



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON FINANCIAL EXAMINATION
OF THE
SHELTERPOINT LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

MARCH 11, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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AS OF

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EXAMINER:

ANTHONY CHIAREL

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

May 24, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31292, dated July 22, 2015 and annexed hereto, an examination has been made into the condition and affairs of ShelterPoint Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 600 Northern Boulevard, Great Neck, NY 11021.

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, 2015 Edition* (the “Handbook”). The examination covers the five-year period from January 1, 2010 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.

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 examination was conducted by New York with participation from the state of Florida, examining ShelterPoint Insurance Company, a Florida domiciled life insurer. Since both companies share common management and systems, and both states are accredited by the NAIC, they both deemed it appropriate to rely on each other’s work.

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 2010 through 2011, by the accounting firm of Ernst & Young. The Company received an unqualified opinion in both years. The Company was audited annually, for the years 2012 through 2014, by the accounting firm of Deloitte & Touche, LLP. The Company received an unqualified opinion for all three years. Certain audit workpapers of Deloitte & Touche were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department which was given the task of assessing the internal control structure. Where applicable, internal audit workpapers and internal audit 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 violations and recommendations contained in the prior report on financial 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 in New York as a stock insurance company under the name of The First Rehabilitation Insurance Company of America on August 12, 1971. The Company was licensed on August 8, 1972 to write accident and health insurance as specified in paragraph 3 of Section 1113(a) of the New York Insurance Law and commenced business on November 1, 1972. In January 1997, the Company amended its charter to include the writing of life insurance and annuities as specified in paragraphs 1 and 2 of Section 1113(a) of the New York Insurance Law. The name of the Company was changed to The First Rehabilitation Life Insurance Company of America effective January 1, 1997. In 2014, the Company's name was changed to ShelterPoint Life Insurance ("SPLIC"). On January 24, 2014, the Company purchased 100% of the issued and outstanding stock of J.M.I.C. Life Insurance Company ("JMIC"), a Florida domiciled life and health insurer, which is licensed in 48 jurisdictions, for \$8.8 million. In 2014, JMIC's name was changed to ShelterPoint Insurance Company ("SPIC").

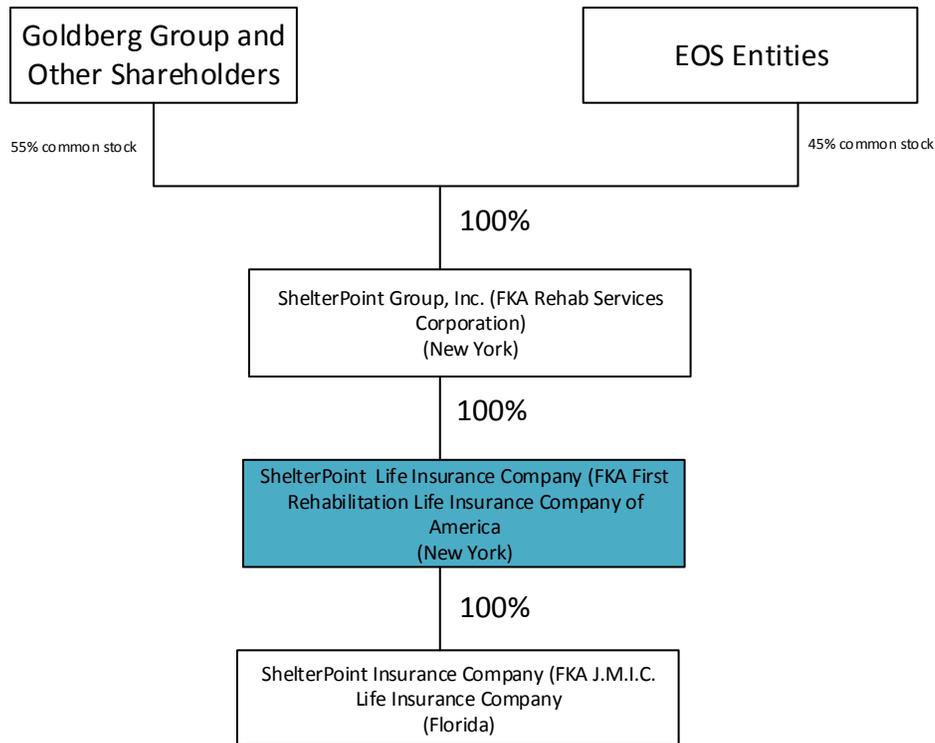
As of December 31, 2014, the Company had 20,000 shares of common stock outstanding and capital and paid in and contributed surplus of \$2,000,000 and \$5,581,565, respectively.

B. Holding Company

The Company is a wholly owned subsidiary of ShelterPoint Group, Inc. ("SPGI"), formally known as Rehab Services Corporation, an insurance holding company domiciled in the State of New York. SPGI is in turn owned by the Goldberg Group and other shareholders (55%) and EOS Entities (45%).

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:



D. Service Agreements

The Company had one service agreement in effect during the examination period. The administrative services-cost allocation agreement with SPIC was effective January 24, 2014, (Department file number 48164); prior to January 1, 2014 no service agreements were in effect. The services provided by the Company to SPIC include: consultation and assistance in operating plans; data management; accounting and tax advice; underwriting; policy and certificate issuance and renewals; premium collections; claims handling services; legal and compliance support services; investment and asset management services; financial reporting; treasury; actuarial; bookkeeping; billing; commission payment and accounts payable services; reinsurance administration; information technology, systems development and maintenance; and disaster preparedness. The income received by the Company under the agreement was \$354,592 in 2014.

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in December of each year. 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:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Gerald Dolman, Esq* Roslyn, NY	President Administrators for the Professionals	1998
Adam Goldberg East Hills, NY	Self-Employed Blogger	2011
Seth Goldberg, MD Roslyn, NY	Chairman of the Board ShelterPoint Life Insurance Company	1972
William Hawfield* Westlake Village, CA	President Hillcrest Associates	2011
Milan Radonich* Stamford, CT	Partner Tiger Risk	2011
DeWitt Smith* Wyckoff, NJ	Senior Vice President, Sales & Retention Affinity Health	2012
Richard White Great Neck, NY	Chief Executive Officer ShelterPoint Life Insurance Company	2009

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

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2014:

<u>Name</u>	<u>Title</u>
Richard White	Chief Executive Officer
Bruce Wallach	Chief Financial Officer
Constantine Lappas	Chief Operating Officer
Sanford Herman	Senior Vice President and Chief Actuary
Robert Slack	Senior Vice President Finance and Treasury, and Corporate Secretary
Marie Beeson	Senior Vice President Information Technology
Lee Hartmann	Controller
David Melman*	Chief Legal Officer
David Epstein	Vice President, Sales

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

Mr. Constantine Lappas, Chief Operating Officer, departed the Company on December 17, 2015, and was succeeded by Mr. James R. Lasko, SVP and Chief Administration Officer, on January 19, 2016. Ms. Marie Beeson, SVP Information Technology, departed the Company on February 12, 2016, and was succeeded by Timothy Stellato as interim head of IT. Mr. Robert Slack is transitioning into retirement and it is anticipated that he will leave the Company within the first half of 2016. Mr. Shailesh Modi, his successor, began his employment at the Company on December 30, 2015. Mr. Joseph O'Connor, Director of Internal Audit, departed the Company on November 20, 2015, and the Company is currently seeking a successor for this position.

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 15 states and the District of Columbia. In 2014, 99.1% of the life premiums and 97.7% of the 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, 2014, the Company had \$ 1,750,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmations obtained from the following states which were reported in Schedule E of the 2014 filed annual statement an additional, \$953,530 was being held by the states of Massachusetts and North Carolina.

B. Direct Operations

The Company's primary product is the New York Statutory Disability Benefit ("DBL"); the Company also offers group term life and group accident and health coverage including: long term disability; an excess major medical policy (XGMM), stop loss, dental and vision plans.

The Company's agency operations are conducted on both a general agency and broker basis. Group accident and health insurance plans are sold by brokers and agents, and group term life insurance is sold exclusively through agents. During 2014, the Company's field force consisted of 4,136 brokers and 150 general agents.

C. Reinsurance

As of December 31, 2014, the Company had reinsurance treaties in effect with three companies, all of which were authorized or accredited.

The Company's life and 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.

Group term life insurance policies are ceded to Swiss Re Life & Health America Inc. on an automatic quota share basis. The maximum retention limit for the Company is 50% of the first \$100,000 per person.

Long term disability policies are ceded to Union Security Life Insurance Company of New York on an automatic quota share basis with the Company retaining 20% of each risk. RGA Reinsurance Company reinsures the Company's group life, and group accidental death and dismemberment catastrophe losses for \$10 million in excess of \$500,000 per occurrence, under the Company's directly written or assumed group flat term life policy, group medical excess policy, group accidental death and dismemberment rider of the DBL policy, and group life and group accidental death and dismemberment policies.

The total face amount of life insurance ceded as of December 31, 2014, was \$12,213,144 which represents 3.2% of the total face amount of life insurance in force.

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, <u>2009</u>	December 31, <u>2014</u>	Increase <u>(Decrease)</u>
Admitted assets	<u>\$93,461,248</u>	<u>\$104,351,445</u>	<u>\$10,890,197</u>
Liabilities	<u>\$51,450,558</u>	<u>\$ 49,470,605</u>	<u>\$ (1,979,953)</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	6,006,228	5,581,565	(424,663)
Special Assigned Surplus	1,000,000	0	(1,000,000)
Deferred Compensation	(498,493)	0	498,493
Unassigned funds (surplus)	<u>33,502,955</u>	<u>47,299,275</u>	<u>13,796,320</u>
Total capital and surplus	<u>\$42,010,690</u>	<u>\$ 54,880,840</u>	<u>\$12,870,150</u>
Total liabilities, capital and surplus	<u>\$93,461,248</u>	<u>\$104,351,445</u>	<u>\$10,890,197</u>

The Company's invested assets as of December 31, 2014, were mainly comprised of bonds (85.8%), stocks (10.2%), and cash and short-term investments (4.0%).

The majority (97.8%) of the Company's bond portfolio, as of December 31, 2014, was comprised of investment grade obligations. The investment in stocks is the result of the acquisition of the Company's subsidiary SPIC on January 24, 2014. Prior to the acquisition of SPIC, the Company did not have investments in common stock.

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

<u>Year</u>	<u>Group Life</u>	
	<u>Issued & Increases</u>	<u>In Force</u>
2010	\$ 2,202	\$ 36,272
2011	\$ 29,315	\$ 60,254
2012	\$267,415	\$295,553
2013	\$132,819	\$373,533
2014	\$ 81,524	\$376,986

The Company began to offer a new group flat term life policy in late 2011 to its DBL policyholders. This was offered at renewal and resulted in increased sales for 2011 and 2012. The amount of sales decreased for 2013 and 2014 as the ultimate cross-sell penetration was achieved.

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

	<u>Group Accident and Health Insurance</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Outstanding, end of previous year	1,002,733	984,292	1,056,876	1,077,116	1,253,311
Issued during the year	92,242	118,073	95,304	267,988	190,038
Other net changes during the year	<u>(110,683)</u>	<u>(45,489)</u>	<u>(75,064)</u>	<u>(91,793)</u>	<u>(76,941)</u>
Outstanding, end of current year	<u>984,292</u>	<u>1,056,876</u>	<u>1,077,116</u>	<u>1,253,311</u>	<u>1,366,408</u>

The increase in the number of issued policies between 2012 and 2013 is due to the addition of a new product, "Hospital Cash" beginning in 2012. This was primarily marketed to existing DBL policyholders at renewal. The decrease in the number of policies issued in 2014 is due to the leveling off of Hospital Cash issuance in the Company's existing market as the ultimate cross-sell penetration rate was achieved. In addition, the Company wrote a significant amount of new DBL business in 2013 and 2014 as a result of a competitor exiting the DBL market.

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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Group life	\$ 26,914	\$ (49,847)	\$ 56,369	\$ 239,996	\$ 664,103
Group accident and health	<u>3,431,384</u>	<u>4,608,036</u>	<u>4,454,071</u>	<u>5,501,017</u>	<u>9,366,140</u>
Total	<u>\$3,458,301</u>	<u>\$4,558,190</u>	<u>\$4,510,440</u>	<u>\$5,741,014</u>	<u>\$10,030,240</u>

The significant increase in the group accident and health line from 2013 to 2014 is primarily the result of the elimination of the Unemployed Handicapped Reserve of \$5.4 million due to a change in the Workers Compensation law in 2014, which previously required a reserve on the Company's books.

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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	58.6%	51.5%	51.7%	53.4%	46.6%
Commissions	14.0%	17.5%	17.1%	17.8%	18.2%
Expenses	<u>26.5%</u>	<u>28.5%</u>	<u>27.4%</u>	<u>24.3%</u>	<u>25.8%</u>
Underwriting results	<u>0.9%</u>	<u>2.6%</u>	<u>3.9%</u>	<u>4.5%</u>	<u>9.5%</u>

The increase in the underwriting results from 2013 to 2014 is primarily due to the elimination of the Unemployed Handicapped Reserve of approximately \$5.4 million.

5. 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 Ernst & Young was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st for the years 2010 and 2011, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended. The firm of Deloitte & Touche was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st for the years 2012 through 2014, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

Both Ernst & Young and Deloitte & Touche concluded, for their respective time frames, that the Company's 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	\$ 77,116,747
Stocks:	
Common stocks	9,137,657
Cash, cash equivalents and short term investments	3,601,315
Investment income due and accrued	714,877
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	10,261,853
Reinsurance:	
Amounts recoverable from reinsurers	14,798
Net deferred tax asset	3,004,746
Electronic data processing equipment and software	461,183
Receivables from parent, subsidiaries and affiliates	38,250
Exchange	18
Intangible domain name	<u>1</u>
 Total admitted assets	 <u>\$104,351,445</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 468,682
Aggregate reserve for accident and health contracts	24,031,458
Contract claims:	
Life	263,932
Accident and health	2,806,685
Premiums and annuity considerations for life and accident and health contracts received in advance	3,897,255
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	76,095
Interest maintenance reserve	780,493
Commissions to agents due or accrued	3,986,287
General expenses due or accrued	4,073,592
Taxes, licenses and fees due or accrued, excluding federal income taxes	14,509
Current federal and foreign income taxes	951,999
Amounts withheld or retained by company as agent or trustee	2,691,375
Dividends to stockholders declared and unpaid	4,800,000
Asset valuation reserve	394,218
Amounts due to third party administrators	158,397
Deferred non-insurance revenue	<u>75,628</u>
 Total liabilities	 \$ <u>49,470,605</u>
 Common capital stock	 \$ 2,000,000
 Gross paid in and contributed surplus	 \$ 5,581,565
Unassigned funds (surplus)	<u>47,299,275</u>
 Surplus	 \$ <u>52,880,840</u>
 Total capital and surplus	 \$ <u>54,880,840</u>
 Total liabilities, capital and surplus	 \$ <u>104,351,445</u>

D. Condensed Summary of Operations

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums and considerations	\$95,193,225	\$69,189,775	\$71,902,533	\$82,356,056	\$86,666,455
Investment income	3,215,160	3,137,422	3,207,820	3,020,951	2,884,242
Miscellaneous income	<u>396,143</u>	<u>704,550</u>	<u>1,181,643</u>	<u>1,156,371</u>	<u>1,551,050</u>
Total income	<u>\$98,804,528</u>	<u>\$73,031,747</u>	<u>\$76,291,996</u>	<u>\$86,533,378</u>	<u>\$91,101,747</u>
Benefit payments	\$54,752,909	\$35,429,498	\$37,014,527	\$41,541,637	\$44,131,511
Increase in reserves	1,248,079	717,164	221,669	2,635,924	(3,934,311)
Commissions	13,242,010	11,951,177	12,232,280	14,461,100	15,641,737
General expenses and taxes	<u>25,098,217</u>	<u>19,399,231</u>	<u>19,652,819</u>	<u>19,828,491</u>	<u>22,172,018</u>
Total deductions	<u>\$94,341,215</u>	<u>\$67,497,070</u>	<u>\$69,121,295</u>	<u>\$78,467,152</u>	<u>\$78,010,955</u>
Net gain	\$ 4,463,313	\$ 5,534,677	\$ 7,170,701	\$ 8,066,226	\$13,090,792
Federal and foreign income taxes incurred	<u>1,005,012</u>	<u>976,487</u>	<u>2,660,261</u>	<u>2,325,212</u>	<u>3,060,552</u>
Net gain (loss) from operations before net realized capital gains	\$ 3,458,301	\$ 4,558,190	\$ 4,510,440	\$ 5,741,014	\$10,030,240
Net realized capital gains (losses)	<u>34,643</u>	<u>(18,850)</u>	<u>32,697</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 3,492,944</u>	<u>\$ 4,539,340</u>	<u>\$ 4,543,135</u>	<u>\$ 5,741,014</u>	<u>\$10,030,240</u>

The significant reduction in premiums and considerations from 2010 to 2011 is due to the Company's decision to exit from the Group Medical Reimbursement Plan (GMRP) product line as a result of changes in the healthcare laws. The product line was producing approximately \$26 million in premiums a year. Premiums increased in 2013 primarily as a result of writing a significant amount of new DBL business following the departure of a competitor from the market.

The decrease in benefit payments from 2010 to 2011 is also primarily due to exiting from the GMRP product line effective January 2011. In addition, when the Company exited the GMRP business, approximately 23% of the Company's workforce was terminated, resulting in a decrease in general expenses. State taxes also declined with the lower premium volume.

The decrease in reserves and the increase in the net gains from 2013 to 2014 are primarily due to the elimination of the Unemployed Handicapped Reserve.

E. Capital and Surplus Account

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital and surplus, December 31, prior year	<u>\$42,010,690</u>	<u>\$42,365,519</u>	<u>\$43,413,596</u>	<u>\$47,342,167</u>	<u>\$48,231,295</u>
Net income	\$ 3,492,944	\$ 4,539,340	\$ 4,543,135	\$ 5,741,014	\$10,030,240
Change in net unrealized capital gains (losses)	25,306	72,900	148,580	7,960	(342,264)
Change in net deferred income tax	(1,726,677)	1,848,107	347,259	(11,734)	(1,881,271)
Change in non-admitted assets and related items	1,638,069	(1,727,310)	1,942,869	173,932	2,458,087
Change in asset valuation reserve	(118,346)	(79,232)	(149,083)	(74,390)	26,847
Surplus adjustments:					
Paid in	239,252	(673,578)	5,016	2,907	1,740
Transferred from capital	0	0	0	0	(500,000)
Dividends to stockholders	(2,000,000)	(2,500,000)	(2,500,000)	(4,500,000)	(4,800,000)
Pension accounting change (SSAP 102)	0	0	0	(1,563,200)	0
Change in pension liability	0	0	0	1,112,636	1,656,164
Deferred compensation	177,462	321,030	0	0	0
Excess pension liability	(1,373,177)	(796,400)	(409,200)	0	0
Correction of prior year accounting	<u>0</u>	<u>43,216</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>\$ 354,833</u>	<u>\$ 1,048,073</u>	<u>\$ 3,928,576</u>	<u>\$ 889,125</u>	<u>\$ 6,649,543</u>
Capital and surplus, December 31, current year	<u>\$42,365,519</u>	<u>\$43,413,596</u>	<u>\$47,342,167</u>	<u>\$48,231,295</u>	<u>\$54,880,840</u>

The decrease in non-admitted asset from 2010 to 2011 was due to a larger non-admitted deferred tax in 2011. The increase in non-admitted assets from 2011 to 2012 was mainly due to the implementation of SSAP 101, which allowed recognition for a three year turnaround for deferred tax assets. The decrease in non-admitted assets from 2012 to 2013 was mainly driven by a change in the accounting treatment of pensions under SSAP 102, which was adopted in 2013. As a result of this adoption, the non-admitted prepaid pension amount which was non-admitted in 2012 is no longer treated as a prepaid expense in 2013 under the new accounting rules. The decrease in non-admitted assets from 2013 to 2014 was mainly due to the elimination of the Unemployed Handicapped Reserve and the reversal of the related deferred tax asset.

The surplus adjustments in 2010 and 2011 related to the final accounting for the equity-based compensation for the previous Chief Executive Officer. The surplus adjustment of (\$500,000) in 2014 was a capital contribution in cash from the Company to SPIC.

The increase in the “change in pension liability” from 2012 to 2013 was due to the termination of the Company’s pension plan in 2013. The change in the pension liability from 2013 to 2014 was related to the final payout of all the pension liability in February 2014, which resulted in a \$0 pension liability in 2014.

PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation and recommendations contained in the prior report on financial examination and the subsequent action taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election in the office of the superintendent at least ten days before the elections of certain directors.</p> <p>The Chief Legal Officer has subsequently filed a copy of the notice of election in the office of the superintendent at least ten days before the elections of directors.</p>
B	<p>The examiner recommended that the Company record and maintain all documentation related to the testing of their disaster recovery and business continuity plans. This recommendation appeared in the prior report on examination.</p> <p>The examiner's review of the documentation related to the testing of the Company's disaster recovery/business continuity plans revealed that the Company maintained the required documentation.</p>
C	<p>The examiner recommended that the Company report suspicious transactions to the superintendent in accordance with Section 405(a) of the New York Insurance Law and maintain an adequately staffed Special Investigations Unit in accordance with Section 409(b) of the New York Insurance Law.</p> <p>The Chief Legal Officer reports all suspicious transactions to the superintendent in accordance with Section 405(a) of New York Insurance Law. In addition, the Company has contracted with G4S Compliance and Investigations to provide dedicated Special Investigations resources in accordance with Section 409(b) of the New York Insurance Law.</p>

Respectfully submitted,

/s/

Anthony Chiarel
Associate Insurance Examiner

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

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

/s/

Anthony Chiarel

Subscribed and sworn to before me

This _____ day of _____

APPOINTMENT NO. 31292

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:

ANTHONY CHIAREL

as a proper person to examine the affairs of the

SHELTERPOINT LIFE INSURANCE COMPANY

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 22nd day of July, 2015

ANTHONY J. ALBANESE
Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU

