

Examination Warrant Number 20-03436-73539-R1

Report of Examination of

**Pillar Life Insurance Company
Harrisburg, Pennsylvania**

As of December 31, 2020

For Informational Purposes Only

Pillar Life Insurance Company

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Harrisburg, Pennsylvania
March 29, 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 20-03436-73539-R1, dated December 16, 2020, an examination was made of

Pillar Life Insurance Company, NAIC Code: 73539

a Pennsylvania domiciled, multi-state stock life insurance company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s administrative office, located at 140 Broadway, 38th floor, New York, New York.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Company, the 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 years ending December 31, 2016 through December 31, 2018, the Company's financial statements were audited by the certified public accounting firm of Brown Smith Wallace, LLP ("CPA"). The CPA issued unmodified opinions on the Provider's year-end financial statements based on statutory accounting principles. For fiscal years ending December 31, 2019 and December 31, 2020, the Company requested an exemption from filing annual audited financial reports based on requirements of 31 Pa Code § 147.13. The Department determined they met the requirements of the exemption.

HISTORY

The Company was incorporated on November 12, 1957, licensed by the Department on January 2, 1958, and commenced business on January 6, 1958. The Company was formerly named and operated as Continental Life Insurance Company. The Department issued an order on December 4, 2018 approving the Assumption Reinsurance Agreement between Continental Life Insurance Company and American Benefit Life Insurance Company which became effective December 31, 2018. On December 31, 2020 American Benefit Life Insurance Company sold the Company to Pillar Insurance LLC. Subsequent to the examination period and effective January 8, 2021, the Company's name was changed to Pillar Life Insurance Company.

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 \$1,686,531, consisting of 110,000 capital shares of issued and outstanding common stock with a par value of \$10.00 per share amounting to \$1,100,000; \$3,889,442 in paid in and contributed surplus; and \$(3,302,911) in unassigned funds (surplus).

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

Pillar Insurance LLC owns 100% of the Company's voting stock and is the ultimate controlling entity.

The Company paid no ordinary dividends to stockholders during the examination period.

An extraordinary dividend of \$1,576,733 was paid on December 31, 2018 to American Benefit Life Insurance Company when the Assumptive Reinsurance Agreement between the Company and American Benefit Life Insurance Company became effective. The Department did not approve, nor was given the required notification of the declaration and payment of extraordinary dividends in accordance with 40 P.S. § 991.1404 and 1405 and 31 Pa. Code § 25.22.

It is recommended that the Company notify the Department of any transactions and agreements between parties in a holding company system as outlined in 40 P.S. § 991.1404 and 1405 and 31 Pa. Code § 25.22.

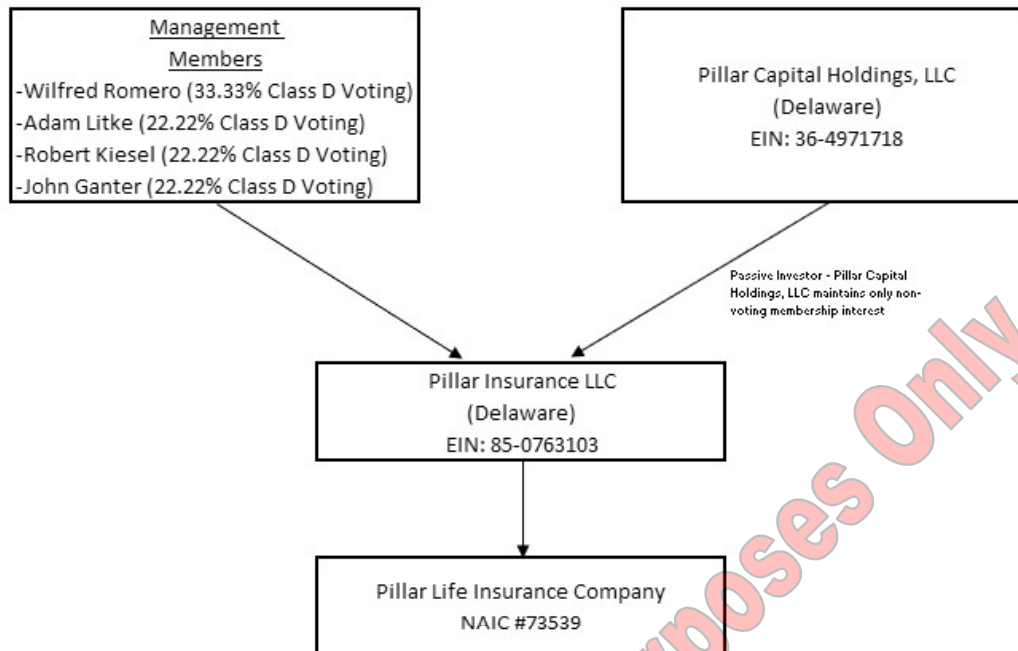
INSURANCE HOLDING COMPANY SYSTEM

The Company meets the requirements for filing an insurance holding company system registration statement, in compliance with 40 P.S. § 991.1404. The insurance holding company statement was filed with the Department on April 29, 2021 and was amended on November 2, 2021.

Wilfred Romero, Adam Litke, Robert Kiesel and John Ganter are named as the ultimate controlling persons of the holding company system. Members of the Holding Company System as of December 31, 2020 are depicted below:

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BOARD OF DIRECTORS

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

Name and Address	Principal Occupation
Joseph Cukier Brooklyn, New York	Propriety Business Owner Noga Oil, LLC
Marcus Fox Woodmere, New York	Chief Executive Officer Isaac Fox Group LLC
John Ganter Peachtree Corners, Georgia	Executive Vice President Pillar Life Insurance Company
Robert Kiesel Chappaqua, New York	President Pillar Life Insurance Company
Adam Litke New York, New York	Chief Operating Officer Pillar Life Insurance Company
Vincent Matsui Brooklyn, New York	Retired
Wilfred Romero Chatham, New Jersey	Chief Executive Officer Pillar Life Insurance Company

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All directors serve a term of one year with renewal at each annual shareholders' meeting. The Company does not currently have a separate conflict of interest policy as it is included in the officer's employment contracts.

COMMITTEES

As of December 31, 2020, there were no active committees due to the Company being acquired by Pillar Insurance LLC on this same date.

OFFICERS

As of December 31, 2020, the Company had no officers actively serving due to the Company being acquired by Pillar Insurance LLC on this same date.

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- Directors were properly elected by the shareholder.
- The actions of the Company's directors and officers were ratified by the shareholder.
- Quorums were present at all directors' meetings.
- Officers were properly appointed.
- Investment transactions are approved by the Investment Committee and ratified by the Board of Directors.
- All directors attend Board meetings regularly.

ARTICLES OF INCORPORATION

There were no changes to the Company's Articles of Incorporation during the examination period.

BY-LAWS

Effective November 28, 2017, the former owners of the Company, American Benefit Life Insurance Company, made changes to the Company's By-Laws. The examination team found that these changes were not reported to the Department's Company Licensing Division.

SERVICE AND OPERATING AGREEMENTS

There were no service and operating agreements in force as of the examination date.

REINSURANCE

CEDED

As of December 31, 2020, the Company had no ceded reinsurance. Effective December 31, 2018 all in-force policies originally written by the Company were assumed by its' parent/affiliate, American Benefit Life Insurance Company.

ASSUMED

The Company did not assume any business during the examination period.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in Pennsylvania and Delaware. It has been inactive since December 31, 2018 and has not written any business for the calendar years of 2019 and 2020. The Company expects to begin writing new business during calendar year 2021.

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	\$ 1,687,281	\$ 1,669,804	\$ 1,694,844	\$ 26,802,357	\$ 25,626,353
Liabilities	\$ 750	\$ 750	\$ 9,625	\$ 24,111,656	\$ 23,054,708
Capital and Surplus Funds	\$ 1,686,531	\$ 1,669,054	\$ 1,685,219	\$ 2,690,701	\$ 2,571,645
Net Premiums Written	\$ 0	\$ 0	\$ 4,915,271	\$ 4,827,558	\$ 4,617,782
Benefits to Members	\$ 0	\$ 0	\$ 2,239,583	\$ 2,068,643	\$ 2,039,553
Net Investment Income	\$ 24,865	\$ (128)	\$ 1,306,483	\$ 1,244,340	\$ 1,211,498
Net Income	\$ 17,498	\$ (16,165)	\$ 532,595	\$ 128,192	\$ 497,056

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:

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	<u>Certificates In Force</u>	<u>Insurance In Force</u>	<u>Average Policy In Force</u>
<u>Ordinary Life</u>			
December 31, 2020	0	\$ 0	\$ 0
December 31, 2015	22,697	176,211,000	7,764
Net Increase/(decrease)	<u>(22,697)</u>	<u>\$ (176,211,000)</u>	<u>\$ (7,764)</u>
<u>Industrial Life</u>			
December 31, 2020	0	\$ 0	\$ 0
December 31, 2015	10,382	12,428,000	1,197
Net Increase/(decrease)	<u>(10,382)</u>	<u>\$ (12,428,000)</u>	<u>\$ (1,197)</u>
<u>Ordinary Accident and Health</u>			
December 31, 2020	0	\$ 0	\$ 0
December 31, 2015	447	40,880	91
Net Increase/(decrease)	<u>(447)</u>	<u>\$ (40,880)</u>	<u>\$ (91)</u>

PENDING LITIGATION

As of the date of this examination report, Company Management attested that the Company was not involved in any 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 five-year 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

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

	2020	2019	2018	2017	2016
Bonds	\$ 0	\$ 0	\$ 1,628,800	\$ 18,622,061	\$ 17,784,318
Mortgage loans on real estate	0	0	0	3,987,142	3,663,433
Real estate	0	0	0	443,889	463,089
Cash, cash equivalents and short-term investments	1,686,781	1,669,304	5	102,142	376,016
Contract loans	0	0	0	1,468,179	1,287,361
Subtotal, cash and invested assets	1,686,781	1,669,304	1,628,805	24,623,413	23,574,217
Investment income due and accrued	0	0	35,481	313,737	271,003
Premiums and considerations	0	0	0	739,803	731,034
Funds held by or deposited with reinsured companies	0	0	0	509,147	515,849
Other amounts receivable under reinsurance contracts	0	0	0	17,263	0
Current federal and foreign income tax recoverable and interest thereon	0	0	30,000	30,000	30,000
Net deferred tax asset	0	0	0	350,889	335,239
Guaranty funds receivable or on deposit	500	500	558	930	0
Electronic data processing equipment and software	0	0	0	553	1,474
Receivable from parent, subsidiaries and affiliates	0	0	0	141,935	109,488
Aggregate write-ins for other than invested assets	0	0	0	74,687	58,049
Total	\$ 1,687,281	\$ 1,669,804	\$ 1,694,844	\$ 26,802,357	\$ 25,626,353
Aggregate reserve for life contracts	\$ 0	\$ 0	\$ 0	\$ 23,068,675	\$ 22,214,548
Aggregate reserve for accident and health contracts	0	0	0	1,101	17,912
Contract claims:					
Life	0	0	0	341,531	335,620
Accident and health	0	0	0	1,000	3,000
Premiums and annuity considerations received in advance	0	0	0	24,566	22,294
Contract liabilities not included elsewhere:					
Other amounts payable on reinsurance assumed and ceded	0	0	0	0	10,914
Interest maintenance reserve	0	0	0	206,791	98,501
Commissions to agents due or accrued	0	0	0	517	0
General expenses due or accrued	0	0	0	67,680	81,710
Taxes, licenses and fees due or accrued	750	750	9,625	4,723	2,074
Unearned investment income	0	0	0	50,076	44,552
Amounts withheld or retained by company as agent or trustee	0	0	0	115,064	8,703
Amounts held for agents' account	0	0	0	27,617	27,991
Liability for benefits for employees and agents if not included above	0	0	0	14,801	15,787
Miscellaneous liabilities:					
Asset valuation reserve	0	0	0	146,396	123,045
Payable to parent, subsidiaries and affiliates	0	0	0	0	38,452
Aggregate write-ins for liabilities	0	0	0	41,118	9,605
Total liabilities	750	750	9,625	24,111,656	23,054,708
Common capital stock	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Gross paid in and contributed surplus	3,889,442	3,889,463	3,889,463	3,889,463	3,889,463
Unassigned funds (surplus)	(3,302,911)	(3,320,409)	(3,304,244)	(2,298,762)	(2,417,818)
Surplus	586,531	569,054	585,219	1,590,701	1,471,645
Total capital and surplus	1,686,531	1,669,054	1,685,219	2,690,701	2,571,645
Totals	\$ 1,687,281	\$ 1,669,804	\$ 1,694,844	\$ 26,802,357	\$ 25,626,353

**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	\$ 0	\$ 0	\$ 4,915,271	\$ 4,827,558	\$ 4,617,782
Net investment income	24,865	(128)	1,306,483	1,244,340	1,211,498
Amortization of interest maintenance reserve (IMR)	0	0	44,771	46,276	47,064
Commissions and expense allowances on reinsurance ceded	0	0	18,490	17,313	15,445
Miscellaneous Income:					
Aggregate write-ins for miscellaneous income	0	0	202,736	203,314	162,043
Totals	24,865	(128)	6,487,751	6,338,801	6,053,832
Death benefits	0	0	1,860,210	1,765,471	1,789,253
Matured endowments	0	0	5,625	(1,350)	1,986
Disability benefits and benefits under accident and health contracts	0	0	3,971	5,100	2,541
Surrender benefits and withdrawals for life contracts	0	0	369,777	299,422	245,773
Increase in aggregate reserves for life and A&H policies and contracts	0	0	871,979	837,316	719,836
Totals	0	0	3,111,562	2,905,959	2,759,389
Commissions on premiums, annuity considerations & deposit-type funds (direct)	0	0	1,268,913	1,210,161	960,106
Commissions and expenses allowances on reinsurance assumed	0	0	1,011	830	5,067
General insurance expenses	2,417	12,882	1,382,508	1,772,130	1,648,102
Insurance taxes, licenses and fees	3,971	3,155	222,367	317,181	203,834
Increase in loading on deferred and uncollected premiums	0	0	(29,046)	9,047	(19,722)
Totals	6,388	16,037	5,957,315	6,215,308	5,556,776
Net gain from operations before dividends to policyholders and federal income taxes	18,477	(16,165)	530,436	123,493	497,056
Net gain from operations after dividends to policyholders and before federal income taxes	18,477	(16,165)	530,436	123,493	497,056
Federal and foreign income taxes incurred (excluding tax on capital gains)	979	0	(2,159)	(4,699)	0
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	17,498	(16,165)	532,595	128,192	497,056
Net income	\$ 17,498	\$ (16,165)	\$ 532,595	\$ 128,192	\$ 497,056

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

	2020	2019	2018	2017	2016
Capital and surplus, December 31, previous year	\$ 1,669,054	\$ 1,685,219	\$ 2,690,701	\$ 2,571,645	\$ 2,054,690
Net income	17,498	(16,165)	532,595	128,192	497,056
Change in net deferred income tax	(2,902)	2,902	(109,269)	(877,229)	(204,876)
Change in nonadmitted assets	2,902	(2,902)	182,473	891,443	249,075
Change in asset valuation reserve	0	0	(34,548)	(23,350)	(24,300)
Dividends to stockholders	0	0	(1,576,733)	0	0
Aggregate write-ins for gains and losses in surplus	(21)	0	0	0	0
Net change in capital and surplus for the year	17,477	(16,165)	(1,005,482)	119,056	516,955
Capital and surplus, December 31, current year	<u>\$ 1,686,531</u>	<u>\$ 1,669,054</u>	<u>\$ 1,685,219</u>	<u>\$ 2,690,701</u>	<u>\$ 2,571,645</u>

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

	2020	2019	2018	2017	2016
Cash from Operations					
Premiums collected net of reinsurance	\$ 0	\$ 0	\$ 4,932,478	\$ 4,812,014	\$ 4,636,066
Net investment income	24,865	35,353	1,347,596	1,332,402	1,291,588
Miscellaneous Income	0	0	221,226	210,066	174,499
Total	<u>24,865</u>	<u>35,353</u>	<u>6,501,300</u>	<u>6,354,482</u>	<u>6,102,153</u>
Benefit and Loss related Payments	0	0	2,216,638	2,075,646	1,931,770
Commissions, expenses paid and aggregate write-ins for deductions	6,388	24,855	2,992,673	3,312,657	2,860,918
Federal and foreign income taxes paid (recovered)	1,000	(30,000)	0	0	30,000
Total deductions	<u>7,388</u>	<u>(5,145)</u>	<u>5,209,311</u>	<u>5,388,303</u>	<u>4,822,688</u>
Net Cash from Operations	<u>17,477</u>	<u>40,498</u>	<u>1,291,989</u>	<u>966,179</u>	<u>1,279,465</u>
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	0	1,628,801	1,889,550	23,533,918	2,671,747
Mortgage loans	0	0	122,215	1,295,368	951,748
Total investment proceeds	<u>0</u>	<u>1,628,801</u>	<u>2,011,765</u>	<u>24,829,286</u>	<u>3,623,495</u>
Cost of investments acquired (long-term only):					
Bonds	0	0	3,125,797	24,311,987	5,529,710
Mortgage loans	0	0	292,500	1,625,000	1,140,000
Miscellaneous applications	0	0	22,248	0	0
Total investments acquired	<u>0</u>	<u>0</u>	<u>3,440,545</u>	<u>25,936,987</u>	<u>6,669,710</u>
Net increase (decrease) in policy loans and premium notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>182,251</u>	<u>272,537</u>
Net cash from investments	<u>0</u>	<u>1,628,801</u>	<u>(1,428,780)</u>	<u>(1,289,952)</u>	<u>(3,318,752)</u>
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Dividends to stockholders	0	0	1,576,733	0	0
Other cash provided or (applied)	0	0	1,611,387	49,899	1,332,191
Net cash from financing and miscellaneous sources	<u>0</u>	<u>0</u>	<u>34,654</u>	<u>49,899</u>	<u>1,332,191</u>
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	17,477	1,669,299	(102,137)	(273,874)	(707,096)
Cash and short-term investments:					
Beginning of the year	1,669,304	5	102,142	376,016	1,083,112
End of the year	<u>\$ 1,686,781</u>	<u>\$ 1,669,304</u>	<u>\$ 5</u>	<u>\$ 102,142</u>	<u>\$ 376,016</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:

	Amount	Percentage
Cash	1,686,781	100.0 %
Totals	<u>\$ 1,686,781</u>	<u>100.0 %</u>

As of the examination date the Company had no invested assets.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

As of the examination date, the Company had no policyholder and claim reserves.

SUBSEQUENT EVENTS

Effective January 5, 2021, the Company adopted new By-Laws. All filing requirements were met.

On January 5, 2021 and effective January 1, 2021, the Company's Board of Directors appointed the following officers in accordance with its by-laws:

Name	Title
Robert Kiesel	President & Treasurer
Wilfred Romero	Chief Executive Officer
Adam Litke	Chief Operating Officer
John Ganter	Executive Vice President & Secretary

On January 5, 2021, the Company's Board of Directors, in accordance with its' By-Laws, approved an Investment Committee Charter, an Audit Committee Charter, and appointed members for both committees. A review of the committees indicates that they are both comprised of all independent Directors.

On January 8, 2021, the Company filed Amended and Restated Articles of Incorporation with the Pennsylvania Department of State which were effective as of January 5, 2021.

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On January 21, 2021, the Company received a capital contribution from its parent in the amount of \$20 million. The required Form D was filed with the Department after payment which is in violation of the Holding Company Act.

Subsequent to the examination date, the Company entered into a custodial agreement that is not currently in compliance with 31 PA Code § 148a.3.

It is recommended the Company work with its custodian to update its custodial agreement to meet the requirements of 31 PA Code § 148a.3 or switch to a custodian who can provide a compliant custodial agreement.

On March 29, 2021, the Board approved a written investment policy as required by 40 P.S. § 504.1(c).

Subsequent to the examination period, the Company became party to various service and operating agreements. Services include actuarial, accounting, information systems, anti-money laundering, human resources and investment type services. Agreements reviewed as part of the examination meet the fair and reasonable standards as required by 40 P.S. § 991.1405(a)(1)(i).

On November 21, 2021, the Company filed an amendment to the prior year's Form B. The amendment included changes to transaction not in the ordinary course of business. The following was disclosed:

- Capital contribution mentioned above.
- Pillar Insurance, LLC paid for services on behalf of the Company without a service agreement in place. Subsequent to the payments, the Company filed a Form D with the Department seeking approval of an inter-company service agreement.

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 the following recommendation:

1. ***The Company should ensure that the Board or a Committee thereof reviews and approves the Company's reinsurance transactions at least annually.***

After it was purchased and through the examination date, the Company did not write any business and had no reinsurance transactions to be approved.

CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. *It is recommended that the Company notify the Department of any transactions and agreements between parties in a holding company system as outlined in 40 P.S. § 991.1404 and 1405 and 31 Pa. Code § 25.22. (See “Stockholders, page 3”)*
2. *It is recommended the Company work with its custodian to update its custodial agreement to meet the requirements of 31 PA Code § 148a.3 or switch to a custodian who can provide a compliant custodial agreement. (See “Subsequent Events”, page 12)*

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CONCLUSION

As a result of this examination, the financial condition of Pillar Life Insurance Company, as of December 31, 2020, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 1,687,281	100.0 %
Liabilities	\$ 750	0.0 %
Capital and Surplus	1,686,531	100.0 %
Total liabilities, capital and surplus	\$ 1,687,281	100.0 %

Since the previous examination, made as of December 31, 2015, the Company's assets decreased by \$22,622,333, its liabilities decreased by \$22,254,174, and its surplus decreased by \$368,159.

This examination was conducted by, Charles Albert and April Spevak, CFE with the latter in charge.

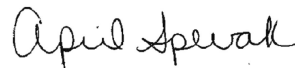
Respectfully submitted,



Matthew C. Milford, CFE
Director
Bureau of Financial Examinations

Robert Woronko

Robert A. Woronko, CFE
Examination Manager



April Spevak, CFE
Examiner-in-charge