NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

UNION SECURITY LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2013

DATE OF REPORT: JUNE 11, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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AS OF

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EXAMINER:	JOCATENA HARGROVE

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

June 15, 2017

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

Madam:

In accordance with instructions contained in Appointment No. 31109, dated December 1, 2014, 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 New York State Department of Financial Services.

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

1. EXECUTIVE SUMMARY

The material comment and violation contained in this report are summarized below.

- The Department found that greater conservatism is needed in the assumptions used for asset adequacy analysis of long-term care reserves. As a result, the Company increased the gross reserves for this business as of December 31, 2014, and additional assets were added to the associated reinsurance trust. As the long-term care business is 100% reinsured, this does not impact the net reserves held. (See item 6F of this report)
- The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to place the required fraud warning at the top of the first page of the claim form or on the page containing the instructions. (See item 7C of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2014 Edition* (the "Handbook"). The examination covers the five -year period from January 1, 2009 through December 31, 2013. 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, 2013 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination comprised a verification of assets and liabilities as of December 31, 2013 to determine whether the Company's 2013 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 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated 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 to Hartford Life Insurance and Annuity Company.

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 re-domesticate 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 outstanding shares. 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.

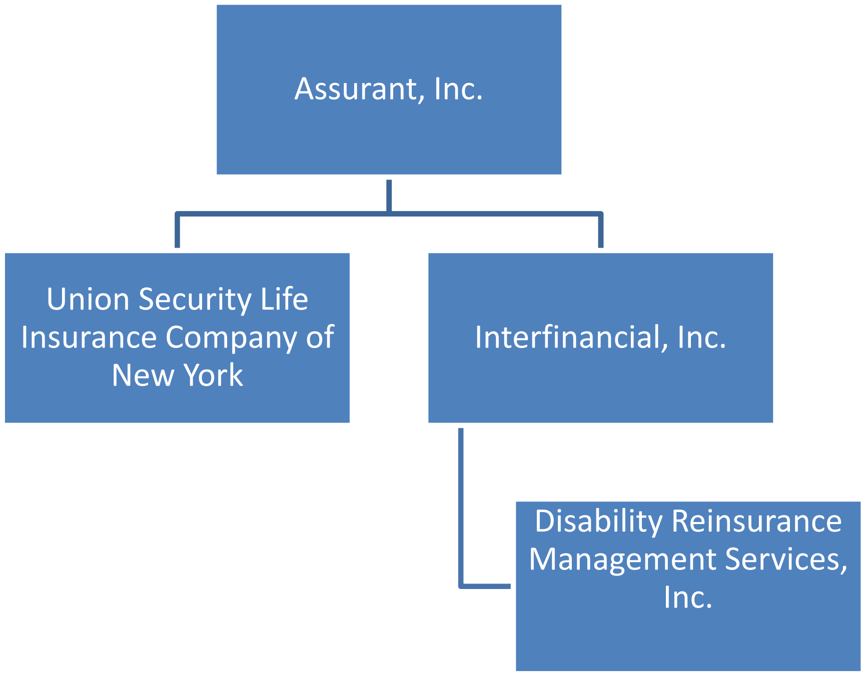
In 2011, the Company received an infusion of $2,127,088 from its parent, Assurant, in the form of a tax deferred asset. This increased paid in and contributed surplus to $38,627,088.

B. Holding Company

The Company is a wholly owned subsidiary of Assurant, a Delaware corporation.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2013 follows:



D. Service Agreements

The Company had three service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Service(s)	Recipient of Service(s)	Specific Service(s) Covered	Expense For Each Year of the Examination
Investment management services File No. 21249	3/1/1994 Amended to revise legal entity name on 2/6/2004 and 9/6/2005	Assurant	The Company	Investment services	2009 $267,000 2010 $202,169 2011 $200,477 2012 $210,371 2013 $223,427
Administrative services agreement File No. 27582	10/1/2000 Amended to revise legal entity names on 2/6/2004 and 9/6/2005	Assurant	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, etc.	2009 $6,359,122 2010 $6,485,538 2011 $7,004,888 2012 $6,792,680 2013 $5,720,717
Risk Management Agreement File No. 44257	1/1/2003 Restated and amended on 10/11/2011	Disability Reinsurance Management Services	The Company	Manage disability and life reinsurance business on behalf of the Company	2009 $1,103,005 2010 $ 918,597 2011 $ 920,663 2012 $ 794,478 2013 $ 731,020

* Amount of Expense Incurred by the Company

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 seven and not more than ten 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 May of each year. As of December 31, 2013, the board of directors consisted of seven members. Meetings of the board are held annually.

The seven board members and their principal business affiliation, as of December 31, 2013, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Larry M. Cains* Monroe, NJ	Retired Senior Vice President Assurant, Inc.	2013
Julie E. Cosio Miami, FL	Vice President Union Security Life Insurance Company of New York	2013
Melissa J. T. Hall New York, NY	Senior Vice President, Tax Assurant, Inc.	2005
Terry J. Kryshak* Frisco, CO	Retired Vice President, Audit Assurant, Inc.	2011
Esther L Nelson* Fly Creek, NY	Chief Executive Officer and Artistic Director Boston Lyric Opera	1999
John S. Roberts Falmouth, ME	Chief Executive Officer and Chairman of the Board Union Security Life Insurance Company of New York	2009
Paula M. SeGuin Chittenango, NY	Chief Administrative Officer, President & Assistant Secretary Union Security Life Insurance Company of New York	2013

* 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, 2013:

Name	Title
John S. Roberts	Chief Executive Officer and Chairman of the Board
Paula M. SeGuin*	President and Assistant Secretary
Julie E. Cosio	Vice President
Stephen W. Gauster	Secretary
Tamrha V. Mangelsen	Treasurer and Chief Financial Officer
Matthew A. Silverstein	Corporate Actuary

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

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in New York only. In 2013, all life premiums, annuity considerations and accident and health premiums were received from New York.

A. Statutory and Special Deposits

As of December 31, 2013, the Company had $915,000 (par value) of United States Treasury Strip 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 major products are group disability, group dental, group vision, group life, and credit life and health. The Company has a limited number of ordinary life policies, which were obtained through conversion of group life contracts.

Group accident and health, group life, and credit life and disability premiums represented 81%, 14% and 5% of total premiums, respectively, in 2013. 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). Policies are written on a non-participating basis.

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.

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with 44 companies, of which 14 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, 2013, was $144,287,994, which represents

11% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $196,460,355 was supported by letters of credit, trust agreements and funds withheld.

The Company also ceded accident and health insurance of $9,828,960 as of December 31, 2013, with 18 reinsurers, of which four were authorized or accredited.

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

As of December 31, 2013, the Company assumed accident and health insurance in the amount of $6,366,362 from 9 insurers.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2008	December 31, 2013	Increase (Decrease)
Admitted assets	$171,982,936	$147,653,040	$(24,329,896)
Liabilities	$125,996,484	$106,753,501	$(19,242,983)
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	36,500,000	38,627,088	2,127,088
Unassigned funds (surplus)	7,486,452	272,451	(7,214,001)
Total capital and surplus	$ 45,986,452	$ 40,899,539	$ (5,086,913)
Total liabilities, capital and surplus	$171,982,936	$147,653,040	$(24,329,896)

The Company's invested assets as of December 31, 2013, exclusive of separate accounts, were mainly comprised of bonds (74.4%) and mortgage loans (19.6%).

The majority (96%) of the Company's bond portfolio, as of December 31, 2013, was comprised of investment grade obligations.

The decrease in admitted assets is primarily due to a decrease in cash, bonds and preferred stock as a result of approximately $35 million in dividends paid by the Company to its parent.

The decrease in liabilities is primarily due to a decrease in aggregate reserves for life, and accident and health contracts, which resulted from the decline in premium in group employer products

The increase in gross paid in and contributed surplus was the result of an infusion of deferred tax assets during 2011, in accordance with SSAP 10R, which caused the increase in gross paid in and contributed surplus of $2,127,088.

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:

	2009	2010	2011	2012	2013
Ordinary:					
Life insurance	$ (318,048)	$ 313,764	$ 188,776	$ (57,424)	$ 52,729
Individual annuities	443,080	(328,418)	320,392	219,452	231,844
Supplementary contracts	3,179	2,118	437	36,386	4,233
Total ordinary	$ 128,211	$ (12,536)	$ 509,605	$ 198,414	$ 288,806
Credit life	$ 61,399	$ 98,535	$(389,069)	$ 92,289	$ (83,666)
Group:					
Life	$ 891,956	$1,445,728	(507,476)	$ 560,426	$ 883,971
Annuities	0	0	0	11	11
Total group	$ 891,956	$1,445,728	$(507,476)	$ 560,437	$ 883,982
Accident and health:					
Group	$7,880,698	$6,153,801	$ 673,859	$4,650,723	$2,988,826
Credit	459,243	225,613	402,314	(3,362)	397,736
Other	(60,933)	(122,532)	(80,785)	(85,099)	(4,891)
Total accident and health	$8,279,008	$6,256,882	$ 995,388	$4,562,262	$3,381,671
Total	$9,360,574	$7,788,609	$ 608,448	$5,413,402	$4,470,793

The net loss reported for ordinary life insurance in 2009 and 2012 was primarily the result of increased death benefits paid related to the Company's life conversion business.

The net loss reported for individual annuities in 2010 was primarily due to the negative commissions on reinsurance ceded and the re-establishment of deferred gains that resulted from refinements to assumptions associated with contract runoff on sold business.

The losses in both the credit life and group life lines reported in 2011 were primarily due to the increase of death benefits attributable to the Department's Section 308 Industry Letter dated July 5, 2011, requesting cross-checks of life insurance policies against the Social Security Administration Death Master File ("SSA-DMF").

The significant fluctuation in the group accident and health line of business in 2011, as compared to 2010, was primarily due to an increase in group disability benefits.

The consistent losses in accident and health other line of business were the result of the Department's 206 assessment expenses – based on direct premiums related to the long term care direct business, which is reinsured at 100%.

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:

	2009	2010	2011	2012	2013
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%
Incurred losses	54.6%	60.2%	89.1%	64.3%	77.1%
Commissions	9.3%	9.8%	7.9%	10.1	8.9
Expenses	22.1%	21.9%	25.7%	27.0	23.7
Underwriting results	14.0%	8.1%	-22.7%	-1.5%	-9.7%

The increase of incurred losses in 2011 was the result of the Company's cross-checks of the accident and health policies against the SSA-DMF, which resulted in an increase in incurred claims.

The increase of the incurred losses percentage in 2013, as compared to 2012, was the result of worse claims experience in the group long term disability line.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Company's 2013 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, 2013 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	$ 96,320,838
Stocks:	
Preferred stocks	5,355,054
Mortgage loans on real estate:	
First liens	25,357,050
Cash, cash equivalents and short term investments	1,784,073
Contract loans	210,360
Other invested assets	500,673
Investment income due and accrued	1,351,933
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,360,671
Deferred premiums, agents' balances and installments booked but deferred and not yet due	66,538
Reinsurance:	
Amounts recoverable from reinsurers	344,260
Other amounts receivable under reinsurance contracts	1,299,652
Amounts receivable relating to uninsured plans	121,256
Net deferred tax asset	1,172,034
Guaranty funds receivable or on deposit	380,844
Health care and other amounts receivable	29
Deposit treaty asset	34,287
From separate accounts, segregated accounts and protected cell accounts	11,993,488
Total admitted assets	$147,653,040

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 11,271,433
Aggregate reserve for accident and health contracts	73,227,234
Contract claims:	
Life	947,154
Accident and health	2,354,202
Premiums and annuity considerations for life and accident and health contracts received in advance	152,908
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	54,673
Other amounts payable on reinsurance	3,378,620
Interest maintenance reserve	560,353
Commissions to agents due or accrued	605,387
Commissions and expense allowances payable on reinsurance assumed	98,648
General expenses due or accrued	1,789,003
Transfers to separate accounts due or accrued	(3,337,129)
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,148,634
Current federal and foreign income taxes	164,519
Amounts withheld or retained by company as agent or trustee	69,482
Amounts held for agents' account	29,074
Remittances and items not allocated	149,762
Miscellaneous liabilities:	
Asset valuation reserve	1,008,931
Reinsurance in unauthorized companies	11,575
Funds held under reinsurance treaties with unauthorized reinsurers	159,183
Payable to parent, subsidiaries and affiliates	580,471
Unclaimed funds to be escheated	305,474
Cost of collection in excess of loading	21,010
Deposit treaty liability	9,410
From Separate Accounts statement	11,993,488
Total liabilities	$106,753,501
Common capital stock	2,000,000
Gross paid in and contributed surplus	38,627,088
Unassigned funds (surplus)	272,451
Surplus	$ 38,899,539
Total capital and surplus	$ 40,899,539
Total liabilities, capital and surplus	$147,653,040

D. Condensed Summary of Operations

	2009	2010	2011	2012	2013
Premiums and considerations	$43,541,006	$37,566,147	$35,185,061	$30,110,118	$27,391,816
Investment income	8,045,327	7,819,616	8,229,643	7,579,654	7,042,599
Commissions and reserve adjustments on reinsurance ceded	2,551,643	1,250,841	1,695,404	1,516,218	1,515,941
Miscellaneous income	592,827	649,815	140,424	158,401	139,082
Total income	$54,730,803	$47,286,419	$45,250,532	$39,364,391	$36,089,438
Benefit payments	$33,925,857	$ 1,108,734	$32,891,738	$29,544,441	$26,323,015
Increase in reserves	(9,230,971)	19,146,068	(1,017,010)	(11,104,575)	(6,411,169)
Commissions	6,024,329	5,433,338	3,675,052	4,590,924	3,736,875
General expenses and taxes	11,106,928	10,041,251	10,070,745	9,028,793	7,345,609
Increase in loading on deferred and uncollected premiums	(1,225)	(4,899)	(2,573)	1,486	12,563
Net transfers to (from) Separate Accounts	(1,938,437)	(1,250,819)	(1,326,848)	(830,787)	(584,185)
Miscellaneous deductions	2,063,309	1,239,892	1,479,502	883,898	573,529
Total deductions	$41,949,790	$35,713,565	$45,770,606	$32,114,180	$30,996,237
Net gain (loss)	$12,781,013	$11,572,854	$ (520,074)	$ 7,250,211	$ 5,093,201
Federal and foreign income taxes incurred	3,420,440	3,784,245	(1,128,522)	1,836,809	622,408
Net gain (loss) from operations before net realized capital gains	$ 9,360,573	$ 7,788,609	$ 608,448	$ 5,413,402	$ 4,470,793
Net realized capital gains (losses)	204,031	51,838	(672,528)	104,976	970,396
Net income	$ 9,564,605	$ 7,840,447	$ (64,080)	$ 5,518,378	$ 5,441,189

The steady decline in premiums from 2009 through 2013 was primarily due to the decrease in group employer accident and health basic dental and long term disability insurance written that resulted from the highly competitive environment in New York.

The significant fluctuation in benefit payments in 2010 as compared to 2009 and 2011, as well as the significant fluctuation in increase in reserves in 2010, was primarily attributed to the group employee benefit long term disability product line. In 2010, the reinsurance of the Company's Employee Benefits Long Term Disability ("LTD") by USIC was commuted. The assumed LTD reserves that USIC held were sent back to the Company, and as a result, they were recorded as an increase in reserves (decrease in ceded reserves) on the Company's books. USIC paid $29.9 million to the Company to take those liabilities, and the payment was recorded as a credit to paid benefits.

E. Capital and Surplus Account

	2009	2010	2011	2012	2013
Capital and surplus, December 31, prior year	$45,986,452	$50,493,499	$45,806,681	$40,706,363	$46,925,693
Net income	$ 9,564,605	$ 7,840,447	$ (64,080)	$ 5,518,378	$ 5,441,189
Change in net unrealized capital gains (losses)	38	0	0	(224)	224
Change in net deferred income tax	(1,077,409)	32,890	343,597	(26,924)	(1,050,090)
Change in non-admitted assets and related items	1,022,489	950,882	(2,689,935)	404,899	874,905
Change in liability for reinsurance in unauthorized companies	9,300	65,520	573	(2,211)	(9,363)
Change in asset valuation reserve	(213,714)	(250,145)	(117,090)	(129,517)	(27,168)
Cumulative effect of changes in accounting principles	40,312	0	0	509,904	0
Surplus adjustments:					
Paid in	0	0	2,127,088	0	0
Change in surplus as a result of reinsurance	(439,929)	333,985	(319,802)	(289,417)	(263,282)
Dividends to stockholders	(4,398,645)	(15,000,000)	(4,380,668)	(608,448)	(10,992,569)
Audit adjustment	0	1,339,602	0	1,352,793	0
Additional admitted deferred tax asset under SSAP 10R	0	651,936	0	0	0
Reclassification of change in non-admitted assets due to adoption of SSAP 101	0	(651,936)	0	(509,904)	0
Net change in capital and surplus for the year	4,507,048	(4,686,818)	(5,100,318)	6,219,329	(6,026,154)
Capital and surplus, December 31, current year	$50,493,499	$45,806,681	$40,706,363	$46,925,693	$40,899,539

F. RESERVES

The Department conducted a review of reserves as of December 31, 2013. During this review, the Department found that greater conservatism is needed in the assumptions used for asset adequacy analysis of long-term care reserves. In response, the Company agreed to strengthen the assumptions used. As a result, the Company increased the gross reserves for this business as of December 31, 2014, and additional assets were added to the associated reinsurance trust. As the long-term care business is 100% reinsured, this does not impact the net reserves held.

7. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

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.

Section 86.4(d) of the Department Regulation No. 95 states:

> "Location of warning statements and type size. The warning statements required by subdivisions (a), (b) and (e) of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size. On claim forms which require execution by a person other than the claimant, or in addition to the claimant, the warning statements required by subdivisions (a), (b) and (e) of this section shall be placed at the top of the first page of the claim form or on the page containing instructions, either in print, by stamp or by attachment and shall be in type size which will produce a warning statement of conspicuous size."

A review of the Company's claim forms utilized for its short term disability and its long term disability products revealed that the forms contain the required fraud warning statement. The review consisted of seven short term disability forms and 15 long term disability forms. The forms used by the Company are multi-state claim forms that required a signature by the employer and the physician in addition to the claimant. The required fraud warning statement for the claim forms is located on the second page in alphabetical order and not at the top of the first page or on the page containing instructions as required by Section 86.4(d).

The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to place the required fraud warning statement at the top of the first page of the claim form or on the page containing the instructions.

8. 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 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 examiner's review indicated that the supporting documentation for the allocation of expenses is now more thoroughly detailed and shows the system used and the bases of allocation.
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.
	The examiner's review indicated that the supporting documentation for the allocation of expenses is now more thoroughly detailed.
C	The examiner recommended that the Company review the bases of allocation periodically to ascertain their suitability for continued use.
	The examiner's review indicated that the Company performed a comprehensive review to identify areas of improvement and implemented enhanced processes and controls for the allocation of expenses.
D	The examiner recommended 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.
	The examiner's review indicated that the Company improved its controls in obtaining appropriate written consent from the provider and the Company when modifying fees charged under the Investment Management Agreement.
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.

Item	Description
	The examiner's review indicated that the Company now obtains proper authorization from its board of directors for all investments in commercial mortgages.
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. The examiner's review indicated that the Company corrected the errors in the formula and is now correctly allocating net investment income by line of business using the mean policy reserves.
G	The examiner recommended that the Company develop controls to identify certificateholders that attain the maximum age and terminate coverage in accordance with policy provisions. The examiner's review indicated that the Company implemented the Production Control Reports to monitor the insured's maximum age, and they have been integrated into the Company's routine business processes and controls to ensure individuals reaching maximum age of coverage are terminated accurately and timely.

9. SUMMARY AND CONCLUSIONS

Following are the comment and violation contained in this report:

Item	Description	Page No(s).
A	The Department found that greater conservatism is needed in the assumptions used for asset adequacy analysis of long-term care reserves. As a result, the Company increased the gross reserves for this business as of December 31, 2014, and additional assets were added to the associated reinsurance trust. As the long-term care business is 100% reinsured, this does not impact the net reserves held.	21
B	The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to place the required fraud warning at the top of the first page of the claim form or on the page containing the instructions.	23

Respectfully submitted,

_____________/s/____________
JoCatena Hargrove
Senior Insurance Examiner

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

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

_____________/s/____________
JoCatena Hargrove

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 31109

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:

JO CATENA HARGROVE

as a proper person to examine 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 said

COMPANY

with such other information as she shall deem requisite.

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

this 1st day of December, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU