Report of the Examination of

Sentry Life Insurance Company

Stevens Point, Wisconsin

As of December 31, 2018

TABLE OF CONTENTS

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, *Governor*
Mark V. Afable, *Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
ociinformation@wisconsin.gov
oci.wi.gov

April 3, 2020

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

SENTRY LIFE INSURANCE COMPANY
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Sentry Life Insurance Company (Sentry Life or the company) was conducted in 2014 as of December 31, 2013. The current examination covered the intervening period ending December 31, 2018 and included a review of such 2019 and 2020 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of affiliated companies domiciled in Illinois, New York, and Texas, with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Illinois, New York, and Texas participated in the examination, and their work was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the “Financial Data” section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and annuity reserves, aggregate accident and health reserves, dividends to policyholders, asset adequacy analysis, and deferred life insurance premiums. The actuary’s results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was incorporated on October 23, 1958, and commenced business on November 11, 1958.

In 2018, the company collected direct premium in the following states:

Texas	$ 90,595,563	11.3%
Wisconsin	78,066,054	9.7
California	64,834,952	8.1
Michigan	51,542,315	6.4
Illinois	47,739,957	6.0
Ohio	29,904,251	3.7
New Jersey	29,411,432	3.7
Massachusetts	25,635,077	3.2
All others	383,791,855	47.9
Total	$801,521,456	100.0%

The company is licensed in the District of Columbia and all states except New York. The company has a wholly owned subsidiary, Sentry Life Insurance Company of New York (Sentry Life of New York), a New York-domiciled life insurer. Sentry Life of New York was incorporated on May 23, 1966, to write business in New York.

The following chart is a summary of premium income as reported by the company in 2018. The growth of the company is discussed in the "Financial Data" section of this report.

Premium Income

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Ordinary life	$ 29,020,021	$100,940	$7,745,104	$21,375,857
Ordinary individual annuities	5,989,423			5,989,423
Group life	1,440,512	6,148	71,346	1,375,314
Group annuities	766,760,224			766,760,224
Group accident and health	(1,692,183)		1,807,817	(3,500,000)
Other accident and health	3,461		127	3,334
Total All Lines	$801,521,456	$107,088	$9,624,394	$792,004,152

The company designs and markets life (term and whole), health, and annuity products which complement business products written by the Sentry Insurance Group's property and casualty insurance companies. The fastest growing segment of Sentry Life is its group pension business. This product is focused on 401(k) and profit-sharing plans and is marketed to companies with fewer than 1,000 employees, with most accounts under 100 employees. Sentry Life is the company that manages the pension and 401(k) plan for the Sentry Group. Those assets accounted for 38% of the total general and separate account assets of the company for 2018. The company cedes 100% of the direct group accident and health premiums written, except for group long-term disability, blanket travel accident, and certain dental policies, to its parent company, Sentry Insurance a Mutual Company (Sentry Insurance).

The operations of the company and Sentry Life of New York are integrated with the existing organization of the Sentry Insurance Group, which includes marketing and administrating business through the Sentry Insurance Group's business products divisions.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members who are elected annually, each of whom is an officer of Sentry Insurance. Officers are elected at annual board meetings and are to hold those positions until the earlier of their resignation or removal by the board of directors. As inside directors, they receive no compensation specific to their service on the board.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Kip J. Kobussen Plover, Wisconsin	Chief Legal and Compliance Officer Sentry Insurance a Mutual Company	2019
Jim E. McDonald Stevens Point, Wisconsin	Chief Investment Officer Sentry Insurance a Mutual Company	2019
Pete G. McPartland Stevens Point, Wisconsin	Chairman of the Board, President, Chief Executive Officer Sentry Insurance a Mutual Company	2019
Todd M. Schroeder Stevens Point, Wisconsin	Chief Financial Officer, President of Life and Annuities Sentry Insurance a Mutual Company	2019
Michael J. Williams Stevens Point, Wisconsin	Chief Actuary and Risk Officer Sentry Insurance a Mutual Company	2019

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2018 Compensation*
Todd M. Schroeder	President	$422,345
Michael J. Williams	Vice President	34,623
Kip J. Kobussen	Secretary	47,878
Paul M. Gwidt	Treasurer	85,509

* Compensation includes salary, bonus, and all other compensation. The compensation reported in this report is the portion of the individual’s total compensation that is allocated to Sentry Life. Most officers’ compensation is allocated among several Sentry Insurance Group companies.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination. The committees of the ultimate controlling party, Sentry Insurance, govern the company.

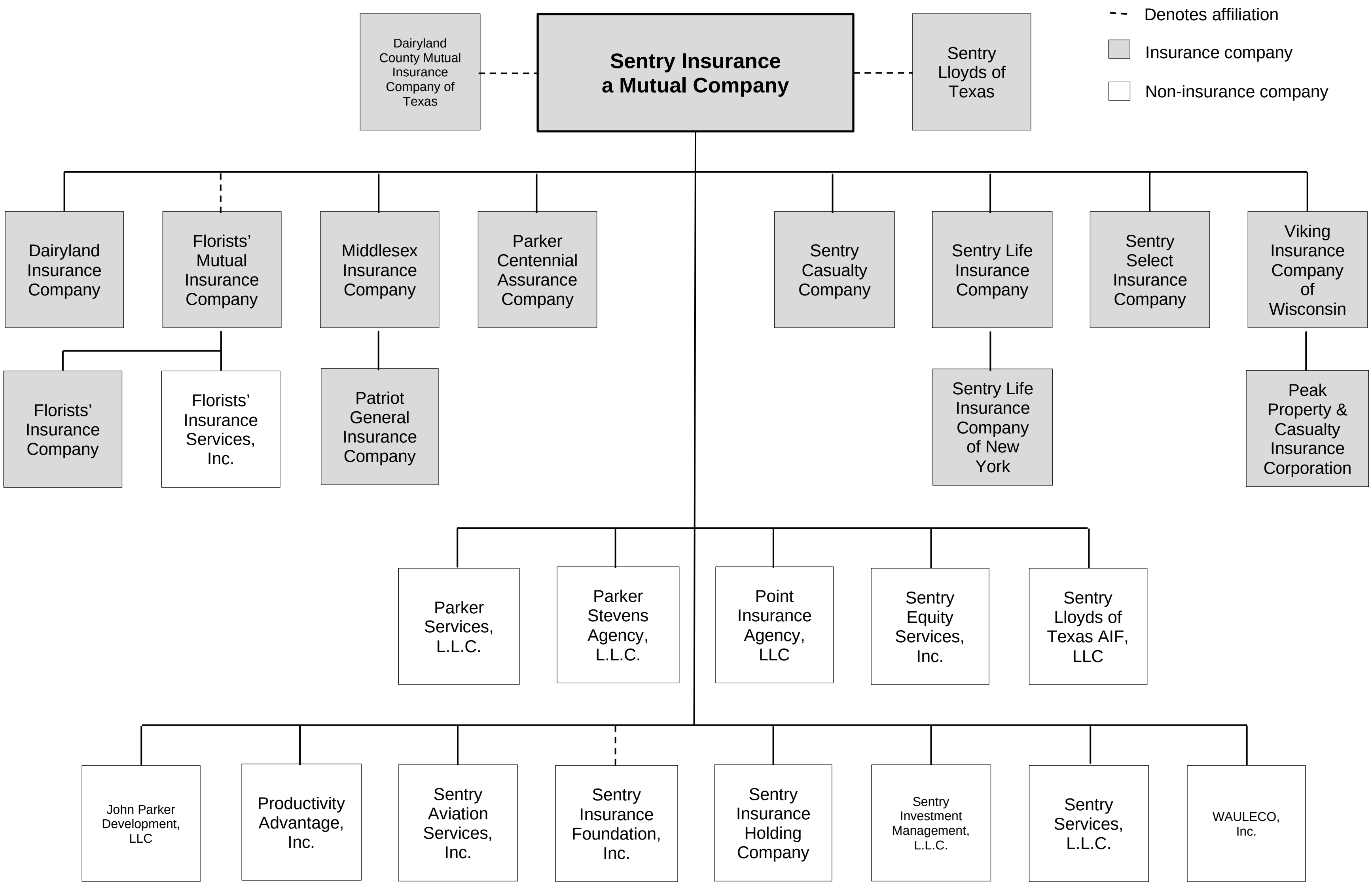
IV. AFFILIATED COMPANIES

Sentry Life is a subsidiary of Sentry Insurance. Sentry Insurance is the ultimate parent of a holding company system (the Sentry Insurance Group). As of December 31, 2018, the Sentry Insurance Group consisted of 15 insurers and 14 noninsurance entities; Dairyland County Mutual Insurance Company of Texas and Sentry Lloyds of Texas are affiliated through common management, and Florists' Mutual Insurance Company is affiliated through a mutual affiliation agreement. A brief description of the entities that are directly affiliated with Sentry Life or have services or administrative agreements with it follows the organizational chart.

On July 7, 2019, Sentry Insurance incorporated a new company, Dairyland National Insurance Company (Dairyland National). It is not presented on the organizational chart below due to being formed and operating entirely outside of the examination period.

On November 14, 2019, the Sentry Insurance board passed a resolution to reorganize the Sentry Insurance Group into a mutual holding structure, pursuant to s. 644.07 (2), Wis. Stat. As part of the proposed reorganization, Sentry Insurance will form two new holding company entities: a mutual holding company, Sentry Mutual Holding Company (Sentry Mutual) and a wholly owned subsidiary of Sentry Mutual, Sentry Holdings, Inc. Sentry Insurance would then convert to a stock insurance company under the new name Sentry Insurance Company. The proposed reorganization was subject to the approval of the Office of the Commissioner of Insurance (OCI) and policyholders as required by ss. 644.07 (7) and 644 (8), Wis. Stat.

On November 20, 2019, Sentry Insurance submitted documents to OCI proposing the restructuring of the Sentry Insurance Group as a mutual insurance holding company structure. OCI is reviewing the proposed transaction. The mutual holding structure conversion is not presented on the organizational chart below due to being submitted after the examination period and not yet being approved by OCI.


Sentry Insurance a Mutual Company
Dairyland County Mutual Insurance Company of Texas
Sentry Lloyds of Texas
Denotes affiliation
Insurance company
Non-insurance company
Dairyland Insurance Company
Florists' Mutual Insurance Company
Middlesex Insurance Company
Parker Centennial Assurance Company
Sentry Casualty Company
Sentry Life Insurance Company
Sentry Select Insurance Company
Viking Insurance Company of Wisconsin
Florists' Insurance Company
Florists' Insurance Services, Inc.
Patriot General Insurance Company
Sentry Life Insurance Company of New York
Peak Property & Casualty Insurance Corporation
Parker Services, L.L.C.
Parker Stevens Agency, L.L.C.
Point Insurance Agency, LLC
Sentry Equity Services, Inc.
Sentry Lloyds of Texas AIF, LLC
John Parker Development, LLC
Productivity Advantage, Inc.
Sentry Aviation Services, Inc.
Sentry Insurance Foundation, Inc.
Sentry Insurance Holding Company
Sentry Investment Management, L.L.C.
Sentry Services, L.L.C.
WAULECO, Inc.

Insurance Subsidiaries and Affiliates

Sentry Insurance a Mutual Company

Sentry Insurance a Mutual Company (Sentry Insurance) is the parent company of the Sentry Insurance Group and owns all of the issued and outstanding stock of Sentry Life. Sentry Insurance is licensed in all 50 states, the District of Columbia, Puerto Rico, and Canada. On its direct business, Sentry Insurance writes business in the National Accounts, Direct Writer, Regional, and Dairyland Auto business units. As of December 31, 2018, the statutory basis audited financial statements of Sentry Insurance reported assets of $8,669,418,968, liabilities of $3,252,632,840, surplus of $5,416,786,128, and net income of $237,604,036. Sentry Insurance was examined concurrently with Sentry Life as of December 31, 2018, and the results of that examination are expressed in a separate report.

Sentry Life Insurance Company of New York

Sentry Life Insurance Company of New York (Sentry Life of New York) is a New York-domiciled life insurer incorporated on May 23, 1966, and is a wholly owned subsidiary of Sentry Life. Sentry Life of New York is licensed in New York, Minnesota, and North Dakota. Over 99% of the company's direct business is written in New York, which is the territorial focus of its sales efforts. It writes predominantly annuity business, though individual and group life insurance and group accident and health products are written as well to a much lesser extent. Sentry Life of New York retains nearly all of its direct writings. As of December 31, 2018, the statutory basis audited financial statements of Sentry Life of New York reported assets of $114,674,144, liabilities of $104,337,755, surplus of $10,336,390, and net income of $513,599. Sentry Life of New York was examined concurrently with Sentry Life as of December 31, 2018, and the results of that examination are expressed in a separate report issued by the New York Department of Financial Services.

Noninsurance Subsidiaries and Affiliates

Sentry Equity Services, Inc.

Sentry Equity Services, Inc. (SESI), organized as a Delaware corporation on May 9, 1969, is a registered broker-dealer under the Securities Exchange Act of 1934. The corporation's securities operations are limited to the sale and redemption of redeemable securities issued by registered investment companies. SESI acts as the distributor of Sentry Life's and Sentry Life of New York's Variable Annuity and Variable Universal Life products through Sentry Insurance's direct writer registered representatives. Sentry Life no longer sells individual variable annuity or universal life products; however, SESI administers the products that are currently in force. As of December 31, 2018, SESI's audited GAAP financial statements reported assets of $136,853, liabilities of $68,391, and stockholder's equity of $68,462. Operations for 2018 produced net income of $10,813.

Sentry Investment Management, L.L.C.

Sentry Investment Management, L.L.C. (SIML), a Delaware corporation organized on June 13, 1969, manages the investment portfolios of Sentry Insurance and its affiliates, subject to the direction of their respective boards of directors. In 2007, the corporation changed its status to a limited liability corporation. As of December 31, 2018, SIML's unaudited financial statements reported assets of $200,945, liabilities of $59,345, and stockholder's equity of $141,600. Operations for 2018 produced no net income or loss. SIML is a wholly owned subsidiary of Sentry Insurance.

Affiliated Agreements

Sentry Life has no employees of its own and all of its operations are conducted by employees of its parent organization, Sentry Insurance, in accordance with the business practices and internal controls of that organization. In addition to ongoing common management and control by this upstream affiliate, the company's operations are affected by various written agreements with Sentry Insurance Group affiliates. Reinsurance agreements are described in section V of the report titled "Reinsurance." A summary of the other agreements and undertakings follows.

Investment Advisory Agreement

Effective October 31, 1991, Sentry Insurance and certain named affiliates entered into an investment advisory agreement with Sentry Investment Management, L.L.C. This contract was amended and restated as of January 1, 2008, and as of September 12, 2011. Under this agreement, SIML is employed to manage and direct the investment and reinvestment of the assets of Sentry Insurance and certain named affiliates, subject to the control of those companies' board of directors. SIML agrees to comply with the companies' articles, bylaws, investment policies, and all applicable federal or state laws. SIML charges the companies a monthly fee computed as follows, annually not to exceed on average 25 basis points of the cash and invested assets reported on the companies' statutory annual statements:

One-twelfth (1/12) of an amount equal to the sum of (a), (b), and (c)

(a) Common stocks, excluding those of affiliates:
0.50% ($5.00 per $1,000) of market value;

(b) Bonds and preferred stocks, excluding those of affiliates:
0.15% ($1.50 per $1,000) of market value; and

(c) All other assets, excluding those of affiliates:
0.75% ($7.50 per $1,000) of market value

In addition, for any investment advisory services provided by SIML at the request of the companies, SIML is to be reimbursed for actual costs of rendering such services. Settlements are to be made within 60 days of the end of the month.

The contract may be terminated by any of the parties with 60 days' written notice.

Joint Investment Agreement

Effective October 1, 1996, the company entered into an amended and restated joint investment agreement with various affiliates to establish the Sentry Liquid Asset Partnership (SLAP), a joint venture organized pursuant to the Wisconsin Uniform Partnership Act. This agreement has been amended and restated to add or delete companies as needed. Sentry Insurance is designated as the managing partner, though the agreement permits a change by a majority decision of the participants. A participant may withdraw from the joint venture upon the delivery of a written notice to the managing partner. The joint venture shall dissolve at such time as only one participant remains in the joint venture. The terms of this agreement are continuous; however, all parties to the agreement are required to review and negotiate the agreement no less than once every three years.

The business of the joint venture consists of investing and reinvesting funds contributed by the members in short-term obligations of banks, corporations, and the U.S. federal government with a maximum duration of 12 months. It functions in a manner analogous to a short-term bond mutual fund. Investment advisory services are provided by Sentry Investment Management, L.L.C. This office has directed all Wisconsin-domiciled Sentry companies to report their respective balances in SLAP as a one-line entry on Schedule DA – Part 1 (Short-Term Investments) and Schedule E –

Part 2 (Cash Equivalents). In 2018, Sentry Life reported no SLAP short-term investments and $2,943,922 in SLAP money market mutual funds. Sentry Life received $325,777 interest from the SLAP money market mutual funds.

Tax Allocation Agreement

On February 22, 1983, the Sentry Insurance board of directors adopted a written federal income tax allocation policy for the purpose of filing federal income tax returns on a consolidated basis. This agreement has been amended and restated to add or delete companies as needed. The latest amended and restated agreement is effective March 1, 2009, and was amended to comply with requirements of the New York Circular Letter 1979-33 (relates to tax allocation agreements of New York-domestic insurers) because Sentry Life Insurance Company of New York is a party to this agreement. Under this agreement, Sentry Insurance prepares and files a consolidated U.S. federal income tax return that includes all affiliates of the holding company group. The agreement sets forth the rights and obligations of the parties to the agreement with respect to the determination and settlement of federal income tax liabilities as well as the allocation of Sentry Insurance Group's consolidated U.S. federal income tax liability and tax benefits in accordance with a rational, systematic formula. The agreement provides for computation of tax, settlement of balances between affiliates, tax sharing, filing the return, audits and other adjustments, and other administrative requirements. The agreement calls for the settling of estimated U.S. federal tax payments within 45 days of filing of those payments. The final settlement is due within 45 days of the filing of the consolidated U.S. federal tax return. The agreement has a provision for members entering or departing the group and provides for successors.

General Expense Allocation Agreement

In 1993, the insurance companies of the Sentry Insurance Group entered into a written general expense allocation agreement. The agreement formalized the parties' consent to an accounting allocation process that had been in place since 1982. This agreement has been amended and restated to add or delete companies as needed. Under the agreed procedure, expenses are first grouped and assigned to cost pools, each of which is distinguished by one or more of four characteristics, including activity, location, profit center, and division. Expenses, once assigned to cost pools, are then allocated to specific insurance products. An expense is not assigned to a specific legal entity until after it is coded to a cost pool and then to a specific product unless the destination (profit center, line of business, or legal entity) is known when the expense is originally recorded. Allocation at each phase of this process, outlined here in simplified form, is based on specific identification, utilization estimates developed from such criteria as premium or claim volume, time studies, or other rational means of distribution.

Intercompany Settlement Policy

The intercompany settlement policy between Sentry Insurance and its affiliates was last amended and restated effective July 1, 2014. This agreement has been amended and restated several times to add or delete companies as necessary. According to the terms of this agreement, Sentry Insurance's cash management department settles intercompany balances, in SLAP where possible, based on policies and procedures listed in the agreement for monthly and annual settlements. Other settlements under the agreement include reinsurance balances, which are to be settled according to the terms contained in the reinsurance agreements, and income tax related balances, which are to be settled in accordance with the terms outlined in the intercompany tax allocation agreement mentioned previously. There is also a clause that establishes procedures for those parties that do not have adequate funds available to settle intercompany debt.

Service Agreement

Sentry Insurance has established a service agreement with Sentry Life, effective January 1, 2008. Under this agreement Sentry Insurance is to provide essentially all services required for Sentry Life's business operations. Expenses relating to the services provided under this agreement are to be allocated to the company by Sentry Insurance through the general expense allocation agreement (described earlier in this section of the report). Services may be terminated by either party by 30 days' written notice or at any time by mutual consent.

Experience Return Reserve and Claim Stabilization Reserve Agreements

Sentry Insurance has established three separate agreements with Sentry Life Insurance Company to adjust premiums on policies it purchases from Sentry Life, based on experience and/or to smooth out fluctuations in claims experience from year to year that affect premium adjustment calculations. One of the agreements relates to a group life insurance policy for the Sentry Insurance Group's employees, sponsored by Sentry Insurance and insured by Sentry Life, effective January 1, 2013. The second agreement relates to group long-term disability and group travel accident insurance for the Sentry Insurance Group's employees, sponsored by Sentry Insurance and insured by Sentry Life, effective January 1, 2013. The third agreement relates to an extended group life insurance policy for the Sentry Insurance Group's employees, sponsored by Sentry Insurance and insured by Sentry Life, effective January 1, 2013.

Under these agreements, the parties have agreed that the premiums for the insurance policies mentioned above are to be adjusted to reflect their respective experiences. For the group life, group long-term disability, and group travel accident policies, Sentry Insurance is required to fund a claim stabilization reserve, which also affects the experience calculation. The claim stabilization reserves range from 20% to 100% of the annual premiums, dependent on the line of business. Either party may terminate this agreement giving the other party 30 days' written notice.

Investment Advisory Agreements (on behalf of its separate accounts)

The company entered into four separate investment advisory agreements with Sentry Investment Management, L.L.C., effective on various dates; the latest amendment to the agreements is effective May 17, 2013, and reflects the conversion of SIML to a limited liability corporation. Under this agreement, SIML is employed to manage and direct the investment and reinvestment of the assets of Sentry Life's separate accounts, entities formed pursuant to s. 611.25, Wis. Stat., subject to the control of the company. SIML agrees to comply with the company's investment policies for its separate accounts and all applicable federal or state laws. SIML charges the company an annual fee computed by taking a percentage of the daily net assets of each of the named separate accounts grouped by agreement, which ranged from 5 to 40 basis points. In addition, for any investment advisory services provided by SIML at the request of the company for its separate accounts, SIML is to be reimbursed for actual costs for rendering such services. Settlements are to be made within 15 days of the end of the month. Sentry Life guarantees maintenance of minimum capitalization necessary to meet the requirements of the Securities Exchange Act of 1934. The contract may be terminated by either party with 60 days' written notice.

Broker-Dealer Agreement

Effective August 1, 1984, Sentry Life has established a broker-dealer agreement with Sentry Equity Services, Inc., which was amended and restated once effective December 31, 2003. Under this agreement, Sentry Life employs SESI to act as its broker-dealer for all variable annuity contracts written by the company which require distribution under the auspices of a registered broker-dealer. Sentry Life, under this agreement, is to maintain records and accounting books relating to the variable annuity contracts, pay commissions to agents writing the variable annuity business, provide SESI with adequate capital to meet capital requirements under the Securities and Exchange Act of 1934, pay all expenses incurred by SESI on behalf of services provided Sentry Life, and provide SESI with facilities and personnel to carry out its day-to-day operations. Sentry Life no longer sells individual variable annuity contacts; however, SESI administers the products that are currently in force. Either party may terminate the agreement by written notice.

Principal Underwriter's Agreements

Sentry Life Insurance Company entered into two separate principal underwriter's agreements with Sentry Equity Services, Inc., relating to the distribution of the company's flexible premium variable life insurance policies and variable annuity contracts by SESI, effective February 28, 1986, and May 1, 1984, respectively. Both agreements were amended and restated effective December 31, 2003. Under these agreements, SESI is given the exclusive right to sell flexible premium variable life insurance policies and variable annuity contacts through the Sentry Variable Life Account I and Sentry Variable Account II, respectively; SESI will pay direct agent commissions out of its compensation from Sentry Life. Sentry Life no longer sells individual variable annuity or universal life products; however, SESI administers the products that are currently in force. SESI is to receive compensation for distribution services provided under these agreements as follows:

> Flexible premium variable life insurance policies – A compensation rate ranging from 105% to 115% based on all commissions and overwrites attributable to policy premiums accepted; and
>
> Variable annuity contracts – 2.5% for house accounts and 4.7% for direct writer accounts.

Either party may terminate the agreement by 60 days' written notice.

V. REINSURANCE

The company's reinsurance portfolio and strategy are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Affiliated Ceding Contracts

1.	Type:	100% Quota Share
	Reinsurer:	Sentry Insurance a Mutual Company
	Scope:	All business written and assumed by the company classified as group accident and health excluding group long-term disability, blanket travel accident and dental coverage on certain named policies.
	Retention:	None
	Coverage:	100% of losses and any or all other expenses incurred by or assessed against the reinsured arising from business covered by this contract
	Effective date:	December 31, 1986, amended and restated January 1, 2012, and is continuous
	Termination:	Either party may terminate with 90 days' prior written notice to any anniversary date.

Affiliated Assuming Contracts

1.	Type:	Individual Medical Conversion Plans
	Reinsured:	Sentry Life Insurance Company of New York
	Scope:	All business written and assumed by Sentry Life classified as Individual Medical Conversion Plans
	Retention:	$100,000 per covered person per calendar year
	Coverage:	100% of Sentry Life's paid claims in excess of $100,000 per covered person per calendar year retention
	Effective date:	January 1, 2012, and is continuous
	Termination:	Either party may terminate with 90 days' prior written notice to any anniversary date.
2.	Type:	Automatic and Facultative Yearly Renewable Term
	Reinsured:	Sentry Life Insurance Company of New York
	Scope:	Individual ordinary life and accidental death coverage

Retention: Retention rates are as follows:

Risk Class	Ages	Amount
Standard – Table D	0-60	$50,000
	61+	50,000
Tables E-H	0-60	35,000
	61+	25,000
Tables J-P	0-60	25,000
	61+	10,000

Coverage: 100% of death benefits in excess of the reinsured's retention

Effective date: January 1, 1973, and amended 12 times with the most recent amendment effective January 1, 1996. This agreement is continuous.

Termination: By either party with three months' written notice

Non-Affiliated Ceding Contracts

Sentry Life of New York cedes individual life on an excess basis to Sentry Life, as previously outlined in this section of the examination report in the Affiliated Assuming Contract subsection. Sentry Life of New York retains up to $50,000 of life and/or accidental death benefits; Sentry Life retains the next $200,000 and then cedes the remaining risks to Canada Life Assurance Company under yearly renewable term and coinsurance excess of loss agreements.

The company has shifted its writing of new business toward its Patriot Term products. Patriot Term are level benefit term life products with multiple guaranteed level premium duration options. Sentry Life has established two distinct reinsurance programs, one for its Patriot Term policies and one for all other policies it writes, each of which distinguishes ceding risk by categorizing business between policies covering Sentry Group employees (Sentry) and non-Sentry Group employees (Non). The following is a chart depicting the reinsurance.

Patriot Term Policies	**All Other Term Policies**
<u>Facultative Cessions (in 000s)</u> $5,000 excess of $5,000 - Non $5,000 excess of $5,000 - Sentry	<u>Facultative Cessions (in 000s)</u> $7,000 excess of $3,000 - Non $7,000 excess of $3,000 - Sentry
<u>Automatic Cessions (in 000s)</u> 100% excess company's maximum retention up to $5,000 - Non & Sentry	<u>Automatic Cessions (in 000s)</u> $2,100 excess of $900 - Non $2,600 excess of $400 - Sentry
<u>Quota Share</u> QS% to company's maximum retention - Non & Sentry	<u>50% Quota Share (000s)</u> 50% of $800 excess of $100 - Non 50% of $300 excess of $100 - Sentry

Patriot Term Policies	**All Other Term Policies**
Company's Maximum Retention	Company's Maximum Retention
\$500,000 - Non	\$500,000 - Non
\$250,000 - Sentry	\$250,000 - Sentry

The company cedes 100% of its accidental death risk liabilities covered under its term policies (Patriot Term and Non-Patriot Term) to SCOR Global Life USA Reinsurance Company.

Sentry Life's reinsurance for group life policies is an excess of loss program under which the company is covered for \$2,850,000 in excess of its retention of \$150,000 for each policy written covering a Sentry employee and \$500,000 in excess of \$150,000 for non-Sentry employees' policies. The reinsurance treaty is with RGA Reinsurance Company.

Sentry Life's reinsurance program for group disability policies consists of ceding risks under a 50% quota share agreement with Reliance Standard Life Insurance Company and has a maximum coverage limit of \$60,000 on risks.

The company no longer writes new universal life policies; however, due to a guaranteed insurable rider in the provisions of some of those policies, Sentry Life needed a means to cede increases in coverage. Therefore, the company amended its automatic reinsurance agreement with Munich American Reassurance Company to cover universal life policies written on and after January 1, 2005, with the guaranteed insurable rider provision. Under this agreement, the company is covered for increases in universal life coverage in excess of its retention of \$250,000.

All coverages are placed with reinsurers directly by Sentry Life. A review of the reinsurers participating under these agreements showed that all are companies licensed or authorized to do business in Wisconsin. It was also found that the company adequately reviews security rankings of all reinsurers it directly places business with.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2018, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Sentry Life Insurance Company
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$2,596,934,666	$0	$2,596,934,666
Stocks:			
Common stocks	10,336,390		10,336,390
Cash, cash equivalents, and short-term investments	2,996,998		2,996,998
Contract loans	10,722,627		10,722,627
Receivables for securities	4		4
Investment income due and accrued	36,073,495		36,073,495
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	284,972		284,972
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	6,838,196		6,838,196
Reinsurance:			
Amounts recoverable from reinsurers	573,195		573,195
Funds held by or deposited with reinsured companies	100,000		100,000
Current federal and foreign income tax recoverable and interest thereon	6,425,896		6,425,896
Net deferred tax asset	4,607,170		4,607,170
Guaranty funds receivable or on deposit	626,336		626,336
Receivable from parent, subsidiaries and affiliates	14		14
Write-ins for other than invested assets:			
Funds in transit	561,225		561,225
Total assets excluding separate accounts, segregated accounts and protected cell assets	2,677,081,183	0	2,677,081,183
From separate accounts, segregated accounts and protected cell assets	4,341,812,154		4,341,812,154
Total Assets	$7,018,893,337	$0	$7,018,893,337

Sentry Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Aggregate reserve for life contracts		$2,313,548,314
Aggregate reserve for accident and health contracts		4,962,403
Liability for deposit-type contracts		2,371,349
Contract claims:		
Life		2,144,637
Accident and health		33,380
Provision for policyholders' dividends and coupons payable in following calendar year:		
Not yet apportioned		142,480
Contract liabilities not included elsewhere:		
Surrender values on canceled policies		565,073
Provision for experience rating refunds		6,174,631
Other amounts payable on reinsurance		1,012,648
Interest maintenance reserve		8,124,079
Commissions to agents due or accrued		2,000
General expenses due or accrued		1,901,473
Transfers to separate accounts due or accrued (net)		(151,214)
Taxes, licenses, and fees due or accrued, excluding federal income taxes		(430,446)
Amounts withheld or retained by company as agent or trustee		147,928
Remittances and items not allocated		1,279,960
Miscellaneous liabilities:		
Asset valuation reserve		13,044,067
Payable to parent, subsidiaries and affiliates		27,181,096
Write-ins for liabilities:		
Escheat Funds		457,291
VUL Policy Loans Liability		250,682
Total liabilities excluding separate accounts business		2,382,761,831
From separate accounts statement		4,340,310,025
Total Liabilities		6,723,071,856
Common capital stock	$ 3,161,780	
Gross paid in and contributed surplus	43,719,081	
Unassigned funds (surplus)	248,940,620	
Total Capital and Surplus		295,821,481
Total Liabilities, Capital and Surplus		$7,018,893,337

Sentry Life Insurance Company
Summary of Operations
For the Year 2018

Premiums and annuity considerations for life and accident and health contracts		$795,700,821
Net investment income		140,212,573
Amortization of interest maintenance reserve		1,458,742
Commissions and expense allowances on reinsurance ceded		3,827,282
Miscellaneous income:		
Income from fees associated with investment management, administration, and contract guarantees from separate accounts		19,332,267
Write-ins for miscellaneous income:		
Administration Fees - Other		7,674,107
Surrender Charges		29,612
Total income items		968,235,403
Death benefits	$ 14,853,243	
Matured endowments	57,822	
Annuity benefits	81,685,282	
Disability benefits and benefits under accident and health contracts	1,235,405	
Surrender benefits and withdrawals for life contracts	514,715,644	
Interest and adjustments on contract or deposit-type contract funds	103,872	
Payments on supplementary contracts with life contingencies	22,470	
Increase in aggregate reserves for life and accident and health contracts	(101,375,414)	
Subtotal	511,298,325	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	9,450,124	
Commissions and expense allowances on reinsurance assumed	238	
General insurance expenses	41,945,956	
Insurance taxes, licenses, and fees excluding federal income taxes	3,879,652	
Increase in loading on deferred and uncollected premiums	(23,772)	
Net transfers to or (from) separate accounts net of reinsurance	366,724,690	
Write-in for deductions:		
VUL Policy Loan Liability	10,723	
Fines and Penalties	817	
Total deductions		933,286,754
Net gain (loss) from operations before dividends to policyholders and federal income taxes		34,948,649
Dividends to policyholders		124,246

Net gain (loss) from operations after dividends to policyholders and before federal income taxes	34,824,403
Federal and foreign income taxes incurred (excluding tax on capital gains)	(395,467)
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses	35,219,870
Net realized capital gains or (losses)	(2,890,412)
Net Income	$ 32,329,458

Sentry Life Insurance Company
Cash Flow
For the Year 2018

Premiums collected net of reinsurance			$792,004,124
Net investment income			146,686,054
Miscellaneous income			30,863,267
Total			969,553,445
Benefit- and loss-related payments		$614,226,341	
Net transfers to separate accounts, segregated accounts and protected cell accounts		366,638,454	
Commissions, expenses paid, and aggregate write-ins for deductions		54,103,102	
Dividends paid to policyholders		142,968	
Federal and foreign income taxes paid (recovered)		9,222,501	
Total deductions			1,044,333,367
Net cash from operations			(74,779,921)
Proceeds from investments sold, matured, or repaid:			
Bonds	$438,058,858		
Miscellaneous proceeds	121,502		
Total investment proceeds		438,180,360	
Cost of investments acquired (long-term only):			
Bonds		391,252,363	
Net increase (or decrease) in contract loans and premium notes		(254,003)	
Net cash from investments			47,182,000
Cash from financing and miscellaneous sources:			
Net deposits on deposit-type contracts and other insurance liabilities		202,502	
Dividends to stockholders		206,251	
Other cash provided (applied)		11,996,405	
Net cash from financing and miscellaneous sources			11,992,656
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			(15,605,265)
Cash, cash equivalents, and short-term investments:			
Beginning of year			18,602,263
End of year			$ 2,996,998

Sentry Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2018

Assets			$7,018,893,337
Less security surplus of insurance subsidiaries			2,800,000
Less liabilities			6,723,071,856
Adjusted surplus			293,021,481
Annual premium:			
Group life and health	21,379,190		
Factor	10%		
Total		$ 2,137,919	
Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds		57,956,223	
Compulsory surplus (subject to a $2,000,000 minimum)			60,094,142
Compulsory Surplus Excess (Deficit)			$ 232,927,339

Adjusted surplus (from above)	$293,021,481
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum of 110%)	70,310,146
Security Surplus Excess (Deficit)	$ 222,711,335

Sentry Life Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2018

The following schedule details items affecting the company's total capital and surplus during the period under examination as reported by the company in its filed annual statements:

	2018	2017	2016	2015	2014
Capital and surplus, beginning of year	$272,885,619	$262,971,763	$268,814,136	$271,389,360	$272,534,120
Net income	32,329,458	27,980,392	21,268,534	13,564,011	26,743,253
Change in net unrealized capital gains/losses		(34,762)	(115,496)	(75,238)	38,497
Change in net deferred income tax	346,021	(4,661,815)	(11,583)	3,266,495	(1,268,727)
Change in nonadmitted assets and related items	228,127	(10,242)	(16,545)	1,443,655	2,017,320
Change in asset valuation reserve	(128,911)	(3,515,451)	(2,549,582)	4,249,819	(2,702,285)
Change in treasury stock					
Surplus (contributed to) withdrawn from separate accounts	(264,115)	(242,085)	(12,597)	(69,798)	48,311
Other changes in surplus in separate accounts statement	187,170	397,819	94,897	45,832	(21,129)
Dividends to stockholders	(10,000,000)	(10,000,000)	(24,500,000)	(25,000,000)	(26,000,000)
Capital and Surplus, End of Year	$295,821,481	$272,885,619	$262,971,763	$268,814,136	$271,389,360

Sentry Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2018

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. There were no unusual results.

	Ratio	2018	2017	2016	2015	2014
#1	Net change in capital & surplus	8%	4%	-2%	-1%	-0%
#2	Gross change in capital & surplus	8	4	-2	-1	-0
#3	Net income to total income	3	3	2	2	4
#4	Adequacy of investment income	140	139	139	138	136
#5	Non-admitted to admitted assets	0	0	0	0	0
#6	Total real estate & mortgage loans to cash & invested assets	0	0	0	0	0
#7	Total affiliated investments to capital & surplus	3	4	4	4	4
#8	Surplus relief	1	2	2	2	2
#9	Change in premium	5	8	5	18	12
#10	Change in product mix	0.2	0.1	0.1	0.2	0.3
#11	Change in asset mix	0.1	0.0	0.0	0.1	0.0
#12	Change in reserving	12	-1	-3	-5	0

Growth of Sentry Life Insurance Company

Year	Admitted Assets	Liabilities	Capital and Surplus
2018	$7,018,893,337	$6,723,071,856	$295,821,481
2017	6,958,148,075	6,685,262,456	272,885,619
2016	6,092,874,171	5,829,902,408	262,971,763
2015	5,560,232,504	5,291,418,368	268,814,136
2014	5,333,589,502	5,062,200,142	271,389,360
2013	4,909,669,593	4,637,135,473	272,534,120

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2018	$22,751,171	$772,749,646	$0
2017	26,892,254	724,087,612	0
2016	27,770,900	668,554,396	0
2015	27,746,691	633,113,222	0
2014	28,745,005	529,370,965	0
2013	29,104,665	472,750,553	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2018	$5,325,799	$2,333,188	$2,992,611
2017	6,487,511	2,520,161	3,967,350
2016	6,881,557	2,405,525	4,476,032
2015	6,908,422	2,383,062	4,525,360
2014	7,039,300	2,339,905	4,699,395
2013	7,057,745	2,265,921	4,791,824

Accident and Health

Year	Net Premiums Earned	Incurred Claims and Cost Containment Expenses*	Commissions Incurred	Other Expenses Incurred**	Combined Loss and Expense Ratio
2018	$ 3,738	($2,696,535)	($1,952,302)	$2,264,898	-63,783.6%
2017	1,064,575	1,434,488	(2,948,805)	3,371,001	174.4
2016	(301,118)	33,456	(3,001,722)	3,409,876	-146.6
2015	243,073	700,955	(3,112,553)	3,496,687	446.4
2014	(612,372)	(81,441)	(3,296,001)	3,632,062	-54.9
2013	63,723	698,402	(3,148,958)	3,537,152	1,705.2

* Includes increase in contract reserves
** Includes taxes, licenses, and fees

Capital and surplus increased 9% during the five years under examination. Sentry Life has paid stockholder dividends to Sentry Insurance totaling $95.5 million over the last five years, which limited its capital and surplus growth.

Sentry Life primarily writes group annuities, which accounted for 96% of direct premiums written in 2018. Net premium has grown each year over the last five years due to increased group annuity 401(k) deposits and ancillary individual annuity, group life, and group accident and health growth. In 2017, Sentry Life announced that it would discontinue renewing group life, group dental, and group disability products beginning in 2018, though the financial statement impact has been immaterial.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2018, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Actuarial Examination—It is recommended that the company include a thorough description of the assets tested, including a risk profile disclosing the quality, distribution, and types of assets used in the cash flow testing in all future actuarial memoranda pursuant to s. Ins 50.79 (2), Wis. Adm. Code.

   Action—Compliance.

Summary of Current Examination Results

There were no adverse or material examination findings as a result of the current examination of the company.

VIII. CONCLUSION

Sentry Life's reported capital and surplus has increased from $272 million as of year-end 2013 to $296 million as of year-end 2018. This represents an increase of 9% during the period under examination. Group annuities, primarily Sentry Life's 401(k) products, make up 96% of Sentry Life's direct premiums written in 2018. Sentry Life reported $4.3 billion in Separate Accounts for its individual employees' personal retirement savings, which are invested in a wide range of mutual funds, some of which may be managed by Sentry affiliates. Operating earnings were profitable each of the last five years primarily due to steady investment income.

The current examination resulted in no recommendations and did not make any reclassification of account balances or adjustments to surplus as reported by the company in its year-end 2018 statutory financial statements

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

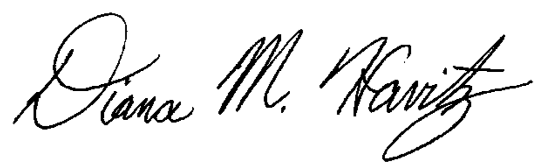
X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	**Title**
Nicholas Barsuli	Insurance Financial Examiner
Nicholas Feyen	Insurance Financial Examiner
Kenton Harrison	Insurance Financial Examiner
Thomas Hilger, AFE	Insurance Financial Examiner
Judith Michael	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Diana M. Havitz
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization (WHO) declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. This office is expecting the COVID-19 outbreak to impact a wide range of insurance products, resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. OCI and all insurance regulators with the assistance of the National Association of Insurance Commissioners are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. OCI has been in communication with the Sentry Insurance Group regarding the impact of COVID-19 on business operations and the financial position of Sentry Life, and no immediate action was deemed necessary at the time of this report.