NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

UNIMERICA LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2013

DATE OF REPORT: APRIL 23, 2015

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EXAMINER: CHRISTOPHER RUSHFORD

TABLE OF CONTENTS

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 3, 2015

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 31108, dated May 28, 2014 and annexed hereto, an examination has been made into the condition and affairs of Unimerica Life Insurance Company of New York hereinafter referred to as "the Company," at the administrative office of an affiliate, UnitedHealthcare Insurance Company, located at 185 Asylum Street, Hartford, Connecticut 06103.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2014 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2011 through December 31, 2013. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2013 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2011 through 2013, by the accounting firm of Deloitte & Touche, LLP. The Company received an unqualified opinion in 2011, 2012, and 2013. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's ultimate parent UnitedHealth Group Incorporated ("UnitedHealth Group") is charged with executing internal audits across various parts of the Company and supporting Internal Controls over Financial Reporting testing in some areas, which included assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX and Internal Audit workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violation, recommendations and comment 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.

2. DESCRIPTION OF COMPANY

A. History

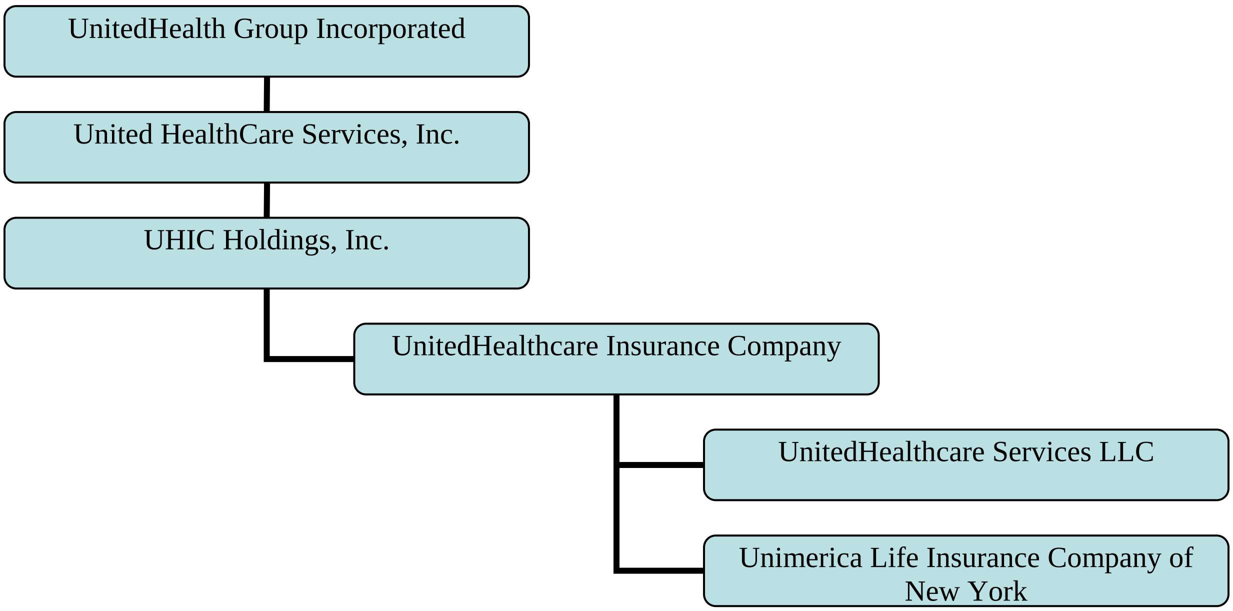
The Company was incorporated as a stock life insurance company under the laws of the State of New York on June 14, 1999 and was licensed and commenced business on April 8, 2003 under the name United HealthCare Life Insurance Company of New York. On August 8, 2003, the Company changed to its present name, Unimerica Life Insurance Company of New York. Initial resources of $6,500,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $4,500,000, were provided through the sale of 2,000 shares of common stock (with a par value of $1,000 each) for $3,250 per share. At December 31, 2013, the Company's capital and paid-in and contributed surplus were $2,000,000 and $14,500,000, respectively.

B. Holding Company

The Company is a wholly-owned subsidiary of UnitedHealthcare Insurance Company ("UHIC"), which is a wholly-owned subsidiary of UHIC Holdings, Inc., which is a wholly-owned subsidiary of United HealthCare Services, Inc. ("UHS"). UHS in turn is a wholly-owned subsidiary of the ultimate parent, UnitedHealth Group. UnitedHealth Group is a public company which is traded on the New York Stock Exchange.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2013 follows:



D. Service Agreements

The Company had 1 service agreement in effect with affiliates 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	(Expense) For Each Year of the Examination
Service Agreement Department File No. 31504	08/07/2003	UHS and UHSC	The Company	Administrative	2013 $(1,220,000) 2012 $(1,261,000) 2011 $(1,370,000)

* Amount of Expense Incurred by the Company

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

E. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 13 directors. Directors are elected for a period of 1 year at the annual meeting of the stockholders held in the 1st half of each year. As of December 31, 2013, 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, 2013, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Andrew W. Attivissimo* Westbury, NY	Former President and Chief Executive Officer Empire Insurance Group	2002
Andrew J. Fabula Baldwin, MD	Chief Financial Officer Unimerica Life Insurance Company of New York	2011
Richard J. Fleder* New York, NY	President ELMC, LLC	2008
William J. Golden Northport, NY	Chief Executive Officer New York Health Plan, United HealthCare Services, Inc.	2013
Paul B. Hebert Granby, CT	Vice President Unimerica Life Insurance Company of New York	2009
Richard A. Perrine* Edina, MN	Senior Vice President Hay’s Company	2005
Gregory G. Poulakos West Hartford, CT	Senior Vice President United Healthcare Services, Inc.	2011
Robert T. Secovnie* Kinderhook, NY	Director Insurance Training Institute	1999
Diane D. Souza Fort Lauderdale, FL	President and Chief Executive Officer Unimerica Life Insurance Company of New York	2008

* 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, 2013:

Name	Title
Diane D. Souza	President and Chief Executive Officer
Andrew J. Fabula	Chief Financial Officer
Paul B. Hebert	Vice President
Jennifer L. Lewis-David*	Secretary and General Counsel
Robert C. Oberrender	Treasurer
Michael S. Nast	Chief Actuary

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

In June, 2014, William J. Golden replaced Diane D. Souza as President and Chief Executive Officer.

3. TERRITORY AND PLAN OF OPERATIONS

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 New York and the District of Columbia. Policies are written on a non-participating basis.

The Company offers group life insurance, group short and long-term disability insurance and accidental death and dismemberment coverage. The Company offers its product portfolio to all segments of the New York group life and group disability insurance markets, which consists primarily of employee groups. The Company's target market is employee groups in the 2 to 10,000 employee range. In 2013, all group life premiums and group accident and health premiums were received from New York.

A. Statutory and Special Deposits

As of December 31, 2013, the Company had $4,099,925 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmations received from the State of New York which were reported in Schedule E of the 2013 filed annual statement, an additional $465,321 was being held by New York.

B. Direct Operations

The Company's agency operations are conducted on a general agency and branch office basis. The Company obtains business through national and regional insurance brokers as well as employee benefits consultants who represent large employers. The Company also markets to one large association, on a direct response basis.

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with five companies, of which four were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance and/or modified coinsurance basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $750,000. The total face amount of life insurance ceded as of December 31, 2013 was $2,851,000, which represents 0.17% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $32, was supported by funds withheld.

The Company did not assume any reinsurance during the examination period.

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, 2010	December 31, 2013	Increase (Decrease)
Admitted assets	$31,273,880	$35,556,221	$4,282,341
Liabilities	$13,950,091	$16,034,074	$2,083,984
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	14,628,699	14,500,000	(128,699)
Unassigned funds (surplus)	695,090	3,022,147	2,327,057
Total capital and surplus	$17,323,789	$19,522,147	$2,198,358
Total liabilities, capital and surplus	$31,273,880	$35,556,221	$4,282,341

The Company's invested assets as of December 31, 2013, were mainly comprised of bonds (78%) and cash and short-term investments (22%).

The Company's entire bond portfolio as of December 31, 2013 was comprised of investment grade obligations.

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

Group Life

Year	Issued & Increases	In Force
2011	$176,847	$3,023,953
2012	$982,013	$2,327,123
2013	$230,202	$1,659,499

The fluctuation in the group life business during the examination period was primarily driven by the acquisition and then loss of a large group that terminated in 2013. In addition decreases were caused by contracts with Premium Stabilization Reserve (“PSR”) clauses as a component of the contractual provisions.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	Group		
	2011	2012	2013
Outstanding, end of previous year	12,293	14,776	14,669
Issued during the year	2,986	3,820	3,470
Other net changes during the year	(503)	(3,927)	(3,414)
Outstanding, end of current year	14,776	14,669	14,725

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:

	2011	2012	2013
Group Life	$469,698	$ 91,955	$(245,183)
Group Accident and Health	$525,182	$349,384	$ 860,056
Total	$994,880	$441,339	$ 614,873

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:

	2011	2012	2013
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	63.7%	75.0%	21.1%
Commissions	19.2	10.2	23.6
Expenses	19.6	16.4	33.7
	102.5%	101.6%	78.3%
Underwriting results	(2.5)%	(1.7)%	21.7%

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Company's 2013 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, 2013 filed annual statement.

A. Independent Accountants

The firm of Deloitte and Touche, LLP ("Deloitte and Touche") was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte and Touche concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$27,083,901
Cash, cash equivalents and short term investments	7,470,081
Investment income due and accrued	163,204
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	528,834
Reinsurance:	
Amounts recoverable from reinsurers	23,510
Other amounts receivable under reinsurance contracts	9,628
Net deferred tax asset	162,523
Receivables from parent, subsidiaries and affiliates	44,698
Premium tax recoverable	52,252
New York state assessment recoverable	17,590
Total admitted assets	$35,556,221

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 935,788
Aggregate reserve for accident and health contracts	9,350,352
Liability for deposit-type contracts	159,713
Contract claims:	
Life	367,515
Accident and health	173,303
Premiums and annuity considerations for life and accident and health contracts received in advance	7,338
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	3,970,646
Other amounts payable on reinsurance	25,667
Interest maintenance reserve	157,445
Commissions to agents due or accrued	115,362
General expenses due or accrued	215,898
Taxes, licenses and fees due or accrued, excluding federal income taxes	25,253
Current federal and foreign income taxes	499,511
Miscellaneous liabilities:	
Asset valuation reserve	29,622
Funds held under reinsurance treaties with unauthorized reinsurers	334
Unclaimed property	327
Total liabilities	$16,034,074
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	14,500,000
Unassigned funds (surplus)	3,022,147
Surplus	$17,522,147
Total capital and surplus	$19,522,147
Total liabilities, capital and surplus	$35,556,221

D. Condensed Summary of Operations

	2011	2012	2013
Premiums and considerations	$8,695,407	$8,170,046	$4,662,437
Investment income	655,342	670,721	648,233
Commissions and reserve adjustments on reinsurance ceded	51,925	77,437	77,177
Total income	$9,402,674	$8,918,204	$5,387,847
Benefit payments	$4,013,980	$3,374,971	$3,568,645
Increase in reserves	892,070	2,017,622	(1,550,869)
Commissions	1,224,447	868,674	870,773
General expenses and taxes	1,969,816	2,016,643	1,645,908
Total deductions	$8,100,313	$8,277,910	$4,534,457
Net gain (loss)	$1,302,361	$ 640,294	$ 853,390
Federal and foreign income taxes incurred	307,481	198,955	238,517
Net gain (loss) from operations before net realized capital gains	$ 994,880	$ 441,339	$ 614,873
Net realized capital gains (losses)	(1,329)	(979)	(1,976)
Net income	$ 993,551	$ 440,360	$ 612,897

Premiums and considerations decreased by $3,507,609, or 42.9% from 2012 to 2013. This decrease was primarily driven by changes related to contracts having Premium Stabilization Reserve ("PSR") clauses.

The increase in reserves increased by $1,125,552, or 126.2% from 2011 to 2012. The increase was mainly due to life and disability benefits higher than expected claims experience. The decrease by $3,568,491, or 176.9% from 2012 to 2013 was mainly due to life and disability benefits lower than expected claims experience. General expenses and taxes decreased by $370,735 or 18.4% from 2012 to 2013. The decrease was primarily driven by fewer member months reducing the taxes, licenses and fees by $269,241.

The net gain (loss) fluctuation during the examination period is due to the increase in aggregate reserves for life and accident and health contracts and an increase of disability benefits and benefits under accident and health contracts. These increases were partially offset by a decrease in death benefits.

E. Capital and Surplus Account

	2011	2012	2013
Capital and surplus, December 31, prior year	$17,323,789	$18,325,123	$18,960,031
Net income	$ 993,551	$ 440,360	$ 612,897
Change in net deferred income tax	(111,973)	73,423	(46,004)
Change in non-admitted assets and related items	(23,448)	(24,297)	4,826
Change in liability for reinsurance in unauthorized companies	5,888	0	0
Change in asset valuation reserve	(6,771)	(7,881)	(9,603)
Capital changes:			
Paid in	(128,699)	0	0
Prior period adjustment	144,087	153,303	0
Tax sharing agreement adjustment	128,699	0	0
Net change in capital and surplus for the year	$ 1,001,334	$ 634,908	$ 562,116
Capital and surplus, December 31, current year	$18,325,123	$18,960,031	$19,522,147

The decrease in 2011 to the net deferred tax asset was due to a decrease in Department Regulation No. 147 reserves which was partially offset by a decrease in statutory valuation allowance and deferred revenue and claims reserves. The increase in 2012 was due to a release of a 2011 statutory valuation allowance which was partially offset by continued decreases in Department Regulation No. 147 reserves. The decrease in 2013 was due to a decrease in the Department Regulation No. 147 reserve as well as claims reserves.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommends that in the future the Company obtain the Superintendent's prior approval for any surplus contributions involving five percent or more of the insurer's admitted assets at last year-end. The Company did not receive any surplus contributions during the examination period.
B	The examiner recommends that in the future the Company submit its 4211 filings to the Department in a timely manner. The examination revealed that the Company submitted its 4211 filings in a timely manner.
C	The examiner recommends that the Company obtain an executed copy of the Lloyds of London reinsurance agreement and maintain it in its files. The examination revealed all reinsurance agreements were properly executed and maintained.
D	The examiner recommends that the Company exercise greater care in the preparation of its filed annual statements. The examination revealed there were no issues with regards to the preparation of the Annual Statements for the period under review.
E	The Company violated Section 325(a) of the New York Insurance Law by failing to keep and maintain the complete minutes of the board of directors and committees thereof for the years under examination, at its principal office in New York. The Company maintained the complete minutes of the board of directors and its committees thereof for the years under examination, at its principal office in New York.

Item	Description
F	The Company was also not in compliance with its service agreement as it failed to maintain the backup of its books at its principal office in New York. The Company maintained the backup of its books of accounts in accordance with its service agreement, at its principal office in New York.

Respectfully submitted,

_________/s/____________
Christopher Rushford, CFE
Examiner-in-Charge
Risk & Regulatory Consulting, LLC

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

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

__________/s/_____________
Christopher Rushford, CFE

Subscribed and sworn to before me

this__________ day of ____________________