STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

UNION SECURITY LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2008

DATE OF REPORT: MARCH 19, 2010

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EXAMINER:	VINCENT TARGIA

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

Andrew M. Cuomo
Governor

James J. Wrynn
Superintendent

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

Sir:

In accordance with instructions contained in Appointment No. 30333, dated May 7, 2009 and annexed hereto, an examination has been made into the condition and affairs of Union Security Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 212 Highbridge Street, Suite D, Fayetteville, New York 13066.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2005. This examination covers the period from January 1, 2006 through December 31, 2008. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2008 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2008 to determine whether the Company's 2008 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

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.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on August 17, 1971 under the name Securance Life Insurance Company. The Company was licensed and commenced business on April 5, 1974. Changes in the capital and surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of $2,000,000 and $36,500,000, respectively, as of December 31, 2008. The Company was originally a wholly owned subsidiary of the Crum and Forster Insurance Group. On July 1, 1978, the Company's name was changed to Crum and Forster Insurance Group (New York).

On December 12, 1979, the Charter Company ("Charter"), an industrial and financial services conglomerate, purchased the Company from Crum and Forster Insurance Group. On March 11, 1980, the name of the Company was changed to Charter Security Life Insurance Company (New York).

On January 10, 1985, Metropolitan Life Insurance Company ("Metropolitan Life") purchased the Company from Charter. The name of the Company was changed to Metlife Security Insurance Company of New York on June 14, 1985.

On March 24, 1989, AMEV Holdings Inc, ("AMEVHI"), a Nevada Corporation purchased the Company from Metropolitan Life. Effective June 16, 1989, the name of the Company was changed to Financial Security Life Insurance Company ("FSLIC").

On January 4, 1991, Fortis AMEV, N.V. ("FAMEVNV"), a Dutch corporation, purchased the Company from its subsidiary, AMEVHI. The sale was accomplished through a transfer of FSLIC shares from AMEVHI, its immediate parent, to FAMVNV, its ultimate parent. On January 2, 1992, AMEVHI changes its name to Fortis Inc. ("Fortis"). On January 27, 1992, the name of the Company was changed to First Fortis Life Insurance Company ("FFLIC"). On April 30, 1997, Fortis re-acquired 100% of the Company's common stock.

In 1999, Fortis acquired American Bankers Insurance Group, Inc. ("ABIG"). One of the subsidiaries of ABIG was Bankers American Life Assurance Company ("BALAC"), a life and accident and health insurer licensed in New York. On November 30, 2001, the Company acquired 100% of the issued and outstanding common stock of BALAC from ABIG.

Immediately following the stock purchase, BALAC merged with and into the Company; the Company was the surviving corporation.

On April 1, 2001, Fortis completed the sale of its Fortis Financial Group Division ("Division") to Hartford Life Insurance and Annuity Company ("Hartford").

On February 5, 2004, Fortis N.V. and Fortis SA/NV, together the successor to FAMEVNV, through its subsidiary Fortis Insurance, N.V., sold approximately 65% of its ownership interest in Fortis through an initial public offering, retaining approximately 35% of its ownership. Prior to the initial public offering, on February 4, 2004, Fortis was merged into Assurant, Inc. ("Assurant"), a Delaware corporation. The merger was executed in order to redomesticate Fortis from Nevada to Delaware and to change its name. After the merger, Assurant became the successor to the business, operations and obligations of Fortis.

On January 21, 2005, Fortis N.V. and Fortis SA/NV, through its subsidiary Fortis Insurance N.V., sold 27,200,000 (approximately 17%) if its shares of Assurant in a secondary offering to the public and concurrently sold mandatory exchangeable bonds, due January 26, 2008, which were exchangeable for approximately 22 million of Assurant shares.

On January 28, 2008, Fortis N.V. and Fortis SA/NV distributed shares of Assurant common stock to the holders of the mandatorily exchangeable bonds. Following this transaction, Fortis N.V. and Fortis SA/NV owned 3.5% of Assurant's shares outstanding. On August 7, 2008, Assurant purchased 1,000,000 of its common shares from Fortis N.V. and Fortis SA/NV. Following this transaction Assurant continued to own 100% of the Company.

The Company changed its name from FFLIC to Union Security Life Insurance Company of New York ("USLICONY" or "the Company") on September 5, 2005.

B. Holding Company

The Company is a wholly owned subsidiary of Assurant, a Delaware Corporation

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

The Company had two 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	Expense For Each Year of the Examination
Investment Management Agreement (No. 21249)	3/1/1994 Amended to revise legal entity name on 2/6/2004 and 9/6/2005	Assurant Inc.	The Company	Investment services	2008 $256,000 2007 $243,424 2006 $234,667
Administrative Services Agreement, (No. 27582)	10/1/2000 Amended to revise legal entity name on 2/6/2004 and 9/6/2005	Assurant Inc.	The Company	Distribution/producer management, marketing support/product development and administration, reinsurance and underwriting, policyowner and contractholder services, claims processing and payment, actuarial/financial services, information technology, legal services and government relations, general services, human resources	2008 $6,241,788 2007 $6,470,416 2006 $5,895,177

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

Section 91.4(a) of Department Regulation No. 33 states, in part:

> "... (2) Each life insurer shall maintain records with sufficient detail to show fully:
> (i) the system actually used for allocation of income and expenses;
> (ii) the actual bases of allocation;…
>
> (3) Such records shall be classified and indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated, and shall be maintained in such a manner as to be readily accessible for examination. These records shall bear a date and shall identify the person responsible for the preparation thereof.
>
> (4) Bases of allocation shall be reviewed periodically to ascertain their suitability for continued use…"

The Company has two service agreements in effect with Assurant. The first agreement calls for the Company to receive certain administrative services from Assurant; the second agreement calls for the Company to receive investment services from Assurant.

The examiner requested the monthly billings and all documentation supporting the method used to allocated expenses for the services provided under the administrative services agreement. In response, the Company provided worksheets by individual business segment that outlined the methodology used and the expense allocation percentage used to determine the amount charged under the agreement. However, the Company could not produce the monthly billings from Assurant, the underlying detailed documentation that supported the percentages used in determining the basis of the allocation (i.e. time studies, estimates) or in a number of instances how these percentages were calculated. In a number of instances the Company indicated that some of the allocation percentages have been in place for a number of years.

The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by not maintaining records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation for a number of charges under its various business segments.

The Company violated Section 91.4(a)(3) of Department Regulation No. 33 by not maintaining its records in a manner that permits ready identification with respect to the allocation of expenses.

The examiner recommends that the Company review the bases of allocation periodically to ascertain their suitability for continued use.

The examiner requested the monthly billings and all documentation supporting the method used to allocated expenses for the services provided under the investment agreement. In response, the Company provided worksheets that outlined the monthly charge as calculated in accordance with the terms of the Agreement. The Agreement allows for the fee to be modified from time to time with the written assent of both the Provider and Company, provided the fee may not exceed 25 basis points (.0025) multiplied by the value of the Account. However, the fee changed each year under examination without the written assent of the both the Provider and the Company.

The examiner recommends that the Company adhere to the terms of its filed and approved Investment Management Agreement that requires the written assent of both the Provider and the Company to modify the fees charged under the Agreement.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 13 directors, provided that the number of directors shall be increased to not less than 13 within one year following the end of the calendar year in which the Company exceeds one and one-half billion dollars in admitted assets. Directors are elected for a period of one year at the annual meeting of the stockholders held in April or May of each year. As of December 31, 2008, the board of directors consisted of nine members. Meetings of the board are held annually.

The nine board members and their principal business affiliation, as of December 31, 2008, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Manuel J. Becerra Miami, Fl	President Union Security Life Insurance Company of New York	2007
Allen R. Freedman* Charlotteville, NY	Retired	1989
Dale E. Gardner* Newnan, GA	Retired	1989
Terry J. Kryshak Frisco, CO	Senior Vice President Union Security Life Insurance Company of New York	1991
Henry C Mackin* Etna, NH	Retired	2005
Esther L. Nelson* Fly Creek, NY	CEO and Artistic Director Boston Lyric Opera	1999
Michael J. Peninger Leawood, KS	Chief Executive Officer and Chairman of the Board Union Security Life Insurance Company of New York	2007
Paula M. SeGuin Chittenango, NY	Chief Administrative Officer, Vice President, and Assistant Secretary Union Security Life Insurance Company of New York	2007
Melissa J. T. Hall New York, NY	Assistant Treasurer Union Security Life Insurance Company of New York	2005

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

In May, 2009, Michael J. Peninger retired from the board and was replaced by John S. Roberts.

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

The following is a listing of the principal officers of the Company as of December 31, 2008:

Name	Title
Michael J. Peninger	Chief Executive Officer and Chairman of the Board
Manuel J. Becerra	President
Terry J. Kryshak	Senior Vice President
Tamrha V. Mangelsen	Treasurer
Jessica M. Olich	Secretary
Matthew A. Silverstein	Actuary
Melissa J. T. Hall	Assistant Treasurer
Paula M. SeGuin*	Chief Administrative Officer

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

In May, 2009, John S. Roberts replaced Michael J. Peninger as Chief Executive Officer and Chairman of the Board.

Section 1411(a) of the NYS Insurance Law states:

> (a) No domestic insurer shall make any loan or investment, except as provided in subsection (h) hereof, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting.

A review of the minutes to the meetings of Company's Board of Directors indicated that as part of the minutes the Company provided an agenda and a schedule of exhibits. For the investment activity, the minutes contained an investment activity report that outlined all securities purchased and securities disposed, as well as other material such as portfolio compositions, market trends, etc. However, the minutes appear to lack the necessary approval for all mortgage loans issued during the examination period under review as listed on Schedule B of the 2006 and 2007 annual statements (six (6) new mortgage loans in 2006 and seven (7) new mortgage loans in 2007). The only documentation provided for mortgage loans was limited to a "portfolio composition" report that contains commercial mortgage exposure by segment.

The Company violated Section 1411(a) of the New York Insurance law by making investments in commercial mortgage loans without authorization from its board of directors or a committee thereof responsible for supervising or making such investment or loan.

D. 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 New York only. In 2008, 100% of life premiums, annuity considerations and accident and health premiums were received from New York. Policies are written on a non-participating basis.

The Company major products are group disability, group dental, group life, and credit life and health. The Company has a limited number of ordinary life policies, which were obtained through the conversion of group life contracts. Group disability and dental, group life, and credit life and health premiums represented 81%, 13% and 6% of total premiums, respectively in 2008. Group products are primarily sold to groups with fewer than 500 lives. Credit life and disability business is primarily marketed to financial institutions (mortgage and home equity loan related products and credit card holders).

The Company's agency operations are conducted on a general agency basis for group employee benefit products and the Company acts as a wholesaler to financial institutions for their credit business.

E. Reinsurance

As of December 31, 2008, the Company had reinsurance treaties in effect with 60 companies, of which 24 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2008, was $591,163,961, which represents 17.3% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $41,039,027, was supported by letters of credit, trust agreements and funds withheld.

The Company also ceded accident and health insurance of $21,716,499 as of December 31, 2008 with 31 reinsurers, of which 10 were authorized or accredited.

The maximum retention limit for group disability income is $2,000 per month. Amounts in excess of $2,000 per month are reinsured with an affiliate, Union Security Insurance Company, to a maximum of $10,000 per month. Amounts above $10,000 are reinsured with Munich American Reassurance Corp.

As of December 31, 2008, the Company assumed accident and health insurance in the amount of $25,002,584 from 9 insurers. During the examination period, the Company entered into 2 new assumed accident and health reinsurance agreements, one of which is with Commercial Travelers Mutual which represents approximately 23.3% of assumed accident and health insurance as of December 31, 2008.

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, 2005	December 31, 2008	Increase (Decrease)
Admitted assets	$181,838,635	$171,982,936	$(9,855,699)
Liabilities	$132,812,742	$125,996,484	$(6,816,258)
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	36,500,000	36,500,000	0
Unassigned funds (surplus)	10,525,893	7,486,452	(3,039,441)
Total capital and surplus	$ 49,025,893	$ 45,986,452	$(3,039,441)
Total liabilities, capital and surplus	$181,838,635	$171,982,936	$(9,855,699)

The Company's decrease in unassigned funds (surplus) is primarily driven by dividends paid to stockholders during the examination period.

The Company's invested assets as of December 31, 2008, exclusive of separate accounts, were mainly comprised of bonds (63.1%), mortgage loans (18.7%), cash and short-term investments (11.1%) and stocks (6.9%).

The Company's investment in bonds decreased from 80.1% in 2005 to 63.1% in 2008, while its investment in mortgage loans and cash holdings increased from 9.7% to 18.7%, and 3.7% to 11.1%, respectively, during the same time period.

The increase in commercial mortgage loans was a result of the Company's efforts to increase the portfolio's investment yield and to bring the Company's holdings in line with its targeted 17% benchmark holdings percentage established by Assurant's Risk Management Committee. The increase in cash holdings was primarily a proactive maneuver due to the economic conditions at the end of 2008 in an effort to safeguard the portfolio and operating cash flows.

The majority (92.4%) of the Company's bond portfolio, as of December 31, 2008, was comprised of investment grade obligations.

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

Credit Life

Year	Issued	In Force
2006	$1,777,563	$924,287
2007	$2,313,944	$850,990
2008	$113,610	$727,882

The Company incorrectly reported its credit life – issued amounts for the years 2006 and 2007. The mistake in reporting these amounts was a result of the Company over-counting monthly premium payments for summary processed credit life business. The following table actually reflects the credit life issued and in force by type (in thousands of dollars) for the years under examination:

Credit Life

Year	Issued	In Force
2006	$226,326	$924,287
2007	$240,234	$850,990
2008	$113,610	$727,882

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:

	2006	2007	2008
Ordinary:			
Life insurance	$ 255,053	$ 167,586	$ (190,292)
Individual annuities	51,601	588,530	545,797
Supplementary contracts	4,309	4,083	(3,209)
Total ordinary	$ 310,963	$ 760,199	$ 352,296
Credit life	$ 747,500	$ 127,225	$ 290,750
Group:			
Life	$ 3,092,848	$1,582,811	$ 613,760
Annuities	0	0	1,382
Total group	$ 3,092,848	$1,582,811	$ 615,142
Accident and health:			
Group	$ 8,665,860	$3,576,092	$8,098,199
Credit	731,995	274,607	129,219
Other	102,114	74,998	129,227
Total accident and health	$ 9,499,969	$3,925,697	$8,356,645
Total	$13,651,280	$6,395,932	$9,614,833

The decrease in net gain from operation for ordinary life insurance in 2008 was a mainly a result of increases in reserves and death benefits paid as a result of normal business activity along with a decrease in net investment income primarily due to market conditions.

The increase in net gain from operations for individual annuities in 2007 as compare to 2006 was a result of the Company performing a review of its deferred gain schedules for its annuity block of business (sold to Hartford Life via coinsurance in 2001) in the 4th quarter of 2006 that revealed that the block of business was running off slower than originally projected. New amortization factors were calculated and a "catch-up" adjustment was made in 2006 resulting in a decrease to net investment income in that year.

The decrease in net gain from operations for credit life insurance in 2007 as compared to 2006 is primarily a result of a decrease in premiums due to cancellations and a decrease in reserves for credit business that is in a runoff mode.

The significant decrease in net gain from operations for group accident and health insurance in 2007 is primarily driven by an increase in disability benefits and due to reserve strengthening resulting from the impact of a court case on pre-existing condition exclusions in long term disability contracts. The significant increase in net grain from operations for group accident and health insurance in 2008 is primarily driven by an increase in premiums due to the growth in the Company's disability business along with a decrease in disability benefits.

Allocation of Investment Income

Section 91.5(a)(8)(b) of Department Regulation No. 33 states, in part:

> "A licensed life insurer proposing to adopt an investment year method in the distribution of net investment income, or to revise such a method already in effect, shall on or before November 1 of the first year for which such method or revision is to be used file with the superintendent a full description of its plan, together with its certification that the plan conforms to the foregoing rules. If the company's method includes deviations from the foregoing rules, or contemplates the use of a method other than the investment year method for assets not listed in paragraph (a)(1), such deviations or use require the approval of the superintendent as being equitable and as being necessary for reasons of feasibility before the method can be adopted."

The Company failed to file with the superintendent a full description of its plan, together with its certification that the plan conforms to the rules outlined in Section 91.5 of Department Regulation No. 33.

The Company violated Section 91.5(a)(8)(b) of Department Regulation No. 33 by using a method of allocating net investment income by line of business other than in proportion to mean policy reserves and liabilities, or in proportion to the mean funds of each such major annual statement lines of business without filing with the superintendent a full description of its plan, together with its certification that the plan conforms to the foregoing rules.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2008, as contained in the Company's 2008 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2008 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2008

Admitted Assets

Bonds	$95,935,230
Stocks:	
Preferred stocks	10,552,106
Mortgage loans on real estate:	
First liens	28,499,364
Cash, cash equivalents and short term investments	16,810,899
Contract loans	72,851
Other invested assets	240,674
Investment income due and accrued	1,515,754
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	2,419,449
Deferred premiums, agents' balances and installments booked but deferred and not yet due	80,847
Reinsurance:	
Amounts recoverable from reinsurers	1,749,338
Other amounts receivable under reinsurance contracts	45,645
Amounts receivable relating to uninsured plans	178,368
Current federal and foreign income tax recoverable and interest thereon	65,009
Net deferred tax asset	539,890
Receivables from parent, subsidiaries and affiliates	3,069
Deposit treaty asset	129,878
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	13,144,565
Total admitted assets	$171,982,936

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 15,125,112
Aggregate reserve for accident and health contracts	78,022,946
Contract claims:	
Life	2,659,333
Accident and health	5,464,653
Premiums and annuity considerations for life and accident and health contracts received in advance	172,725
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	3,653,704
Commissions to agents due or accrued	4,320,828
Commissions and expense allowances payable on reinsurance assumed	252,246
General expenses due or accrued	3,139,340
Transfers to Separate Accounts due or accrued	(2,937,040)
Taxes, licenses and fees due or accrued, excluding federal income taxes	519,213
Amounts withheld or retained by company as agent or trustee	75,405
Amounts held for agents' account	74,442
Remittances and items not allocated	488,638
Miscellaneous liabilities:	
Asset valuation reserve	271,297
Reinsurance in unauthorized companies	75,395
Funds held under reinsurance treaties with unauthorized reinsurers	68,342
Payable to parent, subsidiaries and affiliates	405,825
Aggregate write-ins for liabilities:	
Unclaimed funds to be escheated	791,597
Cost of collection in excess of loading	154,548
Deposit treaty liability	35,975
Unearned revenue	17,395
From Separate Accounts statement	13,144,565
Total liabilities	$125,996,484
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	36,500,000
Unassigned funds (surplus)	7,486,452
Surplus	$ 43,986,452
Total capital and surplus	$ 45,986,452
Total liabilities, capital and surplus	$171,982,936

B. CONDENSED SUMMARY OF OPERATIONS

	2006	2007	2008
Premiums and considerations	$60,891,771	$59,906,380	$64,750,040
Investment income	9,194,577	9,046,016	8,702,685
Commissions and reserve adjustments on reinsurance ceded	2,661,805	3,099,386	2,993,621
Miscellaneous income	46,174	68,807	81,006
Total income	$72,794,327	$72,120,589	$76,527,352
Benefit payments	$32,003,444	$38,145,090	$35,727,635
Increase in reserves	32,884	2,486,422	4,454,013
Commissions	8,487,564	8,476,369	8,727,273
General expenses and taxes	11,845,324	12,497,696	12,313,746
Increase in loading on deferred and uncollected premium	(8,160)	64	(6,036)
Net transfers to (from) Separate Accounts	(6,227,317)	(3,851,719)	(3,238,689)
Miscellaneous deductions	6,071,668	5,500,740	4,268,681
Total deductions	$52,205,407	$63,254,662	$62,246,623
Net gain (loss)	$20,594,920	$ 8,865,927	$14,280,728
Federal and foreign income taxes incurred	6,937,639	2,469,995	4,665,897
Net gain (loss) from operations before net realized capital gains	$13,657,281	$ 6,395,932	$ 9,614,832
Net realized capital gains (losses)	820,173	(648,823)	(5,344,501)
Net income	$14,471,454	$ 5,747,109	$ 4,270,330

The significant increase in reserves in 2007 is primarily due to reserve strengthening as a result of the reserve adequacy study and a court case determining that pre-existing conditions could not be excluded on long term disability claims applicable to claims six years back.

The significant increase in net realized capital losses in 2008 is primarily due to "other than temporary impairments" as a result of market conditions.

C. CAPITAL AND SURPLUS ACCOUNT

	2006	2007	2008
Capital and surplus, December 31, prior year	$49,025,893	$52,053,494	$45,034,009
Net income	$14,471,454	$5,747,109	$4,270,330
Change in net unrealized capital gains (losses)	0	0	(38)
Change in net deferred income tax	(936,069)	221,563	1,398,052
Change in non-admitted assets and related items	204,867	(733,343)	(770,606)
Change in liability for reinsurance in unauthorized companies	(421,845)	404,349	(55,715)
Change in reserve valuation basis	0	(150,464)	0
Change in asset valuation reserve	(131,349)	161,784	709,982
Change in surplus as a result of reinsurance	(159,458)	(670,482)	(593,020)
Dividends to stockholders	(10,000,000)	(12,000,000)	(4,303,401)
Aggregate write ins for gains and losses in surplus	0	0	269,859
Net change in capital and surplus for the year	$ 3,027,601	$(7,019,484)	$ 952,442
Capital and surplus, December 31, current year	$52,053,494	$45,034,009	$45,986,452

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

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.

A review of group credit life and disability policies revealed that the Company continued to collect premiums from insureds that attained the maximum age limit as stated in the policy for both its Installment Lending and Credit Card Protection ("PPO") blocks of business.

When brought to the Company's attention, the Company reviewed its approximate 700,000 issued and in force policy files covering the period under examination through October 2010 and identified 1,967 maximum termination age issues requiring premium refunds totaling $79,381. The Company is in the process of reimbursing the premium refunds with interest. The Company also indicated that it has not denied any claim on its credit insurance business for any reason of maximum age where the insurance has continued to pay premiums.

In addition to refunding premium amounts and paying claims, the Company indicated that it is working with its credit insurance clients to review and improve maximum age termination processes in efforts to mitigate future issues in this area.

The Company failed to adhere to its policy provision that requires cancellation once the insured attains the maximum age limit as stated in its filed and approved group credit life and group credit disability policies.

The examiner recommends that the Company develop controls to indentify certificateholders that attain the maximum age and terminate coverage in accordance with policy provisions.

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 examiner recommended that the Company amend their reinsurance agreements at renewal to reflect the current name of the Company. The company amended their reinsurance agreements at renewal to reflect the current name of the Company.
B	The Company violated Sections 2112(a) and 2114(a)(1) of the New York Insurance Law by failing to file a certificate of appointment in order to appoint insurance agents to represent such insurer and paying commissions to such agents. The Company filed the required certificate of appointments for all insurance agents appointed with the Company.
C	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms and rates that were not filed with and approved by the Superintendent and by changing the language on approved policy forms in many instances. The Company used policy forms and rates that were filed and approved by the Department.
D	The Company violated Sections 3201(b)(4)(a) and 4216(b)(3)(M) of the New York Insurance Law and Section 185.3(a) of Department Regulation No. 27-A by using unapproved policy forms in the issuance of its credit business and by incorrectly certifying that the language in certain credit insurance policy forms was in compliance with all applicable provisions of New York statute and regulation. The Company filed all policy forms related to its credit business and cited in the prior report with the Department. In addition, the Company reissued all policies that were cited in the prior report using the newly approved policy forms.
E.	The Company violated Section 3214(c) of the New York Insurance Law by incorrectly using the date the claim was reported instead of the date of death to calculate the amount of settlement interest to be paid on some group death claims and by paying interest at a rate which was lower than the settlement option rate on some credit death claims. The Company correctly used the date of death to calculate the amount of

interest to be paid on group death claims. In addition, the Company used the used the correct settlement option rate of interest when calculating the interest due on credit death claims.

F The examiner recommended that the Company review all group and credit life death claims paid during the period in order to ensure that the correct amount of interest was paid on all claims and that the Company make any additional payments that may be required.

The Company performed a comprehensive review of its group life and credit life claims processed during the 2003 – 2008 timeframe to ensure that the correct amount of interest was paid on all claims and made additional payments as required.

G The Company violated Section 243.2(b)(7) of Department Regulation No. 152 by failing to maintain proper workpapers to support the entire amounts of credit business reported in their exhibit of life insurance and exhibit of accident and health and also by failing to maintain certain financial records, such as premium and reinsurance information for some of its credit business.

The Company contacted its summary processed clients in order to have them switch to reporting on a detailed basis.

H The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by failing to maintain certain records and application files for its credit life and disability in-force policies, including all of the records pertaining to summary processed business, some of the underwriting files that were requested but not received; and the missing applications in some of the files. A similar comment appeared in the previous report on examination.

The Company was able to provide application files and underwriting for its credit life and disability in-force policies, including its summary processed business. However, the Company indicated that approximately 54% of its credit business is still being reported by its clients on a summary processed basis, which means that the Company's client retains certain policy information and provides summary financial information to the Company on a periodic basis. The Company has indicted that it does not foresee being able to change the remaining clients reporting habits. However, the Company has instituted steps to assure that all new credit clients will not be accepted unless they are able to report premiums on a detailed basis. The Company was able to provide estimates of policy level information for its summary processed business that was acceptable.

I The examiner recommended that the Company take better care in the maintenance of their credit business, especially the business they refer to as summary processed business, and perform periodic audits of this business in order to ensure that appropriate records are being maintained.

The Company enhanced its credit insurance client review process and now includes specific samples of the Company's credit business. During 2008, Assurant performed credit insurance client reviews on a number of national clients and New York samples were tested and outlined in the various reviews.

J The examiner recommended that the Company be part of regular operational audits to provide management and the outside committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. To the extent that audits performed by an affiliate on a functional basis are intended to encompass the activities of the Company, it should be clear from the audit workpapers that Company transactions or activities are selected and appropriate documentation is maintained by internal audit.

The Company has indicated that the prior Report was not filed until December 2008 and the Company's internal audit processes (RAS) transition into a risk focused internal audit process that will encompass the Company in a specific manner was not transitioned until late 2009. As a result, the examiner has not been able to verify the Company's alleged transition.

7.. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by not maintaining records with sufficient detail to show fully the system actually used for allocation of expenses and the actual bases of allocation for a number of charges under its various business segments.	6
B	The Company violated Section 91.4(a)(3) of Department Regulation No. 33 by not maintaining its records in a manner that permits ready identification with respect to the allocation of expenses.	6
C	The examiner recommends that the Company review the bases of allocation periodically to ascertain their suitability for continued use.	6
D	The examiner recommends that the Company adhere to the terms of its filed and approved Investment Management Agreement that requires the written assent of both the Provider and the Company to modify the fees charged under the Agreement.	7
E	The Company violated Section 1411(a) of the New York Insurance law by making investments in commercial mortgage loans without authorization from its board of directors or a committee thereof responsible for supervising or making such investment or loan.	10
F	The Company violated Section 91.5(a)(8)(b) of Department Regulation No. 33 by using a method of allocating net investment income by line of business other than in proportion to mean policy reserves and liabilities, or in proportion to the mean funds of each such major annual statement lines of business without filing with the superintendent a full description of its plan, together with its certification that the plan conforms to the foregoing rules.	15
G	The examiner recommends that the Company develop controls to indentify certificateholders that attain the maximum age and terminate coverage in accordance with policy provisions.	21

Respectfully submitted,

_______/s/_________________
Vincent Targia
Associate Insurance Examiner

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

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

_______/s/_________________
Vincent Targia

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30333

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **ERIC R. DINALLO**, Superintendent of Insurance of the State of New York,*

pursuant to the provisions of the Insurance Law, do hereby appoint:

VINCENT TARGIA

as a proper person to examine into the affairs of the

UNION SECURITY LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 7th day of May, 2009

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

ERIC R. DINALLO
Superintendent of Insurance

Superintendent