

Report of Examination of the

Equitable Life & Casualty Insurance Company

Salt Lake City, Utah
as of December 31, 2015

NAIC Group Code #000
NAIC Company Code #62952



State of Utah
Department of Insurance
Salt Lake City, Utah



TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
Prior Examination.....	2
Current Examination.....	2
COMPANY HISTORY	2
Dividends to Stockholder.....	2
MANAGEMENT AND CONTROL.....	2
Corporate Governance.....	2
Corporate Organization.....	4
Organizational Chart	5
Related Party Agreements.....	5
TERRITORY AND PLAN OF OPERATION	5
REINSURANCE	6
FINANCIAL STATEMENTS.....	9
SUBSEQUENT EVENTS.....	14

September 23, 2016

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

RE: Equitable Life & Casualty Insurance Company

Dear Honorable Commissioner:

Pursuant to instructions and in compliance with the provisions of Utah Code Annotated (U.C.A.) §31A-2-204(6)(a), and the rules, regulations and provisions promulgated by the National Association of Insurance Commissioners, an examination of the financial condition and business affairs has been conducted of:

Equitable Life & Casualty Insurance Company
Salt Lake City, Utah

hereinafter referred to as the "Company."

The following report of examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We have performed our full-scope multi-state examination of the Company. The last financial examination of the Company, by representatives of the Utah Insurance Department ("UID"), was for the period January 1, 2010 through December 31, 2012. This examination covers the period January 1, 2013 through December 31, 2015, and any material transactions and/or events occurring subsequent and noted during the examination. The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with the NAIC *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 included 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 Utah Code Annotated (U.C.A.) §31A-2-204(6)(a), and general information about the insurer and its financial condition. Other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within this examination report but have been separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

There were no significant findings noted in the prior examination.

CURRENT EXAMINATION

There are no significant findings or recommendations.

COMPANY HISTORY

Equitable was incorporated on June 6, 1935, under the laws of the State of Utah, as a mutual benefit assessment association. The Company changed their name to Equitable Life & Casualty Insurance Company on May 18, 1938. On May 20, 1946 the Company converted to a capital stock company.

DIVIDENDS TO STOCKHOLDER

There were no capital contributions or dividends during the period of examination.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The Company's bylaws state, "the number of directors shall be not less than three (3) nor more than twenty-five (25) as determined by the Board of Directors, one of whom shall be designated by the shareholders as Chairman." Currently, the Company has seven (7) board members. At December 31, 2015, the following individuals were serving as Directors and Officers of the Company:

<u>Name</u>	<u>Location</u>	<u>Principal Occupation</u>
E. Roderick Ross	Salt Lake City, UT	Owner
Kendall Surfass	Salt Lake City, UT	President, Secretary & General Counsel
William B. Prouty	Salt Lake City, UT	Chief Executive Officer
F. Lynn Debry	Holladay, UT	Retired, Certified Public Accountant
Marilyn R. Froelich	Fargo, North Dakota	Retired, Finance and Investment

<u>Name</u>	<u>Location</u>	<u>Principal Occupation</u>
William A. Adams	Salt Lake City, UT	Executive Director, Leadership
Gil C. Rohde	Woodbury, MN	Retired, CEO Business Consulting

The Company's bylaws provide for officers to consist of a president, up to five (5) vice presidents, a secretary and a treasurer. Other Officers and Assistant Officers, as necessary may be elected or appointed by the Board. Principal Officers of the Corporation shall be held by at least three (3) separate natural persons. The offices of CEO and President shall be held by members of the Board of the Company.

The officers of the Company as of December 31, 2015, were as follows:

<u>Name</u>	<u>Title</u>
William B. Prouty	Chief Executive Officer
Kendall Surfass	President, Secretary & General Counsel
Daren Hackett	Treasurer & Controller
Scott Allen	Chief Information Officer
Dave Munk	Chief Risk Officer

Committees and the respective committee members of the Company as of December 31, 2015, were as follows:

Audit Committee

<u>Name</u>	<u>Title</u>
E. Roderick Ross	Director, Ultimate Controlling Person
Kendal Surfass	Director, President, Secretary & General Counsel
William B. Prouty	Director, Chief Executive Officer
F. Lynn DeBry	Director, Committee Chair
Marilyn R. Froelich	Director
William A. Adams	Director
Gil C. Rohde	Director, Chairman of the Board of Directors

Finance and Investment Committee

<u>Name</u>	<u>Title</u>
E. Roderick Ross	Director, Ultimate Controlling Person
Kendall Surfass	Director, President, Secretary & General Counsel
William B. Prouty	Director, Chief Executive Officer
F. Lynn DeBry	Director
Marilyn R. Froelich	Director, Committee Chair
William A. Adams	Director
Gil C. Rohde	Director, Chairman of the Board of Directors

Compensation Committee

<u>Name</u>	<u>Title</u>
E. Roderick Ross	Director, Ultimate Controlling Person
Kendall Surfass	Director, President, Secretary & General Counsel
William B. Prouty	Director, Chief Executive Officer
F. Lynn DeBry	Director
Marilyn R. Froelich	Director
William A. Adams	Director, Committee Chair
Gil C. Rohde	Director, Chairman of the Board of Directors

Risk Management Committee

<u>Name</u>	<u>Title</u>
E. Roderick Ross	Director, Ultimate Controlling Person
Kendall Surfass	Director, President, Secretary & General Counsel
William B. Prouty	Director, Chief Executive Officer
F. Lynn DeBry	Director
Marilyn R. Froelich	Director
William A. Adams	Director, Committee Chair
Gil C. Rohde	Director, Chairman of the Board of Directors

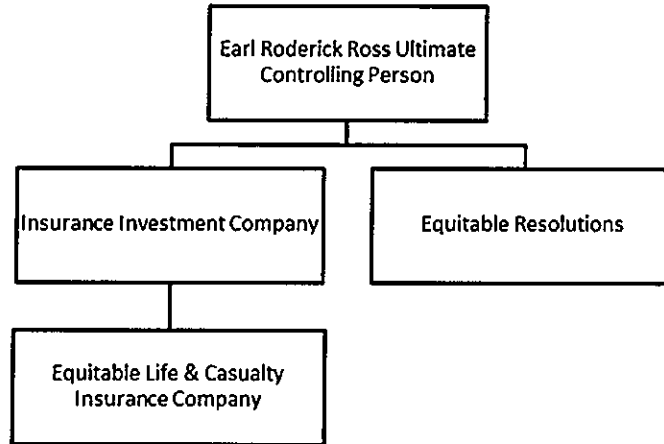
CORPORATE ORGANIZATION

Equitable Life & Casualty is a member of a holding company system as defined in U.C.A. § 31A-1-301(90). A review of Company and Department records for the examination period indicated

all holding company filings were submitted as required by U.C.A. § 31A-16-105 and 31A-16-106. The holding company system is privately held and is simple in structure. Equitable is the only entity with significant operations within the holding company system.

ORGANIZATIONAL CHART

The organizational chart below illustrates the holding company system at December 31, 2015.



RELATED PARTY AGREEMENTS

There were no related party agreements during the period of examination.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write life, accident and health, annuity, and variable annuity in the following states:

Alabama	Indiana	Nebraska	South Dakota
Arizona	Iowa	Nevada	Tennessee
Arkansas	Kansas	New Hampshire	Texas
Alaska	Kentucky	New Mexico	Utah
Colorado	Louisiana	North Carolina	Vermont
Connecticut	Maine	North Dakota	Virginia
Delaware	Maryland	Ohio	Washington
District of Columbia	Massachusetts	Oklahoma	West Virginia
Georgia	Michigan	Oregon	Wisconsin
Hawaii	Mississippi	Pennsylvania	Wyoming
Idaho	Missouri	Rhode Island	
Illinois	Montana	South Carolina	

Equitable's lines of business consist of individual life and accident and health ("A&H") products. Significant product lines include long term care ("LTC"), Medicare Supplement ("MS"), and traditional final expense life insurance ("FE"). MS and FE products are marketed by independent general agents. Sales of LTC were discontinued in 2010. The Company also operates a third party administration business which commenced in 2009.

REINSURANCE

Ceded

The Company is a significant purchaser of reinsurance for each of its three product lines. As of December 31, 2015, the Company was a party to life and accident and health reinsurance contracts with various reinsurers who were authorized to conduct business in Utah. Below is a description of the significant treaties in place, by product line, as of the date of the examination:

Long Term Care Insurance

- Policy Form 650 (ten year benefit period plan) and Policy Form 750 (four year, ten year and unlimited benefit period plans) are reinsured with ReliaStar Corporation, and Employers Reassurance Corporation (650 four year plan). The Company retains 100% of the claims liability for the first two years of claims. The Company retains 10% of the claims liability on claims in excess of two years, with the reinsurer having 90% of the claims liability for claims in excess of two years.
- IOA Re, Sun Life Financial and Munich American Reassurance Corporation reinsure all LTC policies within the Policy Form 2002 and 2002+ series (tax qualified and non-tax qualified policies) and Policy Form 820 (home care). The Company retains 80% of the claims liability for the first two years of claims, with the reinsurer having 20% of the claims liability for the first two years of claims. The Company retains 10% of the claims liability for claims in excess of two years, with the reinsurer having 90% of the claims liability for claims in excess of two years. The IOA Re agreement, effective January 1, 1994, was terminated for new business effective March 31, 1998. The Sun Life Financial agreement, effective April 1, 1998, was terminated for new business effective April 30, 2000. The Munich American agreement, effective May 1, 2000, was terminated for new business effective November 30, 2005.
- RGA Reinsurance Company reinsures Policy Forms 2020 and 2045, originally under a straight 50-50 coinsurance agreement. For policies issued on or after January 1, 2009, RGA reinsures the policies on a 70-30 coinsurance basis.

Life Insurance

The company has seven (7) treaties with reinsurance; however there are four (4) that provide a significant amount of reinsurance.

- Policy Form 393 is reinsured with Cigna for face amounts in excess of \$5,000, with the reinsurer having 100% of the claims liability for face amounts above \$5,000.
- Policy Form 1002 is reinsured with Munich American Reassurance Corporation for face amounts over \$25,000 up to \$50,000 on an 80/20 basis. For example, on a \$40,000 face amount, the Company retains the first \$25,000 and retains an additional 20% of the excess over \$25,000 (\$3,000 in this example), while the reinsurer holds \$12,000. On face amounts over \$50,000, the Company retains \$30,000, and 100% of the excess is reinsured. This reinsurance agreement was terminated for policies issued on or after January 31, 2010.
- Policy Form 1002 is ceded to Oxford Life Insurance Company, effective September 30, 2010 on a 100% coinsurance basis for all premiums and claims on this closed block of business.
- Policy Form 1004 is reinsured with Optimum Re Insurance Company on a 60-40 coinsurance basis, effective January 1, 2009. The Company retains 40% of the face amount up to a maximum of \$30,000.
- Policy Forms 1007 and 1008 are reinsured with Americo Financial Life and Annuity Insurance Company, effective May 1, 2013, under a quota share agreement, with the reinsurer having 95% of the claims liability and the Company retaining 5% of the claims liability.

Medicare Supplement Insurance

- The Company has ceded reinsurance to Aetna Life Insurance Company on Policy Forms 2050 and 2070 for plans A, F, G and N (modernized policies) effective October 12, 2012 for business written from June 1, 2010 that was in-force as of October 1, 2012. The agreement provides coinsurance based on actual premiums and claims with Aetna assuming 95% of all premiums and claims and the Company retaining 5% of all premiums and claims.
- The Company has ceded reinsurance to Gen Re Life Corporation on Medicare Supplement Policy Forms 600, 700, 770, 880 and 990 (pre-standardized policies) and Policy Forms 920 & 950 (standardized policies) effective December 31, 2013 on all in-force policies in these closed blocks of business.

Assumed

The Company has assumed reinsurance Medicare Supplement business from Heartland National Life Insurance Company (Heartland). The Company does not currently have any plans to assume additional business from other companies. The Heartland treaty provides for coinsurance based on actual premiums and claims paid. The Company assumes 95% of all premiums and claims subject to a limit of \$20,000,000 in annualized premiums. Heartland retains 5% of all premiums and claims.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Equitable Life & Casualty Insurance Company Balance Sheet (Assets) December 31, 2015

	Net Admitted Assets
Bonds	\$249,426,175
First Liens-mortgage loans on real estate	13,042,915
Properties occupied by the company	257,424
Cash and short term investments	3,007,496
Contract Loans	488,297
Receivables for securities	300,781
Subtotals, cash and invested assets	\$266,523,088
Investment income due and accrued	2,497,035
Uncollected premiums and agents' balances	187,380
Deferred premiums and agents' balances	1,037,170
Amounts recoverable from reinsurers	19,036,560
Other amounts receivable under reinsurance contracts	5,970,025
Current federal and foreign income tax recoverable and interest thereon	1,378,885
Net deferred tax asset	8,366,348
Guaranty funds receivable or on deposit	260,278
Electronic data processing equipment and software	361,814
Aggregate write-ins for other than invested assets	820,581
Total assets	\$306,439,164

Equitable Life & Casualty Insurance Company
Assets, Liabilities, Surplus, and Other Funds
December 31, 2015

	2015
Liabilities, Surplus, and Other Funds	
Aggregate reserve for life contracts	\$ 11,870,925
Aggregate reserve for accident and health contracts	207,900,261
Liability for deposit-type contracts	253,909
Contract claims: Life	877,000
Contract Claims: Accident and Health	5,722,123
Dividends apportioned for payment	324
Coupons of similar benefits	334
Premiums and annuity considerations for Life and accident and health	14,677
Other amounts payable on reinsurance	22,028,336
Interest Maintenance Reserve	1,057,413
General expenses due and accrued	4,270,855
Taxes, licenses and fees due or accrued, excluding federal income taxes	880,550
Unearned investment income	2,770
Amounts withheld or retained by company as agent or trustee	306,597
Amounts held for agents' account	2,274,428
Remittances and items not allocated	154,684
Liability for benefits for employees and agents if not included above	546,562
Asset valuation reserve	1,202,975
Aggregate write-ins for liabilities	843,845
Total liabilities	\$260,208,568
Surplus	
Common capital stock	\$ 2,500,000
Unassigned funds	43,730,596
Surplus as regards policyholders	\$ 46,230,596
Total Liabilities, Surplus, and Other Funds	\$306,439,164

Equitable Life & Casualty Insurance Company
Statement of Income
December 31, 2015

	2015
Revenue	
Premiums Earned	\$ 69,714,141
Net Investment Income	10,690,601
Amortization of Interest Maintenance Reserve	224,738
Commission and Expense Allowance on Reinsurance Ceded	40,218,846
Miscellaneous Income	3,932,097
Total Revenue	\$124,780,423
Benefits and Increase in Aggregate Reserves for Life and A&H Contracts	
Death Benefits	\$ 2,760,223
Matured Endowments	1,500
Disability, A&H Benefits	51,502,123
Coupons, guaranteed annual pure endowments and similar benefits	176
Surrender Benefits, Withdrawals – Life Contracts	328,322
Interest and Adjustment on Deposit Type Contract	18,922
Increase in aggregate reserves for life and accident and health contract	2,822,279
Total Benefits and Increases in Aggregate Reserves	\$ 57,433,545
Expenses	
Commissions	\$ 29,054,779
Commissions and expenses allowances on reinsurance assumed	524,806
General Insurance Expenses	23,858,013
Taxes, License, & Fee Expenses Incurred	4,615,475
Increase in loading on deferred & uncollected premiums	(97,378)
Aggregate write-ins for deductions	14,038
Total Benefits and Increase in Aggregate Reserves and Expenses	\$115,403,278

Statement of Income (Cont.)**Other Income**

Net income before dividends to policyholders, after capital gains tax and before federal income tax	\$ 9,377,145
Dividends to policyholders	448
Net income after dividends to policyholders, after capital gains and before federal income tax	<u>\$ 9,376,697</u>
Federal income taxes incurred	8,163
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	<u>\$ 9,368,534</u>
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax	125,008
Net income	<u>9,493,542</u>

Equitable Life & Casualty Insurance Company
Capital and Surplus Account
December 31, 2015

	2015	2014	2013
Surplus as regards policyholders, December 31 prior year	\$41,801,105	\$39,114,046	\$30,268,501
Net Income	9,493,542	10,323,004	(266,486)
Change in net deferred income tax	(2,317,154)	34,224	4,415,173
Change in non-admitted assets	1,415,365	3,140,727	(976,839)
Change in asset valuation reserve	(158,495)	(124,048)	(53,383)
Surplus adjustment	(4,003,767)	(3,928,815)	8,421,179
Aggregate write-ins for gains and losses in surplus	0	(6,758,033)	(2,694,099)
Net change for capital and surplus for the current year	4,429,491	2,687,058	8,845,545
Surplus as regards policyholders December 31 current year	\$46,230,596	\$41,801,105	\$39,114,046

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings or recommendations.

SUBSEQUENT EVENTS

There were no subsequent events that would require disclosure.

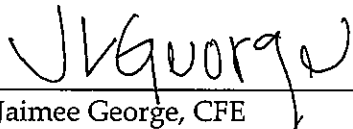
CONCLUSION

The examination procedures, described, herein, revealed no material findings or recommendations.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Mike Presley, FSA, MAAA of the actuarial firm of Risk and Regulatory Consulting performed the actuarial phases of the examination. In addition, Andria Bolinger, Scott Eady, CPA, CFE and Kristina Gaddis, CFE, CISA, AES participated in the examination. Donald Catmull, CFE, Assistant Chief Examiner, of the Utah Insurance Department supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,



Jaimee George, CFE
Examiner In Charge
State of Utah
Insurance Department