STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

MONITOR LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2000

DATE OF REPORT:	NOVEMBER 13, 2001
EXAMINER:	VINCENT TARGIA

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

November 13, 2001

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21759, dated August 1, 2001 and annexed hereto, an examination has been made into the 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 examiner's review of a sample of transactions did not reveal any differences that materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2000 filed annual statement. (See item 5 of this report)

The examiner's review of the Company's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Company. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. This examination covers the period from January 1, 1998 through December 31, 2000. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2000 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, 2000 to determine whether the Company's 2000 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
Territory and plan of operation
Market conduct activities
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 violations and the recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 7 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. On April 12, 1979 an additional 5,000 shares of common stock, with a par value of $100, were sold for a total consideration of $1,900,000, thereby increasing paid in capital to $1,000,000 and contributed surplus to $2,000,000.

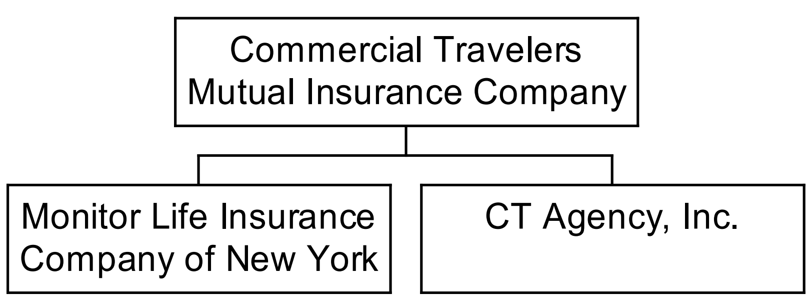
On August 15, 1978, the Company amended its charter to include the writing of life insurance and annuities as specified in paragraphs 1 and 2 of Section 1113(a) of the New York Insurance Law.

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 company. As a subsidiary of a domestic mutual company the Company is not subject to Article 15 of the New York Insurance Law.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2000 follows:



The Company had one service agreement in effect as of December 31, 2000, which calls for the parent to provide the Company with certain services such as underwriting, claims administration, investment advice, policyholder service, accounting, actuarial, marketing and data processing. This agreement became effective May 1, 1979.

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, 2000, 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, 2000, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Stephen A. Gilles* Utica, NY	President L.A. Stewart Associates, Inc.	1976
Richard R. Griffith* Utica, NY	President Sturges Manufacturing Company	1999
Frederick H. Hager* Clinton, NY	Chairman and Chief Executive Officer H. M. Quackenbush, Inc.	2000
Donald E. Joslin Holland Patent, NY	President and Chief Executive Officer Monitor Life Insurance Company of New York	1980
Kevin M. Kelly* New Hartford, NY	President Jay-K Lumber Corporation	1986
Jeremiah O. McCarthy* Barneveld, NY	President and Chairman of the Board Oneida County Rural Telephone Company	1986
Earle C. Reed* Utica, NY	Chairman and Chief Executive Officer Utica Boilers, Inc.	1999
Robert N. Sheldon* Utica, NY	Owner Reid-Sheldon & Company	1987

Name and Residence	Principal Business Affiliation	Year First Elected
John B. Stetson* Barneveld, NY	Retired	1971
Herbert E. Trevvett Poland, NY	Chairman of the Board Monitor Life Insurance Company of New York President and Chief Executive Officer Commercial Travelers Mutual Insurance Company	1977
James D. Trevvett Cold Brook, NY	Treasurer Monitor Life Insurance Company of New York and Commercial Travelers Mutual Insurance Company	1991
Paul H. Trevvett Cold Brook, NY	Vice President 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

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, 2000:

Name	Title
Donald E. Joslin	President and Chief Executive Officer
James D. Trevvett	Treasurer
David R. Milner*	Secretary and General Counsel
Donald D. Falkenstern	Controller

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

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 2000, 77.9% of life premiums and 74.6% of annuity considerations were received from New York, 14.9% of annuity considerations were received from Pennsylvania, and 56.6% and 27.5% of accident and health premiums were received from Texas and Connecticut, respectively. Policies are written on a non-participating basis.

A portion of the Company's in force business is comprised of closed blocks of individual life policies and annuity contracts that were assumed from other insurers. The Company's agency operations are conducted on both a direct response and general agency basis.

The Company's product portfolio includes group life insurance and individual term and whole life insurance. The Company's group life products have been made available through a joint effort marketing program with its parent. The marketing program is entitled CT Group. CT Group offers group disability products that are underwritten by the parent and group term life products that are underwritten by the Company.

The Company's individual ordinary life business is primarily marketed through a joint marketing venture with Guarantee Reserve Life Insurance Company ("GRLIC"), an unaffiliated Indiana insurer that is not licensed in New York. The joint marketing venture was entered into during 1998 and involves the mass marketing of the Company's term and traditional whole life policies to New York residents via direct mail solicitation. All policies marketed and subsequently sold through the joint venture are 49% reinsured on a modified coinsurance basis and serviced by GRLIC pursuant to a third party service agreement.

The Company reported amounts paid of $425,120 and $592,889 under the service agreement with GRLIC as of December 31, 1999 and December 31, 2000, respectively. It was noted that the Company reported the December 31, 1999 expense on line 6.7 of Exhibit 5 in the annual statement (group service and administrative fees) and the December 31, 2000 expense on line 9.303 of Exhibit 5 (administration fees for ordinary life). The reported expenses represented approximately 21% and 26% of total expenses for the years ending December 31, 1999 and December 31, 2000, respectively.

Section 90.7(a) of Department Regulation No. 33 states, in part:

> "General expense items must be itemized and entered in sufficient detail to indicate their precise nature . . .
> (3)Whenever personnel or facilities are used in common by two or more companies, or whenever the personnel or facilities of one company are used in the activities of two or more companies, each company shall assign its share of the expense to the same expense classification as if it had incurred the entire expense. . . ."

The Company violated Section 90.7(a)(3) of Department Regulation No. 33 by failing to allocate its share of the expenses paid to GRLIC to the same expense classification as if it had incurred the entire expense.

E. Reinsurance

As of December 31, 2000, the Company had reinsurance treaties in effect with nine companies, eight of which were authorized. The Company's ordinary life policies are ceded on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $25,000. The total face amount of life insurance ceded, as of December 31, 2000, was $148,492,703, which represents 26% of the total face amount of life insurance in force.

The total face amount of life insurance assumed, as of December 31, 2000, was $1,228,884.

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, 1997	December 31, 2000	Increase (Decrease)
Admitted assets	$28,867,891	$28,035,341	$(832,550)
Liabilities	$23,093,951	$22,921,223	$(172,728)
Common capital stock	$ 1,000,000	$ 1,000,000	$ 0
Gross paid in and contributed surplus	2,000,000	2,000,000	0
Group life contingency fund	0	65,835	65,835
Unassigned funds (surplus)	2,773,940	2,048,283	(725,657)
Total capital and surplus	$ 5,773,940	$ 5,114,118	$(659,822)
Total liabilities, capital and surplus	$28,867,891	$28,035,341	$(832,550)

The Company's invested assets, as of December 31, 2000, were mainly comprised of bonds (82.1%) and cash and short-term investments (10.6%).

The majority (97.9%) of the Company's bond portfolio, as of December 31, 2000, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
1998	$10,964	$51,023	$2,735	$58,471	$ 48,757	$306,584
1999	$ 9,349	$76,628	$3,144	$27,822	$ 89,571	$442,239
2000	$19,563	$68,998	$4,376	$42,558	$131,538	$460,154

The increase in individual whole life insurance issued from 1999 to 2000 was a result of the Company's joint marketing venture with GRLIC involving the mass marketing of the Company's individual life policies to New York residents.

The increase in individual whole life in force and decrease in individual term in force during 1999 was a result of the Company incorrectly categorizing extended term and reduced paid-up policies resulting in an overstatement of individual whole life and an understatement in individual term for that year.

The growth in group life insurance throughout the period under examination was a result of the Company's expansion of its marketing territory to cover parts of the Midwest and Southeast.

The ordinary lapse ratio for each of the examination years was 8.9% in 1998, 14.5% in 1999 and 14.2% in 2000. The increase in the Company's lapse ratio from 1998 to 1999 was a result of the Company's joint venture with GRLIC. The direct response policies issued via the joint venture experienced a higher lapse ratio than the Company's traditionally underwritten business.

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:

	1998	1999	2000
Ordinary:			
Life insurance	$(122,700)	$(183,192)	$ 71,234
Individual annuities	117,009	163,028	74,138
Supplementary contracts	(1,737)	(8,789)	(10,071)
Total ordinary	$ (7,428)	$ (28,953)	$ 135,301
Group Life:	$(115,179)	$(489,242)	$(216,247)
Accident and health – other	$ (15,636)	$ (15,149)	$ (7,360)
Total	$(138,242)	$(533,344)	$ (88,307)

The fluctuation in net gain from operations for the ordinary life line of business was due primarily to the Company's joint venture with GRLIC. The losses in 1998 and 1999 are primarily due to the start-up costs associated with the joint venture and the large allowances paid in the first two policy years. The gain in 2000 was due to a one-time accounting adjustment in connection with the joint venture with GRLIC.

The fluctuation in the individual annuity line of business was primarily due to the fluctuation in surrenders and a reduction in investment income in 2000.

The group life line of business realized consistent losses throughout the examination period. However, the Company indicated that through the joint marketing program with its parent, the group life line should become profitable in the future.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2000, as contained in the Company's 2000 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 that materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2000 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2000

Admitted Assets	
Bonds	$22,245,861
Stocks:	
Preferred stocks	750,000
Policy loans	1,217,204
Cash and short term investments	2,882,344
Reinsurance ceded:	
Amounts recoverable from reinsurers	15,309
Commissions and expense allowances due	1,089
Life insurance premiums and annuity considerations deferred and uncollected on in force business	486,153
Accident and health premiums due and unpaid	(17)
Investment income due and accrued	437,399
Total admitted assets	$28,035,342
Liabilities, Capital, Surplus and Other Funds	
Aggregate reserve for life policies and contracts	$21,688,276
Aggregate reserve for accident and health policies	28,217
Supplementary contracts without life contingencies	32,868
Policy and contract claims:	
Life	480,307
Accident and health	2,392
Policyholders' dividend and coupon accumulations	3,029
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts	
Dividends apportioned for payment to December 31, 2001	28,573
Premiums and annuity considerations received in advance	48,574

Liability for premium and other deposit funds:	
Policyholder premiums	2,393
Policy and contract liabilities	
Interest maintenance reserve	371,085
Commissions to agents due or accrued	71
Commissions and expense allowances payable on reinsurance assumed	2,808
General expenses due or accrued	5,359
Taxes, licenses and fees due or accrued	25,196
Unearned investment income	8,595
Remittances and items not allocated	5,831
Miscellaneous liabilities:	
Asset valuation reserve	103,434
Funds held under reinsurance treaties with unauthorized reinsurers	49,388
Payable to parent, subsidiaries and affiliates	34,409
Checks pending escheatment to states	419
Total liabilities	$22,921,223
Common capital stock	$ 1,000,000
Gross paid in and contributed surplus	2,000,000
Group life contingency reserve	65,835
Unassigned funds (surplus)	2,048,283
Total capital, surplus and other funds	$ 5,114,118
Total liabilities, capital, surplus and other funds	$28,035,341

B. CONDENSED SUMMARY OF OPERATIONS

	1998	1999	2000
Premiums and considerations	$2,210,093	$2,568,028	$3,318,801
Investment income	2,023,298	1,931,370	1,877,390
Commissions and reserve adjustments on reinsurance ceded	7,057	4,568	419,470
Miscellaneous income	2,374	0	0
Total income	$4,242,822	$4,503,966	$5,615,662
Benefit payments	$2,307,810	$2,579,903	$3,595,025
Increase in reserves	28,678	227,191	(484,223)
Commissions	93,318	133,968	186,125
General expenses and taxes	1,814,735	2,115,357	2,376,594
Increase in loading and cost of collection	153,605	51,944	41,929
Miscellaneous deductions	0	10	333
Total deductions	$4,398,146	$5,108,376	$5,715,783
Net gain (loss)	$ (155,324)	$ (604,410)	$ (100,121)
Dividends	29,905	27,544	32,739
Federal income taxes	(46,984)	(98,607)	(44,555)
Net gain (loss) from operations before net realized capital gains	$ (138,241)	$ (533,347)	$ (88,307)
Net realized capital gains (losses)	0	0	(334)
Net loss	$ (138,241)	$ (533,347)	$ (88,641)

C. CAPITAL AND SURPLUS ACCOUNT

	1998	1999	2000
Capital and surplus, December 31, prior year	$5,773,947	$5,650,639	$5,120,401
Net loss	$ (138,241)	$ (533,347)	$ (88,641)
Change in asset valuation reserve	14,933	3,109	82,359
Net change in capital and surplus	$ (123,308)	$ (530,238)	$ (6,283)
Capital and surplus, December 31, current year	$5,650,639	$5,120,401	$5,114,118

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company’s market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company’s advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the “Supplement”), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company reported that it reviewed its underwriting practices as set forth in the Supplement. No practices or activities of a race-based underwriting nature were identified. In summary, the Company's findings were based on a review of their marketing and sales practices, policy forms and pricing, underwriting and internal minutes and memoranda.

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and the recommendation contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 91.4(a) of Department Regulation No. 33 by failing to provide any documentation that supports the method used to distribute expenses among its annual statement lines of business nor did the Company demonstrate that the method used was suitable and equitable and in compliance with the requirements of Department Regulation No. 33. A review indicated that the Company now has documentation that supports the method used to distribute expenses among its annual statement lines of business and the method used was suitable and equitable. However, the Company violated Section 90.7(a)(3) of Department Regulation No. 33 by failing to allocate its share of the expenses paid to GRLIC to the same expense classification as if it had incurred the entire expense.
B	The Company violated Section 219.4(h) of Department Regulation No. 34-A by failing to maintain and provide adequate documentation to support statements made in several of its advertisements with respect to the cost of the products advertised. A review indicated that the Company no longer uses the statements and phrases with respect to the cost of the products referred to in its advertisements.
C	The Company violated Section 219.4(p) of Department Regulation No. 34-A by making references to the parent company in a manner that creates the impression that the parent, CTMIC, may have responsibility for the financial obligation under a policy issued by the Company. A review indicated that the Company no longer makes reference to the parent company in a manner that creates the impression that the parent, CTMIC, may have responsibility for the financial obligation under a policy issued by the Company.

Item	Description
D	The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain its advertising files in a manner consistent with the requirements set forth in the Regulation. A review indicated that the Company maintains its advertising files in a manner that is consistent with the requirements set forth in the Regulation.
E	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy form PA-104 in a manner contrary to that for which it was approved. A review indicated that policy form PA-104 was replaced by policy form PA-104-A which is used in a manner consistent for which it was approved.
F	The examiner recommended that the Company comply with the requirements of Department Circular Letter No. 1 (1934) with respect to the establishment, calculation, and maintenance of a segregation of surplus designated for the purpose of accumulating a group life contingency reserve. A review indicated that the reserve was established and carried until 2000 when Department Circular Letter No. 1 (1934) was repealed and the reserve was no longer required.

8. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 90.7(a)(3) of Department Regulation No. 33 by failing to allocate its share of the expenses paid to GRLIC to the same expense classification as if it had incurred the entire expense.	8

Respectfully submitted,

/s/
Vincent Targia
Associate Insurance Examiner

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

Vincent Targia, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Vincent Targia

Subscribed and sworn to before me

this__________ day of ____________________2001.

APPOINTMENT NO. 21759

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, GREGORY V. SERIO , Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

VINCENT TARGIA

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 he 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 1st day of August ,2001

GREGORY V. SERIO
Superintendent of Insurance

Superintendent