

Examination Warrant Number 20-00769-76694-R1

**Report of Examination of**

**Canada Life Reinsurance Company  
Blue Bell, Pennsylvania**

**As of December 31, 2020**

*For Informational Purposes Only*

# Canada Life Reinsurance Company

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Harrisburg, Pennsylvania  
April 27, 2022

Honorable Melissa L. Greiner  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 20-00769-76694-R1, dated August 12, 2020, an examination was made of

**Canada Life Reinsurance Company, NAIC Code: 76694**

a Pennsylvania domiciled; multi-state life insurance company hereinafter referred to as the “Company” or “CLRC”. The examination was conducted remotely. The Company’s home office is located at 1787 Sentry Parkway West Blue Bell, Pennsylvania.

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Company, which was last examined as of December 31, 2015. This examination covered the five-year period from January 1, 2016, through December 31, 2020.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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 significant findings of fact, in accordance with

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40 P.S. § 323.5(a), and general information about the Company 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.

For each year of the examination period, the certified public accounting firm of Deloitte & Touche, LLP (“CPA”) has provided an unmodified audit opinion of the Company’s financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination work papers.

The following companies were examined at the same time during the above examination:

<b>Company</b>	<b>State</b>	<b>NAIC Code</b>
Canada Life Assurance Company (US Branch)	MI	80659
Great-West Life & Annuity Ins. Co of SC	SC	12510

### HISTORY

The Company was originally incorporated as Providers Benefit Life Insurance Company (“PBC”), a Pennsylvania stock life and accident and health insurance company, on March 26, 1969. It was licensed by the Department on December 22, 1969 and commenced business that same date.

On December 14, 1995, the Department approved the plan of merger of PBL and Isaac Corporation into the Company. On December 25, 1995, London Acquisition Corporation changed its name to LRG (US), Inc. (“LRG(US)”).

During 1997, the Company’s Canadian parent was purchased by The Great-West Life Assurance Company (“GWLAC”), which, in turn, is owned by Power Corporation of Canada.

The Company changed their name from London Life Reinsurance Company to Canada Life Reinsurance Company, effective June 1, 2020. This change was resolved and approved by the Board of Directors.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (a)(1) Life and Annuities and (a)(2) Accident and Health.

### MANAGEMENT AND CONTROL

#### CAPITALIZATION

As of December 31, 2020, the Company’s total capital was \$33,863,047 consisting of 14,000,000 capital shares of issued and outstanding common stock with a par value of \$1.00 per share amounting to \$14,000,000; \$12,336,812 in paid in and contributed surplus; and \$7,526,235 in unassigned funds (surplus).

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The Company's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$1,100,000 in capital and \$550,000 in surplus. The Company has met all governing requirements throughout the examination period.

### STOCKHOLDERS

The Company is wholly owned by LRG (US), a Delaware insurance holding company.

The Company paid the following ordinary stockholder dividends during the examination period:

Year	Amount
2016	\$ 817,121
2017	\$ 814,100
2019	\$2,373,754

The Company provided notice to the Department for all dividends in accordance with 40 P.S. § 991.1404. No extraordinary dividends requiring authorization were paid during the examination period. On June 30, 2020, the Company received approval from the Department regarding the Company's Notice of Other Distribution that requested a reduction to gross paid-in contributed surplus of \$28 million. On July 1, 2020, the Company paid \$28 million to its parent, LRG (US) Inc. that represented a reduction in its gross paid-in contributed surplus.

### INSURANCE HOLDING COMPANY SYSTEM

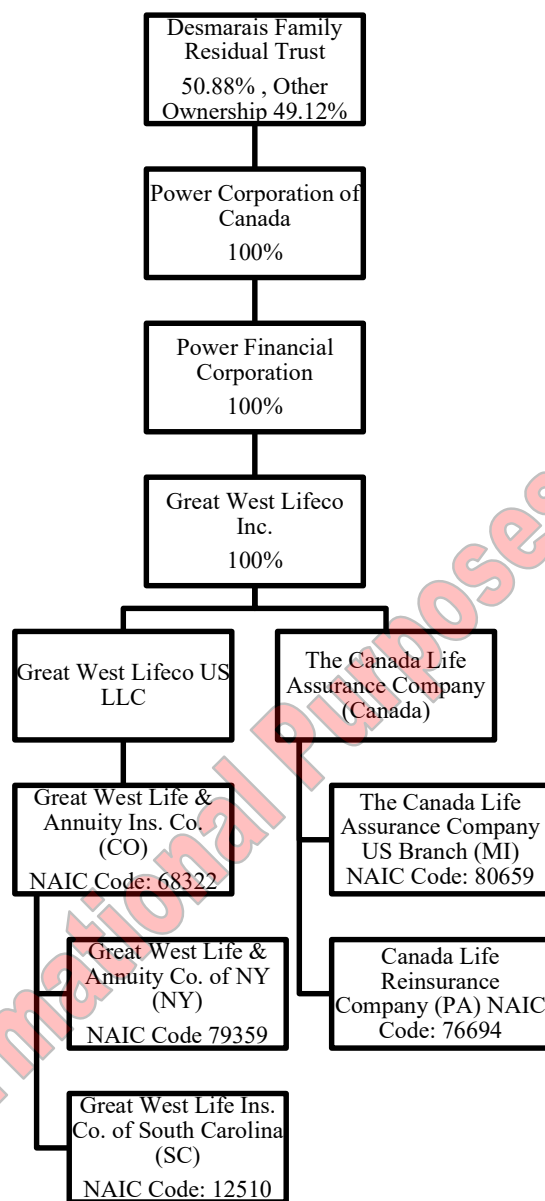
Power Corporation of Canada is named as the ultimate controlling entity of its holding company system.

During the period under examination, the Company met the requirements for filing an insurance holding company system annual registration statement, in compliance with 40 P.S. § 991.1404. For each of the years under examination, the Company properly filed the holding company registration statement with the Department by March 31.

The organization chart that follows identifies the affiliated entities that are part of the holding company:

## Canada Life Reinsurance Company

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Members of the Holding Company System include the following entities briefly described below:

**Canada Life Reinsurance Company** is wholly owned by LRG (US), Inc. (a Delaware corporation). Canada Life Reinsurance Company is a Pennsylvania domiciled life and health insurance company engaging primarily in the reinsurance of life, annuity and accident and health insurance. The Company acts primarily as a service company to other affiliates and personnel provide marketing and underwriting services, accounting services, actuarial services and support, treaty administration services, and human resources support to several affiliated companies.

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**LRG (US), Inc.** is wholly owned by London Reinsurance Group Inc. (a Canadian Corporation). LRG US Inc. is a holding company that owns three reinsurance subsidiaries, one each in the U.S. (Canada Life Reinsurance Company), Bermuda (Canada Life International Reinsurance Corporation Limited) and Barbados (Canada Life International Reinsurance (Barbados) Corporation). LRG(US), Inc. is incorporated in the State of Delaware.

**London Reinsurance Group, Inc.** is 100% owned by The Canada Life Assurance Company (a Canadian corporation). London Reinsurance Group, Inc. is a holding company with interests in reinsurance businesses. It is organized under the laws of Canada and its principal place of business in Ontario, Canada.

**The Canada Life Assurance Company** (“CLAC”) is 100% owned by Great-West Lifeco Inc. (a Canadian public corporation). The Canada Life Assurance Company, together with its subsidiaries, provides insurance, wealth management, and healthcare benefits products and services for individuals, families, and business owners in Canada, the United Kingdom, the Isle of Man, Germany, and Ireland.

**Great-West Lifeco US LLC** is 100% owned by Great-West Lifeco Inc. (a Canadian public corporation). Great-West Lifeco US, LLC is the US segment of Great-West Lifeco for reporting purposes.

**Great West Lifeco Inc.** is 66.85 % controlled by Power Financial Corporation (a Canadian public corporation). Great-West Lifeco is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance business operating in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life.

**Power Financial Corporation** is 100% owned by Power Corporation of Canada (a Canadian public corporation). Power Financial Corporation is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe. It also has significant holdings in a portfolio of global companies based in Europe.

**Power Corporation of Canada** (a Canadian public corporation) is 50.88% controlled by the Desmarais Family Residuary Trust. Power Corporation of Canada is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

**The Desmarais Family Residual Trust** controls 50.88% of the votes attached to the outstanding voting shares of Power Corporation of Canada. The Desmarais Family Residuary Trust is a testamentary trust for the benefit of members of the family of The Honorable Paul G. Desmarais.

**BOARD OF DIRECTORS**

Management of the Company is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2020:

<b>Name and Address</b>	<b>Principal Occupation</b>
Jean-Francois Poulin Blue Bell, Pennsylvania	Chairman & CEO Canada Life Reinsurance Company
Michael Leon Browne Collegeville, Pennsylvania	Retired
Albert Louis Denton Blue Bell, Pennsylvania	Registered Investment Advisor Borer Denton & Associates, Inc.
Raymond Joseph Hazel Blue Bell, Pennsylvania	SVP of Finance, CFO, Chief Compliance Officer and Corporate Secretary Canada Life Reinsurance Company
Michael David Mulcahy Blue Bell, Pennsylvania	President Canada Life Reinsurance Company
Alison Jodie Saifer New Hope, Pennsylvania	Actuary- Consultant Actuarial Management Strategies LLC
Peter John Tucci Warrington, Pennsylvania	Attorney Fox Rothschild LLP

The Company’s By-laws state that the annual meetings and special meetings of shareholders shall be held on such date and time, at such place as may be fixed, from time to time, by the Board. Board members are elected at the Annual Meeting of the Stockholder to serve until the next Annual Meeting and thereafter until his or her successor is elected. Four of the seven members of the Board were determined to be independent in accordance with the Company’s By-laws and in compliance with 40 P.S. § 991.1405(c)(3).

The Company has a written conflict of interest policy that covers directors, officers, and all other employees. The focus of the policy is to ensure that the staff promotes the best interests of the Company and does nothing to materially prejudice its operations. The policy further requires everyone’s best efforts in discharging his or her duties honestly and fairly for the benefit of the Company. Conflict of interest forms were signed and completed on a yearly basis during the examination period.

Each director serves until the next annual meeting of the shareholders, and thereafter until his or her successor is duly elected, or until his or her earlier death, resignation, or removal. The Company’s By-laws state, “A full Board of Directors shall be elected at each annual meeting of the shareholders. Each Director shall hold office from the time of his or her election, but shall be responsible as a Director from such time only if he or she consents to such election; otherwise from the time he or she accepts office or attends his or her first meeting of the Board. Each



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Director shall serve until the next annual meeting of the shareholders, and thereafter until his or her successor is duly elected, or until his or her earlier death, resignation, or removal. The shareholders can elect an alternate for each Director. In the absence of a Director from a meeting of the Board of Directors, his or her alternate may attend the meeting or execute a written consent and exercise at the meeting or in such consent all of the power of the absent Director.”

### COMMITTEES

As of December 31, 2020, the following committees were appointed by the Board and serving in accordance with the Company’s by-laws:

#### **Corporate Governance and Audit Committee**

Michael Leon Browne, Chair  
Albert Louis Denton  
Alison Jodi Saifer  
Peter John Tucci

#### **Reinsurance Committee**

Michael Leon Browne  
Albert Louis Denton, Chair  
Michael David Mulcahy  
Jean-Francois Poulin  
Alison Jodie Saifer

### OFFICERS

As of December 31, 2020, the following officers were appointed and serving in accordance with the Company’s by-laws:

<b>Name</b>	<b>Title</b>
Jean Francois Poulin	Chair & CEO
Michael David Mulcahy	President
Raymond Joseph Hazel	Senior Vice President, Finance & CFO, Corporate Secretary & Chief Compliance Officer
Lonny Dean Meewes	Senior Vice President, Marketing
Katrina Eileen Spillane	Senior Vice President, Structured Life Pricing
Stephen James Connolly	Vice President, Treasurer & Assistant Secretary
Lewis Perley Fickett	Vice President & Senior Counsel
John Christian Knauss	Vice President, Corporate Actuary & Chief Risk Officer

Christine Marie Peloghitis	Chief Operating Officer, Vice President, Treaty & Deal Administration
Olivia Yang	Vice President, Structured In-force Pricing
George Curtis Hawkinson	Assistant Vice President, Reinsurance Accounting
Daniel Craig Maret	Assistant Vice President, IT

## **CORPORATE RECORDS**

### **MINUTES**

A compliance review of corporate minutes revealed the following:

- The annual meetings of the Company's stockholder were held in compliance with its by-laws.
- The stockholder elects directors at such meetings in compliance with the by-laws.
- The stockholder ratified the prior year's actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The Company's investment transactions are approved quarterly by the Board.
- All directors regularly attend Board meetings.
- The Company's Board minutes show approval of its reinsurance contracts.

### **ARTICLES OF INCORPORATION**

Effective on June 1, 2020, the Company amended their Articles of Incorporation ("Articles") to reflect their name change from London Life Reinsurance Company to Canada Life Reinsurance Company. The amendment was approved by the Board of Directors and properly filed with the Department. The amendment was filed with the Department of State on November 2, 2020.

### **BY-LAWS**

Effective June 17, 2017, the Company's by-laws were amended to create the Chief Executive Officer position, that the President will also function as the Chief Operating Officer reporting directly to the CEO and allow that one or more Directors may participate in any regular or special meeting of the Board by means of telephone conference or similar communication. The by-laws were also amended on June 23, 2020 to update the responsibilities of the COO and to rename the Nomination Committee to the Corporate Governance and Audit Committee.

### SERVICE AND OPERATING AGREEMENTS

The Company is party to various service and operating agreements, which includes intercompany and related-party agreements. The following significant agreements were in place during the examination period:

#### Administrative Service Agreements

The Company has an ASA with CLAC, to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. The Company charged \$1,457,000 and \$1,500,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, CLAC, whereby CLAC administers both the run-off of the Company's 9-11 Accident and Health claims and the old Accident and Health business that is in runoff. The Company paid \$33,000 and \$33,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, Canada Life International Reinsurance Corporation Limited ("CLIRCL"), to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. CLIRCL redomiciled to Bermuda effective August 14, 2020, prior to that the CLIRCL was known as London Life International Reinsurance Corporation and was domiciled in Barbados. The Company charged \$1,327,000 and \$806,000 in 2020 and 2019, respectively, under this arrangement.

The Company had an ASA with a former affiliate, London Life Insurance Company—US Branch ("LLIC US"), to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. The ASA was terminated effective January 1, 2020 due to London Life Insurance Company amalgamating into The Canada Life Assurance Company on January 1, 2020. The Company charged \$0 and \$239,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, London Life & Casualty (Barbados) Corporation ("LLCBC"), to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. The Company charged \$591,000 and \$578,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, CLAC, whereby CLAC provides certain IT services including the remote maintenance of the firewall and network connectivity. Up until January 1, 2020 this ASA was with London Life Insurance Company ("LLIC") but is now with CLAC due to "LLIC" amalgamating into CLAC effective January 1, 2020. The Company paid \$7,000 and \$15,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, Empower Retirement, LLC ("Empower"), whereby the Tax Department will complete the tax function for CLRC including tax provisions on a STAT and IFRS (Canadian) bases and the completion of all federal and state tax returns. The ASA also includes internal audit services to be provided by Empower for both Tax and

## Canada Life Reinsurance Company

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Investment functions that are outsourced by the Company to Empower. During 2020 the ASA was amended and Empower replaced Great-West Life & Annuity Insurance Company as the provider of services to CLRC. The Company paid \$67,000 and \$75,000 in 2020 and 2019, respectively, under this arrangement.

The Company had an ASA with a former affiliate, London Life Insurance Company Barbados Branch (“LLICBB”) to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. This ASA was terminated effective January 1, 2020 due to “LLIC” amalgamating into The Canada Life Assurance Company on January 1, 2020. The Company charged \$0 and \$149,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, The Canada Life Assurance Company Barbados Branch (“CLACBB”) to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. The Company charged \$1,404,000 and \$1,962,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, London Life and Casualty Reinsurance Corporation (“LLCRC”) to provide assistance in underwriting certain reinsurance transactions and other consulting on reinsurance related matters as mutually agreed upon. The Company charged \$163,000 and \$22,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, The Canada Life Assurance Company—US Branch (“CLAUS”), whereby the Company performs functions (marketing, underwriting, claims review, and human resources) to assist in the CLAUS Reinsurance operations in the United States. This ASA requires a charge-back of actual time and expense spent by various CLRC personnel providing services to CLAUS. The Company charged \$6,794,000 and \$6,069,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, Great-West Life & Annuity Insurance Company of South Carolina (“GWL&ASC”) to provide services that include drafting of agreements, evaluation and complying with insurance laws and regulations, along with transaction marketing and structuring services which may include actuarial services. The Company charged \$60,000 and \$50,000 in 2020 and 2019, respectively, under this arrangement.

The Company has an ASA with an affiliate, Canada Life International Reinsurance (Barbados) Corporation (“CLIRBC”) to provide services that include drafting of agreements, evaluating and complying with insurance laws and regulations, actuarial services, pricing, marketing, deal administration and claims review. This is a new ASA agreement that had an effective date of October 1, 2020. The Company charged \$73,000 in 2020 under this arrangement.

There were various amendments filed during the examination period for the above referenced Administrative service agreements. All amendments during the examination period were filed on a Form D prior to approval from the PID. All of the amendments filed on the various Form D's were found to be in compliance with 40 P.S. § 991.1405(a)(2). All of the

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amendments met the fair and reasonable standards in 40 P.S. § 991.1405(a)(1), as stated in the Form D filing.

### Investment Management Agreement

The Company has an Investment Management Agreement with an affiliate, Great-West Life & Annuity Insurance Company (“GWL&A”), whereby GWL&A manages certain invested assets of the Company. The Company paid \$85,000 and \$134,000 in 2020 and 2019, respectively, under this arrangement.

### Tax Sharing and Allocation Agreement

Effective December 31, 2002, the Company entered into a consolidated federal income tax sharing agreement with its parent, LRG (US), and its affiliate, London Life International Reinsurance Corporation. The tax sharing agreement allocates income tax based upon separate return calculations on a pro forma basis. The Company records the same tax expense or refund as if it was still filing a separate return. The method of allocation between the companies is subject to the written agreement which has been approved by the Board of Directors.

## REINSURANCE

### CEDED

The Company retro-cedes assumed business to affiliated companies: Canada Life International Reinsurance Corporation, Canada Life Reinsurance International (Barbados) Corporation, and to numerous non-affiliated companies.

As of December 31, 2020, ceded reinsurance is summarized in Schedule S Part 3 as follows:

<u>Type of Business and Source</u>	<u>Premium Ceded</u>
Life Insurance and Annuities (L&A)	
Nonaffiliated Insurers	\$55,083,000
Affiliated Insurers	\$305,754,000
Total Life Insurance and Annuities	<u>\$360,837,000</u>
Accident and Health Insurance (A&H)	
Nonaffiliated Insurers	\$0
Affiliated Insurers	5,395,000
Total Accident and Health Insurance	<u>\$5,395,000</u>
Combined	
Nonaffiliated Insurers	\$55,083,000
Affiliated Insurers	311,149,000
Total 2020 Combined Reinsurance Premiums Ceded	<u>\$366,232,000</u>

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The following are the five largest reinsurance deals reported by the Company, ranked by ceded premium, as of December 31, 2020:

<u>Assuming Company Name</u>	<u>Type of Business</u>	<u>Total Premium</u>
Canada Life International Reinsurance (Barbados)	L&H	\$245,121,000
Union Hamilton Reinsurance Limited	L&A	55,016,000
Canada Life International Reinsurance Corporation	L&H	47,704,000
Canada Life International Reinsurance (Barbados)	L&H	13,789,000
Canada Life International Reinsurance (Barbados)	A&H	3,174,000
Total of Top Five as of December 31, 2020		<u>\$364,804,000</u>
Total for the Year Ended December 31, 2020		<u>\$366,232,000</u>
Percentage of total premiums assumed for the year ended December 31, 2020 attributable to the top five retrocessionaries		99.61%

All reinsurance contracts contain the proper insolvency and arbitration clauses. Additionally, all contracts transfer risk as outlined in SSAP No. 61R.

## ASSUMED

As of December 31, 2020, the assumed reinsurance premium is summarized in Schedule S Parts 1 and 2 as follows:

<u>Type of Business and Source</u>	<u>Premium Assumed</u>
Life Insurance and Annuities (L&A)	
Nonaffiliated Insurers	\$366,641,000
Affiliated Insurers	0
Total Life Insurance and Annuities	<u>\$366,641,000</u>
Combined	
Nonaffiliated Insurers	\$366,641,000
Affiliated Insurers	0
Total 2020 Combined Reinsurance Premiums Assumed	<u>\$366,641,000</u>

The following are the five largest reinsurance deals reported by the Company, ranked by assumption premium, as of December 31, 2020:

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<b><u>Ceding Company Name</u></b>	<b><u>Type of Business</u></b>	<b><u>Total Premium</u></b>
Reliance Standard Life Insurance Company	L&A	\$245,570,000
SCOR Global Life Reinsurance Company of Delaware	L&A	55,016,000
The Ohio National Life Assurance Corporation	L&A	47,709,000
First Reliance Standard Life Insurance Company	L&A	13,822,000
Equitable Financial Life Insurance Company	L&A	2,539,000
Total of Top Five as of December 31, 2015		<u>\$364,656,000</u>
Total for the Year Ended December 31, 2015		<u>\$372,112,757</u>
Percentage of total premiums assumed for the year ended December 31, 2020 attributable to the top five cedants		98.0%

All assumed reinsurance contracts contain an appropriate insolvency clause as required under 40 P.S. § 442.1(c) and SSAP No. 62 Paragraph 8 (a). Additionally, all reinsurance contracts transfer risk.

### **TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed in all fifty states and the District of Columbia, except for Maine, New York, Vermont, and Virginia. In New York, Vermont, and Virginia, the Company is an accredited reinsurer. The Company is also a qualified reinsurer in Puerto Rico and a registered reinsurer in Bolivia, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Paraguay, Peru and Venezuela.

The Company reinsures a variety of annuity, life insurance, and disability insurance products. It retrocedes assumed business to affiliated companies and to numerous non-affiliated companies. The Company also reinsures a small number of straight mortality risks on a yearly renewable term basis, as well as some group life business.

Between 1998 and 2011, the Company was a direct writer of Medical Stop-Loss insurance and was authorized to sell its products in forty-four states and the District of Columbia. All such business has since completely run-off.

Large accident and health blocks of assumed business have been developed and are composed of credit accident and health business and group medical business, nearly all of which is retroceded to London Life International Reinsurance Corporation, London Life and Casualty (Barbados) Corporation, and London Life & Casualty Reinsurance Corporation.

The following chart summarizes the Company's Direct and Assumed, Ceded and Net Written Premiums by line of business for the year 2020:

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Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
<b>December 31, 2020</b>				
Ordinary life	\$ 102,725,474	\$ 102,720,004	\$ 5,470	0.1%
Credit life	1,932,935	1,927,830	5,105	0.1%
Group life	259,391,919	258,910,187	481,732	8.2%
Individual annuities	2,590,868	(2,720,419)	5,311,287	90.3%
Group accident and health	824	1	823	0.0%
Credit accident and health	5,471,554	5,394,658	76,896	1.3%
Totals	<u>\$ 372,113,574</u>	<u>\$ 366,232,261</u>	<u>\$ 5,881,313</u>	<u>100.0%</u>

## SIGNIFICANT OPERATING TRENDS

The following table indicates the growth of the Company during the period covered by this examination:

	2020	2019	2018	2017	2016
Admitted Assets	\$ 99,851,694	\$ 144,105,256	\$ 154,312,824	\$ 203,991,749	\$ 289,306,204
Liabilities	\$ 65,988,647	\$ 84,706,301	\$ 91,145,689	\$ 145,724,880	\$ 230,767,415
Capital and Surplus Funds	\$ 33,863,047	\$ 59,398,955	\$ 63,167,135	\$ 58,266,869	\$ 58,538,789
Net Premiums Written	\$ 5,881,313	\$ 2,287,028	\$ (55,620,737)	\$ 1,142,877	\$ 1,525,015
Benefits to Members	\$ 460,390	\$ 16,020,946	\$ 3,097,440	\$ 8,501,779	\$ 10,713,102
Net Investment Income	\$ 1,229,530	\$ 2,181,519	\$ 3,489,716	\$ 4,028,079	\$ 4,737,168
Net Income	\$ 3,280,511	\$ (2,898,222)	\$ 4,725,512	\$ 912,013	\$ 2,326,070

Between 2016 and 2020, total admitted assets decreased by \$189,454,510 or 65.49%, and liabilities decreased \$164,778,768, or 71.40%. These decreases were primarily attributable to the continued run-off of the Company's reinsurance treaties, both assumed and ceded.

Since the prior examination, the Company has experienced the following changes in its total number of certificates in-force, the overall amount of insurance in-force, and the average amount of insurance in-force per policy:

	Certificates In Force	Insurance In Force	Average Policy In Force
<b>Ordinary Life</b>			
December 31, 2020	568,485	\$ 12,807,000	\$ 23
December 31, 2015	776,901	12,913,000	17
Net Increase/(decrease)	<u>(208,416)</u>	<u>\$ (106,000)</u>	<u>\$ 6</u>
<b>Group Life</b>			
December 31, 2015	2,802,746	0	0
Net Increase/(decrease)	<u>(2,802,746)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Group Accident and Health</b>			
December 31, 2020	37	\$ 1,000	\$ 27
December 31, 2015	1,556	458,000	294
Net Increase/(decrease)	<u>(1,519)</u>	<u>\$ (457,000)</u>	<u>\$ (267)</u>



The number of certificates and average policy in-force at December 31, 2020, decreased since the prior examination. As the Company is in runoff, the number of certificates and average policy in force are expected to continue to decrease in subsequent years.

### **PENDING LITIGATION**

As of the date of this examination report, Company Management attested that the Company was not involved in an litigation and was not aware of any threatened litigation that could have a material adverse effect on its financial condition.

### **FINANCIAL STATEMENTS**

The financial condition of the Company, as of December 31, 2020, and the results of its operations for the December 1, 2016 to December 1, 2020, period under examination, are reflected in the following statements\*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;  
Comparative Statement of Income;  
Comparative Statement of Capital and Surplus;  
Comparative Statement of Cash Flow

\*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

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## Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2020	2019	2018	2017	2016
Bonds	\$ 36,620,050	\$ 68,735,985	\$ 74,422,549	\$ 137,675,055	\$ 147,992,321
Preferred stocks	0	(0)	0	2,582,283	2,582,283
Cash, cash equivalents and short-term investments	10,104,343	16,053,924	15,350,742	7,594,555	23,820,370
Receivable for securities	0	0	0	147,691	130,815
Subtotal, cash and invested assets	<u>46,724,393</u>	<u>84,789,908</u>	<u>89,773,291</u>	<u>147,999,584</u>	<u>174,525,789</u>
Investment income due and accrued	198,012	514,534	583,411	1,066,681	1,083,779
Premiums and considerations	0	0	74	12,080	12,092
Funds held by or deposited with reinsured companies	1,872,899	12,523,606	12,609,114	12,620,948	72,460,709
Other amounts receivable under reinsurance contracts	46,489,579	41,257,802	46,746,653	38,060,948	37,015,608
Current federal and foreign income tax recoverable and interest thereon	609,684	579,426	334,437	648,338	516,644
Net deferred tax asset	746,735	1,783,982	782,152	875,355	1,197,312
Electronic data processing equipment and software	0	634	6,514	12,294	18,709
Receivable from parent, subsidiaries and affiliates	3,210,392	2,655,365	3,477,178	2,695,521	2,475,562
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>99,851,694</u>	<u>144,105,257</u>	<u>154,312,824</u>	<u>203,991,749</u>	<u>289,306,204</u>
Total	<u>\$ 99,851,694</u>	<u>\$ 144,105,256</u>	<u>\$ 154,312,824</u>	<u>\$ 203,991,749</u>	<u>\$ 289,306,204</u>
Aggregate reserve for life contracts	\$ 49,439,236	\$ 39,617,989	\$ 44,894,083	\$ 92,619,051	\$ 98,201,174
Aggregate reserve for accident and health contracts	1,078,752	1,118,560	16,530,149	18,663,053	19,537,592
Contract claims:					
Life	131,425	143,316	153,315	177,898	188,592
Accident and health	2,016,798	15,449,347	2,233,740	4,051,715	5,489,818
Contract liabilities not included elsewhere:					
Provision for experience rating refunds	3,950,815	4,459,312	5,045,734	5,717,606	5,228,308
Other amounts payable on reinsurance assumed and ceded	3,084,599	6,966,923	2,006,219	4,724,685	15,821,357
Interest maintenance reserve	648,387	(321,380)	(326,213)	743,818	1,063,239
Commissions to agents due or accrued	0	11	11	11	22
General expenses due or accrued	2,644,969	3,286,575	3,459,777	1,808,541	1,660,087
Taxes, licenses and fees due or accrued	394,469	365,556	268,290	192,871	321,175
Liability for benefits for employees and agents if not included above	5,653	13,271	13,526	21,918	12,204
Miscellaneous liabilities:					
Asset valuation reserve	230,189	462,278	857,290	1,099,492	1,143,074
Funds held under reinsurance treaties with unauthorized reinsurers	2,117,355	13,020,294	14,709,942	15,867,249	82,058,599
Payable to parent, subsidiaries and affiliates	246,000	124,250	8,250	8,250	15,000
Funds held under coinsurance	0	0	0	28,722	27,174
Payable for securities	0	0	1,291,576	0	0
Total liabilities excluding Separate Accounts business	<u>65,988,647</u>	<u>84,706,301</u>	<u>91,145,689</u>	<u>145,724,880</u>	<u>230,767,415</u>
Total liabilities	<u>65,988,647</u>	<u>84,706,301</u>	<u>91,145,689</u>	<u>145,724,880</u>	<u>230,767,415</u>
Common capital stock	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Gross paid in and contributed surplus	12,336,812	40,336,812	40,336,812	40,336,812	40,336,812
Unassigned funds (surplus)	7,526,235	5,062,143	8,830,323	3,930,057	4,201,977
Surplus	<u>19,863,047</u>	<u>45,398,955</u>	<u>49,167,135</u>	<u>44,266,869</u>	<u>44,538,789</u>
Total capital and surplus	<u>33,863,047</u>	<u>59,398,955</u>	<u>63,167,135</u>	<u>58,266,869</u>	<u>58,538,789</u>
Totals	<u>\$ 99,851,694</u>	<u>\$ 144,105,256</u>	<u>\$ 154,312,824</u>	<u>\$ 203,991,749</u>	<u>\$ 289,306,204</u>

### Comparative Statement of Income For the Year Ended December 31,

	2020	2019	2018	2017	2016
Premiums and annuity considerations for life and A&H contracts	\$ 5,881,313	\$ 2,287,028	\$ (55,620,737)	\$ 1,142,877	\$ 1,525,015
Net investment income	1,229,530	2,181,519	3,489,716	4,028,079	4,737,168
Amortization of interest maintenance reserve (IMR)	95,278	25,669	165,682	302,487	374,375
Commissions and expense allowances on reinsurance ceded	12,298,647	35,572,932	17,856,731	24,491,111	31,578,446
Reserve adjustments on reinsurance ceded	4,721,895	(6,701,339)	(774,343,339)	335,029,745	(22,412,699)
Miscellaneous Income:					
Aggregate write-ins for miscellaneous income	12,123,604	11,690,945	797,155,948	(327,225,433)	31,393,849
Totals	<u>36,350,267</u>	<u>45,056,754</u>	<u>(11,295,999)</u>	<u>37,768,866</u>	<u>47,196,154</u>
Death benefits	(2,348)	(1,802)	836	(2,891)	(6,791)
Annuity benefits	160,558	48,257	49,061	53,449	58,050
Disability benefits and benefits under accident and health contracts	302,180	15,974,492	1,222,491	2,173,132	3,369,087
Surrender benefits and withdrawals for life contracts	0	0	1,825,052	6,278,089	7,292,756
Increase in aggregate reserves for life and A&H policies and contracts	9,781,439	(20,687,683)	(49,857,872)	(6,456,662)	(10,063,151)
Totals	<u>10,241,829</u>	<u>(4,666,737)</u>	<u>(46,760,432)</u>	<u>2,045,117</u>	<u>649,951</u>
Commissions on premiums, annuity considerations & deposit-type funds (direct)	123	134	134	134	134
Commissions and expenses allowances on reinsurance assumed	12,201,602	40,425,353	17,862,936	24,398,564	31,650,614
General insurance expenses	10,219,885	10,708,392	11,174,733	8,665,690	7,508,616
Insurance taxes, licenses and fees	563,937	558,364	534,994	526,446	447,644
Aggregate write-ins for deductions	312,026	405,361	580,432	773,060	4,196,765
Totals	<u>33,539,402</u>	<u>47,430,867</u>	<u>(16,607,203)</u>	<u>36,409,011</u>	<u>44,453,724</u>
Net gain from operations before dividends to policyholders and federal income taxes	<u>2,810,865</u>	<u>(2,374,113)</u>	<u>5,311,204</u>	<u>1,359,855</u>	<u>2,742,430</u>
Net gain from operations after dividends to policyholders and before federal income taxes	2,810,865	(2,374,113)	5,311,204	1,359,855	2,742,430
Federal and foreign income taxes incurred (excluding tax on capital gains)	(469,767)	524,092	673,315	404,325	410,790
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	3,280,632	(2,898,205)	4,637,889	955,530	2,331,640
Net realized capital gains or (losses) less capital gains tax (excluding gains/losses transferred to the IMR)	(121)	(17)	87,623	(43,517)	(5,570)
Net income	<u>\$ 3,280,511</u>	<u>\$ (2,898,222)</u>	<u>\$ 4,725,512</u>	<u>\$ 912,013</u>	<u>\$ 2,326,070</u>

**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

	2020	2019	2018	2017	2016
Capital and surplus, December 31, previous year	\$ 59,398,955	\$ 63,167,135	\$ 58,266,869	\$ 58,538,789	\$ 57,413,344
Net income	3,280,511	(2,898,222)	4,725,512	912,013	2,326,070
Change in net unrealized capital gains or (losses)	0	0	25,571	22,155	24,091
Change in net unrealized foreign exchange capital gain (loss)	(55,020)	30,224	(24,644)	358,211	(240,485)
Change in net deferred income tax	(1,056,010)	998,995	(331,300)	(967,555)	(299,402)
Change in nonadmitted assets	62,523	79,565	262,925	173,773	162,750
Change in liability for reinsurance in unauthorized companies	0	0	0	0	80
Change in reserve on account of changes in valuation basis (increase) or decrease	0	0	0	0	(363,628)
Change in asset valuation reserve	232,089	395,012	242,202	43,582	173,857
Surplus adjustments:					
Paid in	(28,000,000)	0	0	0	0
Dividends to stockholders	(0)	(2,373,754)	0	(814,100)	(817,121)
Aggregate write-ins for gains and losses in surplus	0	0	0	0	159,233
Net change in capital and surplus for the year	(25,535,907)	(3,768,180)	4,900,266	(271,920)	1,125,445
Capital and surplus, December 31, current year	\$ 33,863,047	\$ 59,398,955	\$ 63,167,135	\$ 58,266,869	\$ 58,538,789

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### Comparative Statement of Cash Flow For the Year Ended December 31,

	2020	2019	2018	2017	2016
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 5,372,816	\$ 1,700,983	\$ (56,292,608)	\$ 1,632,187	\$ 6,753,595
Net investment income	1,630,071	2,432,271	4,272,209	4,450,638	5,139,037
Miscellaneous Income	29,144,146	40,562,538	40,669,340	32,295,423	40,559,596
Total	<u>36,147,033</u>	<u>44,695,792</u>	<u>(11,351,059)</u>	<u>38,378,248</u>	<u>52,452,228</u>
Benefit and Loss related Payments	12,368,224	(7,719,724)	16,332,335	(37,747,173)	5,993,965
Commissions, expenses paid and aggregate write-ins for deductions	23,910,277	52,173,539	28,426,574	34,343,755	43,529,286
Federal and foreign income taxes paid (recovered)	(156,428)	777,184	142,310	503,468	1,120,777
Total deductions	<u>36,122,073</u>	<u>45,231,000</u>	<u>44,901,219</u>	<u>(2,899,950)</u>	<u>50,644,028</u>
Net Cash from Operations	<u>24,960</u>	<u>(535,208)</u>	<u>(56,252,278)</u>	<u>41,278,198</u>	<u>1,808,200</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	54,099,227	25,773,714	83,819,992	41,123,109	79,026,506
Stocks	0	0	2,800,000	0	0
Net gain or (loss) on cash, cash equivalents and short term investments	19,645	7,040	(6,403)	(1,212)	0
Miscellaneous applications	0	0	1,439,728	0	0
Total investment proceeds	<u>54,118,872</u>	<u>25,780,754</u>	<u>88,053,317</u>	<u>41,121,897</u>	<u>79,026,506</u>
Cost of investments acquired (long-term only):					
Bonds	20,738,759	20,237,449	22,079,792	31,262,223	49,789,172
Miscellaneous applications	69,839	1,291,684	0	17,300	146,986
Total investments acquired	<u>20,808,598</u>	<u>21,529,133</u>	<u>22,079,792</u>	<u>31,279,523</u>	<u>49,936,158</u>
Net cash from investments	<u>33,310,274</u>	<u>4,251,621</u>	<u>65,973,525</u>	<u>9,842,374</u>	<u>29,090,348</u>
<b>Cash from Financing and Miscellaneous Sources</b>					
Cash provided (applied):					
Capital and paid in surplus, less treasury stock	(28,000,000)	0	0	0	0
Dividends to stockholders	0	2,373,754	0	814,100	817,121
Other cash provided or (applied)	(11,284,814)	(639,478)	(1,965,038)	(66,532,310)	(17,657,188)
Net cash from financing and miscellaneous sources	<u>(39,284,814)</u>	<u>(3,013,232)</u>	<u>(1,965,038)</u>	<u>(67,346,410)</u>	<u>(18,474,309)</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	(5,949,580)	703,181	7,756,209	(16,225,838)	12,424,239
Cash and short-term investments:					
Beginning of the year	<u>16,053,923</u>	<u>15,350,741</u>	<u>7,594,532</u>	<u>23,820,370</u>	<u>11,396,131</u>
End of the year	<u>\$ 10,104,343</u>	<u>\$ 16,053,923</u>	<u>\$ 15,350,741</u>	<u>\$ 7,594,532</u>	<u>\$ 23,820,370</u>

**SUMMARY OF EXAMINATION CHANGES**

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

**NOTES TO FINANCIAL ITEMS****ASSETS****INVESTMENTS**

As of December 31, 2020, the Company's invested assets were distributed as follows:

Bonds	\$ 36,620,050	78.4 %
Cash	3,400,924	7.3 %
Cash equivalents	2,452,874	5.2 %
Short-term investments	4,250,544	9.1 %
Totals	<u>\$46,724,392</u>	<u>100.0 %</u>

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

<b>NAIC Designation</b>	<b>Amount</b>	<b>Percentage</b>
1 - highest quality	\$ 29,890,430	73.1 %
2 - high quality	10,559,866	25.8 %
5 - lower quality	420,300	1.0 %
Totals	<u>\$40,870,596</u>	<u>100.0 %</u>

<b>Years to Maturity</b>	<b>Amount</b>	<b>Percentage</b>
1 year or less	\$ 10,280,176	25.2 %
2 to 5 years	24,847,523	60.8 %
6 to 10 years	4,578,967	11.2 %
11 to 20 years	1,049,542	2.6 %
over 20 years	114,385	0.2 %
Totals	<u>\$40,870,596</u>	<u>100.0 %</u>

The Company's investment function is managed by an affiliate, Great West Life & Annuity Insurance Company, located in Denver, Colorado. The Company's invested assets are of excellent quality, comprised almost entirely of investment grade bonds, cash and short term instruments. Its bond portfolio is diversified among U.S. Government and public corporate issues. As of December 31, 2020, bonds accounted for 78.4% of the \$46.7 million portfolio, and

cash and short-term investments represented 12.5% of the portfolio. In addition, 95.7% of the bonds and short-term investments received an NAIC designation of “1” highest quality.

The Company holds its investment portfolio in custody accounts with The Bank of New York Mellon Corporation, N.A. The corresponding custodial agreements were reviewed during the examination and were determined to be in compliance with 31 Pa. Code §148 a.3.

The Company has a written investment policy as required by 40 P.S. § 504.1(c). The investment policy is reviewed and approved on an annual basis by the Board. The investment objective is to acquire and manage a portfolio of assets to produce the returns required to support the various kinds of policyholder obligations the Company assumes and to contribute appropriately to overall corporate profitability. As of December 31, 2020, the Company appeared to be following its investment policy.

## **LIABILITIES**

### **POLICYHOLDER AND CLAIM RESERVES**

John C. Knauss, FSA, MAAA, Vice President and Corporate Actuary of the Company, was the appointed actuary (“AA”) for the period under examination. For each year within the examination period, the AA issued Statements of Actuarial Opinion concluding that a reasonable provision was made for the Company’s reserves and the reserves fell within a reasonable range. The AA reports stated that the reserves were computed in conformity with the Standards of Practice as promulgated by the Actuarial Standards Board.

Deloitte & Touche, LLP, the Company’s independent auditor, performed separate, independent actuarial analyses of reserves as of December 31, 2020. Their analyses also concluded that reserves were within acceptable ranges and, therefore, were fairly stated.

As part of this examination, the Department engaged the services of Baker Tilly US, LLP (“Baker Tilly”), to assist the examination team in performing a risk-focused review of the Company’s reserving practices. The risk-focused review included reviewing the reserve process documentation and controls along with the underlying support maintained by the Company. Jake Powell and Felix Peysakhovich, ASA, MAAA, from Baker Tilly, conducted a review of the actuarial assumptions and methodologies used in determining reserves. The reviews concluded that there were no material, unresolved issues, or problems related to the calculation of the Company’s reserves. Based upon all procedures performed and results obtained, the actuarial and examination staff obtained evidence to support the conclusion that loss reserves are reasonably stated as of December 31, 2020.

## **SUBSEQUENT EVENTS**

Canada Life Capital Corporation Inc., GWLC Holdings Inc., London Life Financial Corporation, and London Reinsurance Group Inc. amalgamated into a single company ("Amalco Holdco") that was named Canada Life Capital Corporation Inc. (the "Amalgamation"). After

giving effect to the amalgamation, effective January 1, 2021, CLAC now directly holds 100% of the voting securities of Maaco Holdco. After giving effect to the Amalgamation, Amalco Holdco now directly holds 100% of the voting securities of LRG (US) Inc. Canada Life Reinsurance Company will remain a direct wholly owned subsidiary of LRG (US) Inc.

The Company executed a commutation of a reinsurance agreement with SCOR that was effective January 1, 2021. The Company reinsured a block of YRT business from SCOR and in turn retroceded 100% of the business. A portion was retroceded to Union Hamilton (Bermuda) on a co-modco basis and the remainder is ceded on a coinsurance basis to SCOR Barbados. SCOR Barbados provided a stop-loss on all business.

The Company experienced a few changes in their board and officer makeup. On May 25, 2021, the Board appointed Michael L. Browne as Chair of the Corporate Governance & Audit Committee for the ensuing year, or until such time as his successor is elected. George C. Hawkinson, Assistant Vice President Reinsurance Accounting resigned from the Board upon his retirement. On February 22, 2021, Crystal Zhou was elected as an officer as Assistant Vice President, Inforce Pricing & Client Reporting. Christine Peloghitis had a title change to Chief Operating officer, Vice President, Treaties. Olivia Yang had a title change to Vice President, Annuity Structured Pricing. On October 12, 2021, Isabelle Plourde was elected an officer as Vice President, Actuarial Modeling

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

## RECOMMENDATIONS

### PRIOR EXAMINATION

The prior examination report contained no recommendations.

### CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.



**CONCLUSION**

As a result of this examination, the financial condition of Canada Life Reinsurance Company, as of April 26, 2022, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 99,851,694	100.0 %
Liabilities	\$ 65,988,647	66.1 %
Capital and Surplus	33,863,047	33.9 %
Total liabilities, capital and surplus	\$ 99,851,694	100.0 %

Since the previous examination, made as of December 31, 2015, the Company's assets decreased by \$201,456,971 its liabilities decreased by \$177,906,674, and its surplus decreased by \$23,550,297.

This examination was conducted by the follow staff members from Baker Tilly: Michael Dubin, FCAS, FSA, MAAA, FCA, TJ Helm, Chandini Kannan, Felix Peysakhovich, ASA, MAAA, Jake Powell, Bridget Pyott, Dennis Schaefer, CISA, CISSP, Russ Sommer, CPA, CISA, and John Romano, CFE, CPA, CITP, CIA, with the latter in charge.

Respectfully submitted,



Matthew C. Milford, CFE  
 Director  
 Bureau of Financial Examinations

*Robert Woronko*

Robert Woronko, CPA, CFE, CISA  
 Examination Manager



John Romano (May 11, 2022 07:36 EDT)  
 John Romano, CFE, CPA, CITP, CIA  
 Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.