



TRANS-OCEANIC LIFE INSURANCE COMPANY

REPORT ON EXAMINATION

AS OF DECEMBER 31, 2022

CASE No. EX-2023-25

NAIC CODE 69523

REPORT DATE: JUNE 5, 2024

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June 5, 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 Examination Order Case Number EX-2023-25, dated November 27, 2023, a full-scope financial condition examination has been made of the records, affairs, financial condition, and management of the

TRANS-OCEANIC LIFE INSURANCE COMPANY

#121 Oneill

San Juan, Puerto Rico 00918-2404

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

SCOPE OF EXAMINATION

An examination of TOLIC was performed by examiners from Noble Consulting Inc, (Noble), representing the Office of the Commissioner of Insurance of Puerto Rico (OCI). The last examination covered the period of January 1, 2014, through December 31, 2018. This examination covered the period of January 1, 2019 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, Kevane Grant Thornton LLP (KGT). 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. Required Deposit

The Company failed to comply with Article 3.151 of the Code in the years 2019 and 2020 by maintaining deposit assets of a value less than fifty percent (50%) of the amount of the paid-in capital required by Article 3.151 of the Code.

It is recommended the Company maintain deposits of a value not less than 50% of the amount of paid-in capital in compliance with Article 3.151 of the Insurance Code of Puerto Rico.

2. Tax Exemption Form Due Date

The Company failed to comply with Article 7.021(3) of the Code for the year 2020 by not submitting their Tax Exemption Form on or before January 31.

It is recommended that the Company timely file their Tax Exemption Form by the required deadline of January 31.

3. Sworn List of Stockholders

Ruling Letter No.: N-E-10-06-87 and Ruling Letter No.: N-E-83-97 establish, among other things: All domestic insurers should submit to the OCI, on or before March 31st of every year, a list of their shareholders as of the 31st of December of the preceding year, showing the number of shares owned by each and the percentage that this number is of all outstanding stock; and the list of stockholders shall be sworn to by the same people who swear to the annual statement report. For the years 2021 and 2022, the list of shareholders was not sworn by the same people who swore the annual statement report.

It is recommended that the Company timely submit a listing of shareholders as of December 31 of the preceding year, showing the number of shares owned by each and their percentage of outstanding stock. The listing of directors shall be sworn to and by the same individuals who swear to the annual statement report.

4. Catastrophe or Emergency Response Plan

The Company failed to comply with Article 3.331 of the Code in the years 2019 and 2022 by submitting the Continuity and Disaster Recovery Plan outside of the due date established or extension granted. The Plan submitted for both years was not certified by a professional expert in business continuity or disaster recovery planning. In addition, no certifications were received in the Commissioner Office indicating that the Plan has not changed for the years 2020 and 2021. However, the Record of Changes in the Plan itself has a detail with a change reference in the years 2020 and 2021 to reflect the change in Personnel.

It is recommended that the Company comply with Article 3.331 of the Code and submit the Continuity and Disaster Recovery Plan within the due date established or extension granted.

5. Article 44.050 of the Code and Rule 83 of the Regulations of the Code– Holding Company System

For the year 2020 the Company failed to comply with submission of Form B, Form C and Form F on the due date established in the Rule. These were filed in the month of May 2021 and not on or before March 31 as established by Rule 83 sections 14, 15, and 20.

It is recommended that the Company comply with Rule 83 sections 14, 15, and 20 of the Regulations of the Code and submit the Forms B, C, and F within the due date established or extension granted.

Prior Examination Findings

1. Board of Directors – Election of Officers

The Company is not in compliance with Article 29.210 of the Insurance Code of Puerto Rico, which requires its Board of Directors to formally elect the Officers of the Company. Mr. Milton Burgos Bula, Assistant Vice President, CPA, Esq. has not been formally appointed. Also, this is required by the Company's By-Laws as per Article IV, Section 1.

The Company is in compliance with this finding and recommendation for the current examination.

2. Required Investment in Puerto Rico Securities

The Company is required to maintain invested at least one-half of its capital requirement, or \$1,250,000 in Puerto Rico securities. For the years 2014, 2015, and 2016 the Company maintained the corresponding amount in PR Securities but were not included in the certificates submitted to the OCI. The Company submitted amended certificates to represent its compliance with Article 3.160 of the Code during the examination. For the years 2017 and 2018 the Company did not comply with Article 3.160 of the Code because the Company did not have PR Securities in the amount required nor obtained a waiver from the OCI to comply with the Article 3.160 of the Code with other securities.

The Company is in compliance with this finding and recommendation for the current examination.

3. Stockholder's Dividends

For the 2014 year, the Company failed to comply with Article 44.060(b) of the Code and Section 21(B) of Rule No. 83 of the Regulations of the Code by not notifying the Commissioner of a stockholder's dividend paid of \$1,653,990.

The Company is in compliance with this finding and recommendation for the current examination.

4. Electronic Storage System

The Company failed to comply with Rule No. 76 of the Regulations of the Insurance Code of Puerto Rico by not filing, with the OCI, the required certification of its electronic storage system on July 2018.

The Company is in compliance with this finding and recommendation for the current examination.

5. Rule 83 of the Regulations of the Code– Holding Company System

For the year 2015, the Company failed to comply with submission of Form B, Form C and Form F on the due date established in the Rule. These were not filed on or before March 31 as established by Rule 83 sections 14 and 15.

For the 2020 filings, the Company failed to file the reports by March 31, and this is a current examination finding.

6. Elections of Directors – Inspectors Not Appointed

For the examination period, the Company did not comply with Article 29.170 of the Insurance Code of Puerto Rico, which requires that for every election of directors there shall be appointed, in the manner provided by the bylaws, three inspectors of the election from among individuals present at such election.

The Company is in compliance with this finding and recommendation for the current examination.

7. Stock Certificate – Corporate Seal

Subject to Article 28.140(5) of the Insurance Code of Puerto Rico, as to stock in insurers being formed, each stockholder who has paid in full for the shares to which he has subscribed, shall be entitled to have issued to him by the Company a stock certificate or certificates representing such shares. The certificate shall be signed by the president or vice president and the secretary or treasurer of the Company and be authenticated by its corporate seal. Based on the review, for the examination period, four (4) stock certificates (No. 136, 139, 141, and 142) were not authenticated by the

Company corporate seal. The Company did not comply with Article 29.270 of the Insurance Code of Puerto Rico.

The Company is in compliance with this finding and recommendation for the current examination.

COMPANY HISTORY

Trans-Oceanic Life Insurance Company (“TOLIC” or “the Company”) was incorporated on December 22, 1959. TOLIC has Certificates of Authority and writes business in Puerto Rico, the U.S. Virgin Islands and Florida, but writes the vast majority of its business in Puerto Rico. TOLIC also has a reinsurance license in Colombia and previously requested permission from the Office of the Insurance Commissioner of Puerto Rico to create an organization in Panama. TOLIC does not currently write business in either Panama or Colombia.

In 2008, TOLIC enhance its market share in the accident and health market through the acquisition of Universal Life Insurance Company’s accident and health policies portfolio. Formerly, the majority of the Company’s customers were government employees who pay premiums through payroll deductions. However, the Company has diversified its base and focused more on the private sector.

Effective December 31, 2010, with the prior written approval of the OCI and in compliance with Section 1112 of the Puerto Rico Internal Revenue Code, the Company completed a tax-free reorganization involving TOLIC and its parent company until that date, Victory Insurance Corporation (“Victory”). As a result of the reorganization, Victory was merged into TOLIC, and TOLIC became a subsidiary of a new corporation, Trans-Oceanic Group, Inc. (“T-Group”), which owned from the effective date the same number of common shares of TOLIC that Victory had owned until then. In addition, the common and preferred stockholders of Victory became the

common and preferred stockholder of T-Group in the same proportional percentages of ownership participation.

On December 30, 2010, the Fideicomiso Touma-Tavares Trust acquired 16,667 shares (one-third of those issued and outstanding) of Victory common stock from Robert A. Tirado. As a result of this acquisition, which also had prior written approval from the OCI, the Fideicomiso Touma-Tavares Trust became the owner of one half of the common shares of Victory as of December 30, 2010, and as such became owners of one-half of the common shares of T-Group as of December 31, 2010. Also, as of December 31, 2010, and pursuant to the corporate reorganization, Touma-Tavares, Inc. became the owner of one-third of the common shares of T-Group and Nicolas Touma Correa became the owner of the remaining one-sixth of those common shares.

The principal economic effect of the merger of Victory into TOLIC was that a storage building and parking lot adjacent to the TOLIC offices, previously owned by Victory Insurance Corporation, came to be owned by TOLIC. In addition, as part of the reorganization, T-Group also became the parent company of two new corporations – Victory Insurance Agency, Inc. and Tuchman Travel & Leisure, Inc., which will operate under licenses that until then belonged to Victory.

During 2020, TOLIC started marketing in Florida, through a new subsidiary Trans-Oceanic Life Insurance Company of America (“TOLICA”). In 2020 TOLIC also started writing annuity products through a banking distribution channel.

Dividends and Capital Contributions

The Company paid dividends of \$20 million and \$5 million in 2020 and 2019, respectively, to its shareholder, T-Group.

CAPITAL STOCK

The Company has 10,000,000 shares of common stock authorized, with 250,000 shares issued and outstanding with a par value of \$10 per share, for paid in capital of \$2,500,000. TOLIC is a direct subsidiary of T-Group, which owns 249,993 of the 250,000 shares outstanding. The remaining seven shares were issued to Directors in compliance with Article 29.150(1) of the Insurance Code of Puerto Rico.

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

The Company amended and restated the By-Laws on June 1, 2021, to include a section requiring an annual meeting of the Directors to be held, whenever possible, between March and September of each calendar year at the time, date, and place that either the President or Secretary of the Corporation shall decide and notify the Directors.

Minutes

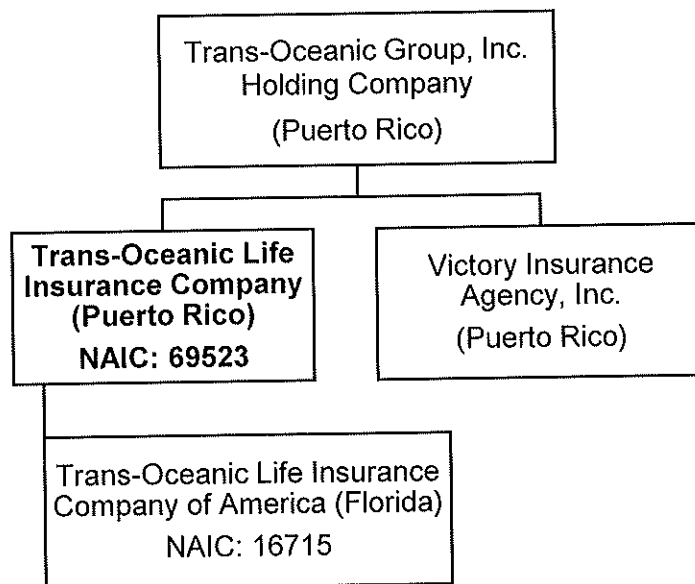
The recorded minutes adequately documented the Company's meetings and approval of Company transactions and events, in compliance with the Insurance Code of Puerto Rico.

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. TOLIC is 99% owned by T-Group and 1% by 7 individuals. Victoria Insurance Agency and Tuchman Travel & Leisure, Inc. are wholly-owned subsidiaries of T-Group.

The following is an abbreviated organizational chart that reflects the identities and interrelationships between the Company, its parents, and subsidiaries as of December 31, 2022:



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.

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> |
|--|--|
| Nicolás Touma Correa San Juan, Puerto Rico | President & CEO Trans-Oceanic Life Insurance Company |
| Edrick J. Touma San Juan, Puerto Rico | Operations Vice President Trans-Oceanic Life Insurance Company |
| Humberto Tapia Taveras Orlando, Florida | Marketing & Sales Vice President Trans-Oceanic Life Insurance Company |
| Christian Touma Taveras Guaynabo, Puerto Rico | Marketing & Multimedia Manager Trans-Oceanic Life Insurance Company |
| Fernando Nido San Juan, Puerto Rico | Retired Certified Public Accountant |
| Mickey Carrero Dorado, Puerto Rico | Vice President North Region Ricoh Latin America |
| Juan J. Román Guaynabo, Puerto Rico | Retired Certified Public Accountant |

Officers

Officers are elected by the Board of Directors. A list of the officers elected or appointed and serving as of December 31, 2022, appears below. The officers were elected in compliance with Article 29.210 of the Code.

| <u>Name</u> | <u>Principal Occupation</u> |
|------------------------------|-----------------------------|
| Edrick J. Touma | President |
| Christian Touma Taveras | Secretary |
| Fernando Nido, CPA | Treasurer |
| Juan J. Román, CPA | Assistant Secretary |
| José E. Álvarez Algarín | Annuity Vice President |
| Pedro González, CPA* | Finance Vice President |
| Mickey Carrero | Assistant Treasurer |
| Luz A. Rodríguez, CPA | Controller |
| Javier Ortiz Rodríguez, ESQ. | Operations Vice President |

**On February 28, 2024, Pedro González resigned. His role is currently being filled by the President, Edrick Touma, who holds a CPA designation, while the role is being filled.*

Committees

The By-Laws provide that the Board may designate one or more committees as determined to be necessary for the conduct of the business of the Company. As of December 31, 2022, TOLIC has the following Committees of the Board:

Audit Committee

Fernando Nido, CPA
Juan Román, CPA

Investment Committee

Edrick J. Touma, CPA
Juan Román
Mickey Carrero
Pedro González, CPA*
Humberto Tapia

Risk Management

Nicolás Touma
Juan Román, CPA
Edrick J. Touma, CPA
Pedro González, CPA*
Fernando Nido, CPA

**Pedro González resigned from the company and his position on the Investment Committee and Risk Management effective February 28, 2024.*

Investment Plan

Article 6.040 of the Code provides, among other things, that all investments acquired and held under Chapter 6 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.

Management Services Agreement - TOLICA

On December 12, 2019, TOLIC entered into a cost-sharing agreement with its subsidiary, Trans-Oceanic Life Insurance Company of America, through which TOLIC provides administrative, financial, technological, and other services. The service under the agreement

continues unless terminated at the request of either party as provided for in the Agreement. Management fees collected as of December 31, 2022, was \$226,334.

Management Services Agreement – T-Group

On March 1, 2022, TOLIC entered into a cost-sharing agreement with its parent company, T-Group, through which T-Group will provide TOLIC with strategic planning, marketing, and business relationship management services, among other services agreed between the parties. The contract consists of monthly compensation of \$65,000 for a period of five years, and provides for automatic renewal for a successive period of five years. Management fees paid during December 31, 2022, was \$750,000.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in the Commonwealth of Puerto Rico and is also authorized to write business in Florida and the U.S. Virgin Islands. The Company is authorized to underwrite the risks of life and disability pursuant to Sections 4.020 and 4.030 of the Insurance Code of Puerto Rico.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the past four years through December 31, 2022.

| Year | Admitted Assets | Surplus | Direct Written Premiums | Net Income |
|-------------|------------------------|----------------|--------------------------------|-------------------|
| 2019 | \$77,337,328 | \$29,900,519 | \$30,977,162 | \$2,003,264 |
| 2020 | 198,854,409 | 30,926,338 | 146,486,294 | 3,278,637 |
| 2021 | 407,360,825 | 36,769,246 | 229,474,404 | 6,168,249 |
| 2022 | 559,533,870 | 37,172,634 | 197,481,028 | 7,231,258 |

The increase in Direct Written Premium and Admitted Assets is the result of the Company's new annuity line of business, which is fully ceded on a funds withheld basis.

REINSURANCE

Assumed

On December 12, 2019, TOLIC entered into a reinsurance agreement with its subsidiary, TOLICA, whereby the Company assumes 100% of Accident, Cancer, and Accident & Sickness policies from TOLICA. This agreement was amended in 2022, retroactive to the inception date of the agreement, to have the Company reimburse TOLICA for all commissions to agents and adjustments resulting from advances and repayment of commissions, cancellation of policies, endorsements, and return premiums.

Ceded

On February 18, 2020, TOLIC entered a quota share reinsurance agreement with Knighthead Annuity & Life Assurance Company (Knighthead), an unauthorized reinsurer. TOLIC cedes 100% of its annuity business to Knighthead through a modified coinsurance agreement with additional collateral (5%).

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 January 1, 2023, the Reinsurance agreement with Knighthead was amended to increase the Company's coinsurance from 0% to 5%.

On February 28, 2024, Pedro González resigned. His role is currently being filled by the President, Edrick Touma, who holds a CPA designation, while the role is being filled.

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.

Trans-Oceanic Life Insurance Company
Assets
December 31, 2022

| | <u>Assets</u> | <u>Assets Not Admitted</u> | <u>Net Admitted Assets</u> |
|---|-----------------------|--------------------------------|------------------------------------|
| Bonds | \$ 39,351,558 | | \$ 39,351,558 |
| Preferred stocks | 269,752 | | 269,752 |
| Common stocks | 14,453,336 | | 14,453,336 |
| Mortgage loans on real estate – Other than first liens | 247,210 | | 247,210 |
| Real estate | | | |
| Properties occupied by the company | 13,873,574 | | 13,873,574 |
| Properties held for the production of income | 31,000 | 31,000 | |
| Cash, cash equivalents and short-term investments | 9,777,226 | | 9,777,226 |
| Contract loans | 3,451 | | 3,451 |
| Derivatives | 4,056,960 | | 4,056,960 |
| Other invested assets | <u>1,230,690</u> | | <u>1,230,690</u> |
| Subtotal, cash and invested assets | \$ 83,294,757 | \$ 31,000 | \$ 83,263,757 |
| Investment income due and accrued | 277,515 | | 277,515 |
| Uncollected premiums and agents’ balances in the course of collection | 2,316,445 | 3,570 | 2,312,875 |
| Deferred premiums, agents’ balances and Installments booked but deferred | 153,721 | | 153,721 |
| Reinsurance: Other amounts receivable | 556,438 | | 556,438 |
| Net deferred tax asset | 342,400 | | 342,400 |
| Electronic data process equipment and software | 528,262 | | 528,262 |
| Furniture and equipment, including health care delivery assets | 410,767 | 410,767 | |
| Receivables from parent, subsidiaries and affiliates | 3,511,549 | | 3,511,549 |
| Aggregate write-ins for other than invested assets | <u>471,801,090</u> | <u>3,213,737</u> | <u>468,587,353</u> |
| Totals | <u>\$ 563,192,944</u> | <u>\$ 3,659,074</u> | <u>\$ 559,533,870</u> |

Trans-Oceanic Life Insurance Company
Liabilities, Surplus, and Other Funds
December 31, 2022

| | |
|---|---------------------|
| Premiums and annuity considerations | \$ 35,806,756 |
| Net investment income | 1,482,745 |
| Amortization of Interest Maintenance Reserve | 12,992 |
| Commissions and expense allowance on reinsurance ceded | 8,785,528 |
| Miscellaneous Income: | |
| Aggregate write-ins for miscellaneous income | <u>316,367</u> |
| Total revenues | \$ 46,404,388 |
| Death benefits | 142,527 |
| Disability benefits and benefits under accident and health contracts | 9,308,123 |
| Surrender benefits and withdrawals for life contracts | 4,813 |
| Increase in aggregate reserves for life and accident and health contracts | <u>1,399,722</u> |
| Subtotal | \$ 10,855,185 |
| Commissions on premiums, annuity considerations and deposit-type contract funds | 12,646,827 |
| Commissions and expense allowances on reinsurance assumed | 1,631,616 |
| General insurance expenses and fraternal expenses | 12,912,626 |
| Insurance taxes, licenses and fees, excluding federal income taxes | <u>1,615,581</u> |
| Subtotal | \$ 39,661,837 |
| Net gain from operations before dividends to policyholders, refunds to members and federal income taxes | 6,742,551 |
| Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes | 6,742,551 |
| Net gain from operations after dividends to policy holders, refunds to members and federal income taxes and before realized capital gains | 6,742,551 |
| Net realized capital gains (losses) | <u>488,707</u> |
| Net income | <u>\$ 7,231,258</u> |

Trans-Oceanic Life Insurance Company
Summary of Operations
December 31, 2022

| | |
|---|---------------------|
| Premiums and annuity considerations | \$ 35,806,756 |
| Net investment income | 1,482,745 |
| Amortization of Interest Maintenance Reserve | 12,992 |
| Commissions and expense allowance on reinsurance ceded | 8,785,528 |
| Miscellaneous Income: | |
| Aggregate write-ins for miscellaneous income | <u>316,367</u> |
| Total revenues | \$ 46,404,388 |
| Death benefits | 142,527 |
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| Increase in aggregate reserves for life and accident and health contracts | <u>1,399,722</u> |
| Subtotal | \$ 10,855,185 |
| Commissions on premiums, annuity considerations and deposit-type contract funds | 12,646,827 |
| Commissions and expense allowances on reinsurance assumed | 1,631,616 |
| General insurance expenses and fraternal expenses | 12,912,626 |
| Insurance taxes, licenses and fees, excluding federal income taxes | <u>1,615,581</u> |
| Subtotal | \$ 39,661,837 |
| Net gain from operations before dividends to policyholders, refunds to members and federal income taxes | 6,742,551 |
| Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes | 6,742,551 |
| Net gain from operations after dividends to policy holders, refunds to members and federal income taxes and before realized capital gains | 6,742,551 |
| Net realized capital gains (losses) | <u>488,707</u> |
| Net income | <u>\$ 7,231,258</u> |

Trans-Oceanic Life Insurance Company
Capital and Surplus Account

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------|---------------|---------------|---------------|
| Capital and surplus, beginning | \$ 39,269,246 | \$ 33,426,338 | \$ 32,400,519 | \$ 32,760,015 |
| Net income | \$ 7,231,258 | \$ 6,168,249 | \$ 3,278,637 | \$ 2,003,264 |
| Change in net unrealized capital gains (losses) | (3,943,095) | (933,063) | (722,010) | 1,356,265 |
| Change in net deferred income tax | 542,983 | - | 151,033 | (224,959) |
| Change in nonadmitted assets | (1,701,130) | 625,232 | 318,159 | (1,644,066) |
| Change in asset valuation reserve | 432,259 | (185,503) | - | - |
| Surplus adjustment: | | | | |
| Paid in | - | 2,167,994 | - | - |
| Dividends to stockholders | (2,158,887) | (2,000,000) | (2,000,000) | (1,850,000) |
| Net change in capital and surplus | \$ 403,388 | \$ 5,842,909 | \$ 1,025,819 | \$ (359,496) |
| Capital and surplus, ending | \$ 39,672,634 | \$ 39,269,247 | \$ 33,426,338 | \$ 32,400,519 |

COMMENTS ON FINANCIAL STATEMENT ITEMS

Invested Assets

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

| | Amount | Percentage |
|--|---------------------|---------------|
| Bonds | \$ 39,351,558 | 47.3% |
| Preferred Stocks | 269,752 | 0.3% |
| Common Stocks | 14,453,336 | 17.3% |
| Mortgage Loans on real estate - Other than first liens | 247,210 | 0.3% |
| Real Estate - Occupied by the company | 13,873,574 | 16.7% |
| Cash | 7,677,970 | 9.2% |
| Cash Equivalents | 2,099,256 | 2.5% |
| Contract Loans | 3,451 | 0.0% |
| Derivatives | 4,056,960 | 4.9% |
| Other Invested Assets | 1,230,690 | 1.5% |
| Total | <u>\$83,263,757</u> | <u>100.0%</u> |

The Company's bond portfolio consisted entirely of NAIC 1 and 2 publicly traded investment grade bonds with laddered maturities of one year or less (12%), one to five years (34%), five to ten years (23%) and over ten years (31%).

Claims Reserves

As of December 31, 2022, the Company reported reserves for aggregate reserve for life contracts of \$3,288,580, aggregate reserves for accident and health contracts of \$28,600,794, and Contract Claims for Life, and Accident and Health of \$73,966 and \$10,519,836, respectively,

Gary D Lake, FSA, MAAA, consulting actuary from Lake Consulting, Inc., 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 reserves as reported were accepted for the examination.

SUMMARY OF RECOMMENDATIONS

1. Required Deposit

It is recommended the Company maintain deposits of a value not less than 50% of the amount of paid-in capital in compliance with Article 3.151 of the Insurance Code of Puerto Rico.

2. Tax Exemption Form Due Date

It is recommended that the company timely file their Tax Exemption Form by the required deadline of January 31.

3. Sworn List of Stockholders

It is recommended that the company timely submit a listing of shareholders as of December 31 of the preceding year, showing the number of shares owned by each and their percentage of outstanding stock. The listing of directors shall be sworn to and by the same individuals who swear to the annual statement report.

4. Catastrophe or Emergency Response Plan

It is recommended that the Company comply with Article 3.331 of the Code and submit the Continuity and Disaster Recovery Plan within the due date established or extension granted.

5. Rule 83 of the Regulations of the Code– Holding Company System

It is recommended that the Company comply with Rule 83 sections 14, 15, and 20 of the Regulations of the Code and submit the Forms B, C, and F within the due date established or extension granted.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Trans-Oceanic Life Insurance 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; Michael Nadeau, CFE, CISA, AES, IT Manager; Steve Mahan, FSA, Actuarial Examiner; Robin Roberts, CFE; Daniel Schnepf, CFE; Julie Smith, CFE; and Melissa Greiner, CFE, all of Noble Consulting Services, Inc., participated in this examination.

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

Respectfully submitted,



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



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