STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

COMBINED LIFE INSURANCE COMPANY

OF NEW YORK

CONDITION:	DECEMBER 31, 2007
DATE OF REPORT:	MARCH 6, 2009

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

COMBINED LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2007

DATE OF REPORT:	MARCH 6, 2009
EXAMINER:	VINCENT TARGIA

TABLE OF CONTENTS

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

David Paterson
Governor

Eric R. Dinallo
Superintendent

May 12, 2009

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

Sir:

In accordance with instructions contained in Appointment No. 22802, dated July 28, 2008 and annexed hereto, an examination has been made into the financial condition and affairs of Combined Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 11 British American Boulevard, Latham, New York, 12110.

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 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation related to several service agreements. (See item 3 of this report)

The Company violated Section 1505(a) of the New York Insurance Law by failing to maintain documentation that allows the Department to determine whether the terms are fair and equitable and the charges or fees for services performed are reasonable. (See item 3 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, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 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, 2007 to determine whether the Company's 2007 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 financial condition violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 6 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 November 3, 1964 under the name of James Monroe Life Insurance Company, with authorized capital of $800,000 consisting of 400,000 shares of stock with a par value of $2 per share. On February 17, 1965, the Company issued an additional 100,000 shares, with a par value of $2 per share, which increased the authorized capital to $1,000,000.

On May 12, 1971, all shares of authorized capital stock were purchased by Combined Insurance Company of America ("CICA") for $6.10 per share, for a total consideration of $3,050,000. Of this amount, $1,000,000 was capital and $2,050,000 was paid-in and contributed surplus. The present name of the Company was adopted when the Company was purchased by CICA.

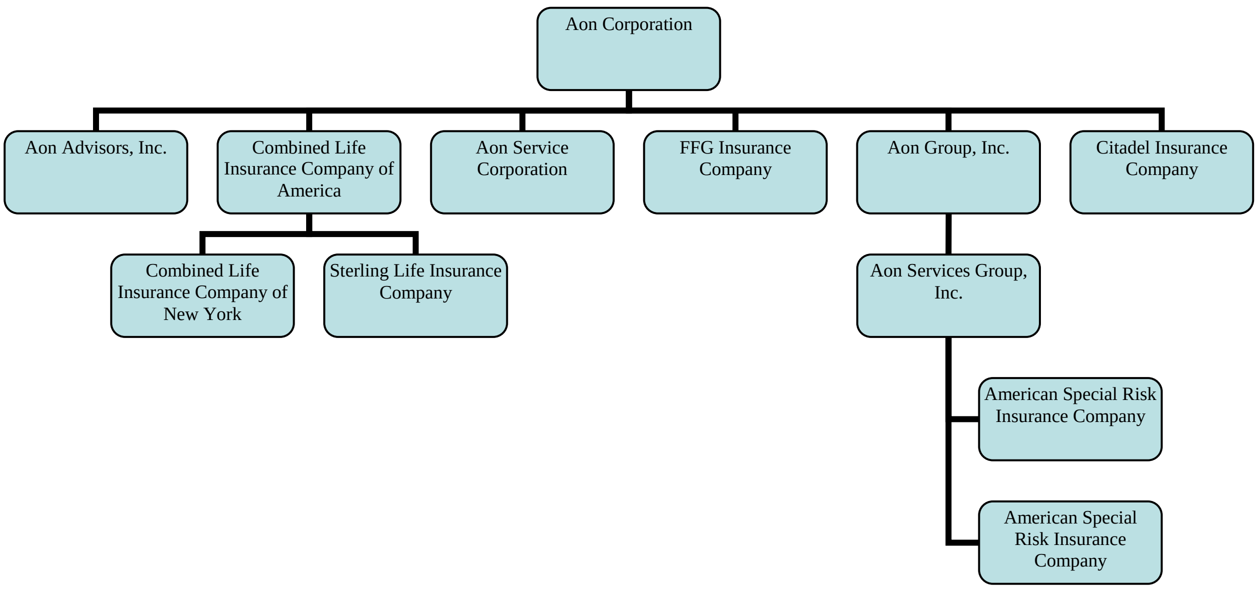
On December 9, 1982, the Company amended its charter to increase the par value of all outstanding shares to $4, thereby increasing capital to $2,000,000. At the same time, CICA increased the Company's paid-in and contributed surplus to $4,050,000. The Company's gross paid-in and contributed surplus at December 31, 2007 was $4,060,296.

On April 1, 2008, ACE Limited ("ACE") acquired the Company's parent, CICA, from Aon Corporation ("Aon"). ACE is a publicly traded Switzerland stock company whose ordinary shares are listed on the New York Stock Exchange. ACE, a global insurance and reinsurance organization, provides a range of insurance and reinsurance products through its direct and indirect subsidiaries in more than 150 countries. ACE Group Holdings, Inc. ("ACE Group"), a Delaware corporation, is a wholly-owned subsidiary of ACE. ACE INA Holdings, Inc. ("ACE INA") is a Delaware corporation whose stock is 80% owned by ACE Group and 20% owned by ACE. ACE INA is therefore 100% owned, indirectly by ACE.

B. Holding Company

At December 31, 2007, the Company was an indirect wholly owned subsidiary of Aon Corporation and directly owned by Combined Insurance Company of America (CICA), an Aon subsidiary. On April 1, 2008, Aon completed the sale of the Company and CICA to ACE for approximately $2.56 billion.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2007 follows:



The Company had 4 service agreements in effect during the examination period whereby services were either provided by the Company on behalf of affiliates or services were provided by affiliates on behalf of the Company.

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 Management (#10922)	June 9, 1992	Aon Advisors, Inc. (Advisors)	The Company	Investment management and advisory services	2004 $(322,000) 2005 $(331,000) 2006 $(294,000) 2007 $(331,000)
Administrative Services Agreement (#34993)	January 1, 1987 Amended January 1, 2006	CICA	The Company	Insurance administrative services performed on behalf of each other Management, IT, accounting and reporting, sales administration, human resources, policyholder services and call center functions	2004 $(12,898,275) 2005 $(13,125,131) 2006 $(11,521,940) 2007 $(12,086,551
Administrative Services Agreement (#34994)	January 1, 1987 Amended January 1, 2006	The Company	CICA	Insurance administrative services performed on behalf of each other Management services related to service center function, facilities and training	2004 $1,009,652 2005 $1,093,084 2006 $(439,518)** 2007 $584,930
Administrative Services Agreement (#34830)	October 1, 1998 Amended February 1, 2006	Aon Service Corporation (ASC)	The Company	All Corporate related services All Corporate related services	2004 $(1,073,575) 2005 $(767,208) 2006 $(781,644) 2007 $(621,440)

* Amount of Income or (Expense) Incurred by the Company
** The negative amount in 2006 is due to the refund of ($766,302) related to the prior year and $326,784 in estimated charges for 2007

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

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

"Transactions within a holding company system to which a controlled insurer is a party shall be subject to the following:
(1) the terms shall be fair and equitable;
(2) charges or fees for services performed shall be reasonable …"

Section 91.4(a)(2) of Department Regulation No. 33 states, in part:

"Each life insurer shall maintain records with sufficient detail to show fully:
(i) the system actually used for allocation of income and expenses;
(ii) the actual bases of allocation …"

The Company has two service agreements in effect with CICA. The first agreement calls for the Company to provide certain administrative services to CICA; the second agreement calls for the Company to receive certain administrative services from CICA. A review of the documentation, maintained in support of the service agreement that allows for CICA to provide services for the Company, revealed that the Company failed to maintain records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation for several departments covered under this agreement. A review of the documentation maintained and provided to the examiner in support of both the costs charged to CICA from the Company and by CICA to the Company, under both agreements, revealed that the methods of allocating costs for several expense departments were different than the methods outlined in the service agreements.

In addition, the Company has an administrative service agreement with ASC that provides for the Company to receive general corporate business services. The service agreement also calls for the Company to pay ASC, via its paying agent CICA. The Company could not produce any documentation that supported the charges from ASC to CICA and ultimately to the Company (billing statements, etc. that support the actual ASC expense charges to CICA). The Company was able to provide the methodology supporting the allocation of the Company's portion of the ASC expense. However, the documentation needed to verify the various methods (statutory revenue, time spent, voucher volume and head count) was not part of the supporting documentation provided to the examiner.

Also, the Company has an investment advisory agreement with Advisors, whereby Advisors provides investment management services to the Company. The Company could not produce any documentation supporting the amount charged for investment advisory costs to the Company.

The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation related to several service agreements.

The Company violated Section 1505(a) of the New York Insurance Law by failing to maintain documentation that allows the Department to determine whether the terms are fair and equitable and whether the charges or fees for services performed are reasonable.

The examiner recommends that costs are allocated as outlined in both filed service agreements with CICA.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine directors. The number of directors will be increased to not less than 13 within one year following the end of the calendar year in which the corporation exceeds one and one-half billion dollars in assets. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. As of December 31, 2007, the board of directors consisted of eight members. Meetings of the board are held quarterly.

The 8 board members and their principal business affiliation, as of December 31, 2007, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Leonard A. Dopkins* Williamsville, NY	Retired	1993
Arthur H. Goldberg* Great Neck, NY	Corporate Solutions Group , LLC Financial Advisors	2006
Henry M. Gridley* Saratoga Springs, NY	Retired	1985

Name and Residence	Principal Business Affiliation	Year First Elected
John J. Hogan Wheaton, IL	Controller Combined Insurance Company of America	1999
Michael F. Hurd Clifton Park, NY	Treasurer Combined Life Insurance Company of New York	1999
Steven E. Lippai Highland Park, IL	Chief Actuary Combined Life Insurance Company of New York Executive Vice President and Chief Actuary Combined Insurance Company of America	1993
Douglas R. Wendt Libertyville, IL	President Combined Life Insurance Company of New York Chairman, President and Chief Executive Officer Combined Insurance Company of America	2007
Noel Wilner* Northbrook, IL	President CBIZ Rootberg Business Services, Inc.	2003

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

In December, 2007, Richard M. Ravin resigned from the board reducing the number of board members to 8. Edward P. Clancy was elected at the next board meeting, held in April 2008, increasing the total number of board members to the required number.

In January 2008, Arthur H. Goldberg and Noel Wilner resigned from the board and were replaced by Frederic L. Bodner and Lee M. Smith.

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, 2007:

Name	Title
Douglas R. Wendt	President
David A. Goldberg	Secretary
Michael Francis Hurd	Treasurer
Steven Edward Lippai	Chief Actuary
James P. Zils	Chief Financial Officer
James Louis Coleman	Chief Marketing Officer
Leonard H. Karpowich*	Vice President

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

In August, 2008 Joseph J. Jordan replaced Michael F. Hurd as Treasurer and Larry Cohen replaced James P. Zils as Chief Financial Officer

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 has never engaged in writing annuity business.

The Company is licensed to transact business in three states, Florida, Illinois, and New York. In 2007, 96.1% of life premiums and 97.5% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

The principal lines of business sold during the examination period were individual accident and health, group accident and health and individual life. Following are significant products that were marketed during the examination period:

Individual Accident and Health Products:

Hospital Emergency Recovery & Outpatient Policy ("HERO") – Pays benefits for treatment of an injury caused by an accident, including a daily benefit for in-patient hospitalization and recovery care, plus a monthly benefit for total disability following out-patient surgery for accident-related injuries.
Disability Accident Policy ("DAP") – Pays a flat amount per day for disability income protection due to accident. Policy is guaranteed renewable.

Sickness Income Policy ("SIP") – Pays a flat amount per day for disability income protection due to sickness. Policy is guaranteed renewable.

Sickness Hospital Indemnity Plan ("SHIP") – Pays a flat amount for each day an insured is confined to a hospital due to sickness. Policy is guaranteed renewable.

Cancer Assistance Policy – Pays benefits for hospitalization, surgery, anesthesia, radiation and chemotherapy treatment for cancer related illnesses and includes a preventative care benefit.

Accidental Death and Dismemberment ("AD&D") – Pays a benefit for certain common carrier accidents and any accident referred to in the policy. The policy is guaranteed renewable.

Group Accident and Health

Group Blanket Student Accident & Sickness ("University Health")

Student Accident Only ("K-12")

Employer Stop Loss

Group Vision Care Insurance

Life Products

Assured Life Protector – Issue ages 0 – 75. Whole life insurance has coverage available from $10,000 to $100,000 (increments of $5,000 for the first $50,000 then in increments of $10,000). Builds cash value and paid-up insurance values begin to accumulate after the second year of the policy.

Golden Life Plus – Issue ages 55 – 75. Whole life insurance has accelerated death benefits and options to increase face amount of insurance. Face amounts of $3,000, $5,000 or $10,000 are available.

Golden Advantage – Issue ages 55 – 70. Limited life insurance benefit is paid if death occurs within two years. Face amount is $3,000 or $5,000.

The Company's focus is towards the sale of individual accident and health policies, but the Company also sells small face amount life policies. The targeted market for the Company's products are lower middle income and working class groups, as well as small business owners located in small towns throughout New York State. The sales force works off of the existing renewal base by collecting renewal premiums in the field for existing policies, particularly for disability income products (life insurance and sickness policies are sold as follow-up policies to existing disability income customers). The Company also generates "lead listings" based on its existing policyholders and makes "cold calls" to these policyholders soliciting its products.

Group Vision Care and Employer Stop Loss products are marketed to employer groups located in New York State. The University Health and K-12 products are marketed to colleges, universities, and school districts also located in New York State.

The Company's distribution systems are divided between its individual and group operations. The Company utilizes a 100% captive field force in marketing its individual products. The Company's group products are solicited through the Company's Combined Select Program ("CSP"), a division/business unit of its parent CICA. CSP utilizes licensed brokers to market its University Health and K-12 products and program managers to market its vision care and employer stop loss products.

The Company's agency operations are conducted on a general agency basis. The Company's agency force is divided between 1) 7th Essential (Accident and Health); 2) Life/Health; and 3) Worksite. The 7th Essential division markets the Hospital Emergency Recovery and Outpatient Policy, Disability Accident Policy and Sickness Hospital Income Policy. The Life/Health Division markets the Company's Assured Life Protector, Golden Life Plus, Golden Advantage, Disability Income, and Cancer Indemnity policies. The Worksite division markets Universal Life, Term Life, AD&D, Disability Income and Cancer Indemnity through employer payroll deduction.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with 4 companies, of which one was authorized or accredited. The Company's life business is reinsured on a coinsurance basis and the accident and health business is reinsured on a yearly renewable term basis. The maximum retention limit for any one life is $100,000 for both ordinary and group life. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $25,402,745, was supported by letters of credit and trust agreements.

The Company did not assume any business as of December 31, 2007.

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 during the period under review:

	December 31, 2003	December 31, 2007	Increase
Admitted assets	$286,082,065	$359,854,582	$73,772,517
Liabilities	$238,285,498	$299,783,997	$61,498,499
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	4,060,296	4,060,296	0
Unassigned funds (surplus)	41,736,272	54,010,289	12,274,017
Total capital and surplus	$ 47,796,568	$ 60,070,585	$12,274,017
Total liabilities, capital and surplus	$286,082,066	$359,854,582	$73,772,516

The Company's invested assets as of December 31, 2007 were mainly comprised of bonds (89.9%) and cash and short-term investments (5.7%). The majority (99.4%) of the Company's bond portfolio, as of December 31, 2007, 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	2007
Ordinary life insurance	$ 3,972,634	$3,099,908	$ 4,191,481	$ 5,086,783
Accident and health:				
Group	$ 3,730,439	$1,336,632	$ 2,544,105	$ 1,961,140
Other	3,103,481	3,664,858	8,099,738	10,128,897
Total accident and health	$ 6,833,920	$5,001,490	$10,643,843	$12,090,037
Total	$10,806,554	$8,101,398	$14,835,324	$17,176,820

Section 91.4(a) of Department Regulation No. 33 states:

"… (2) Each life insurer shall maintain records with sufficient detail to show fully:
(i) the system actually used for allocation of income and expenses;
(ii) the actual bases of allocation;
(iii) the actual monetary distribution of the respective items of income, salaries, wages, expenses, and taxes to:…
(c) annual statement lines of business,…

(3) Such records shall be classified and indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated, and shall be maintained in such a manner as to be readily accessible for examination. These records shall bear a date and shall identify the person responsible for the preparation thereof…"

During the on-site examination, the examiner requested workpapers supporting the method utilized by the Company to allocate expenses by line of business. The Company provided a response that was deficient in the documentation necessary to identify the items allocated and the basis upon which they were allocated. The Company was advised at each subsequent weekly examination meeting that the documentation provided in response to the request was insufficient and therefore still outstanding. The Company finally provided additional documentation supporting its method of allocating expenses by line of business subsequent to the end of the on-site examination.

The examiner recommends that the Company maintain records supporting the method used to allocate expenses by line of business on-site and in such form as to permit ready identification of the items allocated and basis upon which they were allocated, and maintained in such a manner as to be readily accessible for examination.

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:

	2004	2005	2006	2007
Premiums earned	100.0%	100.0%	100.0%	100.0%
Incurred losses	59.3%	65.6%	58.9%	91.1%
Commissions	10.9	9.2	9.7	9.3
Expenses	25.0	23.3	23.0	22.9
	95.2%	97.9%	91.6%	123.3%
Underwriting results	4.8%	1.9%	8.4%	-23.3%

The significant increase in incurred losses in 2007 as compared to the other three years under examination was mainly attributable to the retroactive adjustment of reserves for past policy enhancements that had not been adequately reserved for in previous years.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 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, 2007 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$298,989,543
Stocks:	
Preferred stocks	6,602,594
Common stocks	450,604
Cash and short term investments	18,863,307
Contract loans	7,570,324
Investment income due and accrued	3,297,538
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	9,315,999
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,163,887
Current federal and foreign income tax recoverable and interest thereon	1,704,129
Net deferred tax asset	8,858,397
Electronic data processing equipment and software	16,682
Accounts receivable other than agents	21,579
Total admitted assets	$359,854,583

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 87,564,855
Aggregate reserve for accident and health contracts	152,901,917
Contract claims:	
Life	1,075,448
Accident and health	39,303,041
Premiums and annuity considerations for life and accident and health contracts received in advance	853,662
Interest maintenance reserve	4,409,058
Commissions to agents due or accrued	629,952
General expenses due or accrued	1,955,905
Taxes, licenses and fees due or accrued, excluding federal income taxes	43,056
Unearned investment income	107,467
Amounts withheld or retained by company as agent or trustee	365,037
Remittances and items not allocated	5,127,289
Miscellaneous liabilities:	
Asset valuation reserve	889,292
Reinsurance in unauthorized companies	651,764
Payable to parent, subsidiaries and affiliates	2,358,558
Payable for securities	916,010
Escheats	490,513
Amount due to reinsurers	138,174
Miscellaneous liabilities	3,000
Total liabilities	$299,783,998
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	4,060,296
Unassigned funds (surplus)	54,010,289
Total capital and surplus	$ 60,070,585
Total liabilities, capital and surplus	$359,854,583

B. CONDENSED SUMMARY OF OPERATIONS

	2004	2005	2006	2007
Premiums and considerations	$138,181,781	$132,910,794	$138,669,074	$145,032,990
Investment income	11,745,279	13,700,230	15,581,899	17,563,488
Commissions and reserve adjustments on reinsurance ceded	2,456,265	2,221,190	1,225,654	608,055
Miscellaneous income	0	0	9,201	35,806
Total income	$152,383,325	$148,832,214	$155,485,828	$163,240,339
Benefit payments	$ 69,553,938	$ 75,361,581	$ 73,813,516	$ 79,819,904
Increase in reserves	13,803,140	10,464,136	9,069,493	47,587,594
Commissions	16,362,478	14,130,748	13,965,983	13,483,491
General expenses and taxes	32,620,140	32,046,818	32,978,444	33,919,376
Increase in loading on deferred and uncollected premiums	13,801	131,753	(51,574)	19,456
Miscellaneous deductions	2,017,696	1,153,336	1,665,485	(35,636,518)
Total deductions	$134,371,193	$133,288,372	$131,441,347	$139,193,303
Net gain	$ 18,012,132	$ 15,543,842	$ 24,044,481	$ 24,047,036
Dividends	0	0	18,189	393
Federal and foreign income taxes incurred	7,205,578	7,442,444	9,190,966	6,869,824
Net gain from operations Before net realized capital gains	$ 10,806,554	$ 8,101,398	$ 14,835,326	$ 17,176,820
Net realized capital gains (losses)	7,157	0	(11,113)	(320,939)
Net income	$ 10,813,711	$ 8,101,398	$ 14,824,213	$ 16,855,880

During an internal audit, a number of reserve issues were discovered and corrected in 2007. The result was a $36.7 million decrease of miscellaneous deductions and an increase of $34.9 million in reserves.

C. CAPITAL AND SURPLUS ACCOUNT

	2004	2005	2006	2007
Capital and surplus, December 31, prior year	$47,796,568	$42,471,800	$52,109,074	$50,954,345
Net income	$10,813,711	$ 8,101,398	$14,824,213	$16,855,881
Change in net unrealized capital gains	32,588	0	0	0
Change in net deferred income tax	2,760,732	6,687,837	(3,971,127)	(102,087)
Change in non-admitted assets and Related items	(1,853,592)	(5,173,794)	4,787,728	2,584,191
Change in liability for reinsurance in unauthorized companies	91,023	0	(2,611,562)	1,959,798
Change in asset valuation reserve	(169,229)	(176,560)	(183,981)	(181,544)
Dividends to stockholders	(17,000,000)	0	(14,000,000)	(12,000,000)
Other changes to surplus	0	198,393	0	0
Net change in capital and surplus for the year	$(5,324,767)	$ 9,637,274	$ (1,154,729)	$ 9,116,239
Capital and surplus, December 31, current year	$42,471,800	$52,109,074	$50,954,345	$60,070,585

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the financial condition violations and recommendations 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 1505(d)(3) of the New York Insurance Law by failing to notify the superintendent in writing of its intention to enter into an agreement whereby an affiliate renders services to the Company on a regular and systematic basis. The examination revealed that effective February 1, 2006; the Company entered into and received Department approval for the service agreement between the Company and ASC.
B	The Company violated Section 1505(a) of the New York Insurance Law by failing to: 1) reimburse CICA a reasonable amount for certain services provided on a regular and systematic basis and 2) bill or charge CICA a reasonable amount for certain services that were provided on a regular and systematic basis. The examination revealed that effective January 1, 2006 the Company revised the service agreement with CICA to include all services that are performed by CICA on behalf of the Company.
C	The Company violated Section 1505(d)(3) of the New York Insurance Law by: 1) receiving certain services from CICA on a regular and systematic basis that were not provided for in the filed service agreement between the Company and CICA where CICA is the provider of services and 2) providing certain services to CICA on a regular and systematic basis that were not provided for in the filed service agreement between the Company CICA where the Company is the provider of services. The examination revealed that effective January 1, 2006, the Company entered into two service agreements with CICA. The first agreement calls for CICA to be the provider of services to the Company, and the second agreement calls for the Company to be the provider of services to CICA.
D	The examiner recommended that the Company enter into a separate reinsurance agreement with Cole Vision Services, Inc, that does include any affiliates. The examination revealed that the Company entered into a separate reinsurance agreement that was approved by the Department in March of 2006.

Item	Description
E	The examiner recommended that the Company enter into a separate claims servicing agreement with Administrative Concepts, Inc. that does not include any affiliates. The Company entered into a separate claims servicing agreement with Administrative Concepts, Inc. in March of 2006.
F	The examiner recommended that the Company review its service agreements and revise them to accurately reflect the manner in which services are billed, how settlements are made and which affiliate is actually providing services. The Company reviewed and revised its service agreements with CICA and ASC, effective January 1, 2006 and February 1, 2006, respectively, to accurately reflect the manner in which services are billed, how settlements are made and which affiliate is actually providing services.
G	The examiner recommended that the Company settle amounts due under holding company service agreements in a timely manner. During 2006 and 2007, the Company settled amounts due under holding company service agreements in a timely manner.
H	The examiner recommended that the Company replace those directors who fail to attend a majority of the meetings. The examination revealed that all directors attended a majority of the board meetings during the examination period under review.
I	The Company violated Section 1308(f)(1)(A) of the New York Insurance Law by ceding substantially all or 100% of the net amount at risk under certain blocks of the Company's group accident and health business, referred to as Program Business, during the examination period without obtaining prior written approval of the Superintendent. The examination revealed that the Company amended the agreement with Sheridan Re reducing the reinsurance coverage from 100% to a 49% quota share and entered into a separate Group Vision Quota Share treaty with Security Life on a 49% quota share basis. The Sheridan Re amendment and the Security Life agreement became effective on of January 1, 2006.
J	The Company violated Section 2117(a) of the New York Insurance Law when, under the guise of reinsurance, it effectively aided unauthorized reinsurers to engage in activities that would otherwise require a license under New York Insurance Law. The examiner recommends that the Company develop a cure for the violation of Section 2117(a) of the New York Insurance Law.

Item	Description
	The examination revealed that the Company amended the agreement with Sheridan Re reducing the reinsurance coverage from 100% to a 49% quota share and entered into a separate Group Vision Quota Share treaty with Security Life on a 49% quota share basis. The Sheridan Re amendment and the Security Life agreement became effective on of January 1, 2006.
K	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show fully: (i) the system actually used for allocation of expenses; (ii) the actual basis of allocation; and (iii) the actual monetary distribution of the respective items of expense and salaries to annual statement lines of business and companies.
	The examination revealed that the Company maintained records with sufficient detail to show fully; (i) the system actually used for allocation of expenses; (ii) the actual basis of allocation; and (iii) the actual monetary distribution of the respective items of expenses and salaries to annual statement lines of business.

7. SUMMARY AND CONCLUSIONS

Following are the financial condition violations and recommendation contained in this report:

Item	Description	Page No.
A	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation related to several service agreements.	8
B	The Company violated Section 1505(a) of the New York Insurance Law by failing to maintain documentation that allows the Department to determine whether the terms are fair and equitable and the charges or fees for services performed are reasonable.	8
C	The examiner recommends that costs are allocated as outlined in both filed service agreements with CICA.	8
D	The examiner recommends that the Company maintain records supporting the method used to allocate expenses by line of business on-site and in such form as to permit ready identification between the items allocated and basis upon which it was allocated, and maintained in such a manner as to be readily accessible for examination	15

Respectfully submitted,

____
Vincent Targia
Associate 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.

____
Vincent Targia

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22802

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:

VINCENT TARGIA

as a proper person to examine into the affairs of the

COMBINED 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 28th day of July, 2008

ERIC R. DINALLO
Superintendent of Insurance

Eric Dinallo

Superintendent