



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of ACE Life Insurance Company (the "Company") as of December 31, 2016, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On March 5, 2018, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On March 30, 2018, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director. "

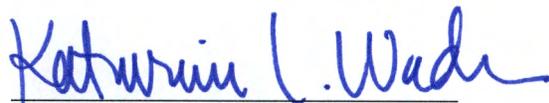
Please address the certification to the Commissioner, but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting. "

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 4th day of April, 2018.



Katharine L. Wade
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF

ACE LIFE INSURANCE COMPANY
(NAIC # 60348)

AS OF

DECEMBER 31, 2016

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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February 14, 2018

The Honorable Katharine L. Wade
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street
Hartford, CT 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the condition and affairs of the

ACE LIFE INSURANCE COMPANY

(hereinafter referred to as the Company or ACE Life), a capital stock corporation incorporated under the laws of the State of Connecticut and having its statutory home office located at Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of ACE Life was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2011. The current examination, which covers the subsequent five year period, through December 31, 2016, was conducted at the main administrative office of the Company.

As a part of the examination planning procedures, the Department reviewed the following documentation submitted by the Company:

- Annual Statements filed with the Department from 2012 through 2016;
- Management's Discussion and Analysis from 2012 through 2016;
- Statements of Actuarial Opinion for 2015 and 2016;
- minutes of the Board of Directors (Board) and Committees of the Board, custodial agreements, and other documents related to significant transactions that require prior Department approval; and
- the statutory-basis audit reports prepared by PricewaterhouseCoopers, LLP (PwC), the Company's independent certified public accountants, from 2012 through 2016.

A comprehensive review was made of the pre-examination memorandum and other documents provided by or submitted to the Financial Analysis Unit of the Department, as well as reports obtained from the National Association of Insurance Commissioners (NAIC) database.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The 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 inherent risks within the Company and evaluating system controls and procedures used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual (Manual) and the NAIC Annual Statement Instructions.

Work papers prepared by PwC as of December 31, 2016, in connection with their statutory annual audit were reviewed and relied upon to the extent deemed appropriate.

The examination considered prospective risks, those risks that existed at the balance sheet date that will impact future operations or risks associated with future business plans of the Company. Examination procedures were performed as deemed appropriate to evidence actions that the Company had taken to mitigate these risks. These risks were communicated to individuals in the Department responsible for continued monitoring.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of

a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Company was incorporated in New Jersey on May 20, 1965, as American Eagle Life Insurance Company and commenced business on August 31, 1965.

Effective December 31, 1974, the Company was acquired by United States Fire Insurance Company, a subsidiary of Crum and Forster Holding, Inc. The Company's name was changed to Crum and Forster Life Insurance Company on June 26, 1978.

On December 12, 1979, the Company was acquired by Charter Security Life Insurance Company, a Louisiana company. The Company's name was changed to Charter Security Life Insurance Company on March 11, 1980.

Metropolitan Life Insurance Company acquired the Company on January 10, 1985, and changed its name to Metlife Security Insurance Company on June 20, 1985.

Swiss Reinsurance Company acquired the Company on January 31, 1991, and changed its name to Alpine Life Insurance Company on June 21, 1991.

The Company was acquired by Hartford Life and Accident Insurance Company (HLAC) on December 21, 1994.

On November 23, 1998, the Company re-domesticated from New Jersey to Connecticut and changed its name to Hart Life Insurance Company (Hart Life), effective December 22, 1999.

On April 28, 2006, HLAC sold its 100% interest in Hart Life to ACE Group Holdings, Inc. (ACE Group). Hart Life was renamed ACE Life Insurance Company, effective May 10, 2006, upon an execution amending and restating its articles of incorporation.

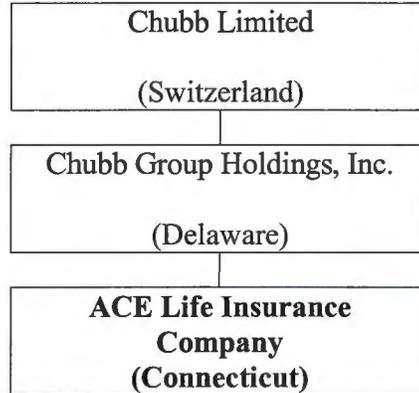
Effective January 15, 2010, ACE Group decided to discontinue assuming new traditional life reinsurance business underwritten through ACE Life, as it was not strategically core to the overall corporate business plan.

On January 14, 2016, ACE Limited completed the acquisition of the Chubb Corporation. Subsequent to the acquisition, ACE Limited changed its name to Chubb Limited.

ACE LIFE INSURANCE COMPANY

ORGANIZATIONAL CHART

A partial organizational chart of the insurance holding company system at the end of the examination period is as follows:



ACE Life is 100% owned by Chubb Group Holdings Inc. (Chubb Group) and is part of a holding company structure in which the ultimate parent company, Chubb Limited is publicly traded.

MANAGEMENT AND CONTROL

The amended and restated bylaws of the Company require an annual meeting of stockholders to be held for the election of directors at such date, time and place, either within or without the State of Connecticut, as may be designated by resolution of the Board.

Special meetings of stockholders may be called at any time by the chairman of the Board (Chairman), vice chairman of the Board (vice chairman), if any, the president, a vice president, or the Board.

At each meeting of stockholders, except where otherwise provided by law, or the certificate of incorporation, or the bylaws, the holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum.

The Board shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board. Directors need not be stockholders. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors, each to hold office until the next succeeding annual meeting or until his successor is elected and qualified or until his earlier resignation or removal. Regular meetings of the Board may be held at such places within or without the State of Connecticut and at such times as the Board may from time to time determine.

Special meetings of the Board may be held at any time or place within or without the State of Connecticut, whenever called by the chairman, if any, by the vice chair, if any, by the president, by a vice president, or by two or more members of the Board.

ACE LIFE INSURANCE COMPANY

Directors serving the Company at December 31, 2016, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Michael R. Hoag	President and Chairman
Michael H. Buthe	Chief Investment Officer
Annette M. Donselaar	Secretary

The Board may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Company. As of December 31, 2016, the Company did not have any committees. ACE Life's ultimate parent company, Chubb Limited, has an Audit Committee consisting of five (5) members of the Board of Directors, each of whom is independent of Chubb Limited and its management.

Directors serving the Chubb Limited Audit Committee at December 31, 2016, were as follows:

Michael G. Atieh
James I. Cash, Jr.
Kimberly A. Ross
Theodore E. Shasta
David H. Sidwel

Officers serving the Company at December 31, 2016, were as follows:

<u>Name</u>	<u>Title</u>
Michael R. Hoag	President and Chairman
Joseph C. Forrest	Treasurer
Annette M. Donselaar	Secretary and General Counsel
Alex E. Dobzanski	Chief Financial Officer

RELATED PARTY AGREEMENTS

The Company is a party to several related party transaction agreements. The material agreements are as follows:

Administrative Services Agreement

The Company has an Administrative Services Agreement with an affiliate, ACE American Insurance Company (ACE American), to provide facilities, property, equipment, accounting, tax and auditing, payroll, reinsurance recovery and other similar administrative and operational functions to the Company on a cost expense allocation basis.

Investment Advisory Services Agreement

The Company has an Investment Advisory Services Agreement with ACE Asset Management Services, Inc. (AAMS) regarding the management of the Company's assets by AAMS. The Company is charged a management fee based on the average market value of the invested asset portfolio. The investment objectives and a statement of the restrictions on the investment of the assets of the Company are included in the agreement.

Tax Allocation Agreement:

The Company entered into a Tax Allocation Agreement with Chubb Group, and the subsidiaries of its principal shareholder group, to file a consolidated federal income tax return. The tax sharing allocation agreement provides that any subsidiary having taxable income will pay a tax liability equivalent to what that subsidiary would have paid if it had filed a separate federal income tax return for the year. A subsidiary that would result in a tax loss would receive the benefit resulting from such loss.

INSURANCE COVERAGE

The Company is insured with affiliates on a financial institution bond that was issued by the National Union Fire Insurance Company of Pittsburgh, PA. The named insured is Chubb Group, and the policy includes a single loss limit of \$10 million and a single loss deductible of \$10 million.

The Company is also insured with affiliates on a financial institution bond issued through Lloyd's of London and coinsured by AIG Europe Limited, London and Beazley Insurance Company (Beazley). The named insured is Chubb Limited (Switzerland) and the policy provides the combined aggregate limit of liability for all loss amounts covered under both AIG bonds and the Beazley bond of \$15 million and \$10 million respectively, for a combined limit of liability of \$25 million.

The aggregate limit of liability provides coverage which exceeds the suggested minimum limits of insurance pursuant to the Handbook.

TERRITORY AND PLAN OF OPERATION

The Company has been in run-off since January 15, 2010, but is licensed to write life and accident and health insurance on a reinsured basis in all states except New York and the District of Columbia.

REINSURANCE

Assumed Reinsurance

The Company has amended or terminated existing contracts with its reinsurers or cedants, but has not entered into any new contracts subsequent to run-off of business in 2010. Although the Company continues to collect assumed reinsurance associated with credit life and A&H coverage, nearly the entire block of assumed business consists of yearly renewable term (YRT) reinsurance on ordinary life. The majority of that business is assumed from Lincoln National Life Insurance Company and Primerica Life Insurance Company, non-affiliated, U.S insurance companies.

Retroceded Reinsurance

Effective October 1, 2008, the Company amended the Automatic Coinsurance Retrocession Agreement with ACE Tempest Life Reinsurance, Ltd. (ATLRBDA), an affiliated, unauthorized reinsurer. In 2016, ATLRBDA's name was changed to Chubb Tempest Life Reinsurance Ltd.

(Chubb Tempest). The Company is the beneficiary to a letter of credit maintained by Chubb Tempest. The Company retains 20% of each individual or joint life risk up to a maximum of \$200,000 per life and cedes to Chubb Tempest 80% on a coinsurance basis, up to a maximum of \$800,000 per life, varying by issue age and substandard rating. The remaining business in excess of amounts covered by Chubb Tempest is retroceded to a pool of non-affiliated retrocessionaires.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of Information Technology (IT) General Controls (ITGC's) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the ITGC's was derived from Exhibit C Part One – Information Technology Planning Questionnaire (ITPQ) and Exhibit C - Part Two – Information Technology Work Program (collectively Exhibit C). The Company's responses to the ITPQ were evaluated and it was determined that the primary IT functions were outsourced to the vendor LOGICQ3. As a result of this outsourcing and the substantive approach being taken on the examination, the IT review was limited to a review of the SSAE16 report for LOGICQ3 and a review of the ITPQ responses and related attachments.

Based upon the risk-based assessment and review no significant finding were identified. However, due to the limited testing performed a determination of the overall effectiveness of the IT general controls environment was not made.

ACCOUNTS AND RECORDS

The Company uses the PeopleSoft general ledger system to process and maintain financial accounting records. The Company uses Booke and The Complete Package software program to assist in the preparation of its annual statements. Adjusting entries are posted on a monthly basis. General ledger account balances were reconciled and traced to appropriate asset, liability, and income statement lines on the Annual Statement for 2016.

ACE LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company, as of December 31, 2016. No adjustments were made to surplus as a result of the examination.

ASSETS

Account Description	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$26,482,096		\$26,482,096
Cash, cash equivalents and short-term investments	14,555,667		14,555,667
Receivables for securities	1,444		1,444
Investment income due and accrued	117,660		117,660
Premiums and considerations: Uncollected premiums and agents' balances in the course of collection	(5,683,829)		(5,683,829)
Reinsurance: Amounts recoverable from reinsurers	15,711,841		15,711,841
Other amounts receivable under reinsurance contracts	521,942		521,942
Net deferred tax asset	13,703,175	\$13,703,175	
Aggregate write-ins for other than invested assets	246,586	246,586	
Total assets excluding Separate Accounts, Segregated accounts and protected cell accounts	65,656,582	13,949,761	51,706,821
Total	<u>\$65,656,582</u>	<u>\$13,949,761</u>	<u>\$51,706,821</u>

ACE LIFE INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Account Description	Total
Aggregate reserves for life contracts	\$23,258,534
Contract claims:	
Life	5,393,975
Accident and health	31
Interest maintenance reserve	60,206
Commissions and expense allowances payable on reinsurance assumed	40,302
General expenses due or accrued	213,665
Taxes, licenses and fees due or accrued	147,230
Miscellaneous liabilities:	
Asset valuation reserve	24,822
Payable to parent, subsidiaries and affiliates	13,895,523
Aggregate write-ins for liabilities	2,587
Total liabilities	43,036,875
Common capital stock	2,500,000
Gross paid in and contributed surplus	39,930,275
Unassigned funds (surplus)	(33,760,329)
Total capital and surplus	8,669,946
Total liabilities, capital and surplus	<u>\$51,706,821</u>

ACE LIFE INSURANCE COMPANY

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$6,890,673
Net investment income	474,958
Amortization of Interest Maintenance Reserve (IMR)	17,148
Commissions and expense allowances on reinsurance ceded	1,761,738
Totals	9,144,517
Death benefits	7,321,220
Disability benefits and benefits under accident and health contracts	(3)
Increase in aggregate reserves for life and accident and health contracts	1,714,307
Totals	9,035,524
Commissions and expense allowances on reinsurance assumed	512,107
General insurance expenses	1,151,844
Insurance taxes, licenses and fees, excluding federal income taxes	416,294
Totals	11,115,789
Net gain from operations before dividends to policyholders and federal income taxes	(1,971,252)
Net gain from operations after dividends to policyholders and before federal income taxes	(1,971,252)
Federal and foreign income taxes incurred	0
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	(1,971,252)
Net realized capital gains or (losses) less capital gains tax	0
Net income	<u>\$(1,971,252)</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$8,583,067
Net income	(1,971,252)
Change in net deferred income tax	663,142
Change in nonadmitted assets	(628,946)
Change in liability for reinsurance in unauthorized and certified companies	19,613
Change in asset valuation reserve	6,205
Surplus adjustments: Paid in	2,000,000
Aggregate write-ins for gains and losses in surplus	(1,883)
Net change in capital and surplus for the year	86,879
Capital and surplus, December 31, current year	<u>\$8,669,946</u>

ACE LIFE INSURANCE COMPANY

<u>AGGREGATE RESERVES FOR LIFE CONTRACTS</u>	<u>\$23,258,534</u>
<u>CONTRACT CLAIMS – LIFE</u>	<u>\$ 5,393,975</u>

The majority of the Company's business is comprised of YRT life insurance products assumed from various direct writing companies. The Department performed a risk-focused actuarial analysis of reserving and reinsurance risks for the Company's assumed individual life insurance business. This included a review that:

- the reserve computations were performed correctly and the selected estimates were reasonable;
- the assumptions and methodologies used were accurate and appropriate;
- confirmed the statutory transfer of risk for retro-ceded reinsurance agreements; and
- claim loss data file was complete and accurate.

Information reviewed included the following:

- SSAE-16 internal control reports for claim processing and data collection and reporting;
- PwC actuarial and financial audit workpapers;
- 2016 Annual Statement; and
- 2016 Actuarial Opinion (Opinion) and Actuarial Memorandum (Memorandum).

The analysis of reserving risk analysis included:

- interviews with Company reserving actuaries responsible for conducting reserving and asset adequacy analysis;
- a review of the Opinion and Memorandum regarding cash flow testing, asset adequacy analysis, assumptions, and methodologies provided by the Company.

The analysis of reinsurance risks included:

- a review of material reinsurance treaties with respect to transfer of risk compliance with the CGS and the Manual.

Conclusion

Based upon the risk focused assessment and review, no material findings were noted which affected the Company's reserving and reinsurance risks.

<u>COMMON CAPITAL STOCK</u>	<u>\$2,500,000</u>
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The common capital stock of the Company consisted of 10,000 authorized and issued shares having a par value of \$250 per share. All shares are owned by Chubb Group.

ACE LIFE INSURANCE COMPANY

GROSS PAID IN AND CONTRIBUTED SURPLUS \$39,930,275

The changes in the balance of this account in 2015 and 2016 were the result of capital contributions by the Company's parent in the amounts of \$3,100,000 and \$2,000,000, respectively.

UNASSIGNED FUNDS (SURPLUS) \$(33,760,329)

During the period under examination, changes in surplus were the result of net income/(loss) from operations, and an adjustment to surplus reported for the year ending December 31, 2014, and 2015, resulting from a correction of an error for ceded reinsurance commissions and expense allowances and ceded reinsurance premiums, respectively.

CONCLUSION

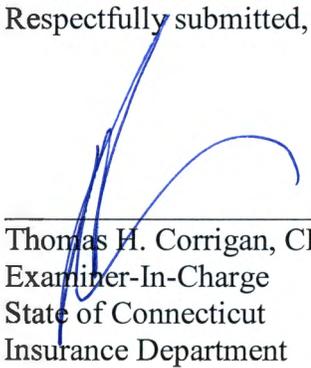
The results of this examination disclosed that, as of December 31, 2016, the Company reported admitted assets of \$51,706,821, liabilities of \$43,036,875, and surplus of \$8,669,946. During the period under examination, admitted assets increased \$9,399,622, liabilities increased \$9,316,593, and surplus as regards policyholders increased \$83,029.

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Cecilia Arnold, CFE; Michael Colburn, MAAA, FSA; Daniel Levine, AFE, CPA; Robert Linnell, CFE; Mark Murphy, CFE; and Kenneth Roulier, AFE, AES, CISA.

I, Thomas H. Corrigan, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2016, to the best of my information, knowledge and belief.

Respectfully submitted,



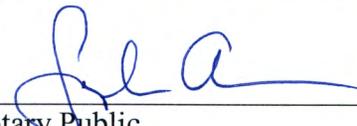
Thomas H. Corrigan, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, JOSEPH A. MEDINA
Notary Public on this 5TH day of MARCH, 2018.



Notary Public
JOSEPH A. MEDINA
NOTARY PUBLIC
MY COMMISSION EXPIRES Sept. 16, 2020
My Commission Expires _____