

Report of the Examination of  
Parker Centennial Assurance Company  
Stevens Point, Wisconsin  
As of December 31, 2023

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Wisconsin Office of the  
**COMMISSIONER OF INSURANCE**  
**FINANCIAL REGULATION**

Tony Evers, Governor of Wisconsin  
Nathan Houdek, Commissioner of Insurance

March 7, 2025

Honorable Nathan D. Houdek  
Commissioner of Insurance  
State of Wisconsin  
101 East Wilson Street  
Madison, Wisconsin 53703

Commissioner:

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

PARKER CENTENNIAL ASSURANCE COMPANY  
Stevens Point, Wisconsin

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Parker Centennial Assurance Company (the company) was conducted in 2019 and 2020 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of Sentry Insurance Company (SIC) and its subsidiaries and affiliates, including affiliated companies domiciled in Texas and New York, with Wisconsin acting in the capacity as the lead state for the coordinated examination. Representatives of Texas and New York 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.

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 completing 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 the company's aggregate life reserves for group annuities. 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 organized in 1956, under the laws of Arizona, as Western Reserve Life Insurance Company. In 1970, the company's name was changed to Acceleration Life Insurance Company of Arizona. In 1973, Acceleration Life Insurance Company of Arizona merged into an Ohio-domiciled corporation, Acceleration Life Insurance Company (ALIC), which was incorporated in Ohio on January 8, 1973, and commenced business on August 31, 1973.

The company has been the acquiring party in a succession of mergers during its history, including G & J Life Company and Halleen National Life Insurance Company in 1984, Midwest Credit Insurance Company in 1985, Acceleration Life Insurance Company of Indiana in 1986, Northern Great Lakes Life Insurance Company in 1987, and Acceleration Life Insurance Company of Pennsylvania in 1988.

Lyndon Life Insurance Company acquired ALIC effective December 31, 1997, and on January 20, 2000, Protective Life Corporation acquired the Lyndon Insurance Group.

Sentry Insurance a Mutual Company, (SIAMCO), acquired ALIC from Lyndon Life Insurance Company, a subsidiary of Protective Life Corporation, by means of a stock purchase agreement dated December 20, 2003, which closed March 19, 2004, with the company becoming a wholly owned subsidiary of the Sentry Insurance Group (the group) through SIAMCO. The company re-domesticated to Wisconsin, and its name was changed to Parker Centennial Assurance Company effective August 11, 2004.

Effective January 1, 2021, the group underwent a mutual holding company conversion. As part of this conversion, a new mutual holding company, Sentry Mutual Holding Company (SMHC) was formed. SIAMCO was renamed to Sentry Insurance Company (SIC) and converted to a stock insurer, issuing 100% of its voting stock to the newly formed intermediate holding company Sentry Holdings Inc. (SHI).

In 2023, the company collected direct premiums in the following states:

Wisconsin	<u>\$4,609,124</u>	<u>100.0%</u>
Total	<u>\$4,609,124</u>	<u>100.0%</u>

The company is licensed in the District of Columbia and all states except New York.

The company exclusively writes group single premium immediate annuities to fund structured settlements originating within the group. The company's product is not marketed outside of the group. The amount of annual annuity considerations received varies significantly from year to year and is dependent on the volume of structured settlements that are made by affiliates with settling parties each year. Prior to the acquisition of the company by the group, the company wrote a nominal amount of credit life and credit accident and health business, which was ceded under a 100% coinsurance treaty to Protective Life Insurance Company. This business has since been fully run off, and the coinsurance treaty is no longer in effect. The company holds no reserves for any business except for group annuities. The following chart is a summary of premium income as reported by the company in 2023. The growth of the company is discussed in the "Financial Data" section of this report.

<b>Premium Income</b>				
<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Group Immediate annuities	<u>\$4,609,124</u>	<u>\$</u>	<u>\$</u>	<u>\$4,609,124</u>
Total All Lines	<u>\$4,609,124</u>	<u>\$</u>	<u>\$</u>	<u>\$4,609,124</u>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The company's board of directors (the board) consists of five members, who are elected to serve one-year terms during the company's annual shareholders' meeting.

Currently, the board consists of the following persons:

Name	Principal Occupation	Term Expires
Peter G. McPartland	Chairman of the Board and Chief Executive Officer and President, Sentry Mutual Holding Company	2025
Timothy K. Kovac	Vice President, General Counsel and Corporate Secretary, Sentry Mutual Holding Company	2025
James E. McDonald	Vice President, Sentry Mutual Holding Company	2025
Sean R. Nimm	Vice President and Chief Actuary, Sentry Mutual Holding Company	2025
Todd M. Schroeder	Vice President, Chief Financial Officer and Treasurer, Sentry Mutual Holding Company	2025

#### Officers of the Company

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

Name	Office
John J. Hyland	President
Sean R Nimm	Vice President
Timothy K. Kovac	Secretary
Paul M. Gwidt	Treasurer

#### Committees of the Board

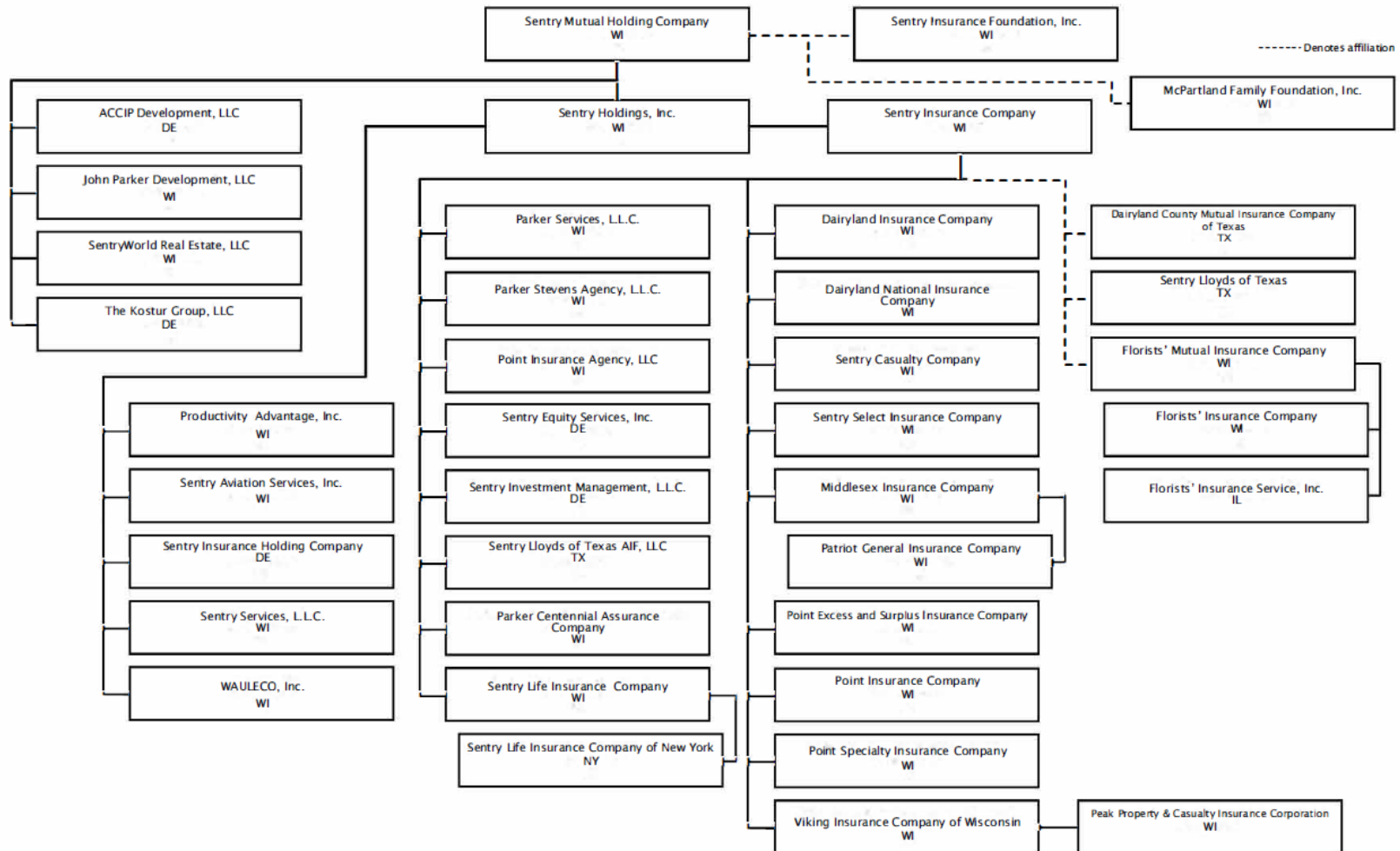
The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees appointed by the board at the time of the examination.



#### **IV. AFFILIATED COMPANIES**

The company, as a member of the group, is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of affiliates deemed significant follows the organizational chart.

# Organizational Chart As of December 31, 2023



### **Sentry Mutual Holding Company**

SMHC is a Wisconsin-domiciled mutual holding company and the ultimate controlling party of the group. SMHC was formed on January 1, 2021, as part of the group's mutual holding company conversion. As of December 31, 2023, the statutory basis consolidated audited financial statements of SMHC and subsidiaries and affiliates reported total assets of \$25 billion, liabilities of \$17 billion, and policyholders' surplus of \$8 billion. Operations for 2023 produced a net income of \$338 million.

### **Sentry Holdings, Inc**

Sentry Holdings, Inc (SHI) is a Wisconsin-domiciled intermediate holding company. SHI was incorporated on January 1, 2021, and is a wholly owned subsidiary of SMHC. SHI is SIC's direct parent, holding 100% of SIC's voting shares of stock.

### **Sentry Insurance Company**

SIC is a Wisconsin-domiciled stock insurer. SIC is licensed in 50 states and the District of Columbia and provides property and casualty insurance. All insurance-producing and insurance ancillary affiliates of the group, including the company, are subsidiaries and affiliates of SIC. SIC was incorporated on June 10, 1903, as Hardware Dealers Mutual Fire Insurance Company of Wisconsin (HDMFIC) and commenced business on April 8, 1904. In 1971, HDMFIC changed its name to SIAMCO. Effective January 1, 2021, the group underwent a mutual holding company conversion. As part of this conversion, SMHC was formed. SIAMCO transferred ownership in five non-insurance entities to SMHC, was renamed to SIC, and converted to a stock insurer, issuing 100% of its voting stock to the newly formed intermediate holding company SHI. As of December 31, 2023, the financial statements of SIC reported net admitted assets of \$12.4 billion, liabilities of \$4.4 billion, and policyholders' surplus of \$8 billion. Operations for 2023 produced a net income of \$371 million.

### **Sentry Life Insurance Company**

Sentry Life Insurance Company (SLIC) is a Wisconsin-domiciled life insurer organized on October 23, 1958, and is a wholly owned subsidiary of SIC. Premiums are derived from the sale of group accident and health insurance products, individual and group life insurance, and annuities. SLIC cedes its group accident and health business to Sentry Insurance under a 100% quota share agreement. SLIC is licensed in the District of Columbia and all states except New York. Effective on February 19, 1998, the

group guaranteed the payment obligations of SLIC to fund structured settlements originating from affiliates in the group through annuity contracts

As of December 31, 2023, the statutory basis audited financial statements of SLIC reported assets of \$9.6 billion, liabilities of \$9.2 billion, capital and surplus of \$386 million, and a net income of \$37 million.

### **Agreements with Affiliates**

The company has no employees of its own. All of the company's operations are conducted by employees of SIC, in accordance with SIC's practices and internal controls. In addition to ongoing common management and control by its parent, the company's operations are affected by various written agreements between the group's subsidiaries and affiliates.

### **Intercompany Administrative Services Agreement**

The company became party to the group's Intercompany Administrative Services Agreement effective July 1, 2020. According to the Intercompany Administrative Services Agreement, SIC provides reasonably necessary services to its subsidiaries and affiliates, which include executive, corporate strategy, business development, legal, corporate governance, product management, product development, premium collection, underwriting, marketing, customer sales, customer service, policy administration, billing, claims, reserving, sourcing and procurement, human resources, business integration, communications, strategic data and analytics, financial, investment management, cash management, enterprise risk, reinsurance, internal audit, licensing, compliance, physical security, information security, and information technology services. Subsidiaries and affiliates party to the agreement may also provide reasonably necessary goods and services to SIC or other subsidiaries or affiliates when requested by SIC. Service recipients are charged with an allocable share of SIC's actual costs incurred, or with the fair value of goods or services provided

### **Tax Allocation Agreement**

The company is party to the group's Tax Allocation Agreement. On February 22, 1983, the group's 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 includes a provision for the addition or removal of members, including naming successors, and has been amended and restated to add or

remove companies as needed. The latest amended and restated agreement is effective September 28, 2021. Under this agreement, the group 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 the group's consolidated U.S. federal income tax liability and tax benefits. 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.

### **Joint Investment Agreement**

Effective October 1, 1996, the group entered into an amended and restated joint investment agreement 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 reflect current practices and to add or remove companies as needed. The company is party to the group's Eighth Amended and Restated Joint Investment Agreement, which is effective March 1, 2009, between SIC and certain subsidiaries and affiliates (collectively, the "Joint Venturers"). The business of the joint venture consists of investing and reinvesting funds, contributed by the members, and are invested only in the following: short-term obligations of United States Federal agencies; commercial paper issued by or on behalf of territories and possessions of the United States, the District of Columbia, and states or their political subdivisions, agencies, and instrumentalities, including industrial development obligations. The maximum duration of these investments allowed by this agreement is 12 months, and investment advisory services are provided by SIC. The Wisconsin Office of the Commissioner of Insurance has directed all Wisconsin-domiciled members of the group 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). As of December 31, 2023, the company reported no SLAP short-term investments and \$2.3 million in SLAP money market mutual funds.

## **V. REINSURANCE**

The company has no ceding or assuming reinsurance contracts in force as of December 31, 2023.

## **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, 2023, 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 and the compulsory and security surplus calculation.

**Parker Centennial Assurance Company**  
**Assets**  
**As of December 31, 2023**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$101,273,122	\$	\$101,273,122
Cash, cash equivalents, and short-term investments	2,312,294		2,312,294
Investment income due and accrued	1,387,221		1,387,221
Net deferred tax asset	751,290	496,188	255,102
Write-ins for other than invested assets:			
Miscellaneous A/R	<u>57,060</u>	<u>          </u>	<u>57,060</u>
Total Assets	<u>\$105,780,987</u>	<u>\$496,188</u>	<u>\$105,284,799</u>

**Parker Centennial Assurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2023**

Aggregate reserve for life contracts		\$ 53,233,884
Contract liabilities not included elsewhere:		
Interest maintenance reserve		118,905
Current federal and foreign income taxes		191,256
Remittances and items not allocated		1,588,425
Miscellaneous liabilities:		
Asset valuation reserve		510,620
Payable to parent, subsidiaries and affiliates		341,673
Write-ins for liabilities:		
Escheat Funds		<u>25,999</u>
Total Liabilities		56,010,762
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	38,801,778	
Unassigned funds (surplus)	<u>7,972,259</u>	
Total Capital and Surplus		<u>49,274,037</u>
Total Liabilities, Capital and Surplus		<u>\$105,284,799</u>



**Parker Centennial Assurance Company**  
**Summary of Operations**  
**For the Year 2023**

Premiums and annuity considerations for life and accident and health contracts		\$4,609,124
Net investment income		4,981,133
Amortization of interest maintenance reserve		<u>21,288</u>
Total income items		9,611,545
Annuity benefits	\$4,339,763	
Increase in aggregate reserves for life and accident and health contracts	<u>1,555,054</u>	
Subtotal	5,894,817	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	184,365	
General insurance expenses and fraternal expenses	171,494	
Insurance taxes, licenses, and fees excluding federal income taxes	<u>14,375</u>	
Total deductions		<u>6,265,052</u>
Net gain (loss) from operations before dividends to policyholders, refunds to members, and federal income taxes		3,346,493
Net gain (loss) from operations after dividends to policyholders, refunds to members, and before federal income taxes		3,346,493
Federal and foreign income taxes incurred (excluding tax on capital gains)		<u>840,052</u>
Net gain (loss) from operations after dividends to policyholders, refunds to members, and federal income taxes and before realized capital gains or (losses)		2,506,441
Net realized capital gains or (losses)		<u>12,808</u>
Net Income (Loss)		<u>\$2,519,249</u>

**Parker Centennial Assurance Company**  
**Cash Flow**  
**For the Year 2023**

Premiums collected net of reinsurance		\$4,609,124
Net investment income		<u>5,000,834</u>
Total		9,609,958
Benefit- and loss-related payments	\$4,339,763	
Commissions, expenses paid, and aggregate write-ins for deductions	370,234	
Federal and foreign income taxes paid (recovered)	<u>763,437</u>	
Total deductions		<u>5,473,435</u>
Net cash from operations		4,136,524
Proceeds from investments sold, matured, or repaid:		
Bonds	\$3,649,675	
Cost of investments acquired (long-term only):		
Bonds	<u>\$7,023,358</u>	
Net cash from investments		(3,373,683)
Cash from financing and miscellaneous sources:		
Dividends to stockholders	1,500,000	
Other cash provided (applied)	<u>1,427,384</u>	
Net cash from financing and miscellaneous sources		<u>(72,616)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		690,224
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>1,622,069</u>
End of year		<u>\$2,312,294</u>

**Parker Centennial Assurance Company  
Compulsory and Security Surplus Calculation  
December 31, 2023**

Assets	\$105,284,799
Less liabilities	<u>56,010,762</u>
Adjusted surplus	49,274,037
Annual premium: Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds	<u>\$1,055,678</u>
Compulsory surplus (subject to a \$2,000,000 minimum)	<u>2,000,000</u>
Compulsory Surplus Excess (Deficit)	<u>\$ 47,274,037</u>
Adjusted surplus (from above)	\$ 49,274,037
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%)	<u>2,800,000</u>
Security Surplus Excess (Deficit)	<u>\$ 46,474,037</u>

**Parker Centennial Assurance Company**  
**Analysis of Surplus**  
**For the 5-Year Period Ending December 31, 2023**

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:

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Capital and surplus, beginning of year	\$48,341,633	\$47,861,402	\$47,664,043	\$47,430,485	\$47,092,063
Net income	2,519,249	2,093,377	1,774,547	1,592,351	1,889,420
Change in net deferred income tax	128,951	87,698	111,377	130,940	113,344
Change in nonadmitted assets and related items	(115,934)	(73,892)	(93,829)	(131,749)	(80,784)
Change in asset valuation reserve	(99,863)	(126,951)	(94,736)	142,015	(83,557)
Dividends to stockholders	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>
Capital and Surplus, End of Year	<u>\$49,274,037</u>	<u>\$48,341,633</u>	<u>\$47,861,402</u>	<u>\$47,664,043</u>	<u>\$47,430,485</u>

**Growth of Parker Centennial Assurance Company**

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Capital and Surplus</b>
2023	\$105,284,799	\$56,010,762	\$49,274,037
2022	101,249,303	52,907,670	48,341,633
2021	99,066,301	51,204,899	47,861,402
2020	95,989,075	48,325,033	47,664,043
2019	96,190,075	48,759,590	47,430,485
2018	94,889,875	47,797,812	47,092,063

**Net Life Premiums, Annuity Considerations, and Deposits**

<b>Year</b>	<b>Annuity Considerations</b>
2023	\$4,609,124
2022	4,187,800
2021	4,869,540
2020	1,940,388
2019	2,347,583
2018	4,816,662

The amount of capital and surplus reported by the company has steadily increased since the last examination, primarily due to the growth in investments held by the company over the period under examination. The company commenced writing annuity contracts to fund structured settlements within the group in 2005. The amount of annuity considerations received is dependent on the volume of structured settlements made by affiliates with settling parties and, as such, varies greatly from year to year.

**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, 2023, is accepted.

**Examination Reclassifications**

No reclassifications were made as a result of the examination.

## **VII. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendations**

There were no specific comments or suggestions in the previous examination report.

### **Summary of Current Examination Results**

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

## **VIII. CONCLUSION**

Parker Centennial Assurance Company is a wholly owned subsidiary of Sentry Insurance Company and a member of the Sentry Insurance Group. The company commenced writing annuity contracts to fund structured settlements originating within the group in 2005. This is its only role within the group. Premium volume is dependent on the number of structured settlements made by affiliates with settling parties, which varies greatly from year to year. The company was profitable in each of the last five years due to steady investment income coupled with favorable operational results.

Capital and surplus increased from \$47 million as of year-end 2018 to \$49 million as of year-end 2023. This represents an increase of roughly 4.6% during the period under examination.

The current examination resulted in no recommendations. There were no reclassifications of account balances or adjustments to surplus as reported by the company in its year-end 2023 statutory financial statements.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

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



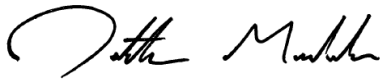
## **X. ACKNOWLEDGMENT**

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:

<b>Name</b>	<b>Title</b>
Thomas Hilger, CFE	Insurance Financial Examiner
Shelly Bueno, CFE	Insurance Financial Examiner
Gabriel Gorske, CFE	Insurance Financial Examiner
Jeremy Tang	Insurance Financial Examiner
Takoda Boyd	Insurance Financial Examiner
Kayleigh Chrostowski	Insurance Financial Examiner
Jerry DeArmond, CFE	Data Specialist
Eleanor Lu, CISA	IT Specialist
Kongmeng Yang, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Jonathan Mundschau  
Examiner-in-Charge