

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE



CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2014
CASE No. EX-2015-30

NAIC Code 73156
REPORT DATE: MARCH 17, 2016

Barry W. Lupus, CFE, CPA, CFE (Fraud)
Examiner-in-Charge
INSRIS-PR, LLC

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE



CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY

REPORT ON EXAMINATION
AS OF DECEMBER 31, 2014
CASE No. EX-2015-30

NAIC Code 73156
REPORT DATE: MARCH 17, 2016

Barry W. Lupus, CFE, CPA, CFE (Fraud)
Examiner-in-Charge
INSRIS-PR, LLC

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
CURRENT EXAMINATION FINDINGS	3
REGULAR AND SPECIAL MEETINGS OF STOCKHOLDERS OF MEMBERS.....	3
PRIOR EXAMINATION FINDINGS.....	3
ARTICLES OF INCORPORATION AND BYLAWS	4
MINUTES	5
BOARD OF DIRECTORS	5
OFFICERS	6
COMMITTEES	7
CONFLICT OF INTEREST.....	7
INVESTMENTS.....	7
DIVIDENDS TO STOCKHOLDERS	8
HOLDING COMPANY SYSTEM.....	9
INTERCOMPANY AGREEMENTS.....	10
INFORMATION TECHNOLOGY SYSTEMS AGREEMENT.....	10
AFFILIATE SERVICES AGREEMENT	11
INTERNATIONAL AFFILIATE SERVICES AGREEMENT.....	11
INTERCOMPANY PAYMENT INTERMEDIARY AGREEMENT WITH ABLAC.....	11
INTERCOMPANY PAYMENT INTERMEDIARY AGREEMENT WITH ABIC.....	11
TERRITORY AND PLAN OF OPERATIONS	12
GROWTH OF THE COMPANY	12
REINSURANCE.....	13
ASSUMED.....	13
CEDED	13
ACCOUNTS AND RECORDS.....	13
FINANCIAL STATEMENTS.....	14
ASSETS.....	15
LIABILITIES, SURPLUS AND OTHER FUNDS.....	16

SUMMARY OF OPERATIONS.....17

CAPITAL AND SURPLUS ACCOUNT.....18

COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....19

RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST EXAMINATION20

NOTES ON FINANCIAL STATEMENTS.....21

 NOTE 1: AGGREGATE AND CONTRACT CLAIM RESERVES21

 NOTE 2: TOTAL CAPITAL AND SURPLUS22

SUBSEQUENT EVENTS22

SUMMARY OF RECOMMENDATIONS.....22

 REGULAR AND SPECIAL MEETINGS OF STOCKHOLDERS OF MEMBERS.....22

CONCLUSION.....22



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

June 22, 2016

Honorable Angela Weyne Roig
Commissioner of Insurance
Commonwealth of Puerto Rico
Office of the Commissioner of Insurance
Guaynabo, Puerto Rico 00968-3029

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Order Number EX-2015-30, dated October 30, 2015, a financial condition examination has been made of the affairs, financial condition and management of the

CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
273 PONCE DE LEON AVENUE, SUITE 1300
SAN JUAN, PUERTO RICO 00917-1838

hereinafter referred to as "Company" or "CALAC", incorporated under the laws of the Commonwealth of Puerto Rico. The examination was carried out in the main offices of the Company. The report on this examination is respectfully submitted.

SCOPE OF EXAMINATION

An examination of CALAC was performed by examiners representing the Office of the Commissioner of Insurance of Puerto Rico (OCI). The last examination covered the period of January 1, 2007, through December 31, 2010. This examination covered the period from January 1, 2011, through December 31, 2014, 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 Commonwealth of Puerto Rico. The *NAIC Handbook* requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk within the Company and evaluating its system controls and procedures used to mitigate those risks. The examination also includes an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the *NAIC Handbook* risk focused examination process. The examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLP (PwC). Certain auditor work papers of their 2014 audit 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 and in the area of risk mitigation and

substantive testing. The examination of the Company was conducted concurrently with the examination of Caribbean American Property Insurance Company (CAPIC).

SUMMARY OF SIGNIFICANT FINDINGS

CURRENT EXAMINATION FINDINGS

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during the examination.

REGULAR AND SPECIAL MEETINGS OF STOCKHOLDERS OF MEMBERS

Section 4 of Article III of the Company's bylaws require that the President of the Company shall preside at all meetings of the stockholders. In 2011, the Secretary of the Company presided over the annual meeting of the stockholders resulting in the Company not being in compliance with its bylaws.

PRIOR EXAMINATION FINDINGS

The Company was in compliance with recommendations made in the prior December 31, 2010, Report on Examination.

COMPANY HISTORY

The Company was incorporated on April 15, 1988, under the provisions of the Insurance Code of Puerto Rico. The Company has been engaged in the underwriting of life, accidental death, dismemberment, and disability insurance on consumer loans, mortgage, and credit card balances for banks and other financial institutions doing business in Puerto Rico and the US Virgin Islands.

CAPITAL STOCK

The Company has 520,010 issued and outstanding shares of capital stock, of which 519,975 shares are owned by Assurant Solutions Holding Puerto Rico, Inc. (ASHPRI) and the remaining 35 shares are owned by several officers.

CORPORATE RECORDS

The Articles of Incorporation, bylaws and all amendments thereto, and the minutes of the meetings of the board of directors, board of director committees, and shareholders were reviewed for the period under examination. The following amendments to the Articles of Incorporation and bylaws were noted:

ARTICLES OF INCORPORATION AND BYLAWS

The Articles of Incorporation and bylaws were amended to have the common stockholders elect the Board of Directors at the annual stockholders meeting and to appoint committees of the Board. These amendments were approved by the Board in an ordinary meeting held on November 15, 2011, in compliance with Article 29.070, PRS.

The bylaws were amended to authorize the common stockholders to set the number of directors of the corporation at the Annual Meeting of the Stockholders. The amendment was approved by the Board in an ordinary meeting held on July 3, 2013. The amendment was approved by the stockholders and commissioner of Insurance in compliance with Articles 29.080(2) and 29.080(3), PRS.

MINUTES

The recorded minutes adequately documented its meetings and approval of Company transactions and events, in compliance with the insurance code of Puerto Rico.

MANAGEMENT AND CONTROL

Article 29.150 of the Insurance Code of Puerto Rico 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 Insurance Code of Puerto Rico.

BOARD OF DIRECTORS

As of the examination date, the directors of the Company, who were elected at the annual meeting of stockholders in compliance with Article 29.160 were as follows:

NAME, POSITION AND LOCATION	PRINCIPAL OCCUPATION
Christian W. Formby President San Juan, Puerto Rico	President CAPIC and CALAC
Pedro Andres Director San Juan, Puerto Rico	President & CEO Neptuno Networks
Luis F. Rivera Director Vega Alta, Puerto Rico	Treasurer & Comptroller CAPIC and CALAC
Alvaro Rafael Calderon Director Guaynabo, Puerto Rico	Lawyer Alvaro R. Calderon Law Firm
Roberto L. Guglielmucci Director Miami, Florida	Senior Vice President & CFO Assurant Solutions

NAME, POSITION AND LOCATION	PRINCIPAL OCCUPATION
	Global Strategic Finance
Iván Carlos López Director Atlanta, Georgia	Senior Vice President & CFO Assurant Solutions
Miguel Soto Director Guaynabo, Puerto Rico	President Center for a New Economy

OFFICERS

Officers are elected by the Board of Directors on an annual basis. A list of the officers elected or appointed during 2014 and serving as of December 31, 2014 appears below. The officers were elected in compliance with Article 29.210, PRS.

NAME	TITLE
Christian W. Formby	President
Jeannie Aragon	Secretary
Luis F. Rivera	Treasurer and Vice President Accounting & Finance
Ana M. Rosado	Assistant Secretary and Vice President Human Resource
Isabel M. Davila	Chief Operation Officer and Vice President Operations
Elaine Soto	Vice President
Teonna White	Vice President
Eduardo Arthur	Vice President
Temikia La Tonia	Vice President
German Torres	Vice President Business Development, Sales & Marketing
Adriana Rayneri	Assistant Secretary
Ana Garzon	Assistant Treasurer
Julie Mackinson	Assistant Treasurer
Andrew Chung	Assistant Treasurer

COMMITTEES

The bylaws 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, 2014, CALAC had the following Committees of the Board:

Audit Committee

Alvaro Rafael Calderon (Chair)
Pedro Andres
Miguel Soto

Executive Committee

Christian W. Formby (Chair)
Alvaro Rafael Calderon
Pedro Andres
Roberto L. Guglielmucci

Investment Committee

Christian W. Formby (Chair)
Alvaro Rafael Calderon
Ivan Carlos Lopez
Pedro Andres
Roberto L. Guglielmucci

CONFLICT OF INTEREST

The Company requires its directors, officers, and key employees to sign the conflict of interest questionnaires concerning items that could have an impact on the way they conduct the Company's business in order to comply with Article 29.230 of the Insurance Code of Puerto Rico. The review of the conflict of interest questionnaires revealed that the Company was in compliance.

INVESTMENTS

Article 6.040 of the Insurance Code of Puerto Rico provides, among other things, that all investments acquired and held under this Chapter shall be acquired and owned

under the supervision and direction of the Board of Directors of the insurer. The Board of Directors 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 of Directors minutes noted that the Company did certify in writing through a formal resolution that all investments were made pursuant to standards, limitations and investment goals established by the Board. The Company is in compliance with all provisions of Article 6.040, PRS. Additionally, the Company is in compliance with the following Articles of Chapter 6 of the Insurance Code:

- 6.030 - Qualification and eligibility of investments
- 6.050 - Prohibited investments
- 6.060 - Valuation of investments
- 6.070 - General requirements for diversification

DIVIDENDS TO STOCKHOLDERS

Article 29.340 of the Insurance Code of Puerto Rico provides that a domestic stock insurer shall not pay any cash dividend to stockholders, except out of any realized net profits on its business.

The following table shows dividends paid to stockholders and the balance of unassigned surplus during the examination period:

YEAR	DIVIDEND PAID	UNASSIGNED SURPLUS PREVIOUS YEAR
2011	\$1,500,000	\$11,779,571

YEAR	DIVIDEND PAID	UNASSIGNED SURPLUS PREVIOUS YEAR
2012	\$3,155,150	\$9,931,101
2013	\$5,009,170	\$9,122,227
2014	\$2,060,510	\$6,710,397

Pursuant to Puerto Rico Regulations, Rule 83 Section 19(b), an insurer may not pay extraordinary dividends or make any other extraordinary distribution to shareholders until thirty (30) days after notifying the Commissioner of Insurance and the Commissioner of Insurance has not disapproved such payments or has expressly approved the extraordinary dividend within the thirty (30) day period. Extraordinary dividends were paid during the examination period in compliance with Rule 83 (19b). In addition, the Company was in compliance with the provisions of Article 29.340 of the Insurance Code of Puerto Rico.

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System as defined under the Insurance Laws of Puerto Rico. Assurant, Inc. is the ultimate controlling parent. CALAC is 100% owned by ASHPRI. Assurant, Inc. is a publicly traded insurance holding company that trades on the New York Stock Exchange under the ticker symbol AIZ. The OCI obtained Rule 83 forms submitted by Assurant Inc. (Insurance Holding Company Registration Statement) for the period of examination and reviewed all forms and noted they were submitted by the required date. No significant matters were noted in the disclosures.

The following is an abbreviated organizational chart that reflects the identities and interrelationships between the Company, its parents and subsidiaries, and other affiliates with direct business relationships with the Company as of December 31, 2014:

Assurant, Inc. (DE)
Interfinancial, Inc. (GA)
American Bankers Insurance Group, Inc. (FL)
ABI International (Cayman Islands)
Assurant International Division, Ltd. (Malta Islands)
Assurant Solutions Holding Puerto Rico, Inc. (PR)
Caribbean American Property Insurance Company (PR) (74%)
Caribbean American Life Assurance Company (PR)
(CALAC owns remaining 26% of CAPIC)

INTERCOMPANY AGREEMENTS

The Company was involved in the following intercompany agreements in effect during the examination period:

INFORMATION TECHNOLOGY SYSTEMS AGREEMENT

This agreement dated September 21, 2000, is between the Company and an affiliate American Bankers Life Assurance Company of Florida (ABLAC). Pursuant to the agreement, ABLAC is to provide certain information systems and corresponding support.

In return, the Company pays an annual fee of \$750,000 for the first \$90 million of annualized net written premium. For each additional \$10 million of premium, an additional \$10,000 is charged. The agreement was for an initial term of three years and automatically renews for successive two-year terms until either party elects to terminate the agreement. Such termination is effective after giving 90 days prior written notice. The amount due is as of the close of business on the last business day of each year and is paid by the Company quarterly within 30 days of receipt of bill.

AFFILIATE SERVICES AGREEMENT

This agreement effective January 1, 2010 is between the Company and several other affiliated insurers and service contract providers in respect to payments for vendor services, collection of premium, and claims payments. All intercompany balances subject to the agreement are settled within 30 days following the end of the month if the net payable amount is greater than \$5,000 or within 30 days following the end of the quarter if the net amount payable is less than \$5,000.

INTERNATIONAL AFFILIATE SERVICES AGREEMENT

This agreement effective January 1, 2012 is between American Bankers Insurance Group, Inc. (ABIC) and various other international subsidiaries, including both CAPIC and CALAC. The agreement provides for the performance of certain administrative and operational services. Under the terms of the agreement, each group member agrees to reimburse other group members for services and facilities provided.

INTERCOMPANY PAYMENT INTERMEDIARY AGREEMENT WITH ABLAC

This agreement between ABLAC and CALAC effective December 31, 2008 provides for the reimbursement of certain expenses paid on behalf of the other party.

All inter-Company net balances equal to or greater than \$5,000 shall be settled monthly based on the prior month's ending balances. Balances less than \$5,000 shall be settled on the third month of the quarter based on the second month's ending balance.

INTERCOMPANY PAYMENT INTERMEDIARY AGREEMENT WITH ABIC

This agreement between ABIC and CALAC is effective as of January 1, 2008 provides for the reimbursement of certain expenses paid on behalf of the other party. All

inter-Company net balances equal to or greater than \$5,000 shall be settled monthly based on the prior month's ending balances. Balances less than \$5,000 shall be settled on the third month of the quarter based on the second month's ending balance.

At December 31, 2014, the Company reported \$134,785 and \$483,092 as amounts due from and due to, respectively, parent and affiliates.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in the Commonwealth of Puerto Rico and is also authorized to write business in the U.S. Virgin Islands. The Company sells primarily credit life and accident and health insurance and is subject to regulations issued by the Office of Insurance Commissioner of the Commonwealth of Puerto Rico. The Company also writes a small amount of group life and accident & health insurance.

Based upon the most recent A.M. Best Credit Rating Report dated July 9, 2015, CALAC has a Financial Strength Rating of "A-" and an Issuer Credit Rating of "a-", both with a stable outlook.

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, 2014. No financial adjustments were made as a result of the examination.

YEAR	ADMITTED ASSETS	SURPLUS	GROSS PREMIUM WRITTEN	NET INCOME
2011	\$43,672,839	\$15,301,256	\$11,019,340	(\$100,315)
2012	45,502,171	14,492,392	15,955,782	3,103,964
2013	41,699,715	12,080,562	12,172,634	1,915,173
2014	39,984,226	12,007,072	10,281,553	2,453,053

During the examination period, surplus has decreased from \$17,149,736 as of December 31, 2010 to \$12,007,072 primarily due to decreases in premiums. However, over the past three (3) years, the Company has generated net income and continues to be sufficiently capitalized with an RBC ratio that exceeds minimum requirements.

REINSURANCE

ASSUMED

The Company did not assume any business during the period of examination.

CEDED

The Company maintains several quota share reinsurance contracts in force as of December 31, 2014, both with affiliates and non-affiliates. Coverages include credit involuntary unemployment, credit life, and credit accident and health lines of business. In compliance with Article 46.030(3), the Company did not cede reinsurance in the aggregate amount of more than seventy-five percent (75%) of all its direct risks in any kind of reinsurance without first securing the Commissioner's written authorization.

The reinsurance contracts reviewed complied with NAIC guidelines with respect to the insolvency clause, arbitration clause, transfer of risk, reporting, and settlement information deadlines as stated in SSAP. No. 62 of the *NAIC Accounting Practices and Procedures Manual*.

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 controls were identified and tested. The Company's methodology for assessing the effectiveness of the established mitigation factors was also evaluated.

INS Services, Inc. performed a review and assessment of the Company's information systems and the related control environment. There were no reportable examination findings with respect to the Company's information technology systems and controls.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Office of the Commissioner of Insurance of Puerto Rico and present the financial condition of the Company for the period ending December 31, 2014. The accompanying notes on financial statements reflect no adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
ASSETS
DECEMBER 31, 2014

	<u>Per</u>	Examination	Per
	<u>Company</u>	<u>Adjustments</u>	<u>Examination</u>
Bonds	\$24,246,466	\$0	\$24,246,466
Common stock	4,540,065		\$4,540,065
Cash, cash equivalents and short-term investments	9,701,504		\$9,701,504
Investment income due and accrued	207,430		\$207,430
Uncollected premiums and agents balances in course of collection	219,998		\$219,998
Amounts recoverable from reinsurers	362,829		\$362,829
Current federal and foreign income tax recoverable and interest thereon	94,044		\$94,044
Net deferred tax asset	426,597		\$426,597
Receivables from parent, subsidiaries and affiliates	134,785		\$134,785
Aggregate write-ins for other than invested assets	50,508		\$50,508
Total Assets	<u>\$39,984,226</u>	<u>\$0</u>	<u>\$39,984,226</u>

**CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2014**

	<u>Per</u> <u>Company</u>	<u>Examination</u> <u>Adjustments</u>	<u>Per</u> <u>Examination</u>
Aggregate reserve for life contracts (Note 1)	\$10,620,049	\$0	\$10,620,049
Aggregate reserve for accident and health contracts (Note 1)	10,914,576		\$10,914,576
Contract claims: Life (Note 1)	629,763		\$629,763
Contract claims: Accident and Health (Note 1)	1,406,162		\$1,406,162
Other amounts payable on reinsurance	594,468		\$594,468
Commissions to agents due or accrued	1,857,359		\$1,857,359
General expenses due and accrued	459,133		\$459,133
Taxes, licenses and fees due or accrued, excluding federal income taxes	139,308		\$139,308
Amounts withheld or retained by company as agent or trustee	25,510		\$25,510
Amounts held for agents' account	3,313		\$3,313
Asset valuation reserve (AVR)	641,441		\$641,441
Funds held under reinsurance treaties with unauthorized and certified reinsurers	32,362		\$32,362
Payable to parent, subsidiaries and affiliates	483,092		\$483,092
Aggregate write-ins for liabilities (other liabilities)	170,618		\$170,618
Total liabilities	\$27,977,154	\$0	\$27,977,154
Common capital stock	2,600,000		2,600,000
Gross paid in and contributed surplus	2,770,165		2,770,165
Unassigned funds (surplus)	6,636,907		6,636,907
Surplus as regards policyholders (Note 2)	\$12,007,072	\$0	\$12,007,072
Total liabilities, surplus and Other funds	\$39,984,226	\$0	\$39,984,226

CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
SUMMARY OF OPERATIONS
DECEMBER 31, 2014

Premiums and annuity considerations for life and accident and health contracts	\$10,281,553
Net investment income	2,055,934
Amortization of Interest Maintenance Reserve (IMR)	(9,316)
Commissions and expense allowances on reinsurance ceded	7,458,918
Aggregate write-ins for miscellaneous income	1,087
Total	19,788,176
Death benefits	1,829,190
Disability benefits and benefits under accident and health contracts	1,250,285
Increase in aggregate reserves for life and accident and health contracts	(1,561,526)
Totals	1,517,949
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	11,792,437
General insurance expenses	3,202,334
Insurance taxes, licenses and fees, excluding federal income taxes	356,286
Aggregate write-ins for deductions	715
Totals	16,869,721
Net gain from operations before dividends to policyholders and federal income taxes	2,918,455
Dividends to policyholders	0
Net gain from operations after dividends to policyholders and before federal income taxes	2,918,455
Federal and foreign income taxes incurred	283,989
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	2,634,466
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax	(181,413)
Net income	\$2,453,053

CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
AS OF DECEMBER 31, 2014

Surplus as regards policyholders, December 31 prior year	\$12,080,562
Net Income	2,453,053
Change in net unrealized capital gains or (losses)	74,597
Change in net deferred income tax	371,513
Change in non-admitted assets	(861,189)
Change in asset valuation reserve	(55,474)
Dividends to stockholders	(2,060,510)
Aggregate write-ins for gains and losses in surplus	4,520
Net change in capital and surplus for the year	<u>(73,490)</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$12,007,072</u></u>

CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS
DECEMBER 31, 2014

Surplus as Regards Policyholders
December 31, 2014, Per Annual Statement \$12,007,072

	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS	\$39,984,226	\$39,984,226	\$ -
LIABILITIES	\$27,977,154	\$27,977,154	\$ -
Net Change in Surplus			<u>\$ -</u>

Surplus as Regards Policyholders
December 31, 2014, Per Examination \$12,007,072

CARIBBEAN AMERICAN LIFE ASSURANCE COMPANY
RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST EXAMINATION
DECEMBER 31, 2014

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital and Surplus 12/31 prior year	<u>\$17,149,736</u>	<u>\$15,301,266</u>	<u>\$14,492,392</u>	<u>\$12,080,562</u>
Net Income (Loss)	(100,315)	3,103,964	1,915,173	2,453,053
Change in net unrealized capital gains	(121,184)	(150,801)	(155,791)	74,597
Change in net deferred income tax	167,203	(181,302)	50,429	371,513
Change in nonadmitted assets	(281,783)	(317,569)	704,433	(861,189)
Change in asset valuation reserve	(12,391)	(108,016)	83,096	(55,474)
Dividends to stockholders	(1,500,000)	(3,155,150)	(5,009,170)	(2,060,510)
Aggregate write-ins for gains and losses in surplus				4,520
Net Change in Capital & Surplus	<u>(1,848,470)</u>	<u>(808,874)</u>	<u>(2,411,830)</u>	<u>(73,490)</u>
Capital & Surplus at end of year	<u>\$15,301,266</u>	<u>\$14,492,392</u>	<u>\$12,080,562</u>	<u>\$12,007,072</u>

NOTES ON FINANCIAL STATEMENTS

NOTE 1: AGGREGATE AND CONTRACT CLAIM RESERVES

Aggregate reserve for life contracts	\$10,620,049
Aggregate reserve for accident and health contracts	\$10,914,576
Contract claims: Life	\$629,763
Contract claims: Accident and health	\$1,406,162

The OCI retained the services of INS Consultants, Inc. (INS), to conduct an independent review of the Company's reserves as of December 31, 2014. The consulting actuary's analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. The conclusions set forth in the consulting actuary's report were based on information provided by the Company, including the 2014 Annual Statement. The Statement of Actuarial Opinion and Actuarial Memorandum for 2014 were prepared by the Company and signed by the appointed actuary, Alexa Stephens, FSA, MAAA. The Actuarial Opinion was prepared and submitted in accordance with Sections 5.100, 5.100(1), 6(A)(1) and 6(B) of Rule 95 of the Insurance Code of Puerto Rico.

Based on the work performed, the Consulting Actuary found the Company's reserves to be reasonably stated, and as such, no financial adjustment was required for examination purposes.

NOTE 2: TOTAL CAPITAL AND SURPLUS

The total capital and surplus of the Company at December 31, 2014, as determined by this examination, is the same as the amount reported by the Company on its 2014 Annual Statement.

SUBSEQUENT EVENTS

No subsequent events or transactions that occurred after the December 31, 2014 examination date were noted that would have had a material effect on CALAC's Financial Statements.

SUMMARY OF RECOMMENDATIONS**REGULAR AND SPECIAL MEETINGS OF STOCKHOLDERS OF MEMBERS**

We recommend that the Company comply with its bylaws and have the meetings of the stockholders presided over by the President of the Company.

CONCLUSION

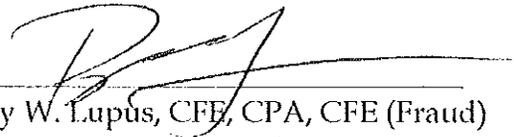
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Caribbean American Life Assurance Company** as of December 31, 2014, consistent with the insurance laws of the Office of the Commissioner of Insurance of Puerto 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, Donald W. Sirois, CFE, Examination Manager, of INS Regulatory Insurance Services, Inc. participated in this examination. Additionally, Joseph C. Higgins, FSA, MAAA, of INS Consultants, Inc. participated in the actuarial

portion of the examination. Paul L. Berkebile, CISA, CFSA, CRISC, and David Gordon, MBA, CISA, CIA, CBA, CFE (Fraud), of INS Services, Inc. participated in the Information Technology General Controls portion of the examination. Yessica Galarza Algarín, Examiner, of the Office of the Commissioner of Insurance of Puerto Rico, participated in the compliance portion of the examination.

Respectfully submitted,



Barry W. Lupus, CFE, CPA, CFE (Fraud)
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.

