

STATE OF NEW YORK INSURANCE DEPARTMENT  
REPORT ON EXAMINATION  
OF THE  
HIGHMARK LIFE INSURANCE COMPANY OF NEW YORK  
AS OF  
DECEMBER 31, 2003

DATE OF REPORT:

FEBRUARY 2, 2005

EXAMINER:

JO'CATENA HARGROVE

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

George E. Pataki  
Governor

Howard Mills  
Acting Superintendent

February 2, 2005

Honorable Howard Mills  
Superintendent of Insurance  
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22251 dated September 2, 2004 and annexed hereto, an examination has been made into the condition and affairs of the Highmark Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 420 Fifth Avenue, 3<sup>rd</sup> Floor, New York, New York 10018.

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 which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2003 filed annual statement. (See item 5 of this report)

The Company violated Section 1411(a) of the New York Insurance Law by failing to have its board of directors, or its investment committee, approve the purchases and sales of investments during the examination period. (See item 3C of this report)

The Company failed to comply with its by-laws when the investment committee failed to have meetings and report its activities to the board of directors. (See item 3C of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law by providing services on a regular basis to its affiliates without receiving prior approval from the Superintendent. (See item 3B of this report)

The Company violated Section 215.13(a) of Department Regulation No. 34 by advertising products on its website without indicating the form number for each product. (See item 6A of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003 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, 2003 to determine whether the Company's 2003 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
- Officers' and employees' welfare and pension plans
- 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 the violations and recommendations 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

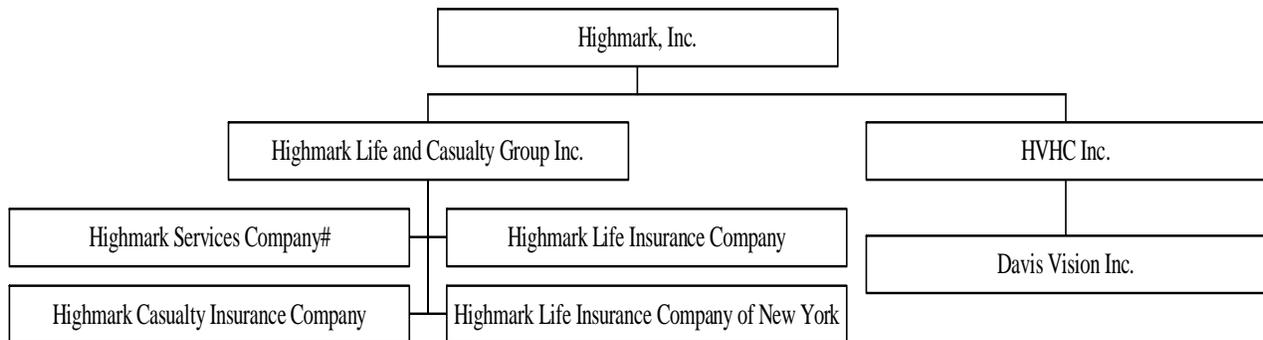
The Company was incorporated as a stock life insurance company under the laws of New York on October 16, 1996, under the name of Trans-General Life Insurance Company of New York. The Company was licensed and commenced business on March 26, 1997. Initial resources of \$10,000,000 consisted of common capital stock of \$2,000,000 and paid in and contributed surplus of \$8,000,000. The capital stock was provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$10 per share.

Effective April 1, 1999, the Company changed its name to Highmark Life Insurance Company of New York.

#### B. Holding Company

The Company is a wholly owned subsidiary of Highmark Life and Casualty Group, Inc. (“Highmark Group”), a Pennsylvania business corporation. Highmark Group is in turn a wholly owned subsidiary of Highmark Inc., the ultimate parent. Highmark, Inc. is a Pennsylvania non-profit corporation licensed as a hospital plan and professional health service plan that was formed as a result of the consolidation of Veritus Inc. (doing business as Blue Cross of Western Pennsylvania) and Medical Service Association of Pennsylvania (doing business as Pennsylvania Blue Shield). Prior to April 1, 1999, Highmark Life and Casualty Group, Inc. was known as Trans-General Life and Casualty Group, Inc.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2003 follows:



# Highmark Services Company has been renamed HM Benefits Administrators, Inc.

The Company had ten service agreements in effect 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
Optical Laboratory Agreement 29202	1/1/1998	Davis Vision Inc.	the Company	Develop, manufacture and market vision care products.	**
PPO Network Agreement 29202	1/1/1998	Davis Vision Inc.	the Company	Contract with preferred provider networks of optometrists, and ophthalmologists and pay providers on behalf of the Company.	**
Third Party Administrator Agreement 29202	1/1/1998	Davis Vision Inc.	the Company	Provide group vision administrative services, billing, premium collection, customer service, claims administration, and record keeping.	2001** \$(1,322,564) 2002** \$(1,882,644) 2003** \$(2,172,358)
Employee Benefit Plan Administrators Agreement 29380	2/1/2001	HM Benefit Administrators, Inc.	the Company	Provide employee benefit plan administration, financial, legal, information technology and other support services.	2001 \$(1,764,396) 2002 \$(1,266,227) 2003 \$(934,070)

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
Investment Advisory Agreement 29381	2/1/2001	Highmark, Inc.	the Company	Provide supervision and direction of investment of cash, securities, and other assets.	2001 \$(498) 2002 \$(650) 2003 \$(796)
Administrative Agreement 29574	5/1/2001	Highmark Life Insurance Company	the Company	Provide underwriting, claims, financial, marketing and advertising, actuarial, EDP, and agent related services.	2001 \$(1,212,969) 2002 \$(782,770) 2003 \$(1,870,354)
Integrated Database Agreement 29983	3/1/2002	Highmark Casualty Insurance Company	the Company	Provide the design, development, installation and maintenance of an integrated database generating claims records pertaining to new accounts.	2002 \$(12,709)  2003 \$(49,278)
Sales Administration Agreement	1/1/2003	the Company	Highmark Life Insurance Company	Provide sales and sales administration services.	2003 \$301,462

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
Sales Administration Agreement	1/1/2003	the Company	Highmark Casualty Insurance Company	Provide sales and sales administration services.	2003 \$7,827
Sales Administration Agreement	1/1/2003	the Company	HM Benefit Administrators, Inc.	Provide sales and sales administration services.	2003 \$1,166

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

\*\*For ease of administration, data on fees paid to Davis Vision were supplied on an aggregate basis for all services provided.

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

Section 1505(d) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . . (3) rendering of services on a regular or systematic basis . . . ”

As indicated in the above table, the Company entered into three sales administration agreements during the examination period, one each with Highmark Life Insurance Company, Highmark Casualty Insurance Company, and HM Benefit Administrators, Inc. None of these agreements were approved by the Department.

The Company violated Section 1505(d)(3) of the New York Insurance Law by providing services on a regular basis to its affiliates without filing the agreement with the Superintendent.

### C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 17 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 11 members. Meetings of the board are held in January, April, July, and November of each year.

The 11 board members and their principal business affiliation, as of December 31, 2003, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
James Colker* Pittsburgh, PA	Retired	1996
Robert C. Gray Sewickley, PA	Executive Vice President Highmark, Inc.	2003
Roseann J. LaRosa* Valley Stream, NY	Retired	1996
Daniel J. Lebish Pittsburgh, PA	President and Chief Executive Officer Highmark Life and Casualty Group, Inc.	2003
William M. Lowry* Sewickley, PA	Retired	1996
Donald L. Morchower* New York, NY	Retired	2003
Donald P. Napier* Manlius, NY	Senior Vice President and Chief Operating Officer POMCO	2001
John N. Shaffer* Meadville, PA	Retired	1996
Warren G. Weber* Erie, PA	Retired	1999
Thomas White* New Castle, PA	President and Chief Executive Officer Jameson Health Systems, Inc.	1996

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Doris C. Williams* Pittsburgh, PA	President African American Chamber of Commerce of Western Pennsylvania	2002

\* 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.

Section 1411(a) of the New York Insurance Law states, in part:

“No domestic insurer shall make any loan or investment . . . unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting.”

Section 5.4 of the Company's by-laws, as amended April 24, 2003, states, in part:

“The Board shall appoint an investment committee. . . . The chairman of the investment committee shall preside at all meetings. . . . The investment committee shall keep a record of its proceedings and shall submit a report of its activities to the Board at the next meeting of the Board.”

The board of directors appointed an investment committee; however, the committee did not hold any meetings during the examination period. It was also noted that the Company was unable to provide any evidence that the board or its investment committee had authorized or approved the purchases and sales of investments during the examination period.

The Company violated Section 1411(a) of the New York Insurance Law by failing to have its board of directors, or its investment committee, approve the purchases and sales of investments during the examination period. Additionally, the Company failed to comply with section 5.4 of its by-laws when its investment committee failed to hold meetings.

The following is a listing of the principal officers of the Company as of December 31, 2003:

<u>Name</u>	<u>Title</u>
William M. Lowry	Chairman of the Board
Daniel J. Lebish	President and Chief Executive Officer
W. Dennis Cronin*	Senior Vice President and Treasurer
Catherine L. Blanchard	Senior Vice President
Beata A. Madey	Senior Vice President
Eugene A. Susi	Senior Vice President
Matthew Piroch	Vice President Information Technology
Daniel J. Carlton	Vice President
Pamela R. Brown	Vice President
Paul A. Robb	Secretary

\* 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 the state of New York and the District of Columbia. In 2003, 65% of life premiums were received from New York, and 35% were received from the District of Columbia. All accident and health premiums were received from New York. Policies are written on a non-participating basis.

The Company's principal lines of business are group life and group accident and health insurance. As of December 31, 2003, 83% of the Company's premium income was derived from the group accident and health line of business. Within the group accident and health line of business, the Company offered the following products: long-term disability, short-term disability, disability benefit law (statutory disability), accidental death and dismemberment ("AD&D"), stop-loss, and vision care.

During the examination period, the Company utilized several distribution systems, depending upon the type of products offered. For group life, group AD&D, group disability and stop-loss products, the Company marketed its products on a general agency basis. The Company has a third party administrator agreement with its affiliate, Davis Vision, Inc., to distribute its

vision products. The vision products are sold solely through licensed brokers and/or agents employed by Davis Vision, Inc.

E. Reinsurance

As of December 31, 2003, the Company had reinsurance treaties in effect with 12 companies, of which four were authorized or accredited. The Company's group life and group accident and health business are reinsured on a coinsurance and/or catastrophe basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for group life and group AD&D contracts is \$250,000. The total face amount of life insurance ceded, as of December 31, 2003, was \$66,260,220, which represents 2% of the total face amount of life insurance in force. The maximum retention limit for group long term disability is \$2,500 of the gross monthly benefit. The maximum retention limit for stop-loss is 50% quota share participation of up to \$1,000,000.

The total amount of accident and health premiums ceded, as of December 31, 2003, was \$2,556,862, which represents 7% of the total accident and health premiums in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$7,698,613, is solely for accident and health insurance, and was supported by a trust agreement.

#### 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 growth (decline) during the period under review:

	<u>December 31,</u> <u>2000</u>	<u>December 31,</u> <u>2003</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$25,983,899</u>	<u>\$24,669,452</u>	<u>\$(1,314,447)</u>
Liabilities	<u>\$17,649,737</u>	<u>\$15,713,422</u>	<u>\$(1,936,315)</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	8,000,000	8,000,000	0
Unassigned funds (surplus)	<u>(1,665,838)</u>	<u>(1,043,970)</u>	<u>621,868</u>
Total capital and surplus	<u>\$ 8,334,162</u>	<u>\$ 8,956,030</u>	<u>\$ 621,868</u>
Total liabilities, capital and surplus	<u>\$25,983,899</u>	<u>\$24,669,452</u>	<u>\$(1,314,447)</u>

The Company's invested assets as of December 31, 2003 were mainly comprised of bonds (84.6%), cash and short-term investments (15.4%). The Company's entire bond portfolio, as of December 31, 2003, 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:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Ordinary:			
Life insurance	\$ 0	\$ 0	\$ <u>(2,441)</u>
Group:			
Life	\$( <u>155,830</u> )	\$( <u>130,071</u> )	\$( <u>488,437</u> )
Accident and health:			
Group	\$ <u>497,820</u>	\$ <u>165,170</u>	\$ <u>339,289</u>
Total	\$ <u>341,990</u>	\$ <u>35,099</u>	\$( <u>151,589</u> )

The decrease in total net income from 2001 to 2002 of \$306,891 was primarily due to higher claims in 2002 within the group disability income products. Although an improvement was noted in group disability in 2003, the Company recorded an additional reserve for rate guarantees in its group life line of business (in accordance with Department Regulation No. 147), which was primarily responsible for the \$186,688 decline in net income between 2002 and 2003.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	59.0%	66.0%	62.1%
Commissions	13.2	14.3	13.6
Expenses	<u>27.3</u>	<u>21.8</u>	<u>24.3</u>
	<u>99.6%</u>	<u>102.1%</u>	<u>100.0%</u>
Underwriting results	<u>0.6%</u>	<u>(2.1)%</u>	<u>(0.1)%</u>

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2003, as contained in the Company's 2003 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, 2003 filed annual statement.

### A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2003

#### Admitted Assets

Bonds	\$18,328,778
Cash, cash equivalents and short term investments	3,331,854
Investment income due and accrued	224,501
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,965,780
Reinsurance:	
Amounts recoverable from reinsurers	68,879
Other amounts receivable under reinsurance contracts	291,611
Amounts receivable relating to uninsured plans	16,162
Current federal and foreign income tax recoverable and interest thereon	188,638
Net deferred tax asset	185,976
Receivables from parent, subsidiaries and affiliates	55,173
Other receivables	3,100
Claim refund receivables	5,539
Unapplied claim refunds	<u>3,461</u>
 Total admitted assets	 <u>\$24,669,452</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 3,112,678
Aggregate reserve for accident and health contracts	6,155,414
Contract claims:	
Life	819,706
Accident and health	2,912,700
Contract liabilities not included elsewhere:	
Interest maintenance reserve	15,688
Commissions to agents due or accrued	665,901
General expenses due or accrued	900,475
Taxes, licenses and fees due or accrued, excluding federal income taxes	34,222
Amounts withheld or retained by company as agent or trustee	17,562
Remittances and items not allocated	154,608
Miscellaneous liabilities:	
Asset valuation reserve	32,734
Payable to parent, subsidiaries and affiliates	843,052
Unclaimed property	<u>48,682</u>
 Total liabilities	 \$ <u>15,713,422</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	8,000,000
Unassigned funds (surplus)	<u>(1,043,970)</u>
 Total capital and surplus	 \$ <u>8,956,030</u>
 Total liabilities, capital and surplus	 \$ <u>24,669,452</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Premiums and considerations	\$23,688,114	\$27,422,407	\$31,124,461
Investment income	1,262,764	1,094,929	1,039,392
Commissions and reserve adjustments on reinsurance ceded	445,680	296,689	509,516
Miscellaneous income	<u>4,434</u>	<u>2,536</u>	<u>764</u>
Total income	<u>\$25,400,992</u>	<u>\$28,816,561</u>	<u>\$32,674,133</u>
Benefit payments	\$15,535,633	\$17,811,606	\$20,366,339
Increase in reserves	(476,860)	1,035,085	766,067
Commissions	3,320,002	3,917,087	4,627,485
General expenses and taxes	6,434,379	5,985,351	7,210,638
Miscellaneous deductions	<u>5,620</u>	<u>0</u>	<u>15,089</u>
Total deductions	<u>\$24,818,774</u>	<u>\$28,749,129</u>	<u>\$32,985,618</u>
Net gain (loss)	\$ 582,218	\$ 67,432	\$ (311,485)
Federal and foreign income taxes incurred	<u>240,228</u>	<u>32,333</u>	<u>(159,896)</u>
Net gain (loss) from operations before net realized capital gains	\$ 341,990	\$ 35,099	\$ (151,589)
Net realized capital gains (losses)	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 341,990</u>	<u>\$ 35,099</u>	<u>\$ (151,589)</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Capital and surplus, December 31, prior year	\$ <u>8,334,161</u>	\$ <u>8,565,081</u>	\$ <u>9,095,272</u>
Net income	\$ 341,990	\$ 35,099	\$ (151,589)
Change in net deferred income tax	0	(27,591)	(66,949)
Change in non-admitted assets and related items	107,706	151,769	86,102
Change in liability for reinsurance in unauthorized companies	(207,687)	207,687	0
Change in asset valuation reserve	(6,914)	(2,882)	(6,806)
Cumulative effect of changes in accounting principles	(4,175)	161,633	0
Change in EDP accumulated depreciation surplus adjustment	<u>0</u>	<u>4,476</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>230,920</u>	\$ <u>530,191</u>	\$ <u>(139,242)</u>
Capital and surplus, December 31, current year	\$ <u>8,565,081</u>	\$ <u>9,095,272</u>	\$ <u>8,956,030</u>

## 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.

Section 215.13(a) of Department Regulation No. 34 states, in part:

"The name of the actual insurer and the form number or numbers advertised shall be identified and made clear in all of its advertisements."

The Company placed advertisements on its web site for its employer stop loss, group AD&D and group disability products and failed to include the policy form numbers for its New York products.

The Company violated Section 215.13(a) of Department Regulation No. 34 when it placed advertisements on its website for its employer stop-loss, group AD&D, and group disability products without indicating the form number for each product.

### 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.

## 7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services on a regular basis from its parent and affiliates without notifying the Superintendent in writing at least thirty days prior to its intention to enter into such transactions.</p> <p>These service agreements were filed and approved by the Department; however, a similar comment appears in this report.</p>
B	<p>The Company violated Section 1202(b)(2) of the New York Insurance Law for failing to have the audit/nominating/evaluation committee fulfill all of its responsibilities, as stated in the New York Insurance Law.</p> <p>The audit/nominating/evaluation committee is now fulfilling all of its responsibilities.</p>
C	<p>The Company violated Section 2122(a)(2) of the New York Insurance Law by calling attention to unauthorized insurers in its advertisements.</p> <p>The advertisements no longer call attention to unauthorized insurers.</p>
D	<p>The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34-A by not maintaining its advertising file at its home office.</p> <p>The advertising file is now maintained at the home office.</p>
E	<p>The Company violated Section 219.4(p) of Department Regulation No. 34-A by not identifying the name of the city, town or village in which it has its home office in its advertisements.</p> <p>The city and state of the home office is now included on all advertisements.</p>
F	<p>The examiner recommended that the Company establish procedures to ensure its advertisements are in compliance with Department Regulation No. 34 and No. 34-A.</p> <p>The Company has established procedures to ensure compliance with Department Regulation No. 34 and No. 34-A; however, there is a violation of Department Regulation No. 34 in this report.</p>

<u>Item</u>	<u>Description</u>
G	<p>The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form that was not approved by the Superintendent.</p> <p>During the examination period, the Company received approval from the Department for all policy forms.</p>
H	<p>The examiner recommended that the Company resubmit modified policy form GP292-LIFE to the Department for approval.</p> <p>The Department approved modified policy form GP292-LIFE.</p>
I	<p>The Company violated Section 91.4(a) of the Department Regulation No. 33 by not maintaining records with sufficient detail to show fully the actual bases of allocation.</p> <p>The Company maintains records with sufficient detail to show the actual bases of allocation.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the violations and the comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by providing services on a regular basis to its affiliates without receiving the Superintendent's prior approval.	7
B	The Company violated Section 1411(a) of the New York Insurance Law by failing to have its board of directors, or its investment committee, approve the purchases and sales of investments during the examination period.	9
C	The Company failed to comply with its by-laws when its investment committee failed to hold meetings.	9
D	The Company violated Section 215.13(a) of Department Regulation No. 34 by advertising products on the Company's website without indicating the form number for each product.	18

Respectfully submitted,

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Jo'Catena Hargrove  
Senior Insurance Examiner

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

Jo'Catena Hargrove, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

---

Jo'Catena Hargrove

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_ 2005.

*APPOINTMENT NO. 22251*

**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:*

**JO'CATENA HARGROVE**

*as a proper person to examine into the affairs of the*

**HIGHMARK LIFE INSURANCE COMPANY OF NEW YORK**

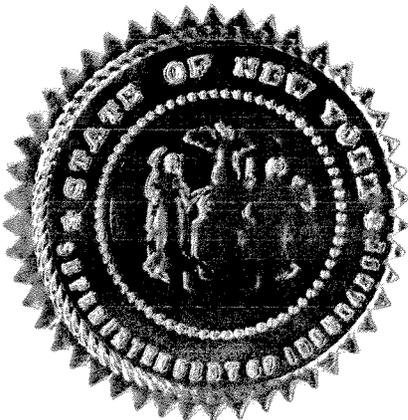
*and to make a report to me in writing of the condition of the said*

**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 2nd day of September, 2004*



**GREGORY V. SERIO**

*Superintendent of Insurance*

*[Handwritten Signature]*  
*Superintendent*