NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

COMBINED LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2014
DATE OF REPORT:	MAY 10, 2016

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EXAMINER:	WAHEED ZAFER, CFE CHRISTINE D. MAVOUR

TABLE OF CONTENTS

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

May 27, 2016

Honorable Maria T. Vullo
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31379, dated August 31, 2015, and Appointment No. 31295, dated March 16, 2015, 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".

The financial examination took place at the statutory home office of the Company's parent, Combined Insurance Company of America, located at 111 E. Wacker Drive, Chicago, Illinois 60601.

The market conduct examination took place at the Company's home office located at 13 Cornell Road, Latham, New York 12210.

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. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Section 51.6(e) of Department Regulation No. 60 by failing to submit revised procedures pertaining to the use of electronic signatures to the Superintendent within thirty days of such change. (See item 7A of this report)

- The Company violated Section 3201(b)(1) of the New York Insurance Law by using an electronic application that had not been filed with and approved by the Department. (See item 7B of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2015 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2011 through December 31, 2014. 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, 2014 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 7 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 New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The financial examination was led by the Illinois Department of Insurance with participation from the Insurance Department of the Commonwealth of Pennsylvania and the Department. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work for the financial examination. The market conduct examination was conducted solely by the Department.

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 2014 by the accounting firm of PricewaterhouseCoopers LLP. 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 Company's ultimate parent, ACE Limited ("ACE"), has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX 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 and recommendation 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.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated and commenced business as a stock life insurance company under the laws of New York on November 24, 1964 under the name of James Monroe Life Insurance Company and commenced business on June 14, 1971. Initial resources of $800,000 consisting of 400,000 shares of stock with a par value of $2 per share. On February 17, 1965, the Company issued an additional 100,000 shares, with a par value of $2 that increased the authorized capital to $1,000,000.

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

On December 9, 1982, the Company amended its charter to increase the par value of all outstanding shares to $4, thereby increasing capital to $2,000,000. At the same time, CICA increased the Company's paid-in and contributed surplus to $4,050,000. The Company's gross paid-in and contributed surplus at December 31, 2014 was $4,111,396.

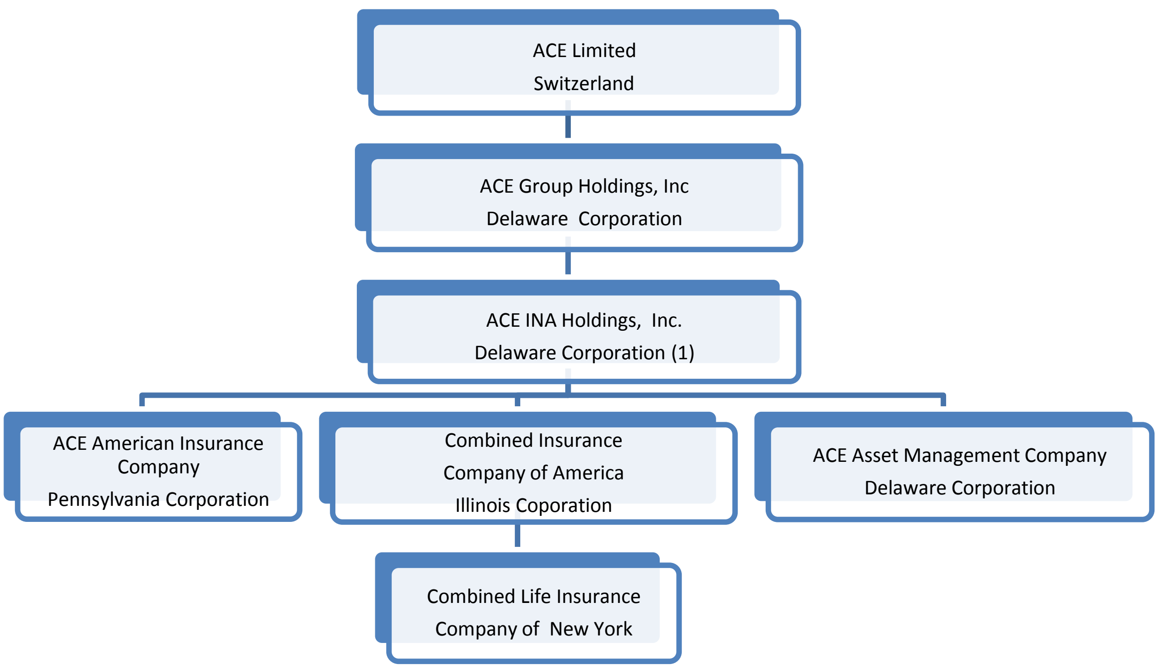
On April 1, 2008, ACE acquired the Company's parent, CICA, from Aon Corporation ("Aon"). ACE is a publicly traded Switzerland stock corporation whose ordinary shares are listed on the New York Stock Exchange. ACE is a global insurance and reinsurance organization that provides a wide range of insurance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

B. Holding Company

The Company is a wholly owned subsidiary of CICA, which in turn is owned by ACE INA Holdings, which in turn is 80% owned by ACE Group Holdings, Inc., a Delaware holding company and 20% owned by ACE. ACE Group Holdings, Inc. is a wholly owned subsidiary of ACE Limited which is domesticated in the Cayman Islands. On April 1, 2008, the sale of CICA and the Company was completed for approximately $2.56 billion and approved by the Department on March 20, 2008.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2014 follows:



(1) ACE INA Holdings, Inc. is 80% owned by ACE Group Holdings, Inc. and 20% owned by ACE Limited

D. Service Agreements

The Company had four service agreements 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	Income/ (Expense)* For Each Year of the Examination
Investment Advisory Services Agreement (Department File #40596)	01/01/2009	ACE Asset Management Company	The Company	Oversee the Company's third party investment managers and advise on matters related to its investment portfolio	2011 $(88,177) 2012 $(93,835) 2013 $(116,366) 2014 $(93,516)
Administrative Service Agreement (Department File #42107)	01/01/2010	CICA	The Company	Services and expertise relating to Life A&H business including executive services, IT, financial services, actuarial, sales administration, HR, claims administration, marketing, inventory management, policyholder services, underwriting, facilities management, legal services and project management.	2011 $(14,412,479) 2012 $(20,240,521) 2013 $(16,656,596) 2014 $(17,187,369)
(Department File #44718)	Amended 11/01/2011			Includes new financial services and operational control management. Eliminated controller, accounting and reporting; facilities management; and performance management services.	
(Department File #44718A)	Amended 05/01/2013			Includes additional and new financial services, such as capital management, review of the statutory financial statements, project management. Amended the agreement to be billed on a monthly basis as compared to billing on a quarterly basis during.	

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
Administrative Service Agreement (Department File #42106)	01/01/2010	The Company	CICA	Claims and sales administration	2011 $209,062 2012 $257,109 2013 $324,024 2014 $284,644
(Department File #44717)	Amended 11/01/2011			Claims and sales management services.	
(Department File #44717A)	Amended 05/01/2013			Deleted facility services, and amended the services to be billed on a monthly basis as compared to billing on a quarterly basis.	
General Service Agreement (Department File #40895)	07/01/2009 Terminated 12/31/2012	ACE American Insurance Company	The Company	Finance, treasury, global claims, reinsurance administration, IT and other services.	2011 $(98,322) 2012 $(2,538,911)**
General Service Agreement (Department File #46263) Replaces Department File # 40895	12/31/2012	ACE American Insurance Company	The Company	Finance, treasury, law and government relations, HR, IT, global claims, reinsurance administration, administration and operations support, global research and development.	2013 $(4,879,416) 2014 $(4,531,128)

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

**The significant increase in expenses was a result of a new General Services Agreement that added a number of additional services to be provided to the Company as compared to the services provided under the previous General Service Agreement.

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 nine and not more than thirteen directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. On April 12, 2012, the Company amended and restated its by-laws to decrease the minimum number of directors to seven. The amended and restated by-laws were approved by the Department on April 30, 2012. As of December 31, 2014, the board of directors consisted of seven members. Meetings of the board are held quarterly.

The seven board members and their principal business affiliation, as of December 31, 2014, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Brad M. Bennett Prospect Heights, IL	President Combined Life Insurance Company of New York	2012
Fredric L. Bodner* Albany, NY	Shareholder Hinman Straub, P.C.	2008
Edward P. Clancy Villanova, PA	Life Chairman and Executive Vice President ACE Global Accident & Health	2008
Leonard A. Dopkins* Boca Raton, FL	Retired Dopkins & Company, CPA	1993
Michael F. Hurd Des Plaines, IL	Vice President and Chief Administrative Officer Combined Life Insurance Company of New York	1997
Steven E. Lippai Highland Park, IL	Executive Vice President, Chief Actuary Combined Life Insurance Company of New York	1993
Lee M. Smith* Plymouth, MA	Retired - Legislative Bill Drafting Commission, New York State Legislature	2008

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

On February 6, 2015, Michael F. Hurd resigned from the board and was replaced by Drew K. Spitzer, who was elected on February 6, 2015.

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, 2014:

Name	Title
Brad M. Bennett	President
Steven E. Lippai	Executive Vice President and Chief Actuary
Rebecca L. Collins	Secretary
Drew K. Spitzer	Chief Financial Officer

Mary Slingerland is the Company's designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

4. 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 three states, namely Florida, Illinois and New York. In 2014, 94% of life premiums and 97% of accident and health premiums were received from New York. Policies are written on non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2014, the Company had $1,700,000 (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.

B. Direct Operations

The Company's focus is towards the sale of individual accident and health policies, but the Company also sells smaller face amount life policies. The target market for the Company's products is lower middle income and working class groups, as well as small business owners located in small towns throughout New York State. The sales force works off Company generated 'leads' based on its existing and lapsed policyholders in soliciting its products.

The Company's distribution systems are divided between its individual and group operations. The Company utilizes a 100% captive field force in marketing its individual life products. The Company's agency operations are conducted on a general agency basis.

The Company utilizes a needs based sales distribution model, known as the Enhanced Sales Model ("ESM"). The ESM focuses on the total coverage needs of an individual. This distribution channel sells life and accident & health supplemental products that include disability income, accident only, accident and sickness, accident and sickness recovery, accidental death and dismemberment, critical care, specified disease, whole life and term life.

The Worksite sales distribution channel consists of captive agents and independent brokers. The marketing focus is on group sizes between 25 and 150 employees located primarily in urban markets. The Company targets employers, associations and professional employment organizations, offering them unique products and services to help employees better identify their benefits needs. This distribution channel sells life and accident & health supplemental products that include universal life, level term life, disability income, accident only, accident and sickness, accidental death and dismemberment, critical care and specified disease.

The Company's group products are solicited through the Company's Combined Select Programs ("CSP"), a division/business unit of its parent CICA. Group vision care and group life/AD&D are marketed to employer groups located in New York State. CSP utilizes program managers and independent brokers to market its vision care and group life/AD&D products.

The principal lines of business sold during the examination period were individual accident and health, group accident and health and individual life. The significant products marketed during the examination period are presented by distribution model as follows:

Enhanced Sales Model

- Disability Income and Accident & Sickness Recovery
- Accident Only
- Accident and Sickness
- Critical Care – Specified Disease
- Specified Disease - Cancer Only
- Family Life Protector
- Whole Life
- Limited Benefit Whole Life
- Level Term Life

Worksite Division

- Flexible Premium Adjustable Life (Universal Life)
- Accidental Death and Dismemberment
- Level Term Life
- Disability Income
- Accident and Sickness
- Critical Care – Specified Disease
- Specified Disease - Cancer Only

Combined Select Program

- Group Vision Care
- Group Term Life / AD&D

With the enactment of Affordable Care Act, the Company made a decision to discontinue marketing its University Health product in 2012. In addition, the Company also ceased marketing its K-12 product during the 2013-2014 school year, as it was not a sufficiently large enough block to continue marketing.

C. Reinsurance

As of December 31, 2014, the Company had reinsurance treaties in effect with 36 companies, of which 22 were authorized or accredited. The Company's life business is reinsured on a coinsurance basis and the accident and health business is reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $300,000. The total face amount of life insurance ceded as of December 31, 2014, was $39,481,060, which represents 4.0% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $19,350,396, was supported by trust agreements.

There was no life insurance assumed as of December 31, 2014.

5. 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, 2014	Increase (Decrease)
Admitted assets	$381,621,753	$391,855,135	$ 10,233,382
Liabilities	$320,962,322	$352,002,030	$ 31,039,708
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	4,060,296	4,111,396	51,100
Segregated Surplus – SSAP 10R Deferred Taxes	8,084,622	0	(8,084,622)
Segregated Surplus – Affordable Care Act Fee	0	229,000	299,000
Unassigned funds (surplus)	46,514,512	33,512,709	(13,001,803)
Total capital and surplus	$ 60,659,431	$ 39,853,105	$(20,806,326)
Total liabilities, capital and surplus	$381,621,753	$391,855,135	$ 10,233,382

The Company's invested assets as of December 31, 2014, were mainly comprised of bonds (95.3%).

The Company's entire bond portfolio, as of December 31, 2014, 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:

	2011	2012	2013	2014
Ordinary:				
Life insurance	$ 3,615,255	$4,215,880	$2,095,050	$2,602,176
Total ordinary	$ 3,615,255	$4,215,880	$2,095,050	$2,602,176
Group:				
Life	$ 0	$ (67,733)	$ 88,059	$ 234,140
Total group	$ 0	$ (67,733)	$ 88,059	$ 234,140
Accident and health:				
Group	$ 721,293	$ 958,235	$ (775,665)	$ 92,290
Other	11,502,308	2,502,070	2,316,364	3,120,920
Total accident and health	$12,223,601	$3,460,305	$1,540,699	$3,213,210
Total	$15,838,857	$7,608,452	$3,723,809	$6,049,525

The significant decrease in net gains from operations for ordinary life insurance in 2013 as compared to 2012 was a result of; 1) the Company establishing additional reserves, as part of its efforts to comply with guidance established by the Department regarding the review of the social security death master file; and 2) higher claims paid, higher expenses and lower investment income in 2013.

The significant decrease in net gain from operations for accident & health – group insurance in 2013 as compared to 2012 is attributed to the Company exiting the University Health business. Premiums on this business dropped off sharply in 2013, and the release of the unearned premium reserve did not align with actual claims experience.

The significant decrease in the net gain from operations for the accident & health – other line of business in 2012 as compared to 2011 was primarily a result of significant increases in total benefits ($4.6 million) and general expenses ($5.4 million).

The total benefits increase was a result of changes in disability benefits ($3.5 millions) predominantly related to prior period incurred losses and loss adjustment expenses attributable to insured events (re-estimation of unpaid claims and claims adjusted expenses) and increases in aggregate reserves ($1.1 million).

The increase in general insurance expenses was a result of higher overall expenses to support the business, plus changes resulting from the amended service agreement between the Company and its parent CICA.

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	2014
Premiums earned	100.0%	100.0%	100.0%	100.0%
Incurred losses	65.1%	70.3%	68.2%	67.0%
Commissions	5.8%	5.9%	6.9%	7.1%
Expenses	22.1%	27.7%	30.7%	31.1%
Underwriting results	6.9%	(4.0)%	(5.8)%	(5.1)%

The negative underwriting results realized in the years 2012, 2013, and 2014 are reflective of the Company's efforts to grow its business. The Company has been focused on increasing its sales agent force in order to increase its proportion of new business. Those efforts result in additional expenses to recruit, train, properly equip and deploy personnel.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2014, as contained in the Company's 2014 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, 2014 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers LLP ("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 years 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	$353,158,049
Stocks:	
Common stocks	450,604
Cash, cash equivalents and short term investments	9,050,327
Contract loans	8,037,673
Investment income due and accrued	2,448,432
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	5,095,020
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,503,216
Current federal and foreign income tax recoverable and interest thereon	114,499
Net deferred tax asset	9,397,304
Third Party Administrator Claims Funding	600,011
Total admitted assets	$391,855,135

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 97,990,751
Aggregate reserve for accident and health contracts	209,010,676
Contract claims:	
Life	940,142
Accident and health	28,323,173
Premiums and annuity considerations for life and accident and health contracts received in advance	638,740
Contract liabilities not included elsewhere:	
Interest maintenance reserve	142,029
General expenses due or accrued	2,135,935
Taxes, licenses and fees due or accrued, excluding federal income taxes	509,181
Unearned investment income	187,036
Amounts withheld or retained by company as agent or trustee	213,180
Remittances and items not allocated	899,339
Miscellaneous liabilities:	
Asset valuation reserve	1,189,559
Payable to parent, subsidiaries and affiliates	7,903,241
Additional Reinsurance Allowance	1,253,802
Escheats	665,245
Total liabilities	$352,002,030
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	$ 4,111,396
Segregated Surplus - Affordable Care Act Fee	229,000
Unassigned funds (surplus)	33,512,709
Surplus	$ 37,853,105
Total capital and surplus	$ 39,853,105
Total liabilities, capital and surplus	$391,855,135

D. Condensed Summary of Operations

	2011	2012	2013	2014
Premiums and considerations	$132,393,946	$125,989,317	$125,970,152	$127,478,952
Investment income	14,044,792	12,660,963	11,413,890	12,075,639
Miscellaneous income	105,561	97,264	102,637	(22,292)
Total income	$146,544,299	$138,747,544	$137,486,679	$139,532,299
Benefit payments	$ 78,026,090	$ 77,830,879	$ 72,220,248	$ 76,296,587
Increase in reserves	7,483,418	7,416,974	13,659,625	8,753,892
Commissions	7,524,807	7,679,779	8,484,012	8,725,033
General expenses and taxes	29,898,764	36,342,781	38,725,922	39,909,818
Increase in loading on deferred and uncollected premiums	(49,466)	(297,679)	(135,489)	(1,424,835)
Total deductions	$122,883,613	$128,972,734	$132,954,318	$132,260,495
Net gain (loss)	$ 23,660,686	$ 9,774,810	$ 4,532,361	$ 7,271,804
Dividends	723	871	1,046	491
Federal and foreign income taxes incurred	7,821,107	2,165,486	807,507	1,221,788
Net gain (loss) from operations before net realized capital gains	$ 15,838,856	$ 7,608,453	$ 3,723,808	$ 6,049,525
Net realized capital gains (losses)	(197,304)	(414,634)	14,233	90,234
Net income	$ 15,641,553	$ 7,193,818	$ 3,738,042	$ 6,139,759

The $6.2 million “Increase in reserves” from 2012 to 2013 is mainly due to a $3.5 million decrease in unearned premium reserves because of a decline in Company’s University Health business, and a $2.7 million benefits enhancement for a closed block of Sickness Income Policy business in 2013.

The significant increase in general expenses and taxes in 2012 as compared to 2011 was mainly the result of a $5.4 million increase in 2012 CICA service charges, which included a $3.3 million true-up of service charges for previous years.

E. Capital and Surplus Account

	2011	2012	2013	2014
Capital and surplus, December 31, prior year	$ 60,659,431	$60,329,864	$ 67,657,479	$ 56,352,079
Net income	$ 15,641,553	$ 7,193,818	$ 3,738,042	$ 6,139,759
Change in net deferred income tax	(301,055)	(1,072,285)	(869,243)	(1,921,745)
Change in non-admitted assets and related items	913,533	1,830,045	1,921,369	(3,709,767)
Change in liability for reinsurance in unauthorized companies	98,000	0	0	0
Change in asset valuation reserve	(210,773)	(47,642)	(243,797)	(152,113)
Cumulative effect of changes in accounting principles	0	8,810,379	(96,391)	0
Surplus adjustments:				
Paid in	0	0	0	51,100
Dividends to stockholders	(18,500,000)	0	(15,800,000)	(16,700,000)
Prior Period Adjustment	1,303,419	529,534	118,466	(132,107)
Additional Reinsurance Allowance	0	(1,105,855)	(73,846)	(74,101)
Segregated Surplus - SSAP10R	725,757	(8,810,379)	0	0
Net change in capital and surplus for the year	(329,567)	7,327,615	(11,305,400)	(16,498,974)
Capital and surplus, December 31, current year	$ 60,329,864	$67,657,479	$ 56,352,079	$ 39,853,105

7. 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 51.6(e) of Department Regulation No. 60 states in part:

> "Both the insurer whose life policy or annuity contract is being replaced and the insurer replacing the life insurance policy or annuity contract shall establish and implement procedures to ensure compliance with the requirements of this Part… All insurers … shall furnish the Superintendent of Insurance with these procedures … Any changes in these procedures … shall be furnished to the Superintendent of Insurance within thirty days of such change."

The examiner reviewed a sample of term life and universal life insurance policies issued during the examination period through its Worksite Division. The review revealed that in all 21 term life and in 3 out of 37 (8%) universal life policies reviewed, the Company obtained electronic signatures of both the agent and the applicant on the required "Definition of Replacement" form. However, the Company's filed Regulation No. 60 procedures require "wet" signatures for its agents and applicants. During the examination period, the Company processed 292 term and 838 universal life applications electronically through its Worksite Division.

The Company violated Section 51.6(e) of Department Regulation No. 60 by failing to submit revised procedures pertaining to the use of electronic signatures to the Superintendent within thirty days of such change.

Section 2112(d) of the New York Insurance Law states, in part:

> "Every insurer…, or the authorized representative of the insurer…, doing business in this state shall, upon termination of the certificate of appointment as set forth in subsection (a) of this section of any insurance agent… licensed in this state, or upon termination for cause for activities as set forth in subsection (a) of section two thousand one hundred ten of this article, of the certificate of appointment, of employment, of a contract or other insurance business relationship with any insurance producer, file with the superintendent within thirty days a statement, in such form as the superintendent may prescribe, of the facts relative to such termination for cause. The insurer … or the authorized representative of the insurer… shall provide, within fifteen days after notification has been sent to the superintendent, a copy of the statement filed with the superintendent to the insurance producer at his, or her or its last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier. Every statement made pursuant to this subsection shall be deemed a privileged communication."

A review of agents terminated for cause during the examination period under review revealed that in all 35 cases reviewed the Company failed to notify the agents, after notification to the superintendent, by certified mail return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier that they have been terminated for cause. Instead, the Company notified the agents by first class mail.

The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the agents terminated for cause by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

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(b) (1) of the New York Insurance Law states in part:

> "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…"

During a review of term life and universal life insurance policies issued during the examination period through the Company's Worksite Division, it was determined that in all 21 of the term life policies and in 3 out of 37 (8%) of the universal life policies reviewed, the Company accepted electronic signatures of the agent(s) and applicant(s) on the application. Application Form No. 472006R07 was used to apply for term insurance coverage and Application Form No. 462012R09 was used to apply for universal life insurance coverage. However, the applications were not approved for use with the electronic process, and electronic signatures should not have been used. As a result, the company used the aforementioned application forms in a manner other than as approved by the Department. During the examination period, the Company processed 292 term and 838 universal life applications electronically through its Worksite Division.

An electronic application is required to be approved by the Department; however, the Company did not submit an electronic application to the Department for approval. The approval process requires certain assurances from the Company including procedures on record retention, compliance with the Electronic Signatures and Records Act, and assurance that the questions asked in the electronic application are identical to those in the approved paper application.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using an electronic application that had not been filed with and approved by the Department.

The Company is directed to stop accepting electronic applications for term and universal life insurance until its application process is in compliance with the New York Insurance Law.

C. <u>Treatment of Policyholders</u>

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.

Section 86.4(d) of Department Regulation No. 95 states, in part:

> "Location of warning statements and type size. The warning statements required by subdivisions (a) . . . of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size . . . "

A review of 38 paid life claims revealed that in 14 of 38 (37%) cases, the claim forms did not have the required fraud warning statement placed immediately above the space provided for the signature of the person executing the claim. In these instances, the fraud warning statement was placed at the bottom of the preceding page of the claim form. The Company identified 894 life claims that were processed during the examination period using a claim form that did not have the fraud warning placed immediately above the space provided for the signature of the person executing the claim form.

The Company violated Section 86.4(d) of Department Regulation No. 95 by not placing the fraud warning statement immediately above the space provided for the signature of the person executing the claim.

When brought to the Company's attention, the Company subsequently corrected the claim form and provided the examiner with a copy of the revised compliant form.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation and recommendation contained in the prior financial and market conduct reports on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The examiner recommended that the Company resubmit the reinsurance agreement with MedAmerica for approval by the superintendent, and implement a process whereby the filing of future reinsurance agreements will be based on the understanding that Section 1308(f)(1) is intended to include both life and health coverages. In compliance with the examiner's recommendation, the Company filed the aforementioned agreement on May 3, 2012 for the superintendent's review and approval, and, in accordance with the Department's interpretation of Section 1308(f)(1), agreed to file future reinsurance agreements based on the understanding that Section 1308(f)(1) is intended to include both life and health coverages. However, due to non-response from the Company to a Department inquiry, the file was closed by the Department in March 2015. Subsequently, on April 9, 2015, the Company re-submitted the reinsurance agreement with MedAmerica for approval by the superintendent. The Department responded to the filing with questions/comments on both August 20, 2015 and September 2, 2015, but did not receive a response from the Company until March 10, 2016. The Department responded to the Company's latest inquiry on April 21, 2016, and is still waiting for the Company's response. This will appear in the current Report on Examination as a violation of Section 1308(f)(1)(A) of the New York Insurance Law.
B.	The Company violated Section 4228(h) of the New York Insurance Law by failing to have a qualified actuary sign and date the self-support demonstrations of certain policies. The examiners review indicated that the Company developed SOX Control documentation for all new life products to include self-support testing along with pricing assumptions and pricing results. A product development checklist was created to include self-support tests for change of assumptions for existing life products. The Company subsequently filed certifications that met the requirements of the Department.

9. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 51.6(e) of Department Regulation No. 60 by failing to submit revised procedures pertaining to the use of electronic signatures to the Superintendent within thirty days of such change.	22
B	The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the agents terminated for cause by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.	23
C	The Company violated Section 3201(b)(1) of the New York Insurance Law by using an electronic application that had not been filed with and approved by the Department.	24
D	The Company is directed to stop accepting electronic applications for term and universal life insurance until its application process is in compliance with the New York Insurance Law.	24
E	The Company violated Section 86.4(d) of Department Regulation No. 95 by not placing the fraud warning statement immediately above the space provided for the signature of the person executing the claim.	25

Respectfully submitted,

_____________/s/_________________
Waheed M. Zafer, CFE
Risk & Regulatory Consulting, LLC

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

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

_____________/s/____________
Waheed Zafer

Subscribed and sworn to before me

this__________ day of ____________________

Respectfully submitted,

/s/
Christine D. Mavour
Senior Insurance Examiner

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

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

/s/
Christine D. Mavour

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 31379

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ANTHONY J. ALBANESE, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

WAHEED ZAFER
(RISK & REGULATORY CONSULTING, LLC)

as a proper person to examine the affairs of the

COMBINED LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 31st day of August, 2015

ANTHONY J. ALBANESE
Acting Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU

APPOINTMENT NO. 31295

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

CHRISTINE MAVOUR

as a proper person to examine the affairs of the

COMBINED LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as she shall deem requisite.

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

this 16th day of March, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR