

REPORT OF EXAMINATION
OF
COMPANION LIFE INSURANCE COMPANY OF CALIFORNIA
AS OF
DECEMBER 31, 2021

Insurance Commissioner

A handwritten signature in blue ink, appearing to read "Debra", is positioned to the right of the text "Insurance Commissioner".

Filed on November 14, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION	1
COMPANY HISTORY:	2
Capitalization	3
MANAGEMENT AND CONTROL:.....	3
Management Agreements.....	5
Nonaffiliated Agreements.....	9
TERRITORY AND PLAN OF OPERATION.....	10
REINSURANCE:	11
Assumed.....	11
Ceded	11
ACCOUNTS AND RECORDS.....	15
FINANCIAL STATEMENTS:	16
Statement of Financial Condition as of December 31, 2021	17
Summary of Operations and Capital and Surplus for the Year Ended December 31, 2021	18
Reconciliation of Capital and Surplus from December 31, 2016 through December 31, 2021	19
COMMENTS ON FINANCIAL STATEMENT ITEMS:.....	20
Aggregate Reserves for Life Contracts, and Contract Claims for Life and A&H Contracts	20
SUMMARY OF COMMENTS AND RECOMMENDATIONS:	20
Current Report of Examination	20
Previous Report of Examination	20
ACKNOWLEDGMENT	21

Los Angeles, California
September 13, 2022

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

COMPANION LIFE INSURANCE COMPANY OF CALIFORNIA

(hereinafter also referred to as the Company). The Company's main administrative office is located at 1301 Gervais Street, Suite 900, Columbia, South Carolina 29201. The Company's statutory home office is located at 731 Sansome Street, San Francisco, California 94111.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2016. This examination covered the period from January 1, 2017 through December 31, 2021.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting

Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination whereby South Carolina was the lead state with participation from California and New York. The examination was conducted concurrently with other insurance entities in the group, including Blue Cross and Blue Shield of South Carolina, Companion Life Insurance Company, BlueChoice HealthPlan of South Carolina, Inc., InStil Health Insurance Company, and Niagara Life and Health Insurance Company.

COMPANY HISTORY

The Company (formerly known as The Doctors Life Insurance Company) was incorporated in California on January 4, 1980, under the laws of the state of California and commenced business on January 7, 1980. Prior to 2016, the Company was wholly-owned by The Doctors Company, an Interinsurance Exchange. Effective January 1, 2016, the Company was acquired by Companion Life Insurance Company (CLIC), a South Carolina domiciled insurer, and subsequently changed its name to Companion Life Insurance Company of California.

The Company is a wholly-owned subsidiary of CLIC. CLIC is a wholly-owned subsidiary of Blue Cross and Blue Shield of South Carolina.

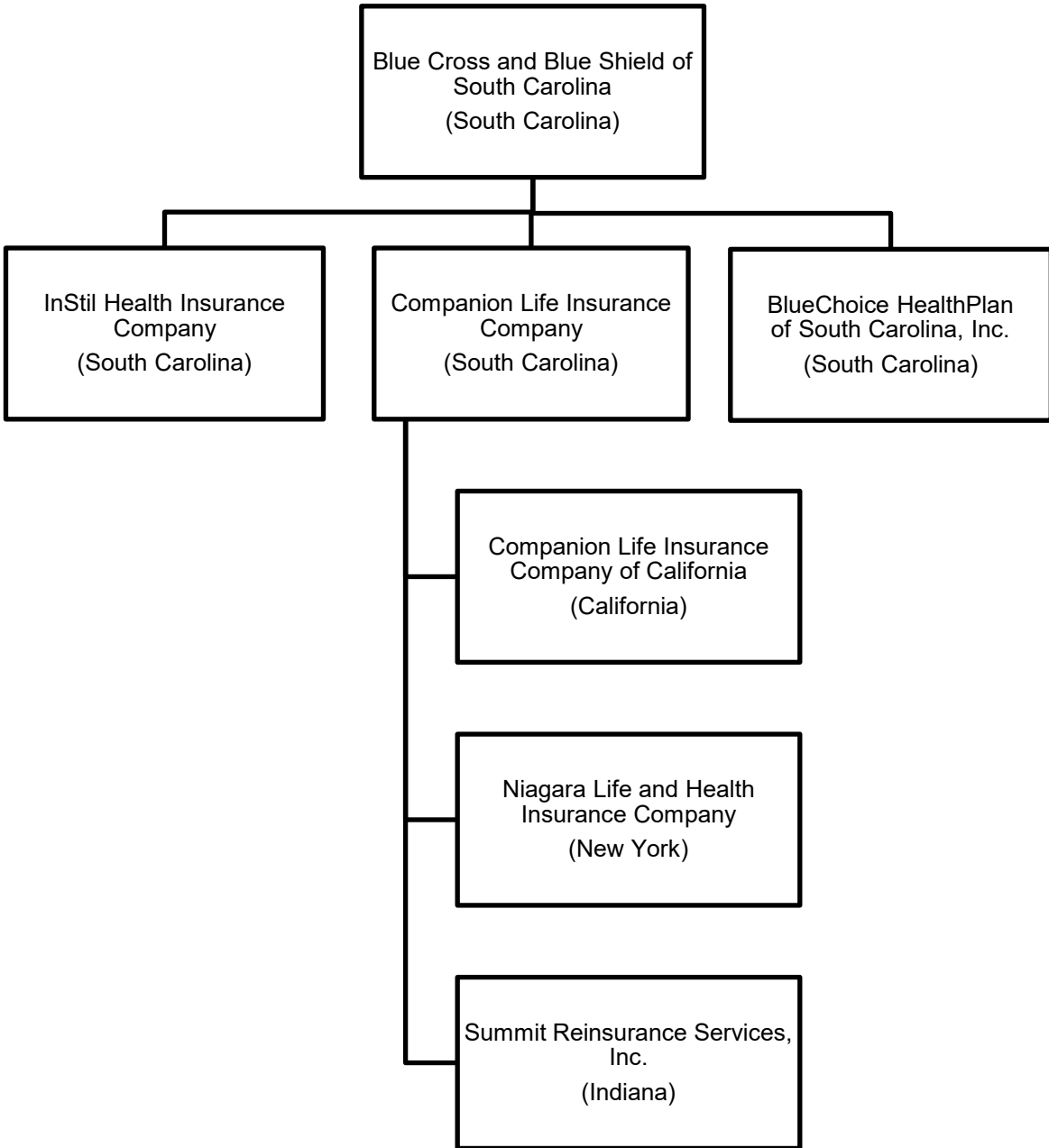
Capitalization

The Company is authorized to issue 130,000 shares of common stock with a par value of \$50 per share. As of December 31, 2021, there were 52,000 shares issued and outstanding.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which the ultimate controlling entity is Blue Cross and Blue Shield of South Carolina.

Following is an abridged organizational chart depicts the Company's relationship within the holding company system as of December 31, 2021. All ownership is 100%.



The five members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2021:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Duncan Scott McIntosch Columbia, South Carolina	Senior Vice President and General Counsel Blue Cross and Blue Shield of South Carolina
Michael John Mizeur Columbia, South Carolina	President and Chief Operating Officer Blue Cross and Blue Shield of South Carolina
Diane Silvers Columbia, South Carolina	Vice President and Chief Financial Officer Companion Life Insurance Company
John Hearing Wilbur Columbia, South Carolina	Chairman of the Board and President Companion Life Insurance Company
Rickey Carl Williams Columbia, South Carolina	Chief Actuary and Vice President Companion Life Insurance Company

Principal Officers

<u>Name</u>	<u>Title</u>
John Hearing Wilbur	President
Jon Christopher Anderson	Vice President
Diane Silvers	Vice President, Treasurer, and Secretary
Rickey Carl Williams	Actuary and Assistant Secretary

Management Agreements

Income Tax Allocation Agreement: Effective January 1, 2002, an Income Tax Allocation Agreement (Agreement) was executed among Blue Cross and Blue Shield of South Carolina (BCBSSC), the ultimate parent, and each of its subsidiaries. This Agreement was revised and restated on January 1, 2006 to provide that any new members of the

affiliated group were automatically subject to this Agreement without amendment. Under the terms of the Agreement, a consolidated federal income tax return shall be filed by BCBSSC for each taxable year. The consolidated tax liability is allocated among the members of the affiliated group in the ratio that the member's separate return tax liability bears to the sum of the separate return liabilities of all members. The Company filed a separate federal tax return for the year of 2016 through 2020. Effective January 1, 2021, the Company became part of the Agreement and filed a consolidated federal income tax return. The amount incurred by the Company was \$125,398 for the year of 2021. It is recommended that the Company file the Agreement with the California Department of Insurance (CDI) pursuant to CIC Section 1215.5(b)(4). The Agreement was filed on September 19, 2022 and is awaiting approval from the CDI.

Administrative Services Agreement: Effective January 1, 2016, an Administrative Services Agreement (Agreement) was executed between the Company and BCBSSC. Under the terms of the Agreement, BCBSSC agrees to provide administrative, compliance, and accounting services, and the Company reimburses BCBSSC for the actual cost of these services. This Agreement was approved by the CDI on April 20, 2016. During the examination period, the cost of services and reimbursement paid are in the amounts of \$18,752, \$148,599, \$256,418, \$409,666, and \$586,565 for the years of 2017, 2018, 2019, 2020, and 2021, respectively.

Administrative Services Agreement: Effective January 1, 2016, an Administrative Services Agreement (Agreement) was executed between the Company and Companion Life Insurance Company (CLIC). Under the terms of the Agreement, CLIC agrees to provide administrative, compliance, and accounting services, and the Company reimburses CLIC for the actual cost of these services. This Agreement was approved by the CDI on April 20, 2016. During the examination period, the cost of services and reimbursement paid are in the amount of \$40,861, \$33,162, \$64,281, \$35,647, and \$61,758 for the years of 2017, 2018, 2019, 2020, 2021, respectively.

Administrative Services Agreement: Effective November 1, 2016, an Administrative Services Agreement (Agreement) was executed between the Company and its affiliate,

Intermediary Insurance Services, Inc. (IIS). Under the terms of the Agreement, IIS will furnish to the Company general administrative services, such as telephone and data lines for electronic access, mail services, in-state training and compliance services applicable to the state and federal laws. The Company will reimburse IIS for actual cost of services provided. The Agreement was approved by the CDI on October 6, 2016. On August 1, 2020, IIS became a division of CLIC and the agreement was terminated. During the examination period, the cost of services and reimbursement paid were in the amounts of \$10,307, \$10,616, \$11,012, and \$7,538 for the years of 2017, 2018, 2019, and 2020, respectively.

Administrative Services Agreement: Effective January 1, 2021, an Administrative Services Agreement (Agreement) was executed between the Company and Companion Life of Insurance Company (CLIC). Under the terms of the Agreement, the Company agrees to provide general administrative services to CLIC. This Agreement was approved by the CDI on December 24, 2020. As compensation for the services, CLIC will reimburse the Company monthly for the actual costs, both direct and indirect. In 2021, \$420,174 was paid to the Company.

General Manager's Agreement: Effective March 1, 2017, a General Manager's Agreement (Agreement) was executed between the Company and IIS. Under the terms of the Agreement, IIS underwrites and manages the stop-loss policies for the Company. As compensation for the services, the Company pays IIS up to 10.5% of original gross premium (OGP) for manager's fees, up to an average of 12% of OGP for producer commissions. The Company receives an issuing fee of 4.5% of OGP. This Agreement was approved by the CDI on February 24, 2017. The agreement was terminated on August 1, 2020 when IIS became a division of CLIC. During the exam period, the Company paid IIS commission fees of \$335,738, \$1,593,882, \$1,706,370, \$1,760,219, and \$1,811,745 for the years of 2017, 2018, 2019, 2020, and 2021, respectively. The Company received issuing fees of \$106,051, \$505,119, \$394,546, \$383,413, and \$407,529 for the years of 2017, 2018, 2019, 2020, and 2021, respectively.

General Manager's Agreement: Effective July 1, 2017, a General Manager's Agreement (Agreement) was executed between the Company and its affiliate, Montgomery Management Corporation (MMC). Under the terms of the Agreement, MMC underwrites and manages the stop-loss policies for the Company. As compensation for the services, the Company pays MMC up to 11% of OGP for manager's fees and up to an average of 10% of OGP for producer commissions. The Company receives an issuing fee of 4% of OGP. This agreement was approved by the CDI on June 8, 2017. On August 1, 2020, MMC became a division of CLIC and the agreement was terminated. During the exam period, the Company paid MMC commission fees of \$23,473, \$147,062, and \$59,158 for the years of 2018, 2019, and 2020, respectively. The Company received issuing fees of \$4,190, \$23,941, and \$10,221 for the years of 2018, 2019, and 2020, respectively.

General Manager's Agreement: Effective July 1, 2017, a General Manager's Agreement (Agreement) was executed between the Company and its affiliate, Summit Reinsurance Services, Inc. (Summit). Under the terms of the Agreement, Summit underwrites and manages the stop-loss policies for the Company. As compensation for the services, the Company pays Summit between 6% to 11% of OGP for manager's fees and between 5% to 15% of OGP for producer commissions. The Company receives an issuing fee of 4% to 5% of OGP. This agreement was approved by the CDI on June 29, 2017. During the exam period, the Company paid Summit the commission fees of \$197,514, \$252,074, \$288,956, and \$359,972 for the years of 2018, 2019, 2020, and 2021, respectively. The Company received issuing fees in the amount of \$131,443, \$155,035, \$160,991, and \$211,735 for the years of 2018, 2019, 2020, and 2021, respectively.

General Manager's Agreement: Effective February 1, 2018, a General Manager's Agreement (Agreement) was executed between the Company and its affiliate, Spectrum Underwriting Managers, Inc. (Spectrum). Under the terms of the Agreement, Spectrum will provide services to the Company including claims payment, underwriting, issuance of policies, cancellation of policies, collection and handling of premiums, and advertising, in relation to stop-loss product. Spectrum shall collect all insurance premium. The Company agrees to pay to Spectrum fees from the sale of policies. CDI gave a non-disapproval of this Agreement on February 28, 2018. On August 31, 2020, Spectrum became a division

of CLIC and the agreement was terminated. During the exam period, the Company paid Spectrum the commission fees of \$163,508 and \$294,498 for the years of 2020 and 2021, respectively. The Company received issuing fees in the amount of \$43,110 and \$66,411 for the years of 2020, and 2021, respectively.

General Manager's Agreement: Effective January 1, 2019, a General Manager's Agreement (Agreement) was executed between the Company and its affiliate, International Specialty Underwriters, Inc. (ISU). Under the terms of this Agreement, ISU shall have authority to issue proposals and rate quotations of employer stop loss in California on behalf of the Company. ISU is also authorized to adjust and settle claims arising out of policies issued under this Agreement in the amount of \$250,000 or less per person per year. The Company shall pay to ISU a manager fee up to 10.5% of net premium per policy and producer commissions up to 15% of net premium per policy. The Company receives an issuing fee of up to 5% of net premium per policy. This Agreement was approved by the CDI on December 20, 2018. On August 1, 2020, ISU became a division of CLIC and the agreement was terminated. During the exam period, the Company paid ISU commission fees of \$75,919, \$223,054, and \$247,403 for the years of 2019, 2020 and 2021, respectively. The Company received issuing fees in the amount of \$12,093, \$38,244 and \$42,654 for the years of 2019, 2020, and 2021, respectively.

Nonaffiliated Agreements

General Manager's Agreement: Effective June 1, 2017, a General Manger's Agreement (Agreement) and the first amendment was executed between the Company and Beacon Risk Strategies, LLC (Beacon). Under the terms of the Agreement, Beacon is authorized to adjust and settle claims in the amount of \$200,000 or less per person per year. Beacon is also authorized to underwrite and to issue proposals and rate quotations on behalf of the Company in accordance with the underwriting guidelines, as well as to handle all correspondence and general clerical and administrative function on behalf of the Company. The Company agrees to pay to Beacon on the earned premium in every twelve-month period commissions not to exceed 22.75% on average. This Agreement was amended on January 1, 2020 to add limited medical benefits as approved business

line. The Company paid Beacon commission fees of \$20,213, \$53,364, \$59,157, \$105,857, and \$61,933 for the years of 2017, 2018, 2019, 2020, and 2021, respectively.

General Manager’s Agreement: Effective January 1, 2017, a General Manger’s Agreement (Agreement) was executed between the Company and Express Scripts Administrators, LLC (Express Scripts). Under the terms of the Agreement, the Company appoints Express Scripts to market, solicit sales, and administer Medicare health and welfare policies and benefits to employer groups. Express Scripts shall collect the gross premium due at the current premium rates and receive a commission of 1% of gross premium. During the exam period, the Company paid Express Scripts the commission fees of \$32,125, \$36,060, \$35,788, \$28,744, and \$29,824 for years 2017, 2018, 2019, 2020, and 2021, respectively.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact life and annuity insurance business in seven states; Arizona, California, Hawaii, Montana, Nevada, Texas, and Wyoming, but writes only in California. Since 1985, the Company had not solicited new business or issued new policies and had been in run-off.

Effective January 1, 2016, Companion Life Insurance Company (CLIC) acquired the Company and in 2017, the Company began to issue employer stop-loss and group supplement policies, while continuing to service its existing in-forced life and annuity policies. The Company uses affiliated and nonaffiliated agencies to produce the majority of business for the Company. The top agencies are as follow:

Order	Top Agencies	Total Premiums Generated for the years 2017-2021
1	Intermediary Insurance Services, Inc. (affiliated)	\$46,085,382
2	Express Scripts Administrators, LLC (nonaffiliated)	\$16,254,175
3	Summit Reinsurance Services, Inc. (affiliated)	\$15,233,426
4	Beacon Risk Strategies, LLC (nonaffiliated)	\$ 4,567,283
5	Montgomery Management Corporation (affiliated)	\$ 1,922,918

REINSURANCE

Assumed

As part of the Companion Life of Insurance Company (CLIC) acquisition in 2016 of the Company, the Company assumed a small block of structured settlement agreements from The Doctors Company (Doctors), a former parent. Under the terms of the agreement, the Company will reimburse Doctors for amounts paid on the claims for as long as each structured settlement remains outstanding. The Company holds reserves in the amount of \$486,060 for this reinsurance as of December 31, 2021.

Ceded

The Company was protected by the following ceded reinsurance agreements as of December 31, 2021:

Line of Business Produced by Agency and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Supplemental Prescription Drug			
Aggregate Quota Share	Companion Life Insurance Company (Unauthorized)	0% of all claims	100% of all claims during a Policy period
Limited Medical Coverage			
<u>Managing General Underwriter Agreement</u>			
Key Benefit Administrators, Inc.	HealthPoint Life Insurance Company (Unauthorized)	10% of Net Loss each Covered Person per Policy period	90% of Net Loss each Covered Person per Policy period

Line of Business Produced by Agency and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Beacon Risk Strategies, LLC	IECD (SAC) Limited (Unauthorized) Limited Medical Quota Share	30% of Net Loss each Covered Person per Policy period	70% of Net Loss each Covered Person per Policy period
Medical Stop Loss			
Specific Medical Quota Share	United States Fire Insurance Company (30% Unauthorized) ELMC PIC, Ltd. (25% Unauthorized) Everest Reinsurance Company (6.75% Unauthorized) QBE Reinsurance Corporation (5.75% Authorized) Transatlantic Reinsurance Company (12.5% Authorized)	Layer 1: 20% quota share Layer 2: 0% quota share	Layer 1: 80% quota share based on the participation United States Fire Insurance Company ELMC PIC, Ltd. Everest Reinsurance Company QBE Reinsurance Corporation Transatlantic Reinsurance Company Layer 2: 100% quota share for United States Fire Insurance Company Unlimited excess of \$2 million per covered person per policy year
<u>Managing General Underwriter Agreement</u>			
Beacon Risk Strategies, LLC	Hospitality Healthcare Indemnity, Inc. (Unauthorized)	10% of Net Loss each Covered Person per Policy period	90% if Net Loss each Covered Person per Policy period up to 2.5 million
	RGA Reinsurance Company (Authorized)	\$1.25 million of all claims	Layer 1: \$750,000 in excess of \$1.25 million of all claims layers 2 - 5: refer to the schedule of coverage
	IECD (SAC) Limited (Unauthorized) self-funded medical specific and aggregate stop loss	10% of Net Loss each Covered Person per Policy period	90% of Net Loss each Covered Person per Policy period

Line of Business Produced by Agency and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Intermediary Insurance Services, Inc.	45% RGA Reinsurance Company (Authorized) 5% Axis Insurance Company (Authorized)	50% of net loss per covered person per policy year up to a maximum of \$1 million	50% of net loss per covered person per policy year not exceeding \$2 million
	90% RGA Reinsurance Company (Authorized) 10% Axis Insurance Company (Authorized)	0% net loss per covered person per policy year	100% of net loss per covered person per policy year in excess of the limit to Layer 1 (Excess of \$2 million)
International Specialty Underwriters, Inc.	45% RGA Reinsurance Company (Authorized) 5% Axis Insurance Company (Authorized)	50% of net loss per covered person per policy year up to a maximum of \$1 million	50% of net loss per covered person per policy year not exceeding \$2 million
	90% RGA Reinsurance Company (Authorized) 10% Axis Insurance Company (Authorized)	0% net loss per covered person per policy year	100% of net loss per covered person per policy year in excess of the limit to Layer 1 (Excess of \$2 million)
Montgomery Management Corporation	45% RGA Reinsurance Company (Authorized) 5% Axis Insurance Company (Authorized)	50% of net loss per covered person per policy year up to a maximum of \$1 million	50% of net loss per covered person per policy year not exceeding \$2 million
	90% RGA Reinsurance Company (Authorized) 10% Axis Insurance Company (Authorized)	0% net loss per covered person per policy year	100% of net loss per covered person per policy year in excess of the limit to Layer 1 (Excess of \$2 million)
Spectrum Underwriting Managers, Inc.	37.5% RGA Reinsurance Company (Authorized) 12.5% Axis Insurance Company (Authorized)	50% of net loss per covered person per policy year up to a maximum of \$1 million	50% of net loss per covered person per policy year not exceeding \$2 million
	90% RGA Reinsurance Company (Authorized) 10% Axis Insurance Company (Authorized)	0% net loss per covered person per policy year	100% of net loss per covered person per policy year in excess of the limit to Layer 1 (Excess of \$2 million)

Line of Business Produced by Agency and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Summit Reinsurance Services, Inc.	5% RGA Reinsurance Company (Authorized) 45% Axis Insurance Company (Authorized)	50% of net loss per covered person per policy year up to a maximum of \$1 million	50% of net loss per covered person per policy year not exceeding \$2 million
	90% RGA Reinsurance Company (Authorized) 10% Axis Insurance Company (Authorized)	0% net loss per covered person per policy year	100% of net loss per covered person per policy year in excess of the limit to Layer 1 (Excess of \$2 million)
Summit Reinsurance Services, Inc.	ARU SPC Ltd. (Unauthorized)	0% net loss per covered person per policy year	100% net loss per covered person per policy year
	Axis Insurance Company (Authorized)	0% net loss per covered person per policy year	100% of claims in excess of \$1.3 million per person per policy year
	Caring Communities Insurance Company (Unauthorized)	0% net loss per covered person per policy year	<u>Specific coverage:</u> 100% of the claims per person per year in excess of the self funded employer's Specific Self funded retention, subject to the greater of \$500,000 in excess of the employers self funded retention or \$100,000 plus the self funded retention. <u>Aggregate coverage:</u> 100% of claims per policy year in excess of the insured's Aggregate Self-funded Retention up to a maximum of \$1,000,000 per policy in excess of the attachment point.

ACCOUNTS AND RECORDS

Agency Information: A review was made of the Company's agency information. As a result of this review, it was noted that one of the trust accounts held in a fiduciary capacity, Caring Communities Shared Serives, LTD premium account, did not include the Company's name on the account. Pursuant to California Insurance Code (CIC) Sections 769.83 and 1734 premiums collected on behalf of the Company shall be maintained in a fiduciary account and the insurer shall have access to account. Starting August 1, 2022, the Company added its name in the premium account. And therefore, the issue was resolved and the Company is in compliance with the CIC Sections.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements should be considered an integral part of the financial statements. There were no examination adjustments made to surplus as a result of the examination.

Statement of Financial Condition as of December 31, 2021

Summary of Operations and Capital and Surplus
for the Year Ended December 31, 2021

Reconciliation of Capital and Surplus from December 31, 2016
through December 31, 2021

Statement of Financial Condition
as of December 31, 2021

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 17,547,740	\$	\$ 17,547,740	
Cash, cash equivalents, and short-term investments	10,117,976		10,117,976	
Investment income due and accrued	108,637		108,637	
Uncollected premiums and agents' balances in the course of collection	67,678	54,384	13,294	
Other amounts receivable under reinsurance contracts	667,836	28,912	638,924	
Current federal and foreign income tax recoverable and interest thereon	121,717		121,717	
Net deferred tax asset	491,500	342,219	149,281	
Aggregate write-ins for other than invested assets	<u>5,358,220</u>	<u> </u>	<u>5,358,220</u>	
Total assets	<u>\$ 34,481,304</u>	<u>\$ 425,515</u>	<u>\$ 34,055,789</u>	
 <u>Liabilities, Surplus and Other Funds</u>				<u>Notes</u>
Aggregate reserve for life contracts			\$ 6,844,570	(1)
Contract claims - Life			5,000	(1)
Contract claims – Accident and health			6,749,258	(1)
Interest maintenance reserve			792,006	
General expenses due or accrued			43,106	
Taxes, licenses and fees, excluding federal income taxes			581,719	
Asset valuation reserve			30,036	
Funds held under reinsurance treaties with unauthorized and certified			1,109,091	
Payable for parent, subsidiaries and affiliates			66,007	
Funds held under coinsurance			3,110,443	
Aggregate write-ins for liabilities			<u>1,394,746</u>	
Total liabilities			20,725,982	
Common capital stock		\$ 2,600,000		
Gross paid in and contributed surplus		8,980,907		
Unassigned funds (surplus)		<u>1,748,900</u>		
Capital and surplus			<u>13,329,807</u>	
Total liabilities, surplus, and other funds			<u>\$ 34,055,789</u>	

Summary of Operations and Capital and Surplus
for the Year Ended December 31, 2021

Summary of Operation

Underwriting Income

Premium and annuities considerations for life and accident and health contracts	\$	12,418,957
Amortization of Interest Maintenance Reserve		103,898
Commissions and expense allowances on reinsurance ceded		947,203
Charges and fees for deposit-type contracts		14,215
Aggregate write-ins for miscellaneous income		24
Deductions:		
Annuity benefits	\$	393,490
Disability benefits and benefits under accident and health contracts	9,508,848	
Surrender benefits and withdrawals for life contracts		7,901
Increase in aggregate reserves for life and accident and health contracts		231,573
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	2,407,236	
General insurance expenses and fraternal expenses		642,029
Insurance taxes, licenses and fees, excluding federal income taxes		308,999
Aggregate write-ins for deductions		<u>8,571</u>
Total underwriting deductions		<u>13,508,647</u>
Net underwriting gain (loss)		(24,350)

Investment Income

Net investment income earned	\$	450,237
Net investment gain		450,237
Net income before dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes		425,887
Net income after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes		425,887
Federal and foreign income taxes incurred		<u>125,589</u>
Net income		<u>\$ 300,298</u>

Capital and Surplus Account

Capital and surplus, December 31, 2020	\$	12,951,319
Net income	\$	300,298
Change in net deferred income tax		30,894
Change in nonadmitted assets		51,203
Change in liability for reinsurance in unauthorized and certified companies		5,937
Change in asset valuation reserve		<u>(9,844)</u>
Net change in surplus as regards policyholders for the year		<u>378,488</u>
Capital and surplus, December 31, 2021		<u>\$ 13,329,807</u>

Reconciliation of Capital and Surplus
from December 31, 2016 through December 31, 2021

Capital and surplus, December 31, 2016			\$ 11,138,777
	Gain in Surplus	Loss in Surplus	
Net income	\$ 2,701,034	\$	
Change in net deferred income tax		76,302	
Change in nonadmitted assets		3,970	
Change in liability for reinsurance in unauthorized and certified companies	3,535		
Change in asset valuation reserve		19,705	
Change in reserve on account of change in valuation basis		<u>413,562</u>	
Total gains and losses	<u>\$ 2,704,569</u>	<u>\$ 513,539</u>	
Net increase in capital and surplus			<u>2,191,030</u>
Capital and surplus, December 31, 2021			<u>\$ 13,329,807</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Aggregate Reserves for Life Contracts, and Contract Claims for Life and A&H Contracts

An analysis of the aggregate reserve for contract claims for life and A&H contracts as of December 31, 2021 was performed by a consulting actuary engaged by the South Carolina Department of Insurance. Based on the analysis, the consulting actuary determined that the Company's reserve as of December 31, 2021 was found to be reasonably stated. A life actuary from the California Department of Insurance reviewed the work performed by the consulting actuary and concurred with the conclusion. The in-house actuary also reviewed the actuarial memorandum from the Company's Appointed Actuary supporting the asset adequacy analysis of the life contracts as of December 31, 2021, and determined that the aggregate reserve for life contracts was reasonably stated.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management Agreement – Income Tax Allocation Agreement (Page 6): It is recommended that the Company file the Income Tax Allocation Agreement with the California Department of Insurance pursuant to California Insurance Code Section 1215.5(b)(4).

Previous Report of Examination

Reinsurance Agreement – Medco Containment Life Insurance Company (Page 16): It was recommended the Company comply with the California Code of Regulations, Title 10, Subchapter 3, Article 3, Section 2303.15(b). The Company has complied with this recommendation.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers during the course of this examination.

Respectfully submitted,

Tzuwen Meyer, CFE
Examiner In Charge
Associate Insurance Examiner
Department of Insurance
State of California

Anjanette Briggs, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California