

EXAMINATION REPORT OF
TLIC OAKBROOK REINSURANCE INC.
CEDAR RAPIDS, IOWA
AS OF DECEMBER 31, 2019

Cedar Rapids, Iowa
June 10, 2021

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an Examination has been made of the records, business affairs and financial condition of

TLIC OAKBROOK REINSURANCE INC.

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2019

at its Home Office located at 4333 Edgewood Road, Northeast, Cedar Rapids, Iowa.

INTRODUCTION

TLIC Oakbrook Reinsurance Inc., hereinafter referred to as the “Company,” was last examined, as of December 31, 2014. The examination reported herein was conducted by the Iowa Insurance Division (the Division).

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2015 to the close of business on December 31, 2019, including any material transactions and events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, 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 and general information about the insurer and its financial condition.

HISTORY

The Company was formed on May 30, 2014, as a limited purpose subsidiary life insurance company. The Company received capital contributions of \$100,000,000 and \$160,500,000 from Transamerica Life Insurance Company (TLIC) on June 26, 2014, and June 27, 2014, respectively. The Company also received a \$2,500,000 capital contribution from TLIC in consideration for the Company’s stock on June 26, 2014.

Pursuant to the December 16, 2019, approval of the Division, effective December 31, 2019, TLIC Riverwood Reinsurance, Inc. (TRRI), merged with and into the Company, with the Company being the surviving entity.

CAPITAL STOCK AND DIVIDENDS

The Articles of Incorporation provide for authorized capital in the amount of \$2,500,000, consisting of 25,000 shares of common capital stock with a par value of \$100 per share. As of December 31, 2019, there were 25,000 common shares issued and outstanding representing \$2,500,000 in common capital stock. Issued and outstanding common shares did not change during the period under review. All shares of the Company's capital stock are owned by TLIC.

As of December 31, 2019, the Company reported a balance of gross paid-in and contributed surplus of \$515,500,000. The following changes were made to this account during the examination period:

	<u>Paid-in Surplus</u>
Balance, December 31, 2014	\$ 260,500,000
2019	(1) <u>255,000,000</u>
Balance, December 31, 2019	<u>\$ 515,500,000</u>

(1) Represents the combination of gross paid-in and contributed surplus and cancelled common stock of TRRI upon the merger of TRRI with and into the Company.

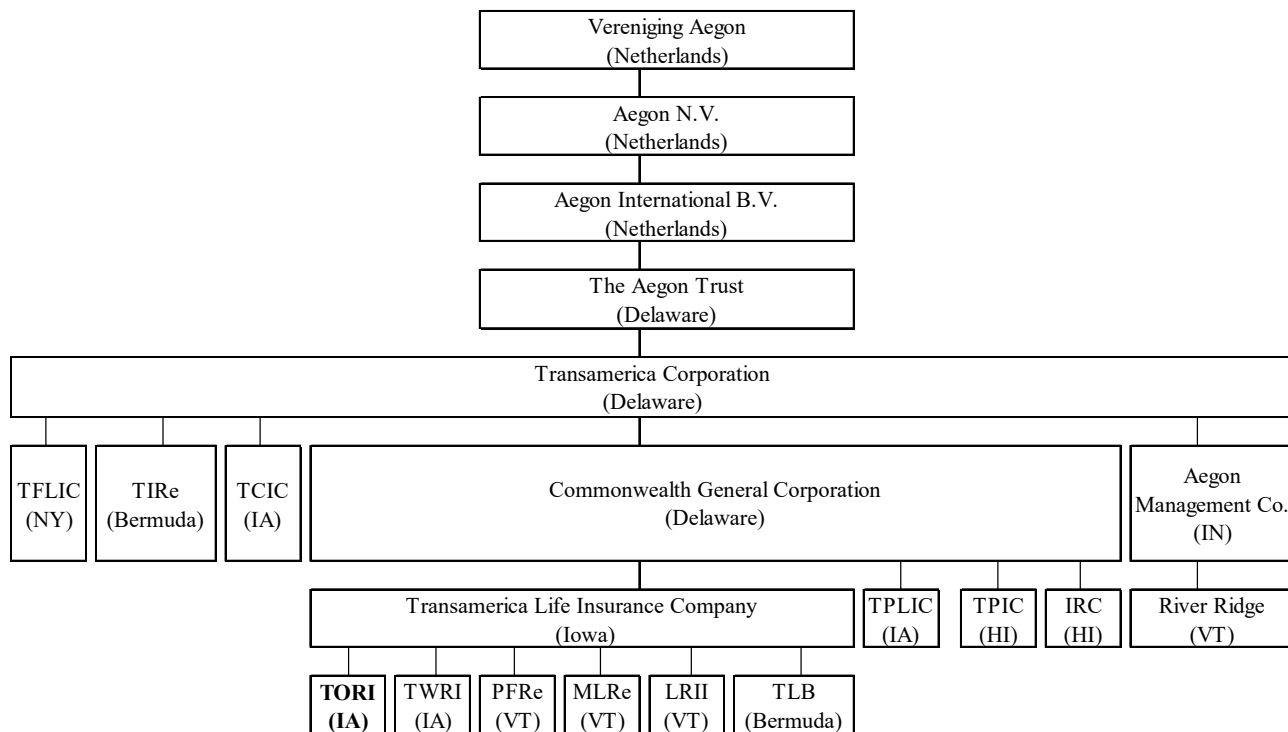
During the period under examination, the Company paid the following dividends to its immediate parent, TLIC:

<u>Date Paid</u>	<u>Amount</u>
December 31, 2019	\$ 100,000,000 (A)
Total 2019	<u>100,000,000</u>
Total	<u>\$ 100,000,000</u>

(A) Approved by the Division on December 31, 2019.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by Chapter 514B, Code of Iowa. A simplified organizational chart as of December 31, 2019, reflecting the ultimate parent and holding company system, is shown below:



Primary Regulated Entities (Abbreviated above)

TFLIC	Transamerica Financial Life Insurance Company
TIRe	Transamerica International Re (Bermuda) Ltd.
TCIC	Transamerica Casualty Insurance Company
TPLIC	Transamerica Premier Life Insurance Company
TPIC	Transamerica Pacific Insurance Company, Ltd.
IRC	Ironwood Re Corp.
River Ridge	River Ridge Insurance Company
TORI	TLIC Oakbrook Reinsurance, Inc.
TWRI	TLIC Watertree Reinsurance, Inc.
PFRRe	Pine Falls Re, Inc.
MLRe	MLIC Re I, Inc.
LRRII	LIICA Re II, Inc.
TLB	Transamerica Life (Bermuda) Ltd.

Other significant affiliated organizations with whom the companies transact business include the following:

- AEGON USA Investment Management, LLC (Investment Management)
- Transamerica Capital, Inc. (Wholesaling Distribution)
- AEGON USA Realty Advisors, LLC (Mortgage Loan Operations)
- Transamerica Asset Management, Inc. (Administrative Services)

All ownership is 100%, with the exception of Vereniging Aegon, which owns 31.5% of Aegon N.V. and Transamerica Financial Life Insurance Company, which is owned 92.3% by Transamerica Corporation and 7.7% by Transamerica Life

Insurance Company. No other person or entity was identified as owning or controlling 10% or more of Aegon N.V. As of December 31, 2019, there were approximately 360 U.S. and international legal entities comprising the holding company system.

The Company, TPIC, IRC, TWRI, PFR, MLRe and LRRI are all reinsurers under Transamerica's captive financing program, with each representing a specific business and/or solution type.

MANAGEMENT AND CONTROL

Shareholders

The Bylaws provide that the annual meeting of the stockholders shall be held in April in each year at the office of the Company in Cedar Rapids, Iowa or in such other place as the Board of Directors shall from time to time designate. Special meetings of the stockholders for any purpose or purposes other than those regulated by statute otherwise, may be called by the President upon written notice to be given not less than ten days nor more than thirty days before said special meeting is to be held. Special meetings shall also be called by the President or Secretary at the request, in writing, of stockholders owning at least one-third of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose of the proposed meeting.

At any meeting of the stockholders, the holders of a majority of the shares of the capital stock of the corporation, issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum of the stockholders for all purposes.

Except as otherwise provided in the Certificate of Incorporation or by law, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, prior notice or a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of all the outstanding shares entitled to vote thereon.

Board of Directors

The Articles of Incorporation provide that the affairs of the Company shall be managed by a Board of Directors of not less than five nor more than twelve directors, who shall act as such until the next annual meeting of stockholders, or until their successors are duly chosen and qualify, which number may be increased or decreased pursuant to the Bylaws of the corporation.

The Bylaws state that regular meetings of the Board of Directors shall be held at such times and locations as the Board of Directors may designate. The Secretary shall serve a written notice of each regular meeting addressed to the members of the Board of Directors not less than five days before the date set for such meeting unless the Board of Directors by resolution shall otherwise direct.

A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

The directors serving as of December 31, 2019, were as follows.

<u>Name and Address</u>	<u>Primary Occupation</u>	<u>Term Expires</u>
James A. Beardsworth Cedar Rapids, IA	Senior Vice President Transamerica Corporation	2020
Gregory E. Miller-Breetz Baltimore, MD	Deputy General Counsel Transamerica Corporation	2020
Nik Godon Cedar Rapids, IA	Chief Actuary Transamerica Corporation	2020
Bonnie T. Gerst Cedar Rapids, IA	Vice President Transamerica Corporation	2020

<u>Name and Address</u>	<u>Primary Occupation</u>	<u>Term Expires</u>
Eric J. Martin Cedar Rapids, IA	Senior Vice President Transamerica Corporation	2020

Effective July 8, 2020, Eric J. Martin resigned as a Director and Frederick J. Gingerich was named as his replacement.

Committees

The Bylaws provide that the Board of Directors may designate three directors to constitute an Executive Committee of the Board of Directors, which committee shall have and may exercise all the powers of the Board of Directors. The Board of Directors shall not be required to constitute an Executive Committee and did not have one during the examination period.

Officers

The Bylaws of the Company provide the executive officers of the corporation shall be a Chairman of the Board of Directors, a President, a Vice President, a Treasurer, and a Secretary. The Chairman of the Board and President are to be members of the Board of Directors.

Principal officers serving as of December 31, 2019, were as follows:

<u>Officer</u>	<u>Office</u>
Bonnie T. Gerst	President & Chairman of the Board
Gregory E. Miller-Breetz	Secretary
Fredrick J. Gingerich	Controller

The salaries of the officers shown on the jurat page of the annual statement are contained in Exhibit A which will be found immediately following the signature page of this report.

CONFLICT OF INTEREST STATEMENTS

Transamerica Corporation has a Code of Conduct Policy, which addresses conflicts of interest and is acknowledged by key employees on an annual basis. The review of the questionnaire responses disclosed that there were no significant conflicts of interest reported.

CORPORATE RECORDS

The minutes of the shareholder and Board of Directors meetings were reviewed for the period under examination. The meeting minutes of the Board appeared to adequately document its meetings and approval of Company transactions and events.

The Articles of Incorporation and Bylaws were not amended during the examination period.

INTERCOMPANY AGREEMENTS

The Company is a party to a number of agreements with its affiliates. Agreements considered to be significant are described in more detail in the following:

Administration Agreement

Effective June 30, 2014, the Company and TLIC entered into an agreement under which TLIC was to provide professional services including evaluation and management of financial risks and capital requirements; underwriting and actuarial services; contract amendments and maintenance; monitoring and selecting means of collateralization on reinsurance transaction; systems development; coordination and communication to and from interested U.S. governmental and regulatory agencies; coordination and communication with applicable rating agencies and investors; provide recommendations and advice regarding the subject business; and all such other services necessary or appropriate for the operation of the Company. Administrative services include premium collection, contract services and general administrative services, claim administrative services, accounting and record keeping services.

Investment Management Agreement

Effective June 30, 2014, the Company and Aegon USA Investment Management, LLC (AUIM) entered into an investment management agreement under which AUIM provides advice and services necessary for the sound management of the designated assets (regulatory and surplus), including supplying investment research portfolio management in accordance with attached Investment Guidelines (including, the selection of securities to purchase, hold, sell or otherwise effect transactions, as well as the selection of brokers to execute portfolio transactions), directing the investment and reinvestment of the assets in securities, cash or cash equivalents, and periodic reporting to the Board of Directors.

Investment Management Agreement

Effective June 30, 2014, the Company and Aegon USA Investment Management, LLC (AUIM) entered into an investment management agreement under which AUIM provides advice and services necessary for the sound management of the designated assets (funds withheld), including supplying investment research portfolio management in accordance with attached Investment Guidelines (including, the selection of securities to purchase, hold, sell or otherwise effect transactions, as well as the selection of brokers to execute portfolio transactions), directing the investment and reinvestment of the assets in securities, cash or cash equivalents, and periodic reporting to the Board of Directors.

Tax Allocation Agreement

The Company, along with various other subsidiaries of the Transamerica Corporation holding company system, is a party to a Federal Income Tax Allocation Agreement with its parent, Transamerica Corporation. An agreement was originally entered into effective for tax years commencing 2005 and after, and the agreement was amended/restated effective for tax years commencing 2013 and after.

Transamerica Corporation agrees to file a consolidated federal income tax return and make payment on behalf of this affiliated group. Amounts payable by the Company will be equal to that which would be payable had the Company filed a separate income tax return. The Company will pay interim payments due within 15 days following the due date for estimated payment filings and within 30 days of the final federal income tax filing.

FIDELITY BONDS AND OTHER INSURANCE

The Company's parent, Transamerica Corporation, maintains fidelity bond coverage up to \$5,000,000, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC. The Company is identified as a named insured in the fidelity bond policy.

The Company also maintains Errors and Omissions Liability, Professional Liability, Commercial General Liability, along with an overall Umbrella Limit of Liability in the amount of \$25,000,000.

EMPLOYEES' WELFARE

The Company has no employees. All administrative services necessary to conduct the Company's day-to-day operations are provided under agreements executed with affiliates.

REINSURANCE

General

All significant reinsurance agreements reviewed were noted to include an insolvency clause that is in compliance with Iowa Code section 521.B. In addition, treaty terms were reviewed to ensure that contract provisions allowed for the proper transfer of risk.

Assumed

Under the terms of an agreement with TLIC, made effective September 30, 2011, the Company assumed a 100% quota share liability on scheduled term life insurance policies. The agreement calls for the establishment of a funds withheld balance whose assets are to be held and invested in accordance with investment guidelines made part of the agreement. The agreement was originally executed with TLIC Riverwood Reinsurance, Inc. (TRRI) who merged into TORI during 2019.

Under the terms of an agreement with TLIC, made effective June 30, 2014, the Company assumed a 100% quota share liability on scheduled term life and universal life insurance policies with secondary guarantees with issue dates up to and including December 31, 2014. The agreement calls for the establishment of a funds withheld balance whose assets are to be held and invested in accordance with investment guidelines made part of the agreement.

Ceded

The Company is not a party to any ceded reinsurance agreement.

STATUTORY DEPOSIT

The Company is licensed only in the State of Iowa and does not have a statutory deposit requirement.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed only in the State of Iowa as a limited purpose subsidiary life insurance company. The Company is only authorized to reinsure (assume) the risks of its parent.

GROWTH OF COMPANY

A summary of significant financial data (000's) for the past five years is presented below:

Year	Total Admitted Assets	Aggregate Life Reserves	Capital and Surplus	Life Premium	Life Insurance In-Force
2015	\$ 1,429,643	\$ 1,260,911	\$ 132,955	\$ 359,081	\$ 80,088,374
2016	1,784,270	1,617,373	133,416	311,007	76,076,944
2017	2,124,605	1,954,347	139,010	293,082	72,973,378
2018	2,721,711	2,291,096	128,495	275,322	70,101,719
2019	7,188,543	5,765,385	1,238,107	494,682	152,932,170

ACCOUNTS AND RECORDS

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Division.

During the course of the examination, no statutory compliance issues were noted nor were material aggregate surplus differences identified from the amount reflected in the financial statements, as presented in the annual statement as of December 31, 2019.

SUBSEQUENT EVENTS

COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the impact the pandemic will have on the economy, insurance industry and the Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Division will continue to monitor COVID-19 developments.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

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

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 1,058,663,698		\$ 1,058,663,698
Cash and cash equivalents	247,769,049		247,769,049
Receivables for securities	84,375		84,375
Subtotals, cash and invested assets	1,306,517,122	0	1,306,517,122
Investment income due and accrued	9,013,011	84,375	8,928,636
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	16,589,909	27,265	16,562,644
Deferred premiums, agents' balances and installments booked but deferred and not yet due	20,455,015		20,455,015
Reinsurance:			
Funds held by or deposited with reinsured companies	2,416,568,087		2,416,568,087
Other amounts receivable under reinsurance contracts	20,293,568		20,293,568
Net deferred tax asset	86,600,317	71,108,741	15,491,576
Credit linked note	3,383,613,674		3,383,613,674
Investment receivable	112,398		112,398
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	7,259,763,101	71,220,381	7,188,542,720
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
Total	<u>\$ 7,259,763,101</u>	<u>\$ 71,220,381</u>	<u>\$ 7,188,542,720</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts		\$ 5,765,384,754
Contract claims:		
Life		64,814,947
Premiums and annuity considerations for life and accident and health contracts received in advance		6,999,719
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance, including \$104,538,300 assumed and \$0 ceded		104,538,300
Interest maintenance reserve (IMR)		174,973
Taxes, licenses and fees due or accrued, excluding federal income taxes		38,364
Current federal and foreign income taxes		1,953,729
Miscellaneous liabilities:		
Asset valuation reserve (AVR)		6,383,326
Payable to parent, subsidiaries and affiliates		147,985
Total Liabilities excluding Separate Accounts business		<u>5,950,436,097</u>
From Separate Accounts statement		<u>0</u>
Total liabilities		<u>5,950,436,097</u>
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	515,500,000	
Unassigned funds (surplus)	<u>720,106,623</u>	
Total capital and surplus		<u>1,238,106,623</u>
Total liabilities, capital and surplus		<u>\$ 7,188,542,720</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health policies and contracts	\$ 494,682,363
Net investment income	43,587,411
Amortization of interest maintenance reserve (IMR)	66,426
Miscellaneous income:	
Funds withheld assumed investment income	91,863,162
Totals	<u>630,199,362</u>
Death benefits	325,811,979
Surrender benefits and withdrawals for life contracts	1,503,318
Increase in aggregate reserves for life and accident and health contracts	323,675,336
Totals	<u>650,990,633</u>
Commissions and expense allowances on reinsurance assumed	43,510,500
General insurance expenses and fraternal expenses	252,032
Insurance taxes, licenses and fees, excluding federal income taxes	9,455
Increase in loading on deferred and uncollected premiums	190,403
Credit linked note fee	2,238,756
Totals	<u>697,191,779</u>
Net gain from operations before dividends to policyholders and federal income taxes	(66,992,417)
Dividends to policyholders	0
Net gain from operations after dividends to policyholders and before federal income taxes	<u>(66,992,417)</u>
Federal and foreign income taxes incurred (excluding tax on capital gains)	(6,976,394)
Net gain from operations after dividends and taxes	<u>(60,016,023)</u>
Net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax of \$(406,659)(excluding taxes of (\$121,313) transferred to the IMR)	(633,185)
Net income	<u><u>\$ (60,649,208)</u></u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, 2018 \$ 1,177,653,033

GAINS AND (LOSSES) IN SURPLUS

Net income	\$ (60,649,208)	
Change in net unrealized capital gains, less capital gains tax of \$247	930	
Change in net deferred income tax	(13,219,538)	
Change in nonadmitted assets	118,571,914	
Change in asset valuation reserve	134,758	
Cumulative effect of changes in accounting principles	8,662,632	
Dividends to stockholders	(100,000,000)	
Credit linked note	2,247,330,604	
Correction of errors	22,705,434	
Parental guarantee	<u>(2,163,083,936)</u>	
Net change in capital and surplus for the year		<u>60,453,590</u>
Capital and surplus, December 31, 2019		<u><u>\$ 1,238,106,623</u></u>

CASH FLOW

Cash from Operations	
Premiums collected net of reinsurance	\$ 499,482,116
Net investment income	48,724,256
Miscellaneous income	<u>91,863,162</u>
Total	\$ 640,069,534
Benefit and loss related payments	718,815,894
Commissions, expenses paid and aggregate write-ins for deductions	(49,688,798)
Federal and foreign income taxes paid (recovered)	<u>(6,757,679)</u>
Total	<u>662,369,417</u>
Net cash from operations	(22,299,883)
Cash from Investments	
Proceeds from investments sold, matured, or repaid:	
Bonds	291,472,164
Net gains or (losses) on cash, cash equivalents and short-term investments	<u>(12,029)</u>
Total investment proceeds	291,460,135
Cost of investments acquired (long-term only):	
Bonds	210,789,775
Miscellaneous applications	<u>84,375</u>
Total investments acquired	<u>210,874,150</u>
Net cash from investments	80,585,985
Cash from Financing and Miscellaneous Sources	
Cash provided (applied):	
Dividends to stockholders	100,000,000
Other cash applied	<u>(17,120)</u>
Net cash from financing and miscellaneous sources	<u>(100,017,120)</u>
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS	
Net change in cash, cash equivalents and short-term investments	(41,731,017)
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>289,500,066</u>
End of year	<u>\$ 247,769,049</u>

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

The following examiners from INS Regulatory Insurance Services, Inc., assisted the Iowa Insurance Division:

Sarah Lucibello	Field Manager
Jerry L. Kennedy, CFE, CPA	Lead Examiner-in-Charge
Robert J. Rodack, CFE	Financial Regulation Senior Specialist
Mary L. Rodack, CFE, CPA, CPCU	Financial Regulation Senior Specialist
Donna Letterio, CFE, CPA	Financial Regulation Senior Examiner
Dawn B. Harlow, CFE, CPA, CGMA	Financial Regulation Senior Examiner
James W. Davis, CFE, MBA	Financial Regulation Senior Examiner

A review of the information technology system was performed under the direction of David Gordon, of INS Services, Inc.

A review of the Company's reserves was performed under the direction of Frank Edwards, FSA, MAAA of INS Consultants, Inc.

Respectfully submitted,

/s/ Jerry Kennedy
Jerry L. Kennedy, CFE
Examiner-in-Charge
INS Regulatory Insurance Services, Inc. on behalf of the
Iowa Insurance Division

/s/ Daniel Mathis
Daniel Mathis, CFE
Assistant Chief Examiner
Iowa Insurance Division