

STATE OF NEW YORK INSURANCE DEPARTMENT
PRIVACY REPORT ON EXAMINATION
OF THE
COMBINED LIFE INSURANCE COMPANY OF NEW YORK
AS OF
JUNE 30, 2002

DATE OF REPORT:

JANUARY 24, 2003

EXAMINER:

BRIAN E. GLAAB

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

January 24, 2003

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

Sir:

In accordance with instructions contained in Appointment No. 21959, dated November 29, 2002 and annexed hereto, an examination has been made into the 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 examiner recommends that the Company implement a formal training program to train staff of the Company's information security program. (See item 3 of this report)

2. SCOPE OF EXAMINATION

The examiner conducted a targeted examination limited to a review of: (i) the Company's policies and procedures regarding the privacy of consumer and customer financial and health information, and (ii) the Company's standards for safeguarding customer information. The objective of the examination was to determine whether the Company satisfied and complied with applicable New York Insurance Law and Department regulations and circular letters, the operating rules of the Company, and internal control standards deemed adequate by the Department.

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

3. EXAMINATION PROCEDURES AND FINDINGS

The examiner reviewed various elements of the Company's privacy and safeguarding activities affecting customers and consumers to determine compliance with applicable statutes and regulations, the operating rules of the Company, and internal control standards deemed adequate by the Department. The review included an evaluation of: the Company's documented privacy and safeguarding policies and procedures (including information previously submitted to the Department); internal, external and compliance audit workpapers; and management and internal control reports. The examination included a review of the following:

- privacy notices;
- opt out and opt in notices, if applicable;
- disclosure of non-public personal information (financial and health);
- redisclosure and reuse of non-public personal information (financial and health) received and disclosed; and
- the written information security program for the protection of customer information.

The examiner also conducted limited tests and other procedures, as deemed appropriate, in the review of privacy and safeguarding activities.

The Company distributes copies of two privacy notices at the point of the initial sale of an insurance policy. One notice is issued to meet the requirements of the Fair Credit Reporting Act of 1983 and the Medical Information Bureau, while the other notice is issued to comply with the Gramm-Leach-Bliley Act. Both of the notices contain similar information, which could discourage individuals from reading both notices.

The examiner recommends that the Company combine all the required information into one privacy notice instead of issuing two notices at the time of the initial sale of the policy.

The Company mailed the initial privacy notices in April, May and June of 2001. From April of 2002 through November of 2002, the Company conducted five mailings in which the Company targeted customers for solicitation of additional products. The Company included the annual privacy notice in the mailings. In December of 2002, the Company identified customers that had not already received a privacy notice via one of the 2002 mailings and mailed the annual privacy notice to those customers.

Starting in January 2003, the Company commenced mailing privacy notices to customers on their birthdays. This procedure would result in some customers receiving their annual notice more than 12 months after the previous year's notice, (e.g., a customer who received the annual notice in April 2002 that doesn't have a birthday until December). The examiner informed the Company that this would not comply with Section 420.5(a)(1) of Department Regulation No. 169 which requires annual notices be provided at least once in a 12 consecutive month period.

The examiner recommends that the Company issue privacy notices to customers within 12 months from the date it issued the 2002 privacy notice.

The Company agreed to identify the customers from each of the 2002 mailings whose birthdays are subsequent to the month in which the 2002 mailing occurred and issue a privacy notice in order to comply with the 12 month limitation. The Company will issue another privacy notice to each of these customers on their birthday, therefore issuing two privacy notices to some customers in 2003. The Company will then only issue the annual privacy notice to each customer on their birthday in future years.

Section 421.6 of Department Regulation No. 173 requires licensees to implement certain procedures and controls and states, in part:

“The licensee . . . (b) Trains staff, as appropriate, to implement the licensee’s information security program . . .”

The Company acknowledged that it does not provide formal training for its information security program, but requires new employees to sign an acknowledgement that it is their obligation to maintain confidentiality of all client information. The information provided to the new employees does not adequately train the employee of the Company’s information security program. In addition, this procedure does not take into account Company personnel who are already employed by the Company.

The examiner recommends that the Company implement a formal training program to train staff of the Company’s information security program.

4. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Company combine all the required information into one privacy notice instead of issuing two notices at the time of the initial sale of the policy.	4
B	The examiner recommends that the Company issue privacy notices to customers within 12 months from the date it issued the 2002 privacy notice.	4
C	The examiner recommends that the Company implement a formal training program to train staff of the Company's information security program.	5

APPOINTMENT NO. 21959

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:

BRIAN GLAAB

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.

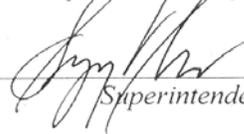
In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 29th day of November, 2002



GREGORY V. SERIO

Superintendent of Insurance


Superintendent