



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL CONDITION REPORT ON EXAMINATION
OF THE
BANKERS CONSECO LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

JULY 6, 2020

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EXAMINER:

VITALIY KYRYK, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

August 3, 2020

The Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31886, dated March 26, 2019, and annexed hereto, an examination has been made into the condition and affairs of Bankers Conseco Life Insurance Company, hereinafter referred to as “the Company,” at its administrative office located at 11825 N. Pennsylvania Street, Carmel, IN 46032. The Company’s home office is located at 350 Jericho Turnpike, Suite 304, Jericho, NY 11753.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2014, to December 31, 2018. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The coordinated examination was led by the State of Indiana, with participation from the states of Illinois, Pennsylvania, and Texas. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic

- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2014 through 2018, by the accounting firm of PricewaterhouseCoopers (“PwC”). The Company received an unqualified opinion for all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department which is given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 (“SOX”) and the NAIC’s Model Audit Rule (“MAR”). Where applicable, SOX/MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or matters which require explanation or description.

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock accident and health insurance Company under the laws of the State of New York on April 29, 1987, under the name American Accident and Health Insurance Company. The Company was licensed on June 24, 1987, and commenced business on July 13, 1987.

The Company was incorporated with initial resources of \$300,000 through the sale of 100 shares of common stock for \$3,000 per share. In 1995, the company received a cash contribution to surplus from its parent company, American Travellers Life Insurance Company, in the amount of \$9,953,047.

Effective December 31, 1991, Arista Insurance Company (“Arista”) assumed 100% of the Company’s liabilities under a transfer and assumption agreement. Concurrently, the Company entered into a stock purchase agreement with Arista, whereby Arista purchased 100% of the Company’s issued and outstanding stock. On December 20, 1995, American Travellers Life Insurance Company purchased all the outstanding shares of the Company from Arista. In 1996, the name of the Company was changed to American Travellers Insurance Company of New York; and Consec, Inc. (“Consec”), an Indiana company, acquired the American Travellers Group and became the ultimate parent of the Company. On September 30, 1997, the Company became licensed to write life insurance and annuity business in New York and changed its name to Consec Life Insurance Company of New York.

In 1998, the Company increased its capital from \$300,000 to \$2,000,000 by increasing the par value of each of the 100 authorized and issued shares of the Company’s common stock from \$3,000 to \$20,000 and by decreasing its paid in and contributed surplus by \$1,700,000.

On December 29, 2000, and December 21, 2001, the Company received cash contributions to paid in and contributed surplus from its immediate parent, Consec Senior Health Insurance Company (“Consec Senior Health”), in the amount of \$3,000,000 and \$5,000,000, respectively.

CNO Financial Group, Inc. (“CNO”), a Delaware corporation, became the successor to Consec in connection with the bankruptcy reorganization, which became effective September 8, 2003.

On December 23, 2003, and December 23, 2004, the Company received additional cash contributions to paid in and contributed surplus from Conseco Senior Health in the amounts of \$1,000,000 and \$5,000,000, respectively.

On June 30, 2005, the ownership of the Company was transferred from Conseco Senior Health to Conseco Life Insurance Company of Texas (“Conseco Life of Texas”) through a 100% stock dividend; and in June 2006, the Company adopted its present name.

The Company received a contribution to surplus of \$6,000,000 on September 30, 2005, and an additional cash contribution to surplus of \$1,000,000 on December 28, 2005, from Conseco Life of Texas.

In 2006 and 2007, the Company received surplus contributions from its parent, Conseco Life of Texas, in the amounts of \$17,000,000 and \$24,500,000, respectively.

On March 26, 2013, and December 23, 2016, the Company respectively received cash contributions from its parent, Conseco Life of Texas, in the amounts of \$5,000,000 and \$10,500,000.

On June 21, 2017, and September 25, 2017, the Company received surplus contributions from Conseco Life of Texas in the amounts of \$10,000,000 and \$2,000,000, respectively.

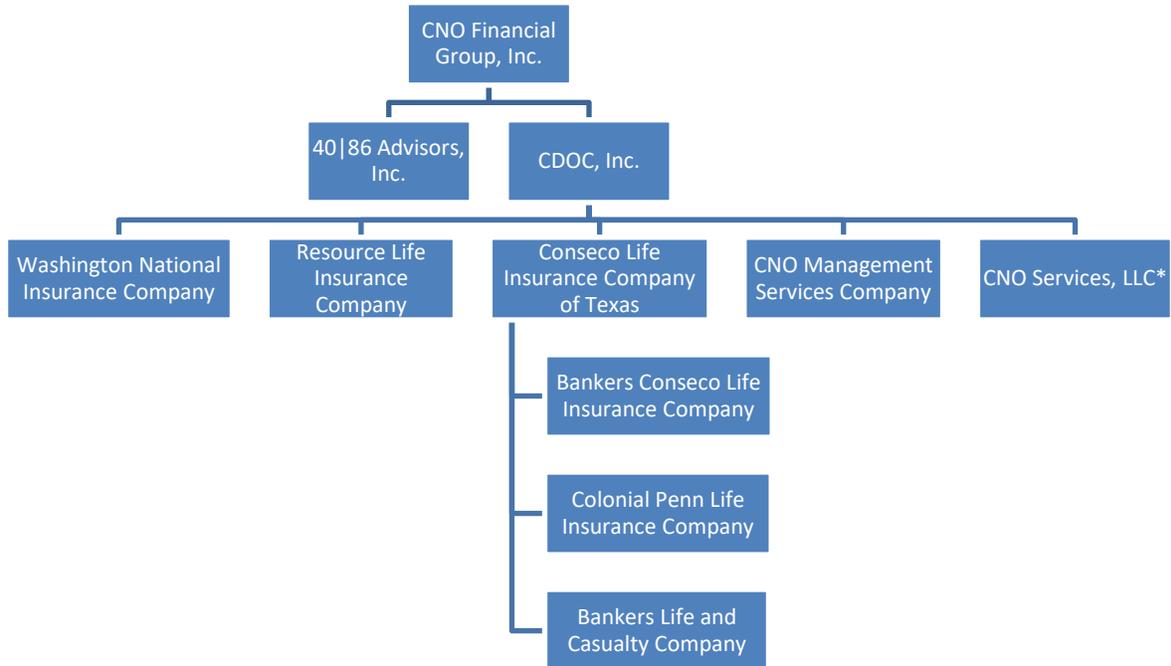
B. Holding Company

The Company is a wholly owned subsidiary of Conseco Life of Texas, a Texas stock life insurance company. Conseco Life Texas is in turn a wholly owned subsidiary of CDOC, Inc., a Delaware domiciled corporation. The ultimate parent of the Company is CNO, a Delaware publicly held financial services holding company.

Effective July 1, 2014, Conseco Life Insurance Company, a wholly owned subsidiary of CDOC, Inc. was sold to Wilton Reassurance Company.

C. Organizational Chart

An abbreviated organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2018, follows:



*CNO Services, LLC ownership is split among CDOC, Inc. (89.1%), CNO (9.9%), and CNO Management Services Company (1%).

D. Service Agreements

The Company had three service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
Investment Advisory File No. 27006	1.1.2000	40 86 Advisors, Inc. (fka Conseco Capital Management, Inc.)	The Company	Supervise and direct the composition of the portfolio of investable assets, including the purchase, retention, and disposition thereof, according to Company's written investment objectives and policies	2018 \$(935,146) 2017 \$(799,257) 2016 \$(653,581) 2015 \$(391,183) 2014 \$(381,828)
Services Agreement File No. 27006	01/01/2000	CNO Services, LLC (fka Conseco Services, LLC)	The Company	Corporate secretary, actuarial, strategic planning and oversight, functional support, internal audit, licensing, human resources, purchasing, real estate and facilities, compliance, data processing, corporate tax, policyholder services, underwriting, claims, sales, marketing, telemarketing, financial, legal, and clerical support	2018 \$ (9,390,084) 2017 \$(11,157,277) 2016 \$ (9,077,047) 2015 \$ (5,164,083) 2014 \$ (5,460,164)
Amend. No. 1 File No. 29447	04/01/2001			Amends Section 4.i Policyholder Services	
Amend. No. 2 File No. 30037	03/01/2002			Amends Section 4.i Policyholder Services	
Amend. No. 3 File No. 37632	09/01/2007			Recognizes name change, change in principal office, and updates various services	
Services Agreement File No. 35906	05/01/2007	Bankers Life and Casualty Company	The Company	Paymaster services to agents, managers, and administrative staff; real estate and facilities services; and field support services related to selling of products in New York	2018 \$ (926,514) 2017 \$ (771,569) 2016 \$ (823,230) 2015 \$ (910,510) 2014 \$(1,062,700)
Amend. No. 1 File No. 35906A	06/16/2015				

*Amount of Expense Incurred by the Company

Since January 1, 2004, the Company has filed a life-nonlife consolidated income tax return with CNO and its subsidiaries.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2018, the board of directors consisted of seven members. At least one regular meeting of the board is held each year in addition to the annual meeting in June.

The seven board members and their principal business affiliation, as of December 31, 2018, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Steven M. DePerrior* Rochester, New York	Managing Principal The Burke Group	2004
Scott L. Goldberg Glencoe, Illinois	President and Chairman of the Board Bankers Consec Life Insurance Company	2014
Erik M. Holding Carmel, Indiana	Executive Vice President Bankers Consec Life Insurance Company	2017
Gerardo Monroy Chicago, Illinois	Senior Vice President Bankers Consec Life Insurance Company	2011
Gregory D. Turner Zionsville, Indiana	Senior Vice President CNO Services, LLC	2018
Ian F. Wismann* Staten Island, New York	Director Next Web Media	2001
Ronald L. Wobbeking* Naples, Florida	Consultant Self Employed Arbitrator	2007

*Not affiliated with the Company or any other company in the holding company system

Effective April 1, 2019, Erik M. Holding and Gerardo Monroy were respectively replaced by Paul H. McDonough and Rocco F. Tarasi.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2018:

<u>Name</u>	<u>Title</u>
Scott L. Goldberg	President and Chairman of the Board
Karl W. Kindig	Secretary
Jeffrey M. Kircher	Treasurer
Jeremy D. Williams	Actuary
Bruce K. Baude	Executive Vice President
Erik M. Holding	Executive Vice President
Eric R. Johnson	Executive Vice President
Matthew J. Zimpfer	Executive Vice President
Mark E. Billingsley	Senior Vice President
Timothy S. Bischoff	Senior Vice President
William D. Fritts, Jr.*	Senior Vice President
John R. Kline	Senior Vice President
Gerardo Monroy	Senior Vice President
Nathan E. Richardson	Senior Vice President

*Designated consumer services officer per Section 216.4(c) 11 NYCRR 216 (Insurance Regulation 64),

Effective April 1, 2019, Erik M. Holding and Gerardo Monroy were respectively replaced by Paul H. McDonough and Rocco F. Tarasi.

Effective June 26, 2019, Mark E. Billingsley was replaced by Jeremy Williams.

3. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities, and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in New York only. In 2018, all of life premiums, accident and health premiums, and annuity considerations were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2018, the Company had \$ 410,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants, and creditors of the Company.

B. Direct Operations

The Company sells individual life, individual accident and health, and individual annuity insurance products. Individual life insurance includes graded benefit final expense, simplified issue whole life, and traditional universal life products. Individual accident and health insurance includes Medicare supplement and long-term care products, while the individual annuity insurance includes single premium deferred fixed annuities. The Company also has closed blocks of annuity and long-term care products.

The Company's agency operations are conducted through a career agency force and on a direct response basis. The Company offered graded benefit final expense and simplified issue whole life insurance through direct response. Direct response sales are facilitated by telemarketing representatives who are salaried employees of an affiliate of the Company. The Company offered Medicare supplement and long-term care products through career agents of Bankers Life and Casualty Company who are appointed by the Company.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with eight companies, of which four were authorized. The Company's life business is reinsured on a catastrophe and yearly renewable term bases. Reinsurance is provided on an automatic or facultative basis.

The total face amount of life insurance ceded, as of December 31, 2018, was \$22,224,454, which represents 2.5% of the total face amount of life insurance in force.

The total face amount of life and annuity insurance assumed, as of December 31, 2018, was \$7,321,362.

Effective October 1, 2013, the Company entered into a coinsurance agreement with Beechwood Re Ltd. (“BRe”), an unauthorized company. Under the agreement, the Company ceded its old in force long-term care business to BRe. The transaction closed on February 18, 2014, with a net settlement amount of \$198,100,000. In September 2016, the Company recaptured the ceded business citing incurable material breaches of the long-term care reinsurance agreement, conversion, fraud, and breaches of fiduciary duties and the obligation to deal honestly and in good faith.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2018</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$383,204,642</u>	<u>\$496,138,988</u>	<u>\$112,934,346</u>
Liabilities	<u>\$337,700,430</u>	<u>\$436,695,229</u>	<u>\$ 98,994,799</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	75,753,047	98,253,047	22,500,000
Unassigned funds (surplus)	<u>(32,248,835)</u>	<u>(40,809,288)</u>	<u>(8,560,453)</u>
Total capital and surplus	<u>\$ 45,504,212</u>	<u>\$ 59,443,759</u>	<u>\$ 13,939,547</u>
Total liabilities, capital and surplus	<u>\$383,204,642</u>	<u>\$496,138,988</u>	<u>\$112,934,346</u>

The Company's invested assets as of December 31, 2018, mainly comprised bonds (92.4%). The majority of the Company's bond portfolio (96.5%), as of December 31, 2018, comprised investment grade obligations.

The increase in admitted assets and liabilities through the examination period was due to the growth and the recapture of the long-term care reinsurance business from BRe. The increase in gross paid in and contributed surplus resulted from surplus contributions received in 2016 and 2017 primarily as a result of the termination and recapture of the long-term care reinsurance business. The decrease in the unassigned funds (surplus) was primarily related to the net loss incurred in 2016 as a result of the termination and recapture of the long-term care reinsurance business.

The following indicates, for each of the years listed below, the amount of individual whole life insurance issued and in force (in thousands of dollars):

<u>Year</u>	<u>Issued</u>	<u>In Force</u>
2014	\$163,008	\$622,941
2015	\$149,021	\$704,254
2016	\$130,656	\$775,459
2017	\$113,127	\$815,951
2018	\$137,676	\$869,655

The increase in in force during the examination period was driven by two factors: the issuance of new business being greater than the face amount terminating; and a large portion of whole life sales business being related to graded benefit life business, which has a face value that increases over time.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	<u>Ordinary Annuities</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Outstanding, end of previous year	994	976	965	934	888
Issued during the year	61	68	63	57	69
Other net changes during the year	<u>(79)</u>	<u>(79)</u>	<u>(94)</u>	<u>(103)</u>	<u>(75)</u>
Outstanding, end of current year	<u>976</u>	<u>965</u>	<u>934</u>	<u>888</u>	<u>882</u>

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	<u>Ordinary</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Outstanding, end of previous year	4,042	4,495	4,881	7,006	6,908
Issued during the year	1,494	1,508	3,411	1,370	1,191
Other net changes during the year	<u>(1,041)</u>	<u>(1,122)</u>	<u>(1,286)</u>	<u>(1,468)</u>	<u>(1,080)</u>
Outstanding, end of current year	<u>4,495</u>	<u>4,881</u>	<u>7,006</u>	<u>6,908</u>	<u>7,019</u>

The increase in issued during 2016 was primarily due to the policies that were recaptured from BRe.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Ordinary:					
Life insurance	\$ 942,878	\$2,949,512	\$ 2,891,040	\$ 3,296,609	\$ 5,006,878
Individual annuities	659,016	860,515	970,266	612,999	894,832
Supplementary contracts	<u>35,718</u>	<u>18,042</u>	<u>25,830</u>	<u>17,397</u>	<u>13,294</u>
Total ordinary	<u>\$ 1,637,612</u>	<u>\$3,828,069</u>	<u>\$ 3,887,136</u>	<u>\$ 3,927,005</u>	<u>\$ 5,915,004</u>
Total group life	\$ <u>11,457</u>	\$ <u>10,307</u>	\$ <u>7,518</u>	\$ <u>5,133</u>	\$ <u>9,846</u>
Total other accident and health	<u>\$(9,752,662)</u>	<u>\$ 802,118</u>	<u>\$(16,752,438)</u>	<u>\$(1,417,976)</u>	<u>\$(3,665,721)</u>
All other lines	<u>\$ 1,259,644</u>	<u>\$1,358,652</u>	<u>\$ (372,244)</u>	<u>\$(1,883,202)</u>	<u>\$(494,235)</u>
Total	<u>\$(6,843,949)</u>	<u>\$5,999,146</u>	<u>\$(13,230,029)</u>	<u>\$ 630,959</u>	<u>\$ 1,764,894</u>

The gradual increase in net gains from the ordinary life insurance line of business during the examination period was primarily the result of the growth of business, increased investment income, and improved mortality experience. The fluctuations in net gains from other accident and health line of business during the examination period were primarily due to the performance of the long-term care business, including the loss on the termination and recapture of the reinsurance agreement with BRe in 2016.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	204.8%	75.0%	2638.7%	193.9%	221.9%
Commissions	8.8	11.2	11.8	6.9	6.2
Expenses	<u>17.8%</u>	<u>8.3%</u>	<u>(2573.5)%</u>	<u>15.5%</u>	<u>13.6%</u>
Underwriting results	<u>(131.4)%</u>	<u>5.5%</u>	<u>23.0%</u>	<u>(116.3)%</u>	<u>(141.7)%</u>

For 2016, the incurred losses and expense ratios were elevated due to the recapture of the BRe reinsurance agreement.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2018, as contained in the Company's 2018 filed annual statement, a condensed summary of operations, and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2018 filed annual statement.

A. Independent Accountants

The firm of PwC was retained by the Company to audit the Company's statutory basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	\$441,499,686
Stocks:	
Preferred stocks	8,530,271
Common stocks	262,276
Mortgage loans on real estate:	
First liens	5,137,566
Cash, cash equivalents and short-term investments	14,369,346
Contract loans	5,445,886
Other invested assets	2,485,072
Investment income due and accrued	4,950,468
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	235,707
Deferred premiums, agents' balances and installments booked but deferred and not yet due	7,161,985
Reinsurance:	
Other amounts receivable under reinsurance contracts	188
Current federal and foreign income tax recoverable and interest thereon	373,823
Net deferred tax asset	5,676,562
Receivables from parent, subsidiaries and affiliates	2,949
Health care and other amounts receivable	<u>7,203</u>
Total admitted assets	<u>\$496,138,988</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$141,283,835
Aggregate reserve for accident and health contracts	264,686,851
Liability for deposit-type contracts	298,493
Contract claims:	
Life	2,810,925
Accident and health	2,739,054
Premiums and annuity considerations for life and accident and health contracts received in advance	628,120
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	15,942
Interest maintenance reserve	18,433,158
Commissions to agents due or accrued	29,951
General expenses due or accrued	913,410
Taxes, licenses and fees due or accrued, excluding federal income taxes	(650,370)
Unearned investment income	37,393
Amounts withheld or retained by company as agent or trustee	9,460
Amounts held for agents' account	76
Remittances and items not allocated	936,438
Miscellaneous liabilities:	
Asset valuation reserve	1,622,986
Payable to parent, subsidiaries and affiliates	970,015
Unclaimed funds	<u>1,929,491</u>
 Total liabilities	 <u>\$436,695,229</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	98,253,047
Unassigned funds (surplus)	(40,809,288)
Surplus	<u>57,443,759</u>
Total capital and surplus	<u>\$ 59,443,759</u>
 Total liabilities, capital and surplus	 <u>\$496,138,988</u>

D. Condensed Summary of Operations

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Premiums and considerations	\$46,998,809	\$49,613,838	\$ 54,203,645	\$58,342,857	\$61,511,447
Investment income and IMR amortization	10,530,829	11,348,257	16,808,665	22,388,783	23,846,928
Commissions and reserve adjustments on reinsurance ceded	404,542	183,639	127,893	0	0
Miscellaneous income	<u>6,548</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total income	<u>\$57,940,728</u>	<u>\$61,145,734</u>	<u>\$ 71,140,203</u>	<u>\$80,731,640</u>	<u>\$85,358,375</u>
Benefit payments	\$25,513,711	\$24,891,888	\$ 29,693,748	\$40,604,114	\$40,204,503
Increase in reserves	15,855,413	6,979,353	234,869,018	14,853,397	19,807,702
Commissions	5,017,740	4,857,528	4,470,834	4,112,990	4,461,576
General expenses and taxes	13,573,166	13,896,470	17,422,327	19,431,139	17,466,789
Increase in loading on deferred and uncollected premiums	988,964	191,912	142,951	122,225	395,851
Miscellaneous deductions	<u>20,666</u>	<u>35,795</u>	<u>(230,492,411)</u>	<u>0</u>	<u>0</u>
Total deductions	<u>\$60,969,660</u>	<u>\$50,852,946</u>	<u>\$ 56,106,467</u>	<u>\$79,123,865</u>	<u>\$82,336,421</u>
Net gain (loss)	\$ (3,028,932)	\$10,292,788	\$ 15,033,736	\$ 1,607,775	\$ 3,021,954
Federal and foreign income taxes incurred	<u>3,815,017</u>	<u>4,293,642</u>	<u>28,263,766</u>	<u>976,815</u>	<u>1,257,059</u>
Net gain (loss) from operations before net realized capital gains	\$ (6,843,949)	\$ 5,999,146	\$ (13,230,030)	\$ 630,960	\$ 1,764,895
Net realized capital gains (losses)	<u>0</u>	<u>(393,291)</u>	<u>(82,132)</u>	<u>(2,056,604)</u>	<u>(1,174,629)</u>
Net income	<u>\$ (6,843,949)</u>	<u>\$ 5,605,856</u>	<u>\$ (13,312,160)</u>	<u>\$ (1,425,645)</u>	<u>\$ 590,265</u>

The steady increases in premiums and considerations and benefit payments during the examination period were primarily due to the gradual business growth.

As noted previously, the Company recaptured the long-term care business from BRe in September 2016, as well as the investments backing the business. This caused an increase in reserves during 2016, an increase in investment income in 2016 and subsequent years, and an increase in benefit payments between 2016 and 2017. There was also an increase in general expenses during 2016 and 2017 due to an increase in legal fees related to the BRe transaction.

E. Capital and Surplus Account

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and surplus, December 31, prior year	\$ <u>45,504,212</u>	\$ <u>31,242,475</u>	\$ <u>47,472,160</u>	\$ <u>41,176,160</u>	\$ <u>58,246,831</u>
Net income	\$ (6,843,949)	\$ 5,605,856	\$(13,312,160)	\$ (1,425,645)	\$ 590,265
Change in net unrealized capital gains (losses)	0	(35,401)	28,325	18,755	(127,242)
Change in net deferred income tax	5,005,608	1,159,750	25,033,538	(13,274,260)	869,791
Change in non-admitted assets and related items	(4,462,730)	(788,746)	(27,488,614)	19,389,256	(177,527)
Change in liability for reinsurance in unauthorized companies	(8,808,283)	10,131,656	0	0	0
Change in asset valuation reserve	847,618	156,570	(1,057,088)	362,564	41,642
Surplus adjustments:					
Paid in	0	0	10,500,000	12,000,000	0
Net change in capital and surplus for the year	<u>(14,261,737)</u>	<u>16,229,685</u>	<u>(6,296,000)</u>	<u>17,070,671</u>	<u>1,196,928</u>
Capital and surplus, December 31, current year	\$ <u>31,242,475</u>	\$ <u>47,472,160</u>	\$ <u>41,176,160</u>	\$ <u>58,246,831</u>	\$ <u>59,443,759</u>

6. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (“COVID-19”) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and the global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

Respectfully submitted,



Vitaliy Kyryk, CFE
Noble Consulting Services, Inc.

STATE OF INDIANA)
)SS:
COUNTY OF MARION)

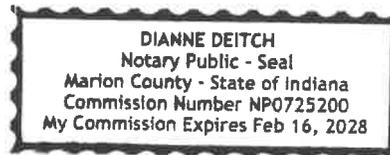
Vitaliy Kyryk, being duly sworn, deposes and says that the foregoing report, subscribed by him,
is true to the best of his knowledge and belief.



Vitaliy Kyryk

Subscribed and sworn to before me

this 7th day of July 2020



Dianne Deitch
July 7, 2020

Respectfully submitted,

/s/

Christine Mavour
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Christine Mavour, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/

Christine Mavour

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 31886

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

***VITALIY KYRYK
(NOBLE CONSULTING SERVICES, INC.)***

as a proper person to examine the affairs of the

BANKERS CONSECO LIFE INSURANCE COMPANY

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 26th day of March, 2019

LINDA A. LACEWELL

Acting Superintendent of Financial Services

By:



MARK MCLEOD

DEPUTY CHIEF - LIFE BUREAU

