

FEB 23 2018

# CERTIFICATION

FILED

February 23, 2018

I, Bruce R. Ramage, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

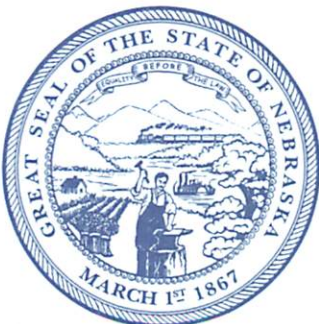
**LINCOLN BENEFIT LIFE COMPANY**

as of

December 31, 2016

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



*Bruce R. Ramage*

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**LINCOLN BENEFIT LIFE COMPANY**

dated as of December 31, 2016 verified under oath by the examiner-in-charge on  
January 29, 2018 and received by the company on January 31, 2018, has been adopted  
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 13th day of February 2018.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE



Justin C. Schrader, CFE  
Chief Financial Examiner

**STATE OF NEBRASKA**

**Department of Insurance**

**EXAMINATION REPORT**

**OF**

**LINCOLN BENEFIT LIFE COMPANY**

**as of**

**December 31, 2016**



**TABLE OF CONTENTS**

<b><u>Item</u></b>	<b><u>Page</u></b>
Salutation .....	1
Introduction.....	1
Scope of Examination.....	2
Description of Company:	
History.....	4
Management and Control:	
Holding Company.....	6
Shareholder .....	6
Board of Directors.....	7
Officers .....	8
Committees .....	9
Transactions with Affiliates:	
Note Purchase Agreement.....	9
Fee Letter Agreement .....	10
Letter Agreement .....	10
Tax Allocation Agreement.....	10
Services Agreement .....	10
Administrative Services Agreement .....	11
Investment Management Services Agreement.....	11
Territory and Plan of Operation.....	12
Reinsurance:	
Ceded	
Traditional.....	13
ALIC .....	13
Hannover.....	14
Lancaster Re.....	14
Long Term Care .....	14
General.....	15
Body of Report:	
Growth .....	15
Financial Statements .....	16
Examination Changes in Financial Statements.....	20
Compliance with Previous Recommendations .....	20
Commentary on Current Examination Findings.....	20

Subsequent Events:	
Dividends .....	21
Capital Contribution.....	21
Sale of the Company.....	21
Summary of Comments and Recommendations.....	21
Acknowledgment .....	22

Rosemont, Illinois  
December 18, 2017

Honorable Bruce R. Ramage  
Director of Insurance  
Nebraska Department of Insurance  
941 "O" Street, Suite 400  
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**LINCOLN BENEFIT LIFE COMPANY**

which has its Statutory Home Office located at

**1221 "N" Street, Suite 200  
Lincoln, Nebraska 68508**

with its Principal Executive Office located at

**5600 N. River Road  
Columbia Center I, Suite 300  
Rosemont, IL 60018**

(hereinafter also referred to as the "Company" or "LBL") and the report of such examination is respectfully presented herein.

**INTRODUCTION**

The Company was last examined as of December 31, 2013 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2016, and includes such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

The same examination staff conducted a concurrent financial condition examination of the Company's subsidiary, Lancaster Re Captive Insurance Company (Lancaster Re).

### **SCOPE OF EXAMINATION**

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the shareholder, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election

of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's change in financial position during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by PricewaterhouseCoopers LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2015 and 2016. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.



Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

## **DESCRIPTION OF COMPANY**

### **HISTORY**

The Company was incorporated under the laws of the State of Nebraska on October 18, 1938 as a burial association. In 1949, the Articles of Incorporation were amended to establish the Company as a legal reserve life insurance company with perpetual existence.

In February, 1968, 100% ownership of the Company was acquired by the Greater Nebraska Corporation (name later changed to First Greatwest Corporation). Effective March 31, 1968, the Company acquired through a Bulk Reinsurance Agreement, certain assets, liabilities and all of the life insurance contracts in force of the Greater Nebraska Life Insurance Company of Lincoln, Nebraska, a company formed by its parent in 1965.

Effective January 1, 1973, the Company assumed 100% of the participating life insurance contracts then in force of Lincoln Liberty Life Insurance Company, a Nebraska corporation.

On April 25, 1978, Pullman, Inc. of Chicago, Illinois, acquired all the outstanding shares of First Greatwest Corporation. Effective November 7, 1980, Wheelabrator-Frye, Inc., of Manchester, New Hampshire, acquired 100% ownership of Pullman, Inc. On July 9, 1981, First Greatwest Corporation assigned all of the outstanding shares of the Company to Trailmobile FGC Corporation who assigned said shares to M. W. Kellogg Company, Trailmobile and Kellogg being wholly-owned subsidiaries of Wheelabrator-Frye. On July 15, 1981, Dean Witter Reynolds Organization, Inc. (DWRO), a Delaware corporation, acquired all of the outstanding shares of the Company from Wheelabrator-Frye, Inc. Through a merger effective

December 31, 1981, DWRO became a wholly owned subsidiary of Sears, Roebuck & Company, a New York corporation.

Ownership of the Company was transferred to Sears' wholly owned subsidiary, Allstate Insurance Company (AIC) an Illinois domestic, on June 9, 1983, and effective January 1, 1984, all of the Company's issued and outstanding capital stock was contributed to AIC's wholly-owned subsidiary, Allstate Life Insurance Company (ALIC) an Illinois domestic.

On June 30, 1995, Sears, Roebuck & Co. spun off its ownership of The Allstate Corporation (Allcorp) by a special tax-free dividend to its shareholders of record as of that date. As a result, Allcorp became the Ultimate Controlling Person of the Company at that time.

On July 17, 2013, Resolution Life Holdings, Inc. (Resolution Holdings) executed a Stock Purchase Agreement to acquire 100% of the Company from ALIC. In November 2013, Resolution Holdings assigned the right to acquire all of the Company's outstanding capital stock to Resolution Life, Inc. (Resolution Life or RLI), a wholly owned subsidiary of Resolution Holdings. Prior to the closing of the sale, the Company commuted the following business that was previously ceded to ALIC and recaptured: (a) all of the deferred annuity business written by the Company, (b) all of the life insurance business written by the Company through independent producers, other than certain specified life business, and (c) all of the net liability of the Company with respect to the accident and health and long-term care insurance business written by the Company. Additionally, portions of existing non-affiliate reinsurance agreements associated with business ceded from the Company to ALIC were novated effective on the closing date. On March 25, 2014 the Nebraska Director of Insurance executed a Certificate of Adoption certifying the adoption of the final order of the Department approving the sale the Company. The acquisition closed and ownership was transferred to Resolution Life on April 1,

2014. Effective September 28, 2017, Resolution Holdings and Resolution Life changed their names to LBL HoldCo, Inc. and LBL HoldCo II, Inc., respectively.

Under the provisions of its amended charter and in conformity with Nebraska statutes, the Company is presently authorized to write life and accident and health insurance.

## **MANAGEMENT AND CONTROL**

### **Holding Company**

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person”, as reported in the 2016 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- Clive Cowdery (individual and Director)
- Resolution Capital Limited
  - Resolution Life GP Ltd. (0.0023% economic owned interest in Resolution Life L.P.; General Partner)
  - Resolution Life L.P. (99.9977% owned by Limited Partner Investors)
  - Resolution Life Holdings, Inc. (97.77% owned by Resolution Life L.P.)
  - Resolution Life, Inc.
    - Lanis LLC
    - Lincoln Benefit Life Company
    - Lancaster Re Captive Insurance Company

Effective September 28, 2017, Resolution Life Holdings, Inc. and Resolution Life, Inc. changed their names to LBL HoldCo, Inc. and LBL HoldCo II, Inc., respectively.

### **Shareholder**

Per Article V, Section 2 of the Articles of Incorporation, “the authorized capital stock of this Company shall be \$3,000,000 divided into 30,000 shares of a par value of \$100 each.” As of December 31, 2016, Company records indicated that 25,000 shares were issued and outstanding in the name of RLI. Outstanding capital stock remained unchanged during the period covered by this examination, other than ALIC owning the 25,000 shares until April 1, 2014, when ALIC

sold such shares to RLI. RLI is the sole owner of the Company, and management has no ownership interest in the Company, other than ALIC owning the shares until April 1, 2014.

Article IX, Section 1, of the Articles of Incorporation states that, “the Stockholders shall meet annually on a date prescribed in the By-Laws at the home office of the Company for the purpose of electing Directors and transacting such other business as may properly come before the Stockholders.”

The following dividends were paid by the Company to RLI during the examination period:

<u>Year</u>	<u>Amount</u>
2014	\$ 33,200,000
2015	\$187,000,000
2016	\$ 42,000,000

### **Board of Directors**

Article VIII, Section 1, of the Company’s Articles of Incorporation states that, “the Board of Directors shall consist of not less than five (5) nor more than twenty-one (21) persons.”

Section 2 further states that, “the Board of Directors shall have the general management and control of the business of the Company.”

Article I, Section 1, of the By-Laws states that, “the Directors shall be elected at each annual meeting of the Shareholders of the Company for a term of one year.” The following persons were serving as Directors at December 31, 2016:

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
Stephen Campbell Goshen, KY	Self-employed Consultant & Investor
Richard Carbone Staten Island, NY	Retired
Clive Cowdery London, England	Chairman, The Resolution Group

**Name and Residence**

**Principal Occupation**

Ann Frohman  
Lincoln, NE

Insurance Regulatory Advisor,  
Frohman Law Office LLC

Jonathan Hack  
London, England

Managing Partner, The Resolution Group

Robert Stein  
New York, NY

Retired

Grace Vandecruze  
New York, NY

Managing Director, Grace Global Capital LLC

W. Weldon Wilson  
Redding, CT

Chief Executive Officer,  
Lincoln Benefit Life Company

**Officers**

Article VIII of the Articles of Incorporation states that, “the Officers of the Company shall consist of a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers, and such other Officers as may be provided for in the By-Laws...” The By-Laws also provide for the office of Chairman of the Board of Directors, who shall be the Chief Executive Officer, and a Controller.

The following is a listing of Senior Officers elected and serving the Company at December 31, 2016:

**Name**

**Office**

W. Weldon Wilson  
Keith Gubbay  
Robyn Wyatt

Chairman of the Board, Chief Executive Officer  
President, Chief Actuarial Officer  
Executive Vice President, Chief Financial Officer,  
Treasurer

Simon Packer  
Karl Chappell

Chief Transformation Officer  
Managing Director, Investments & Mergers and  
Acquisitions

Martin Hahn  
Michael Hanrahan  
Mary Ellen Luning  
Leigh McKegney

Vice President, Taxation  
Vice President, Finance  
Vice President, Planning & Capital Management  
Vice President, Chief Legal Officer, Secretary

<u>Name</u>	<u>Office</u>
Forozan Nasery	Vice President, Financial Controller
Joseph M. Rafson	Vice President, Appointed Actuary
David L. Ross	Vice President, Asset Liability Management

### Committees

Article I, Section 8 of the Company's By-Laws states that, "the Board shall have the power to appoint committees, including but not limited to an executive committee, and to grant them powers not inconsistent with the laws of Nebraska, the Articles of Incorporation of the Company, or these By-Laws."

The following persons were serving on the Audit Committee at December 31, 2016:

Robert Stein (Chair)  
Richard Carbone  
Ann Frohman

The following persons were serving on the Investments and Risk Committee at December 31, 2016:

Richard Carbone (Chair)  
Steve Campbell  
Jonathan Hack  
Robert Stein  
Grace Vandecruze  
W. Weldon Wilson

### TRANSACTIONS WITH AFFILIATES

#### Note Purchase Agreement

Effective November 4, 2016, the Company entered into an intercompany Note Purchase Agreement with Lancaster Re. The consideration for each note is offset and interest is paid quarterly based on rates provided in the agreement. Interest expense incurred on the note payable and interest income earned on the note receivable for the year ended December 31, 2016 was \$900,000 and \$400,000 respectively.

### **Fee Letter Agreement**

The Company entered into a Fee Letter Agreement with affiliate Lanis LLC (Lanis) pursuant to which the Company will pay Lanis an amount equal to the Risk Spread due on the Vehicle Note issued by Lanis to Lancaster Re. A reserve has been established on the balance sheet for these payments through April 1, 2019. This reserve was \$18,030,969 as of December 31, 2016.

### **Letter Agreement**

The Company and RLI have entered into a letter agreement whereby from and after the fifth anniversary of the date of the agreement, if the Company makes any payment pursuant to the Fee Letter Agreement within ten business days of such payment by the Company, RLI shall reimburse the Company in cash in an amount equal to such payment by the Company.

### **Tax Allocation Agreement**

The Company and its wholly owned subsidiary, Lancaster Re, file a consolidated life insurance federal income tax return pursuant to a Tax Allocation Agreement. According to the terms of the agreement the Company and Lancaster Re determine their respective income tax expense or benefit, liability or recoverable as if they had filed separate returns. Neither party to the agreement is required to make any payments in respect to utilization of any losses or other tax attributes that reduce overall consolidated tax liability, until the member with such loss or attribute otherwise could have used it. Intercompany tax balances are settled on a quarterly basis and final true up is made after the filing of the federal income tax return.

### **Services Agreement**

Under a Services Agreement with RLI the Company is provided with certain management and administrative services including legal counsel, risk management, accounting

and financial reporting, treasury, tax, and management services, strategic & corporate development, and other additional services. The Company reimburses RLI based on the cost of services and facilities provided by RLI and RLI reimburses the Company at cost for services and facilities provided by the Company pursuant to the agreement. Under the agreement, each party is required to invoice no less frequently than quarterly, with fees payable within 15 days following receipt of an invoice. Total fees for the year ended December 31, 2016 were \$14,147,918.

#### **Administrative Services Agreement**

The Company provides certain administrative services to Lancaster Re, including compliance with regulatory reporting and licensing requirements, accounting and financial reporting, administration of reinsurance agreements and any related trust agreements, tax reporting, reserve calculations and reserve requirements, reserve and other business projections, as well as other administrative obligations. Lancaster Re reimburses the Company at cost of services and facilities provided, including direct and indirectly allocable expenses. Under the agreement, the Company is required to present an invoice to Lancaster Re no less frequently than quarterly, with fees payable within 15 days following receipt of an invoice. Total fees for the year ended December 31, 2016 were \$1,891,147

#### **Investment Management Services Agreement**

The Company provides investment management services to affiliate Lancaster Re pursuant to an Investment Management Services Agreement. Lancaster Re pays a quarterly management fee based on the weighted average market value of the invested assets excluding the weighted average market value of the Vehicle Note. Total fees for the year ended December 31, 2016 were \$41,602



## **TERRITORY AND PLAN OF OPERATION**

As evidenced by current or continuous Certificates of Authority, the Company is authorized to transact the business of life, annuity, and accident and health insurance in the District of Columbia, Guam, U.S. Virgin Islands and all states except New York.

On May 17, 1990, the Board of Directors authorized the establishment of a Variable Life Separate Account and on August 3, 1992, a Variable Annuity Separate Account. Subsequently, various governmental filings were undertaken and several investment units established to allow for the marketing of these products, which began in 1994.

Prior to the acquisition of the Company by Resolution Life, the Company marketed insurance products, which included universal life, term insurance, traditional life insurance, flexible and single premium deferred annuities, immediate annuities, variable life and variable annuity products and accident & health. The products were sold by independent agents and brokers. The Company stopped writing the following products: credit insurance effective 3rd quarter of 1997, long-term care insurance effective 4th quarter of 2005, variable annuities effective 4th quarter 2006, and flexible and single premium deferred annuities and immediate annuities effective 4th quarter of 2013. Effective July 18, 2013, all sales through the independent master brokerage agencies ceased and sales through the Allstate Financial career agent channel continued through 2017, although 100% of these later risks were ceded to Allstate Life Insurance Company.

The Company uses two key third party policy administrators: DXC Technology (formerly CSC) administers its Life policies and SE2 administers its Annuity policies.

## **REINSURANCE**

### **Ceded**

The Company's reinsurance program is made up of five separate reinsurance programs: Traditional, ALIC, Hannover MRT/ModCo, Lancaster Re XXX/AXXX Reserve Financing, and Long-Term Care.

### **Traditional**

The Traditional program is approximately 120 reinsurance contracts in effect prior to Resolution Life's acquisition of LBL from ALIC. These consist of Coinsurance of Term products and Yearly Renewable Term (YRT) of mortality risk on Permanent products, primarily universal life secondary guarantee (ULSG). The administration of these reinsurance contracts is performed by DXC Technology, the Company's third party administrator for its Life business. There are a small subset of treaties that are administered manually at the Company (10 individual cession treaties with only 80 total policies).

### **ALIC**

ALIC retained existing reinsured risks for all life insurance policies written by the Company through the Allstate Financial Sales Channel, all immediate annuities written by the Company prior to acquisition, and certain Term life policies. This business is 100% ceded to ALIC through a reinsurance agreement, net of existing traditional reinsurance on those policies. The underlying policies and the related traditional reinsurance is administered by ALIC. Certain traditional reinsurance treaties could not be novated to ALIC, and still run through the Company's books as Direct and Ceded business to third party reinsurers. These are referred to as the "non-novated" treaties, and all economics are incurred by ALIC. ALIC continues to

administer the reinsured business under an existing administrative service agreement between the Company and ALIC.

#### Hannover

Effective April 1, 2014, the Company entered into a Monthly Renewable Term (MRT)/ModCo agreement with Hannover Life Reassurance Company of America (Hannover) which covers mortality risk on the ULSG product on a MRT basis, and all risks on certain Current Assumption Universal Life products and certain Deferred Annuity products on a Modified Coinsurance basis. The treaty has an experience refund that covers all business.

#### Lancaster Re

Effective April 1, 2014, the Company entered into an indemnity reinsurance agreement with its captive, Lancaster Re. This agreement reinsures all risks on ULSG and Term products, net of any existing reinsurance (including Traditional and Hannover described above). The Lancaster Re agreement is coinsurance funds withheld, where the funds are withheld by the Company, and covers the economic reserve, net of policy loans. An external party ultimately provides the financing for the excess of statutory reserves over economic reserves. It is noted herein that Actuarial Guideline 48 does not apply as the agreement is grandfathered.

#### Long Term Care

The Company has a block of Long Term Care business which was written from 1997-2006 as a result of a fronting arrangement with Employers Reassurance Corp (ERAC). Policies written from 1997-mid 2004 were reinsured on a coinsurance basis and ERAC assumes 100% of the insurance risk including all riders, and the Company pays ERAC 100% of the policyholder premium less a ceding commission determined by type of coverage during the initial three years of the agreement and modified thereafter as evidenced by amendments to the agreement. If the

inception to date loss ratio exceeds 70%, the reinsurer has the right to decrease the renewal ceding commission subject to a minimum renewal ceding commission of 5%. The contract also provides for a profit commission. Policies written from mid-2004 through first quarter 2006 are reinsured on a YRT basis. The Company pays reinsurance premiums based on policy features and policyholder categorization (not 100% of policyholder premium), in return ERAC assumes 100% of insurance risk for a specified yearly premium. Excess premiums above YRT premiums are held to fund future reinsurance premiums. Current reserves reinsured are approximately \$1.4B. This business is administered through a third party, LifeCare.

### **General**

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

## **BODY OF REPORT**

### **GROWTH**

The following comparative data reflects the change in financial position of the Company during the period covered by this examination:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds	\$ 9,153,171,488	\$ 8,203,091,288	\$ 8,234,231,213
Separate accounts assets	1,573,865,299	1,395,141,319	1,342,220,168
Admitted assets	12,651,250,363	11,701,128,350	11,517,599,186
Aggregate reserves for life contracts	7,481,498,216	6,752,186,376	6,223,307,425
Total liabilities	10,358,370,478	9,750,758,488	9,615,844,359
Capital and surplus	719,014,586	555,228,543	559,534,659
Premium and annuity considerations	7,037,975,403	82,213,534	102,085,169
Net investment income	271,867,862	373,781,374	376,972,697
Death benefits/annuity benefits/disability benefits	230,555,998	196,171,593	202,491,388
Net income	225,970,368	74,129,134	51,530,302
Life insurance in-force	400,492,444	394,827,479	369,188,531

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

**FINANCIAL STATEMENT**  
**December 31, 2016**

<b><u>Assets</u></b>	<b><u>Assets</u></b>	<b><u>Assets Not Admitted</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$ 8,234,231,213		\$8,234,231,213
Common stocks	70,018,042	\$ 64,918,042	5,100,000
Mortgage loans on real estate	1,474,836,471		1,474,836,471
Cash and short term investments	107,835,430		107,835,430
Contract loans	141,867,583	130,973	141,736,610
Derivatives	18,948,505		18,948,505
Other invested assets	457,007		457,007
Receivables for securities	5,201,190		5,201,190
Derivatives collateral	<u>940,000</u>		<u>940,000</u>
Subtotal, cash and invested assets	\$10,054,335,441	\$ 65,049,015	\$9,989,286,426
Investment income due and accrued	92,558,068		92,558,068
Uncollected premiums	(10,717,010)	68,396	(10,785,406)
Deferred premiums	15,997,464		15,997,464
Amounts recoverable from reinsurers	31,279,233	152,512	31,126,721
Other amounts receivable under reinsurance	15,356,050		15,356,050
Current federal income tax	2,050,832		2,050,832
Net deferred tax asset	67,633,496	36,125,237	31,508,259
Guaranty funds receivable or on deposit	7,634,185		7,634,185
Health care and other amounts receivable	1,050,042	707,673	342,369
Accounts receivable	304,050		304,050
From Separate Accounts	<u>1,342,220,168</u>		<u>1,342,220,168</u>
Totals	<u>\$11,619,702,019</u>	<u>\$102,102,833</u>	<u>\$11,517,599,186</u>

## **Liabilities, Surplus, and Other Funds**

Aggregate reserve for life contracts	\$ 6,223,307,425
Aggregate reserve for accident and health contracts	301,372,551
Liability for deposit-type contracts	262,842,862
Contract claims life	44,193,031
Policyholders' dividends and coupons	37,345
Premiums and annuity considerations	1,547,481
Contract liabilities not included elsewhere	
Other amounts payable on reinsurance	1,143,048
Interest maintenance reserve	112,880,644
Commissions to agents due or accrued-life and annuity contracts	6,135,756
Commissions and expense allowances payable on reinsurance assumed	234,880
General expenses due or accrued	11,955,919
Transfers to Separate Accounts due or accrued	(528,402)
Taxes, licenses and fees	7,335,611
Unearned investment income	155,989
Amounts withheld or retained by company as agent or trustee	138,473
Amounts held for agents' accounts	384,991
Remittances and items not allocated	8,085,527
Asset valuation reserve	66,210,792
Reinsurance in unauthorized and certified	2,212,490
Payable to parent	4,827,406
Funds held under coinsurance	2,540,842,016
Payable for securities	15,464,927
Escheatments	5,063,597
From Separate Accounts	<u>1,342,220,168</u>
Total liabilities	<u>\$10,958,064,527</u>
Common capital stock	\$ 2,500,000
Gross paid in and contributed surplus	171,002,851
Surplus	<u>386,031,808</u>
Total capital and surplus	<u>\$ 559,534,659</u>
Totals	<u>\$11,517,599,186</u>

## SUMMARY OF OPERATIONS – 2016

Premiums and annuity considerations	\$ 102,085,169
Net investments income	376,972,697
Amortization of interest maintenance reserve	57,849,543
Commissions and expense allowances	88,306,222
Reserve adjustments on reinsurance ceded	(210,144,460)
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	19,962,945
Miscellaneous income	<u>5,552,283</u>
 Totals	 \$ 440,584,399
 Death benefits	 \$ 42,117,771
Matured endowments	687,655
Annuity benefits	159,806,556
Disability benefits	567,061
Surrender benefits and withdrawals for life contracts	507,753,947
Interest and adjustments on contract or deposit-type contract funds	18,218,686
Increase in aggregate reserves for life and accident and health contracts	<u>(502,980,269)</u>
 Totals	 \$ 226,171,407
 Commissions on premiums, annuity considerations, and deposit-type contracts	 \$ 59,809,113
Commissions and expense allowances on reinsurance assumed	610,087
General insurance expenses	36,407,539
Insurance taxes, licenses and fees	9,314,191
Increase in loading on deferred and uncollected premiums	(2,322,911)
Net transfers from Separate Accounts net of reinsurance	(76,729,825)
Loading on deferred and uncollected premiums	2,322,910
Interest income on funds withheld	101,604,040
Other investment income ceded	21,094,770
Risk spread fee	<u>7,328,261</u>
 Totals	 \$ 385,609,582
 Net gain from operations before dividends, federal income taxes and net realized capital gains	 \$ 54,974,817
 Dividends to policyholders	 36,782
Federal income taxes incurred	(9,238,916)
Net realized capital losses	<u>(12,646,649)</u>
 Net income	 <u>\$ 51,530,302</u>



## **CAPITAL AND SURPLUS ACCOUNT**

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Capital and surplus, beginning	\$332,472,960	\$719,014,586	\$555,228,543
Net income	\$225,970,368	\$ 74,129,134	\$ 51,530,302
Change in net unrealized capital gains	(11,580,920)	(10,030,619)	(10,682,353)
Change in net deferred income tax	30,646,589	13,935,603	22,674,551
Change in nonadmitted assets	(98,685,146)	(11,189,258)	8,264,578
Change in liability for reinsurance in unauthorized and certified companies	404,519	246,265	12,647
Change in reserve on account of change in valuation basis	(6,200,000)		
Change in asset valuation reserve	(31,324,054)	(25,431,792)	(8,338,970)
Surplus adjustment:			
Paid in capital	250,000		
Dividends to stockholders	(33,200,000)	(187,000,000)	(42,000,000)
Aggregate write-ins for gains and losses in surplus	<u>310,260,271</u>	<u>(18,445,376)</u>	<u>(17,154,639)</u>
Net change for the year	<u>\$386,541,626</u>	<u>\$(163,786,043)</u>	<u>\$ 4,306,116</u>
Capital and surplus, ending	<u>\$719,014,586</u>	<u>\$ 555,228,543</u>	<u>\$559,534,659</u>

### **EXAMINATION CHANGES IN FINANCIAL STATEMENTS**

Unassigned funds (surplus) in the amount of \$386,031,808 as reported in the Company's 2016 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

### **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

No recommendations were made as a result of the previous examination.

### **COMMENTARY ON CURRENT EXAMINATION FINDINGS**

There are no comments or recommendations that have been made as a result of this examination.

## **SUBSEQUENT EVENTS**

### **DIVIDENDS**

In June 2017, after receiving prior approval from the Director of the Department, the Company paid a dividend of \$70,000,000 to its sole shareholder.

### **CAPITAL CONTRIBUTION**

In March 2017, the Company contributed \$30 million of additional capital to subsidiary Lancaster Re.

### **SALE OF THE COMPANY**

LBL HoldCo, Inc. and Global Bankers Insurance Group, LLC (Global Bankers) announced on October 2, 2017, that a definitive agreement was entered into for the acquisition of LBL HoldCo, Inc. and its subsidiaries, including the Company, by Global Bankers. The transaction is subject to receipt of appropriate regulatory approvals by the Nebraska Department of Insurance and satisfaction of other customary closing conditions.

### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There are no comments or recommendations that have been made as a result of this examination.

## ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Derek Petersen, CFE, Linda K. Scholl, CFE, Joel Tapsoba, and Natasha Bowland, Financial Examiners; Joe Detrick and Jenny Jeffers of Jennan Enterprises, LLC, Information Systems Specialists; and Rhonda Ahrens, FSA, and Derek Wallman; Actuarial Examiners, all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



---

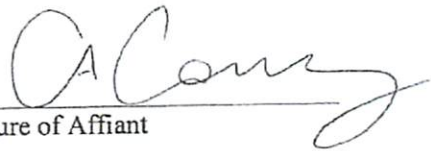
Tadd K. Wegner, CFE  
Supervisory Examiner  
Department of Insurance  
State of Nebraska

LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Clive Cowdery, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

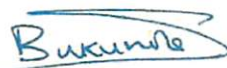
Dated this 20<sup>th</sup> day of MARCH, 2018,

  
Signature of Affiant

State of LONDON

~~County of~~ UNITED KINGDOM

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

  
Signature of Notary Public English Solicitor (SOLICITORS REGULATION AUTHORITY NUMBER: 439857)

My Commission Expires

LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Jonathan Hack, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

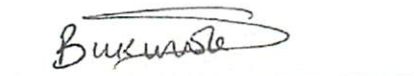
Dated this 20<sup>th</sup> day of MARCH, 2018,

  
Signature of Affiant

~~State of~~ LONDON

~~County of~~ UNITED KINGDOM

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

  
Signature of Notary Public

English Solicitor (SOLICITORS REGULATION AUTHORITY  
NUMBER : 439857)

My Commission Expires

LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Weldon Wilson, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

Dated this 20<sup>th</sup> day of MARCH, 2018,

[Handwritten Signature]

Signature of Affiant

State of LONDON

County of UNITED KINGDOM

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

[Handwritten Signature]

Signature of Notary Public

English Solicitor (SOLICITORS REGULATION AUTHORITY NUMBER : 439857)

My Commission Expires

LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Grace Vandecruze, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

Dated this 21<sup>st</sup> day of March, 2018,

Grace Vandecruze  
Signature of Affiant

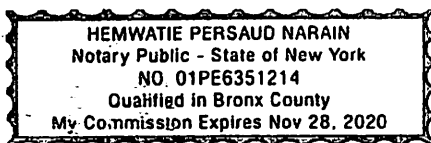
State of New York.

County of New York.

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

[Signature]  
Signature of Notary Public

My Commission Expires Nov 28, 2020

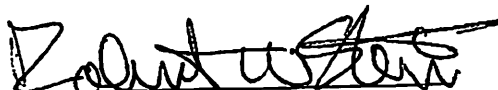


LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Robert Stein, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

Dated this 16th day of March, 2018,

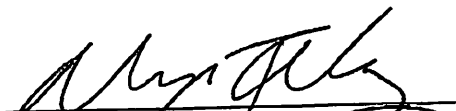


Signature of Affiant

State of New York

County of Manhattan

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.



Signature of Notary Public

My Commission Expires

5/22/21

**NERYS A FELIZ**  
Notary Public, State of New York  
No. 01FE6359255  
Qualified in New York County  
My Commission Expires 5/22/21



LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Stephen Campbell, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

Dated this 17<sup>th</sup> day of March, 2018.

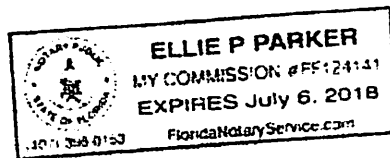
[Signature]  
Signature of Affiant

State of Fla

County of Monroe

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

[Signature]  
Signature of Notary Public



My Commission Expires July 6, 2018

LINCOLN BENEFIT LIFE

AFFIDAVIT OF DIRECTOR

I, Ann Frohman, a director of Lincoln Benefit Life Company, hereby certify under oath, in good faith, and under penalty of perjury, that I have received a copy of the Lincoln Benefit Life Company Report of Examination as of December 31, 2016.

Dated this 21<sup>st</sup> day of March, 2018,

Ann Frohman

Signature of Affiant

State of Nebraska

County of Lancaster

Subscribed and sworn to before me on the date and year above written, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

Taylor Munderloh

Signature of Notary Public

My Commission Expires

TAYLOR MUNDERLOH  
General Notary - State of Nebraska  
My Commission Expires Feb 3, 2021