



CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2022
CASE No. EX-2023-07

NAIC CODE 73156
REPORT DATE: MAY 29, 2024



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May 29, 2024

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Information Requirement Case Number EX-2023-07, dated February 9, 2023, a full-scope financial condition examination has been made of the records, affairs, financial condition, and management of the

**CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
350 Carlos Chardón Avenue Suite 1101
San Juan, Puerto Rico 00918**

hereinafter referred to as “Company” or “CALAC,” incorporated under the laws of the Commonwealth of Puerto Rico on April 1, 1982. The examination was conducted remotely. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

This multi-state examination of the Company was performed in coordination with the examination of the Assurant, Inc. Group (Assurant), with Florida designated as the lead state, by examiners from Noble Consulting Services, Inc., (Noble) representing the Office of the Commissioner of Insurance of Puerto Rico (OCI), and financial examiners from the OCI. The Company is licensed as an insurer in Puerto Rico and the United States Virgin Islands (USVI). The last examination covered the period of January 1, 2015, through December 31, 2017. This examination covered the period of January 1, 2018 through December 31, 2022, 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, PricewaterhouseCoopers, LLP (PwC), and Assurant's Internal Audit Department. 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.

The examination of the Company was conducted concurrently with the examinations of the other insurance company members of the Assurant Group, including American Bankers Life Assurance Company of Florida (ABLAC), American Bankers Insurance Company of Florida ("ABIC"), American Standard Insurance Company (ASIC), Caribbean American Property Insurance Company (CAPIC), Reliable Lloyds Insurance Company (RLIC), Standard Guaranty Insurance Company (SGIC), Union Security Life Insurance Company of New York (USLIC), Voyager Indemnity Insurance Company (VIIC), and Virginia Surety Company, Inc. (VSC).

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. Article 7 of Rule No. 76 of the Regulations of the Code

The Company failed to file its Electronic Storage System Certification of Independent Auditor's Report in accordance with the requirements of Rule No. 76 of the Regulations of the Code which requires the certifications to be filed every three years.

2. Article 7.021(3) of the Code

The Company failed to file its Tax Exemption Form for 2018 on or before January 31, 2018, in accordance with the requirements of Article 7.021(3) of the Code which requires the Tax Exemption Form to be filed on or before January 31 of each year.

3. Article 6.130 § 659.1(b) of the Code – Diversification

The Company failed to comply with Article 6.130 § 659 (1)(b) of the Code in year 2022 by acquiring and maintaining investments in a single foreign jurisdiction, United Kingdom, exceeding the permitted amounts.

PRIOR EXAMINATION FINDINGS

There were no prior examination findings.

COMPANY HISTORY

CALAC was incorporated in Puerto Rico as Guardian Caribe Insurance Company on April 1, 1982. The Company's name was changed to Caribbean American Life Assurance Company on April 15, 1988, and it commenced business on December 15, 1988. The Company is an indirect

wholly-owned subsidiary of Assurant, Inc. and a wholly-owned subsidiary of Assurant Solutions Holding Puerto Rico, Inc. (ASHPRI).

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

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company paid extraordinary dividend of \$1,925,250 to its shareholder in 2018. Notification was submitted to the OCI in accordance with Article 44.060 of the Code and Rule No. 83, Section 21 of the Regulations of the Code.

CAPITAL STOCK

The Company has 5,000,000 shares of \$5 par value common stock and 500,000 shares of no par value preferred stock authorized by its Articles of Incorporation. The Company had 520,010 shares of common stock issued and outstanding as of December 31, 2022. The Company had no shares of preferred stock issued or outstanding. As of December 31, 2022, ASHPRI owned 519,975 shares. The remaining 35 shares are owned by members of the CALAC Board of Directors in compliance with Article 29.150(1)(a) of the Code.

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 Articles of Incorporation during the examination period.

BY-LAWS

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

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. Assurant, Inc., a Delaware corporation that serves as a holding company for its subsidiaries and publicly traded on the New York Stock Exchange under the ticker symbol AIZ, is the ultimate controlling parent. The Vanguard Group, Inc., T. Rowe Price Investment Management, Inc. and BlackRock, Inc. own 13.3%, 10.8% and 10.7%, respectively, of Assurant, Inc. as of December 31, 2022. Each of the owners filed disclaimers of control and/or exemption filings with the Puerto Rico Office of the Commissioner of Insurance.

The Company is approximately 99.9% owned by ASHPRI, an intermediate holding company incorporated in the Commonwealth of Puerto Rico as of December 31, 2022. ASHPRI is indirectly owned by Assurant, Inc. ASHPRI is comprised of two insurance companies domiciled in Puerto Rico and that operate in the Government of Puerto Rico and the USVI.

The following is a simplified organizational chart that reflects the identities and interrelationships between the Company, Assurant and other affiliates as of December 31, 2022:

<u>Company</u>	<u>Domicile</u>	<u>% owned</u>
Assurant, Inc.	Delaware	
Interfinancial, Inc.	Georgia	100%
American Bankers Insurance Group, Inc.	Florida	100%
ABI International	Cayman Islands	100%
Solutions Holding	Cayman Islands	100%
Protection Holding Cayman	Cayman Islands	27.6%
Assurant International Division Limited	Malta	99%
Assurant Services of Puerto Rico, Inc.	Puerto Rico	100%
Assurant Solutions Holding Puerto Rico, Inc.	Puerto Rico	100%
Caribbean American Life Assurance Company	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	25.67%
Caribbean American Property Insurance Company	Puerto Rico	74.33%
Solutions Cayman	Cayman Islands	70%
Assurant International Division Limited	Cayman Islands	1%
American Bankers Insurance Company of Florida	Florida	100%
American Bankers General Agency, Inc.	Texas	100%
Reliable Lloyds Insurance Company ⁽¹⁾	Texas	100%
American Bankers Life Assurance Company of Florida	Florida	100%
American Security Insurance Company	Delaware	100%
Standard Guaranty Insurance Company	Delaware	100%
Voyager Group, Inc.	Florida	100%
Voyager Indemnity Insurance Company	Georgia	100%
Union Security Life Insurance Company of New York	New York	100%
Insureco, Inc.	California	100%
The Warranty Group, Inc.	Delaware	100%
TWG Holdings, Inc.	Delaware	100%
Virginia Surety Company, Inc.	Illinois	100%

⁽¹⁾Controlled by American Bankers General Agency, Inc. through a management agreement.

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.

Article 44.060(c)(3) of the Code requires that one-third of the Directors of insurers be natural persons who are not officers or employees of the insurer or of an entity that controls the

insurer. The Company was in compliance with Article 44.060(c)(3) of the Code as of December 31, 2022.

The Company's By-Laws, Article II, Section 1, states the corporate powers of the corporation shall be exercised by a Board of Directors in number not less or more than as authorized by the Charter of the corporation as from time to time amended. The number of Directors of the corporation shall be set by resolution of the common stockholders at the Annual Meeting of Stockholders each year immediately prior to the nomination and election of Directors for the ensuing year. The Company's Articles of Incorporation provide that the business of the corporation shall be conducted by a President; one or more Vice-Presidents, the number to be set from time to time by the Board of Directors; a Treasurer; and such other officers and the Board of Directors may from time to time, by appropriate resolution, designate; and a Board of Directors of not less than five nor more than nineteen persons, as may be set by the By-Laws of this corporation. Each director shall be elected by the stockholders and serve for the term of one year. The Company's Board of Directors was elected in accordance with the provisions of its By-Laws and Articles of Incorporation 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>
Federico Grosso - Chairman San Juan, Puerto Rico	President Assurant
Iván C. López Atlanta, Georgia	Chief Executive Officer (CEO) Lopez Consulting
Pedro G. Andrés Guaynabo, Puerto Rico	President and CEO Neptuno Networks
José D. Ramírez Palmetto Bay, Florida	AVP LATAM Chief Financial Officer Assurant

Luis F. Rivera
Palmetto Bay, Florida

Vice President, Finance
Assurant

Miguel A. Soto
Guaynabo, Puerto Rico

President
Center for a New Economy

Isabel M. Dávila
San Juan, Puerto Rico

Vice President, International Operations
Assurant

OFFICERS

The Company's By-Laws, Article III, Section 1, states the Board of Directors shall elect from its members a President of the corporation, a Chairman of the Board, a Vice President, a Secretary and a Treasurer. Officers are elected by the Board on an annual basis. The Board may also elect a Vice Chairman of the Board of Directors and one or more other agents as may be deemed proper. Any two or more offices may be held by the same person; provided, however, that the office of President and Secretary or Assistant Secretary may not be held by the same person. Officers elected and serving as of December 31, 2022, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Federico Grosso	President, Puerto Rico
Isabel M. Dávila	Vice President, International Operations
Luis Rivera	Vice President, Finance Housing CFO
Teonna Nicole Icen	Vice President, AVP Tax
Eduardo Arthur	Vice President, SVP Home Solutions
Jeannie A. Cruz	Secretary, AVP Global Legal Management
Yadira R. Cintrón	Assistant Secretary, VP Managing Attorney
Rosario Rivera Colón	Assistant Secretary, Paralegal
José D. Ramirez	Treasurer, AVP LATAM CFO
Vincenzo Padula	Assistant Treasurer, AVP Treasury Management
Juan C. Del Barrio	Assistant Treasurer, VP Finance
Eric Kurzrok	Assistant Treasurer, VP Actuary Rating and Capital
Ezequiel Garibotti	Assistant Treasurer, VP Treasury Management
Rathi Govind	Actuarial Manager, Appointed Actuary
Tara Mgrdichian	AML Compliance Officer, Global Trade Compliance

As of December 31, 2022, the Company was operating in accordance with its By-laws and Article 29.210 of the Code that states the insurer's officers shall consist of a president, vice president, treasurer, and secretary and all officers shall be elected by the board of directors.

COMMITTEES

The Company's By-Laws provide that the Board shall designate an Executive Committee to consist of not less than three Directors and by resolution designate the Chairman of said Committee. The Board may designate one or more committees composed of more than two members. An Executive Committee and Chairman were designated for all years under examination.

As of December 31, 2022, the Investment Committee and the Audit Committee assisted the Board of Directors in oversight for the Company.

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 for all years 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, 2022:

Cost Allocation/Cost Sharing Agreements

Inter-Company Payment Intermediary Agreement

This agreement, effective January 1, 2008, between CALAC, as the benefitting party, and ABLAC, as the performing party, provides for payments made by one party on behalf of the other party for office and administrative expenses to be reimbursed at actual cost. Pursuant to the terms of the agreement, intercompany balances are settled within thirty days following month-end if the net payable is greater than five thousand dollars or within thirty days following quarter-end if the net payable is less than five thousand dollars.

Inter-Company Payment Intermediary Agreement

This agreement, effective as of the accounting period ending December 31, 2008, between CALAC, as the benefitting party, and ABLAC, as the performing party, provides for payments made by ABLAC on behalf of CALAC for office and administrative expenses to be reimbursed at actual cost. Pursuant to the terms of the agreement, intercompany balances are settled within thirty days following month-end if the net payable is greater than five thousand dollars or within thirty days following quarter-end if the net payable is less than five thousand dollars.

Affiliate Services Agreement

This agreement, effective January 1, 2010, among ASIC, SGIC, CALAC, CAPIC, United Service Protection, Inc., United Service Protection Corp., Federal Warranty Service Corp., Sureway, Inc., Assurant Service Protection, Inc., and Assurant Services of Puerto Rico, Inc., provides for the payments for vendor services, collection of premiums and claims payment.

Affiliates agree to cooperate in the performance of certain services and to share in the day-to-day use of certain property, equipment and facilities of the affiliates in Atlanta, Georgia, Miami, Florida, San Juan, Puerto Rico and other locations. Pursuant to the terms of the agreement, each member agrees to reimburse other members for services and facilities provided. Intercompany balances are settled within thirty days following month-end if the net payable is greater than five thousand dollars or within thirty days following quarter-end if the net payable is less than five thousand dollars.

International Affiliate Services Agreement

This agreement, effective January 1, 2012 and subsequently amended effective January 1, 2014, October 31, 2014 and October 1, 2015, between American Bankers Insurance Group, Inc., CAPIC, CALAC and various other international subsidiaries of Assurant, Inc. provides for the performance of certain administrative and operational services for each other. Entities agree to cooperate in the performance of certain services and to share in the use of day-to-day operations of certain property, equipment and facilities of group members.

Intercompany Reinsurance Agreements

Life and Disability Reinsurance Contract

This agreement is effective October 1, 2005, between CALAC and ABLAC, whereby, CALAC cedes one hundred percent of the life and accident and health insurance policies and certificates written by specific producers to ABLAC in exchange for ceding commission.

Involuntary Unemployment Reinsurance Contract

This agreement is effective September 1, 2009 and was subsequently amended January 1, 2011 and January 1, 2012, between CALAC and ABIC, whereby, CALAC cedes one hundred

percent of the credit involuntary unemployment policies and certificates written by specified producers to ABIC in exchange for ceding commission.

Property and Casualty Reinsurance Contract

This agreement is effective January 1, 2011, between CALAC and ABIC, whereby, CALAC cedes one hundred percent of the credit involuntary unemployment policies and certificates written by specified producers to ABIC in exchange for ceding commission.

Life and Disability Reinsurance Contract

This agreement is effective January 1, 2011 between CALAC and ABLAC, whereby, CALAC cedes one hundred percent of the credit life, disability, accident, health and assistance, and involuntary unemployment insurance policies and certificates written by specified producers to ABLAC in exchange for ceding commission.

Life, Accident & Health, and Involuntary Unemployment Insurance Reinsurance Contract

This agreement is effective January 1, 2021 between CALAC and ABLAC, whereby, CALAC cedes one hundred percent of the credit involuntary unemployment policies and certificates written by specified producers to ABLAC in exchange for ceding commission.

TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write disability and life insurance in Puerto Rico and the USVI.

The Company operates in the Global Lifestyle segment of the Assurant Group, offering various credit-related insurance programs in various life and accident and health lines of business. The Company's products are marketed through financial institutions, retailers, and other entities which provide consumer financing as a regular part of their business.

Approximately 97% of the Company's premiums for 2022 is attributed to business written in Puerto Rico. The largest lines of business, representing approximately 95% of premiums for 2022, are credit life and credit accident & health.

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, 2022.

Year	Admitted Assets	Surplus	Gross Premiums Written	Net Income
2018	\$ 38,213,544	\$ 8,103,727	\$ 10,715,008	\$ 954,750
2019	41,513,646	7,718,691	13,678,279	113,641
2020	39,392,608	10,603,056	5,812,221	1,947,148
2021	41,539,829	10,096,561	12,525,618	(2,244,926)
2022	49,601,543	11,306,079	17,715,490	2,049,887

Since the previous examination, conducted as of December 31, 2017, the Company's policyholder surplus increased by \$1,825,945, which is primarily attributed to net income.

Gross premiums written increased steadily during the examination period, with 2020 being an outlier attributed to January 2020 earthquake events on the island, and the COVID-19 lockdown which severely impacted the banking industry and local economy. Net income had significant fluctuations primarily attributed to operational gains as a result of decreased claim benefits, reserves and commissions incurred, changes in written premium, and dividends received from subsidiary, CAPIC.

REINSURANCE

ASSUMED

The Company did not assume business during the period under examination.

CEDED

The Company maintained quota share reinsurance for all years under examination with affiliated and unaffiliated authorized reinsurers. The Company ceded \$262,325,559, approximately thirty-nine percent (39%), of the \$677,922,463 total ceded premiums to affiliates in 2022. The Company was in compliance with Article 46.030(3) of the Code that states no domestic insurer shall reinsure seventy-five percent or more of all its direct risks in any class of insurance, without first obtaining written authorization from the Commissioner.

The Company is party to various quota share reinsurance agreements with affiliates, ABIC and ABLAC, during the period under examination as discussed above at Intercompany Agreements.

The reinsurance contracts reviewed complied with NAIC guidelines with respect to the insolvency clause and Statement of Statutory Accounting Principles No. 61R with respect to transfer of risk.

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.

A review of the Company's corporate meeting minutes for the period under examination was performed. The review evidenced the Company failed to accurately report officers elected for 2022.

SUBSEQUENT EVENTS

No subsequent events or transactions after December 31, 2022 were identified that would have a material impact on the Company's operations or financial statements.

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, 2022. 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.

Caribbean American Life Assurance Company
Assets
December 31, 2022

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 31,421,922		\$ 31,421,922
Common stocks	3,066,394		3,066,394
Cash, cash equivalents and short-term Investments	<u>13,961,511</u>	<u> </u>	<u>13,961,511</u>
Subtotal, cash and invested assets	\$ 48,449,827		\$ 48,449,827
Investment income due and accrued	282,166		282,166
Uncollected premiums and agents' balances in the course of collection	22,664	\$ 19,188	3,476
Amounts recoverable from reinsurers	368,513		368,513
Current federal and foreign income tax recoverable and interest thereon	137,485		137,485
Net deferred tax asset	11,595		11,595
Furniture and equipment, including health care delivery assets	82,824	82,824	
Receivables from parent, subsidiaries and affiliates	348,481		348,481
Aggregate write-ins for other than invested assets:			
IMR	<u>655,581</u>	<u> </u>	<u>655,581</u>
Totals	<u>\$ 50,359,136</u>	<u>\$ 757,593</u>	<u>\$ 49,601,543</u>

Caribbean American Life Assurance Company
Liabilities, Surplus, and Other Funds
December 31, 2022

Aggregate reserve for life contracts including \$5,718,601 Modco Reserve	\$ 17,048,155
Aggregate reserve for accident and health contracts including \$394,149 Modco Reserve	12,811,400
Contract claims:	
Life	1,069,844
Accident and health	782,131
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance ceded	383,868
Commissions to agents due or accrued	1,416,986
General expenses due or accrued	930,036
Taxes, licenses and fees (excluding federal income taxes)	213,448
Amounts withheld or retained by reporting entity as agent or trustee	39,125
Miscellaneous liabilities:	
Asset valuation reserve	568,720
Funds held under reinsurance treaties with reinsurers	(10,275)
Payable to parent, subsidiaries and affiliates	389,245
Aggregate write-ins for liabilities:	
Other Liabilities	<u>52,806</u>
Total liabilities	<u>\$ 35,695,489</u>
Common capital stock	\$ 2,599,975
Gross paid in and contributed surplus	5,378,504
Unassigned funds	5,927,550
Less treasury stock, at cost:	
Shares common	<u>(25)</u>
Surplus as regards policyholders, December 31	<u>\$ 13,906,054</u>
Total liabilities, capital and surplus	<u>\$ 49,601,543</u>

Caribbean American Life Assurance Company
Summary of Operations
December 31, 2022

Premiums and annuity considerations for life and accident and health contracts	\$ 17,715,490
Net investment income	5,716,345
Amortization of Interest Maintenance Reserve (IMR)	(60,480)
Commissions and expense allowances on reinsurance ceded	2,240,606
Reserve adjustments on reinsurance ceded	4,452,832
Miscellaneous income	<u>368</u>
Total	\$ 30,065,161
Death benefits	2,546,742
Disability benefits and benefits under accident and health contracts	361,019
Increase in aggregate reserves for life and accident and health contracts	<u>7,902,920</u>
Total	\$ 27,980,090
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	<u>2,085,071</u>
Net gain from operations after dividends to policyholders, refunds to members and federal income taxes	\$ 2,085,071
Federal and foreign income taxes incurred, excluding tax on capital gains	<u>2,271</u>
Net gain from operations after dividends to policyholders, refunds to Members and federal income taxes before realized capital gains or losses	\$ 2,082,800
Net realized capital (losses)	<u>(32,913)</u>
Net income	<u>\$ 2,049,887</u>

**Caribbean American Life Assurance Company
Capital and Surplus Account**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Surplus as regards policyholders, December 31 prior year	\$ <u>12,696,536</u>	\$ <u>13,203,031</u>	\$ <u>10,318,666</u>	\$ <u>10,703,702</u>	\$ <u>12,080,109</u>
Net income	\$ 2,049,887	\$ (2,244,926)	\$ 1,947,148	\$ 113,641	\$ 954,750
Change in net unrealized capital gains (losses)	(3,688,771)	1,968,220	1,441,013	(548,953)	(426,643)
Change in net deferred income tax	(5,627)	(9,827)	(529,721)	(4,809)	(11,450)
Change in nonadmitted assets	103,619	(95,589)	104,957	64,292	38,632
Change in asset valuation reserve	142,071	(124,373)	(79,032)	(9,207)	(6,446)
Paid in surplus	2,608,339				
Dividends to stockholders					<u>(1,925,250)</u>
Net change in capital and surplus for the year	\$ <u>1,209,518</u>	\$ <u>(506,495)</u>	\$ <u>2,884,365</u>	\$ <u>(385,036)</u>	\$ <u>(1,376,407)</u>
Capital and surplus, ending	\$ <u>13,906,054</u>	\$ <u>12,696,536</u>	\$ <u>13,203,031</u>	\$ <u>10,318,666</u>	\$ <u>10,703,702</u>

Since the previous examination, made as of December 31, 2017, the Company's assets increased by \$11,219,069, its liabilities increased by \$9,393,124, and its surplus increased by \$1,825,945.

COMMENTS ON FINANCIAL STATEMENT ITEMS

INVESTED ASSETS

As of December 31, 2022, the Company's invested assets were distributed as follows:

	<u>Amount</u>	<u>Percentage</u>
Bonds	\$ 31,421,922	64.9%
Common stocks	3,066,394	6.3%
Cash	5,173,058	10.7%
Cash equivalents	8,788,453	18.1%
Total	<u>\$ 48,449,827</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 0.4%, one to five years 54.6%, five to ten years 44.3%, ten to twenty years 0.7%.

The Company and Banco Popular de Puerto Rico entered into a custodial agreement effective September 23, 1992, and subsequently amended September 1, 2011. The agreement terms comply with the *NAIC Handbook*.

TREASURY STOCK

The treasury stock reported as of December 31, 2022 should have been reported in common capital stock. The treasury stock was issued in 2021 when the additional director was added to the board. The Company corrected this error during the current examination field work. Examiner verified the correction was made in the 3Q 2023 statement filing.

RESERVES

As of December 31, 2022, the Company reported aggregate reserves in the amount of \$17,048,155 for life contracts, \$12,811,400 for accident and health contracts, and life and accident and health contract claims of \$1,069,844 and \$782,131, respectively.

Rathi Govind, ASA, MAAA, an employee of Assurant, Inc., was appointed by the Board as the Appointed Actuary on November 11, 2020, to provide the Statement of Actuarial Opinion (Opinion) for years ending 2020, 2021 and 2022. Alexa Stephens, FSA, MAAA, CERA, an employee of Assurant, Inc., provided the Opinion for years ending 2018 and 2019. The Appointed Actuary reviews the year-end reserve calculations, performs an asset adequacy analysis supporting the Opinion, and issues the annual Actuarial Memorandum in support of the Opinion.

In order for the examination team to gain an adequate comfort level with the Company's reserve estimates, the Department retained the services of Noble to perform a risk-focused review

of the Company's reserving and pricing activities. Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Company's carried reserves and related actuarial items are reasonably stated as of December 31, 2022.

The 2022 Actuarial Memorandum for the Company did not meet the documentation requirements of the Actuarial Opinion and Memorandum Regulation and the Actuarial Standards of Practice 22, section 3.3.3. The Company was provided recommendations for enhancing documentation and disclosure presentations in future Actuarial Memorandums.

SUMMARY OF RECOMMENDATIONS

1. Article 7 of Rule No. 76 of the Regulations of the Insurance Code of Puerto Rico

The Company failed to file its Electronic Storage System Certification of Independent Auditor's Report in accordance with the requirements of Rule No. 76 of the Regulations of the Code which requires the certifications to be filed every three years.

It is recommended that the Company comply with Article 7 of the Regulations of the Puerto Rico Insurance Code by timely filing the certification of the electronic storage system by a Certified Information Systems Auditor.

2. Article 7.021(3) of the Code

The Company failed to file its Tax Exemption Form for 2018 on or before January 31, 2018, in accordance with the requirements of Article 7.021(3) of the Code which requires the Tax Exemption Form to be filed on or before January 31 of each year.

It is recommended that the Company file the Tax Exemption Form on or before January 31 of each year in accordance with the provisions on Article 7.021(3) of the Code.

3. Article 6.130 § 659.1(b) of the Code – Diversification

The Company failed to comply with Article 6.130 § 659 (1)(b) of the Code in year 2022 by acquiring and maintaining investments in a single foreign jurisdiction, United Kingdom, exceeding the permitted amounts.

It is recommended that the Company implement controls to ensure investments are diversified in accordance with the limitations included in Article 6.130(1)(b) of the Code.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Caribbean American Life Assurance Company** as of December 31, 2022, 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, James Menck, CFE, Exam Manager and Melissa Greiner, Actuarial Examiner, all of Noble, participated in this examination. As a coordinated examination, work performed by Lead State Actuarial Examiner, Jason R. Dunavin, FSA, MAAA of Lewis & Ellis was utilized as appropriate.

Rafael Ruffat, Financial Examiner of the Office of the Commissioner of Insurance, participated in the compliance portion of the examination.

Respectfully submitted,



Robin Roberts, CFE
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the Office of the Commissioner of Insurance
of Puerto Rico



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

