



**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, 2020**

**NAIC GROUP CODE 0212**

**NAIC COMPANY CODE 80896**

**EMPLOYER ID NUMBER 04-1589940**

# **CENTRE LIFE INSURANCE COMPANY**

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

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COMMISSIONER OF INSURANCE

May 24, 2022

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, Massachusetts 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**

with its statutory home office located at 1350 Main Street, Suite 1600, Springfield, Massachusetts 01103-1641. The examination was conducted remotely. The following report thereon is respectfully submitted.

## Centre Life Insurance Company

### **SCOPE OF EXAMINATION**

Centre Life Insurance Company ("Company") was last examined as of December 31, 2015 by the Massachusetts Division of Insurance ("Division"). The current examination was conducted by the Division and covers the five-year period from January 1, 2016 through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date. The Division participated in a coordinated examination which was led by the Illinois Department of Insurance.

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 Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and 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.

During the period of this examination, the Company was 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 2016 through 2020. A review and use of the Certified Public Accountants' work papers were made to the extent deemed appropriate and effective.

Representatives from the firm Rudmose & Noller Advisors, LLC ("RNA") 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 enterprise risk management, internal controls, accounting records, information systems, investment, reinsurance, and other accounts as considered appropriate. Representatives from Lewis & Ellis, Inc. ("L&E") were retained by the Division to assist in the examination by performing procedures over actuarially-determined reserves and related estimates. The Company is part of a holding company system with multiple insurers.

### **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There were no significant findings identified during the previous examination, and there are no significant findings related to the current examination.

## Centre Life Insurance Company

### **COMPANY HISTORY**

#### General

The Company, formerly known as 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.) ("Sun Life"), a subsidiary of Sun Life of Canada Group. On February 5, 1999, the Company was acquired by Centre Reinsurance Holdings Limited, which contributed the Company's stock to Centre Solutions (U.S.) Limited ("CSUS"). CSUS is a Bermuda-domiciled insurance company, which is a subsidiary of Centre Group Holdings (U.S.) Limited ("CGHUS"), and whose ultimate parent is Zurich Insurance Group Ltd. ("ZIG") f/k/a Zurich Financial Services Ltd.

In May 2016, Centre Group Holdings Limited was merged with and into CMSH Limited. On May 30, 2016, Centre Solutions Bermuda Limited made a return of capital of its ownership in CGHUS to its direct parent, CMSH Limited. On May 31, 2016, CMSH Limited was merged with and into Zurich Finance Company AG, resulting in CGHUS becoming part of Zurich Finance Company AG, a holding company domiciled in Switzerland. On June 28, 2019, CGHUS was contributed to Zurich Structured Finance, Inc., a holding company domiciled in Delaware, which is owned by Zurich Finance Company AG, which is ultimately owned and controlled by ZIG.

The Company is a Massachusetts-domiciled authorized insurer of individual accident and health business with virtually all of its business representing non-cancellable individual disability income insurance. The Company has been in voluntary run-off since 2003 and remains authorized to conduct business in all 50 states and the District of Columbia. The Swiss Financial Markets Supervisory Authority is the international group-wide supervisor of ZIG.

#### Dividends

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

### **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 reviewed, 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 examination 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. As of December 31, 2020, the Company's Board included the following individuals:

<u>Name of Director</u>	<u>Title</u>
Simon Barnes	Director, Chairman
Ali E. Rifai	Director, President and CEO
Steven Richardson	Director, Senior Vice President and CFO
Ian Burningham	Director
Michael Charles Coe	Director, and Vice President - Operations
Phillip Drewer	Director, Senior Vice-President

### Officers

Officers of the Company as of December 31, 2020 were as follows:

<u>Name of Officer</u>	<u>Title</u>
Ali E. Rifai	President and CEO (resigned effective April 30, 2022)
Simon Barnes	President and CEO (appointed effective May 1, 2022)
Steven Richardson	Senior Vice President and CFO
Michael Charles Coe	Vice President-Operations
Phillip Drewer	Senior Vice President
Michael Rohwetter	Vice President-Investments
Glenn Carrascoso	Vice President
Joseph L. Tupper III	Vice President and Actuary
John Skowronski	Vice President
Katie Miller	Assistant Vice President
Michael Inderbitzin	Vice President and Corporate Secretary
Rita Falco	Assistant Corporate Secretary
Ryan Gibbons	Assistant Secretary
Amy Jackson	Assistant Secretary
Li Jun Wang	Assistant Secretary

### Affiliated Companies

As stated in the Insurance Holding Company System Form B 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 limited summary of ownership and relationship of the Company and its affiliated companies as of December 31, 2020, is illustrated below:

Zurich Insurance Group Ltd (Switzerland)

    Zurich Insurance Company Ltd (Switzerland)

        Zurich Finance Company AG (Switzerland)

            Zurich Structured Finance, Inc. (Delaware)

                Centre Group Holdings (U.S.) Limited (Delaware)

                    Centre Solutions (U.S.) Limited (Bermuda)

                        Centre Life Insurance Company (Massachusetts)

### Transactions and Agreements with Affiliates

#### *Intercompany Service Agreement with Centre Group Holdings (US.) Limited*

Effective January 1, 2004, the Company entered into an intercompany services agreement with CGHUS. In accordance with the agreement, CGHUS provides all accounting, actuarial, administration, finance, human resources, legal, risk management, senior management, tax, information systems, and any other services that may be agreed to and required by the Company, which reimburses CGHUS 100% of all payments by CGHUS and for any costs and expenses incurred by CGHUS in providing the services. Costs and expenses are allocated based on actual time and expenses incurred, actual usage or availability of services, or some other appropriate allocation method. Approximately \$1.6 million of costs were incurred by the Company in 2020 under this agreement.

#### *Investment Management Agreement*

Pursuant to an investment management agreement of March 19, 2002, between Zurich Investment Services Limited (“ZIS”) and non-affiliated DWS Investment Management Americas Inc. (“DWS”), ZIS provides investment valuation services and other back-office functions for certain Company accounts managed by DWS. Zurich Finance Department’s quality assurance function, called the Investment Centre of Excellence, performs data reconciliation, and checks on the investment data between the investment and financial reporting systems. The Company’s investment policy and portfolio composition does not include securities which are difficult to value.

#### *Tax Allocation Agreement*

Effective January 1, 2004, the Company is a party to a tax allocation agreement with Zurich Structured Finance, Inc., and other affiliates including CSUS and CGHUS, whereby a consolidated tax return is filed. Intercompany amounts are settled within 30 days of the tax filing.

## Centre Life Insurance Company

### *Surety Bonds*

The Company has the benefit of a surety bond issued by Centre Reinsurance (U.S.) Limited ("CRUS") in favor of the Company on January 1, 2000. The surety bond ensures that the Company will have a net worth at all times of at least the higher of (a) \$1,000,000 or (b) the minimum required in accordance with applicable insurance law and regulations and assists the Company in meeting its payment obligations to counterparties under reinsurance agreements and certain other financial contracts listed in the surety bond or specifically identified as "covered products" in a certificate issued by an authorized officer of CRUS. The Company also benefited from a second surety bond from CSUS, but this surety bond was terminated as of December 31, 2018 as it provided for the same coverage.

### Transactions and Agreements with Non-Affiliates

#### *Administrative Services Agreement with Disability Management Services, Inc.*

Pursuant an agreement dated February 5, 1999, and amended July 1, 2000, the Company's disability income business ceded and assumed is administered by Disability Management Services, Inc. ("DMS") which was an affiliate until December 30, 2020, when CGHUS sold its 36.02% interest in DMS to Davies U.S. Inc. In 2017, the agreement was also amended for fees related to servicing of the MCIC disability income block and for revised service level agreements to ensure timely and proper transaction processing. In 2020, the Company incurred \$9.8 million under its agreements with DMS, which continues to provide the same administrative services to the Company.

## **TERRITORY AND PLAN OF OPERATION**

The Company is authorized 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 has not sold any direct new business since 1998. The Company reported \$507,000 in 2020 Massachusetts direct premium written.

### Treatment of Policyholders - Market Conduct

The Division conducted a comprehensive market conduct examination of the Company for the period January 1, 2020, through December 31, 2020 pursuant to Massachusetts General Laws, 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. RNA was engaged to complete the examination in accordance with 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 examination addressed company operations/management, complaint handling, policyholder services, and claims. The Division reflects the results of the market conduct examination in a separate examination report, which noted no findings, recommendations, or required actions.

## **REINSURANCE**

The Company's reinsurance program is a large part of its insurance operations, with the majority of its premiums ceded to Zurich Insurance Company, Ltd. (Bermuda Branch) ("ZIBB"), affiliate which is a non-authorized reinsurer in Massachusetts. The Company fully secures the ceded reserves by withholding funds from the reinsurer, letters of credit, and by reinsurance funds held pursuant to trust agreements.



## Centre Life Insurance Company

### Ceded and Assumed Reinsurance

On February 5, 1999, when MCIC was sold to CSUS, a 100% quota share reinsurance agreement was entered into between the Company and CRUS, effective January 1, 1999, to reinsure the MCIC individual disability income block of business.

On October 1, 1999, the Company entered into a reinsurance agreement with Sun Life whereby the Company assumed Sun Life's individual disability income business.

Effective July 1, 2000, the Company assumed a large block of individual disability income business through a 100% quota share reinsurance agreement with Equitable Life Assurance Society of the United States ("Equitable").

Effective October 1, 2003, a 100% quota share reinsurance agreement with ZIBB covers the individual disability income reserves assumed from the Equitable under the reinsurance agreement plus cession of all additional premiums, benefits, expenses, and obligations.

Effective July 31, 2012, pursuant to a commutation and release agreement, the January 1, 1999, reinsurance agreement with CRUS was commuted. Concurrently, and effective July 31, 2012, the Company, CRUS, and ZIBB entered into a reinsurance novation agreement, whereby ZIBB assumed the liabilities of CRUS related to the MCIC block. The assets that were held in trust by CRUS, were transferred to a trust held by ZIBB for the benefit of the Company.

On December 18, 2014, the Company executed a novation agreement with its affiliate, Centre Reinsurance International Company ("CRIC"), whereby 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 ("NACOLAH"), ceded to Swiss Re, which retroceded 33.5% to the Company. This is the only business that is net retained by the 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, 2020. These financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2020

Statement of Income for the Year Ended December 31, 2020

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2020

# Centre Life Insurance Company

## Statement of Assets, Liabilities, Surplus and Other Funds Examination as of December 31, 2020

	Per Annual Statement
<b>ASSETS</b>	
Bonds	\$ 1,462,798,819
Cash, cash equivalents and short-term investments	34,063,245
Contract loans	598,738
Subtotals, cash and invested assets	<u>1,497,460,802</u>
Investment income due and accrued	13,253,342
Reinsurance recoverables	2,984,385
Income tax recoverable	7,029,474
Other assets	912,952
Total Assets	<u>\$ 1,521,640,955</u>
<b>LIABILITIES</b>	
Aggregate reserve for life contracts	\$ 16,799,066
Contract claims for life	175,518
Other amounts payable on reinsurance (assumed)	2,276,822
Interest maintainance reserve	1,499,063
General expenses due and accrued	393,009
Amounts withheld or retained by company as agent or trustee	144,408
Asset valuation reserve	4,658,556
Funds held under reinsurance treaties with unauthorized and certified reinsurers	1,409,922,030
Payable to parent, subsidiaries and affiliates	780,863
Total Liabilities	<u>1,436,649,335</u>
<b>CAPITAL AND SURPLUS</b>	
Common capital stock	2,500,000
Gross paid in and contributed surplus	127,157,500
Unassigned funds (surplus)	(44,665,880)
Surplus	<u>82,491,620</u>
Total Capital and Surplus	<u>84,991,620</u>
Total Liabilities, Capital and Surplus	<u>\$ 1,521,640,955</u>

# Centre Life Insurance Company

## Statement of Income for the Year Ended December 31, 2020

	<u>Per Annual Statement</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 1,043,865
Net investment income	56,129,385
Amortization of interest maintenance reserve	148,620
Commissions and expense allowances on reinsurance ceded	<u>13,312,718</u>
Totals	70,634,588
Death benefits	1,331,910
Matured endowments	30,447
Surrender benefits and withdrawals for life contracts	424,516
Increase in aggregate reserves for life and accident and health contracts Totals	<u>(432,012)</u>
Totals	1,354,861
Commissions on premiums, annuity considerations, and deposit-type contract funds	1,817,743
Commissions and expense allowances on reinsurance assumed	677,318
General insurance expenses	13,129,828
Insurance taxes, licenses and fees, excluding federal income taxes	616,959
Increase in loading on deferred and uncollected premiums	(3,439)
Aggregate write ins for deductions:	
Adjustment for current year's IMR liability gains	(2,227,716)
Interest expense on funds withheld	<u>56,532,749</u>
Totals	<u>71,898,303</u>
Net gain from operations before dividends to policyholders and federal income taxes	(1,263,715)
Federal and foreign income taxes incurred	<u>638,555</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses	<u>(1,902,270)</u>
Net realized capital gains(losses)(excluding lossess transferred to the IMR) less capital gains tax of \$114,766 (excluding taxes of \$648,933 transferred to the IMR)	<u>(118,427)</u>
Net income (loss)	<u><u>\$(2,020,697)</u></u>

# Centre Life Insurance Company

## Reconciliation of Capital and Surplus

For each year in the five year period ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital and surplus as of December 31, prior year	\$ 87,287,959	\$ 93,912,814	\$ 93,606,970	\$ 93,805,955	\$ 94,477,039
Net income/(loss)	(2,020,697)	(6,454,603)	547,639	(1,683,256)	(509,101)
Change in net unrealized capital gains or (losses) less capital gains tax	69,365	100,361	140,112	203,069	110,785
Change in net deferred income tax	1,828,610	4,320,439	75,616	(1,190,991)	(603,633)
Change in non-admitted assets	(1,902,185)	(4,283,243)	(587,897)	2,096,108	686,013
Change in asset valuation reserve	<u>(271,432)</u>	<u>(307,809)</u>	<u>130,374</u>	<u>376,085</u>	<u>(355,148)</u>
Change in surplus as regards policyholders for the year	<u>(2,296,339)</u>	<u>(6,624,855)</u>	<u>305,844</u>	<u>(198,985)</u>	<u>(671,084)</u>
Capital and surplus as of December 31, current year	<u>\$ 84,991,620</u>	<u>\$ 87,287,959</u>	<u>\$ 93,912,814</u>	<u>\$ 93,606,970</u>	<u>\$ 93,805,955</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 assessment by L&E of the statutory reserves and related actuarial items held by the Company as of December 31, 2020 was performed. Company controls and risk mitigation strategies were reviewed and evaluated. The workpapers of the Company's external auditors, PwC, were reviewed in order to understand their work regarding reserves. The remaining procedures focused on review of trend analysis on the active life reserve and disabled life reserves, review of the Company's asset adequacy results, methodology, and assumptions, review of the Company's reserve assumptions and methodologies, and selected testing of assumed life reserves.

The Company records actuarially-determined interest-discounted reserves to meet future contractual obligations under outstanding policies and claims. The reserves are based on statutorily-recognized methods using prescribed morbidity and mortality tables and interest rates. These reserves include provisions for unearned premiums, future claims in excess of future premium (active life reserves), and future payments on claims that have been incurred as of December 31, 2020 (claim reserves). In addition, there is a reserve for claim settlement expenses on such future claim payments for incurred claims.

Active life reserves for individual disability income and traditional life policies, established as of December 31, 2020, were found to be reasonable relative to presently accepted actuarial methods and assumptions. Individual disability income claim reserves are established for future payments not yet due on claims incurred. For the Equitable individual disability income block, the Company has estimated its claim reserves using a claim termination basis that is more conservative than the prescribed morbidity standard. The Company has demonstrated 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. 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.

**SUBSEQUENT EVENTS**

There were no subsequent events through the date of this report.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations noted by the examination team for improvements in processes, activities, and/or controls to be included 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 RNA and L&E, who participated in this examination is hereby acknowledged.

*Maria Gannon*

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Maria Gannon, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance