STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

WILLIAM PENN LIFE INSURANCE COMPANY

CONDITION: December 31, 2008

DATE OF REPORT: April 26, 2010

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AS OF

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DATE OF REPORT:	APRIL 26, 2010
EXAMINER:	LORI RUGGIERO

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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

April 26, 2010

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

Sir:

In accordance with instructions contained in Appointment No. 30262, dated October 23, 2008 and annexed hereto, an examination has been made into the condition and affairs of William Penn Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 100 Quentin Roosevelt Boulevard, Garden City, New York 11530.

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.

http://www.ins.state.ny.us

1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2008 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2005 through December 31, 2008. 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, 2008 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 6 of this report.

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 Department statutes and 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 2005 through 2008, by the accounting firm of PricewaterhouseCoopers (“PWC”). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendations contained in the prior report on examination. The results of the examiner’s review are contained in item 8 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 New York on September 12, 1962, was licensed on January 28, 1963 and commenced business on February 23, 1963 under the name Modern Life Insurance Company. Initial resources of $1,000,000, consisting of common capital stock of $500,000 and paid in and contributed surplus of $500,000 were provided through the sale of 100,000 shares of common stock (with a par value of $5 each) for $10 per share.

In 1967, ITT Hamilton Life Insurance Company, a subsidiary of Penncorp Financial, Inc., acquired the Company. In 1968, the Company's name was changed to ITT Life Insurance Company of New York; in 1972, the Company's name was changed to Penn Life Insurance Company of New York. In 1975, the Company adopted its present name.

In 1983, Maiden Lane Life Insurance Company ("Maiden"), a subsidiary of Continental Corp., acquired the company. Later that year, Maiden transferred ownership of the company to Commercial Life Insurance Company, also a subsidiary of Continental Corp. In 1985, ownership was transferred directly to Continental Corp.

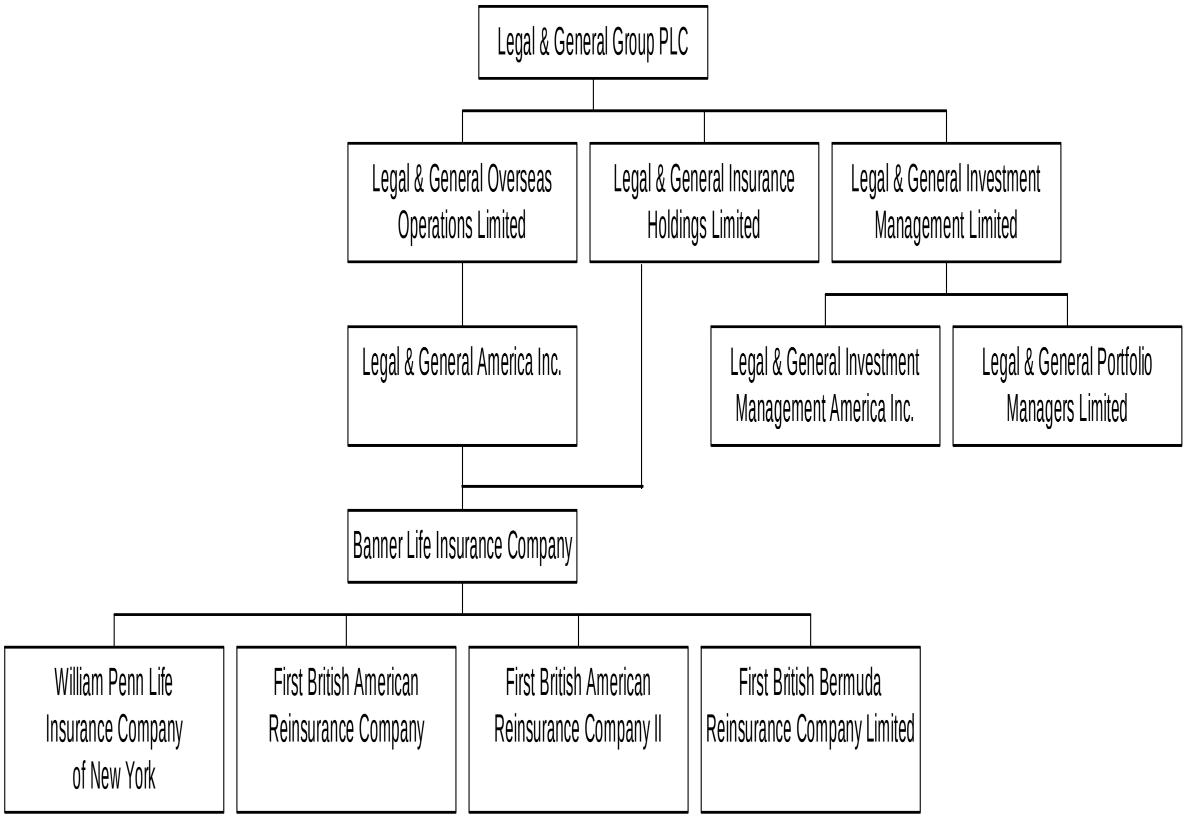
In 1989, Legal & General Group, PLC. ("L&G"), a United Kingdom company, acquired the Company. Later that year, L&G transferred ownership to its subsidiary, Legal & General America, Inc. ("L&G America"). In April 1999, the Company merged with its affiliate, Banner Life Insurance Company of New York. The Company was the surviving entity of that merger. At the same time, L&G America transferred 100% ownership of the Company to its affiliate, Banner Life Insurance Company ("Banner Life").

B. Holding company

The Company is a wholly-owned subsidiary of Banner Life, a Maryland stock life insurance company that is licensed in all states except New York. Banner Life is a wholly-owned subsidiary of L & G America, a Delaware holding company. (Although Legal & General Insurance Holdings Limited owns 100% of non-voting Class B common stock and 100% of voting preferred stock of Banner Life, L & G America exerts control through ownership of 100% Class A common stock) The ultimate parent of the Company is L & G.

C. Organizational chart

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



D. Service agreements

The Company had six service agreements in effect during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Investment Management Agreement	9-16-04	Legal & General Investment Management, Limited	The Company	Investment management services	2008-$(654,000) 2007-$(445,000) 2006-$(104,000) 2005-$ 0
Investment Management Agreement	11-23-04 to 4-1-07 Replaced by the agreement below	Legal & General America, Inc.	The Company	Investment management services	2008-$0 2007-$(276,000) 2006-$(676,000) 2005-$(692,000)
Investment Management Agreement	4-1-07	Legal & General Portfolio Managers, Limited	The Company	Investment management services	2008-$(653,576) 2007-$(534,589) 2006-$0 2005-$0
Expense Sharing Agreement	10-22-99	Banner Life Insurance Company	The Company	Accounting and tax reconciliation services, personnel services and administrative services	2008-$(741,000) 2007-$(683,000) 2006-$(677,000) 2005-$(599,000)
Expense Sharing Agreement	10-22-99	The Company	Banner Life Insurance Company	Underwriting services, claim services, reinsurance services and agency services	2008-$461,000 2007-$36,000 2006-$69,000 2005-$41,000
Expense Sharing Agreement	10-22-99	Legal & General America, Inc.	The Company	Accounting, internal audit, tax related services, legal advisory services, actuarial, etc.	2008-$(7,305,000) 2007-$(7,345,000) 2006-$(5,153,000) 2005-$(5,689,000)

* Amount of Income or (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 13 and not more than 20 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. The 11 board members and their principal business affiliation, as of December 31, 2008, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James D. Atkins Rockville, MD	President William Penn Life Insurance Company	2008
Michael M. Cassell * Greenwich, CT	Retired, Founder and Former President & Chief Executive Officer The Greenwich Bank & Trust Company	1989
Timothy E. Deal * Washington, D.C.	Senior Vice President United States Council for International Business	1999
Gene R. Gilbertson Rockville, MD	Senior Vice President, Chief Financial Officer and Treasurer William Penn Life Insurance Company	1989
John H. Gionis * Rockville, MD	Partner Certilman, Balin, Adler & Hyman, LLP	2007
Sharon P. Jenkins Hempstead, NY	Vice President, Underwriting William Penn Life Insurance Company	2000
David S. Lenaburg Rockville, MD	Chairman and Chief Executive Officer William Penn Life Insurance Company	1989
David J. Orr Monrovia, MD	Senior Vice President and Chief Actuary William Penn Life Insurance Company	1990
Dimitri B. Papadimitriou * Annandale-on-Hudson, NY	Executive Vice President Bard College	1974

Name and Residence	Principal Business Affiliation	Year First Elected
Leonard L. Reynolds * Salt Lake City, UT	Owner Sentry West Insurance Services	2007
Thomas W. Walsh * Portsmouth, RI	Retired, Former Partner PriceWaterhouseCoopers	2007

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

The Company's by-laws state, in part:

" . . . Section 2.02. Number and Term of Office. The Board of Directors shall consist of thirteen Directors . . ."

As of December 31, 2008, the board of directors consisted of 11 directors. Therefore, the Company did not comply with their own by-laws by having less than 13 directors.

It is recommended that the Company initiate action to ensure compliance with their by-laws.

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:

Name	Title
James D. Atkins	President
Gene R. Gilbertson	Senior Vice President, Chief Financial Officer and Treasurer
David S. Lenaburg	Chairman and Chief Executive Officer
Bryan R. Newcombe	Vice President, Secretary and General Counsel
Charles Lingass*	Vice President, Administration
David J. Orr	Senior Vice President and Chief Actuary

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

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 ceased writing accident and health insurance in 1975 and ceased writing annuities in 2005.

The Company is licensed to transact business in 12 states, namely Connecticut, Florida, Idaho, Maryland, New Jersey, New York, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, and South Dakota, and the District of Columbia. In 2008, 92.9% of direct premiums and annuity considerations were received from New York (78.6%), New Jersey (6.7%), Florida (4.9%), Pennsylvania (1.4%) and Connecticut (1.3%).

A. Statutory and special deposits

As of December 31, 2008, the Company had $1,530,000 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 confirmation received from the State of Massachusetts, an additional $3,100,000 was being held by the State of Massachusetts and was reported on Schedule E of the 2008 filed annual statement.

B. Direct operations

The Company focuses on the sale of fully underwritten guaranteed level term contracts. Historically, the Company also wrote universal life and annuities, but both of these products have been de-emphasized. Net premiums of $29.7 million in 2008 were essentially distributed between ordinary life (95.6%) and individual annuities (4.2%). The Company's term business accounted for 77% of new business sales in 2008. The remainder of new sales in 2008 was derived from the Company's universal life products. The company does not maintain any separate accounts. Policies are written on a non-participating basis.

The Company's sales operations are conducted through an agency force of brokers and brokerage general agents. The Company's general agents recruit agents/brokers for the Company to appoint, who in turn, sell the Company's products to the general public. All general agents and agents/brokers are independent. The Company has approximately 200 general agents under contract and 25,000 licensed agents/brokers.

C. <u>Reinsurance</u>

As of December 31, 2008, the Company had reinsurance treaties in effect with 27 companies, of which 14 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $1,000,000. The Company ceded $145.9 million of life premiums in 2008. The total face amount of life insurance ceded as of December 31, 2008, was $57.2 billion. Reserve credits taken as of December 31, 2008 were $776.7 million. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $538 million, was supported by letters of credit, trust agreements and funds withheld.

The Company also reported a minimal amount of reserve credit taken for its ceded accident and health business as of December 31, 2008 with no accident and health premiums ceded in 2008.

The predominant type of insurance contract issued by the Company is term life. With the adoption of Department Regulation No. 147, the Company was required to significantly increase its reserves. Because of the significant reserve increase, the Company, along with its direct parent, Banner Life, created First British American Reinsurance Company ("FBARC"). This company, domiciled in South Carolina, is a special purpose financial captive established for the purpose of reinsuring blocks of business from the Company and Banner Life. The funding of the transaction was primarily through capital provided by outside investors. This transaction received Department approval on November 8, 2004. Effective December 1, 2004, the Company entered into a reinsurance agreement whereby certain level premium term business written by the Company in 2003 and 2004 was ceded to FBARC.

The Company does not assume any business.

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, 2004	December 31, 2008	Increase (Decrease)
Admitted assets	$1,021,808,428	$965,647,301	$(56,161,127)
Liabilities	$ 914,155,838	$869,633,875	$(44,521,963)
Common capital stock	$ 2,002,500	$ 2,002,500	$ 0
Gross paid in and contributed surplus	54,058,416	54,058,416	0
Unassigned funds (surplus)	51,591,674	39,952,510	(11,639,164)
Total capital and surplus	$ 107,652,590	$ 96,013,426	$(11,639,164)
Total liabilities, capital and surplus	$1,021,808,428	$965,647,301	$(56,161,127)

The Company's invested assets as of December 31, 2008, were mainly comprised of bonds (93.3%), policy loans (4.7%), and cash and short-term investments (1.2%). The majority (99.3%) of the Company's bond portfolio, as of December 31, 2008, 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:

	2005	2006	2007	2008
Ordinary:				
Life insurance	$19,678,884	$14,629,786	$(3,365,804)	$(17,146,097)
Individual annuities	2,149,638	2,967,679	3,943,836	3,732,645
Supplementary contracts	(3,160)	(193,191)	(225,347)	(72,150)
Total ordinary	$21,825,362	$17,404,274	$ 352,685	$(13,485,602)
Group:				
Life	$ (26)	$ 0	$ 0	$ 0
Total group	$ (26)	$ 0	$ 0	$ 0
Accident and health:				
Other	$ (71,005)	$ (48,225)	$ (62,451)	$ (34,948)
Total accident and health	$ (71,005)	$ (48,225)	$ (62,451)	$ (34,948)
Total	$21,754,331	$17,356,049	$ 290,234	$(13,520,550)

Net operating losses in 2008 totaling $13,520,550 included an adjustment for FBARC experience refunds of $9,413,278, an adjustment for surplus change in reinsurance in the amount of $3,004,607, and adjusted operating loss in the amount of $1,102,605.

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. Independent accountants

PWC was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company 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.

PWC 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	$864,203,558
Preferred Stocks	7,798,422
Cash, cash equivalents and short term investments	11,448,166
Contract loans	43,124,134
Investment income due and accrued	12,316,149
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(11,030,981)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	22,038,943
Reinsurance:	
Amounts recoverable from reinsurers	8,641,720
Other amounts receivable under reinsurance contracts	287,087
Current federal and foreign income tax recoverable and interest thereon	1,617,100
Net deferred tax asset	5,203,003
Total admitted assets	$965,647,301

C. Liabilities, capital and surplus

Aggregate reserve for life policies and contracts	$830,540,963
Aggregate reserve for accident and health contracts	194,272
Liability for deposit-type contracts	4,153,467
Contract claims:	
Life	13,074,521
Provision for policyholders' dividends and coupons payable in following calendar year – Dividends apportioned for payment	850,000
Premiums and annuity considerations for life and accident and health contracts received in advance	124,806
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	746,134
Interest maintenance reserve	4,772,804
Commissions to agents due or accrued	173,969
General expenses due or accrued	2,164,655
Taxes, licenses and fees due or accrued, excluding federal income taxes	(54,842)
Unearned investment income	1,480,029
Amounts withheld or retained by company as agent or trustee	859,957
Amounts held for agents' account	872,665
Remittances and items not allocated	59,390
Miscellaneous liabilities:	
Reinsurance in unauthorized companies	1,648,756
Funds held under reinsurance treaties with unauthorized reinsurers	6,602,717
Payable to parent, subsidiaries and affiliates	536,507
Accrued interest on policy funds	367,090
Other liabilities	433,485
Modified coinsurance agreement	32,530
Total liabilities	$869,633,875
Common capital stock	$ 2,002,500
Gross paid in and contributed surplus	54,058,416
Unassigned funds (surplus)	39,952,510
Surplus	$ 94,010,926
Total liabilities, capital and surplus	$965,647,301

D. Condensed summary of operations

	2005	2006	2007	2008
Premiums and considerations	$ 57,170,574	$ 56,046,345	$ 52,540,454	$ 29,652,632
Investment income	57,246,218	56,184,065	54,395,247	52,974,322
Commissions and reserve adjustments on reinsurance ceded	11,680,179	11,362,929	12,150,580	25,164,077
Miscellaneous income	2,676	2,443	4,342	7,181
Total income	$126,099,647	$123,595,782	$119,090,623	$107,798,212
Benefit payments	$ 75,889,573	$ 82,952,995	$ 87,399,766	$ 81,684,244
Increase in reserves	(12,608,342)	(18,203,527)	(13,694,327)	(1,852,117)
Commissions	13,573,159	13,324,719	14,446,391	14,048,328
General expenses and taxes	26,580,708	26,075,459	32,981,328	27,971,558
Increase in loading on deferred and uncollected premiums	(69,324)	(717)	127,994	15,355
Total deductions	$103,366,774	$104,148,929	$121,261,152	$121,867,368
Net gain (loss)	$ 22,733,873	$ 19,446,853	(2,170,529)	(14,069,156)
Dividends	848,377	772,884	1,066,544	764,371
Federal and foreign income taxes incurred	131,162	1,317,921	(3,527,305)	(1,312,977)
Net gain (loss) from operations before net realized capital gains	$ 21,754,334	$ 17,356,048	$ 290,232	$ (13,520,550)
Net realized capital gains (losses)	13,484	383	(824,895)	(14,922,072)
Net income	$ 21,767,817	$ 17,356,431	$ (534,663)	$ (28,442,622)

Net realized capital losses in 2008 totaling $14,922,072 included the following: losses from bonds issued by Lehman Brothers Holdings in the amount of $8,735,840, losses from bonds issued by Washington Mutual in the amount of $3,305,208, losses from bonds issued by Harrahs Operating Company in the amount of $2,881,761, and a gain from bonds issued by Prudential in the amount of $738,000.

E. Capital and surplus account

	2005	2006	2007	2008
Capital and surplus, December 31, prior year	$107,652,592	$118,867,844	$120,700,499	$110,475,947
Net income	$ 21,767,817	$ 17,356,431	$ (534,663)	$ (28,442,622)
Change in net unrealized capital gains (losses)	391,723	227,517	(682,181)	(195,000)
Change in net deferred income tax	(6,793,731)	(5,022,203)	7,386,937	6,927,029
Change in non-admitted assets and related items	488,514	4,752,455	(11,184,365)	2,836,054
Change in liability for reinsurance in unauthorized companies	2,617,850	(1,859,685)	1,859,685	(1,648,756)
Change in asset valuation reserve	345,038	(143,932)	964,025	3,056,107
Change due to reinsurance	(7,601,960)	(13,477,927)	(8,033,990)	3,004,667
Net change in capital and surplus for the year	$ 11,215,252	$ 1,832,655	$ (10,224,552)	$(14,462,521)
Capital and surplus, December 31, current year	$118,867,844	$120,700,499	$110,475,947	$ 96,013,426

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.

The examiner found two websites that were advertising the Company’s life products without proper approval. In addition, the two websites were advertising annuity products, which the company has not marketed since 2005. The two websites were not maintained by agents appointed by the Company. According to the Company’s advertising guidelines, all websites that advertise the Company's products must receive prior approval. Upon being informed of these findings, the Company sent letters to the administrators of the websites demanding that they immediately cease and desist from the advertising of the Company’s products.

The examiner recommends that the Company reiterate its advertising policies and procedures to ensure that all of its agents’ websites that advertise their products receive prior approval to do so.

B. Underwriting and policy forms

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

Section 53-3.2(a) Of Department Regulation No. 74 states, in part:

> “An illustration used in the sale of a life insurance policy and subject to this Subpart shall satisfy the applicable requirements of this Subpart, be clearly labeled "life insurance illustration" and contain the following basic information . . .
>
> (2) Name and business address of producer or insurer's authorized representative, if any;

(3) Name, age and sex of proposed insured, except where a composite illustration is permitted under this Subpart . . .”

During the review of policy forms, the examiner noted that the name and business address of the agent or broker did not appear on the policy illustration. The name of the person for whom the illustration was prepared was also not on the illustration. Four of the eight policies reviewed did not contain this information.

The Company violated Sections 53-3.2(a)(2) and 53-3.2(a)(3) of Department Regulation No. 74 by having incomplete illustrations.

It is recommended that the Company initiate procedures to ensure compliance with Sections 53-3.2(a)(2) and 53-3.2(a)(3) of Department Regulation No. 74.

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. ANNUAL STATEMENT PREPARATION

Section 4233(a) of the New York State Insurance law states:

> "In addition to any other matter which may be required to be stated therein, either by law or by the superintendent pursuant to law, every annual statement of every life insurance company doing business in this state shall conform substantially to the form of statement adopted from time to time for such purpose by, or by the authority of, the National Association of Insurance Commissioners, together with such additions, omissions or modifications, similarly adopted from time to time, as may be approved by the superintendent."

The National Association of Insurance Commissioner's 2009 Life Annual Statement Instructions state, in part:

> " . . . NOTES TO FINANCIAL STATMENTS . . .
> 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators . . . Disclose the aggregate amount of direct premiums written through managing general agents or third party administrators. . . .
> SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP Part 1 – ORGANIZATIONAL CHART . . .
> Attach a chart or listing presenting the identities of and relationships between the parent, all affiliated insurers and other affiliates . . .
> LIABILITIES . . .
> Line 24.4 – Payable to Parent, Subsidiaries and Affiliates
> A liability is recognized and identified as due to affiliates for expenditures incurred on behalf of the reporting entity by a parent, affiliates or subsidiaries; or for amounts owed through other intercompany transactions. Refer to SSAP No. 67, Other Liabilities, for guidance."

The National Association of Insurance Commissioner's 2009 Accounting Practices and Procedures Manual states, in part:

> " . . .Statement of Statutory Accounting Principles No. 67
> Other Liabilities . . . Payable to Parent, Subsidiaries and Affiliates . . .
> Amounts due to or from affiliates shall be offset and reported net only when the provisions of SSAP No. 64 are met. . . .
> Statement of Statutory Accounting Principles No. 64
> Offsetting and Netting of Assets and Liabilities . . .
> Assets and liabilities shall be offset and reported net only when a valid right of offset exists . . ."

During the review of the annual statement the examiner discovered several instances where the Company did not complete its filed annual statements in accordance with the National Association of Insurance Commissioner’s Annual Statement Instructions.

- The Company reported in its Annual Statement Notes to Financial Statements, for all years under exam, that it had "no Managing General Agents or Third Party Administrators" although the Company participates in a third party agreement with an unaffiliated Company.
- In Schedule Y Part 1 – Organizational Chart, the Company failed to include all subsidiaries and affiliates having activities with the Company, including Legal & General Portfolio Managers Limited and Legal & General Investment Management America, Inc.
- The Company netted the receivable amounts due to Company with the payable amounts due from the Company on their balance sheet although the Company’s inter-company agreements do not allow the right of offset.

The Company violated Section 4233(a) of the New York Insurance Law by failing to complete its annual statement in accordance with the annual statement instructions as published by the National Association of Insurance Commissioners.

It is recommended that the Company review annual statement controls to confirm accurate reporting in the future.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations and violations 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, in the future, the Company notify the Department of transactions involving more than one-half of one percent of admitted assets, pursuant to Section 1505(d) of the New York Insurance Law." The Company complied with this recommendation and filed their new investment management agreement with Legal and General Portfolio Managers Limited, with the Department.
B	The examiner recommends that the Company comply with its by-laws and elect the members of the executive committee each year at the meeting of the board of directors following the annual meeting of shareholders. The prior report on examination contained a similar recommendation. The Company complied with this recommendation. The Company's executive committee has been elected annually since 2005.
C	The examiner recommends that the Company abide by the terms of its coinsurance agreement with First Unum. The Company complied with this recommendation. A bank account in the Company's name was opened for claim payments.
D	The examiner recommends that the Company consistently comply with the requirements of Department Regulation No. 133. The Company complied with this recommendation. The Company requested and received a new letter of credit in compliance with the terms of Department Regulation No. 133.
E	The examiner recommends that the Company maintain the supporting information used in establishing estimates on the Disclosure Statements, since the information used in completing the Disclosure Statement is required to be reviewed and maintained in accordance with Section 51.6 (b)(3) of Department Regulation No. 60, and Section 243.2 of Department Regulation No. 152, respectively.

Item	Description
	The Company complied with this recommendation and now maintains the supporting information used in establishing estimates on the Disclosure Statements.
F	The examiner recommends that the Company review all policies issued to juveniles on form L-FPA5/91, and any other form with similar wording on the basis of mortality charges, with a rating class of standard for compliance with Section 3201(c)(5) of the New York Insurance Law, and restore any excess charges, with interest, to the policyholder.
	The Company complied with this recommendation. All juvenile policies were re-classified as non-smoker and the relevant account values were increased appropriately.
G	The examiner recommends that the Company put in place administrative procedures to ensure that no future cost of insurance rates on juvenile policies will exceed those based on the 1980 CSO Mortality Table (aggregate basis) below age 20, and the 1980 CSO Mortality Table non-smoker basis for age 20 and above.
	The Company complied with this recommendation. All juvenile policies are now classified as non-smoker policies and as such are charged the non-smoker cost of insurance rates. Future cost of insurance rates for such non-smokers cannot exceed the 1980 CSO Mortality Table (aggregate basis) below age 20, and cannot exceed the 1980 CSO Mortality Table for Non-Smokers for age 20 and above.
H	The examiner recommends that the Company confirm that the initial value of any prior or future paid-up insurance under standard policies were, or will be, based on the 1980 CSO Mortality Table (aggregate basis) below age 20, and the 1980 CSO Mortality Table (non-smoker basis) for age 20 and above.
	The Company complied with this recommendation. All juvenile policies are now classified as non-smoker policies and as such are charged the non-smoker cost of insurance rates. Future cost of insurance rates for such non-smokers cannot exceed the 1980 CSO Mortality Table (aggregate basis) below age 20, and cannot exceed the 1980 CSO Mortality Table for Non-Smokers for age 20 and above.
I	The examiner recommends that the Company either provide non-smoker rates to juveniles or provide the Department with certain mortality and cost of insurance rates.

Item	Description
	The Company complied with this recommendation. All juvenile policies were re-classified as non-smoker.
J	The Company violated Section 2611 of the New York Insurance Law by failing to obtain from proposed insureds signed consent forms prior to obtaining blood samples.
	The Company complied with this recommendation. The Company immediately issued instructions to use proper consent forms.

9. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	It is recommended that the Company initiate action to ensure compliance with their by-laws.	8
B	The examiner recommends that the Company reiterate its advertising policies and procedures to ensure that all of its agents' websites that advertise their products receive prior approval to do so.	17
C	The Company violated Sections 53-3.2(a)(2) and 53-3.2(a)(3)of Department Regulation No. 74 by having incomplete illustrations. It is recommended that the Company initiate procedures to ensure compliance with Sections 53-3.2(a)(2) and 53-3.2(a)(3) of Department Regulation No. 74.	18
D	The Company violated Section 4233(a) of the New York Insurance Law by failing to complete its annual statement in accordance with the annual statement instructions as published by the National Association of Insurance Commissioners. It is recommended that the Company review annual statement controls to confirm accurate reporting in the future.	20

Respectfully submitted,

/s/
Lori Ruggiero, CFE, CIE, MCM
Consultant

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

Lori Ruggiero, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Lori Ruggiero

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30262

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

LORI RUGGIERO

as a proper person to examine into the affairs of the

WILLIAM PENN LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as she shall deem requisite.

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

this 23rd day of October, 2008

JAMES J. WRYNN
Acting Superintendent of Insurance

Acting Superintendent