



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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, 2017, 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 Insurance, Financial Institutions and Professional Registration 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 findings, subsequent events, company history, corporate records, management and control, territory and plan of operation, reinsurance, financial statements, analysis of examination changes, comments on financial statements, 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, 2017 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 29th day of May, 2019.



Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION

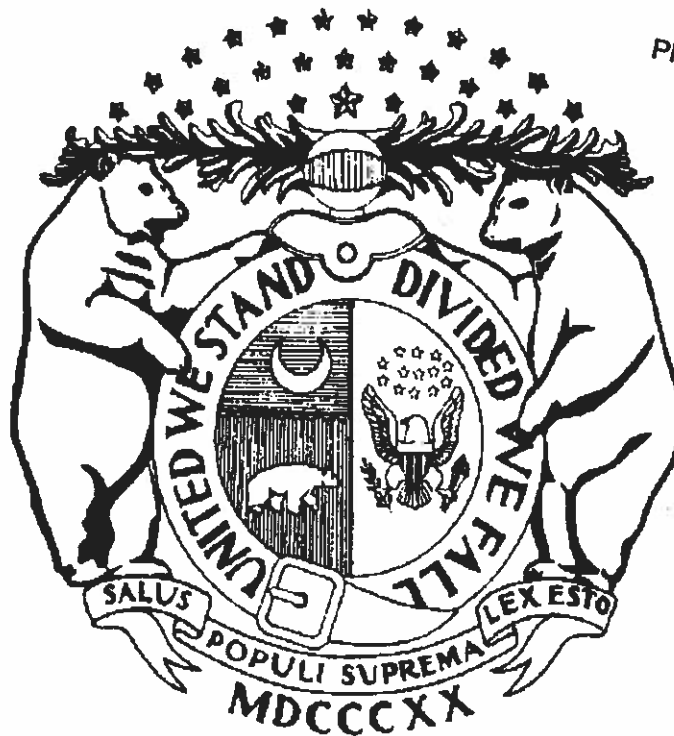
Caterpillar Life Insurance Company

AS OF
DECEMBER 31, 2017

FILED

MAY 20 2019

DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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February 27, 2019
Jefferson City, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

Caterpillar Life Insurance Company

hereinafter referred to as “CLIC”, or the “Company”. The Company's home office is located at 2120 West End Avenue, Nashville, Tennessee; telephone number (615) 341-8147. Examination fieldwork began on October 1, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full-scope examination of Caterpillar Life Insurance Company. The last examination was completed as of December 31, 2013. This examination covers the period from January 1, 2014, through December 31, 2017. The examination of CLIC was conducted concurrently with the examination of its affiliate, Caterpillar Insurance Company (CIC).

This examination also included material transactions or events occurring subsequent to December 31, 2017.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)* except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed. The *Handbook* requires the planning and performance of the examination to evaluate the Company's 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 identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

Caterpillar Life – 12/31/2017 Exam

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. 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. The following key activities were identified during the examination: Investments, Claims Handling, Reserving, and Taxes.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, PricewaterhouseCoopers, for its audit covering the period from January 1, 2017 through December 31, 2017.

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.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2017, through the date of this report.

COMPANY HISTORY

General

The Company was formed when Caterpillar, Inc. (CAT) acquired the shell of Maxicare Life and Health Insurance Company on April 30, 2004, with approval from the DIFP. The name of the Company was changed to Caterpillar Life Insurance Company on May 18, 2004.

Capital and Surplus Contributions

No capital or surplus contributions were received during the examination period.

Dividends

No dividends were paid by the Company during the examination period.

Acquisitions, Mergers and Major Corporate Events

There were no mergers or acquisitions during the examination period.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed. There were no amendments to either during the examination period.

The minutes of the shareholder, Board of Directors, and committee meetings were reviewed for the period under examination. The minutes appear to properly document and approve corporate transactions and events.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors, which per the Articles of Incorporation and resolution of the Board of Directors, is fixed at nine members. The Company's nine Directors serving at December 31, 2017, were as follows:

<u>Directors</u>	<u>Address</u>	<u>Principal Occupation and Affiliation</u>
Brian N. Moore	Nashville, TN	Caterpillar Financial Services Corporation, Senior Managing Account Executive
Jeffrey D. Everett	Nashville, TN	Caterpillar Financial Services Corporation, Controller
Robert C. Thompson	Nashville, TN	CIC, Chairman and President
David T. Walton	Nashville, TN	Caterpillar Financial Services Corporation, President
Federico Folchi- Vici D'Arcevia	Geneva, Switzerland	Caterpillar Financial Services Corporation, Distribution Manager
Thomas P. Fischbach	Nashville, TN	Caterpillar Inc., Operations Manager
Larry K. Smith	Nashville, TN	Caterpillar Insurances Services Corporation, Actuary
Santiago Garcia	Nashville, TN	Caterpillar Inc., Senior Managing Account Executive
Lori L. Hazlehurst	Nashville, TN	Caterpillar Inc., Vice President, Compliance & Governance Manager

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2017, were as follows:

<u>Name</u>	<u>Position</u>
Robert C. Thompson *	Chairman and President
F. Maria Sheffield *	Vice President and Secretary
Jeffry D. Everett	Vice President and Treasurer
Lori L. Hazlehurst	Vice President, Compliance & Governance Manager
Brian Neal Moore	Vice President, Senior Managing Account Executive
Sally Ann Stiles	Assistant Treasurer, Chief Tax Officer
Federico Folchi-Vici-D'Arcevia	Vice President - International
Thomas P. Fischbach	Vice President, Distribution Manager
Larry K. Smith	Vice President, Actuary of Caterpillar Ins. Services Corp.
Santiago Garcia	Vice President, Industrial Engineer

* Robert C. Thompson, Chairman and President of CLIC and CIC and President of Caterpillar Financial Insurance Services (a division of CAT), subsequently accepted the position of Vice President-Latin American Sales and Operations at Caterpillar Financial Services Corporation, a wholly-owned subsidiary of CAT. F. Maria Sheffield subsequently accepted the position of President for Caterpillar Financial Insurance Services, CLIC, and CIC, to replace Mr. Thompson. These changes were effective March 1, 2019.

Committees

In accordance with the Bylaws, the Board has established various committees with responsibility for managing the Company's affairs between meetings of the Board. Annually, the full Board reviews and approves the actions of the committees.

CLIC has five Board committees including the Compliance Administration Committee (CAC), Own Risk Solvency Assessment (ORSA), Investment, Reserve and Anti-Fraud. The Company also has two management committees: the Senior Leadership Council and the Pricing Committee.

The membership of the Board committees includes senior leadership, technical management personnel and employee specialists. These committees meet on an on-going and regular basis, and allow the Company to efficiently and effectively provide direction in specialized areas to make certain Company objectives are met.

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The Committees and those serving on those committees at December 31, 2017, were as follows:

<u>Reserve</u>	<u>Investment</u>	<u>Anti-Fraud</u>
Anne Kamps - Chair	James Cotton - Chair	M. Todd Day - Chair
Robert C. Thompson	Robert C. Thompson	F. Maria Sheffield
Jeffry D. Everett	Patrick T. McCartan	Santiago Garcia
Larry K. Smith	Jeffry D. Everett	Lori L. Hazlehurst
Helen P. Neglia	F. Maria Sheffield	Christopher S. Northrop
M. Todd Day	David T. Walton	Deborah Butler
		Danielle Lewis

<u>ORSA</u>	<u>CAC</u>
F. Maria Sheffield - Chair	F. Maria Sheffield – Chair
Robert C. Thompson	Thomas P. Fischbach
Jeffry D. Everett	Santiago Garcia
Federico Folchi-Vici-D'Arcevia	Brian N. Moore
Larry K. Smith	Lee M. Warren
Thomas P. Fischbach	Michele G. Abbott
Lori L. Hazlehurst	Lori L. Hazlehurst
Marcia A. Ecker	M. Todd Day
Anne Kamps	Helen P. Neglia
M. Todd Day	
Heather B. Brown	

The Company does not have an audit committee. To comply with Sections 375.1025(4) RSMo (Audit Committee), the Company relies on the Audit Committee of CAT, the ultimate parent. CAT's Audit Committee was comprised of four independent directors as of December 31, 2017.

Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement (Form B) was filed by CLIC for each year of the examination period. According to the 2017 Form B filing and as noted in the organization chart, the following entities comprise the holding company system:

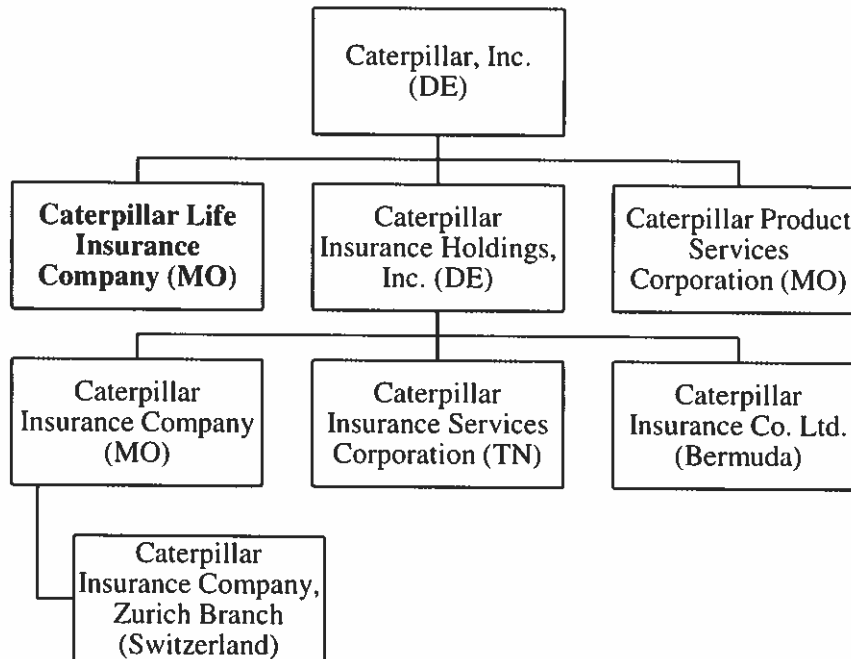
- **Caterpillar Inc. (CAT)** – The ultimate parent company is the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. Caterpillar, Inc. is publicly traded under the symbol of CAT on the New York Stock Exchange, with its worldwide headquarters in Peoria, Illinois.
- **Caterpillar Insurance Holdings, Inc. (CIHI)** – a Delaware stock insurance holding company.
- **Caterpillar Product Services Corporation (CPSC)** – CPSC is a Missouri corporation that provided an extended warranty program in France and Germany. Effective January 1, 2013, the extended warranty program in France and Germany was moved to CICSB.

- **Caterpillar Insurance Company (CIC)** – CIC issues contractual liability insurance to United States Caterpillar dealers for dealer-obligor extended warranty as well as certain Original Equipment Manufacturers. CIC also issues contractors' equipment policies to Caterpillar customers for physical damage insurance on heavy construction equipment in the United States. Finally, CIC issues a non-cancellable accident and health stop loss insurance policy to a Missouri Voluntary Benefit Association Trust for the Caterpillar Inc. Retiree Medical Plan.
- **Caterpillar Insurance Company, Zurich Branch (CICSB)** – CICSB is licensed in Switzerland to write miscellaneous financial risk, which allows the Branch to insure the world-wide extended warranty/service contract obligations of Caterpillar S.A.R.L.
- **Caterpillar Insurance Services Corporation (CISC)** – CISC is a Tennessee corporation that has both property and casualty and life and health authorized insurance agents. CISC provides risk management services to the independent Caterpillar dealers as well as property and casualty coverage from major insurance carriers for workers compensation, general liability, accident and health, life, and cargo and property exposures. CISC also serves as the distribution network for contractual liability policies issued to dealers covering the dealer's extended service contracts and warranties.
- **Caterpillar Insurance Co. Ltd. (CICL)** – CICL is a Bermuda captive insurance company that insures Caterpillar, Inc. and affiliates for general liability, property, auto liability and cargo. CICL provides reinsurance to CIC under a ninety-percent (90%) quota share reinsurance agreement for the contractual liability and contractors' equipment program in the United States.

Collectively, the operations of CIC, CICSB, CLIC, CICL, CPSC and CISC are referred to as Caterpillar Financial Insurance Services (CFIS).

Organizational Chart

The following organizational chart depicts an abbreviated portion of the holding company system at December 31, 2017, including the Company. All subsidiaries shown are wholly-owned by Caterpillar, Inc. A complete list of all companies within the holding company system is included within the annual statement.



Affiliated Transactions

The Company's agreements with related parties that were in effect as of December 31, 2017 and subsequent periods are outlined below.

1) Management Agreement

- Parties:** CIC, CLIC, CICL, CPSC, CISC, CIHI, and CAT, are all receivers of services. Caterpillar Financial Services Corporation, CSARL, Caterpillar America C.V., and Caterpillar North America C.V., are all providers of services.
- Effective:** January 1, 2009
- Terms:** The providers of services provide various administrative, management and accounting services to the receivers of services.
- Rates:** Fees charged under the Agreement are equal to the cost incurred to render such services to the other parties.

2) Surplus Note

Parties: CLIC and Caterpillar Financial Services Corporation
Effective: August 1, 2004
Terms: CLIC issued a surplus note to CFSC in the principal sum of \$35,000,000. The balance as of December 31, 2017, was \$31,315,729, which consisted of principal of \$29,633,222 and accrued interest of \$1,682,507. During 2018, CLIC repaid the principal balance of the surplus note plus accrued interest.
Rates: Interest is accrued at 5.6% per annum.

3) Promissory Note

Parties: CLIC and Caterpillar, Inc.
Effective: August 1, 2004
Terms: Note issued by Caterpillar, Inc. to CLIC in the amount of \$12 million, payable upon demand by CLIC.
Rate(s): 5.6% per annum

4) Promissory Note

Parties: CLIC and Caterpillar Paving Products, Inc.
Effective: August 1, 2004
Terms: Note issued by Caterpillar Paving Products, Inc. to CLIC in the amount of \$12 million, payable upon demand by CLIC.
Rate(s): 5.6% per annum

5) Promissory Note

Parties: CLIC and Solar Turbines, Inc.
Effective: August 1, 2004
Terms: Note issued by Solar Turbines, Inc. to CLIC in the amount of \$12 million, payable upon demand by CLIC.
Rate(s): 5.6% per annum

6) General Agency Agreement

Parties: CLIC and Caterpillar Insurance Services Corporation
Effective: May 1, 2004
Terms: CISC provides all usual and customary services of an insurance agent on all insurance contracts placed with CLIC.
Rate(s): Fees related to this agreement are paid for under the Management Agreement described above.

The promissory notes identified above in the Affiliated Transaction section have been subsequently sold. The proceeds were used to pay off the principal balance of the surplus note plus accrued interest. The repayment will be reflected on the CLIC 2018 Annual Statement.

TERRITORY AND PLAN OF OPERATIONS

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 2017, 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 Caterpillar Insurance Company. 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.

REINSURANCE

Assumed

The Company assumes reinsurance under one treaty with its affiliate.

On May 1, 2004, the Company entered into a quota share agreement with CIC. Under the agreement, the Company assumed 100% of the retiree medical and long-term disability business written by CIC, consisting of \$103.8 million in premium and established reserves of \$102.7 million.

Ceded

None.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2017. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the “Comments on Financial Statement Items.” 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 Annual Statement item.

Caterpillar Life – 12/31/2017 Exam

ASSETS

For the Year Ended December 31, 2017

	<u>Assets</u>	Non-Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 98,019,987	\$ 0	\$ 98,019,987
Common Stocks	30,487,878	0	30,487,878
Cash, Cash Equivalents and Short-Term Investments	18,669,379	0	18,669,379
Investment Income Due and Accrued	1,093,578	0	1,093,578
Net Deferred Tax Asset	937,660	540,087	397,573
Aggregate Write-In Assets	<u>129,342</u>	<u>129,342</u>	<u>0</u>
TOTAL ASSETS	<u>\$149,337,824</u>	<u>\$ 669,429</u>	<u>\$148,668,395</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

For the Year Ended December 31, 2017

Aggregate Reserve for Accident and Health Contracts	\$ 61,197,161
Contract Claims – Accident and Health	1,440,192
General Expenses	171,848
Current Federal and Foreign Income Taxes	6,378,430
Asset Valuation Reserve	6,436,234
Payable to Parent, Subsidiaries and Affiliates	21,417
Payable for Securities	<u>1,039,285</u>
TOTAL LIABILITIES	\$ 76,684,567
Common Capital Stock	2,500,000
Surplus Notes	31,315,729
Gross Paid in and Contributed Surplus	15,169,067
Unassigned Funds (Surplus)	<u>22,999,032</u>
Capital and Surplus	<u>\$ 71,983,828</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$148,668,395</u>

STATEMENT OF INCOME
For the Year Ended December 31, 2017

Premium Earned	\$ 0
Net Investment Income	3,161,428
Amortization of Interest Maintenance Reserve	<u>20,200</u>
Total Revenue	\$ 3,181,628
Death Benefits	\$ 0
Disability Benefits & Benefits under A&H Contracts	5,867,274
Increase in Aggregate Reserves for A&H Contracts	<u>(19,808,250)</u>
Total Benefits Payments	(\$13,940,976)
General Insurance Expenses	\$ 385,323
Insurance Taxes, Licenses, & Fees	<u>57,744</u>
Total Benefit Payments & Expenses	\$ 443,067
Net Gain From Operations	\$16,679,537
Net Realized Capital Gains	6,543,522
Federal Income Taxes Incurred	<u>(3,730,972)</u>
Net Income	<u>\$19,492,087</u>

RECONCILIATION OF SURPLUS
Changes from January 1, 2014 to December 31, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$61,604,059	\$57,605,581	\$53,424,556	\$55,732,475
Net Income	(1,893,085)	688,527	3,446,599	19,492,087
Change in Net Unrealized Capital Gains (Losses)	(248,915)	(3,223,497)	(268,835)	(2,653,046)
Change in Net Deferred Income Tax	442,248	847,687	(374,393)	(2,823,795)
Change in Non-Admitted Assets	(17,105)	(2,396,137)	235,118	1,622,740
Change in Asset Valuation Reserve	144,302	(97,605)	(730,569)	613,367
Change in Surplus Notes	(4,637,270)	0	4,609	(4,611)
Aggregate Write-ins for Gains (Losses) in Surplus	2,211,347	0	(4,609)	4,611
Change in Capital and Surplus for the Year	<u>(3,998,478)</u>	<u>(4,181,026)</u>	<u>2,307,920</u>	<u>16,251,353</u>
Capital and Surplus, End of Year	<u>\$57,605,581</u>	<u>\$53,424,556</u>	<u>\$55,732,475</u>	<u>\$71,983,828</u>

ANALYSIS OF EXAMINATION CHANGES

None.

COMMENTS ON FINANCIAL STATEMENTS

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of Caterpillar Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Brian Hammann, CPA, Anna Duncan, and Kim Dobbs, CFE, AES, examiners for the Missouri DIFP, participated in this examination. Rex Durlington, FSA, MAAA, of Hause Actuarial Solutions, Inc., also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of Cole)

I, Marc Peterson, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Caterpillar Life Insurance Company its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Marc Peterson
Marc Peterson, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

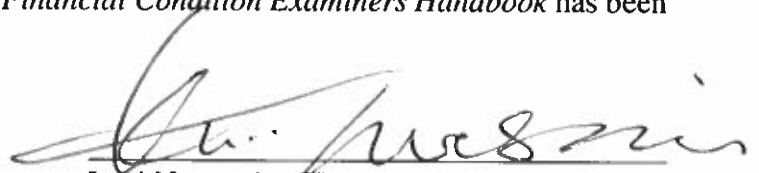
Sworn to and subscribed before me this 4th day of April, 2019.
My commission expires: March 30, 2023
Hailey Luebbert
Notary Public



HAILEY LUEBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634368

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.

A handwritten signature in black ink, appearing to read "Levi Nwasoria", written over a horizontal line.

Levi Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration