



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

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

MARCH 11, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON MARKET CONDUCT EXAMINATION

OF THE

SHELTERPOINT LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT:

MARCH 11, 2016

EXAMINER:

ANTHONY CHIAREL

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	4
	A. History	4
	B. Territory and plan of operation	4
4.	Market conduct activities	5
	A. Advertising and sales activities	5
	B. Underwriting and policy forms	5
	C. Treatment of policyholders	5
5.	Third party administrator	6
6.	Prior report summary and conclusions	7
7.	Summary and conclusions	9



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 24, 2016

Madam:

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

Madam:

In accordance with instructions contained in Appointment No. 31488, dated May 24, 2016 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. EXECUTIVE SUMMARY

The material recommendation and violations contained in this report are summarized below.

The Company violated Section 2108(a)(4) of the New York Insurance Law by compensating Mahindra for acting as an independent adjuster when it did not possess a valid independent adjuster's license. (See item 5 of this report)

2. SCOPE OF EXAMINATION

The examination covers the five-year period from January 1, 2010 through December 31, 2014. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2014, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners' Market Regulation Handbook or such other examination procedures, as deemed appropriate, in such review.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior report on market conduct examination. The results of the examiner's review are contained in item 6 of this report.

This report on examination is confined to 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 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. 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.

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. Territory and Plan of Operation

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.

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, such as long term disability, excess major medical ("XGMM"), stop loss, and 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.

4. 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.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

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

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

5. THIRD PARTY ADMINISTRATOR

Section 2108(a)3) of the New York Insurance Law states, in part:

“No adjuster shall act on behalf of an insurer unless licensed as an independent adjuster . . .”

Section 2108(a)4) of the New York Insurance Law states, in part:

“No insurer, agent or other representative of an insurer shall pay any fees or other compensation to any person, firm, association or corporation for acting as an independent adjuster except to a licensed independent adjuster . . .”

The review of the Company’s Third Party Administrator (“TPA”), Tech Mahindra BPO (“Mahindra”), which processes the Company’s DBL claims, revealed that Mahindra was not licensed as an independent adjuster, and that the Company compensated Mahindra for DBL claims services.

The Company violated Section 2108(a)4) of the New York Insurance Law by compensating Mahindra for acting as an independent adjuster when it did not possess a valid independent adjuster’s license.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in the prior report on market conduct 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 3201(b)(1) of the New York Insurance Law by using policy forms that had not been filed with and approved by the superintendent.</p> <p>The Company is currently using the version of the policy forms that were approved by the Department.</p>
B	<p>The Company violated Section 52.18(e)(2) of Department Regulation No. 62 by issuing a family policy that failed to provide coverage to stepchildren and adopted children dependent upon the insured on the same basis as natural children.</p> <p>The Company is using an updated version of the policy form which was approved by the Department, and which provides coverage to stepchildren and adopted children dependent upon the insured on the same basis as natural children.</p>
C	<p>The Company violated Section 3221(a)(14) of the New York Insurance Law by limiting the amount of time for bringing legal action against the Company to 12 months from the date of determination or 24 months from the date of service and by failing to inform the insured that no action in law or equity shall be brought after the expiration of two years following the time such proof of loss is required by the policy.</p> <p>The Company has updated the group vision policy which now contains the correct language, and which was approved by the Department on November 1, 2013.</p>
D	<p>The examiner recommended that the Company obtain a signature for all completed DBL applications</p> <p>The review revealed that the Company did not obtain a signature for all DBL applications. The Department is not making this recommendation at this time because this practice is currently under review nationally.</p>

<u>Item</u>	<u>Description</u>
E	<p>The examiner recommended that the Company clearly notify the insured of the actual late fee to be charged and when such fee will inure to the policy, preferably by including this information in the policy form or the premium notice.</p> <p>The late fee is now clearly stated on the premium notice.</p>
F	<p>The examiner also recommended that the Company take proactive steps to monitor late fee waivers to ensure that they are in compliance with established policies and do not unfairly favor any insured over another. Such monitoring should include the maintenance and regular review of documentation identifying the name of the insured and number of instances a fee waiver was requested and the reason such waiver was granted or denied.</p> <p>The examiners reviewed a sample of policies that had late fees waived and the documentation supporting the waiver and found the process established by the Company to be adequate.</p>
G	<p>The examiner recommended that the Company implement procedures to maintain data files that reconcile to the number of issued policies reported in its filed annual statement.</p> <p>The examiner reviewed the documentation provided by the Company and determined that the data files adequately reconciled to the annual statement.</p>

7. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section and 2108(a)(4) of the New York Insurance Law by compensating Mahindra for acting as an independent adjuster when it did not possess a valid independent adjuster's license.	6

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. 31488

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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 24th day of May, 2016

MARIA T. VULLO

Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD

DEPUTY CHIEF - LIFE BUREAU

