

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

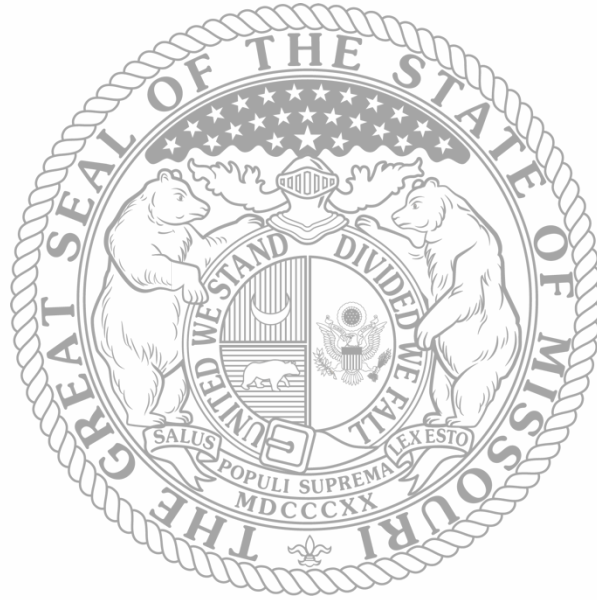
After full consideration and review of the report of the financial examination of Caterpillar Life Insurance Company for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Caterpillar Life Insurance Company as of December 31, 2022, be and is hereby ADOPTED as filed and for Caterpillar Life Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 24th day of January, 2024.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

CATERPILLAR LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Saint Louis, MO
November 30, 2023

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Caterpillar Life Insurance Company (NAIC #11997)

hereinafter referred to as such, as CLIC, or as the Company. Its administrative office is located at 2120 West End Ave., Nashville, TN 37203, telephone number (615) 341-8147. The fieldwork for this examination began on February 27, 2023, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of Caterpillar Life Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2014, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to CLIC included Capital & Surplus, Investments, Related Parties and Reserves/Claim Handling. The examination also included a review and evaluation of information technology general controls.

The examination was also conducted concurrently with the examination of the Company's Missouri domiciled affiliate, Caterpillar Insurance Company (CIC).

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

Caterpillar Life Insurance Company was formed when Caterpillar Inc. (CAT), a Delaware corporation, acquired Mexicare Life and Health Insurance Company on April 30, 2004. The acquisition was approved by the Department. The name of the Company was changed to Caterpillar Life Insurance Company on May 18, 2004.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers or acquisitions during the examination period.

Dividends and Capital Contributions

No dividends or capital contributions were made during the examination period.

Surplus Notes

CLIC issued a surplus note to Caterpillar Financial Services Corporation (CFSC) effective August 1, 2004. Interest accrued at 5.6% per annum. The balance as of January 1, 2018, was \$31,315,729. The principle of the surplus note was paid off in 2018, with residual interest being paid in 2019. As of December 31, 2022, CLIC has no outstanding surplus notes.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the shareholder. The Company's bylaws specify that there shall be no less than nine nor more than twenty-one. The Board of Directors elected and serving as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
David T. Walton Nashville, TN	President and CEO Caterpillar Financial Services Corporation
Helen P. Neglia Nashville, TN	Chief Actuary Caterpillar Financial Insurance Services
Sumeet Puri Nashville, TN	Treasurer Caterpillar Financial Insurance Services
Brian N. Moore Nashville, TN	Senior Managing Account Executive Caterpillar Financial Insurance Services
Mark R. DeYoung Nashville, TN	Global Specialty Risk Manager Caterpillar Financial Insurance Services
F. Maria Sheffield Nashville, TN	President Caterpillar Financial Insurance Services
Lori L. Hazlehurst Nashville, TN	Compliance and Governance Manager Caterpillar Financial Insurance Services
Larry K. Smith Nashville, TN	Global Underwriter Manager Caterpillar Financial Insurance Services
Federico Folchi-Vici-D'Arcevia Geneva, Switzerland	Global Distribution Manager Caterpillar Financial Services Corporation
Nathan A. Moynahan Nashville, TN	Global Operations Manager Caterpillar Financial Insurance Services

Senior Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
F. Maria Sheffield	President
Michael W. Sweeney	Vice President, Secretary and General Counsel
Sumeet Puri	Vice President and Treasurer
Lori L. Hazlehurst	Vice President
Federico Folchi-Vici-D'Arcevia	Vice President
Larry K. Smith	Vice President
Helen P. Neglia	Vice President
Brian N. Moore	Vice President
Mark R. DeYoung	Vice President
Nathan A. Moynahan	Vice President

Principal Committees

The Company bylaws allows the Board of Directors to designate any committee. The following Committees were in existence as of December 31, 2022:

Investment Committee

David T. Walton
F. Maria Sheffield
Derek R. Jacobs
Sumeet Puri
James E. Cotton
Keven T. Stoller

Compliance Committee

Lori L. Hazlehurst
Mark R. DeYoung
Brian N. Moore
Martin T. Day
Marcia A. Ecker
Michele Gagnard-Garcia
Keidrick R. Harris

Reserve Committee

F. Maria Sheffield
Sumeet Puri
Larry K. Smith
Helen P. Neglia
Martin T. Day
Marcia A. Ecker
Richard B. Houston
Ryan T. Basler

Anti-Fraud Committee

Martin T. Day
F. Maria Sheffield
Mark R. DeYoung
Lori L. Hazlehurst
Jesus G. Lopez
Ryan T. Servey
Angelyse I. Stanford

ORSA Committee

F. Maria Sheffield
Sumeet Puri
Federico Folchi-Vici-D'Arcevia
Larry K. Smith
Nathan A. Moynahan
Lori L. Hazlehurst
Helen P. Neglia
Marcia A. Ecker
Angelyse I. Stanford
Martin T. Day
Nathan Brown

Corporate Records

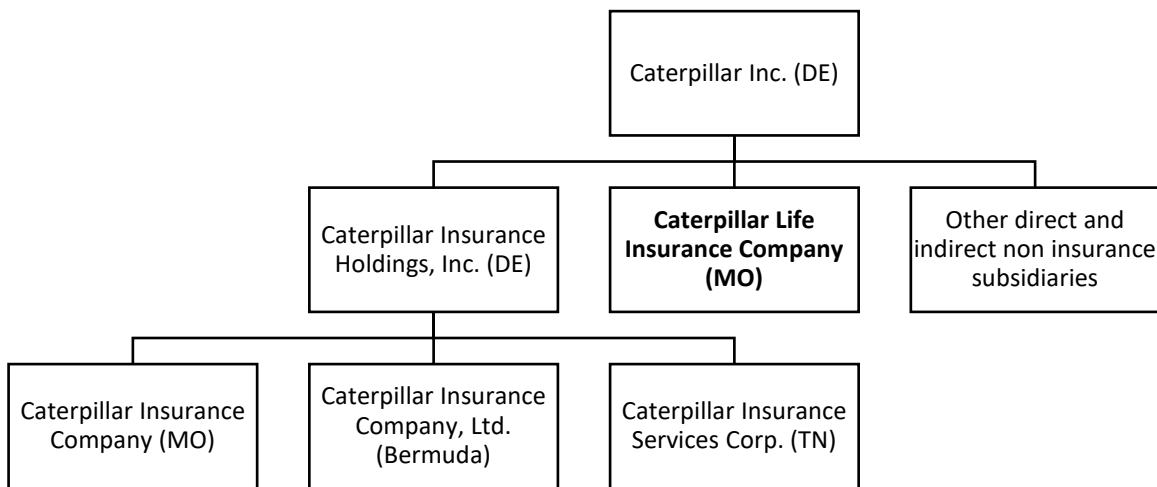
The Company's Articles of Incorporation and bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors, shareholder and committees were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

CLIC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Company is a wholly-owned by Caterpillar Inc.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2022.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2022. A brief description of these agreements are as follows:

Management Agreement: An agreement between CLIC, CFSC, CAT, Caterpillar S.A.R.L (CSARL), Caterpillar America C.V. (CACV), Caterpillar North America C.V. (CNACV) and other affiliated parties, effective January 1, 2009 whereby CFSC, CSARL, CACV and CNACV provide various management services to CLIC.

General Agency Agreement: An agreement between CLIC and Caterpillar Insurance Services Corp. (CISC) affiliated parties, effective May 1, 2004 whereby CISC provides general agency services.

TERRITORY AND PLAN OF OPERATION

CLIC is licensed in Missouri under Chapter 376 RSMo (Life, Health and Accident Insurance Laws) to write accident and health insurance; and life, annuities, and endowments. At year-end 2022, the Company was licensed in twenty-six states and the District of Columbia.

During the examination period, the Company engaged in only one line of business, group accident and health, assumed from CIC. CIC underwrites retiree medical exposures of Caterpillar Inc. CIC insures the post-retirement medical exposures on an excess basis via a stop-loss insurance policy issued by CIC to a Voluntary Employee Benefit Association (VEBA) trust to cover the risk of loss of Caterpillar Inc. in excess of a certain specified deductible. CIC cedes the business 100% to CLIC.

Effective January 1, 2010, Caterpillar Inc. terminated the retiree medical program except for employees retiring prior to February 1, 1991.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's growth and loss experience for the period under examination:

(\$000s omitted)

Year	Net Premiums	Change in Net Premiums	Benefits and Losses	Capital and Surplus	Ratio of Net Premiums to Surplus	Net Income (Loss)
2018	\$ 0	\$ 0	\$ 1,235	\$ 39,640	\$ 0	\$ (4,384)
2019	0	0	565	46,096	0	2,292
2020	0	0	484	48,741	0	(2,257)
2021	0	0	(3,296)	58,597	0	7,122
2022	0	0	(2,604)	61,938	0	3,846

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2022	2021	2020	2019	2018
Direct Premiums Written	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reinsurance Assumed:	0	0	0	0	0
Reinsurance Ceded:	0	0	0	0	0
Net Premiums Written	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Assumed Reinsurance

The Company assumes all of its business under one reinsurance treaty with its affiliate.

On May 1, 2004, the Company entered into a quota share agreement with CIC. As explained under Territory and Plan of Operations the program was terminated effective January 1, 2010, and no new business was assumed during the examination period.

Ceded Reinsurance

The Company did not cede any premiums during the period under examination.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, PricewaterhouseCoopers LLP, in Nashville, TN, performed the statutory audit of the Company for the years 2018 through 2022. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Carrie Kelley, FSA, MAAA, for all years in the examination period. Miss Kelley is employed by Willis Towers Watson US LLC. in Atlanta, Georgia.

Consulting Actuary

Pursuant to a contract with the Department, Frank Edwards, Jr. of INS Consultants, Inc., reviewed the underlying actuarial assumptions and methodologies used by CLIC to determine the adequacy of reserves and other actuarial items. Mr. Edwards determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2022.

Information Systems

In conjunction with this examination, Kim Dobbs, MBA, CFE, AES, CISA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Caterpillar Life Insurance Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 67,381,909	\$ 0	\$ 67,381,909
Stocks:			
Common Stocks	32,042,438	0	32,042,438
Cash, Cash Equivalents, and Short- Term Investments	4,375,194	0	4,375,194
Investment Income Due and Accrued	544,450	0	544,450
Aggregate Write-Ins for Other-Than- Invested Assets	112,086	112,086	0
TOTAL ASSETS	\$ 104,456,077	\$ 112,086	\$ 104,343,991

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2022

Aggregate Reserve for Accident and Health Contracts	\$ 35,103,219
Contract Claims:	
Accident and Health	913,754
General Expenses Due or Accrued	263,581
Taxes, Licenses and Fees Due or Accrued	66,266
Current Federal and Foreign Income Taxes	897,106
Miscellaneous Liabilities:	
Asset Valuation Reserve	5,038,222
Payable to Parent, Subsidiaries, and Affiliates	102,411
Payable for Securities	20,552
Aggregate Write-Ins for Liabilities	11
TOTAL LIABILITIES	\$ 42,405,122
Common Capital Stock	2,500,000
Gross Paid In and Contributed Surplus	15,169,067
Unassigned Funds (Surplus)	44,269,802
TOTAL CAPITAL AND SURPLUS	\$ 61,938,869
TOTAL LIABILITIES AND SURPLUS	\$ 104,343,991

SUMMARY OF OPERATIONS
For the Year Ended December 31, 2022

Net Investment Income	\$ 2,316,900
Amortization of Interest Maintenance Reserve	(4,926)
Total Revenue	\$ 2,311,974
Disability Benefits and Benefits Under Accident and Health Contracts	3,690,544
Increase in Aggregate Reserves for Life and Accident and Health Contracts	(6,294,572)
General Insurance Expenses	528,611
Insurance Taxes, License, and Fees, Excluding Federal Income Taxes	63,654
Total Underwriting Deductions	\$ (2,011,763)
Net Gain (Loss) From Operations Before Dividends to Policyholders and Federal Income Taxes	\$ 4,323,737
Federal and Foreign Income Taxes Incurred	456,784
Net Realized Capital Gains (Losses)	(20,474)
NET INCOME (LOSS)	\$ 3,846,479

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2018 to December 31, 2022

(\$000's omitted)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and Surplus,					
Beginning of Year	\$ 58,597	\$ 48,741	\$ 46,097	\$ 39,640	\$ 71,984
Net Income (Loss)	3,846	7,122	(2,257)	2,292	(1,938)
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	(2,208)	3,965	4,007	3,966	(1,513)
Change in Net Deferred Income Tax	(444)	(656)	637	271	542
Change in Nonadmitted Assets	11	12	672	254	(392)
Change in Asset Valuation Reserve	2,135	(588)	(413)	(327)	591
Change in Treasury Stock					
Change in Surplus Notes	0	0	0	(138)	(31,177)
Aggregate Write-Ins for Gains and Losses in Surplus	0	0	0	138	1,544
Net Change in Capital and Surplus	3,341	9,856	2,645	6,457	(32,344)
Capital and Surplus, End of Year	\$ 61,938	\$ 58,597	\$ 48,741	\$ 46,097	\$ 39,640

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Michael R. Shadowens

Michael Shadowens CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance