



STATE OF NEW YORK INSURANCE DEPARTMENT  
REPORT ON EXAMINATION  
OF THE  
FORT DEARBORN LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

DECEMBER 31, 2008

DATE OF REPORT:

MAY 24, 2010

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

FORT DEARBORN LIFE INSURANCE COMPANY OF NEW YORK

AS OF

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EXAMINER:

JULIUS ASUBONTENG

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

David Paterson  
Governor

James J. Wrynn  
Superintendent

December 23, 2010

Honorable James J. Wrynn  
Superintendent of Insurance  
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30330, dated May 7, 2009 and annexed hereto, an examination has been made into the condition and affairs of Fort Dearborn Life Insurance Company of New York, hereinafter referred to as “the Company,” or (“FDLNY”) at its home office located at 1250 Pittsford Victor Road, Pittsford, New York 14534.

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 material findings, violations and comment contained in this report are summarized below.

- On July 1, 2007, Fort Dearborn Life Insurance Company, a stock life insurance company organized under the laws of the state of Illinois, acquired all the outstanding shares of the Company for cash from Minnesota Life Insurance Company. (See item 4A of this report)
- The Company violated Section 3201(b)(1) of the New York Insurance Law by issuing annuity contracts using an unapproved policy form. (See item 6B of this report)
- The Company violated Section 4228(h) of the New York Insurance Law by failing to provide signed demonstrations for Forms FDLNY 8-900-1007 and FDLNY 8-500-1007, as well as providing demonstrations that were not adequate with regard to documentation of the methodologies and all material assumptions used in the analyses. (See item 5D 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, 2008. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2008 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, 2008 to determine whether the Company's 2008 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 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 May 18, 1989 under the name of Northstar Life Insurance Company (“Northstar”), and was licensed and commenced business on January 9, 1991. Initial resources of \$8,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$6,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$40 per share to Minnesota Mutual Life Insurance Company (“MML”), a Minnesota mutual life insurance company.

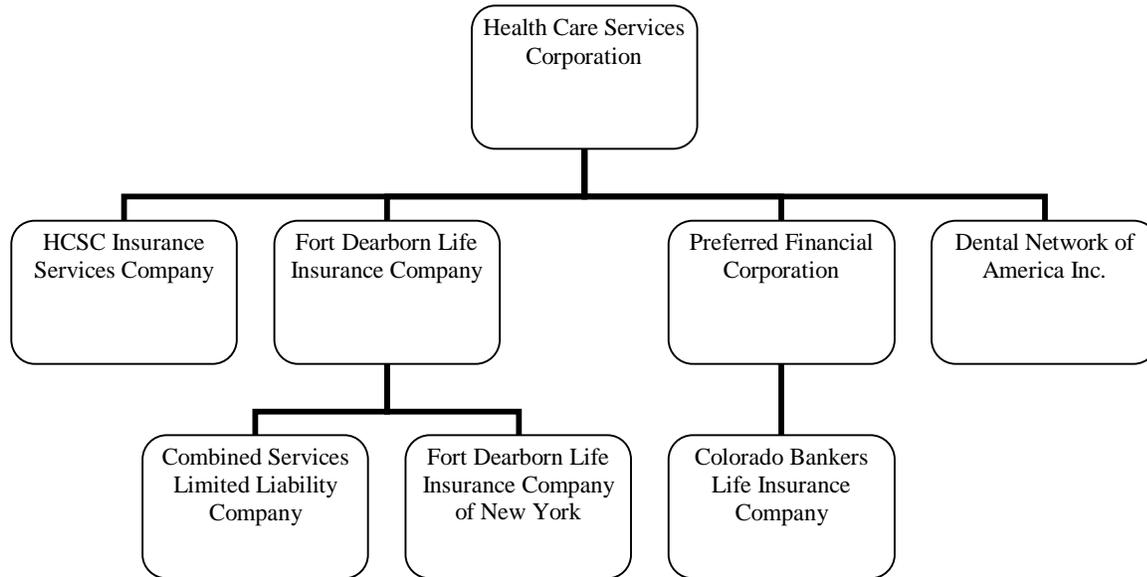
On October 1, 1998, MML converted to a stock life insurance company under a plan of reorganization (the “Plan”) pursuant to Minnesota mutual holding company statutes. The Plan provided for MML to convert to a stock life insurance company and change its name to Minnesota Life Insurance Company (“ML”).

On July 1, 2007, Fort Dearborn Life Insurance Company (“FDL”), a stock life insurance company organized under the laws of the state of Illinois, acquired all the outstanding shares of the Company for cash from ML. The Company adopted its current name on July 1, 2007. The acquisition was executed pursuant to a stock purchase agreement between ML, Securian Life Insurance Company (“Securian”) and FDL. The cash transaction was in the amount of \$25.7 million. According to the terms of the Agreement, Northstar would enter into a 100% coinsurance agreement with Securian. In January 2008, FDL filed and the Department approved a surplus contribution of \$1,066,214 to the Company. As a result, as of December 31, 2008, the Company’s gross paid-in and contributed surplus increased to \$7,066,214.

#### B. Holding Company

The Company is a wholly owned subsidiary of FDL. The ultimate parent of the Company is Health Care Services Corporation (“HCSC”), a Mutual Legal Reserve Company domiciled in Illinois.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2008 follows:



The Company had four service agreements in effect with affiliates during the examination period.

Type of Agreement and Department	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 and Service Agreement File #37244	7/1/07	FDL	FDLNY	investment management services	2007: (\$19,278) 2008: (\$21,718)
Service Agreement File #40217	4/1/08	DNoA	FDLNY	dental claims services	2007: \$0 2008: \$0
Marketing Agreement File #40218	4/1/08	CSLLC	FDLNY	marketing services	2007: \$0 2008: \$0

Type of Agreement and Department	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Service Agreement File #37244	7/1/07	HCSC	FDLNY	data processing related to IT application development, audit, risk management, tax consulting, planning, preparation, reporting and payment services	2007: (\$1,443,720) 2008: (\$1,977,127)

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

### 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 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2008, the board of directors consisted of 9 members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2008, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Paul S. Boulis Winnetka, IL	President Illinois Division Health Care Service Corporation	2007
Denise A. Bujak Palatine, IL	Senior Vice President and Chief Financial Officer Health Care Service Corporation	2007
Theodore E. Desch* Naperville, IL	Retired	2007
Paul M. von Ebers* Pittsford, NY	Retired Excellus Health Plan, Inc.	2007
Martin G. Foster Lake Forest, IL	Executive Vice President Plan Operations Health Care Service Corporation	2008

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
David H. Klein* Pittsford, NY	Chief Executive Officer Excellus Health Plan, Inc.	2007
Gerard T. Mallen Chicago, IL	Vice President and Treasurer Treasury Operations Health Care Service Corporation	2008
Anthony F. Trani Chicago, IL	President and Chief Executive Officer Fort Dearborn Life Insurance Company of New York	2007
Sherman M. Wolff* Deer Park, IL	Retired	2007

\* 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, 2008:

<u>Name</u>	<u>Title</u>
Anthony F. Trani	President and Chief Executive Officer
Victoria E. Fimea *	Vice President, General Counsel and Secretary
Paul E. Gauthier	Vice President, Chief Financial Officer and Treasurer
Craig K. Nordyke	Vice President and Chief Actuary, and Appointed Actuary

\* 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 only licensed to transact business in New York. Policies are written on a non-participating basis.

The principal lines of business sold during the examination period were individual fixed annuities, group life and disability, group credit life and disability and group accidental death and dismemberment coverage. The Company started issuing annuity products in the second quarter 2008. In December 2008, the Company suspended writing new annuity contracts because the Company exceeded its 2008 sales projection for the product. The Department's actuaries reviewed the Company's annuity business with regard to the pricing adequacy for the annuity products subject to Section 4228(h) of the New York Insurance Law. (See item 5D of this report) In 2008, the Company acquired a block of life and disability business from HM Life Insurance Company of New York (formerly Highmark Life Insurance Company of New York).

The Company's agency operations are conducted on a general agency basis, primarily marketing individual fixed annuities and group life insurance. The Company markets its group accident and health insurance coverage (including dental and disability income) through independent producers, HCSC's Blue Cross and Blue Shield consumer markets, and financial institutions that consist mainly of banks and credit unions.

#### E. Reinsurance

As of December 31, 2008, the Company had reinsurance treaties in effect with 9 companies, of which 8 were authorized or accredited. Reserve credit taken for reinsurance ceded to an unauthorized company, totaling \$5,787, was supported by a letter of credit. The Company's life, accident and health business is reinsured on a coinsurance basis.

The maximum retention limit for individual life contracts is \$50,000; group life is \$400,000; accidental death and dismemberment is \$400,000; and the retention for long-term disability is 40% of the risk. The total face amount of life insurance ceded as of December 31, 2008, was \$15,075,737, which represents 1.3% of the total face amount of life insurance in force. In July 2007, all of the existing credit business was ceded to Securian.

In April 2008, the Company assumed \$8.0 million of accident and health, and \$3.9 million of life premiums from HM Life Insurance Company, a non affiliated life insurer domiciled in New York.

#### 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:

	December 31, <u>2003</u>	December 31, <u>2008</u>	Increase (Decrease)
Admitted assets	<u>\$44,254,361</u>	<u>\$44,252,119</u>	\$ <u>(2,242)</u>
Liabilities	<u>\$24,714,671</u>	<u>\$19,503,729</u>	<u>\$(5,210,942)</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	6,000,000	7,066,214	1,066,214
Unassigned funds (surplus)	<u>11,539,690</u>	<u>15,682,176</u>	<u>4,142,486</u>
Total capital and surplus	<u>\$19,539,690</u>	<u>\$24,748,390</u>	<u>\$ 5,208,700</u>
Total liabilities, capital and surplus	<u>\$44,254,361</u>	<u>\$44,252,119</u>	<u>\$ (2,242)</u>

In July 2007, the Company was acquired by FDL. In connection with the acquisition agreement, all of the Company's then existing credit business was transferred to Securian via 100% coinsurance reinsurance agreement. Assets and liabilities increased significantly during 2008 as the Company acquired business from HM Life Insurance Company of New York (with \$11.8 million of reserves) and started writing new business in April 2008.

The Company's invested assets as of December 31, 2008, were mainly comprised of bonds (81.8%), and cash and short-term investments (18.2%).

The Company's entire bond portfolio, as of December 31, 2008, was comprised of publicly traded investment grade obligations and the portfolio was invested in NAIC Class 1 (93.2%) and Class 2 (6.8%) securities.

The Company began issuing its Classic Fortifier and Platinum Fortifier fixed annuity products in April 2008. The Company reported 35 contracts for annuities issued during the year in the Exhibit of Annuities of its filed 2008 annual statement. The examiner's review of the

Company's annuity business revealed that the Company received an additional 276 applications in 2008. (See item 5D of this report)

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Ordinary:					
Life insurance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,339
Individual annuities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(206,163)</u>
Total ordinary	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (203,824)</u>
Credit life	<u>\$ 98,097</u>	<u>\$ 29,285</u>	<u>\$ (55,154)</u>	<u>\$ (16,633)</u>	<u>\$ 0</u>
Group:					
Life	<u>\$ 832,879</u>	<u>\$ 530,525</u>	<u>\$ 1,104,377</u>	<u>\$ 2,171,336</u>	<u>\$ (1,711,171)</u>
Accident and health:					
Group	<u>\$(142,586)</u>	<u>\$ 538,221</u>	<u>\$ 551,258</u>	<u>\$ 364,490</u>	<u>\$ 525,483</u>
Credit	<u>108,283</u>	<u>332,249</u>	<u>239,275</u>	<u>121,210</u>	<u>0</u>
Total accident and health	<u>\$ (34,303)</u>	<u>\$ 870,470</u>	<u>\$ 790,533</u>	<u>\$ 485,700</u>	<u>\$ 525,483</u>
All other lines	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (917,478)</u>	<u>\$ 84,524</u>
Total	<u>\$ 896,673</u>	<u>\$ 1,430,280</u>	<u>\$ 1,839,756</u>	<u>\$ 1,722,925</u>	<u>\$ (1,304,988)</u>

The primary reasons for the loss from operations from individual annuities and group life in 2008 were increases in reserves, higher commissions caused by increased sales, and higher general expenses.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2008, as contained in the Company's 2008 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, 2008 filed annual statement.

### A. Assets, Liabilities, Capital and Surplus as of December 31, 2008

#### Admitted Assets

Bonds	\$32,748,005
Cash, cash equivalents and short term investments	7,298,265
Investment income due and accrued	422,076
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	286,563
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,533
Reinsurance:	
Amounts recoverable from reinsurers	321,030
Other amounts receivable under reinsurance contracts	801
Receivables from parent, subsidiaries and affiliates	<u>3,173,846</u>
Total admitted assets	<u>\$44,252,119</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 8,218,638
Aggregate reserve for accident and health contracts	6,628,191
Contract claims:	
Life	620,283
Accident and health	789,060
Commissions to agents due or accrued	55,812
General expenses due or accrued	315,347
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,000
Current federal and foreign income taxes	6,766
Amounts withheld or retained by company as agent or trustee	(6,149)
Remittances and items not allocated	2,799,733
Miscellaneous liabilities:	
Asset valuation reserve	27,355
Funds held under coinsurance	40,044
Unclaimed funds	<u>1,649</u>
 Total liabilities	 <u>\$19,503,729</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	7,066,214
Unassigned funds (surplus)	<u>15,682,176</u>
Total Capital and surplus	<u>24,748,390</u>
 Total liabilities, capital and surplus	 <u>\$44,252,119</u>

B. Condensed Summary of Operations

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Premiums and considerations	\$5,634,034	\$5,906,340	\$4,932,999	\$2,029,189	\$20,538,352
Investment income	2,215,165	2,140,560	2,124,916	1,824,072	1,760,906
Commissions and reserve adjustments on reinsurance ceded	75,717	96,685	102,630	1,808,140	2,497
Miscellaneous income	<u>25,917</u>	<u>16,551</u>	<u>12,115</u>	<u>(677,398)</u>	<u>3,325</u>
Total income	<u>\$7,950,833</u>	<u>\$8,160,136</u>	<u>\$7,172,660</u>	<u>\$4,984,003</u>	<u>\$22,305,080</u>
Benefit payments	\$6,590,982	\$5,772,258	\$3,552,130	\$1,084,845	\$ 4,497,898
Increase in reserves	(2,911,865)	(2,418,258)	(1,753,426)	(10,754,405)	14,846,829
Commissions	92,104	199,208	194,468	80,354	2,108,550
General expenses and taxes	2,928,245	2,584,831	2,317,192	2,741,695	2,138,642
Increase in loading on deferred and uncollected premiums	6,025	8,148	1,128	36,770	3,393
Miscellaneous deductions	<u>832</u>	<u>0</u>	<u>0</u>	<u>9,726,700</u>	<u>0</u>
Total deductions	<u>\$6,706,323</u>	<u>\$6,146,187</u>	<u>\$4,311,492</u>	<u>\$2,915,959</u>	<u>\$23,595,312</u>
Net gain (loss)	\$1,244,510	\$2,013,949	\$2,861,168	\$2,068,044	\$ (1,290,232)
Federal and foreign income taxes Incurred	<u>347,837</u>	<u>583,669</u>	<u>1,021,412</u>	<u>345,119</u>	<u>14,756</u>
Net gain (loss) from operations before net realized capital gains	896,673	\$1,430,280	\$1,839,756	\$1,722,925	\$ (1,304,988)
Net realized capital gains (losses)	<u>1</u>	<u>(4,200)</u>	<u>(55,619)</u>	<u>0</u>	<u>(111,701)</u>
Net income	<u>\$ 896,674</u>	<u>\$1,426,080</u>	<u>\$1,784,137</u>	<u>\$1,722,925</u>	<u>\$ (1,416,689)</u>

C. Capital and Surplus Account

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Capital and surplus, December 31, prior year	\$ <u>19,539,690</u>	\$ <u>20,427,040</u>	\$ <u>21,768,498</u>	\$ <u>23,742,276</u>	\$ <u>25,004,384</u>
Net income	\$ 896,674	\$ 1,426,080	\$ 1,784,137	\$ 1,722,925	\$ (1,416,689)
Change in net deferred income tax	(96,247)	(111,877)	66,584	(157,775)	236,482
Change in non-admitted assets and related items	75,221	23,700	130,231	(399,042)	(187,042)
Change in asset valuation reserve	8,414	11,587	(7,174)	9,598	45,041
Surplus (contributed to), withdrawn from Separate Accounts during Period	0	20,000	0	0	0
Other changes in surplus in Separate Accounts statement	3,288	(28,032)	0	0	0
Surplus adjustments: Paid in	0	0	0	0	1,066,214
Non admitted assets transferred on assumption business	<u>0</u>	<u>0</u>	<u>0</u>	<u>86,403</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>887,350</u>	\$ <u>1,341,458</u>	\$ <u>1,973,778</u>	\$ <u>1,262,108</u>	\$ <u>(255,994)</u>
Capital and surplus, December 31, current year	\$ <u>20,427,040</u>	\$ <u>21,768,498</u>	\$ <u>23,742,276</u>	\$ <u>25,004,384</u>	\$ <u>24,748,390</u>

#### D. Annuity Business and Actuarial Statement of Self-Support

The Company received approval for its Classic Fortifier and Platinum Fortifier fixed annuity products in April 2008. In June 2008, the Company began marketing its annuity products through an exclusive arrangement with one of its distributors with initial rates as high as 7.1%. In November of 2008, the Company made its annuity products available to a larger percentage of its distribution with rates as high as 9.05%. Contracts were issued with a guarantee rate of between 1.8% and 3%. The Classic Annuity contract also had a bail out rate which was one percentage point below the first year crediting rate. The Company stopped issuing new annuity contracts on December 10, 2008 because the Company exceeded its 2008 sales projection for the products. In its 2008 filed annual statement, the Company reported 35 contracts for annuities issued during the year.

The examiner's review of the Company's annuity business revealed that the Company received 311 applications in 2008. Upon the examiner's inquiry, the Company agreed that it received the additional 276 annuity applications in 2008. The Company continued to process the annuity applications through the second quarter of 2009, and reported additional annuity considerations in its filed first and second quarterly statements for year 2009. The Company stated that the processing of the applications continued well into 2009 because contract issuance can take an extended amount of time from the original receipt of paperwork from a prospective client.

The examiner recommends that the Company submit revised business projections to the Department prior to marketing of new annuity contracts.

The examiner recommends that the Company implement administrative efficiencies prior to the marketing of new annuity contracts.

The Department's actuaries reviewed the pricing adequacy for the Company's annuity products subject to Section 4228(h) of the New York Insurance Law. The review included an examination of the required actuarial statement of self support and the supporting demonstrations for the Company's primary policy forms (FDLNY 8-900-1007 and FDLNY 8-500-1007). The company provided evidence that such analyses had been performed prior to the date of the corresponding statement of self support. The demonstrations lacked sufficient discussion of the assumptions and methods used to determine that the form was self-supporting and the analysis

was not signed and dated as required. The Company provided analyses were lacking with regard to narrative descriptions of the methodologies and all material assumptions used in the analyses. The Company agreed with the examiner's findings.

The Company violated Section 4228(h) of the New York Insurance Law by failing to provide signed demonstrations for Forms FDLNY 8-900-1007 and FDLNY 8-500-1007, as well as providing demonstrations that were not adequate with regard to documentation of the methodologies and all material assumptions used in the analyses.

The examiner recommends that the Company implement changes for documenting all work related to the self-support analysis in the manner agreed upon with the Department.

## 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 219.5(a) of Department Regulation No. 34-A states, in part:

“(a) Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. In order to be complete, the file must contain all advertisements whether used by the company, its agents or solicitors or other persons ...”

The review of the Company's advertising activities revealed that the Company failed to include four advertisements that the Company disseminated in New York State in its Advertising file (Log). In addition, the Company failed to indicate the extent of distribution (quantity printed and/or quantity distributed) of the 4 advertisements.

The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement that the Company disseminated in New York State, with a notation indicating the manner and extent of distribution of such advertisements.

### B. Underwriting and Policy Forms

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

Section 3201 of the New York Insurance Law states, in part:

“(b)(1) No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law...”

A review of the Company’s individual annuity underwriting files revealed that the Company utilized an unapproved policy form/application labeled “8-910-804” to process annuity contracts.

The Company violated Section 3201(b)(1) of the New York Insurance Law by issuing annuity contracts using an unapproved policy/application form.

### 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 an affiliate without notifying the Superintendent and by not notifying the Superintendent of two amendments regarding an investment advisory agreement with another affiliate.</p> <p>The Company filed an administrative service and investment advisory agreement with Securian. In addition, the Company filed a second amendment to its investment advisory agreement dated February 8, 2000 which reflected MIMLIC Asset Management Company's name change to Advantus Capital Management, Inc.</p>
B	<p>The examiner recommends that the Company file the service agreement and the amendments in question with the Superintendent.</p> <p>The Company filed an administrative service and investment advisory agreements with Securian. In addition, the Company filed a second amendment to its investment advisory agreement dated February 8, 2000 which reflected MIMLIC Asset Management Company's name change to Advantus Capital Management, Inc.</p>
C	<p>The Company violated Section 1505(d)(2) of the New York Insurance Law by not notifying the Superintendent prior to entering into catastrophic reinsurance treaties whereby its parent and affiliates were also parties to the treaties.</p> <p>The Company notified the Superintendent about the then existing catastrophic reinsurance treaty to which the Company was a party.</p>
D	<p>The examiner recommends that the Company not report letters of credit in its filed annual statement unless it has such in its possession.</p> <p>The Company has incorporated a procedure into the preparation Schedule S in order to ensure that required documentation is obtained and maintained.</p>
E	<p>The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint an agent.</p> <p>The Company has a process in place to ensure that appropriate follow up is performed to validate that its appointments of agents are approved.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Company submit revised business projections to the Department prior to marketing new annuity contracts.	16
B	The examiner recommends that the Company implement administrative efficiencies prior to the marketing of new annuity contracts.	16
C	The Company violated Section 4228(h) of the New York Insurance Law by failing to provide signed demonstrations for Forms FDLNY 8-900-1007 and FDLNY 8-500-1007, and providing demonstrations that were not adequate with regard to documentation of the methodologies and all material assumptions used in the analysis.	17
D	The examiner recommends that the Company implement changes for documenting all work related to the self-support analysis in the manner agreed upon with the Department.	17
E	The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to include advertisements that the Company disseminated in New York State in its Advertising file, and for failing to indicate the extent of distribution of such advertisements.	18
F	The Company violated Section 3201(b)(1) of the New York Insurance Law by issuing annuity contracts using an unapproved policy/application form.	19

Respectfully submitted,

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Julius Asubonteng  
Senior Insurance Examiner

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

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

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Julius Asubonteng

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

APPOINTMENT NO. 30330

**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:

**JULIUS ASUBONTENG**

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

**FORT DEARBORN LIFE INSURANCE COMPANY OF NEW YORK**

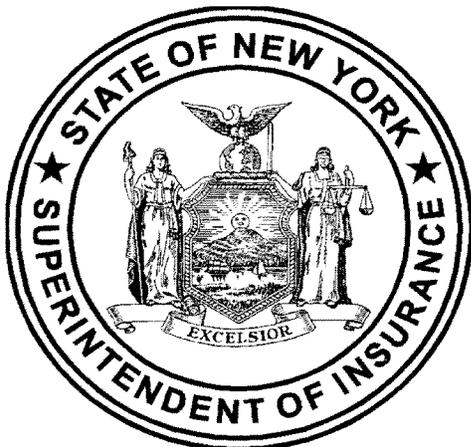
*and to make a report to me in writing of the condition of the said*

**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 7<sup>th</sup> day of May, 2009*



ERIC R. DINALLO

*Superintendent of Insurance*

A handwritten signature in cursive script, appearing to read "Eric R. Dinallo".

*Superintendent*