains (losses)	(11,290,851)
Change in net unrealized foreign exchange capital gain (loss)	108,803
Change in net deferred income tax	3,992,224
Change in non-admitted assets and related items	3,116,086
Change in liability for reinsurance in unauthorized companies	168,448
Change in asset valuation reserve	<u>7,263,363</u>
Net change in capital and surplus for the year	\$ <u>42,526,787</u>
Capital and surplus, December 31, current year	\$ <u>582,579,240</u>

5. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the comment and violations contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>On December 31, 2018, The Western and Southern Life Insurance Company acquired all the issued and outstanding equity interests in the Company pursuant to a Stock Purchase Agreement dated September 17, 2018, from Nestlé Insurance Holdings, Inc., Nestlé S.A., and Nestlé Holdings, Inc.</p> <p>No corrective action is deemed necessary as this is a comment regarding the acquisition of the Company by The Western and Southern Life Insurance Company.</p>
B	<p>The Company violated Section 1308(g) of the New York Insurance Law by failing to obtain the superintendent's approval prior to entering into a reinsurance agreement with Canadian Premier Life Insurance Company.</p> <p>The Company did not enter into any new reinsurance agreements subject to the requirements of Section 1308(g) of the New York Insurance Law during the examination period.</p>
C	<p>The Company violated Section 4228(h) of the New York Insurance Law by failing to sign the actuarial demonstrations of self-support for three policy forms. A similar violation is contained in the prior report.</p> <p>The Company has not filed any new products with the Department since May 16, 2023, the month in which the prior report on financial condition examination of the Company was filed with the Department.</p>

Respectfully submitted,

/s/

Pablo Ramos
Associate Insurance Examiner

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

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

/s/

Pablo Ramos

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32555

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:

PABLO RAMOS

as a proper person to examine the affairs of the

GERBER 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 July, 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Mark McLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

