

**Report on Examination**  
**of**  
**Pan-American Assurance Company International, Inc. –**  
**United States Branch**  
**Grand Cayman, Cayman Islands**  
**as of**  
**December 31, 2018**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



## OFFICE OF INSURANCE REGULATION

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COMMISSIONER OF AGRICULTURE

David Altmaier, Commissioner  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Pan-American Assurance Company International, Inc. – United States Branch, as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation  
June 2, 2020

## Contents

Scope of Examination .....	1
Summary of Significant Findings .....	2
Company History .....	2
Corporate Records.....	2
Dividends and Capital Contributions.....	2
Management and Control .....	3
Affiliated and Other Agreements.....	4
Territory and Plan of Operation.....	5
Company Growth .....	5
Reinsurance .....	5
Accounts and Records.....	5
Surplus Notes.....	6
Statutory Deposit .....	6
Financial Statements .....	6
Comments on Financial Statements.....	11
Summary of Recommendations.....	11
Subsequent Events.....	11
Conclusion .....	12

## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of Pan-American Assurance Company International, Inc. – United States Branch (Company), an alien insurer domiciled in the Cayman Islands. The examination covered the period of January 1, 2014 through December 31, 2018 and took place primarily in the Parent Company's New Orleans office and Tallahassee, Florida. A limited-scope examination of the Company by the Florida Office of Insurance Regulation (Office) was as of December 31, 2013.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook required that we plan and perform our examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. 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 following the Company's financial statement.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (F.S.) and general information about the insurer and its financial condition. There

may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings to include in this report.

### **COMPANY HISTORY**

The Company was incorporated in the Cayman Islands on July 25, 2007 and licensed by the Office as an alien insurer on December 12, 2008. It was authorized by the State of Florida to operate as a life and health alien insurer in accordance with Section 624.401, F.S.

#### Mergers and Acquisitions

There were no mergers or acquisitions to report during the examination period.

### **CORPORATE RECORDS**

The minutes of meetings held by the Company's Board of Directors was reviewed for the period under examination. The Board's approval of Company transactions, including the authorization of its investments as required by Section 625.304, F.S., were recorded in the minutes of its meetings.

### **DIVIDENDS AND CAPITAL CONTRIBUTIONS**

The Company neither distributed dividends nor received capital contributions during the examination period.

## MANAGEMENT AND CONTROL

The Company is a wholly owned subsidiary of Pan-American Life Insurance Group (Pan-American Group). The Company established a United States branch in Florida to market life insurance products in Florida to non-U.S. residents.

Its senior officers, directors, and members of principal board committees were:

### Senior Officers

<u>Name</u>	<u>Title</u>
Bruce G. Parker, Jr.	President & CEO
Timothy P. Diggs	Vice President & Treasurer
Carlos E. Adame	Secretary

### Board of Directors

<u>Name</u>	<u>Location</u>
Lisa Nestor Baudot	Slidell, LA
David A. Demmon	New Orleans, LA
Paul T. Engeriser	Mandeville, LA
Bruce G. Parker, Jr.	Coral Gables, FL
Lori R. Zeringue	LaPlace, LA

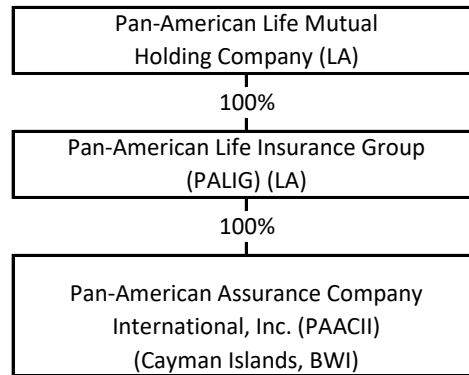
### Parent Company's Audit Committee

Jerry D. Carlisle  
Martha O. Hesse  
Suzanne T. Mestayer  
Carlos Palomares  
Patrick J. Quinlan, M.D.  
Coleman D. Ross

The Holding Company Registration Statement for 2018 was filed May 14, 2019 with the State of Florida.

An abbreviated organizational chart reflecting the holding company system is shown below.

**Pan-American Assurance Company International, Inc.  
Abbreviated Organization Chart  
December 31, 2018**



**AFFILIATED AND OTHER AGREEMENTS**

The following agreements were in effect between the Company and affiliates:

Support Services Agreements

Pan-American Life Insurance Company (PALIC) and the Company were parties to a Support Services Agreement effective December 1, 2011. The agreement provided for PALIC to perform certain support services such as accounting, finance, general administrative, advisory and other related services.

Pan-American Life Global Services, S.A. and the Company were parties to a Support Services Agreement for underwriting services effective December 1, 2011.

## TERRITORY AND PLAN OF OPERATION

The Company established a United States branch in Florida to market life insurance products in Florida to non-U.S. residents. In addition to Florida, the Company was authorized to transact insurance in the following states: Arizona, Hawaii and Texas.

## BRANCH GROWTH

The Company reported the following for years 2014 through 2018:

*(Dollars are in millions.)*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Premiums **	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2
Underwriting deductions *	\$ -	\$ -	\$ -	\$ -	\$ -
Net income	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2
Shareholder dividends	\$ -	\$ -	\$ -	\$ -	\$ -
Paid in surplus received	\$ (0.1)	\$ 3.3	\$ (0.3)	\$ (0.2)	\$ 0.0
Admitted assets	\$ 1.6	\$ 5.0	\$ 4.9	\$ 4.8	\$ 5.0
Liabilities	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Capital and surplus	\$ 1.5	\$ 4.9	\$ 4.9	\$ 4.8	\$ 5.0

\*\* Premiums and annuity considerations for life insurers  
Totals are rounded

## REINSURANCE

The Company did not have any reinsurance arrangements during the examination period.

## ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records.



## SURPLUS NOTES

There were no surplus notes issued by the Company during the examination period.

## STATUTORY DEPOSIT

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with other jurisdictions as required:

State	Description	Interest Rate	Par Value	Market Value
FL	Money Market		\$ 11,183	\$ 11,183
FL	US Treasury	3.125%	650,000	659,649
FL	Government of Bermuda	4.854%	1,850,000	1,922,465
FL	Union Electric Co	6.700%	1,250,000	1,253,156
FL	Shell Intl Finance	6.375%	<u>921,000</u>	<u>1,163,563</u>
Total Florida Statutory Deposits			<u>\$ 4,682,183</u>	<u>\$ 5,010,016</u>

## FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

**Pan-American Assurance Company International, Inc. - U.S. Branch**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Bonds	\$ 4,943,982	\$ -	\$ 4,943,982
Cash, cash equivalents and short-term investments	11,183	-	11,183
	4,955,165	-	4,955,165
Investment income due and accrued	76,312	-	76,312
<b>Total admitted assets</b>	<b>\$ 5,031,477</b>	<b>\$ -</b>	<b>\$ 5,031,477</b>
<b>Liabilities</b>			
Interest maintenance reserve	\$ 11,067	\$ -	\$ 11,067
Asset valuation reserve	12,057	-	12,057
<b>Total liabilities</b>	<b>\$ 23,124</b>	<b>\$ -</b>	<b>\$ 23,124</b>
<b>Capital and Surplus</b>			
Common capital stock	\$ -	\$ -	\$ -
Gross paid in and contributed surplus	-	-	-
Unassigned funds (deficit)	5,008,353	-	5,008,353
<b>Total capital and surplus</b>	<b>\$ 5,008,353</b>	<b>\$ -</b>	<b>\$ 5,008,353</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 5,031,477</b>	<b>\$ -</b>	<b>\$ 5,031,477</b>

**Pan-American Assurance Company  
International, Inc. - U.S. Branch  
Statement of Revenue and Expenses  
Year Ended December 31, 2018**

Net investment income earned	\$ 163,252
Amortization of interest maintenance reserve (IMR)	2,831
Net investment gains	<u>166,083</u>
Net income	<u>\$ 166,083</u>

**Pan-American Assurance Company  
International, Inc. - U.S. Branch  
Statement of Changes in Capital and Surplus  
Five Years Ended December 31, 2018**

Capital and surplus - December 31, 2013	\$ 1,526,407
Net income	91,454
Change in asset valuation reserve	11
Rounding	1
Surplus adjustment: Paid in	(93,000)
<hr/>	
Capital and surplus - December 31, 2014	1,524,873
Net income	95,352
Change in asset valuation reserve	(2,883)
Rounding	1
Surplus adjustment: Paid in	3,325,178
<hr/>	
Capital and surplus - December 31, 2015	4,942,521
Net income	201,314
Change in asset valuation reserve	(2,253)
Surplus adjustment: Paid in	(266,549)
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Capital and surplus - December 31, 2016	4,875,033
Net income	179,712
Change in asset valuation reserve	(1,234)
Surplus adjustment: Paid in	(239,374)
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Capital and surplus - December 31, 2017	4,814,137
Net income	166,083
Change in asset valuation reserve	(1,150)
Rounding	(1)
Surplus adjustment: Paid in	29,283
<hr/>	
Capital and surplus - December 31, 2018	<u>\$ 5,008,352</u>

**Pan-American Assurance Company International, Inc. - U.S. Branch**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2018**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

<b>Capital and surplus, December 31, 2018 - per annual statement</b>		\$ 5,008,353	
	<b>Per Company</b>	<b>Per Examination</b>	<b>Increase (Decrease) In Capital &amp; Surplus</b>
Total assets	\$ 5,031,477	\$ 5,031,477	\$ -
Total liabilities	\$ 23,124	\$ 23,124	\$ -
<b>Capital and surplus, December 31, 2018 - per examination</b>			\$ 5,008,353

## **COMMENTS ON FINANCIAL STATEMENTS**

There were no material changes required to be made to the Company's financial statements.

## **SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

## **SUBSEQUENT EVENTS**

In addition to reviewing board minutes and financial statements, the examination also considered notable subsequent events occurring after the December 31, 2018 examination date. In 2019, the Company received a Certificate of Authority for Nevada to transact insurance.

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Pan-American Assurance Company International, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's surplus was \$5,008,353 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

The following individuals participated in the examination: Robert Panah, CFE, CISA, MCM, FLMI, Examiner-in-Charge and IT Specialist; Sarah Bridendall, CFE, CISA, CIE, ALMI, Participating Examiner and Lewis Bivona, Jr., AFE, CPA, Participating Examiner, associated with the firm of Assurity Resources, Inc.

The following individual from the Florida Office of Insurance Regulation also participated in the examination: Marshay L. Spencer, APIR, Financial Examiner/ Analyst Supervisor.

Respectfully submitted,



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Carolyn M. Morgan, APIR  
Director, Life & Health Financial Oversight  
Florida Office of Insurance Regulation