

GOVERNMENT OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE



MAPFRE LIFE INSURANCE COMPANY OF PUERTO RICO

AMENDED

REPORT ON EXAMINATION

AS OF DECEMBER 31, 2020

CASE No. EX-2022-02

NAIC CODE 77054

REPORT DATE: JULY 8, 2022

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GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

July 8, 2022

Honorable Alexander S. Adams Vega
Commissioner of Insurance
Commonwealth of Puerto Rico Office of the Commissioner of Insurance
Edificio World Plaza
9th Floor
268 Muñoz Rivera Ave.
San Juan, Puerto Rico 00918

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Order Case Number EX-2022-02, dated January 20, 2022, a full-scope financial condition examination has been made of the records, affairs, financial condition, and management of the

MAPFRE LIFE INSURANCE COMPANY OF PUERTO RICO
Urb. Tres Monjitas Industrial
297 Carlos Chardón Avenue
San Juan, Puerto Rico 00918-1410

hereinafter referred to as “Company” or “MAPFRE Life”, incorporated under the laws of the Commonwealth of Puerto Rico, as of December 31, 2020. The examination was conducted remotely. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

This multi-state examination of MAPFRE Life was performed by examiners from Eide Bailly, LLP, representing the Office of the Commissioner of Insurance of Puerto Rico (OCI), and financial examiners from the OCI. MAPFRE Life is authorized as an insurer in Puerto Rico and in the United States Virgin Islands (USVI). The last examination covered the period of January 1,

2011, through December 31, 2015. This examination covers the period from January 1, 2016, through December 31, 2020, including any material relevant transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (NAIC Handbook)* and generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of the Government of Puerto Rico. The *NAIC 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 identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Section 2.030(12) of the Insurance Code of Puerto Rico (the Code) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG, and the Company's Internal Audit Unit. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, risk assessments and in substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

1. Compliance with By-Laws

The Company's By-Laws, Article IV, Section 1 states there shall be an Executive Committee and Section 3 states there shall be an Investments Committee. The Company did not have these committees as of December 31, 2020; therefore, the Company was not acting in accordance with its By-Laws as of the examination date.

During examination field work, the Company's Board of Directors (Board) approved an amendment to Article IV Committees of the By-Laws, which was submitted to the OCI for approval. The amendment established the Executive Committee and Investments Committee as discretionary committees. The amendment to the By-Laws was approved by the OCI on May 9, 2022.

2. Custodial Agreement Termination Clause

The Company's custodial agreement with The Bank of New York Mellon (BNYM), executed August 26, 2008, did not include language for the custodian providing written notification within three business days of termination or withdrawal

to the insurer's domiciliary commissioner if the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn in accordance with NAIC Handbook.

Effective June 7, 2022, the Company obtained an amendment to the custodial agreement with BNYM to include the notice of termination or withdrawal of 100% of the assets from the custodial account to the domiciliary commissioner and amend the names of the parties to the agreement.

Prior Examination Findings

1. Ultimate Controlling Person (UCP)

The Company failed to properly list Fundación MAPFRE as its Ultimate Controlling Person (UCP) in accordance with Section 3 of Form B of Rule No. 83 of the Regulations of the Code.

During the prior field examination of the Company, an amended Schedule Y and Form B was filed listing Fundación MAPFRE as the UCP.

No recommendation was made.

2. Unclaimed Funds

The Company did not report complete and accurate information in its reports of unclaimed funds in violation of Article 26.040(2)(a) and (2)(d) of the Code. A similar finding was identified in the examination report as of December 31, 2010.

It was recommended the Company comply with the provisions of Article 26.040(2)(a) and (d) of the Insurance Code of Puerto Rico and include correct policy numbers and the last known address for all insureds in its written report of unclaimed funds to the Commissioner of Insurance.

The Company complied with this recommendation.

3. Written Agreements with Affiliates

The Company did not have a written agreement with its General Agent, MAPFRE Insurance Agency in accordance with SSAP No. 25 of the *NAIC's Accounting Practices and Procedures Manual* and Articles 3.340 and 9.212 of the Code.

It was recommended that the Company maintain copies of written agreements with its affiliates and other related parties.

The Company complied with this recommendation. An agreement between the Company and MAPFRE Insurance Agency of Puerto Rico was executed effective November 18, 2016.

4. Authorization of Investments by the Board of Directors

The Company did not certify through formal resolution that its investments were made in accordance with its established guidelines in accordance with Article 6.040(2) of the Code.

It was recommended that in the future, the Board prepare, approve and document a formal resolution of its investments in accordance with the Code.

The Company complied with this recommendation.

5. Life Reserves

The Company did not comply with Ruling Letter No. CN-2010-118-AF and the NAIC Annual Statement Filing Instructions in preparation of its 2015 Annual Statement.

It was recommended that in the future, the Company correctly report reserves ceded in Schedule S, Part 3, Section 1 to agree with reinsurance ceded amounts in Exhibit 5 in accordance with the Annual Statement Instructions.

The Company complied with this recommendation.

COMPANY HISTORY

MAPFRE Life was originally incorporated on June 16, 1971, and commenced business on February 3, 1984. On September 3, 1985, the Company was merged with Security National Life Insurance Company of Puerto Rico, with MAPFRE LIFE being the surviving entity, and changed its name to Security National Life Insurance Company of Puerto Rico. In 1990, the Company was acquired by MAPFRE PRAICO Corporation and, on January 1, 1996, changed its name to Puerto Rican-American Life Insurance Company. Following the December 31, 2003, acquisition of Canadian Life Insurance Company of Puerto Rico, Inc. by MAPFRE PRAICO Corporation, the Company was merged with Canadian Life Insurance Company of Puerto Rico, Inc. to form a single life, health and disability insurer under the name MAPFRE Life Insurance Company in May 2004. The Company's name was changed to MAPFRE Life Insurance Company of Puerto Rico effective February 25, 2014.

The Company is organized under MAPFRE PRAICO Corporation, an intermediate holding company domiciled in Puerto Rico, which is wholly owned by MAPFRE International S.A., formerly known as MAPFRE America S.A., which is wholly owned by MAPFRE, S.A., a publicly traded company headquartered in Madrid, Spain. On December 5, 2016, MAPFRE America S.A. merged with MAPFRE Internacional S.A. with MAPFRE America S.A. being the surviving entity. MAPFRE America S.A. subsequently changed its name to MAPFRE Internacional, S.A. MAPFRE S.A. is ultimately owned by Fundación MAPFRE, S.A., the Ultimate Controlling Person

(UCP). As of December 31, 2020, Cartera MAPFRE, S.L. owned 67.7% of MAPFRE, S.A. and is wholly owned by Fundación MAPFRE, S.A., a non-profit organization with no owners or shareholders.

The Company is authorized to write life and disability insurance in Puerto Rico and the U.S. Virgin Islands (USVI).

Dividends and Capital Contributions

No dividends were paid to stockholders during the examination period. The Company received a \$5,000,000 capital contribution from MAPFRE PRAICO Corporation on December 29, 2016, to meet its capital and surplus requirements.

CAPITAL STOCK

The Company has 500,000 shares of common stock authorized, with 303,200 shares issued and outstanding at \$10 par value. As of December 31, 2020, 303,194 shares are owned by MAPFRE PRAICO Corporation, and the remaining 6 shares are owned by members of the Board of MAPFRE Life in compliance with Article 29.150(1)(a) of the Code. There are no other classes of capital stock.

CORPORATE RECORDS

The Articles of Incorporation, By-Laws and all amendments thereto, and the minutes of the meetings of the Board, Board committees, and shareholders were reviewed for the period under examination.

Articles of Incorporation

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

By-Laws

There were no amendments to the Company's By-Laws during the examination period.

Article IV – Committees, of the By-Laws in effect during the period under examination provided for Executive and Investment Committees. The Executive Committee became inactive after the July 12, 2017, Board meeting. The Company's Board dissolved the Investment Committee by resolution on June 26, 2018. The Company was not operating in accordance with its By-Laws as of December 31, 2020.

The Company's Board approved an amendment to its By-Laws, Article IV – Committees at the March 2022 meeting to change Investment and Executive Committees to discretionary committees. The amended By-Laws were submitted to OCI for approval on April 28, 2022. The OCI approved the amendment to the By-Laws on May 9, 2022.

Minutes

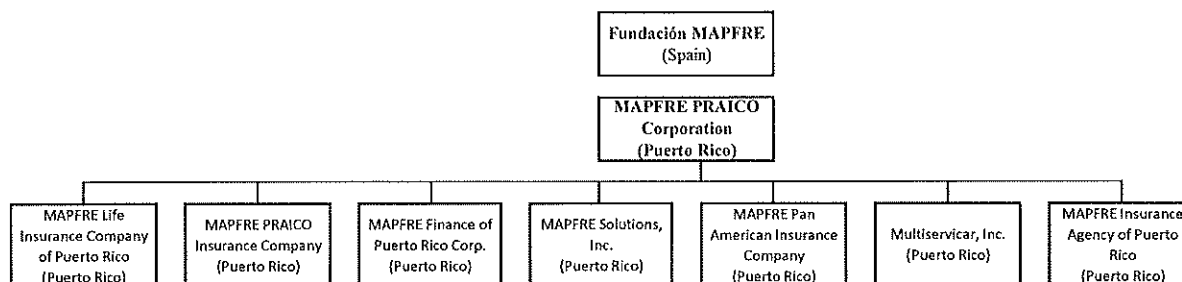
The recorded minutes adequately documented its meetings and approval of Company transactions and events, in compliance with the Code.

MANAGEMENT AND CONTROL

Holding Company System

The Company is a member of an Insurance Holding Company System, as defined under the Insurance Laws of Puerto Rico. Fundación MAPFRE (Spain) is the UCP. The Company is part of the MAPFRE Puerto Rico Group (Group), which is comprised of seven companies that operate in the Government of Puerto Rico and the U.S. Virgin Islands (USVI), which are wholly owned by MAPFRE PRAICO Corporation. The Group is comprised of three insurance companies, one insurance agency, a premium financing company, an automobile club and a company that operates an auto body repair shop and inspection centers.

The following is a simplified organizational chart that reflects the identities and interrelationships between the Company, its parent, its UCP and other affiliates as of December 31, 2020:



All companies in the Group share common administration, business policies, and integrated operations. There are seven branch offices throughout Puerto Rico and one branch office in the USVI as of December 31, 2020. Subsequent to December 31, 2020, the branch office in the USVI was closed.

MAPFRE PRAICO Group:

- MAPFRE PRAICO Insurance Company is an insurer writing vehicle, property, casualty, surety, title, agriculture, marine & transportation and disability business.
- MAPFRE Pan American Insurance Company is an insurer writing vehicle, property, casualty, surety, title, agriculture, marine & transportation, and disability business.
- MAPFRE Life Insurance Company of Puerto Rico is an insurer writing health, life and disability business.
- MAPFRE Insurance Agency of Puerto Rico, Inc. is an authorized representative for the insurance companies, general agency, and surplus lines broker.
- MAPFRE Solutions, Inc. is a service contract company.
- MAPFRE Finance of Puerto Rico, Corp. offers premium financing for the insurer's policyholders.
- Multiservicar, Inc. is an automobile body repair shop.

Effective May 1, 2021, Multiservicar, Inc. was merged with and into MAPFRE Solutions, Inc. with MAPFRE Solutions, Inc. being the surviving entity.

Board of Directors

Article 29.150 of the Code states that not less than the majority of directors of an insurer shall be residents of, and actually reside in, Puerto Rico. The Company was in compliance with Article 29.150 of the Code.

The Company's By-Laws, Article II, Section 3 states the Board of Directors of not less than five nor more than fifteen directors shall be chosen annually by the stockholders at their annual meeting. At least a majority of the elected members of the Board shall be residents of Puerto Rico and not less than three quarters of the total number of directors shall be U.S. Citizens.

As of December 31, 2020, the Board was comprised of six directors, five of which were residents of Puerto Rico and U.S. Citizens. The Company was in compliance with this provision of its By-Laws during the examination period.

As of the examination date, the directors of the Company, who were elected at the annual meeting of stockholders, and documented in the corporate meeting minutes, were as follows:

<u>Name and Location</u>	<u>Principal Occupation</u>
Alfredo Castelo Boston, Massachusetts	President and Chief Executive Officer MAPFRE USA Corporation
Joaquín A. Castrillo San Juan, Puerto Rico	Board Chairman Retired from MAPFRE in 2017
Teresita Fuentes San Juan, Puerto Rico	Certified Public Accountant Self-Employed
María Celeste Martínez Hatillo, Puerto Rico	Consulting Self-Employed
Gilberto J. Marxuach Guaynabo, Puerto Rico	President Universidad Del Sagrado Corazón
Alexis Sánchez San Juan, Puerto Rico	President Chief Executive Officer, and Vice Chairman of the Board MAPFRE Life Insurance Company

Officers

The Company's By-Laws, Article III, Section 1 states the officers shall be at least a President, a Vice President, a Treasurer, and a Secretary, all of whom shall be elected by the Board. Officers are elected by the Board on an annual basis. A list of the officers elected, as documented in the corporate meeting minutes, and serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Alexis Sánchez	President and Chief Executive Officer
Hilda M. Surillo	Executive Vice President, General Counsel and Secretary
Sheila A. Quiñones	Vice President and Treasurer
Pedro E. Rosario	Senior Vice President, Comptroller and Chief Risk Officer
Sergio Castañeda	Senior Vice President
Javier Arechalde	Senior Vice President
Diego Maldonado	Executive Vice President and Chief Information Officer
Orlando Ríos	Executive Vice President
José De La Mata	Executive Vice President
Leopoldo García	Vice President
Edgardo López	Vice President
Alex Negrón	Vice President
Jocelyn Grafals	Assistant Secretary

Committees

The Company's By-Laws provide that the Board shall designate an Executive Committee, an Audit Committee, and an Investments Committee. The Executive Committee became inactive after the July 12, 2017, Board meeting. The Board dissolved the Investments Committee in 2018. See discussion above in By-Laws.

As of December 31, 2020, the Company's appointed Audit Committee was comprised of three independent directors, Teresita Fuentes, Audit Chair and financial expert, María Celeste Martínez, and Gilberto Marxuach. The Audit Committee operates under a formal charter and is compliant with Article 4.060(c)(4) of the Code as of December 31, 2020.

Investment Plan

Article 6.040 of the Code provides, among other things, that all investments acquired and held under this Chapter shall be acquired and owned under the supervision and direction of the Board of the insurer. The Board shall certify in writing, through a formal resolution to be adopted at least once a year, that all investments have been made pursuant to the standards, limitations and investment goals established by the Board, or by a committee authorized by the Board with the responsibility to administer the investments of the insurer.

Review of the Board minutes evidenced that the Company certified annually, in writing through a formal resolution, that all investments were made pursuant to standards, limitations and investment goals established by the Board.

INTERCOMPANY AGREEMENTS

The Company was party to the following intercompany agreements as of December 31, 2020:

Collaboration and Distribution of Costs Agreement

This agreement, effective January 1, 2004, is between the Company and MAPFRE PRAICO Insurance Company (MAPFRE PRAICO) and provides for cost sharing of professional services, electronic data processing equipment and software, office material and equipment between the two entities. Costs are incurred by MAPFRE PRAICO on behalf of the Company.

Commerce Insurance Company Services and Cost Allocation Agreement

The Commerce Insurance Company (Commerce), a Massachusetts domiciled insurance Company, and MAPFRE Life, MAPFRE PRAICO, and MAPFRE Pan American Insurance Company (MAPFRE PANAM) (collectively known as the MAPFRE Puerto Rico Companies) entered into a services and cost allocation agreement with Commerce whereby Commerce may

provide to one or more of the MAPFRE Puerto Rico Companies the personnel, property, and services reasonably necessary to perform accounting, actuarial, audit, ERM consulting, information technology support and security, online marketing and tax functions. Although the agreement is in effect, no services under contract have been rendered or billed to MAPFRE Life during the period under examination.

Personal Producing General Agent Agreement

The Company and MAPFRE Insurance Agency of Puerto Rico entered into a general agent agreement on November 18, 2016. The Company appointed the agency as the personal producing general agent for specified authorized representatives that solicit and procure insurance applications for insurance issued by the Company in exchange for compensation.

Provision of Services Agreement

The Company and indirect affiliate MAPFRE Tech, S.A. (MAPFRE Tech), a company located in Madrid, Spain, entered into an agreement August 1, 2017, whereby MAPFRE Tech provides certain information and communication technological services to the Company.

Administrative Services Contract

The Company and indirect affiliate MAPFRE BHD Compañía de Seguros, S.A. (MAPFRE BHD), a commercial company organized in the Dominican Republic, entered into an agreement March 30, 2022, subsequent to the examination whereby MAPFRE Life provides support services for the administration and payment of claims in the United States of America and the Commonwealth of Puerto Rico resulting from the international health policy offered by MAPFRE BHD to its policyholders.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed and authorized to write ordinary life, credit life, group life, disability, accident, and group health insurance in the Government of Puerto Rico and the USVI. The Company has seven distribution branches in Puerto Rico and one in the USVI as of December 31, 2020. The USVI branch was closed subsequent to the examination period. The branches offer service to all of the Company's customers, authorized representatives, general agents and producers.

Approximately 99% of MAPFRE Life's business is life, accident & health, and disability insurance as of December 31, 2020. MAPFRE Life's annuity business has been in run-off since 2005 and the Company strategically decided to not renew the annuity then offered with its conditions due to poor performing policies.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the past five years through December 31, 2020.

Year	Admitted Assets	Surplus	Gross Premiums Written	Net Income
2016	\$60,468,252	\$16,445,990	\$117,118,766	\$(2,844,313)
2017	61,543,502	23,161,307	90,726,961	4,289,355
2018	59,306,093	25,499,782	80,055,371	1,810,694
2019	59,229,158	25,976,110	65,572,436	341,113
2020	64,634,244	32,012,897	57,193,210	5,952,483

Policyholders' surplus increased during the exam period from \$16,619,628 as of December 31, 2015, to \$32,012,897 as of December 31, 2020, primarily attributed to the net income from 2017 to 2020 and the \$5,000,000 capital contribution from MAPFRE PRAICO Corporation in 2016.

Earned premiums decreased during the examination period attributed to the Company non-renewing poor performing business, annuity business being in run-off since 2005, the decrease in

business volume due to Puerto Rico's economic slowdown attributed to the COVID 19 pandemic, and the cancellation of one contract with a financial institution.

REINSURANCE

Assumed

The Company assumed accident and health reinsurance risks written by affiliates, MAPFRE PRAICO and MAPFRE PANAM and medical expenses in the Commercial Health and Medicare lines of business with MAPFRE RE Compañía de Reaseguros S.A. (MAPFRE Re), affiliated entity, during the examination period. The agreement with MAPFRE Re terminated June 30, 2020. Total accident and health reinsurance premiums assumed as of December 31, 2020, was (\$25,714). Amounts payable on paid and unpaid losses as of December 31, 2020, was \$1,004,201.

Ceded

MAPFRE Life's primary reinsurer is an authorized affiliated Spanish company, MAPFRE RE, under a medical excess of loss reinsurance agreement. MAPFRE Re accounts for 99.4% (\$1.48 million) of the total ceded accident & health premiums (\$1.49 million) and 99.9% of the total net amount recoverable from reinsurers (\$358,550) as of December 31, 2020.

The Company also ceded approximately \$33,000 in life and accident & health premiums to two (2) non-affiliated entities.

The reinsurance contracts reviewed complied with NAIC guidelines with respect to the insolvency clause, arbitration clause and transfer of risk guidelines as stated in SSAP No. 62 of the *NAIC Accounting Practices and Procedures Manual*.

ACCOUNTS AND RECORDS

The accounts and records review included an assessment of the Company's risk management process for identifying and controlling risks in key operational areas. In making the assessment for each key area, processes were reviewed, risks were identified, and significant controls were documented and tested as deemed appropriate. The Company's methodology for assessing the effectiveness of the established mitigation factors was also evaluated.

A review and assessment of the Company's information systems and the related control environment was performed. There were no reportable examination findings with respect to the Company's information technology systems and controls.

SUBSEQUENT EVENTS

Effective May 1, 2021, Multiservicar, Inc. was merged with and into MAPFRE Solutions, Inc. with MAPFRE Solutions, Inc. being the surviving entity.

The Company's Board approved an amendment to its By-Laws, Article IV – Committees, at the March 2022 meeting to change Investment and Executive Committees to discretionary committees. The amended By-Laws were submitted to OCI for approval on April 28, 2022. The OCI approved the amendment to the By-Laws on May 9, 2022.

Effective March 30, 2022, the Company and MAPFRE PRAICO amended the Collaboration and Cost Sharing Agreement executed September 25, 2009, to define the services being provided by the Company and fees paid to the Company.

Effective June 7, 2022, the Company obtained an amendment to the custodial agreement with BNYM to include the notice of termination or withdrawal of 100% of the assets from the custodial account to the domiciliary commissioner and amend the names of the parties to the agreement.

The Company and indirect affiliate MAPFRE BHD Compañía de Seguros, S.A. (MAPFRE BHD), a commercial company organized in the Dominican Republic, entered into an agreement March 30, 2022, subsequent to the examination whereby MAPFRE Life provides support services for the administration and payment of claims in the United States of America and the Commonwealth of Puerto Rico resulting from the international health policy offered by MAPFRE BHD to its policyholders.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the OCI and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement 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 work papers for each individual key activity.

Assets

December 31, 2020

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$50,778,449		\$50,778,449
Common stocks	3,590,835		3,590,835
Cash, cash equivalents and short-term investments	6,939,818		6,939,818
Contract loans	<u>165,718</u>	<u>\$ 1,620</u>	<u>164,098</u>
Subtotal, cash and invested assets	\$61,474,820	1,620	\$61,473,200
Investment income due and accrued	284,355		284,355
Uncollected premiums and agents' balances in the course of collection	2,797,636	1,448,888	1,348,748
Deferred premiums, agents' balances and installments booked but deferred and not yet due	312,404		312,404
Amounts recoverable from reinsurers	358,550		358,550
Amount receivable relating to uninsured plans	197,160	120,720	76,440
Net deferred tax asset	593,334	386,383	206,951
Electronic data process equipment and software	177,000	104,387	72,613
Receivables from parent, subsidiaries and affiliates	42,488		42,488
Health care and other amounts receivable	590,270	131,776	458,494
Aggregate write-ins for other than invested assets	<u>1,076,518</u>	<u>1,076,518</u>	<u> </u>
Totals	<u>\$67,904,535</u>	<u>\$3,270,292</u>	<u>\$64,634,244</u>

Liabilities, Surplus, and Other Funds

December 31, 2020

	Per <u>Examination</u>
Aggregate reserve for life contracts	\$ 6,479,989
Aggregate reserve for accident and health contracts	7,223,215
Liability for deposit-type contract	1,813,951
Contract claims: Life	645,143
Contract claims: Accident and Health	5,315,696
Premium and annuity considerations for life and accident and health contracts	229,710
Provisions for experience rated refunds	214,732
Other amounts payable on reinsurance	317,185
Interest maintenance reserves	77,284
Commissions to agents due or accrued	1,262,666
Commission on reinsurance assumed	8,149
General expenses due and accrued	1,453,408
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,029,691
Remittances and items not allocated	1,777,308
Asset valuation reserve	506,442
Payable to parent, subsidiaries and affiliates	48,364
Liabilities for amount held under insured plans	21,000
Aggregate write-ins for liabilities:	
Accounts Payable Policyholders and Others	<u>1,033,865</u>
Total liabilities	<u>\$30,457,796</u>
Common capital stock	\$ 3,032,000
Gross paid in and contributed surplus	40,413,146
Unassigned funds	<u>(9,268,699)</u>
Surplus as regards policyholders	<u>\$31,144,447</u>
Capital and Surplus, December 31	<u>\$34,176,447</u>
Total liabilities, surplus and Other funds	<u>\$64,634,243</u>

Summary of Operations

December 31, 2020

Premiums and annuity considerations for life and accident and health contracts	\$57,193,210
Net investment income	1,141,689
Amortization of Interest Maintenance Reserve (IMR)	118,231
Commissions and expense allowances on reinsurance ceded	264,330
Aggregate write-in for miscellaneous income	<u>190,976</u>
Total	\$58,908,436
Death benefits	614,506
Annuity benefits	60,128
Disability benefits and benefits under accident and health contracts	38,664,327
Surrender benefits and withdrawal for life contracts	10,000
Increase in aggregate reserves for life and accident and health contracts	<u>(1,381,492)</u>
Total	\$37,967,469
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	3,880,403
Commission and expenses allowance on reinsurance assumed	(6,217)
General insurance expenses	8,561,200
Insurance taxes, licenses and fees, excluding federal income taxes	1,618,960
Aggregate write-ins for deductions	<u>155,877</u>
Total	\$52,177,692
Net gain from operations before federal income taxes	6,730,744
Federal and foreign income taxes incurred	<u>779,910</u>
Net gain from operations after federal income taxes and before realized capital gains or (losses)	5,950,834
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$412	<u>1,649</u>
Net income	<u><u>\$ 5,952,483</u></u>

Capital and Surplus Account

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital and surplus, beginning	<u>\$29,008,110</u>	<u>\$28,531,782</u>	<u>\$26,193,307</u>	<u>\$19,477,990</u>	<u>\$16,619,628</u>
Net income	5,952,483	\$ 341,113	\$ 1,810,694	\$ 4,289,355	\$(2,844,313)
Change in net unrealized capital gains (losses)	47,590	153,429	(87,016)	4,889	3,789
Change in net deferred income tax	(73,370)	(149,901)	(258,442)	253,973	(264,422)
Change in nonadmitted assets	256,984	313,612	863,138	2,071,357	952,503
Change in asset valuation reserve	(146,899)	(181,925)	10,100	95,743	10,806
Aggregate write-ins for surplus change	(868,449)				
Paid in Surplus					<u>5,000,000</u>
Net change for the year	<u>\$ 5,168,338</u>	<u>\$ 476,328</u>	<u>\$ 2,338,474</u>	<u>\$ 6,715,317</u>	<u>\$ 2,858,363</u>
Capital and surplus, ending	<u>\$34,176,448</u>	<u>\$29,008,110</u>	<u>\$28,531,782</u>	<u>\$26,193,307</u>	<u>\$19,477,990</u>

Since the previous examination, made as of December 31, 2015, the Company's assets increased by \$4,100,344, its liabilities decreased by \$13,456,476, and its surplus increased by \$14,524,819.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Invested Assets

As of December 31, 2020, the Company's invested asset were distributed as follows:

	Amount	Percentage
Bonds	\$50,778,449	82.6%
Common Stocks	3,590,835	5.8%
Cash	6,893,934	11.2%
Cash Equivalents	45,884	.1%
Contract Loans	164,098	.3%
Total	<u>\$61,473,200</u>	<u>100.0%</u>

The Company's bond portfolio consisted of NAIC 1 and NAIC 2 investment grade bonds with laddered maturities of one year or less (7.7%), one to five years (28.9%), five to ten years (47.5%) and over ten years (15.9%).

The Company and BNYM entered into a custodial agreement effective August 26, 2008. The agreement did not include the required clause for notification to the Company's domiciliary

commissioner within three days in the event the assets were 100% withdrawn or if the agreement is terminated in accordance with the *NAIC Handbook*.

Effective June 7, 2022, the Company obtained an amendment to the custodial agreement with BNYM to include the notice of termination or withdrawal of 100% of the assets from the custodial account to the domiciliary commissioner and amend the names of the parties to the agreement.

Claims Reserves

As of December 31, 2020, the Company reported reserves for life contracts of \$6,479,989, reserves for accident and health contracts of \$7,223,215, liabilities for deposit-type contracts of \$1,813,951 and contract claims for life and accident and health of \$645,143 and \$5,315,696, respectively.

Esteban Paez, FSA, MAAA, from Oliver Wyman, has served as the Company's Appointed Actuary during the examination period. The Appointed Actuary reviews the year-end reserve calculations, performs an asset adequacy analysis supporting the actuarial opinion and issues the annual actuarial opinion. Data, calculations and summaries are provided by the Company and used by the Appointed Actuary for various analyses. The actuarial firm performs a yearly review, prepares a liability estimate for the commercial group health segment, and calculates the premium deficiency reserve. The reported reserves as reported were accepted for the examination.

SUMMARY OF RECOMMENDATIONS

1. Compliance with By-Laws

The Company's By-Laws, Article IV, Section 1 states there shall be an Executive Committee and Section 3 states there shall be an Investments Committee. The Company did not have these committees as of December 31, 2020; therefore, the Company was not acting in accordance with its By-Laws as of the examination date.

During examination field work, the Company's Board of Directors (Board) approved an amendment to Article IV Committees of the By-Laws, which was submitted to the OCI for approval. The amendment established the Executive Committee and Investments Committee as discretionary committees. The amendment to the By-Laws was approved by the OCI on May 9, 2022.

2. Custodial Agreement Termination Notice Clause

The Company's custodial agreement with The Bank of New York Mellon, executed August 26, 2008, did not include language for the custodian providing written notification within three business days of termination or withdrawal to the insurer's domiciliary commissioner if the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn in accordance with the *NAIC Handbook*. The Company's 2020 Annual Statement Interrogatories document the Company was in the process of obtaining a custodial agreement with The Bank of New York Mellon that would include the termination clause. Company requested the change verbally but did not follow up in writing.

Effective June 7, 2022, the Company obtained an amendment to the custodial agreement with BNYM to include the notice of termination or withdrawal of 100% of the assets from the custodial account to the domiciliary commissioner.

CONCLUSION

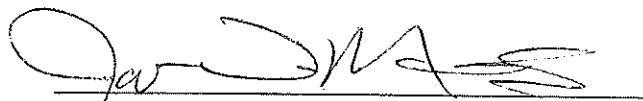
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **MAPFRE Life Insurance Company of Puerto Rico** as of December 31, 2020, consistent with the insurance laws of the Office of the Commissioner of Insurance of Puerto Rico.

The examiners wish to express their appreciation for the cooperation extended by the officers and employees of the Company during the course of the examination.

In addition to the undersigned, Michael Nadeau, IT Manager, Steve Mahan, Actuarial Examiner, Robin Roberts, CFE, Karen Milster, CFE, David Habony, CFE, and Michelle Scaccia, all of EB, and Joanna Latham and Jenny Jeffers, IT Examiners of Jennan Enterprises, LLC engaged by EB, participated in this examination.

Yajaira Torres Martínez, Examiner of the Office of the Commissioner of Insurance, participated in the compliance portion of the examination.

Respectfully submitted,



James Menck, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing the Office of the Commissioner of Insurance
of Puerto Rico



Maria Morcelo, MBA APIR
Special Aide II, Acting Chief Financial Examiner
Office of the Commissioner of Insurance of Puerto Rico