

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE

Centre Life Insurance Company

Springfield, Massachusetts

As of December 31, 2015

NAIC GROUP CODE 0212

NAIC COMPANY CODE 80896

EMPLOYER ID NUMBER 04-1589940

CENTRE LIFE INSURANCE COMPANY

TABLE OF CONTENTS	<u>Page</u>
Salutation	1
Scope of Examination	2
Summary of Significant Findings of Fact	3
Company History	3
General	3
Dividends	3
Management and Control	3
Board of Directors Minutes	3
Articles of Organization and Bylaws	3
Board of Directors	4
Officers	4
Affiliated Companies	4
Organizational Chart	5
Transactions and Agreements with Affiliates	5
Territory and Plan of Operation	7
Treatment of Policyholders-Market Conduct	7
Reinsurance	8
Assumed Reinsurance	8
Ceded Reinsurance	9
Financial Statements	10
Statement of Assets, Liabilities, Surplus and Other Funds	11
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)	12
Statement of Income	13
Reconciliation of Capital and Surplus	14
Analysis of Changes in Financial Statements Resulting from The Examination	15
Comments on Financial Statements Items	15
Subsequent Events	16
Summary of Recommendations	16
Signature Page	17



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • Toll free (877) 563-4467
<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

JAY ASH
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

JOHN C. CHAPMAN
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

GARY D. ANDERSON
ACTING COMMISSIONER OF INSURANCE

May 25, 2017

The Honorable Gary D. Anderson
Acting Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

CENTRE LIFE INSURANCE COMPANY

at its administrative office located at One Liberty Plaza, 165 Broadway, New York , NY 10006-1466. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Centre Life Insurance Company (“Company” or “CLIC”) was last examined as of December 31, 2010 by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the five-year period from January 1, 2011 through December 31, 2015, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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 significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by PricewaterhouseCoopers LLP (“PwC”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for the calendar years 2011 through 2015. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

Representatives from the firm Deloitte & Touche, LLP (“Deloitte”) were retained by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included a review of accounting records, information systems, investment and actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the exam.

COMPANY HISTORY

General

The Company, formerly Massachusetts Casualty Insurance Company ("MCIC"), was incorporated on October 6, 1926 and commenced business on October 1, 1927. On December 29, 1980, the Company's capital stock was purchased by Equitable Massachusetts, Inc., a subsidiary in the Equitable of Iowa Companies Group. On January 30, 1987, the Company's capital stock was acquired by Sun Life Assurance Company of Canada (U.S.), a subsidiary of Sun Life of Canada Group. On February 5, 1999, the Company was then acquired by Centre Reinsurance Holding Limited which contributed the stock of the Company to Centre Solutions (U.S.) Limited ("CSUS"). CSUS is a Bermuda-domiciled insurance company whose ultimate parent is Zurich Insurance Group Ltd ("ZIG") f/k/a Zurich Financial Services Ltd.

The Company is a Massachusetts domiciled writer of individual accident and health business with virtually all of its business representing non-cancellable disability income insurance. The Company is licensed in all 50 states and the District of Columbia.

Dividends

No dividends have been declared and paid during the period of examination.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors ("Board") and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed and there were no amendments made during the exam period.

Centre Life Insurance Company

Board of Directors

According to the bylaws, the Company's business shall be managed by a Board which may exercise all of the powers of the Company, except as otherwise provided by the articles of incorporation, by law, or the bylaws. The Board shall consist of not fewer than five or more than ten directors. At December 31, 2015, the Company's Board consisted of the following individuals:

<u>Director</u>	<u>Title</u>
Ali E. Rifai	Director
Francois Facon	Director
Stuart Diffey	Director
Kieran Gilmartin	Director
Richard William Grilli	Director
Ernest Irvin Wilson	Director

Officers

Officers of the Company as of December 31, 2015 were as follows:

<u>Officer</u>	<u>Title</u>
Francois Facon	President
Mary Rose Bosko	Vice President and Treasurer
Mary Lyn DeNiro	Vice President and Secretary
Joseph L. Tupper III	Vice President and Actuary
Richard William Grilli	Senior Vice President
Ernest Irvin Wilson	Senior Vice President
Glenn Carrascoso	Vice President

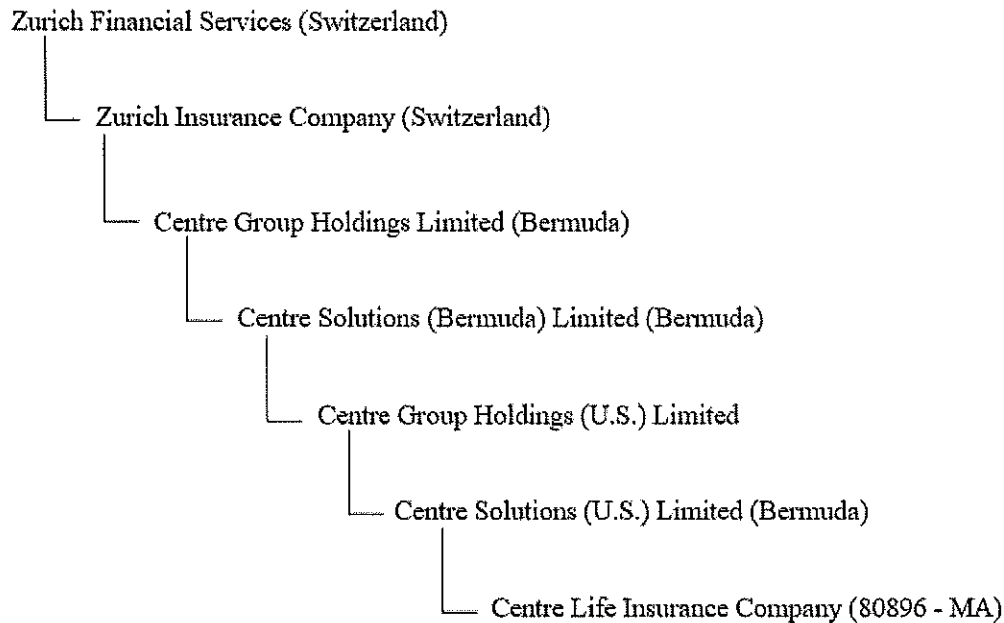
Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00.

Centre Life Insurance Company

Organizational Chart

A summary of ownership and relationship of the Company and its affiliated companies as of December 31, 2015 is illustrated below:



Transactions and Agreements with Subsidiaries and Affiliates

Intercompany Service Agreement with Centre Group Holdings (U.S.) Limited

Effective January 1, 2004, CLIC entered into an Intercompany Service Agreement with Centre Group Holdings (U.S.) Limited ("CGHUS"). In accordance with the agreement, CGHUS provides all accounting, actuarial, administration and transaction, finance, human resources, legal, claims, risk management, work-out, real estate analysis, payer, senior management, tax, MIS, and any other services that may be agreed to and required by CLIC. CLIC agrees to reimburse CGHUS 100% of all payments by CGHUS and for any costs and expenses incurred by CGHUS in providing the services. Costs and expenses shall be allocated based on actual time and expenses incurred, actual usage or availability of services, value added, the number, size, complexity, risk exposure or value of transactions involved or some other appropriate allocation method. Any such allocation method shall be in conformity with any applicable state insurance regulations, generally acceptable accounting principles and transfer pricing rules under Section 482 of the Internal Revenue Code. Costs not included are expenses which are part of claim payments such as allocated administration.

Centre Life Insurance Company

Fees incurred by CLIC in 2015 and 2014 were approximately \$3.0 million and \$5.2 million respectively.

Administrative Services Agreement with Disability Management Services, Inc.

Effective February 5, 1999, the Company entered into a servicing agreement with Disability Management Services ("DMS") to administer all run-off premiums and claim processing related to the old MCIC disability business. DMS also handles much of the accounting and postings to the general ledger for the Company, as all systems are maintained at DMS.

Effective July 1, 2000, the Company entered into a servicing agreement with DMS to administer all run-off premiums and claim processing related to the reinsurance policies pursuant to the 100% Quota Share Reinsurance Agreement with Equitable Life Assurance Society. DMS also handles much of the accounting and postings to the general ledger for the Company, as all systems are maintained at DMS. CLIC incurred approximately \$14.3 million and \$15.2 million in expense for services provided by DMS in 2015 and 2014, respectively.

Investment Management Agreements

Effective July 1, 2000, CGHUS and affiliates including CLIC entered into an Investment Management Agreement with Scudder Kemper Investments, Inc. (formerly known as Zurich Scudder Investments, Inc. and now known as Deutsche Investment Management Americas Inc. and doing business as Deutsche Asset Management ("DeAM")). Under this agreement, DeAM manages CLIC's investment portfolio and pursuant to a separate Investment Management Agreement between Zurich Investment Services Limited ("ZIS"), an affiliate of CLIC and DeAM, dated March 19, 2002, ZIS provides cash management, reconciliation, and settlement of trades as well as other back office functions with respect to certain CLIC accounts managed by DeAM.

Tax Allocation Agreement

Effective January 1, 2004, CLIC is a party to a Tax Allocation Agreement with CGHUS, Centre Solutions (U.S.), Centre Insurance Company and ZC Specialty Insurance Company.

Surety Bonds

Effective January 1, 2000, CLIC's net worth is guaranteed by two Surety Bonds, one with Centre Reinsurance (U.S.) Limited and the other with Centre Solutions (U.S.) Limited. Both Surety Bonds, each providing the same coverage, are for the purpose of ensuring that CLIC as the insured, will have a net worth at all times of at least the higher of (a) U.S. \$1,000,000 or (b) the minimum required in accordance with applicable insurance law. Both Centre Reinsurance (U.S.) Limited and Centre Solutions (U.S.) Limited desire to maintain the financial condition of CLIC and to assist CLIC in meeting its payment obligations to Counterparties under Cover Products. Cover Products means any of the following if issued or executed and delivered on or after January 1, 2000: any insurance, reinsurance, surety or derivative contract; any obligation to purchase, repurchase, deliver or sell securities; any obligation to post margin or collateral; any obligation to

Centre Life Insurance Company

provide liquidity or otherwise provide funds to others; any other product or instrument similar to any of the foregoing; and any other product or instrument identified as a "Covered Product" in a certificate issued by authorized officer of Centre Reinsurance (U.S.) Limited and Centre Solutions (U.S.) Limited.

The Centre Reinsurance (U.S.) Limited's Surety Bond was amended October 11, 2004 as follows:

"As consideration for Surety's agreements hereunder, CLIC shall pay the surety the following premium payments: (a) \$332,000, which relates to the periods from the date that the Surety Bond was issued to CLIC through the date hereof and would be payable on or prior to December 2004, and (b) \$300,000, which relates to all periods after the date hereof and would be payable on or prior to December 2005. With the exception of the amounts specified in this paragraph, no other premium payments (whether with respect to any prior or future periods) will be payable by CLIC to Surety. Surety shall have no obligations to refund any premium payments."

The surety bonds shall be effective and in full force and effect with regard to all the Covered Products executed and delivered prior to the date of any termination pursuant to the terms of the Bond until such time as all such Covered Products shall either no longer be outstanding or be satisfied in full.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in all 50 states and the District of Columbia, with the largest numbers of insurance risks written in California, New York, and Ohio. The Company had not sold any new business since 2004. The Company reported \$1.9 million of 2015 direct premium written in Massachusetts.

Treatment of Policyholders – Market Conduct

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2015 through December 31, 2015. The market conduct examination was called pursuant to authority in Massachusetts General Law Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and the overall management and control of, the market conduct examination staff of the Division. Consultants were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas that were reviewed under the market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area reviewed includes the identification and evaluation of the insurer's internal controls.

REINSURANCE

The Company's reinsurance program is a large part of its insurance operations, with the majority of its premiums ceded to related parties. Beginning in 1999, the Company ceded all of its direct business to Centre Reinsurance (U.S.) Limited, a related party, under a 100% quota share agreement. The majority of Company's assumed business is 100% retroceded to Zurich Insurance Company, Bermuda Branch, an affiliated company.

Effective July 31, 2012, pursuant to a Reinsurance Novation Agreement, Zurich Insurance Company, Bermuda Branch assumed the liabilities of Centre Reinsurance (U.S.) Limited. Following this novation, The Company cedes 100% of the same business originally reinsured by Centre Reinsurance (U.S.) Limited to Zurich Insurance Company, Bermuda Branch. There have been no financial reporting impact on the Company's Annual Statements.

The Company's principal reinsurers are related parties and are not authorized reinsurers in the Commonwealth of Massachusetts. The Company secures a large portion of such ceded reserves by withholding funds from the reinsurer and by reinsurance funds held pursuant to trust agreements. The Company had no surplus adjustment for unsecured unauthorized reinsurance at December 31, 2015.

The Company has ceded a portion of its business to unrelated reinsurers, Swiss Re Life and Health America, Inc. and Munich American Reassurance Company, who are approved reinsurers in the Commonwealth of Massachusetts.

A summary of each significant reinsurance agreement is described as follows:

Assumed Reinsurance

On October 1, 1999, the Company entered into a reinsurance agreement with Sun Life Assurance Company of Canada ("Sun Life"), whereby the Company would assume Sun Life's Individual Disability Income block of business.

During the year 2000, the Company assumed a large block of disability business through a 100% quota share reinsurance agreement with Equitable, an unrelated party. This agreement resulted in gross premiums of approximately \$1.5 billion, and net premiums of approximately \$225 million, after retrocession, for the year ended December 31, 2000. The Company retrocedes approximately 100% of business to Zurich Insurance Company (Bermuda Branch).

On December 18, 2014, the Company executed a Novation Agreement with its affiliate, Centre Reinsurance International Company ("CRIC"), pursuant to which CRIC assigned to the Company a reinsurance agreement and related reserves covering a quota share portion of certain legacy life policies issued by North American Company for Life and Health Insurance, partially ceded to Swiss Re who partially retroceded to the Company. The transaction was approved by the Massachusetts Division of Insurance. As part of this agreement the Company received \$16.2

Centre Life Insurance Company

million from CRIC and recorded this amount as benefits. The Company established a life reserve of \$20.0 million and \$20.5 million as of December 31, 2015 and December 31, 2014, respectively. This is the only business that the Company retains on their books that has not been retro-ceded to an affiliate or externally.

Ceded Reinsurance

An 85% quota share reinsurance agreement with an affiliate, Zurich Insurance Company (Bermuda Branch) ("ZIBB"), in place prior thereto, covers the disability reserves assumed from the Equitable under the aforesaid reinsurance agreement plus cession of all additional premiums, benefits, expenses and obligations. The ZIBB reinsurance transaction was reviewed and approved by the Massachusetts Division of Insurance on May 11, 2000. On October 1, 2003, the retrocession agreement between CLIC and ZIBB was amended to increase the quota share percentage from 85% to 100%, retroactive to the beginning of the reinsurance agreement. As a result, reserves related to the Equitable deal are fully ceded to ZIBB.

On February 5, 1999, Sun Life Assurance Company of Canada (US) sold Massachusetts Casualty Insurance Company ("MCIC") to Centre Solutions (U.S.) Limited ("CSUS"). At this time, a 100% quota share reinsurance agreement (after inuring reinsurance previously in place) was entered into with Centre Reinsurance (U.S.) Limited ("CRUS"), effective January 1, 1999. The retrocession of MCIC activity to CRUS was changed from funds withheld basis to a cash transfer basis. Securities in the amount of approximately \$220 million were transferred to a trust in December 2003.

Following the recent restructuring of the reinsurance of CLIC's MCIC business, CLIC, which had ceded 100% of the MCIC business to CRUS, now cedes 100% of the MCIC business directly to ZIBB. This was pursuant to a commutation and release agreement, effective July 31, 2012. Pursuant to the agreement, CRUS and ZIBB commuted their liabilities under the reinsurance agreement under which CRUS had ceded to ZIBB 90% of the liabilities relating to the MCIC business.

Concurrently with the execution of the said commutation and release agreement, CLIC, CRUS and ZIBB entered into a Reinsurance Novation Agreement, effective July 31, 2012. Pursuant to the Reinsurance Novation Agreement, ZIBB assumed the liabilities of CRUS under the Reinsurance Agreement between MCIC and CRUS that became effective January 1, 1999. The assets that were held in Trust by CRUS, are now held in trust by ZIBB for the benefit of CLIC.

Centre Life Insurance Company

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2015. These financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2015

Statement of Income for the Year Ended December 31, 2015

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2015

Centre Life Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2015

	Per Annual Statement
ASSETS	
Bonds	\$ 1,835,434,557
Cash, cash equivalents and short-term investments	21,237,667
Contract loans	1,014,550
Securities lending reinvested collateral assets	775,220
Subtotals, cash and invested assets	<u>1,858,461,994</u>
Investment income due and accrued	15,568,662
Uncollected premiums and agents' balances in the course of collection	116,626
Deferred premiums	389,358
Amounts recoverable from reinsurers	8,586,188
Other amounts receivable under reinsurance contracts	954,424
Guaranty funds receivable or on deposit	7,044
Total Assets	<u>\$ 1,884,084,296</u>

Centre Life Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds (Continued) As of December 31, 2015

	Per Annual Statement
LIABILITIES	
Aggregate reserve for life contracts	\$20,060,284
Contract claims for life	312,919
Other amounts payable on reinsurance (assumed)	6,017,945
Interest maintenance reserve	2,318,112
Taxes, licenses and fees due or accrued, excluding federal income taxes	200,000
Current federal and foreign income taxes	1,354,174
Amounts withheld or retained by company as agent or trustee	96,949
Remittances and items not allocated	2,543
Asset valuation reserve	4,230,625
Funds held under reinsurance treaties with unauthorized and certified reinsurers	1,753,545,623
Payable to parent, subsidiaries and affiliates	692,863
Payable for securities lending	775,220
Total Liabilities	<u>1,789,607,257</u>
 Common capital stock	 2,500,000
 Gross paid in and contributed surplus	 127,157,500
Unassigned funds (surplus)	(35,180,461)
Surplus	<u>91,977,039</u>
 Total Capital and Surplus	 <u>94,477,039</u>
 Total Liabilities, Surplus and Other Funds	 <u>\$ 1,884,084,296</u>

Centre Life Insurance Company

Statement of Income for the Year Ended December 31, 2015

	Per Annual Statement
Premiums and annuity considerations for life and accident and health contracts	\$ 1,942,884
Net investment income	68,120,892
Amortization of Interest Maintenance Reserve	202,009
Commissions and expense allowances on reinsurance ceded	20,965,131
Aggregate write-ins for miscellaneous income	11
Totals	<u>91,230,927</u>
Death benefits	2,360,818
Increase in aggregate reserves for life and accident and health contracts	<u>(361,989)</u>
Totals	1,998,829
Commissions on premiums, annuity considerations, and deposit-type contract funds	3,152,267
General insurance expenses	19,943,597
Insurance taxes, licenses and fees, excluding federal income taxes	1,069,574
Aggregate write-ins for deductions	<u>67,862,699</u>
Totals	94,026,966
Net gain from operations before dividends to policyholders and federal income taxes	(2,796,039)
Federal and foreign income taxes incurred	<u>75,999</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses	(2,872,038)
Net realized capital gains (losses)	<u>(794,837)</u>
Net income/(loss)	<u>\$ (3,666,875)</u>

Centre Life Insurance Company

Reconciliation of Capital and Surplus For Each Year in the Five-Year Period Ended December 31, 2015

	2015	2014	2013	2012	2011
Capital and surplus as of December 31, prior year	\$ 97,959,385	\$ 101,178,248	\$ 98,755,741	\$ 100,458,502	\$ 89,151,198
Net income/(loss)	(3,666,875)	(2,740,205)	1,875,249	301,899	306,011
Change in net unrealized capital gains or (losses) less capital gains tax	11,163	22,540	64,320	843,855	(412,437)
Change in net deferred income tax	365,896	(961,847)	(2,268,568)	(25,437)	(741,474)
Change in non-admitted assets	(450,819)	927,515	4,163,111	(1,784,589)	13,056,750
Change in asset valuation reserve	258,289	(466,866)	(1,411,605)	(1,038,489)	(901,546)
Change in surplus as regards policyholders for the year	<u>(3,482,346)</u>	<u>(3,218,863)</u>	<u>2,422,507</u>	<u>(1,702,761)</u>	<u>11,307,304</u>
Capital and surplus as of December 31, current year	<u>\$ 94,477,039</u>	<u>\$ 97,959,385</u>	<u>\$ 101,178,248</u>	<u>\$ 98,755,741</u>	<u>\$ 100,458,502</u>

**ANALYSIS OF CHANGE IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION**

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

A risk-focused review of the statutory reserves and related actuarial items held by the Company as of December 31, 2015 was performed. To determine the scope of our review, Company controls in place to mitigate various risks were reviewed. We also reviewed the work papers of the Company's external auditors, PwC in order to determine the work performed regarding reserves. When deemed appropriate and effective, we relied upon the work performed by PwC and incorporated into our work papers documentation supporting this examination. The remaining procedures were focused on areas where some amount of residual risk remained un-mitigated by the existing control framework. This included a review of the Company's various reinsurance contracts, review of trend analysis on the active life reserve and disabled life reserve performed by PwC, a review of the Company's asset adequacy results, methodology, and assumptions, and a review of the Company's reserve assumptions and methodologies.

Based on our review, it was determined that the statutory reserves and related actuarial items:

- Are computed in accordance with presently accepted actuarial standards, consistently applied and are fairly stated in accordance with sound actuarial principles, except where noted below;
- Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions;
- Meet the requirements of the insurance laws and regulations of the Commonwealth of Massachusetts and meet the requirements of the NAIC Model Regulation on Minimum Reserve Standards for Individual and Group Health Insurance Contracts;
- Include provision for all actuarial reserves and related statement items that ought to be established.

In accordance with applicable Division and NAIC insurance guidance, the Company records as liabilities in its financial statements actuarially determined interest-discounted reserves that are calculated to meet future contractual obligations under outstanding policies and claims. The reserves are based on statutorily recognized methods, generally using prescribed morbidity and mortality tables and interest rates. These reserves include provisions for unearned premiums; future claims in excess of future premium (i.e. active life reserves); and future payment on claims that have been incurred, whether reported or not reported as of December 31, 2015 (i.e. claim reserves). In addition, there is a reserve for claim settlement expenses on such future claim payments for incurred claims.

Centre Life Insurance Company

All actuarial reserves and liabilities, except traditional life insurance from North American Company for Life and Health assumed by Swiss Re and retroceded to the Company, are 100% ceded to affiliate and non-affiliate reinsurance companies. Because amounts ceded by the Company (primarily related to individual disability business) represent such a large portion of the total direct and assumed reserves and liabilities, and because material portions of those reserves are ceded to affiliated companies, these amounts were considered to be within the scope of the actuarial review.

Active life reserves for individual disability and traditional life policies as established as of December 31, 2015, were generally found to be reasonable relative to presently accepted actuarial methods and assumptions. Claim reserves are established for the future payments not yet due on claims already incurred, primarily relating to individual disability insurance and group long-term disability insurance products. It was noted that for the Equitable individual disability block, the claim reserves are not established based on the prescribed statutory morbidity tables and interest rates. The Company has estimated its claim reserves for the Equitable block using a claim termination basis that is more conservative than the prescribed morbidity standard. The Company has provided a demonstration showing that the claim reserves held are greater than those called for in the requirements of the NAIC Model Regulation on Minimum Reserve Standards for Individual and Group Health Insurance Contracts.

SUBSEQUENT EVENTS

Ali E. Rifai replaced Francois Facon as CEO of CLIC in January 2016 as a result of Francois leaving the Company to pursue other interests. Also, in August 2016, Glenn Carrascoso has assumed the position of Treasurer. There were no other subsequent events through the date of this report.

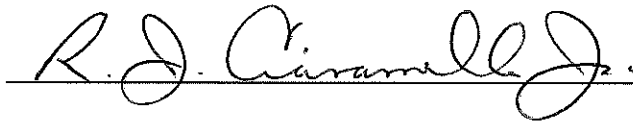
SUMMARY OF RECOMMENDATIONS

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Deloitte & Touche, LLP who participated in this examination is hereby acknowledged.

A handwritten signature in cursive script, reading "R. J. Ciarabella, Jr.", is written over a horizontal line.

Raffaele J. Ciarabella, Jr., CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance