

**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 Swiss Re Life & Health America Inc. for the period ended December 31, 2016, 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, corporate history, corporate records, management and control, territory and plan of operations, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Swiss Re Life & Health America Inc. as of December 31, 2016 be and is hereby ADOPTED as filed and for Swiss Re Life & Health America Inc. 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 01st day of June, 2018.




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

**REPORT OF THE
FINANCIAL EXAMINATION OF
SWISS RE LIFE & HEALTH AMERICA INC.**

**AS OF
DECEMBER 31, 2016**

FILED
JUN 11 2018
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI**

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	2
RELIANCE UPON OTHERS.....	2
SUMMARY OF SIGNIFICANT FINDINGS.....	2
SUBSEQUENT EVENTS.....	2
CORPORATE HISTORY.....	3
GENERAL.....	3
DIVIDENDS.....	3
CAPITAL CONTRIBUTIONS.....	3
MERGERS AND ACQUISITIONS.....	4
CORPORATE RECORDS.....	4
MANAGEMENT AND CONTROL.....	4
BOARD OF DIRECTORS.....	4
MANAGEMENT TEAM/OFFICERS.....	5
PRINCIPAL COMMITTEES.....	5
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES.....	6
ORGANIZATIONAL CHART.....	7
INTERCOMPANY TRANSACTIONS.....	9
TERRITORY AND PLAN OF OPERATIONS.....	11
REINSURANCE.....	11
GENERAL.....	11
ASSUMED.....	12
CEDED.....	12

FINANCIAL STATEMENTS.....	14
ASSETS.....	15
LIABILITIES, SURPLUS AND OTHER FUNDS.....	16
STATEMENT OF INCOME.....	17
CAPITAL AND SURPLUS ACCOUNT.....	18
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION.....	19
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	19
SUMMARY OF RECOMMENDATIONS.....	19
ACKNOWLEDGMENT.....	20
VERIFICATION.....	20
SUPERVISION.....	20

Armonk, New York
March 29, 2018

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 full scope financial examination has been made of the records, affairs and financial condition of

Swiss Re Life & Health America Inc.

hereinafter referred to as such, as SRLHA, or as the Corporation. Its administrative office is located at 175 King Street, Armonk, New York 10504, telephone number 877-794-7773. The fieldwork for this examination began on May 1, 2017 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) performed a multi-state examination of Swiss Re Life & Health America Inc. The last examination covered the period January 1, 2007 through December 31, 2011 and was completed by examiners from the Connecticut Insurance Department. This examination covers the period of January 1, 2012 through December 31, 2016.

This examination also includes material transactions and/or events occurring subsequent to the examination date which are noted in this report.

This examination was part of a coordinated examination of the U.S. domiciled insurers and reinsurers that are part of the Swiss Re Ltd (SRL) holding company system (Swiss Re or Group). In addition to SRLHA, Swiss Re includes 12 insurers and reinsurers domiciled in the states of Missouri, New Hampshire, New York, Texas and Vermont. All of the states that have domestics within Swiss Re participated in the coordinated examination. Missouri acted as the overall lead state for the coordinated examination.

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 DIFP and statutes of the State of Missouri prevailed. The Handbook requires the planning and performance of the examination to evaluate the Corporation’s financial condition, assess corporate governance, identify current and prospective risks of the Corporation 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.

All accounts and activities of the Corporation 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 Corporation’s financial statements.

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 Corporation.

Reliance Upon Others

The examination relied upon information supplied by the Corporation’s independent auditor, PricewaterhouseCoopers, LLP of New York, New York, for its audit covering the period from January 1, 2016 through December 31, 2016. Information relied upon included, but was not limited to, narrative descriptions of information technology processes and controls, internal control and substantive testing relating to claim and premium activities, and fraud risk analysis.

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

In the first quarter of 2018, SRLHA restructured its Intra-Group Retrocession (IGR) program with its affiliates, to partially offset certain financial impacts from U.S. Tax Reform, which was passed in late 2017 and became effective with tax year 2018. The restructuring and changes to the IGR agreements are documented in greater detail in the Reinsurance section of this report.

CORPORATE HISTORY

General

SRLHA operates as a life and health reinsurer in Missouri under the insurance laws of Chapter 376 RSMo (Life, Health and Accident Insurance Laws). SRLHA commenced business under the name General Reassurance Corporation on September 29, 1967 and was owned by General Reinsurance Company (General Re).

On August 1, 1988, Reassurance Acquisition Corporation (RAC) and General Re entered into a stock purchase agreement under which RAC agreed to purchase all of the issued and outstanding shares of capital stock of the Corporation. The acquisition took place on November 16, 1988 and the Corporation changed its name to Life Reassurance Corporation of America (LRCA).

Effective December 1, 1998, SRC Acquisition Corporation, a jointly owned subsidiary of Swiss Reinsurance Company Ltd (SRZ), a Swiss corporation, and Swiss Re America Holding Corporation (SRAH), a Delaware corporation, was merged with and into Life Re Corporation, a Delaware corporation (Life Re). Life Re was the surviving entity and the holder of all of the outstanding stock of Texas Re, a Texas corporation. On February 17, 2000, Life Re merged with and into Swiss Re Life & Health America Holding Company (SRLHA Holding), a Delaware corporation. SRLHA Holding was the surviving entity.

On December 21, 2000, Swiss Re Life & Health America, Inc., a New York domiciled insurance company, merged with and into the LRCA, leaving LRCA as the surviving entity. Effective January 8, 2001, Texas Re merged with and into LRCA, leaving LRCA as the surviving entity and on March 8, 2001, the Corporation changed its name from LRCA to its current form.

A new reinsurance holding company, Swiss Re Reinsurance Holding Company Ltd (SRRH), was created on September 18, 2015 as a fully owned subsidiary of SRZ. The outstanding shares of the current principal U.S. holding company of the Reinsurance business unit, SRAH, were transferred to SRRH, but did not result in a change in SRLHA's immediate parent (SRLHA Holding) or the ultimate controlling entity (SRL).

Dividends

SRLHA did not pay any stockholder dividends during the examination period.

Capital Contributions

SRLHA received the following capital contributions during the examination period:

<u>Year Paid</u>	<u>Amount Paid</u>
2013	\$550,000,000
2014	700,000,000

Mergers and Acquisitions

SRLHA was not a party to any mergers or acquisitions during the examination period

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws. In May and June of 2015, respectively, the Articles and Bylaws were amended and restated to reflect the redomestication of the Corporation from the State of Connecticut to the State of Missouri, and to comply with applicable Missouri statutes and regulations.

The minutes of the Board of Directors' meetings, committee meetings, and stockholder meetings were reviewed for proper approval of corporate transactions. The Board of Directors generally meets four times a year, in March, May, August and November. Should business arise between meetings, it is conducted either via a special board meeting or by unanimous written consent. In general, the minutes appear to properly reflect and document approval of the Corporation's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL**Board of Directors**

The management of the Corporation is vested in a Board of Directors who are appointed by the stockholder. The Articles of Incorporation specify that the number of directors shall not be less than nine (9) and not more than twenty-one (21). The Board of Directors elected and serving as of December 31, 2016 was as follows:

<u>Name</u>	<u>Address</u>	<u>Business Affiliation</u>
Thomas P. Wellauer	Erlenbach, Switzerland	Chief Operating Officer, Swiss Re Group
David L. Jahnke	Minneapolis, Minnesota	Retired CPA, KPMG LLP
Philip K. Ryan	New York, New York	Retired Chief Financial Officer, Power Corporation and Credit Suisse Group
William J. Toppeta	New York, New York	President, Macomber Peak Partners LLC
Carlos E. Represas	Mexico City, Mexico	Retired Executive, Nestle
George E. Ruebenson	Lincolnshire, Illinois	Retired Executive, Allstate Insurance Corporation
Carol A. Petren	Scottsdale, Arizona	Retired Executive, MacAndrews & Forbes Holdings, Inc

David A. Cole	Kilchberg, Switzerland	Chief Financial Officer, Swiss Re Group
John E. Smith	New Canaan, Connecticut	President and Chief Executive Officer, Swiss Re Americas
Patrick Raaflaub	Zurich, Switzerland	Chief Risk Officer, Swiss Re Group
Karen L. Gavan	Toronto, Canada	Retired President and Chief Executive Officer, Economical Mutual Insurance Group
Melissa A. Babbage	Washington, District of Columbia	Non-Executive Director

Management Team/Officers

The Bylaws state that the Board of Directors (Board) shall elect a Chairman of the Board, a President, and a Secretary, at the first regular meeting of the Board of Directors following the annual meeting of the stockholders. The Board of Directors may elect other officers as required by law or as needed as determined by the Board. The officers elected to the Management Team by the Board of Directors and serving as of December 31, 2016 were as follows:

<u>Name</u>	<u>Title</u>
Neil A. Sprackling	President
John E. Smith	Chief Executive Officer
Craig C. Zahnd	Managing Director and Secretary
John V. Regan	Managing Director and Chief Financial Officer
Theresa (Tracy) A. Choka	Managing Director
Richard Daillak	Senior Vice President and Chief Risk Officer
James F. O’Grady	Senior Vice President
Kent H. Somers	Senior Vice President and Appointed Actuary
Craig D. Stevens	Senior Vice President and Treasurer
Lloyd Campbell-Gibson	Senior Vice President

Principal Committees

The Corporation’s Bylaws state that the Board of Directors may elect an Executive Committee of not less than three members. The Board, at its discretion, may appoint other committees as necessary. Currently, the Board of Directors has elected an Executive Committee, a Risk Committee, and an Audit Committee.

During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and affairs of the Corporation. The Risk Committee assists the Board in fulfilling its oversight responsibilities as they relate to the Corporation’s risk tolerance and capital adequacy, risk concentration, and key risk issues and exposures. The central task of the Audit Committee is to assist the Board in fulfilling oversight responsibilities as they relate to the integrity of the financial statements, internal controls, compliance with legal and regulatory requirements, the

qualification and independence of external auditors, and the performance of the internal audit department. All of the four members of the Audit Committee are not a part of Corporate management and do not have a business relationship with the Corporation and are therefore considered to be independent. The committee members as of December 31, 2016 were as follows:

Executive Committee

Philip K. Ryan
David L. Jahnke
John E. Smith

Risk Committee

Patrick Raaflaub
Melissa A. Babbage
David A. Cole
Carol Ann Petren
Carlos E. Represas
Philip K. Ryan
Thomas P. Wellauer

Audit Committee

David L. Jahnke
Karen L. Gavan
George E. Ruebenson
William J. Toppeta

In addition to the Corporation-level committees outlined above, SRLHA also relies on information and strategic guidance provided by numerous boards and committees at a direct or indirect parent level including, but not limited to, the following committees: compensation, investment, and finance and risk.

Holding Company, Subsidiaries and Affiliates

SRLHA is a member 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 SRLHA on behalf of itself, for each year of the examination period.

Within the holding company structure, SRLHA is wholly owned by Swiss Re Life & Health America Holding Company, which in turn is wholly owned by Swiss Re America Holding Corporation, which in turn is owned by Swiss Re Reinsurance Holding Company Ltd. SRRH is wholly owned by Swiss Reinsurance Company Ltd, which in turn is owned by Swiss Re Ltd, the ultimate controlling person within the holding company system.

SRL is a diversified global reinsurer, offering a wide variety of reinsurance products and financial services solutions to manage capital and risk. SRL is a publicly traded company on the SIX Swiss Exchange under the symbol SREN; no single shareholder was determined to own 10% or more of its outstanding shares. The SRL holding company system is segregated into three distinct business units that correspond to Swiss Re's core activities and are managed by three direct subsidiaries of SRL:

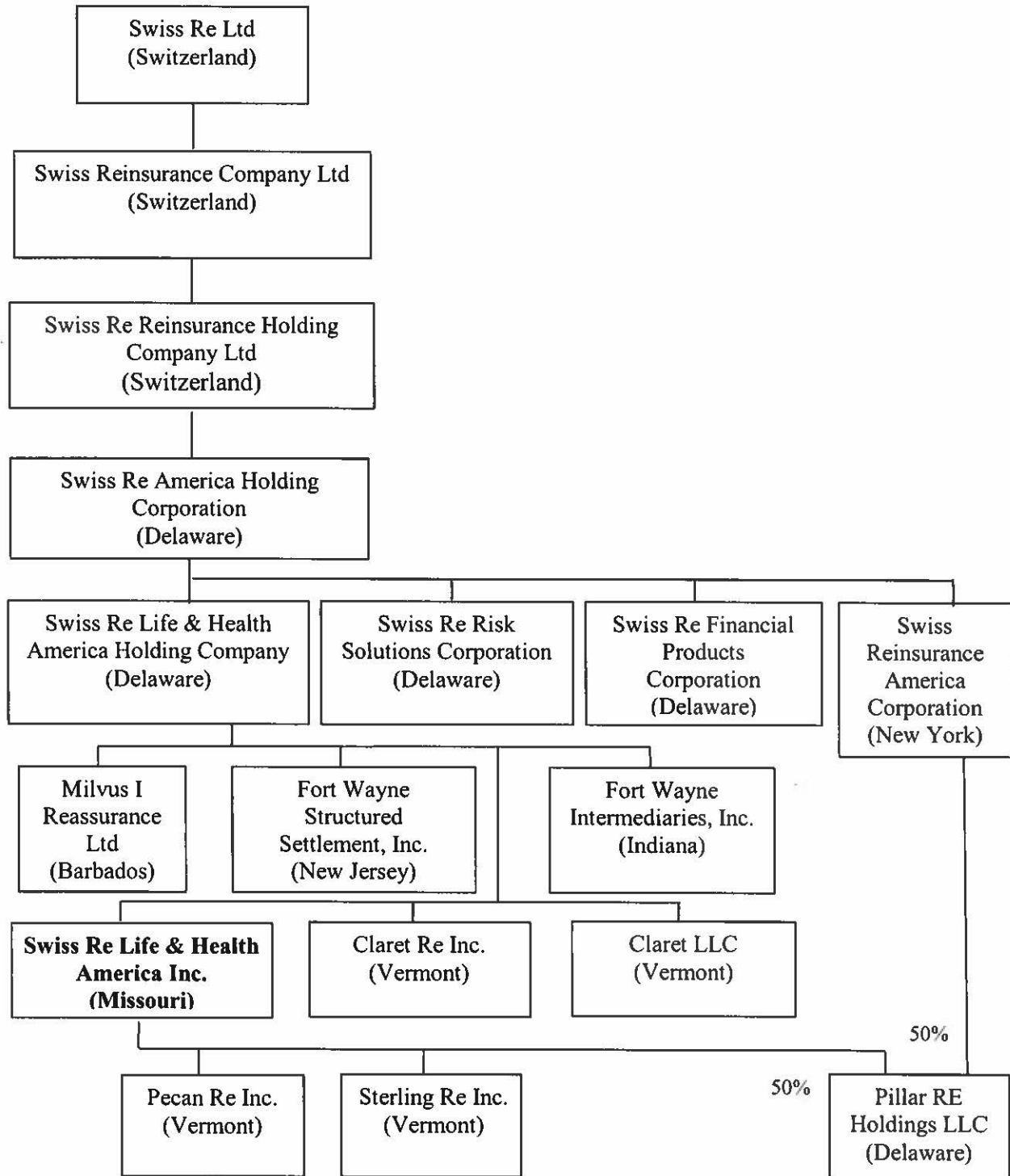
- Reinsurance – focuses on reinsurance activities.
- Corporate Solutions – focuses on direct corporate property & casualty insurance.
- Life Capital – focuses on management of closed and open life and health insurance books of business.

SRLHA is part of SRL's Reinsurance business unit, and assumes risks from a portfolio of ordinary life insurance products, including term, universal, interest sensitive, and whole life, as well as group life, group health, individual disability income, and special risk insurance. As of December 31, 2016, SRLHA directly owned the following entities:

- Pecan Re Inc. was formed as a wholly owned subsidiary of SRLHA on March 31, 2016 as a special purpose financial captive (SPFC) insurance company under the insurance laws of Vermont. The company was formed to effectuate an acquisition and novation of an inforce block of level term life insurance policies issued by Primerica Life Insurance Company, under an 80% coinsurance agreement.
- Sterling Re Inc. (Sterling Re) was formed as a wholly owned subsidiary of SRLHA on November 20, 2009 as a SPFC insurance company under the insurance laws of Vermont for the purpose of providing life reinsurance to SRLHA. Effective December 30, 2009, Sterling Re reinsured a block of inforce guaranteed level premium term life insurance business from SRLHA under a coinsurance agreement on a funds withheld basis. Effective January 1, 2014, the coinsurance agreement was amended and Sterling Re reinsured an additional block of guaranteed level term business.
- Pillar RE Holdings, LLC is a non-operating real estate holding company formed to obtain US direct investments in income producing real estate. The company is jointly owned by SRLHA and Swiss Reinsurance America Corporation.

Organizational Chart

The ultimate parent, SRL, has a number of subsidiaries, both insurance and non-insurance, which are too numerous to list in this report. Therefore, only entities which have direct and indirect ownership of SRLHA, are subsidiaries of SRLHA's indirect parent, or have significant transactions with SRLHA are included in the following organizational chart as of December 31, 2016. All ownership percentages are 100% unless otherwise indicated.



Intercompany Transactions

The Corporation is a party to the significant intercompany agreements outlined below.

1. Type: Service Agreement
 Parties: SRLHA and Milvus I Reassurance Limited
 Effective: December 19, 2008
 Terms: SRLHA provides general management and administrative services such as financial, accounting, tax, auditing, reporting, billing, collection, claims management, and compliance. SRLHA will be paid a quarterly fee of \$125,000 which is subject to an annual increase of 3.0% on each anniversary date.

2. Type: Service Agreement
 Parties: SRLHA and Sterling Re
 Effective: December 30, 2009
 Terms: SRLHA provides general management and administrative services in connection with a retrocession agreement between the parties effective December 30, 2009 whereby SRLHA cedes certain risks to Sterling Re. SRLHA will be paid a quarterly fee of \$125,000 which is subject to an annual increase of 3.0% on each anniversary date.

3. Type: Services Agreement
 Parties: SRLHA and SRAH
 Effective: September 1, 2014
 Terms: SRAH provides general management and administrative services on behalf of SRLHA, such as legal, personnel, tax, accounting, finance and treasury, risk management and actuarial, auditing, underwriting, claims, and office administration. SRAH is reimbursed for the costs incurred.

4. Type: Licensing Agreement
 Parties: SRLHA and SRZ, as amended and novated from SRZ to SRL
 Effective: January 1, 2005, amended May 1, 2011
 Terms: SRLHA obtains a non-exclusive, non-transferable and non-sub-licensable right to use all registered and unregistered trademarks and other rights in and to the Swiss Re brand worldwide. The brand royalty payment shall amount to 1.00% of SRLHA's net earned premium.

5. Type: Investment Advisory Agreement
 Parties: SRLHA and SRAH (fka Swiss Re Financial Services Corporation (SRFSC) upon merger into SRAH effective December 31, 2015, SRFSC fka Swiss Re Asset Management (Americas), Inc. upon merger into SRFSC effective December 31, 2007)
 Effective: July 1, 2006, as amended January 1, 2007 and August 10, 2009
 Terms: SRAH provides investment management and accounting services on behalf of and within the parameters established by SRLHA. Under Amendment 1 to the Agreement, SRAH is permitted to engage the services of affiliated or non-

affiliated sub-advisors to manage all or a part of the investment portfolio. Under Amendment 2, SRAH is permitted to engage the services of an affiliated sub-advisor, Swiss Re Investment Management Limited, to manage specified investments within the portfolio. SRLHA pays a fee for services rendered based upon the class of securities. Annual rates of 0.11% for U.S. Treasuries, and U.S. Government obligations, 0.13% for all other fixed maturity securities, and 0.25% for equities, mortgage loans, and real estate are charged.

6. Type: Tax Allocation Agreement
 Parties: SRLHA and SRAH
 Effective: Tax Year effective January 1, 2016
 Terms: SRLHA shall compute its federal income tax liability on a separate return basis. SRAH shall reimburse SRLHA in any taxable year for which a consolidated federal income tax return is filed to the extent that SRLHA's loss or credit or loss or credit carryforward is used to reduce the consolidated tax liability. SRLHA shall pay installments to SRAH on or within five days prior to the date any such tax liability would otherwise be due to the Internal Revenue Service.

7. Type: Collateralized Securities Lending Agreement
 Parties: SRLHA and SRZ
 Effective: January 1, 2013
 Terms: SRLHA appointed SRZ as its agent to lend securities from its custodial safekeeping account from time to time to borrowers. SRZ will pay a fee equal to 80% of the net fee income derived from lending securities to market participants. The Collateralized Securities Lending Agreement effectively replaced a Securities Lending Agreement between SRLHA and SRAH (fka Swiss Re Financial Services Corporation (SRFSC) upon merger into SRAH effective December 31, 2015, SRFSC fka Swiss Re Asset Management (Americas), Inc. upon merger into SRFSC effective December 31, 2007) (effective July 1, 2002).

8. Type: Guarantee Agreement
 Parties: SRLHA and FWH&C
 Effective: May 20, 1999
 Terms: SRLHA has in effect a non-recourse guarantee which guarantees performance under insurance and reinsurance contracts issued by FWH&C. FWH&C was acquired by the Swiss Re Group in connection with the acquisition of Lincoln National Corporation's reinsurance operations. FWH&C was subsequently merged into North American Specialty Insurance Company, an affiliate effective October 1, 2006. The guarantee initially provided by Lincoln National Corporation was to support the Standard & Poor's financial strength rating of FWH&C and was assumed by SRLHA in connection with the acquisition of the reinsurance operations of Lincoln National Corporation. The maximum exposure under this guarantee is \$500 million.

9. Type: Services Agreement
 Parties: SRLHA and SRZ
 Effective: September 4, 2012
 Terms: SRLHA provides administrative services with respect to certain business reinsured by SRZ from Jackson National Life. SRZ will reimburse SRLHA for the cost of services plus a 7.5% mark-up except the mark-up is not applied to third party costs.

In addition to the above listed agreements, SRLHA has reinsurance agreements with various affiliates through which SRLHA assumes and cedes business as described in the Reinsurance section of this report.

TERRITORY AND PLAN OF OPERATIONS

SRLHA is licensed as a life and health reinsurer by the Missouri Department of Insurance, Financial Institutions, and Professional Registration under Chapter 376 RSMo (Life, Health and Accident Insurance Laws). SRLHA is licensed to transact business in forty-five states plus the District of Columbia. The Corporation is qualified, accredited or authorized as a reinsurer in Georgia, Maine, Massachusetts, New Hampshire, Wyoming, Puerto Rico and Guam.

SRLHA's business consist primarily of traditional life reinsurance involving the transfer to the Corporation of mortality risks on insurance products form primary and ceding insurers of ordinary individual and group life policies. Reinsurance business is predominantly written under automatic treaties with the primary life insurance companies; however, some business is also assumed on a facultative basis. Substantially all of the traditional life reinsurance business is marketed directly by the Corporation.

REINSURANCE

General

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Direct Written Business	\$ 808,487	\$ 544,956	\$ 621,657	\$ 553,015	\$ 439,902
Reinsurance Assumed:					
Affiliates	7,797,892	207,735,666	43,309,157	-	2,035,217,108
Non-Affiliates	4,407,682,489	4,118,321,428	3,709,870,685	4,813,654,789	6,893,765,328
Reinsurance Ceded:					
Affiliates	1,058,757,980	1,988,020,498	461,347,777	622,045,239	5,462,001,840
Non-Affiliates	1,799,752,172	694,143,650	1,184,560,799	1,208,637,988	1,177,696,868
Net Written Premium	<u>\$ 1,557,778,716</u>	<u>\$ 1,644,437,902</u>	<u>\$ 2,107,892,923</u>	<u>\$ 2,983,524,577</u>	<u>\$ 2,289,723,630</u>

Assumed

SRLHA assumes risks from a portfolio of ordinary life insurance products, including term, universal, interest sensitive, and whole life, as well as group life, group health, individual disability income, and special risk insurance. A few clients provide the majority of the Corporation's current business, including, but not limited to, Pecan Re, American General Life Insurance Company, Lincoln National Life Insurance Company, Massachusetts Mutual Life Insurance Company, Prudential Life Insurance Company of America and Primerica Life Insurance Company. Reinsurance business is predominantly written under automatic treaties with primary life insurance companies but also some business is assumed on a facultative basis.

The majority of the Corporation's traditional life business is structured as yearly renewable term (YRT) or coinsurance, written on a quota share basis. The Corporation generally requires ceding companies to retain at least 10% of every risk whether the business is written on an excess or quota share basis. A common treaty feature is the client's ability to recapture its cessions when relevant policies have matured, generally after 10 to 20 years.

Effective March 31, 2016, SRLHA reinsured 100% of the obligations assumed by Pecan Re, Inc. (a newly formed Swiss Re special purpose vehicle domiciled in Vermont) from Primerica Life Insurance Company under an 80% coinsurance agreement. The business reinsured consisted of an inforce block of level term life insurance policies. A collateralized stop loss agreement between Pecan Re, Inc. and Prime Reinsurance Inc. will cover excess reserves for a term of six years. On the same date, SRLHA retroceded a 100% quota share of the net retroceded liabilities on an indemnity funds withheld basis to SRZ.

Ceded

A substantial portion of life assumed risks (approximately 87.2% of life reserve credit taken) is retroceded to affiliated companies, namely, Sterling Re Inc. (a Vermont captive), Milvus I Reassurance Limited (a Barbados captive) and SRZ through the Corporation's IGR program. Currently, no agreements are open for retroceding new business to non-affiliated companies. Maximum net retention on any one life is \$70 million for ordinary life and \$5 million for group life.

On June 27, 2008, SRLHA formed Rialto, a Vermont domiciled special purpose financial captive insurance company, for the purpose of providing life reinsurance to the Corporation. Effective July 1, 2008, SRLHA recaptured an in-force block of guaranteed level premium term life insurance from European Reinsurance Company of Zurich (Bermuda branch). Under a coinsurance agreement with Rialto, the Corporation ceded those reserves and transferred assets to Rialto. Effective October 1, 2014, the Corporation recaptured the business ceded to Rialto. Rialto was subsequently dissolved on December 15, 2014.

Effective December 19, 2008, SRLHA recaptured quota share percentages of blocks of inforce guaranteed level premium term life insurance from SRZ and European Reinsurance Company of Zurich (ERZ), an affiliate. The Corporation ceded the recaptured business, in addition to a quota share percentage of certain retained business, to Milvus I Reassurance Limited, a Barbados

affiliate, under a funds withheld coinsurance arrangement. Effective March 25, 2014, SRLHA retrocedes a 60% quota share of the business assumed.

On November 20, 2009, Sterling Re, a Vermont special purpose financial captive insurance company, was formed for the purpose of providing life reinsurance to the Corporation. Effective December 30, 2009, the Corporation recaptured quota share percentages of blocks of guaranteed level premium term life insurance business from SRZ and ERZ. SRLHA ceded the recaptured business, in addition to a 40% quota share percentage of certain retained business, to Sterling Re under a funds held coinsurance arrangement. Effective March 25, 2014, SRLHA ceded an additional 100% quota share percentage block of guaranteed level premium term life insurance business to Sterling Re.

Effective December 31, 1994, SRLHA entered into a modified coinsurance treaty with SRZ whereby the Corporation retrocedes 80% of all retained individual accident and health business in force on or reinsured after the effective date. The agreement was amended on December 31, 1997 to include business reinsured and accepted by novation from The Mercantile General Life Reassurance Company of America. Effective January 1, 1998, the agreement was amended to change it from modified coinsurance to a coinsurance funds withheld agreement.

Effective October 1, 2009, the Corporation recaptured a block of in force YRT life insurance business from SRZ and ERZ in exchange for consideration. SRLHA ceded the recaptured business, along with previously retained YRT business assumed prior to 2005, to Berkshire Hathaway Life Insurance Company of Nebraska (BHLIC) under a coinsurance agreement. Effective March 27, 2013, SRLHA recaptured certain business from BHLIC. The recaptured business was ceded to SRZ on a 100% coinsurance funds withheld basis. Effective October 1, 2015, SRLHA recaptured the block of pre-2004 YRT business ceded to SRZ.

SRLHA also retrocedes 100% of new level term and whole life business, minimum death benefit and living guarantees on variable annuities, and medical reimbursement business to SRZ.

During the first quarter of 2018, significant changes were made to the IGR program to partially offset the financial impact of recently passed U.S. Tax Reform on SRLHA.

Effective January 1, 2018, SRLHA recaptured the following IGRs with SRZ:

- IGR ceding level term and whole life business originally effective January 1, 2015;
- IGR ceding Variable Life business on a Modified Coinsurance basis originally effective December 31, 2016;
- IGR covering Group Life business originally effective July 1, 2001;
- IGR covering Medical Reimbursement business originally effective January 1, 2015; and
- IGR covering the obligations assumed by Pecan Re, Inc. originally effective March 31, 2016.

SRLHA received a capital contribution of \$1.825 billion to support the above recaptures.

In addition to the recaptures, SRLHA also entered into three party novation agreements effective January 1, 2018 to novate certain treaties assumed by SRLHA and retroceded to SRZ such that the ceding company clients would obtain reinsurance directly from SRZ.

SRLHA is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Swiss Re Life & Health America Inc. for the period ending December 31, 2016. 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 Corporation and noted in the workpapers for each individual activity.

	<u>Assets</u>	Non-admitted	Net Admitted
	Assets	Assets	Assets
Bonds	\$10,414,833,181	-	\$10,414,833,181
Common Stocks	153,483,105	-	153,483,105
Mortgage Loans on Real Estate	785,236,983	-	785,236,983
Cash and Short-term Investments	699,595,850	-	699,595,850
Contract Loans	60,500,857	\$5,386	60,495,471
Other Invested Assets	519,793,023	-	519,793,023
Receivable for Securities	535,760	-	535,760
Investment Income Due and Accrued	114,177,039	-	114,177,039
Uncollected Premiums and Agents' Balances in the Course of Collection	517,707,238	-	517,707,238
Accrued Retrospective Premiums And Contracts Subject to Redetermination	8,964,467	-	8,964,467
Amounts Recoverable from Reinsurer	159,868,739	-	159,868,739
Funds Held by or Deposited with Reinsured Companies	169,065,184	-	169,065,184
Other Amounts Receivable Under Reinsurance Contracts	411,981,248	-	411,981,248
Net Deferred Tax Asset	372,931,949	189,418,299	183,513,650
Receivables from parent, Subsidiaries and Affiliates	5,224,224	-	5,224,224
Aggr. Write-Ins for Other than Invested Assets	22,737,817	400,921	22,336,896
TOTAL ASSETS	\$14,416,636,664	\$189,824,606	\$14,226,812,058

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$ 4,952,836,409
Aggregate reserve for accident and health contracts	297,917,370
Liability for deposit-type contracts	983,104
Contract Claims:	
Life	730,592,242
Accident and health	82,178,879
Policyholders' dividends	1,223,120
Contract liabilities not included elsewhere:	
Surrender values on canceled contracts	4,773,801
Provision for experience rating refunds	97,966,045
Other amounts payable to reinsurance	405,633,697
Interest maintenance reserve	161,266,448
Commissions and expense allowances payable on reinsurance assumed	220,151,422
General expenses due and accrued	3,998,272
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,306,246
Current federal and foreign income taxes	6,637,451
Amounts withheld or retained by company as agent or trustee	11,756
Remittances and items not allocated	431,127,466
Net adjustment in assets and liabilities due to foreign exchange rate	2,639
Miscellaneous liabilities:	
Asset valuation reserve	71,518,481
Reinsurance in unauthorized and certified companies	1,746,191
Funds held under reinsurance treaties	5,274,908,155
Payable to parent, subsidiaries and affiliates	68,391,240
Funds held under coinsurance	14,269,711
Aggregate write-ins for liabilities	16,494,195
TOTAL LIABILITIES	12,845,934,340
Common Capital Stock	4,000,000
Gross Paid In and Contributed Surplus	3,107,254,849
Unassigned Funds (Surplus)	(1,730,377,131)
Surplus as Regards Policyholders	1,380,877,718
TOTAL LIABILITIES AND SURPLUS	\$ 14,226,812,058

Statement of Income

Premiums and annuity considerations for life and accident and health	\$ 2,289,723,630
Net investment income	476,660,500
Amortization of interest maintenance reserve (IMR)	30,088,642
Commissions and expenses allowances on reinsurance ceded	1,318,290,920
Reserve adjustments on reinsurance ceded	1,139,696,386
Miscellaneous income:	
Aggregate write-ins for miscellaneous income	178,865,723
Total	5,433,325,801
Death benefits	2,100,713,836
Matured endowments	18,253
Annuity benefits	11,378,517
Disability benefits and benefits under accident and health contracts	33,313,123
Surrender benefits and withdrawals for life contracts	19,062,323
Group conversions	246,563
Interest and adjustments on contract or deposit-type contract funds	11,655,425
Payments on supplementary contracts with life contingencies	162,007
Increase in aggregate reserves for life and accident and health contracts	118,948,910
Total	2,295,498,957
Commissions on premiums, annuity considerations, and deposit-type contract funds	28,317
Commissions and expense allowances on reinsurance assumed	1,426,715,572
General insurance expenses	261,898,517
Insurance taxes, licenses and fees, excluding federal income taxes	6,055,417
Aggregate write-ins for deductions	1,411,219,000
Total	5,401,415,780
Net gain from operations before dividends to policyholders and income taxes	31,910,021
Dividends to policyholders	1,860,058
Net income before federal and foreign income taxes	30,049,963
Federal and foreign income taxes incurred	25,531,241
Net gain from operating after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	4,518,722
Net realized capital gains (losses) less capital gains tax	(10,274,488)
NET INCOME	\$ (5,755,766)

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2015	\$1,318,346,046
Net Income	(5,755,766)
Change in Net Unrealized Capital Gains or (Losses)	(19,195,667)
Change in Net Unrealized Foreign Exchange Capital Gain (Loss)	(16,972)
Change in Net Deferred Income Tax	27,066,346
Change in Non-Admitted Assets	119,324,884
Change in Liability for Reinsurance	(119,089)
Change in Asset Valuation Reserve	(13,947,264)
Change in Surplus as a Result of Reinsurance	(44,824,800)
Net Change in Surplus as Regards Policyholders for 2016	<u>62,531,672</u>
Surplus as Regards Policyholders, December 31, 2016	<u>\$1,380,877,718</u>

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF RECOMMENDATIONS

None.

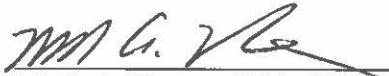
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Swiss Re Life & Health America Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Marc Peterson, CFE, Kim Dobbs, AES, CFE, Steven Koonse, CFE, Brad Brunton, CPA, Karen Baldree, CPA, CFE, James Le, CPA, CFE, CPCU, ARE and Alicia Galm, examiners for the DIFP, participated in this examination. The firm, Risk & Regulatory Consulting, LLC also participated as consulting actuaries.

VERIFICATION


State of Missouri)
County of Jackson)

I, Mark A. Nance, CPA, CFE, 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 Swiss Re Life & Health America Inc., 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.



Mark A. Nance, CPA, CFE
Senior Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 2nd day of May, 2018.

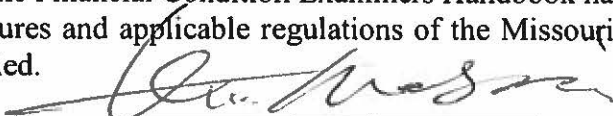
My commission expires: 04-14-2020 
Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070

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 DIFP and statutes of the State of Missouri prevailed.



Levi Nwasoria, CPA, CFE
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration