STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANICAL CONDITION EXAMINATION

OF THE

MONITOR LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2006
DATE OF REPORT:	APRIL 11, 2008

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

MONITOR LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2006

DATE OF REPORT:	APRIL 11, 2008
EXAMINER:	EDEN M. SUNDERMAN

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

September 29, 2008

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22672, dated July, 31, 2007 and annexed hereto, an examination has been made into the financial condition and affairs of Monitor Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 70 Genesee Street, Utica, New York 13502.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a records retention plan that includes a description of the financial records being retained, the method of retention, and the safeguards established to prevent alteration of such records. (See item 7 of this report)

The examiner recommends that the Company maintain proper documentation, including but not limited to electronic data extracts to support the amounts reported in its filed annual statement, and that such documentation be readily available and accessible for future examinations. This includes data to support business administered by third parties. (See item 8 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2006. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2006 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2006 to determine whether the Company's 2006 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the recommendation concerning the Company's financial condition as contained in the prior report on examination. The results of the examiner's review are contained in item 9 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on October 15, 1971 under the name Monitor Insurance Company of New York. The Company was licensed to write accident and health business as specified by paragraph 3 of Section 1113(a) of the New York Insurance Law and commenced business on June 1, 1972. The Company's initial paid-in capital was $500,000 and contributed surplus was $600,000. Changes in the capital and surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of $1,000,000 and $2,000,000, respectively, as of December 31, 2006.

On August 15, 1978, the Company amended its charter to include the writing of life insurance and annuities as specified in paragraphs 1 and 2 of Section 1113(a) of the New York Insurance Law.

On April 25, 1979, the Company's name was changed to Monitor Life Insurance Company of New York.

B. Holding Company

The Company is a wholly owned subsidiary of Commercial Travelers Mutual Insurance Company ("CTMIC"), a New York accident and health insurance company. As a subsidiary of a domestic mutual company, the Company is not subject to Article 15 of the New York Insurance Law.

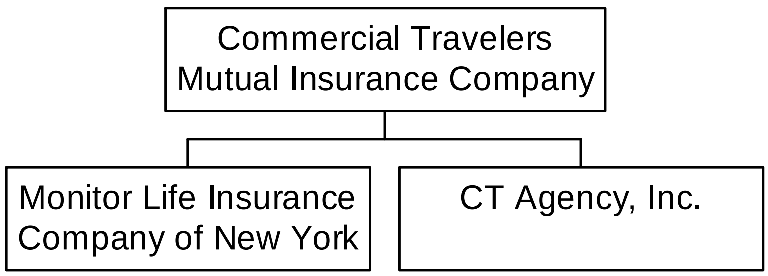
The Company had one service agreement in effect with an affiliate during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Intercompany Expense Sharing	5/1/1979	Commercial Travelers Mutual Ins. Co.	Company	All Administrative Services	2004 - $(782,476) 2005 - $(756,061) 2006 - $(749,156)

*Amount of Income or (Expense) Incurred by the Company

As of February 23, 2000, the Company entered into a Tax Allocation and Election Agreement with its parent CTMIC. The Agreement provides that CTMIC file consolidated federal tax returns and that the Company either pay the appropriate tax charge or receive the appropriate tax refund from CTMIC.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2006 follows:



C. Management

The Company's by-laws provide that the board of directors shall be comprised of 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2003, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2006, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Joan W. Compson* Clinton, NY	Chief Financial Officer Carbone Auto Group	2004
Richard R. Griffith* Utica, NY	President Sturges Manufacturing Company	1999
Frederick H. Hager* Clinton, NY	Principal Strategic Planning Advisors, LLC	2000

Name and Residence	Principal Business Affiliation	Year First Elected
Harrison J. Hummel III* Mohawk, NY	President Hummel's Office Plus	2004
Kevin M. Kelly* New Hartford, NY	Retired President Jay-K Lumber Corporation	1986
Jeremiah O. McCarthy* Barneveld, NY	President and Chairman of the Board Oneida County Rural Telephone Company	1986
Cathy M. Newell* New Hartford, NY	President and Chief Executive Officer Mohawk LTD	2006
Earle C. Reed* Utica, NY	Retired	1999
Gary D. Scalzo* New Hartford, NY	President Scalzo, Zogby, and Wittig, Inc.	2005
Robert N. Sheldon* Utica, NY	Owner Reid-Sheldon & Company	1987
James D. Trevvett Cold Brook, NY	Treasurer Monitor Life Insurance Company of New York Commercial Travelers Mutual Insurance Company	1991
Paul H. Trevvett Cold Brook, NY	Chairman of the Board Monitor Life Insurance Company of New York President and Chief Executive Officer Monitor Life Insurance Company of New York Commercial Travelers Mutual Insurance Company	1998
Dwight E. Vicks, Jr.* Utica, NY	President Vicks Lithograph & Printing Company	1986

* Not affiliated with the Company or any other company in the holding company system

In April 2007, Dwight E. Vicks Jr. retired from the board and was replaced by Judith V. Sweet.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2006:

Name	Title
Paul H. Trevvett	President and Chief Executive Officer
James D. Trevvett	Treasurer
David R. Milner*	Secretary and General Counsel
Alan L. Shulman	Vice President and Actuary
Gary Kent	Controller

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

In July 2007, Richard P. Massaro replaced Gary Kent as Controller. In June 2007, James D. Trevvett retired. Paul H. Trevvett acted as Treasurer through December 31, 2007. In January 2008, Richard P. Massaro assumed the duties of Treasurer.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 25 states and the District of Columbia. In 2006, 73.7% of life premiums were received from New York, 48.1% of annuity considerations were received from Pennsylvania, and 49.0% and 28.4% of accident and health premiums were received from Texas and Connecticut, respectively. Policies are written on a non-participating basis.

The Company's principal line of business during the examination period was group term life insurance targeted to small and mid size employers written in conjunction with group disability products offered by the parent, CTMIC. The marketing name of the combined effort is CT Group.

In 2003, the Company sold the vast majority of its individual life and annuity business by entering into a ceding agreement with Standard Security Life Insurance Company of New York

("SSLONY"). Effective October 31, 2003, the Company entered into a 100% coinsurance agreement with SSLONY that calls for SSLONY to reinsure the Company's inactive individual life and annuity business. The administration of the reinsured business was also turned over to SSLONY as third party administrator ("TPA"). In 2005, SSLONY commenced the process of assuming the reinsured business, and the assumption is still underway. A closed block of individual senior life policies currently in run-off that were jointly marketed with Guarantee Reserve Life Insurance Company ("GRLIC") are excluded from the assumption agreement, but are covered under a 100% coinsurance agreement with SSLONY and are administered by SSLONY.

The Company's agency operations were conducted on a general agency basis.

E. Reinsurance

As of December 31, 2006, the Company had reinsurance treaties in effect with seven companies, all of which were authorized or accredited. The Company's ordinary life policies are ceded on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The total face amount of life insurance ceded as of December 31, 2006, was $76,654,738 which represents 15.7% of the total face amount of life insurance in force.

The total face amount of life insurance assumed, as of December 31, 2006, was $177,936,994. The majority (99.5%) of the business was assumed from Fidelity Security Life Insurance Company ("FSLIC"), a Missouri insurer, under a 100% pro-rata coinsurance agreement covering employee group life insurance.

Effective October 31, 2003, the Company entered into an agreement with SSLONY to coinsure 100% of its individual life insurance business. The business included a closed block of individual life insurance and annuities that resulted from acquisitions and a senior life policy that was formerly marketed in conjunction with GRLIC. SSLONY is in the process of assuming the non-GRLIC business.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial decline during the period under review:

	December 31, 2003	December 31, 2006	(Decrease)
Admitted assets	$10,401,545	$9,467,991	$(933,554)
Liabilities	$ 4,010,025	$3,781,562	$(228,463)
Common capital stock	$ 1,000,000	$1,000,000	$ 0
Gross paid in and contributed surplus	2,000,000	2,000,000	0
Unassigned funds (surplus)	3,391,520	2,686,430	(705,090)
Total capital and surplus	$ 6,391,520	$5,686,430	$(705,090)
Total liabilities, capital and surplus	$10,401,545	$9,467,991	$(933,554)

The Company's invested assets as of December 31, 2006, were mainly comprised of bonds (81.2%) and cash and short-term investments (18.5%).

The Company's entire bond portfolio as of December 31, 2006 was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2004	2005	2006
Ordinary:			
Life insurance	$ 78,882	$ 342,666	$ 275,999
Individual annuities	41,887	111,401	104,611
Supplementary contracts	(6,002)	(4,328)	(10,920)
Total ordinary	$114,767	$ 449,739	$ 369,690
Group:			
Life	$ (37,984)	$(212,145)	$(297,575)
Accident and health:			
Other	$ (16,726)	$ (1,071)	$ 2,996
Total	$ 60,057	$ 236,523	$ 75,111

Prior to the examination period, the Company had been writing group life business, but not generating a profit. In 2002 and 2003, the Company adjusted its new and renewal 10+ employee group life business rates to moderate the discounts given to policyholders. During this time and early in this examination period, many renewal policies had their rates increased and the policyholder terminated the coverage as a result. New business decreased because the more conservative rates were not competitive.

Also, due to the coinsurance agreement with SSLONY less corporate overhead expenses were allocated to the individual life line and the group life line had to absorb more than in prior years. So although the group life loss ratio was actually improving over the examination period the increase in expenses had a direct and negative impact on profitability.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2006, as contained in the Company's 2006 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2006

Admitted Assets

Bonds	$7,271,621
Cash, cash equivalents and short term investments	1,656,895
Contract loans	28,568
Investment income due and accrued	77,147
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(8,776)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	231,358
Reinsurance	
Other amounts receivable under reinsurance contracts	2,373
Net deferred tax asset	45,139
Guaranty funds receivable or on deposit	14,463
Receivables from parent, subsidiaries and affiliates	36,722
Intangible pension asset	112,481
Total admitted assets	$9,467,991

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$3,435,383
Aggregate reserve for accident and health contracts	17,753
Contract claims:	
Life	121,433
Accident and health	916
Premiums and annuity considerations for life and accident and health contracts received in advance	27,836
Commissions to agents due or accrued	18
Commissions and expense allowances payable on reinsurance assumed	15
General expenses due or accrued	30,139
Taxes, licenses and fees due or accrued, excluding federal income taxes	6,428
Liability for benefits for employees and agents if not included above	112,481
Miscellaneous liabilities:	
Asset valuation reserve	8,440
Funds held under reinsurance treaties with unauthorized reinsurers	18,919
Checks pending escheatment to states	1,801
Total liabilities	$3,781,562
Common capital stock	$1,000,000
Gross paid in and contributed surplus	2,000,000
Unassigned funds (surplus)	2,686,430
Total capital and surplus	$5,686,430
Total liabilities, capital and surplus	$9,467,991

B. CONDENSED SUMMARY OF OPERATIONS

	2004	2005	2006
Premiums and considerations	$1,348,208	$1,312,422	$1,257,500
Investment income	254,064	262,111	300,534
Commissions and reserve adjustments on reinsurance ceded	684,704	610,001	410,250
Miscellaneous income	23	131	0
Total income	$2,286,999	$2,184,666	$1,968,284
Benefit payments	$ 874,830	$ 676,166	$ 532,579
Increase in reserves	220,333	175,057	194,087
Commissions	183,690	181,438	178,902
General expenses and taxes	1,084,839	1,005,559	1,014,388
Increase in loading on deferred and uncollected premium	(88,261)	(20,849)	(18,714)
Miscellaneous deductions	0	0	104
Total deductions	$2,275,431	$2,017,371	$1,901,346
Net gain	$ 11,568	$ 167,295	$ 66,938
Federal and foreign income taxes incurred	(48,491)	(69,226)	(8,172)
Net gain from operations before net realized capital gains	$ 60,058	$ 236,522	$ 75,110
Net realized capital gains (losses)	(288)	0	0
Net income	$ 59,770	$ 236,522	$ 75,110

C. CAPITAL AND SURPLUS ACCOUNT

	2004	2005	2006
Capital and surplus, December 31, prior year	$6,391,520	$5,928,798	$5,772,745
Net income	$ 59,770	$ 236,522	$ 75,110
Change in net deferred income tax	(4,972)	34,161	306,298
Change in non-admitted assets and related items	(52,499)	(6,210)	(196,836)
Change in asset valuation reserve	(3,110)	(2,856)	(778)
Amortization ceding commission block sale	(461,918)	(417,670)	(270,109)
Net change in capital and surplus for the year	$ (462,728)	$ (156,054)	$ (86,314)
Capital and surplus, December 31, current year	$5,928,793	$5,772,744	$5,686,431

6. BUSINESS CONTINUITY PLAN

The objective of a disaster recovery plan is to provide reasonable assurance that data, systems and operations can be successfully recovered and be available to users in the event of a disaster. The objective of a business continuity plan is to reasonably ensure that the recovery of critical business processes could take place in the event of a disaster.

A disaster recovery plan should address hardware and system recovery, data retrieval procedures, emergency contact information, hardware/software vendor information, telecommunications recovery procedures, disaster declaration approval procedures, and physical recovery location. The plan should contain provisions to ensure periodical testing. The disaster recovery plan should be aligned with the business continuity plans, approved, and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the disaster recovery test plan and results (indicating problems found or successful completions) and documentation of management approval of the plan should be maintained.

The examiner reviewed the documentation provided by the Company with respect to its Disaster Recovery and Business Continuity Plans. The examiner also interviewed Company personnel in an effort to gain a better understanding of the Company's planning initiatives to date and to gain insight into some of the attachment documentation provided in response to Section J (Contingency Planning) of the Information Systems Control Questionnaire.

While the section of the plan document that covers disaster recovery is robust and well-documented with regard to the recovery of data, hardware and operating systems, the plan does not cover or provide in detail for the recovery of critical business processes on a department or business unit level (i.e. policyholder services, claims, underwriting, accounting, actuarial, etc.). In addition, user departments have not developed manual processing procedures for use until the electronic data processing function can be restored. There is also no evidence that the Company has performed business risk assessments by each business unit or department with regard to the identification of and prioritization of critical business processes to ensure a timely resumption of these processes and minimal impact on the business operations of the Company should a disaster occur. The plan submitted to the examiner also does not adequately plan and provide for the timely resumption of user group business functions.

The examiner recommends that the Company continue to develop a business continuity plan. Such a plan should identify the recovery of critical business processes. The plan should also identify supporting systems applications, vendors that would assist with locating alternate processing and office site locations, forms and documentation arrangements, network and application restoration procedures, and procedures to be followed by Company personnel during the disaster and recovery period. The plan should contain provisions to ensure periodical testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the business continuity test plan and results and documentation of management approval of the plan should be maintained.

The examiner also recommends that each business unit or user department conduct business risk assessments in order to identify and prioritize critical business processes for coverage under the business continuity plan (i.e. premium accounting/processing, payment of claims, responding to calls from policyholders, processing policyholder requests, payment of commissions, etc.).

7. RECORD RETENTION PLAN

Section 243.3 of Department Regulation No. 152 states, in part:

> "(a)(1) Records and indices of records required to be maintained under this Part may be maintained in any durable medium . . .
> (c) An insurer shall establish and maintain a records retention plan. The plan shall include a description of the types of records being retained, the method of retention, and the safeguards established to prevent alteration of the records. Such plan shall be provided to the superintendent upon request. The insurer shall certify the accuracy of any records that are provided in accordance with its record retention plan . . . ."

The Department requested a copy of the Company's record retention plan required under Section 243.3(c) of Department Regulation No. 152 on August 6, 2007. The Company provided a response on December 7, 2007, but it was not comprehensive. The documentation provided described the Company's back-up procedures for financially significant and mission critical systems as well as the location of back up tapes with respect to the Company's disaster recovery plan only. The documentation failed to include an index of the financial records that are required to be maintained under the Regulation, as well as a description of the types of records being maintained, the method of retention (i.e. media - microfiche, imaging software, hard copy, etc.) and the safeguards established to prevent alteration of the records.

The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a records retention plan that includes a description of the financial records being retained, the method of retention, and the safeguards established to prevent alteration of such records.

8. ELECTRONIC RECORDS

The examiner utilized an audit software package during the examination to analyze a number of data files provided by the Company. The examiner's objective with regard to the master in force data file analysis was to reconcile the data files to the year-end in force policy counts, face amounts and premium amounts that were reported in various exhibits of the filed annual statements for the period under review as well as all activity, increases and deductions, since the last examination period. The examiner encountered problems and delays obtaining data files supporting the blocks of individual life and annuity business administered by the TPA. In addition, the Company did not provide data dictionaries defining the various codes that were contained in the fields comprising the various data files. Overall, the examiner's progress on the analysis of data files was delayed by the lack of integrity of the data provided and the poor coordination between the various departments involved in the financial reporting process and the individuals responsible for creating the data files.

The examiner recommends that the Company maintain proper documentation, including but not limited to electronic data extracts to support the amounts reported in its filed annual statement, and that such documentation be readily available and accessible for future examinations. This includes data to support business administered by third parties.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination concerning financial condition items and the subsequent actions taken by the Company in response:

Item	Description
A	The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company’s risk management processes and the accompanying system of internal control. The Company hired an internal auditor in the Fall of 2007. As of the date of this report, the examiner is not aware of any internal audits that have been planned or performed, nor have the results of any such audits been shared with the examiner.

10. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Company continue to develop a business continuity plan.	16
B	The examiner recommends that each business unit or user department conduct business risk assessments in order to identify and prioritize critical business processes for coverage under the business continuity plan (i.e. premium accounting/processing, payment of claims, responding to calls from policyholders, processing policyholder requests, payment of commissions, etc.).	16
C	The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a records retention plan that includes a description of the financial records being retained, the method of retention, and the safeguards established to prevent alteration of such records.	17
D	The examiner recommends that the Company maintain proper documentation, including but not limited to electronic data extracts to support the amounts reported in its filed annual statement, and that such documentation be readily available and accessible for future examinations. This includes data to support business administered by third parties.	18

Respectfully submitted,

/s/
Eden M. Sunderman
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Eden M. Sunderman, being duly sworn, deposes and says that the foregoing report, subscribed by her is true to the best of her knowledge and belief.

/s/
Eden M. Sunderman

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. *22672*

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, ***ERIC R. DINALLO*** *, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

EDEN SUNDERMAN

as a proper person to examine into the affairs of the

MONITOR LIFE INSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as She shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 31st day of July, 2007

ERIC R. DINALLO
Superintendent of Insurance

Superintendent