NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

COMBINED LIFE INSURANCE COMPANY

OF

NEW YORK

CONDITION: DECEMBER 31, 2010

DATE OF REPORT: MAY 4, 2012

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EXAMINER: DENNIS G. BENSEN, CLU, AIE

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 24, 2012

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

Sir:

In accordance with instructions contained in Appointment No 30691, dated December 2, 2011 and annexed hereto, an examination has been made into the condition and affairs of Combined Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 13 Cornell Road, Latham, New York, 12110.

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, 2011 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2008 through December 31, 2010. 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, 2010 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 2008 through 2010, by the accounting firm of PricewaterhouseCoopers, LLC ("PwC"). The Company received an unqualified opinion in all three 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.

In 2009 the Illinois Department of Insurance ("IDI") conducted a risk focused financial examination of the Company's immediate parent, Combined Insurance Company of America ("CICA"). CICA and the Company share common controls, management, and almost all other aspects of operations. Illinois relied upon the Pennsylvania Department of Insurance ("PDI"), who conducted a 2009 risk focused financial examination of the following Companies: ACE American Insurance Company, ACE Fire Underwriters Insurance Company, ACE Property & Casualty Insurance Company, Bankers Standard Fire & Marine Company, Bankers Standard Insurance Company, Century Indemnity Company, Indemnity Insurance Company of North America, Insurance Company of North America, Pacific Employers Insurance Company, Westchester Fire Insurance Company. Both the IDI and PDI are accredited by the NAIC and the Department relied upon the work of IDI and PDI 2009 risk focused examinations.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 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 and commenced business as a stock life insurance company under the laws of New York on November 3, 1964 under the name of James Monroe Life Insurance Company. 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 per share, which 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, 2010 was $4,060,296.

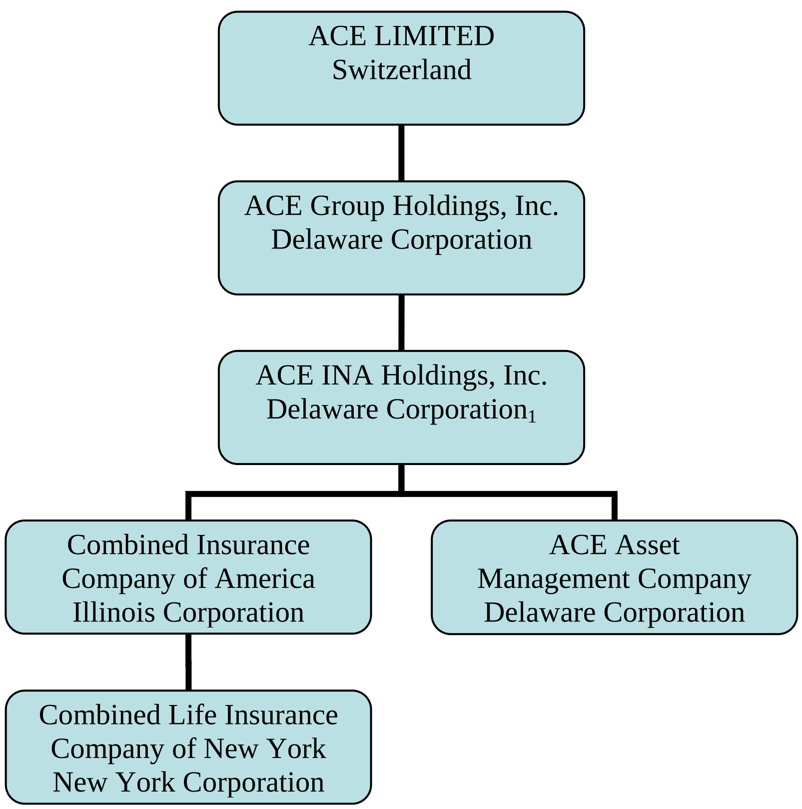
On April 1, 2008, ACE acquired the Company's parent, CICA, from Aon Corporation ("Aon"). ACE is a publicly traded Switzerland stock company whose ordinary shares are listed on the New York Stock Exchange. ACE is a global insurance and reinsurance organization that provides a wide range of insurance and 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 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, 2010 follows:



1 ACE INA is 80% owned by ACE Group and 20% owned by ACE

D. Service Agreements

The Company had six 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 File #40596	01/01/2009	ACE Asset Management	the Company	Oversee the Company's third party investment managers and advise on matters related to its investment portfolio	2010 - $ (156,200) 2009 - $ 0 2008 – n/a**
Service Agreement File #42107 Replaces #34993	01/01/2010	CICA	the Company	Executive services, IT, accounting and financial reporting, actuarial, sales administration, human resources, claims administration, marketing, inventory management, policyholder services, underwriting, facilities management, and legal services	2010 - $ (14,871,265) 2009 – n/a** 2008 – n/a**
Service Agreement File #34993 Replaced by agreement #42107	01/01/2006	CICA	the Company	Executive services, IT, accounting and financial reporting, actuarial, sales administration, HR, licensing, marketing, inventory management, policyholder services, underwriting, facilities management, and compliance services	2010 – n/a 2009 - $(13,041,134) 2008 - $(11,211,011)
Service Agreement File #42106 Replaces #34994	01/01/2010	the Company	CICA	Claims and sales administration	2010 - $ 102,880 2009 – n/a** 2008 – n/a**

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
Service Agreement File #34994 Replaced by agreement #42106	1/1/2006	the Company	CICA	Administrative officer services, personnel and facilities management, claims and training	2010 – n/a 2009 - $ 299,004 2008 - $ 534,502
General Service Agreement File #40895	7/1/09	ACE American Insurance Company	the Company	Treasury, law and government relations, HR, tax, internal audit and IT	2010 - $ 284,862 2009 - $ 0 2008 – n/a**

Amount of Income or (Expense) Incurred by the Company
** Amount not applicable because Service Agreement not yet in effect

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 their by-laws to decrease the required 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, 2010, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2010, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
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 and Health	2008
Leonard A. Dopkins* Boca Raton, FL	President and CEO Dopkins and Company, Certified Public Accountants	1993
David A. Goldberg Northbrook, IL	Senior Vice President, General Counsel, and Secretary Combined Life Insurance Company of NY	2009
Henry M. Gridley* Saratoga Springs, NY	Vice President Key Bank's Trust Department	1985
Michael F. Hurd Clifton Park, NY	Vice President and Chief Administrative Officer Combined Life Insurance Company of NY	1999
Steven E.Lippai Highland Park, IL	Executive Vice President and Chief Actuary Combined Life Insurance Company of NY	1993
Lee M. Smith* Albany, NY	Legislative Bill Drafting Commission NY State Legislature	2008
Douglas R.Wendt Libertyville, IL	President Combined Life Insurance Company of NY	2007

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

On October 24, 2011 David A. Goldberg resigned from the board and, to date, has not been replaced. On January 6, 2012 Douglas R. Wendt retired from the board and was replaced by Bradley M. Bennett on January 23, 2012. On July 7, 2011, Henry M. Gridley passed away and, to date, has not been replaced.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that Edward P. Clancy attended six of the eleven meetings held during the examination period. Other than the aforementioned exception, the meetings were well attended and each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2010:

Name	Title
Douglas R. Wendt	Chairman, CEO and President
David A. Goldberg	Senior Vice President, General Counsel, and Corporate Secretary
Michael F. Hurd	Vice President and Chief Administrative Officer
Mark Hammond	Chief Financial Officer
Steven E. Lippai	Executive Vice President and Chief Actuary
James L. Coleman	Chief Marketing Officer

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

On November 11, 2011 David A. Goldberg resigned as Senior Vice President, General Counsel and Corporate Secretary and was replaced by Carmine Giganti as Vice President on December 9, 2011 and as Corporate Secretary on April 12, 2012. Chad Helin replaced Mr. Goldberg as General Counsel on April 12, 2012.

On January 6, 2012 Douglas R. Wendt retired as President and was replaced by Bradley M. Bennett on January 9, 2012.

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 three states, namely New York, Florida, and Illinois**.** In 2010, 94% of life premiums and 98% of accident and health premiums were received from New York**.** Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2010, the Company had $1,761,095 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 small face amount life policies. The targeted market for the Company's products are 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 listings" based on its existing policyholders and "cold calls" 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 products. The Company's agency operations are conducted on a general agency basis. The Company introduced a new needs based sales distribution model in May 2009, knows as the Enhanced Sales Model ("ESM"). The ESM combined the traditional 7th Essential and Life/Health sales divisions into a single sales distribution channel, focusing on the total coverage needs of an individual. The Worksite sales division remains a separate sales distribution channel.

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

Employer Stop Loss products are marketed to employer groups located in New York State. CSP utilizes licensed brokers to market its University Health and K-12 products and program managers to market its vision care and employer stop loss 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 marketing during the examination period are presented by distribution model.

Individual Accident and Health Products:

Traditional Sales Model – 7th Essential (Prior to May 2009)

Hospital Emergency Recovery & Outpatient Policy ("Super HERO") – Provides accident only indemnity benefits for hospitalization, intensive care, recovery from hospitalization, recovery from outpatient surgery, emergency room visits, and physician treatment visits.

Disability Accident Policy ("DAP") – Pays a flat amount per day for disability income protection due to accident. Policy is guaranteed renewable.

Sickness Income Policy ("SIP") – Pays a flat amount per day for disability income protection due to sickness. Policy is guaranteed renewable.

Sickness Hospital Indemnity Plan ("SHIP") – Pays a flat amount for each day an insured is confined to a hospital due to sickness. Policy is guaranteed renewable.

Personal Income Protector ("PIP") – covers disability as a result of either accident or sickness.

Critical Care – Pays a lump-sum benefit upon diagnosis/treatment of specified illness or conditions.

Cancer Assistance Policy – Pays benefits for hospitalization, surgery, anesthesia, radiation and chemotherapy treatment for cancer related illnesses and includes a preventative care benefit.

Accidental Death and Dismemberment ("AD&D") – Pays a benefit for certain common carrier accidents and any accident referred to in the policy. The policy is guaranteed renewable.

Enhanced Sales Model

- Income Protector – Pays disability benefits when a person is totally disabled due to sickness or injury and can’t work.
- Accident & Sickness Protector – Provides a daily benefit for hospital confinement, intensive case, along with benefits for outpatient surgery, emergency room, and physician’s treatment.
- Enhanced Disability Accident Policy (EDAP) – Provides indemnity accident only benefits for total disability, partial disability and total & permanent disability.
- Cancer Assistance Policy – Pays benefits for hospital confinement, surgery, anesthesia, radiation and chemotherapy treatment for cancer related illnesses and includes preventative care benefit.
- Critical Care – Pays a lump-sum benefit upon diagnosis/treatment of specified illnesses or conditions.
- Accidental Death and Dismemberment (AD&D) – Pays a benefit for certain common carrier accidents and any accident referred to in the policy. The policy is guaranteed renewable.

Group Accident and Health (CSP)

Group Blanket Student Accident & Sickness (“University Health”) – Provides accident and health coverage on a blanket basis and is marketed to colleges and universities to provide coverage to students.

Student Accident Only (“K-12”) – Provides accident only coverage on a blanket basis and is marketed to primary and secondary schools to provide coverage for students during school activities.

Employer Stop Loss – Provides coverage to employers who self fund medical benefits for their employees and insures the employer against high individual medical claims (specific stop loss) and high claims for the entire group (aggregate stop loss).

Group Vision Care Insurance – Provides basic vision care benefits (e.g., for eye examinations, lenses, frames) and is marketed primarily to employer groups for the benefit of their employees.

Life Products

Traditional Sales Model – Life/Health

Whole Life Insurance Policy coverage available from $5,000-$100,000, includes policy loans, Accelerated Death Benefits WOP insured, Spouse and Child Term Rider, ADB, Lump Sum or Life Income.

Flexible Premium Adjustable Life (Universal Life) coverage available from $10,000-$250,000. Spouse and children's coverage is available. Includes Accelerated payment benefit (up to $75,000).

Golden Advantage Life coverage available from $3,000 or $5,000 includes Policy Loans, Lump Sum or Life Income.

Renewable Term Life Endowment coverage includes 25 Year Term with Partial Endowment Payment after 15 years and Premium Increase after 15 years. Coverage available from $5,000-$100,000 and includes Policy Loans, Accelerated Death Benefit WOP, Lump Sum or Limited Term Income.

Level Term Life Policy is renewable up to age 65. Five, ten and twenty year term to age 65 coverage available from $5,000-$100,000 and includes Policy Loans, Accelerated Death Benefit WOP, Lump Sum or Limited Term Income. Conversion privilege to a permanent life plan at the end of the term period.

Life Enhanced Sales Model

Family Life Protector (FLP) coverage available at $10,000, $15,000, $35,000 and $50,000 and includes Policy Loans, Accelerated Death Benefit WOP, Optional Death Benefit Rider (not available over age 59), Optional Children's Level Term Rider, Optional Children's Accidental Death Benefit Rider.

Flexible Premium Adjustable Life (Universal Life) coverage available from $10,000-$250,000. Spouse and children's coverage is available. Includes an Accelerated Payment benefit (up to $75,000).

Golden Advantage Life coverage available at $3,000 or $5,000 and includes Policy Loans, Lump Sum or Life Income.

Level Term Life policy is renewable to age 65. Five, ten, twenty year term or term age 65 coverage available from $5,000-$100,000. Includes Policy Loans, Accelerated Death Benefit WOP, Lump Sum or Limited Term Income. Conversion privilege to a permanent life plan at the end of the term period.

Summarizing, the Enhanced Sales Model markets the Income Protector, Accident & Sickness Protector, Enhanced Disability Accident Policy, Cancer Assistance Policy, Critical Care, Accidental Death and Dismemberment as well as the Family Life Protector, Flexible Premium Adjustable Life (Universal Life), Golden Advantage Life and Level Term Life. The Worksite division markets Universal Life, Term Life, AD&D, Disability Income, Accident-Only, Accident & Sickness Hospitalization and Critical Care Protector through employer payroll deduction. Combined Select Programs markets Group Blanket Student Accident and Health, Student Accident Only, Employer Stop Loss and Group Vision Care.

C. Reinsurance

As of December 31, 2010, the Company had reinsurance treaties in effect with 30 companies, of which 16 were authorized or accredited. The Company's life, and accident and health business is reinsured on a coinsurance 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, 2010, was $50,449,073, which represents 5.3% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $21,915,034, was supported by trust agreements.

There was no life insurance assumed as of December 31, 2010.

Section 1308 (f)(1) of the New York Insurance Law states in part:

> "Unless the superintendent permits:
> (A) No domestic life insurance company shall (i) reinsure its whole risk on any individual life or joint lives, or (ii) reinsure a substantial portion of its life insurance in force…"

In 2009 the Company entered into a reinsurance treaty with MedAmerica Insurance Company of New York ("MedAmerica") under which it ceded all of its long term care risk. Such transaction was effected between the two parties without the Company first having obtained the superintendent's prior approval, as required under Section 1308(f)(1) of the New York Insurance Law. The Company contends that it did not submit the treaty for the superintendent's review and approval based on the Company's interpretation of Section 1308(f)(1) of the New York Insurance Law as not applying to health or morbidity risk such as that covered under long-term care insurance. However, the Department of Financial Services interprets Section 1308(f)(1) of the New York Insurance Law to (i) include both mortality and morbidity risks, and (ii) require the filing of reinsurance agreements ceding health coverage risks.

The examiner recommends 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), agrees to file future reinsurance agreements based on the understanding that Section 1308(f)(1) is intended to include both life and health coverages.

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:

	December31, 2007	December31, 2010	Increase (Decrease)
Admitted assets	$359,854,582	$381,621,753	$21,767,171
Liabilities	299,783,997	320,962,322	21,178,325
Common capital stock	2,000,000	2,000,000	0
Gross paid in and contributed surplus	4,060,296	4,060,296	0
Segregated Surplus – SSAP 10R Deferred Taxes	0	8,084,622	8,084,622
Unassigned funds (surplus)	54,010,289	46,514,512	(7,495,777)
Total capital and surplus	$ 60,070,585	$ 60,659,431	$ 588,846
Total liabilities, capital and surplus	$359,854,582	$381,621,753	$21,767,171

The Company's invested assets as of December 31, 2010, were mainly comprised of bonds (95%).

The majority (95%) of the Company's bond portfolio, as of December 31, 2010, was comprised of investment grade obligations.

The following is the net gain from operations by line of business after federal income taxes but before realized capital gains reported for each of the years under examination in the Company’s filed annual statements:

	2008	2009	2010
Ordinary:			
Life insurance	$ 6,147,213	$ 5,561,424	$ 4,213,475
Total ordinary	$ 6,147,213	$ 5,561,424	$ 4,213,475
Accident and health:			
Group	$ 3,538,569	$ 2,039,165	$ 370,737
Other	18,893,870	14,249,960	14,154,038
Total accident and health	$22,432,439	$16,289,125	$14,524,775
Total	$28,579,654	$21,850,550	$18,738,249

The decline in group accident and health gain between 2009 to 2010 was due to an approximately $1.4 million unfavorable loss experience and a restructuring of the allocation basis for general expenses that caused the group accident and health block of business to incur $0.9 million of additional expenses.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2010, as contained in the Company's 2010 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, 2010 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers, LLC 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.

PricewaterhouseCoopers, LLC 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	$326,449,130
Stocks:	
Common stocks	450,604
Cash, cash equivalents and short term investments	9,266,034
Contract loans	7,751,094
Receivable for securities	10,921
Investment income due and accrued	2,552,596
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	11,124,462
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,011,107
Net deferred tax asset	13,014,499
Electronic data processing equipment and software	4,748
Receivables from parent, subsidiaries and affiliates	3,538,703
Receivables – other	3,447,855
Total admitted assets	$381,621,753

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 92,190,983
Aggregate reserve for accident and health contracts	177,496,532
Contract Claims	
Life	1,163,264
Accident and health	33,544,718
Premiums and annuity considerations for life and accident and health contracts received in advance	983,826
Contract liabilities not included elsewhere:	
Interest maintenance reserve	787,660
Commissions to agents due or accrued	394,653
General expenses due or accrued	4,558,503
Taxes, licenses and fees due or accrued, excluding federal income taxes	110,976
Current federal and foreign income taxes	2,439,070
Unearned investment income	139,569
Amounts withheld or retained by company as agent or trustee	488,891
Remittances and items not allocated	4,557,759
Miscellaneous liabilities:	
Asset valuation reserve	535,234
Reinsurance in unauthorized companies	98,000
Funds held under reinsurance treaties with unauthorized reinsurers	28,072
Payable to parent, subsidiaries and affiliates	833,305
Miscellaneous employee liabilities	324,988
Escheats	257,905
Amount due to reinsurers	28,414
Total liabilities	$320,962,322
Common capital stock	2,000,000
Gross paid in and contributed surplus	4,060,296
Segregated Surplus – SSAP 10R Deferred Taxes	8,084,622
Unassigned funds (surplus)	46,514,512
Surplus	$ 58,659,431
Total capital and surplus	$ 60,659,431
Total liabilities, capital and surplus	$381,621,753

D. Condensed Summary of Operations

	2008	2009	2010
Premiums and considerations	$145,429,279	$138,013,796	$135,201,908
Investment income	17,947,178	17,188,456	15,648,891
Commissions and reserve adjustments on reinsurance ceded	251,097	82,081	(1,923)
Miscellaneous income	57,477	54,144	154,989
Total income	$163,685,031	$155,338,477	$151,003,865
Benefit payments	$ 72,552,755	$ 77,995,027	$ 77,890,085
Increase in reserves	8,147,004	8,481,088	7,133,830
Commissions	12,626,676	9,234,787	8,081,543
General expenses and taxes	29,738,880	26,149,970	29,406,460
Increase in loading on deferred and uncollected premiums	158,237	202,391	(190,452)
Total deductions	$123,223,552	$122,063,263	$122,321,466
Net gain (loss)	$ 40,461,479	$ 33,275,214	$ 28,682,399
Dividends	423	510	626
Federal and foreign income taxes incurred	11,881,401	11,424,154	9,943,524
Net gain (loss) from operations before net realized capital gains	$ 28,579,655	$ 21,850,550	$ 18,738,249
Net realized capital gains (losses)	(2,210,231)	(1,320,041)	(155,864)
Net income	$ 26,369,423	$ 20,530,509	$ 18,582,385

E. Capital and Surplus Account

	2008	2009	2010
Capital and surplus, December 31, prior year	$60,070,585	$59,121,515	$61,635,327
Net income	26,369,423	20,530,509	18,582,385
Change in net deferred income tax	18,604,119	(17,546,388)	(321,120)
Change in non-admitted assets and related items	(22,189,378)	16,285,520	855,876
Change in liability for reinsurance in unauthorized companies	651,764	(98,000)	0
Change in asset valuation reserve	633,411	(10,935)	(268,418)
Dividends to stockholders	(25,000,000)	(20,000,000)	(20,500,000)
Tax Adjustment	0	93,987	0
Prior Year Adjustment	0	(4,211,828)	0
Segregated Surplus - SSAP 10R	0	7,410,325	674,297
Accounting Change - SSAP 43R	0	61,708	0
Miscellaneous Adjustment	(18,409)	(1,085)	1,084
Net change in capital and surplus for the year	(949,070)	2,513,812	(975,897)
Capital and surplus, December 31, current year	$59,121,515	$61,635,327	$60,659,431

The decrease in change in net deferred income taxes between 2008 and 2009 was due to the acquisition of the Combined insurance group by ACE. Tax treatment allowed for a step up in intangibles, which in turn created temporary differences between the revalued tax basis and the former historical book values for the Company. The change in net deferred income taxes included the reduction for the SSAP10R benefit generated of $7,410,325 which should have been reflected as a reduction to the change in non-admitted assets. The amounts were corrected in 2010. The decrease in change in net deferred taxes between 2009 and 2010 is due primarily from decreases to the temporary differences as the intangible assets get amortized over a 15 year period.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation related to several service agreements. The examiner's review indicated that the Company maintained records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation related to several service agreements compliance with Section 91.4(a)(2) of Department Regulation No. 33 during the examination period.
B	The Company violated Section 1505(a) of the New York Insurance Law by failing to maintain documentation that allows the Department to determine whether the terms are fair and equitable and the charges or fees for services performed are reasonable. The examiners review of the documents maintained by the Company were sufficient to allow the examiners to determine that the terms of its service agreements are fair and equitable and that the fees being charged are reasonable.
C	The examiner recommends that costs are allocated as outlined in both filed service agreements with CICA. The Company instituted a series of new service agreements after its purchase by ACE. The examiner reviewed all of the new agreements including the new agreements with CICA and determined that costs are being allocated as outlined in each of these new agreements.

Item	Description
D	The examiner recommends that the Company maintain records supporting the method used to allocate expenses by line of business on-site and in such form as to permit ready identification between the items allocated and basis upon which it was allocated, and maintained in such a manner as to be readily accessible for examination. The consulting actuary's review of the allocation of expenses during the current examination of the Company indicated that the Company's records and methods used to allocate these expenses by lines of business are of sufficient detail and permit easy identification of the items and basis of allocation and were easily accessible to the actuaries.

7. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

Item	Description	Page No(s).
A	The examiner recommends 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.	15

Respectfully submitted,

_____________/s/____________
Dennis G. Bensen
Associate Insurance Examiner, CLU AIE

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

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

_____________/s/____________
Dennis G. Bensen

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30691

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:

DENNIS BENSEN

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 2nd day of December, 2011

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU