



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

**BENEFICIAL LIFE INSURANCE COMPANY**

of

Salt Lake City, Utah

as of

December 31, 2019



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November 23, 2020

Honorable Tanji Northrup, Interim Commissioner  
Utah Insurance Department  
3110 State Office Building  
Salt Lake City, Utah 84114

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, a multi-state examination, as of December 31, 2019, has been made of the financial condition and business affairs of:

**BENEFICIAL LIFE INSURANCE COMPANY**  
Salt Lake City, Utah

hereinafter referred to in this report as the “Company” and the following report of examination is respectfully submitted.

**SCOPE OF EXAMINATION**

Period Covered by Examination

The last examination covered the period of January 1, 2011 through December 31, 2014. This full-scope examination covers the period of January 1, 2015 through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

Examination Procedures Employed

We conducted our examination in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook* (“Handbook”). The 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, however, 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 Utah Code § 31A-2-204(7)(a) and general information about the Company 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.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There are no significant findings for inclusion in this report.

## **COMPANY HISTORY**

### General

The Company was organized under the laws of the state of Utah as a capital stock life insurance company on May 5, 1905. The Corporation of the President of The Church of Jesus Christ of Latter-day Saints (“Corporation”), a Utah Corporation, has been the sole owner of the Company's outstanding capital stock since 1970. As of December 31, 2007, The Corporation indirectly controlled the Company by virtue of its power to appoint the trustees of DMC Reserve Trust, which controlled Deseret Management Corporation (“DMC”), the Company's immediate parent.

On June 15, 2009, the Company filed a Plan of Orderly Withdrawal (“Plan”) with the Utah Insurance Department (“Department”). Upon the approval of the Plan by the Department, the Company ceased writing new life insurance and annuity policies after October 31, 2009. The Company continued to operate as a licensed run-off insurer for the purpose of administering to maturity or expiry all of its current policies. The Company provided a twenty-year projection of operational profits and expenses in support of the Plan.

### Dividends and Capital Contributions

In 2016, the Company paid a \$450,000,000 extraordinary stockholder dividend to its parent company, DMC. The request was approved by the Department on February 19, 2016.

The following policyholder dividends were paid during this examination period:

|      |             |
|------|-------------|
| 2015 | \$1,857,720 |
| 2016 | \$1,665,796 |
| 2017 | \$1,382,178 |
| 2018 | \$1,250,082 |
| 2019 | \$1,207,911 |

The Company did not receive any capital contributions during this examination period.

#### Mergers and Acquisitions

There were no mergers and acquisitions during the examination period.

### **MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE**

#### Board of Directors

The Company's bylaws indicate that the Board of Directors may have from five (5) to nine (9) directors. The following persons served as directors of the Company as of December 31, 2019:

| <b>Name and Location</b>                      | <b>Title and Principal Occupation</b>                        |
|---|--|
| Thomas Kirby Brown Jr.<br>Park City, Utah     | President<br>Beneficial Life Insurance Company               |
| Seth Warren Vance<br>Short Hills, New Jersey  | Treasurer<br>Everest Re Group                                |
| Roger Glen Clarke<br>Salt Lake City, Utah     | Investment Advisor<br>Utah Ensign Peak Advisors              |
| David Robert Nydegger<br>Salt Lake City, Utah | Investment Manager<br>Utah Ensign Peak Advisors              |
| Keith B. McMullin<br>Bountiful, Utah          | President & CEO<br>Deseret Management Corporation            |
| Bradley Kempton McKinnon<br>Alpine, Utah      | Principal and Investment Advisor<br>Hedging Strategies, Inc. |

## Officers

The officers of the Company as of December 31, 2019 were as follows:

| <b>Name</b>            | <b>Title</b>                                 |
|------------------------|--|
| Thomas Kirby Brown Jr. | Chief Executive Officer and President        |
| Spencer John Butler    | Chief Financial Officer and Treasurer        |
| John David Pearce      | Sr. Vice President and Secretary             |
| J Cary Ripplinger**    | Vice President and Chief Information Officer |

\*\* On March 5, 2020, J Cary Ripplinger retired and his position was replaced by Mark R. Walter.

## Committees

The Company utilizes the Audit Committee of its parent company. The following committees were in place as of December 31, 2019:

### **Audit Committee**

Mark Stevens, Chairman  
Robert Cantwell  
Jeff Wilks

### **Asset Liability Committee:**

Kirby Brown, Chairman  
Spencer Butler  
Lance Regis  
David Pearce  
Evan Christensen

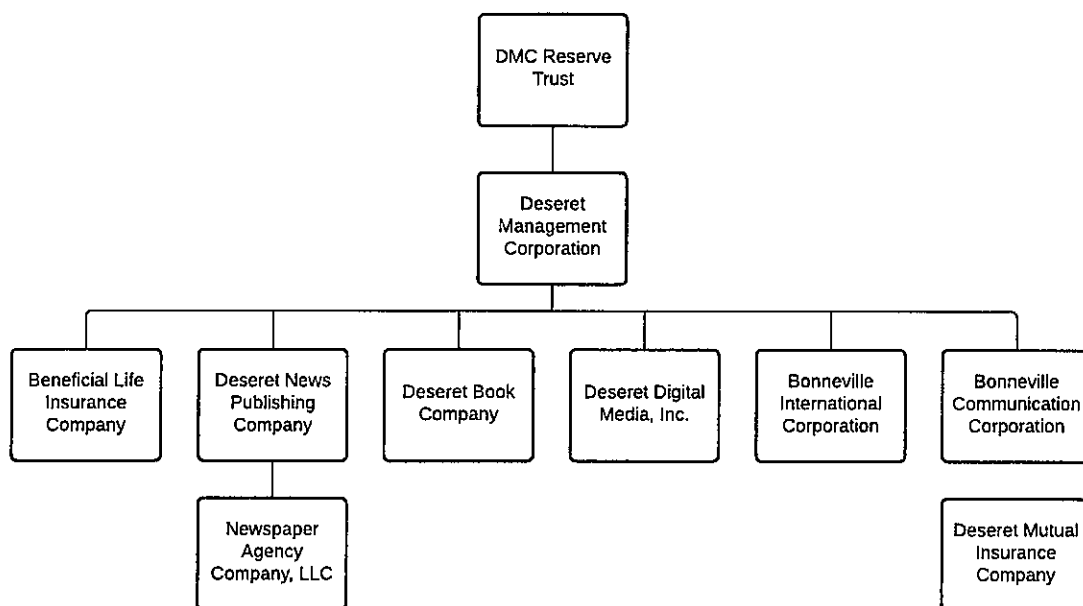
### **Leadership Committee:**

Kirby Brown  
Spencer Butler  
David Pearce  
Mark Walter

## Holding Company

The Company is part of a holding company system in which DMC is considered to be the ultimate controlling entity. DMC is wholly owned by DMC Reserve Trust.

The following is the organization chart for the entities that comprise the holding company system:



### Affiliate Agreements

The following related party agreements were in place as of December 31, 2019:

1. Administrative Services Agreement with DMC

The agreement was effective on August 5, 2010. The agreement states that the Company will provide administrative and support services to DMC including accounting, payroll, human resources, IT, and other related services. The Company also provides office space, computer networks, computer hardware and software and telephone related services to DMC. Costs are allocated based on actual utilization of the various services provided.

2. Tax Sharing Agreement with DMC

The agreement became effective on January 1, 2001. The agreement states that each subsidiary of DMC shall be allocated a portion of DMC's tax liability based on a separate return basis as calculated by each individual entity.

## TERRITORY AND PLAN OF OPERATIONS

The Company ceased writing new life insurance or annuity policies as of October 31, 2009, but will continue to administer existing policies through maturity. As of December 31, 2019, the Company was licensed in all states, including the District of Columbia, except for New York. The Company currently administers traditional ordinary life, Universal Life, and individual Deferred Annuity policies.

## REINSURANCE

### Assumed

The Company holds a small portfolio of assumed reinsurance which includes Individual Whole Life, Universal Life, Deferred Annuities, Variable Universal Life, Variable Annuities, Group Life, and Group Accident and Health business. The maximum retention limit of the assumed business is \$250,000. The Variable Universal Life, Group Accident and Health business is partially retroceded. The assumed reinsurance reserve liabilities as of December 31, 2019 was approximately \$27 million.

### Ceded

The Company limits the risk on any one life with a retention amount of \$500,000. The ceded reinsurance program has various reinsurance treaties as follows:

#### **1. August 1, 2000 and Prior – First Excess Pool**

The Company uses the pooling arrangement to reinsure the excess of its retention on Universal Life and Whole Life products (including convertible term riders). Pool members include Swiss Re Life & Health America, Inc. (“Swiss Re”), Munich American Reassurance Company (“MARC”), Employers Reassurance Corporation (“ERC”), and Security Life of Denver (“ING”).

#### **2. Effective 2000 - Term Insurance Pools**

Term insurance is coinsured on a 90/10 quota share basis to various pools, with the exception of the first version term product, Heritage Term, which was ceded on a 60/40 coinsurance basis. Pool members include Transamerica (SCOR), RGA Reinsurance Company (“RGA”), Swiss Re, ERC, and MARC.

#### **3. Effective 2002 – Quota Share Pool**

Universal Life and Whole Life policies are ceded on a 90/10 quota share basis to various pools. Pool members include RGA, Swiss Re, ERC, MARC, Transamerica (SCOR) and Generali.



#### **4. AXXX Securitization**

In addition to the third party reinsurance arrangements, individual secondary guaranteed Universal Life policies were fully reinsured to a Captive reinsurance subsidiary, Beneficial Reinsurance Company (“BRC”), through a co/mod-co agreement in 2007. This agreement was recaptured in 2018 after BRC was dissolved as of December 31, 2018.

#### **5. Group LTD insurance**

This arrangement is ceded on a 90/10 quota share basis to Hartford Life and Accident Insurance Company.

#### **6. ReMark – Accidental Death Benefit (“ADB”) Marketing Alliance**

The Company partnered with ReMark and Lincoln National (now Swiss Re) to direct mail a select group of the Company’s policyholders offering ADB insurance. The resulting business was issued as riders to existing life policies and reinsured on a 50/50 basis with Swiss Re.

#### **7. Accidental Death (“AD”) Carve Out Agreement**

With the lack of available catastrophe coverage and prohibitive prices for the coverage, the Company had opted to purchase AD Carve Out coverage from RGA from 2002 through 2019. In 2019, catastrophe coverage rates were more reasonable and coverage was more readily available. The Company entered a catastrophe coverage arrangement with RGA on July 1, 2019.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2019. 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.

BENEFICIAL LIFE INSURANCE COMPANY  
BALANCE SHEET  
as of December 31, 2019

ASSETS

|   | Net Admitted Assets |
|---|---------------------|
| Bonds   | \$1,850,270,167     |
| Preferred stocks  | 1,075,398           |
| Common stocks   | 7,381,065           |
| Cash, cash equivalents and short-term investments                     | 46,417,131          |
| Contract loans  | 97,696,407          |
| Derivatives   | 270,972             |
| Other invested assets   | 18,029,323          |
| Receivable for securities   | 19                  |
| Investment income due and accrued                                     | 16,196,893          |
| Uncollected premiums and agents' balances in the course of collection | 1,050,262           |
| Deferred premiums and agents' balances                                | 2,066,448           |
| Amounts recoverable from reinsurers                                   | 12,500              |
| Net deferred tax asset  | 1,432,542           |
| Electronic data processing equipment and software                     | 151,177             |
| Receivables from parent; subsidiaries and affiliates                  | 78,068              |
| Aggregate write-ins for other-than-invested-assets                    | 19,164,426          |
| Total Assets  | \$2,067,972,884     |

BENEFICIAL LIFE INSURANCE COMPANY  
BALANCE SHEET (Continued)

as of December 31, 2019

LIABILITIES, SURPLUS AND OTHER FUNDS

|   | Current Year     |
|---|------------------|
| Aggregate reserve for life contracts                                    | \$ 1,747,810,285 |
| Aggregate reserve for accident and health contracts                     | 83,303           |
| Liability for deposit-type contracts                                    | 10,012,143       |
| Contract claims: life   | 11,658,607       |
| Contract claims: accident and health                                    | 1,472,204        |
| Dividends apportioned   | 1,239,364        |
| Premiums and annuity considerations received in advance                 | 73,676           |
| Interest maintenance reserve (IMR)                                      | 19,238,446       |
| General expenses due or accrued   | 917,876          |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 167,432          |
| Current federal and foreign income taxes                                | 477,372          |
| Unearned investment income  | 4,053,176        |
| Amounts withheld or retained by company as agent or trustee             | 49,533,871       |
| Amounts held for agents' account  | 149,780          |
| Remittances and items not allocated                                     | 1,081,853        |
| Asset valuation reserve (AVR)   | 15,293,500       |
| Aggregate write-ins for liabilities                                     | 7,973,437        |
| Total Liabilities   | 1,871,236,326    |
| <br>  |                  |
| Common capital stock  | 2,500,000        |
| Gross paid in and contributed surplus                                   | 178,506,890      |
| Unassigned funds (surplus)  | 15,729,668       |
| Total Capital & Surplus   | 196,736,558      |
| Total Liabilities, Surplus and Other Funds                              | \$ 2,067,972,884 |

BENEFICIAL LIFE INSURANCE COMPANY  
SUMMARY OF OPERATIONS

for the Year Ended December 31, 2019

|   | Current Year  |
|---|---------------|
| Premiums and annuity considerations   | \$ 29,250,359 |
| Net investment income   | 89,836,485    |
| Amortization of interest maintenance reserve (IMR)  | 3,067,570     |
| Commissions and expense allowances on reinsurance ceded   | 642,487       |
| Aggregate write-ins for miscellaneous income  | 278,937       |
| Total income  | 123,075,838   |
| Death benefits  | 63,576,715    |
| Matured endowments  | 452,526       |
| Annuity benefits  | 22,589,168    |
| Disability benefits and benefits under accident and health contracts                                    | 449,745       |
| Coupons, guaranteed annual pure endowments and similar benefits   |               |
| Surrender benefits and withdrawals for life contracts   | 83,610,991    |
| Group conversions   | (71,942)      |
| Interest and adjustments on contract or deposit-type contract funds                                     | 958,422       |
| Payments on supplementary contracts with life contingencies   | 1,064,157     |
| Increase in aggregate reserves for life and accident and health contracts                               | (69,273,393)  |
| Total benefits and reserves   | 103,356,389   |
| Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) | 1,703,390     |
| Commissions and expense allowances on reinsurance assumed   | 141,862       |
| General insurance expenses  | 9,376,813     |
| Insurance taxes, licenses and fees, excluding federal income taxes                                      | 1,427,910     |
| Increase in loading on deferred and uncollected premiums  | 97,131        |
| Aggregate write-ins for deductions  | (635,105)     |
| Total expenses  | 12,112,001    |
| Total expenses, benefits and reserves   | 115,468,390   |
| Net gain before dividends to policyholders and federal income taxes                                     | 7,607,448     |
| Dividends to policyholders  | 1,207,911     |
| Net gain after dividends to policyholders, before federal income taxes                                  | 6,399,537     |
| Federal and foreign income taxes incurred   | 595,988       |
| Net gain after dividends and taxes, before realized capital gains                                       | 5,803,549     |
| Net realized capital gains  | 4,118,218     |
| Net income  | \$ 9,921,767  |

BENEFICIAL LIFE INSURANCE COMPANY  
RECONCILIATION OF CAPITAL AND SURPLUS

|   | 2015 through 2019 |               |               |               |               |
|---|-------------------|---------------|---------------|---------------|---------------|
|   | 2015              | 2016          | 2017          | 2018          | 2019          |
| Surplus as regards policyholders, December 31 prior year          | \$553,635,735     | \$585,118,648 | \$177,362,815 | \$205,670,995 | \$184,896,198 |
| Net income  | 39,280,441        | 52,415,457    | 13,420,737    | 13,122,281    | 9,921,767     |
| Change in net unrealized gains or (losses) less capital gains tax | (3,743,360)       | 7,842,362     | 18,529,524    | (1,714,499)   | 594,674       |
| Change in net deferred income tax                                 | (7,274,183)       | (15,511,102)  | (6,358,575)   | (6,326,658)   | 1,321,579     |
| Change in non-admitted assets                                     | (2,316,236)       | (654,361)     | 2,298,419     | (28,158,234)  | (2,058,862)   |
| Change in reserve – change in valuation basis                     | 0                 | 0             | 0             | 0             | 0             |
| Change in asset valuation reserve                                 | 1,229,659         | (3,372,319)   | (2,775,538)   | 11,895,729    | 595,487       |
| Surplus adjustment: Paid in                                       | 0                 | (450,000,000) | 0             | 0             | 0             |
| Dividends to stockholders   | 0                 | 0             | 0             | 0             | 0             |
| Aggregate write-ins for gains and losses in surplus               | 4,306,592         | 1,524,130     | 3,193,613     | (9,593,416)   | 1,465,715     |
| Change in surplus as regards policyholders for the year           | 31,482,913        | (407,755,833) | 28,308,180    | (20,774,797)  | 11,840,360    |
| Surplus as regards policyholders, December 31 current year        | \$585,118,648     | \$177,362,815 | \$205,670,995 | \$184,896,198 | \$196,736,558 |

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

No adjustments were made to surplus as of December 31, 2019 as a result of the examination.

## **COMMENTS ON FINANCIAL STATEMENTS**

There are no comments on financial statement items as of December 31, 2019 as a result of the examination.

## **SUBSEQUENT EVENTS**

There were no material subsequent events for inclusion in this report.

## **ACKNOWLEDGEMENT**

T. Michael Presley, FSA, MAAA, Risk & Regulatory Consulting, LLC, and John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM, Risk & Regulatory Consulting, LLC, performed the actuarial review portion of the examination. Kristina Gaddis, CFE, CISA, AES, Risk & Regulatory Consulting, LLC, performed the Information System review portion of the examination. Mike Porter, CFE, Financial Examiner, Utah Insurance Department, supervised the examination. Scott Eady, CPA, CFE, Risk & Regulatory Consulting, LLC, and Corey Larsen, Financial Examiner, Utah Insurance Department, participated in the examination. They joined the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company,

Respectfully submitted,



Malis Rasmussen, MSA, CFE, SPIR  
Deputy Division Director  
Utah Insurance Department