Report of the Examination of

Parker Centennial Assurance Company

Stevens Point, Wisconsin

As of December 31, 2018

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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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:

PARKER CENTENNIAL ASSURANCE COMPANY
Stevens Point, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Parker Centennial Assurance Company (Parker Centennial 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 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 (Acceleration Life). Acceleration Life 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.

In a transaction effective December 31, 1997, Lyndon Life Insurance Company acquired Acceleration Life. On January 20, 2000, Protective Life Corporation acquired five insurers of the Lyndon Insurance Group including Acceleration Life and its then parent, Lyndon Property Insurance Company.

Sentry Insurance a Mutual Company (Sentry Insurance) acquired Acceleration Life from Lyndon Life Insurance Company, a subsidiary of Protective Life Corporation. The acquisition occurred by means of a stock purchase agreement dated December 20, 2003, which closed on March 19, 2004. The company was redomesticated to Wisconsin, and the name was changed to Parker Centennial Assurance Company effective August 11, 2004.

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

Washington	$1,065,112	22.1%
California	1,013,982	21.1
Colorado	609,910	12.7
All others	2,127,658	44.1
Total	$4,816,662	100.0%

The company is licensed in the District of Columbia and all states except 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
Immediate annuities – structured settlements	$4,816,662	$0	$0	$4,816,662
Total All Lines	$4,816,662	$0	$0	$4,816,662

Parker Centennial provides annuity contracts to fund structured settlements. The exclusive customer of Parker Centennial is the Sentry Insurance Group's claims department. Prior to the acquisition of Parker Centennial by Sentry Insurance the company wrote a nominal amount of credit life and credit accident and health business. This business is currently in runoff and is reinsured under a 100% coinsurance treaty with Protective Life Insurance Company. See Section V of this report titled "Reinsurance" for more details.

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
Mike 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	$457
Mike J. Williams	Vice President	114
Kip J. Kobussen	Secretary	0
Paul M. Gwidt	Treasurer	92

∗ 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 Parker Centennial. 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.

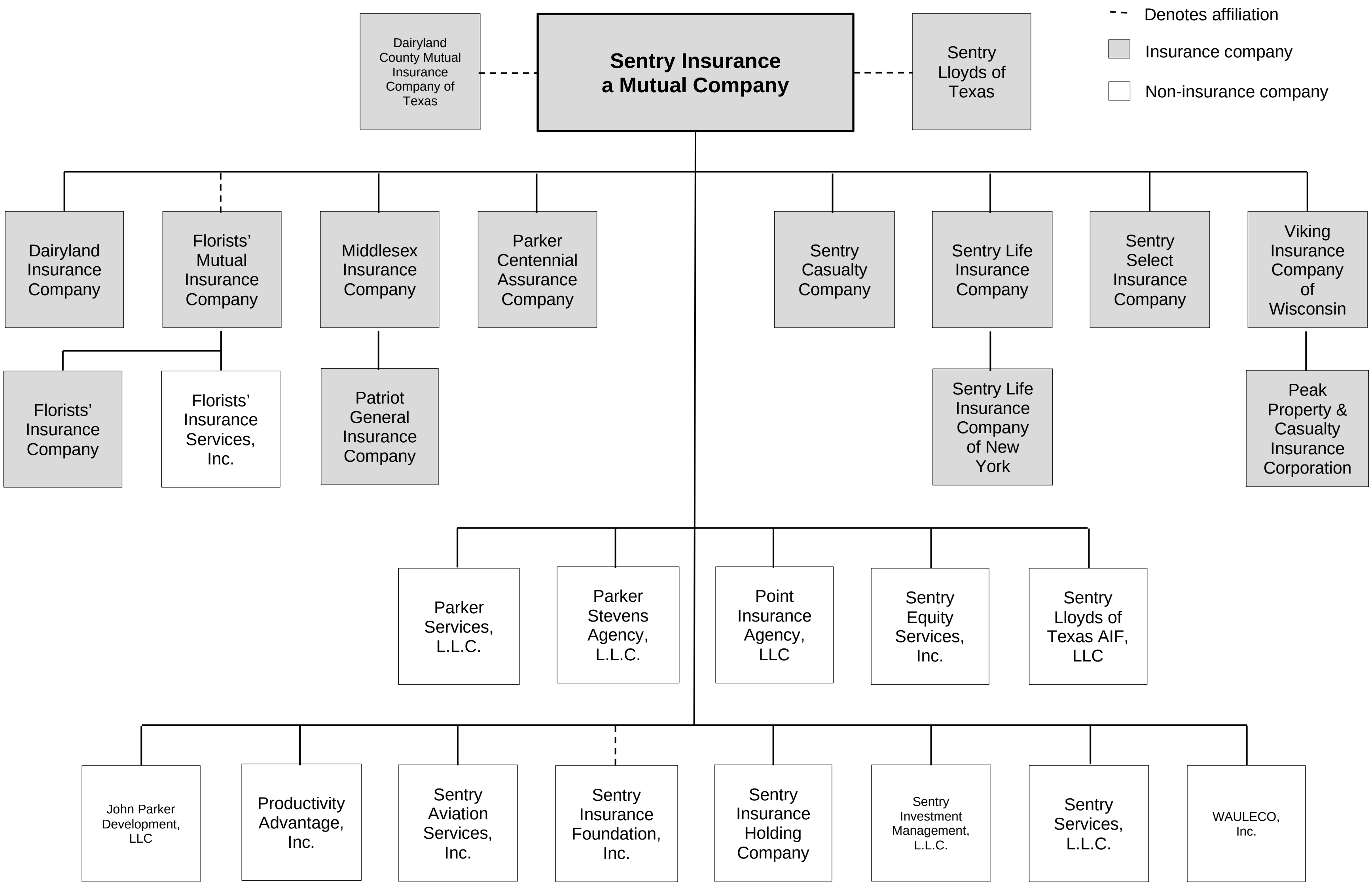
IV. AFFILIATED COMPANIES

Parker Centennial 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 Parker Centennial 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 the issued and outstanding stock of Parker Centennial. 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 of the holding company system. 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 Parker Centennial as of December 31, 2018, and the results of that examination are expressed in a separate report.

Noninsurance Subsidiaries and Affiliates

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

Parker Centennial 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 the 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 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, Parker Centennial reported no SLAP short-term investments and $2,989,483 in SLAP money market mutual funds. Parker Centennial received $43,021 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. 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.

Administrative Services Agreement

Sentry Insurance has established an administrative services agreement with Parker Centennial effective March 19, 2004, which has been amended and restated several times with the latest amendment effective July 1, 2014. Under this agreement Sentry Insurance is to provide essentially all services required for Parker Centennial'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 90 days' written notice or at any time by mutual consent.

V. REINSURANCE

The company has one ceding contract in force at the time of the examination. The contract contained proper insolvency provisions.

All policies, certificates, binders, bonds, obligations, and contracts of insurance and reinsurance and any coinsurance or other evidence of liability written, issued, assumed or renewed by Acceleration Life Insurance Company prior to March 19, 2004, were ceded under a 100% coinsurance treaty to Protective Life Insurance Company. This includes a small amount of credit life which is in runoff. The agreement between the reinsurer and the company remains in effect until the last coinsured policy ceases to be in force and all liabilities and obligations under this agreement have been extinguished.

An administrative service agreement was entered into between Sentry Insurance and Protective Life Insurance Company as a condition to the purchase of Acceleration Life Insurance Company to provide for the administration and management of the coinsured policies by Protective Life Insurance Company.

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.

Parker Centennial Assurance Company
Assets
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$90,351,752	$0	$90,351,752
Cash, cash equivalents, and short-term investments	2,989,483		2,989,483
Investment income due and accrued	1,369,360		1,369,360
Net deferred tax asset	178,980		178,980
Guaranty funds receivable or on deposit	300		300
Total Assets	$94,889,875	$0	$94,889,875

Parker Centennial Assurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2018

Aggregate reserve for life contracts		$46,579,965
Contract liabilities not included elsewhere:		
Interest maintenance reserve		177,858
Current federal and foreign income taxes		104,318
Remittances and items not allocated		254,459
Miscellaneous liabilities:		
Asset valuation reserve		247,528
Payable to parent, subsidiaries and affiliates		430,964
Write-ins for liabilities:		
Escheat funds		2,719
Total Liabilities		47,797,812
Common capital stock	$ 2,500,000	
Gross paid in and contributed surplus	38,801,778	
Unassigned funds (surplus)	5,790,285	
Total Capital and Surplus		47,092,063
Total Liabilities, Capital and Surplus		$94,889,875

Parker Centennial Assurance Company
Summary of Operations
For the Year 2018

Premiums and annuity considerations for life and accident and health contracts		$4,816,662
Net investment income		4,638,793
Amortization of interest maintenance reserve		34,400
Total income items		9,489,855
Annuity benefits	$3,402,518	
Increase in aggregate reserves for life and accident and health contracts	3,454,436	
Subtotal	6,856,954	
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	192,369	
General insurance expenses	108,637	
Insurance taxes, licenses, and fees excluding federal income taxes	27,918	
Write-in for deductions:		
Fines and Penalties	1	
Total deductions		7,185,878
Net gain (loss) from operations before dividends to policyholders and federal income taxes		2,303,977
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		2,303,977
Federal and foreign income taxes incurred (excluding tax on capital gains)		553,616
Net gain (loss) from operations after dividends to policyholders and federal income taxes and before realized capital gains or losses		1,750,361
Net realized capital gains or (losses)		(198,607)
Net Income		$1,551,753

Parker Centennial Assurance Company
Cash Flow
For the Year 2018

Premiums collected net of reinsurance		$ 4,816,662
Net investment income		4,867,326
Total		9,683,988
Benefit- and loss-related payments	$3,402,518	
Commissions, expenses paid, and aggregate write-ins for deductions	329,224	
Federal and foreign income taxes paid (recovered)	693,746	
Total deductions		4,425,487
Net cash from operations		5,258,501
Proceeds from investments sold, matured, or repaid:		
Bonds	3,117,212	
Cost of investments acquired (long-term only):		
Bonds	6,049,432	
Net cash from investments		(2,932,220)
Cash from financing and miscellaneous sources:		
Dividends to stockholders	1,500,000	
Other cash provided (applied)	(373,794)	
Net cash from financing and miscellaneous sources		(1,873,794)
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		452,486
Cash, cash equivalents, and short-term investments:		
Beginning of year		2,536,997
End of year		$2,989,483

Parker Centennial Assurance Company
Compulsory and Security Surplus Calculation
December 31, 2018

Assets		$94,889,875
Less liabilities		47,797,812
Adjusted surplus		47,092,063
Annual premium: Greater of 7.5% of considerations or 2% of reserves for annuities and deposit administration funds	$926,919	
Compulsory surplus (subject to a $2,000,000 minimum)		2,000,000
Compulsory Surplus Excess (Deficit)		$45,092,063
Adjusted surplus (from above)		$47,092,063
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%)		2,800,000
Security Surplus Excess (Deficit)		$44,292,063

Parker Centennial Assurance 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	$46,835,406	$46,484,427	$46,220,175	$46,040,626	$45,820,356
Net income	1,551,753	1,932,571	1,726,941	1,630,198	1,808,944
Change in net deferred income tax	128,427	(124,209)	113,188	52,905	(80,305)
Change in nonadmitted assets and related items		36,867	(36,867)		21,691
Change in asset valuation reserve	76,476	5,750	(39,009)	(3,554)	(30,060)
Dividends to stockholders	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Capital and Surplus, End of Year	$47,092,063	$46,835,406	$46,484,427	$46,220,175	$46,040,626

Parker Centennial Assurance 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. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2018	2017	2016	2015	2014
#1	Net change in capital & surplus	1%	1%	1%	0%	0%
#2	Gross change in capital & surplus	1	1	1	0	0
#3	Net income to total income	17	28	30	19	19
#4	Adequacy of investment income	221	237	239	215	241
#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	0	0	0	0	1
#8	Surplus relief	0	0	0	0	0
#9	Change in premium	113*	102*	-73*	-18*	2
#10	Change in product mix	0.0	0.0	0.0	0.0	0.0
#11	Change in asset mix	0.1	0.3	0.2	0.1	0.2
#12	Change in reserving	0	0	0	0	0

Ratio No. 9 represents the percentage change in premium from the previous year and was considered exceptional for Parker Centennial from 2015 to 2018. As noted earlier, Parker Centennial only writes annuity contracts to fund structured settlements originating within the Sentry Insurance Group. The amount of 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.

Growth of Parker Centennial Assurance Corporation

Year	Admitted Assets	Liabilities	Capital and Surplus
2018	$94,889,875	$47,797,812	$47,092,063
2017	91,795,037	44,959,630	46,835,406
2016	90,785,865	44,301,438	46,484,427
2015	91,286,188	45,066,013	46,220,175
2014	89,420,686	43,380,061	46,040,626
2013	84,409,024	38,588,669	45,820,356

Net Life Premiums, Annuity Considerations, and Deposits

Year	Life Insurance Premiums	Annuity Considerations	Deposit-type Contract Funds
2018	$0	$4,816,662	$0
2017	0	2,263,941	0
2016	0	1,122,934	0
2015	0	4,162,530	0
2014	0	5,097,744	0
2013	0	4,980,365	0

Life Insurance In Force (in thousands)

Year	In Force End of Year	Reinsurance Ceded	Net In Force
2018	$ 0	$ 0	$0
2017	1	1	0
2016	5	5	0
2015	24	24	0
2014	85	85	0
2013	151	151	0

The amount of capital and surplus has steadily increased since the last examination, primarily due to investment gains recorded over this period. As described earlier in the report, the company commenced writing annuity contracts to fund structured settlements originating within the Sentry Insurance Group in 2005. The amount of annuity considerations received varies significantly from year to year and will continue to fluctuate based on its role in the Sentry Insurance Group.

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 documentation of the asset and liability assumptions in all future actuarial memoranda such that an actuary reviewing the memoranda can form a conclusion of the reasonableness of the assumptions 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

Capital and surplus increased from $46 million as of year-end 2013 to $47 million as of year-end 2018. This represents an increase of 3% during the period under examination. The company commenced writing annuity contracts to fund structured settlements originating within the Sentry Insurance Group in 2005, which is its primary role within the organization. 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 good operational results.

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 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 Parker Centennial, and no immediate action was deemed necessary at the time of this report.