

**REPORT ON EXAMINATION**  
**OF**  
**RENAISSANCE LIFE & HEALTH**  
**INSURANCE COMPANY OF AMERICA**  
**AS OF**  
**DECEMBER 31, 2007**

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2007 of the

RENAISSANCE LIFE & HEALTH INSURANCE COMPANY OF AMERICA

is a true and correct copy of the document filed with this Department.

Attest By:           *Sonia C. Harris*          

Date: 30 June 2009



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 30th day of June 2009.

\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
RENAISSANCE LIFE & HEALTH INSURANCE COMPANY OF AMERICA  
AS OF  
DECEMBER 31, 2007

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

  
\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 30th day of June, 2009

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## SALUTATION

February 13, 2009

Honorable Alfred Gross  
Chairman, Financial Condition (E)  
Committee, NAIC  
State Corporation Commission  
Bureau of Insurance  
PO Box 1157  
Richmond, VA 23218

Honorable Joel Ario  
Secretary, Northeastern Zone (I), NAIC  
Pennsylvania Insurance Department  
1326 Strawberry Square  
Harrisburg, PA 17120

Honorable James J. Donelson  
Secretary, Southeastern Zone (II), NAIC  
Louisiana Department of Insurance  
1702 North Third Street  
Baton Rouge, LA 70802

Honorable Merle D. Scheiber  
Secretary, Midwestern Zone (III), NAIC  
South Dakota Division of Insurance  
Department of Revenue and Regulation  
445 East Capitol Avenue  
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Honorable Morris J. Chavez  
Secretary, Western Zone (IV), NAIC  
Department of Insurance  
State of New Mexico  
Post Office Box 1269  
Santa Fe, NM 87504-1269

Honorable Karen Weldin Stuart, CIR-ML  
Commissioner of Insurance  
Delaware Department of Insurance  
841 Silver Lake Blvd.  
Dover, DE 19904-2465

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in certificate of authority number 08.0038, dated November 20, 2008, an examination has been made of the affairs and financial condition and management of

### **RENAISSANCE LIFE AND HEALTH INSURANCE COMPANY OF AMERICA**

Hereinafter referred to as Company, or Renaissance, or RenAmerica under the laws of the state of Delaware. The examination was conducted at the administrative offices of the company located at 4100 Okemos Road, Okemos, MI 48864.

The report of examination thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

The preceding examination was conducted by the Delaware Insurance Department as of December 31, 2002. This examination covers the period January 1, 2003 through December 31, 2007, and consists of a general survey of the company's business policies and practices; management, and corporate matters incident thereto; and verification and evaluation of assets and a determination of liabilities as of December 31, 2007. Transactions subsequent to the as of date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination. If necessary, comments and recommendations have been made in these areas in need of correction. In such cases, these matters were thoroughly discussed with responsible personnel and or officials during the course of the examination.

The general procedures of the examination follow rules established by the National Association of Insurance Commissioners and the financial examiners handbook and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the workpapers of this examination:

- Legal actions
- All asset and liability items not mentioned
- Fidelity bond and other insurance
- Officers, employees and agents welfare and pension plans

The examination was conducted by the Delaware Insurance Department in accordance with the Association Plan of Examination Guidelines established by the NAIC. No states other than Delaware participated in this examination.

## **HISTORY**

Renaissance Life & Health Insurance Company of America (Company), formerly Central National Life Insurance Company of Omaha (CNL), is a for-profit life, accident and health insurance company domiciled in the state of Delaware. On June 30, 1998, Beneficial Corporation merged with Household International, Inc. with all insurance entities, including CNL, being administered under Household Insurance Group Holding Company. On December 31, 1999 Presidential Life Corporation, an insurance holding company domiciled in the state of Delaware, purchased CNL. Prior to the purchase all business was reinsured to an affiliate of Household Insurance Group, Household Life Insurance, leaving CNL a shell with valid state licenses. On June 28, 2002, ownership of CNL was transferred to Presidential Life Insurance Company, a subsidiary of Presidential Life Corporation domiciled in the state of New York. On October 31, 2005 Renaissance Holding Company, a company domiciled in the state of Michigan, purchased Central National Life Insurance Company of Omaha. Renaissance Holding Company is a subsidiary of Renaissance Health Service Corporation, a holding company domiciled in Michigan. Renaissance Health Service Corporation is also the holding company of Delta Dental Plan of Michigan, Delta Dental Plan of Ohio, Delta Dental Plan of Indiana, and Delta Dental Plan of Tennessee and their subsidiaries and affiliates. Effective November 2, 2005 the Company's name was changed to Renaissance Life & Health Insurance Company of America. The Company continues to record the direct premiums and the ceding of these premiums to Household Life Insurance Company on its financial statements.

On August 9, 2006 Renaissance Holding Company contributed 100% of the value of Group Benefits Administrators, LLC (GBA) to the Company. The total value of the transaction was \$2,936,765. The Company recorded the receipt of GBA as contributed

surplus.

In 2006, the Company recognized a book value write-down for its investment in Group Benefit Administrators, LLC (GBA) of \$2,358,812. The value of its investment in GBA is based on the statutory equity basis (GAAP equity adjusted for non-admitted assets) in compliance with SSAP 88.

On January 1, 2007, Renaissance Life & Health Insurance Company (Renaissance Life & Health), an affiliate of the Company, ceded 100% of its underwritten business to the Company under an assumption reinsurance agreement.

On January 1, 2007, Group Benefit Administrators, LLC, a subsidiary of the Company, transferred all of its assets and liabilities to the Company under an Assignment & Assumption Agreement.

On March 31, 2007 Great Lakes Delta Insurance Company (GLDIC), a previously affiliated company, was merged into the Company. GLDIC was a life and accident & health company reporting on the Health blank. In the merger they were converted to a life insurance accounting basis. The merger was treated under the statutory merger method. In accordance with SSAP No. 68 Business Combinations and Goodwill, the balance sheet and income statement for the prior year is restated to reflect as if the merger occurred at the beginning of the reporting periods.

### **CAPITALIZATION**

On August 9, 2006, Renaissance Holding Company (100% ownership of the Company) contributed 100% of the value of Group Benefits Administrators, LLC (GBA) to the Company.

The total value of the transaction was \$2,936,765. The Company recorded the receipt of GBA as contributed surplus.

Effective March 31, 2007, Great Lakes Delta Insurance Company (GLDIC), a previously affiliated company, was merged into the Company. GLDIC was a life and accident & health company reporting on the Health blank. In the merger they were converted to a life insurance accounting basis. The merger was treated under the statutory merger method. In accordance with SSAP No. 68 Business Combinations and Goodwill, the balance sheet and income statement for the prior year was restated to reflect as if the merger occurred at the beginning of the reporting periods. The impact on the Company's net income, surplus, total assets and liabilities for the two periods presented in the financial statements are as follows:

For 12/31/2006 net income increased \$2,968,444, surplus increased \$14,476,209, admitted assets increased \$18,336,173, and liabilities increased \$3,859,964.

The surplus change of \$14,476,209 is broken down between Gross Paid-in & Contributed Surplus, in the amount of \$7,000,000 and Unassigned Surplus, in the amount of \$7,476,209.

The common capital stock, gross paid-in and contributed surplus, and unassigned funds for the period under examination are shown below:

<u>Year</u>	<u>Common Capital Stock</u>	<u>Gross Paid-in and Contributed Surplus</u>	<u>Unassigned Surplus</u>	<u>Total</u>
2003	\$2,500,000	\$8,000,000	\$1,086,224	\$11,586,224
2004	\$2,500,000	\$8,000,000	\$1,299,507	\$11,799,507
2005	\$2,500,000	\$8,000,000	-\$355,927	\$10,144,073
2006	\$2,500,000	\$17,936,765	\$4,278,478	\$24,715,243
2007	\$2,500,000	\$17,936,765	\$4,689,588	\$25,126,353

## MANAGEMENT AND CONTROL

Pursuant to the general corporate laws of the state of Delaware, the Company certificate of incorporation and bylaws, all corporate powers are exercised by or under the direction of the Board of Directors.

The Board of Directors is currently comprised of three members, all of whom were elected at the annual meeting of stockholders.

The members of the Board of Directors serving as of December 31, 2007 were as follows:

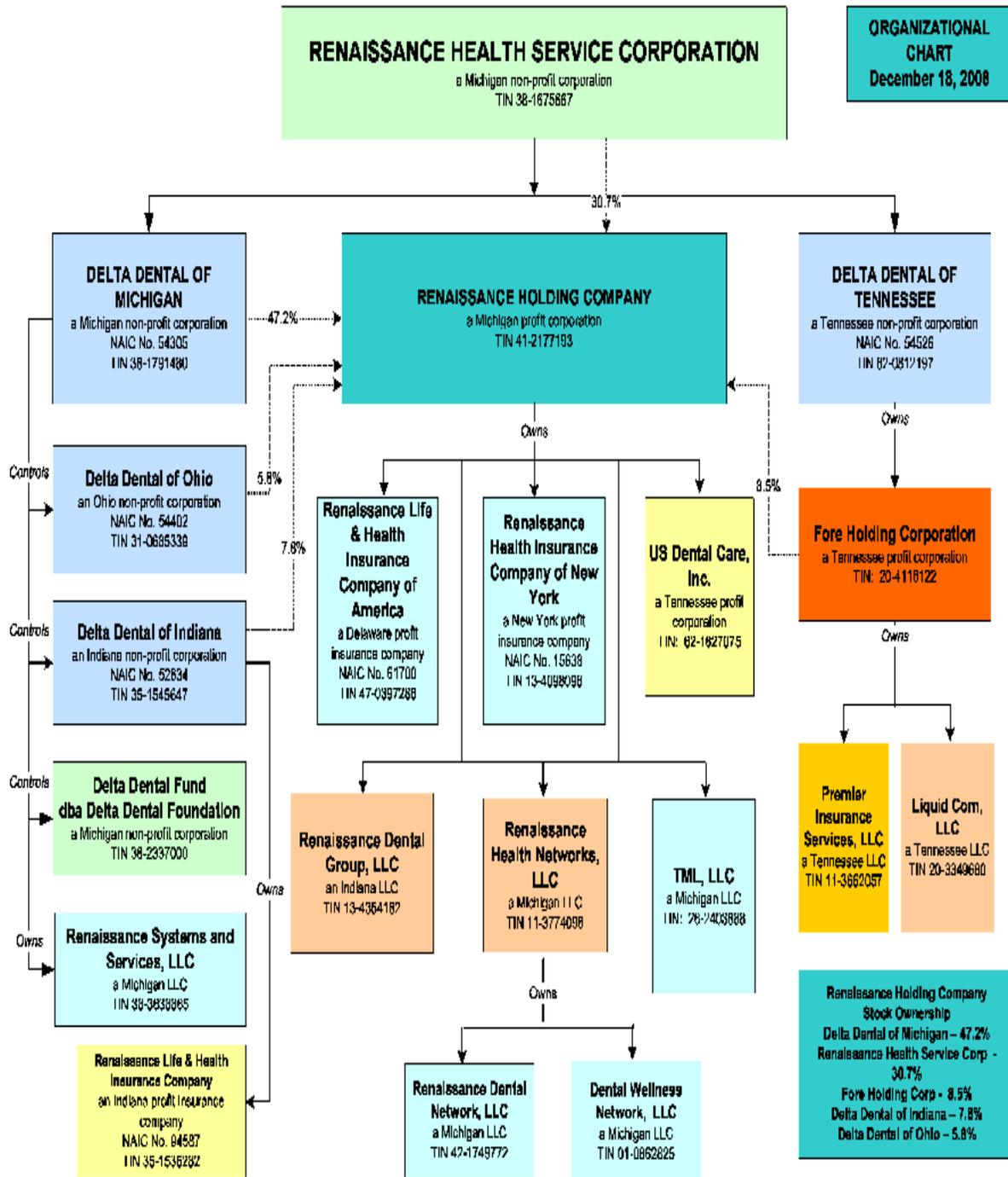
<u>Directors Name</u>	<u>Principal Business Affiliation</u>
Thomas J. Fleszar	President and CEO Renaissance Health Service Corporation
Laura L. Czelada	COO and CFO Renaissance Health Service Corporation
Charles D. Floyd	EVP Sales Renaissance Health Service Corporation

The bylaws of the Company provided the officers of the Corporation shall consist of a president, a secretary and controller, and such vice president and other officers as deemed necessary. Officers are appointed annually by the Board of Directors. At December 31, 2007 the Company's principal officers and the respective titles are as follows:

<u>Officer</u>	<u>Title</u>
Thomas J. Fleszar	President
Charles D. Floyd	Secretary
Laura L. Czelada	Treasurer

**INSURANCE HOLDING COMPANY SYSTEM**

Renaissance is a member of the Renaissance Health Service Corporation holding company as shown in the following chart:



12.18.08 - SAE

## **MANAGEMENT AND SERVICE AGREEMENTS**

The Company prepares its Federal Income Taxes on a consolidated basis with Renaissance Holding Company. The Company indicated that it does not have a Federal Consolidated Income Tax Agreement. The Company indicated that it is in the process of executing a Federal Income Tax Agreement.

**It is recommended that the Company complete a Federal Income Tax Consolidated Agreement.**

RLHICA has Administrative Service Agreements with the following affiliates for third party administrator and managing general agent functions:

Delta Dental of Michigan, Inc. (“DDMI”) DDMI prepares monthly account reconciliations of all claims and administrative accounts. These monthly accounts are reviewed by the Treasurer of RLHICA. Under the Agreement, RLHICA is entitled to audit the activities performed by DDMI semi-annually, and at least one audit is required to be on-site. At this time no audits have been performed by RLHICA itself, however, an external auditing firm does a Financial Report-Statutory basis Audit on a yearly basis of RLHICA. In addition RLHICA relies upon the SAS-70 that an external auditing firm performs for DDMI on a yearly basis.

Delta Dental of Indiana (“DDPIN”) DDPIN provides RLHICA with marketing and administration of policies underwritten by RLHICA on behalf of DDIN. Since DDIN is not actually performing claims administration (this is performed by DDMI), no audits of DDIN’s operations are necessary.

## **CORPORATE RECORDS AND TRANSACTIONS**

The company signed a restated certificate of incorporation on October 31, 2005. Prior to that date the name of the company was the Central National Life Insurance Company of Omaha. The name of the Corporation was changed to Renaissance Life And Health Insurance Company of America. The principal office of the Corporation is Okemos, Michigan.

Renaissance Life And Health Insurance Company of America amended and restated its bylaws October 31, 2005

A certificate of merger was executed January 23, 2007, wherein Great Lakes Delta Insurance Company was merged with and into Renaissance Life And Health Insurance Company of America.

The agreement and plan of merger between Renaissance Life And Health Insurance Company of America and Great Lakes Delta Insurance Company was approved, adopted, certified, executed and acknowledged by each of the Corporation's in accordance with the requirements of section 252 (c) of the General Corporation Law of the state of Delaware. The merger was adopted by the sole stockholder of Renaissance Life And Health Insurance Company of America in accordance with section 228 of the General Corporation Law of the state of Delaware. The name of the surviving Corporation in the merger is Renaissance Life And Health Insurance Company of America, a Delaware Corporation. The merger became effective on March 31, 2007.

## **TERRITORY AND PLAN OF OPERATION**

### Territory

The Company is licensed to write insurance in 49 states (excluding only New York) plus the District of Columbia, Puerto Rico and the Virgin Islands.

### Plan of Operation

- The Renaissance group of companies' agency and distribution system are described below. Licensed accident and health agents are the primary distribution channel for Renaissance products and services. Recruitment, education, and

support of agents are a centralized process. The Renaissance Sales and Marketing Support Center ("Support Center") began active marketing to agents in May 2007. The Support Center staff will utilize agent telemarketing, email advertising, "Webinars" and "Lunch and Learns".

### **GROWTH OF COMPANY**

The table below depicts the growth of the company from December 31, 2003 to December 31, 2007

The table below depicts the growth of the company from December 31, 2003 to December 31, 2007

Year	Admitted Assets	Liabilities	Capital and Surplus
2003	\$11,894,837	\$308,614	\$11,586,224
2004	12,111,243	311,736	11,799,507
2005	12,463,640	2,319,567	10,144,073
2006	14,042,803	3,803,769	10,239,034
2007	34,861,370	9,735,017	25,126,353

### **REINSURANCE**

**Pre-1999**

Central National Life Insurance Company of Omaha ("CNL") was owned by Household Life Insurance Company ("Household").

While owned by Household, CNL entered into two separate reinsurance transactions:

*100% Coinsurance Agreement, dated 2/16/96*

*Assumption Reinsurance Agreement, dated 6/23/97*

Eff. 12/31/99

CNL was acquired by Presidential Life Insurance Company ("Presidential") from Household.

As a condition to this transaction, Presidential required Household to reinsure all of CNL's remaining policy liability under the *Bulk Reinsurance and Assumption Agreement, dated 12/31/99*.

The parties assumed that the reinsured policies would lapse shortly after the sale of CNL. However, due to renewal rights, some policies continue to be in force today.

Because no new business was written by CNL after 12/31/99, RHC acquired CNL as a "shell" with only a small amount of renewal premium on its books. (All of its policies are subject to one or more of the reinsurance agreements summarized below). Immediately upon Closing, CNL's name was changed to Renaissance Life & Health Insurance Company of America ("RenAmerica").

Since RenAmerica has been a member of the DDPMI Group, it entered into three reinsurance agreements in connection with the AARP Dental Program and a reinsurance agreement under which it assumptively reinsured 100% of the business of its affiliate, Renaissance Life & Health Insurance Company ("RLHIC"):

*AARP Dental Program Amended Quota Share Reinsurance Agreement (Delta Dental Insurance Company), dated 1/1/06*

*AARP Dental Program Amended Quota Share Reinsurance Agreement (Dentegra Insurance Company), dated 1/1/06*

*AARP Dental Program Quota Share Reinsurance Agreement (Dentegra Insurance Company of New England), dated 1/1/06*

*Assumption Reinsurance Agreement, dated 12/1/06*

The reinsurance agreements referenced above are summarized in more detail below.

### **THE REINSURANCE AGREEMENTS**

#### **100% COINSURANCE AGREEMENT - FEBRUARY 16, 1996, AS AMENDED - APRIL 1, 1996**

Parties: CNL (ceding company), SunAmerica (reinsurer) and Beneficial Insurance Group Holding Company ("Beneficial") (undertakes certain obligations)

Relationship of the Parties: At the effective date, Beneficial was the parent company of CNL. SunAmerica was not and is not an affiliate of CNL or Beneficial. Beneficial and CNL (now RenAmerica) are no longer affiliates.

Effective Date: January 1, 1996

Terms: Under the agreement, SunAmerica provides 100% coinsurance of certain policies written or assumed by CNL prior to the effective date. These policies include single premium deferred annuity, flexible premium annuity, single premium immediate annuity policies and supplemental contracts.

Termination: Policies subsequently assumptively reinsured by SunAmerica. See below.

#### **ASSUMPTION REINSURANCE AGREEMENT - JUNE 23, 1997**

Parties: CNL (ceding company), SunAmerica (reinsurer) and Beneficial (undertakes certain obligations)

Relationship of the Parties: At the effective date, Beneficial was the parent company of CNL. SunAmerica was and is not an affiliate of CNL or Beneficial. Beneficial and CNL (now RenAmerica) are no longer affiliates.

Effective Date: Varies by policy. Effective as required regulatory and policyholder approvals were obtained (on or after June 23, 1997).

Terms: SunAmerica assumptively reinsures the policies previously coinsured by SunAmerica under the 100% Coinsurance Agreement described above.

Termination: The agreement remains in effect.

#### **BULK REINSURANCE AND ASSUMPTION AGREEMENT - DECEMBER 31, 1999**

Parties: CNL (ceding company) and Household (reinsurer)

Relationship of the Parties: At the time the agreement was entered into, Household was the sole shareholder of CNL; Household is no longer an affiliate of CNL (now RenAmerica).

Effective Date: December 31, 1999

Terms: Under the agreement, Household reinsures all of the existing business of CNL. The business assumed consists of all life, credit life, credit disability and credit involuntary unemployment insurance issued or bound by CNL, and certain reinsurance assumed by CNL prior to the effective date. The effect of this agreement was to leave CNL as a "shell" for sale to Presidential. The reinsurance is a mix of assumption and indemnity. As we understand, all policies that could be assumptively reinsured without getting policyholder approval were

assumptively reinsured by Household. Where policyholder approval was required, the policies were 100% coinsured by Household. Premium for the coinsured business still runs through RenAmerica's books.

Termination: The agreement remains in effect.

**ASSUMPTION REINSURANCE AGREEMENT - DECEMBER 1, 2006**

Parties: RenAmerica (assuming insurer) and RLHIC (ceding insurer)

Relationship of the Parties: Currently affiliates. RenAmerica and RLHIC share the same ultimate controlling party, Renaissance Health Service Corporation ("RHSC").

Effective Date: January 1, 2007

Terms: Under the agreement, RenAmerica assumptively reinsures all of RLHIC's existing insurance business. The policies assumed were all group dental benefit policies.

Termination: The agreement remains in effect.

**AARP DENTAL PROGRAM AMENDED QUOTA SHARE REINSURANCE AGREEMENT - JANUARY 1, 2006**

Parties: RenAmerica (reinsurer) and Delta Dental Insurance Company (ceding insurer)

Relationship of the Parties: The parties are not affiliated.

Effective Date: January 1, 2006

Terms: Under the agreement, RenAmerica assumes a 10% quota share of the ceding company's liabilities arising out of the AARP Contracts. The AARP Contracts are all dental insurance contracts.

Termination: The agreement remains in effect. The Agreement terminates pursuant to the terms of the Agreement or upon the expiration of the current term of the AARP Contracts, January 31, 2009, unless the AARP Contracts are sooner terminated or are renewed. If the AARP Contracts are renewed, the Agreement shall continue until the termination of any additional term.

**AARP DENTAL PROGRAM AMENDED QUOTA SHARE REINSURANCE AGREEMENT - JANUARY 1, 2006**

Parties: RenAmerica (reinsurer) and Dentegra Insurance Company (ceding insurer)

Relationship of the Parties: The parties are not affiliated.

Effective Date: January 1, 2006

Terms: Under the agreement, RenAmerica assumes a 10% quota share of the ceding company's liabilities arising out of the AARP Contracts. The AARP Contracts are all dental insurance contracts.

Termination: The agreement remains in effect. The Agreement terminates pursuant to the terms of the Agreement or upon the expiration of the current term of the AARP Contracts, January 31, 2009, unless the AARP Contracts are sooner terminated or are renewed. If the AARP Contracts are renewed, the Agreement shall continue until the termination of any additional term.

**AARP DENTAL PROGRAM QUOTA SHARE REINSURANCE AGREEMENT - JANUARY 1, 2006**

Parties: RenAmerica (reinsurer) and Dentegra Insurance Company of New England (ceding insurer)

Relationship of the Parties: The parties are not affiliated.

Effective Date: January 1, 2006

Terms: Under the agreement, RenAmerica assumes a 10% quota share of the ceding company's liabilities arising out of the AARP Contracts. The AARP Contracts are all dental insurance contracts.

Termination: The agreement remains in effect. The Agreement terminates pursuant to the terms of the Agreement or upon the expiration of the current term of the AARP Contracts, January 31, 2009, unless the AARP Contracts are sooner terminated or are renewed. If the AARP Contracts are renewed, the Agreement shall continue until the termination of any additional term.

**ACCOUNTS AND RECORDS**

DDPMI's Information Systems & Services (ISS) department consists of approximately 140 individuals. The mission of ISS is to provide expertise in business systems development and computer technology to support DDPMI and Client Plans business requirements. ISS personnel are responsible for all the computing needs of the corporation. These responsibilities include researching, analyzing, developing, testing, purchasing, documenting and implementing computer and electronic technology and establishing a back-up system for this technology in case of disaster.

The computing infrastructure is made up of all computing hardware, which includes all mainframe, mid-range, virtual machine-ware, server, network and telecommunications technologies. The computing infrastructure is also made up of all software components that reside on infrastructure hardware, which includes operating or third-party support products, database management systems, purchased applications, and all logical databases and their definitions.

DDPMI's computer processing is performed out of facilities located in Okemos and Farmington Hills, Michigan. The computer facilities are secured and access is granted only with an electronic access card. Only employees involved in computer operations, technical support activities, and facilities/maintenance staff has this access. The office areas adjacent to the computer facilities are also secured and controlled by electronic access cards 7 days a week, 24 hours a day.

The Claims Processing application consists of Group, Eligibility, Procedure, Fee Table, Claims and Carrier subsystems which are processed using a mainframe database management system running on an IBM Z-890 Series server. Security over this application is provided by the database management system roles and privileges. There is a shared disk storage system that supports not only mainframe processing but also supports the Provider application.

The Provider application executes on HP Unix servers that support the Java-based application with an Oracle Database and interfaces with other mainframe systems through MQ Series. Security over this application is provided by a combination of market leading security software technologies.

The Claims Data Entry (CDE) application is a set of client-server, Delphi-based

applications running on a Windows 2000 and Microsoft SQL Server environment. Claims are entered through the CDE client application, processed by the CDE server and then sent to the mainframe for further processing.

The Ortho Subsequent Processing (OSP) application is a client-server, Delphi-based application running on a Windows 2000 and Microsoft SQL Server environment. Initial Ortho schedules and resulting periodic payments are managed within the OSP system. This involves sending subsequent payments to the mainframe as well as receipt of processed payment for tracking against the Ortho schedule.

After an orthodontic claim is paid in the mainframe, data from that claim (claim header and treatment line data) is passed to OSP. If the orthodontic case requires subsequent payments, OSP will be used to periodically generate payments to the mainframe. The payments will be generated at the direction of the supervisor according to a schedule that is predetermined. Once the subsequent payment is in the mainframe, normal routing, adjudication and payment processes occur. As each subsequent payment is made toward a case, data from the subsequent payment claim (claim header and treatment line data) downloads to OSP and connects to the original case. The subsequent payment uploads, mainframe payments, and downloads to OSP occur until full payment is made on the case.

The Forms Processing System (FPS) is an intelligent character recognition system used to enter the majority of paper claims. Two scanners are used in the process. Once scanned, the claims move through the forms processing software applications that include form identification, intelligent character recognition, and correction of data validation errors. The forms processing system is a proprietary software application supported and maintained in part by the vendor, Recognition Research Incorporated (RRI), and runs on a total of eight Windows

NT and Windows 2000 servers.

The Dental Office Toolkit (DOT), an internet-based claims entry application used by providers, Benefit Manager Toolkit (BMT), an internet-based eligibility maintenance application used by Client Groups, and Shared Admin Toolkit (SAT), an internet-based claims and eligibility maintenance application used by third-party administrators (the Toolkits ), run on an integrated mixture of best-of-breed servers. Intel-based Windows servers provide the web, application, and relational database services. Firewall and security administration features are supported by a combination of market leading security software technologies.

The internal networking infrastructure is comprised of a switched gigabit ethernet backbone using fiber optic connections. Ethernet switches then distribute connectivity to users, servers, and printers.

TCP/IP is the primary protocol in use for most traffic to the mainframe, Windows, and Unix systems.

Data communications connecting all DDPMI facilities use either dedicated private lines or encrypted VPNs. All connections are provisioned with redundant communication lines as a backup strategy.

### **FINANCIAL STATEMENTS FOR EXAMINATION**

The following pages contain financial statements as determined by this examination and are presented here in:

Analysis of Assets as of December 31, 2007

Liabilities Capital and Surplus December 31, 2007

Renaissance Life & Health Insurance Company of America

Summary of Operations December 31, 2007

Capital and Surplus December 31, 2007

**ANALYSIS OF ASSETS**

As of December 31, 2007

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net admitted <u>Assets</u>	<u>Footnotes</u>
Bonds	\$12,125,988	\$	\$12,125,988	Note 1
Common stocks	2,775,633		2,775,633	
Cash and short-term investments	<u>18,548,296</u>		<u>18,548,296</u>	
Subtotal	33,449,917		33,449,917	
Investment income due and accrued	82,439		82,439	
Uncollected premiums and agents balances in the course of collection	405,018	187,752	217,266	
Amounts receivable relating to uninsured plans	136,290		136,290	
Net deferred tax asset	1,631,837	1,447,886	183,951	
Electronic data processing equipment and software	182,613		182,613	
Receivable from parent subsidiaries and affiliates	562,576	4,276	558,300	
Healthcare and other amounts receivable	70,322	19,728	50,594	
Aggregate write-ins for other than invested assets	<u>983,942</u>	<u>983,942</u>	<u>                    </u>	
Total assets	<u>\$37,504,954</u>	<u>\$2,643,584</u>	<u>\$34,861,370</u>	

**LIABILITIES CAPITAL AND SURPLUS**

As of December 31, 2007

		Notes
Aggregate reserves for life contracts	\$406,167	2
Contract claims: accident and health	3,083,320	
Premiums and annuity considerations received in advance	1,989,301	
Other amounts payable on reinsurance assumed	489,575	
Interest maintenance reserve	150,077	
General expenses due or accrued	615,438	
Taxes licenses and fees due or accrued	1,112,814	
Amounts withheld or retained by company as agent or trustee	5,601	
Asset valuation reserve	573,369	
Payable to parent subsidiaries and affiliates	1,150,981	
Aggregate write-ins for liabilities	<u>158,374</u>	
Total liabilities	<u>\$9,735,017</u>	
Common capital stock	2,500,000	
Gross paid in and contributed surplus	17,936,765	
Unassigned funds	<u>4,689,588</u>	
Surplus	<u>\$22,626,353</u>	
Total capital and surplus	<u>\$25,126,353</u>	
Total liabilities capital and surplus	<u>\$34,861,370</u>	

**SUMMARY OF OPERATIONS**

For Year Ended December 31, 2007

Premium and annuity considerations for life and accident and health contracts	\$73,505,810
Net investment income	1,468,001
Amortization of interest maintenance reserve	5,792
Aggregate write-ins for miscellaneous income	<u>18,569</u>
Total	\$74,998,172
Disability benefits and benefits under accident and health contracts	60,140,878
Increase in aggregate reserves for life and accident and health contracts	(106,519)
Total	\$60,034,359
Commissions on premiums a newly considerations and deposit type contracts	1,889,778
General insurance expenses	10,708,684
Insurance taxes licenses and fees	<u>1,559,116</u>
Total	<u>\$74,191,937</u>
Net gain from operations before income taxes	\$806,235
Federal and foreign income taxes incurred	<u>742,351</u>
Net gain from operations after income taxes	<u>\$63,884</u>
Net realized capital gains and losses	<u>(\$730,693)</u>
Net income	<u>(\$666,809)</u>

**CAPITAL AND SURPLUS ACCOUNT**

As of December 31, 2007

Capital and surplus December 31, prior year	\$24,715,243
Net income	(666,809)
Changing unrealized capital gains and losses	2,397,304
Change in net deferred income tax	31,983
Change in nonadmitted assets	(1,056,840)
Change in asset valuation reserve	<u>(294,528)</u>
Net change in capital for the year	<u>\$411,110</u>
Capital and surplus, December 31, current year	<u>\$25,126,353</u>

No examination changes were made to the Company's financial statements.

**NOTES TO FINANCIAL STATEMENTS**

(1) Bonds

There are admitted bonds in the amount of \$12,125,990.

(2) Aggregate Reserves for Life Contracts

There are aggregate reserves in the amount of \$406,167.

**Actuarial Findings and Conclusion**

**General**

Renaissance Life & Health Insurance Company of America (RLH) is a wholly owned subsidiary of Renaissance Holding Company (RHC). RLH was formerly known as Central National Life Insurance Company of Omaha and it was acquired by RHC in November 2005. On March 31 2007, Great Lakes Delta Insurance Company (GLDIC) was merged into RLH and it assumed all GLDIC's Indiana dental risk business. RLH markets dental products on a national basis rather than state basis. RLH holds an incurred but not reported liability for the dental products. Gross reserves are held for traditional ordinary life, deferred annuities, credit life, immediate annuities, supplementary contracts, credit disability, accident and health contracts and life and accident and health claims. All life, annuity and most of the accident and health (non dental) business is ceded to Household Life Insurance Company.

### **Asset Adequacy Analysis and Actuarial Recommendation**

RLH's appointed actuary performed asset adequacy analysis which is included as part of the 2007 Actuarial Opinion Memorandum (AOM). RLH's appointed actuary concluded that reserves were adequate and that no additional actuarial reserves were required as of December 31, 2007. Based on INS' review of the asset adequacy analysis, that conclusion has been accepted for the purpose of this report (see Appendix A). However, INS recommends that (1) RLH include a discussion of all risks and that (2) the additional contract reserve is included in the asset adequacy analysis for future AOMs.

#### Data Validity

Samples of randomly selected claims from RLH's claim liability for the dental business segment were used to test the validity of valuation data. Testing indicated that the claims were free of error. Claim payments were reconciled from the Annual Statement to the claim triangles used to calculate the claim liability for the dental business segment. This testing indicated that the claim triangles are complete. Based on prior examination testing and this being a closed block of business, no data verification or inclusion testing was done for the ceded business.

#### Reserve Analysis

Reserves were reviewed for compliance with the standard valuation and non-forfeiture laws, applicable National Association of Insurance Commissioners' Actuarial Guidelines and Model Regulations. Reserves for sampled life insurance and annuity contracts were calculated in accordance with standard actuarial practice. Reserve methodology was reasonable and consistent.

### **Conclusion**

The balance sheet items enumerated in the examination scope appear fairly stated and are calculated using valuation parameters which appear to be free of error. Valuation extract files

appear to be complete. Therefore, the items covered by this examination have been accepted as stated for the purpose of this report.

During the examination, INS reviewed RLH's workpapers supporting the reserves reported in Exhibit 6 and found them to be in order. All non-dental business was ceded. The additional contract reserve represents anticipated claims for dental business which has a 12 month waiting period. This estimate appears reasonable. A trend analysis of the reserves indicated a reasonable pattern over the examination period. Since the reserve (gross and net) was not considered material, no further analysis was deemed necessary.

Based on the above analysis and discussion, INS concluded that the aggregate reserve for accident and health contracts as reported by RLH on Page 3, Line 2 and in Exhibit 6 of the December 31, 2007 Annual Statement appears fairly stated. It has been accepted for the purpose of this report.

#### **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

The prior examination report made the following recommendations.

1. The shareholder has elected three directors annually since 1999. However, the Articles of Incorporation provided to the examiner state that the number of directors shall be between five and twenty-one. The Company could not provide documentation that the Articles of Incorporation had been amended to lower the number of required directors from five to three to coincide with the Bylaws, which were amended in 1998 for this specific purpose. Consequently, the Company is in violation of its Articles of Incorporation regarding the election of Directors.

Therefore, it is recommended that the Company either comply with its Articles of Incorporation regarding the election of Directors or the shareholder must authorize an amendment to the Articles of incorporation to reflect the current operating environment of the Company and in coincidence with its Bylaws.

On July 2, 2003, the shareholders of the Company amended the Articles of Incorporation to lower the minimum number of directors from five to three. The Company must file the amendment to the Articles of Incorporation with the Delaware Secretary of State.

2. The 2002 and 2003 Forms B and C filing, item 3(a) lists Presidential Corporation as the ultimate controlling entity. However, it was disclosed in item 3(f) of the filings that Herbert Kurz, an individual, is the only entity owning or controlling greater than 10% of the outstanding common stock of Presidential Corporation. Herbert Kurz, who beneficially owns 27.2% of the outstanding common stock, is considered the ultimate controlling entity of the Company. Consequently, the Company's Forms B and C filings are incorrect.

Therefore, it is recommended that the Company file amended Forms B and C indicating the proper ultimate controlling entity.

3. It was noted that the Company does not have a conflict of interest disclosure policy which requires officers and directors to complete and sign an annual conflict of interest disclosure statement. Therefore, as a matter of prudent business practice and in accordance with the National Association of Insurance Commissioners' Financial Condition Examiners Handbook; it is recommended that officers and directors complete and sign an annual conflict of interest disclosure statement.
4. The Company has filed a consolidated federal income tax return with its ultimate parent, Presidential Life Corporation, for the years 2000, 2001 and 2002. However, the Company never entered into a written tax allocation agreement with Presidential Life Corporation. Consequently, the Company did not submit a Form D filing of this arrangement to the Delaware Insurance Department as required by Title 18, Section 1800 of the Delaware Insurance Code [formerly Regulation 13].

Therefore, it is recommended that the Company enter into a written federal income tax allocation agreement with Presidential Life Corporation and disclose intercompany agreements as required by Title 18, Section 1800 of the Delaware Insurance Code. The Company entered into a Custody Agreement with The Bank of New York effective December 29, 1999. The Bank of New York is responsible for the safekeeping of the Company's investment portfolio holdings and collecting all dividend, interest and principal payments. The Custody Agreement does not contain all of the

required safeguards and controls as specified in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*.

Therefore, it is recommended that the Company and The Bank of New York amend the Custody Agreement to comply with the required safeguards and controls as specified in the National Association of Insurance Commissioners (NAIC) Financial Condition examiners Handbook. (Refer to Management Agreements, page 11)

5. The minimum suggested fidelity coverage according to the NAIC Financial Condition Examiners Handbook is \$100,000. On June 10, 2003, the Company provided the examiner with a financial institution bond listing the Company as an insured with a limit of \$2,000,000, an effective date of June 10, 2003, and an expiration of July 14, 2003. The Company was not a named insured on a fidelity bond either under an individual policy or on a policy of the upstream affiliate, Presidential Life Corporation, as of December 31, 2002.

Therefore, it is recommended that the Company maintain the minimum fidelity coverage per the NAIC Financial Condition Examiners Handbook past the current policy expiration date of July 14, 2003.

### **COMPANY'S RESPONSE TO PRIOR EXAMINATION RECOMMENDATIONS**

The Company responded to the prior examination report recommendations as follows:

In response to the Summary of Comments and Recommendations contained within the Report on Examination as of 12/31/02 for Central National Life insurance Company of Omaha ("Company") please note the following:

- 1) The Company filed an Amendment to the Articles of Incorporation with the Delaware Secretary of State on August 7, 2003;
- 2) The Company is in the process of amending Forms B and C to indicate the proper ultimate controlling entity.

- 3) The Company is in the process of having its officers and directors completing and signing the conflict of interest disclosure statement.
- 4) The Company filed a Federal Income Tax Allocation Agreement with the State of Delaware on June 16, 2003 and approved by the Delaware Insurance Department on July 29, 2003. The agreement was executed on August 26, 2003.
- 5) The Company has filed an amended Custody Agreement with the Bank of New York that complies with the NAIC Financial Condition Examiners Handbook.
- 6) The Company will continue to renew the \$2,000,000 fidelity bond it currently has in place.

### **SUMMARY OF RECOMMENDATIONS**

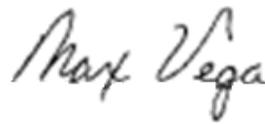
- 1 It is recommended that the Company complete a Federal Income Tax Allocation Agreement as soon as possible. (See page 9, Related Party Transactions.)
  
- 2 RLH's appointed actuary performed asset adequacy analysis which is included as part of the 2007 Actuarial Opinion Memorandum (AOM). RLH's appointed actuary concluded that reserves were adequate and that no additional actuarial reserves were required as of December 31, 2007. Based on INS' review of the asset adequacy analysis, that conclusion has been accepted for the purpose of this report. However, INS recommends that (1) RLH include a discussion of all risks and that (2) the additional contract reserve is included in the asset adequacy analysis for future AOMs. (See page 25, Actuarial Findings and Conclusion.)

**CONCLUSION**

As of our December 31, 2007 examination, we determined the company to have admitted assets of \$34,861,370, liabilities of \$9,735,017 and capital and surplus of \$25,126,353.

We appreciate the cooperation and assistance extended by the officers and employees of the Company.

Respectfully submitted,

A handwritten signature in black ink that reads "Max Vega". The signature is written in a cursive, slightly slanted style.

Max Vega, CFE

Examiner in charge

Delaware Department of Insurance

**SUBSEQUENT EVENTS**

There were no subsequent events finalized as of February 13, 2009. The Company is exploring the possibility of re-domesticating the Company to Indiana. The exploration is in the beginning stages. A re-domestication is not imminent as of February 13, 2009. The Board of Directors has not issued any resolutions regarding re-domestication, and the legal department has not filed any legal documents regarding a plan of re-domestication with either the state of Delaware or Indiana to date.