FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

HUDSON LIFE AND ANNUITY COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **RALPH ROMANO, CFE**

DATE OF REPORT: **MAY 23, 2025**

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	6
	C. Organizational chart	7
	D. Service agreements	8
	E. Management	9
4.	Territory and plan of operations	12
	A. Statutory and special deposits	13
	B. Direct operations	13
	C. Reinsurance	13
5.	Financial statements	14
	A. Independent accountants	14
	B. Net admitted assets	14
	C. Liabilities, capital and surplus	15
	D. Condensed summary of operations	16
	E. Capital and surplus account	17
6.	Prior report summary and conclusions	18
7.	Summary and conclusions	19

June 4, 2025

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. 32730, dated October 30, 2024, and annexed hereto, an examination has been made into the condition and affairs of Hudson Life and Annuity Company, hereinafter referred to as "the Company." The Company's home office is located at 40 Tenth Ave, 6th Floor, New York, NY 10014. The Company's administrative office is located at 200 Capital Avenue, Frankfort, Kentucky 40601.

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 violation and comment contained in this report are summarized below.

- On December 31, 2021, all the issued and outstanding stock of the Company was purchased by Aquarian Hudson Holdings LLC. (See item 3A of this report.)
- The Company violated Section 1202(b)(2) of the New York Insurance Law, when it failed to establish during the examination period, an independent committee of directors with the requisite authority to ensure compliance with Section 1202(b)(2) of the New York Insurance Law. (See item 3E 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's") *Financial Condition Examiners Handbook, 2024 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2019, through December 31, 2023. 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, 2023, 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 Department in accordance with the NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. No other states participated in the examination.

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 2021, by the accounting firm of KPMG, LLP ("KPMG"), and for the years 2022 and 2023, by the accounting firm of Deloitte & Touche, LLP ("D&T"). The Company received an unqualified opinion for each year of the examination period. Certain audit workpapers of the accounting firm D&T were reviewed and relied upon in conjunction with this examination. Investors Heritage Life Insurance Company, an affiliate of 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"). Through an affiliate agreement, the Company is included in the MAR testing. Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations contained in the prior report on examination. The prior report also contained one comment, which did not require any corrective action to be taken by the Company. The results of the examiner's review are contained in item 6 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.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on September 2, 1971, under the name of American Republic Life Insurance Company of New York and was licensed and commenced business on November 30, 1971. Initial resources of $3,000,000, consisting of common capital stock of $1,000,000 and paid-in and contributed surplus of $2,000,000, were provided through the sale of 10,000 shares of common stock (with a par value of $100 each) for $300 per share.

On November 9, 1981, Penn Mutual Life Insurance Company of Philadelphia acquired the Company. On November 18, 1986, Western National Life Holding Company Inc. ("Western National"), whose ultimate parent was Beneficial Corporation ("Beneficial"), acquired the Company. On December 11, 1986, the Company changed its name to American Western National Life Insurance Company.

On March 19, 1990, Western National was dissolved and the ownership of the Company was transferred to The Central National Life Insurance Company of Omaha. On January 6, 1992, the Company's name was changed to First Central National Life Insurance Company of New York.

On June 30, 1998, Household International, Inc. ("HI") acquired Beneficial. In December 1999, HI sold The Central National Life Insurance Company of Omaha and transferred the ownership of the Company to Household Life Insurance Company ("HLIC"), a life insurance subsidiary of HI domiciled in Michigan.

On March 28, 2003, HI was acquired by HSBC Holdings, plc ("HSBC"). HSBC became the ultimate parent of the Company. On December 15, 2005, HI merged with Household Finance Corporation ("HFC") and its name was changed to HSBC Finance Corporation ("HSBC Finance").

On December 7, 2012, the Department's approval was given to the Company to declare and pay an extraordinary dividend up to $12.0 million to its parent companies. The purpose of the dividend was to distribute excess capital to the Company's upstream parent companies. On February 15, 2013, the Company paid a dividend of $9.0 million to HLIC.

On March 31, 2013, Pavonia Holdings (US), Inc. ("Pavonia Holdings") acquired all shares of Pavonia Life Insurance Company of Delaware ("PLIC DE"), previously known as Household

Life Insurance Company of Delaware ("Household DE"), a subsidiary of HSBC. Household DE owned all the shares of stock of HLIC, which in turn owned all the shares of stock of the Company.

Pavonia Holdings and its subsidiaries were acquired by Enstar Group Limited ("Enstar") on April 1, 2013.

In September 2013, HLIC changed its name to Pavonia Life Insurance Company of Michigan ("PLIC MI").

In December 2013, the Company changed its name from First Central National Life Insurance Company of New York to Pavonia Life Insurance Company of New York.

On December 29, 2017, PLIC MI sold all the issued and outstanding stock of the Company to Laguna Life Holdings, SARL, a company owned by Enstar. Simultaneously, Enstar sold Pavonia Holdings to GBIG Holdings, Inc., a third party.

On March 29, 2019, Laguna Life Holdings, SARL sold all the issued and outstanding stock of the Company to Kenmare Holdings, Ltd, a company owned by Enstar.

On December 31, 2021, Enstar sold all the issued and outstanding stock of the Company to Aquarian Hudson Holdings LLC ("Aquarian Hudson Holdings"). The transaction was subject to customary closing conditions, including regulatory approval by the Department.

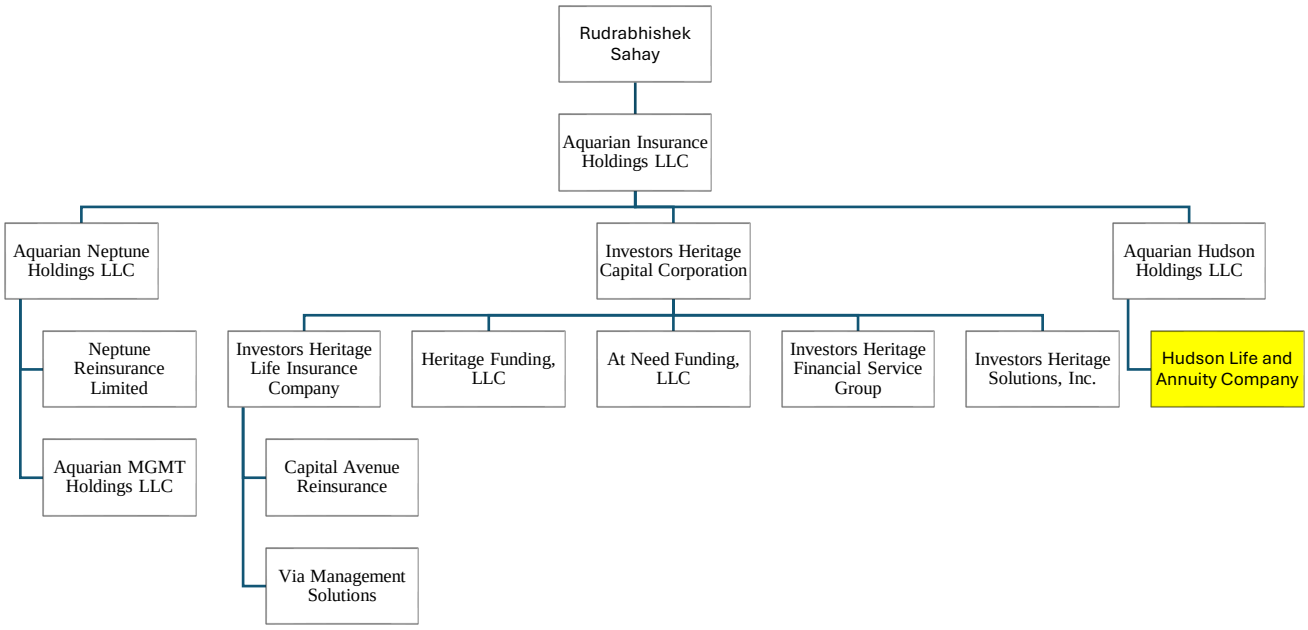
On August 23, 2022, the Company received regulatory approval to change its legal entity name from Pavonia Life Insurance Company of New York to Hudson Life and Annuity Company.

B. Holding Company

The Company is a wholly owned subsidiary of Aquarian Hudson Holdings. As of December 31, 2023, Aquarian Hudson Holdings, Investors Heritage Capital Corporation and Aquarian Neptune Holdings are part of an insurance holding system under Aquarian Insurance Holdings, LLC, organized in Delaware. The ultimate controlling person of the Company is Rudrabhishek Sahay.

C. Organizational Chart

An organizational chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2023, follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider of Service	Recipient of Service	Specific Services Covered	Expense* For Each of Year of the Examination
Transition of Services Agreement[(a)] File No. 46686	01/01/2018	Aspida (formerly Global Bankers Insurance Group)	The Company	Provide, or arrange for the provision of all services necessary or appropriate in connection with the management and operation of the Company and the insurance business including legal, data processing, treasury, corporate secretarial, premium collection and refunds, claims, investment management, record keeping and reporting and other services.	2019 $(550,067) 2020 $(614,783) 2021 $(608,938)
Services Agreement File No. 61614	01/01/2022	Investors Heritage Life Insurance Company	The Company	Services in connection with the management and operations of the Company including data processing, finance premium collection, claims, and record-keeping and reporting	2022 $(638,741) 2023 $(614,278)
Investment Management Agreement File No. 61430	12/31/2021	Aquarian Holdings Investment Management LLC	The Company	Supervision and direction of the Company's investments	2022 $(75,000) 2023 $(75,000)

Type of Agreement and Department File Number	Effective Date	Provider of Service	Recipient of Service	Specific Services Covered	Expense* For Each of Year of the Examination
Services Agreement[(b)] File No. 61432	12/31/2021	Aquarian Insurance Services LLC	The Company	Insurance consulting services, including management and operational consulting services; conducting market research and analysis and preparing reports for the Company with respect to the development of new product lines; designing, developing and managing the launch of new product lines as may be requested by the Company; and supervising and monitoring existing product lines based on such risk management and operational parameters specified by the Company.	2022 $0 2023 $0

* Amount of (Expense) Incurred by the Company

(a) The Aspida agreement was between the prior owner, Enstar, and the Company and was terminated in conjunction with the sale of the Company to Aquarian Hudson Holdings on December 31, 2021.

(b) No expenses were incurred during 2022 and 2023 as this agreement provides services for product development and the Company is currently not offering new products.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 20 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, 2023, 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, 2023, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John Frye Kansas	President Hudson Life and Annuity Company President Investors Heritage Life Insurance Company	2023
Benjamin Goodman New York	Secretary Hudson Life and Annuity Company	2022
Stacy Grossman* New York	Attorney Law Offices of Stacy J. Grossman PLCC	2022
Jason Murgio* Connecticut	Owner Specialty Game Underwriters, LLC	2022
Jagannath Pisharath New Jersey	Partner Aquarian Holdings, LLC	2022
Paul Procops* New York	Vice President Mergers & Acquisition Services, Inc.	2022
Rudrabhishek Sahay New York	Managing Director Aquarian Holdings, LLC	2022

*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, 2023:

Name	Title
John Frye	President
Larry Johnson	Treasurer
Benjamin Goodman*	Secretary

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

Section 1202(b)(2) of the New York Insurance Law states, in part:

> "The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for . . . nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed by such committee or committees to be principal officers of the company, and recommending to the board of directors the selection and compensation of such principal officers . . . "

The Company established an independent, Audit, Nominating and Evaluation committee; however, the Company did not provide evidence that the independent committee existed during the period under examination as required under Section 1202(b)(2) of the New York Insurance Law.

The Company violated Section 1202(b)(2) of the New York Insurance Law, when it failed to establish during the examination period, an independent committee of directors with the requisite authority to ensure compliance with Section 1202(b)(2) of the New York Insurance Law. The Company is directed to come into compliance with Section 1202(b)(2) of the New York Insurance Law.

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 two states, namely Delaware and New York. In 2023, 87.7% of life premiums, 100% of accident and health premiums, and 59.5% of deposit type funds were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received by state, and by major lines of business for the year 2023:

Life Insurance Premiums

New York	87.7%
Florida	3.1
New Jersey	2.1
North Carolina	1.0
Pennsylvania	0.9
Subtotal	94.8%
All others	5.2
Total	100.0%

Accident and Health Insurance Premiums

New York	100.0%
Subtotal	100.0%
All others	0.0
Total	100.0%

Deposit Type Funds

New York	59.5%
Florida	8.8
Maryland	7.1
New Jersey	5.7
Pennsylvania	5.4
Subtotal	86.5%
All others	13.5
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2023, the Company had a $250,000 (par value) of United States Treasury Note 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 has been in run-off since 2012.

C. Reinsurance

As of December 31, 2023, the Company had reinsurance treaties in effect with two companies, of which one was authorized or accredited. The Company's life business is reinsured on a coinsurance basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for simplified issue term life products is $375,000. The total face amount of life insurance ceded as of December 31, 2023, was $46,582,210 which represents 10% of the total face amount of life insurance in force.

The Company also has a 100% coinsurance agreement for certain ordinary life policies with an unauthorized non-affiliate. Reserve credit taken for reinsurance ceded totaled $251,291. The Company has no reinsurance contracts that require the Company to provide a letter of credit and no assets are held in trust for the benefit of a reinsurance partner.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2023, as contained in the Company's 2023 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, 2023, filed annual statement.

A. Independent Accountants

The firms of KPMG and Deloitte & Touche ("CPAs") were 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.

The CPAs 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	$22,845,391
Cash, cash equivalents and short-term investments	1,844,751
Contract loans	13,228
Receivable for securities	3,543
Investment income due and accrued	203,917
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	3,559
Deferred premiums, agents' balances and installments booked but deferred and not yet due	818,903
Reinsurance:	
Amounts recoverable from reinsurers	15,002
Current federal and foreign income tax recoverable and interest thereon	58,403
Premium remittances in transit	4,509
Total admitted assets	$25,811,206

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$15,819,507
Contract claims:	
Life	266,315
Accident and health	103,655
Premiums and annuity considerations for life and accident and health contracts received in advance	126
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	8,700
Interest maintenance reserve	321,214
General expenses due or accrued	334,407
Remittances and items not allocated	271
Miscellaneous liabilities:	
Asset valuation reserve	170,700
Reinsurance in unauthorized companies	254,914
Payable to parent, subsidiaries and affiliates	70,250
Uncashed checks pending escheatment	24,871
Total liabilities	$17,374,931
Common capital stock	$ 1,000,000
Gross paid in and contributed surplus	9,200,000
Unassigned funds (surplus)	(1,763,725)
Surplus	$ 7,436,275
Total capital and surplus	$ 8,436,275
Total liabilities, capital and surplus	$25,811,206

D. Condensed Summary of Operations

	2019	2020	2021	2022	2023
Premiums and considerations	$2,988,924	$ 2,550,673	$2,308,424	$2,088,065	$1,994,459
Investment income	896,551	907,020	796,098	704,776	854,973
Commissions and reserve adjustments on reinsurance ceded	81,106	88,813	72,613	70,630	72,494
Miscellaneous income	89	30	7	113	389
Total income	$3,966,670	$ 3,546,536	$3,177,142	$2,863,584	$2,922,315
Benefit payments	$2,047,771	$ 4,978,492	$2,556,259	$1,311,434	$2,702,465
Increase in reserves	211,684	(478,509)	(602,961)	(874,101)	(1,084,811)
General expenses and taxes	1,128,219	1,220,102	1,464,326	1,336,481	985,607
Increase in loading on deferred and uncollected premiums	275,068	(80,199)	(25,170)	(57,923)	12,632
Total deductions	$3,662,742	$ 5,639,886	$3,392,454	$1,715,891	$2,615,893
Net gain (loss)	$ 303,928	$(2,093,350)	$ (215,312)	$1,147,693	$ 306,422
Federal and foreign income taxes incurred	(71,992)	0	0	116,154	5,443
Net gain (loss) from operations before net realized capital gains	$ 375,920	$(2,093,350)	$ (215,312)	$1,031,539	$ 300,979
Net realized capital gains (losses)	0	0	12,800	(1,409)	0
Net income	$ 375,921	$(2,093,351)	$ (202,514)	$1,030,130	$ 300,979

E. Capital and Surplus Account

	2019	2020	2021	2022	2023
Capital and surplus, December 31, prior year	$9,371,134	$ 9,475,932	$7,324,134	$7,135,458	$8,145,082
Net income	$ 375,921	$(2,093,351)	$ (202,514)	$1,030,130	$ 300,979
Change in net deferred income tax	(143,810)	(1,257,160)	0	0	0
Change in non-admitted assets and related items	(119,311)	1,191,129	17,745	(2,399)	(3,260)
Change in liability for reinsurance in unauthorized companies	15,538	28,173	11,103	4,380	18,233
Change in asset valuation reserve	(23,540)	(20,589)	(15,010)	(22,489)	(24,759)
Net change in capital and surplus for the year	$ 104,799	$(2,151,798)	$ (188,676)	$1,009,622	$ 291,192
Capital and surplus, December 31, current year	$9,475,932	$ 7,324,134	$7,135,458	$8,145,082	$8,436,275

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office. On July 22, 2022, the Department issued Insurance Circular Letter No. 9 (2022) which permits insurers licensed in New York to store its books and records electronically on information systems in the cloud, on an internal server hosted by the insurer or one of its affiliates, or externally with a third-party service provider if they are easily accessible from the insurer's New York State principal office and the insurer meets certain other requirements. The examiner's review of the Company's books and records revealed that the Company maintained its books and records electronically and were easily accessible from the Company's New York principal office, as prescribed in the circular letter.
B	The Company violated Section 243.2(b)(8) of 11 NYCRR 243 (Insurance Regulation No. 152) by failing to maintain a signed copy of the 2017 Shareholder meeting minutes and a copy of the 2018 Shareholder meeting minutes. The examiner's review of the Company's books and records revealed that the Company maintained copies of its board and committee minutes electronically.
C	The Company violated Section 1202(b)(1)(a) of the New York Insurance Law and Section 5.4 of its by-laws by failing to have at least one-third of the members of the Investment Committee be persons who are not officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company. The examiner's review of the Company's minutes of meetings revealed that the Company's Investment Committee consists of three independent members who are not officers or employees of the Company or any entity controlling, controlled by, or under common control with the Company.

7. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1202(b)(2) of the New York Insurance Law, when it failed to establish during the examination period, an independent committee of directors with the requisite authority to ensure compliance with Section 1202(b)(2) of the New York Insurance Law.	11

Respectfully submitted,

Ralph Romano, CFE
Examiner-in-Charge

STATE OF FLORIDA)
) SS:
COUNTY OF PINELLAS)

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

Ralph Romano, CFE

Subscribed and sworn to before me
this 23rd day of May 2025

Notary

CHRISTINE TRIGONOPLOS
Notary Public - State of Florida
Commission # HH 204384
My Comm. Expires Dec 5, 2025
Bonded through National Notary Assn.

Respectfully submitted,

/s/
Flora Egbuchulam
Associate Insurance Examiner

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

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

/s/
Flora Egbuchulam

Subscribed and sworn to before me

this_____ day of _____

APPOINTMENT NO. 32730

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:*

RALPH ROMANO
(INS REGULATORY INSURANCE SERVICES, INC.)

as a proper person to examine the affairs of the

HUDSON LIFE AND ANNUITY 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 30th day of October, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU