NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
FINANCIAL CONDITION REPORT ON EXAMINATION
OF THE
NATIONAL INTEGRITY LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2017

DATE OF REPORT: JUNE 20, 2019
NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

NATIONAL INTEGRITY LIFE INSURANCE COMPANY

AS OF

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EXAMINER: JAMES M. KATTMAN, CFE
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June 6, 2019

The Honorable Linda A. Lacewell  
Acting Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31782, dated May 31, 2018, and annexed hereto, an examination has been made into the condition and affairs of National Integrity Life Insurance Company, hereinafter referred to as “the Company,” at the home office of its parent, Integrity Life Insurance Company (“Integrity”), located at 400 Broadway, Cincinnati, OH 45202. The Company’s statutory home office is located at 14 Main Street, Suite 100, Greenwich, NY 12834.

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 violation contained in this report is summarized below.

The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving various mortgage loan services on a regular and systematic basis from an affiliated Company without notifying the Superintendent in writing of its intention to enter into such transaction at least thirty days prior thereto. (See item 3D of this report.)
2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners’ (“NAIC”) Financial Condition Examiners Handbook, 2018 Edition (the “Handbook”). The examination covers the four-year period from January 1, 2014, to December 31, 2017. 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, 2017, 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 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 coordinated and conducted with the examination of the Company’s parent, Integrity. The examination was led by the State of Ohio with participation from the State of New York. Since the lead and participating state are accredited by the NAIC, both states 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
The Company was audited annually, for the years 2014 through 2017, by the accounting firm of Ernst & Young LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department that, along with a separate internal control department, was given the task of assessing the internal control structure and the compliance with the Model Audit Rule (“MAR”). Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective action taken by the Company with respect to the financial condition violation contained in the prior report on examination. The result of the examiner’s review is contained in item 7 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 the State of New York on November 22, 1968, under the name Merchants Life Insurance Company. The Company was licensed and commenced business on December 30, 1968. Initial resources of $3,000,000, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $2,000,000, were provided through the sales of 100,000 shares of common stock (with a par value of $10 each) for $30 per share. Capital stock was increased to $1,100,000 as a result of the issuance of an additional 10,000 shares of stock in 1972.

   Monumental Life Insurance Company acquired the Company in July 1981 and the Company’s name was changed to Monumental National Life Insurance Company of New York. The Equitable Life Assurance Society of the United States (“Equitable”) purchased the Company from Monumental Life Insurance Company in November 1985. In 1985, capital stock was again increased to $2,000,000 as a result of the issuance of 90,000 additional shares of stock. The Company adopted its present name on January 21, 1986.

   In September 1988, Equitable sold the Company to The National Mutual Life Association of Australasia Ltd. (“Australasia”), an Australian life insurance company. On November 26, 1993, ARM Financial Group, Inc., a Kentucky publicly traded financial services holding company, acquired the Company and Integrity from Australasia; and in March 2000, The Western and Southern Life Insurance Company (“WSLIC”) acquired the Company and Integrity from ARM Financial Group, Inc.

B. **Holding Company**

   The Company is a wholly owned subsidiary of Integrity, an Ohio life insurance company. Integrity is owned by WSLIC, also an Ohio life insurance company, which in turn is a wholly owned subsidiary of Western & Southern Financial Group, Inc. (“WSFG”), a diversified group of financial services companies offering life and health insurance, annuities, mutual funds, and a variety of other investment management products and services. The ultimate parent of the Company is Western & Southern Mutual Holding Company, an Ohio mutual holding company.
C. **Organizational Chart**

An organization chart reflecting the relationship between the Company and the significant entities in its holding company system as of December 31, 2017, follows:
D. Service Agreements

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

<table>
<thead>
<tr>
<th>Type of Agreement and Department File Number</th>
<th>Effective Date</th>
<th>Provider of Services</th>
<th>Recipient of Services</th>
<th>Specific Services Covered</th>
<th>Income/ (Expense)* For Each Year of the Examination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services File No. 34708</td>
<td>01/01/2006 Amended and Restated 01/01/2015</td>
<td>WSLIC</td>
<td>The Company</td>
<td>Administrative, management, professional and information technology services, payroll and office space</td>
<td>2017 $(16,795,646) 2016 $(13,421,350) 2015 $(14,905,008) 2014 $(8,447,969)</td>
</tr>
<tr>
<td>Administrative Services File No. 34709</td>
<td>01/01/2006 Terminated 12/31/14</td>
<td>IFS Financial Services, Inc.</td>
<td>The Company</td>
<td>Marketing and distribution; and administrative and compliance</td>
<td>2014 $(4,003,885)</td>
</tr>
<tr>
<td>Principal Underwriter File No. 34710</td>
<td>05/01/2006</td>
<td>Touchstone Securities, Inc.</td>
<td>The Company</td>
<td>Distribution and underwriting services</td>
<td>2017 $(1,945,802) 2016 $(1,627,836) 2015 $(3,492,143) 2014 $(3,847,204)</td>
</tr>
<tr>
<td>Shareholder Services Agreement File No. 38398</td>
<td>01/01/2008</td>
<td>The Company</td>
<td>Touchstone Advisors, Inc.</td>
<td>Administrative services to shareholders of Touchstone Funds through National Integrity Variable Annuities</td>
<td>2017 $131,055 2016 $140,231 2015 $174,837 2014 $236,024</td>
</tr>
<tr>
<td>Investment Advisory File No. 29281</td>
<td>02/10/2001</td>
<td>Fort Washington Investment Advisors.</td>
<td>The Company</td>
<td>Investment Advisor Services Fees were amended to 4.375% Fees were amended to 4.375%</td>
<td>2017 $(1,845,930) 2016 $(1,882,565) 2015 $(1,917,834) 2014 $(1,952,219)</td>
</tr>
<tr>
<td>Amendment No. 1 File No. 29281G Amendment No. 2 File No. 47397</td>
<td>01/01/2006 04/01/2013</td>
<td>Touchstone Securities, Inc.</td>
<td>The Company</td>
<td>Sales</td>
<td>2017 $(100,443) 2016 $(85,644) 2015 $(182,419) 2014 $(211,351)</td>
</tr>
<tr>
<td>Broker-Dealer Sales Agreement File No. 29517</td>
<td>03/17/2002</td>
<td>Touchstone Securities, Inc.</td>
<td>The Company</td>
<td>Administrative and accounting services related to distribution of variable annuity products</td>
<td>N/A**</td>
</tr>
</tbody>
</table>
The Company participates in a federal income tax allocation agreement with its parent and affiliates.

Section 1505(d) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto . . . or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period: . . .

(3) rendering of services on a regular or systematic basis . . .”

A review of inter-company services agreements revealed that the Company has been receiving various mortgage loan services from an affiliated Company, Eagle Realty Group, LLC. The services provided to the Company included mortgage loan origination, mortgage loan servicing, and other mortgage loan administration. At some point subsequent to its acquisition by WSLIC in March 2000, the Company began receiving these services without notifying the Superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto.
The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving various mortgage loan services on a regular and systematic basis from an affiliated Company without notifying the Superintendent in writing of its intention to enter into such transaction at least thirty days prior thereto.

E. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 12 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. As of December 31, 2017, the board of directors consisted of ten members. Meetings of the board are held annually following the annual stockholders’ meeting. Other regular meetings of the board are set by the board.

The ten board members and their principal business affiliation, as of December 31, 2017, were as follows:

<table>
<thead>
<tr>
<th>Name and Residence</th>
<th>Principal Business Affiliation</th>
<th>Year First Elected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward J. Babbitt</td>
<td>Secretary National Integrity Life Insurance Company</td>
<td>2003</td>
</tr>
<tr>
<td>Cincinnati, Ohio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>John F. Barrett</td>
<td>Chairman of the Board National Integrity Life Insurance Company</td>
<td>2000</td>
</tr>
<tr>
<td>Cincinnati, Ohio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>George R. Bunn Jr.*</td>
<td>Owner George R. Bunn Jr., Attorney at Law</td>
<td>2003</td>
</tr>
<tr>
<td>New York, New York</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daniel J. Downing</td>
<td>Senior Vice President, Independent Agent Channel National Integrity Life Insurance Company</td>
<td>1998</td>
</tr>
<tr>
<td>Cincinnati, Ohio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eric C. Fast*</td>
<td>Retired, Former Chief Executive Officer The Crane Company</td>
<td>2000</td>
</tr>
<tr>
<td>Greenwich, Connecticut</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameron F. MacRae III*</td>
<td>Retired Partner Duane Morris LLP</td>
<td>2000</td>
</tr>
<tr>
<td>New York, New York</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jill T. McGruder</td>
<td>President and Chief Executive Officer National Integrity Life Insurance Company</td>
<td>2006</td>
</tr>
<tr>
<td>Cincinnati, Ohio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newton P.S. Merrill*</td>
<td>Retired, Former Senior Executive Vice President Bank of New York</td>
<td>2000</td>
</tr>
<tr>
<td>New York, New York</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Name and Residence  Principal Business Affiliation  Year First Elected
Jonathan D. Niemeyer Cincinnati, Ohio  Board of Directors  National Integrity Life Insurance Company  2016
Donald J. Wuebbling Cincinnati, Ohio  Board of Directors  National Integrity Life Insurance Company  2000

*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, 2017:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>John F. Barrett</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Jill T. McGruder</td>
<td>President and Chief Executive Officer</td>
</tr>
<tr>
<td>Brendan M. White</td>
<td>Senior Vice President, Co-Chief Investment Officer</td>
</tr>
<tr>
<td>Roger M. Lanham</td>
<td>Senior Vice President, Co-Chief Investment Officer</td>
</tr>
<tr>
<td>Daniel W. Harris</td>
<td>Senior Vice President, Chief Actuary</td>
</tr>
<tr>
<td>Bradley J. Hunkler</td>
<td>Senior Vice President, Chief Financial Officer</td>
</tr>
<tr>
<td>Karen A. Chamberlain</td>
<td>Senior Vice President, Chief Information Officer</td>
</tr>
<tr>
<td>James J. Vance</td>
<td>Senior Vice President, Treasurer</td>
</tr>
<tr>
<td>David T. Henderson</td>
<td>Senior Vice President, Chief Risk Officer</td>
</tr>
<tr>
<td>Kevin L. Howard*</td>
<td>Senior Vice President, General Counsel</td>
</tr>
</tbody>
</table>

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 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 eight states, namely, Connecticut, Florida, Maine, New Hampshire, New York, Ohio, Rhode Island, and Vermont, and the District of Columbia. In 2017, 90.6% of annuity considerations and 97.1% of all life insurance premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2017, the Company had $237,813 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. An additional $1,055,000 (par value) was held by the State of New Hampshire. However, due to a coding error the security was not included on Schedule E of the Company’s 2017 filed annual statement.

B. Direct Operations

The Company’s principal products sold during the examination period were fixed and variable annuities, which included single premium deferred and immediate annuities and flexible premium variable annuity contracts. The Company offers guaranteed rate options with both its fixed and variable annuities. The guaranteed rate option allows a fixed annuity contract holder to lock in a fixed rate for a one to ten-year period. In addition, the Company offers a systematic transfer option on its variable annuity contracts. The systematic transfer option provides the contract holder with a guaranteed interest rate on contributions; however, contributions must be transferred to other investment options in equal monthly or quarterly installments within six months or one year. Policies are written on a non-participating basis.

The Company’s target market for both its fixed and variable annuity products is generally middle to upper income individuals over the age of fifty who want to save for retirement using financial products that provide the benefit of tax-deferred growth.

The Company’s agency operations are conducted on a general agency basis. The Company’s products are marketed through independent broker-dealer firms, stock brokerage firms, independent agents, and financial institutions.
C. Reinsurance

As of December 31, 2017, the Company had reinsurance treaties in effect with six companies, all of which were authorized or accredited. The Company’s life business is reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is $2,000,000. The total face amount of life insurance ceded as of December 31, 2017, was $52,601,729, which represents 14.8% of the total face amount of life insurance in force.
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 change in financial position during the period under review:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2017</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admitted assets</td>
<td>$4,767,082,661</td>
<td>$4,640,507,383</td>
<td>$(126,575,278)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$4,446,107,877</td>
<td>$4,324,578,219</td>
<td>$(121,529,658)</td>
</tr>
<tr>
<td>Common capital stock</td>
<td>$ 2,000,000</td>
<td>$ 2,000,000</td>
<td>$ 0</td>
</tr>
<tr>
<td>Gross paid in and contributed surplus</td>
<td>312,227,768</td>
<td>312,227,768</td>
<td>0</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>6,747,016</td>
<td>1,701,396</td>
<td>(5,045,620)</td>
</tr>
<tr>
<td>Total capital and surplus</td>
<td>$ 320,974,784</td>
<td>$315,929,164</td>
<td>(5,045,620)</td>
</tr>
<tr>
<td>Total liabilities, capital and surplus</td>
<td>$4,767,082,661</td>
<td>$4,640,507,383</td>
<td>$(126,575,278)</td>
</tr>
</tbody>
</table>

The Company’s invested assets as of December 31, 2017, exclusive of separate accounts, mainly comprised bonds (87.6%) and mortgage loans on real estate (5.4%).

The majority (93.5%) of the Company’s bond portfolio, as of December 31, 2017, was composed of investment grade obligations.

The decrease in assets primarily was attributed to the decline in separate account assets, resulting from a decrease in market-value adjusted annuity contracts caused by increased surrenders and increased transfers to the general account’s fixed funds options. This decrease partially was offset by an increase in general account fixed income assets, attributed to increased life insurance policies and deposit-type contracts.

The decrease in liabilities primarily was attributed to a decrease in separate accounts’ market-value adjusted annuity liabilities, partially offset by an increase in general account life insurance reserves due to an increase in life insurance policies and an increase in deposit-type contract liabilities.
The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

<table>
<thead>
<tr>
<th></th>
<th>Ordinary Annuities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Outstanding, end of previous year</td>
<td>57,440</td>
</tr>
<tr>
<td>Issued during the year</td>
<td>2,683</td>
</tr>
<tr>
<td>Other net changes during the year</td>
<td>(4,422)</td>
</tr>
<tr>
<td>Outstanding, end of current year</td>
<td>55,701</td>
</tr>
</tbody>
</table>

The Company attributes the decrease in the number of ordinary annuities issued during the examination period to the continued low interest rate environment.
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:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life insurance</td>
<td>$(256,402)</td>
<td>$(2,273,370)</td>
<td>$(1,308,425)</td>
<td>$(1,785,789)</td>
</tr>
<tr>
<td>Individual annuities</td>
<td>38,719,220</td>
<td>29,773,213</td>
<td>28,054,571</td>
<td>1,808,435</td>
</tr>
<tr>
<td>Supplementary contracts</td>
<td>1,220,281</td>
<td>2,410,217</td>
<td>2,448,867</td>
<td>1,653,563</td>
</tr>
<tr>
<td>Total ordinary</td>
<td>$39,683,099</td>
<td>$29,910,060</td>
<td>$29,195,013</td>
<td>$1,676,209</td>
</tr>
<tr>
<td>Group:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td>0</td>
<td>0</td>
<td>$(453,864)</td>
<td>197,136</td>
</tr>
<tr>
<td>Total group</td>
<td>0</td>
<td>0</td>
<td>$(453,864)</td>
<td>197,136</td>
</tr>
<tr>
<td>All other lines</td>
<td>$6,660,311</td>
<td>$4,978,892</td>
<td>$5,306,996</td>
<td>$(12,189,000)</td>
</tr>
<tr>
<td>Total</td>
<td>$46,343,410</td>
<td>$34,888,952</td>
<td>$34,048,145</td>
<td>$(10,315,655)</td>
</tr>
</tbody>
</table>

The losses from operations in ordinary life insurance during the examination period were due to new business strain from a new single premium universal life product with a return of premium feature. The product was introduced in 2012. The significant increase in net losses in 2015, compared with 2014, primarily was attributed to increased new business, resulting in an increase in losses as previously described.

The significant decrease in individual annuity net gain from operations in 2017, when compared with all other years under examination, primarily was attributed to increased asset adequacy reserves established in 2017 for the Company’s payout products.

The loss from operations in group life insurance in 2016 resulted from issuing bank-owned life insurance in 2016 in the form of privately placed group variable universal life insurance. The Company has issued one contract. The increase in net gain in 2017 compared with 2016 primarily was attributed to decreased commissions and increased product charges in 2017.

The significant loss from operations in all other lines in 2017, when compared with all other years under examination, primarily was attributed to lower investment income from other invested assets, lower capital gains or losses activity of the separate account, and higher federal income taxes.
6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2017, as contained in the Company’s 2017 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, 2017, filed annual statement.

A. Independent Accountants

The firm of Ernst & Young LLP was retained by the Company to audit the Company’s combined statutory basis statements of financial position as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

Ernst & Young LLP 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$2,561,602,094</td>
</tr>
<tr>
<td>Stocks:</td>
<td></td>
</tr>
<tr>
<td>Preferred stocks</td>
<td>8,596,651</td>
</tr>
<tr>
<td>Common stocks</td>
<td>55,732,698</td>
</tr>
<tr>
<td>Mortgage loans on real estate: First Liens</td>
<td>158,885,292</td>
</tr>
<tr>
<td>Cash, cash equivalents and short term investments</td>
<td>8,081,574</td>
</tr>
<tr>
<td>Contract loans</td>
<td>47,509,560</td>
</tr>
<tr>
<td>Other invested assets</td>
<td>83,292,631</td>
</tr>
<tr>
<td>Receivable for securities</td>
<td>1,054,892</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>23,925,563</td>
</tr>
<tr>
<td>Amounts recoverable from reinsurers</td>
<td>18,591</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>3,545,280</td>
</tr>
<tr>
<td>Guaranty funds receivable or on deposit</td>
<td>2,420,159</td>
</tr>
<tr>
<td>Health care and other amounts receivable</td>
<td>511,599</td>
</tr>
<tr>
<td>From separate accounts, segregated accounts and protected cell accounts</td>
<td>$1,685,330,799</td>
</tr>
<tr>
<td>Total admitted assets</td>
<td>$4,640,507,383</td>
</tr>
</tbody>
</table>
C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts       $2,417,610,709
Liability for deposit-type contracts                 179,604,015
Contract claims:
  Life                                               370,834
  Commissions to agents due or accrued               617,820
  General expenses due or accrued                    12,220
  Transfers to separate accounts due or accrued      (12,744,405)
  Taxes, licenses and fees due or accrued, excluding federal income taxes 222,170
  Current federal and foreign income taxes           535,423
  Unearned investment income                         24,720
  Amounts withheld or retained by company as agent or trustee 60,728
  Remittances and items not allocated                3,004,376
Miscellaneous liabilities:
  Asset valuation reserve                             47,797,798
  Payable to parent, subsidiaries and affiliates     1,584,462
  Payable for Securities                             460,164
  Uncashed drafts and checks that are pending escheatment to the state 86,386
From Separate Accounts statement                    1,685,330,799

Total liabilities                                    $4,324,578,219

Common capital stock                                 2,000,000
Gross paid in and contributed surplus                312,227,768
Unassigned funds (surplus)                           1,701,396
Surplus                                             $ 313,929,164
Total capital and surplus                            $ 315,929,164

Total liabilities, capital and surplus               $4,640,507,383
D. Condensed Summary of Operations

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums and considerations</td>
<td>$262,483,453</td>
<td>$270,000,453</td>
<td>$291,270,323</td>
<td>$232,307,948</td>
</tr>
<tr>
<td>Investment income</td>
<td>133,824,867</td>
<td>124,159,461</td>
<td>123,156,999</td>
<td>120,129,584</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>8,223,000</td>
<td>8,121,998</td>
<td>7,908,504</td>
<td>8,300,307</td>
</tr>
<tr>
<td>Total income</td>
<td>$404,531,320</td>
<td>$402,281,912</td>
<td>$422,335,826</td>
<td>$360,737,839</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>$470,543,829</td>
<td>$463,437,758</td>
<td>$442,872,483</td>
<td>$454,112,672</td>
</tr>
<tr>
<td>Increase in reserves</td>
<td>49,779,772</td>
<td>24,672,639</td>
<td>16,131,567</td>
<td>32,517,859</td>
</tr>
<tr>
<td>Commissions</td>
<td>15,202,633</td>
<td>14,839,756</td>
<td>13,920,064</td>
<td>11,684,245</td>
</tr>
<tr>
<td>General expenses and taxes</td>
<td>11,556,097</td>
<td>15,220,013</td>
<td>14,124,308</td>
<td>17,727,621</td>
</tr>
<tr>
<td>Net transfers to (from) Separate Accounts</td>
<td>(209,499,655)</td>
<td>(167,646,797)</td>
<td>(116,480,707)</td>
<td>(162,036,566)</td>
</tr>
<tr>
<td>Miscellaneous deductions</td>
<td>638,054</td>
<td>853,918</td>
<td>549,200</td>
<td>562,474</td>
</tr>
<tr>
<td>Total deductions</td>
<td>$338,220,730</td>
<td>$351,377,287</td>
<td>$371,116,915</td>
<td>$354,568,305</td>
</tr>
<tr>
<td>Net gain (loss)</td>
<td>$66,310,590</td>
<td>$50,904,625</td>
<td>$51,218,911</td>
<td>$6,169,534</td>
</tr>
<tr>
<td>Federal and foreign income taxes incurred</td>
<td>19,967,180</td>
<td>16,015,673</td>
<td>17,170,766</td>
<td>16,485,189</td>
</tr>
<tr>
<td>Net gain (loss) from operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>before net realized capital gains</td>
<td>$46,343,410</td>
<td>$34,888,952</td>
<td>$34,048,145</td>
<td>$(10,315,655)</td>
</tr>
<tr>
<td>Net realized capital gains (losses)</td>
<td>1,993,630</td>
<td>(591,221)</td>
<td>(288,383)</td>
<td>(3,752,543)</td>
</tr>
<tr>
<td>Net income</td>
<td>$48,337,040</td>
<td>$34,297,731</td>
<td>$33,759,762</td>
<td>$(14,068,198)</td>
</tr>
</tbody>
</table>
The fluctuations in increase in reserves during the examination period were generally caused by increased life reserves and new business strain related to sales of the Company’s single premium universal life product. These increases were trending downward during the examination period due to net annuity cash flows, until 2017. In 2017, the increase in reserves was primarily caused by the Company’s reserve strengthening on its payout annuity products.

The decrease in net income in 2017 was caused primarily by increased asset adequacy reserves established in 2017.
### E. Capital and Surplus Account

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and surplus, December 31, prior year</td>
<td>$320,974,788</td>
<td>$377,538,939</td>
<td>$356,641,921</td>
<td>$359,262,095</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 48,337,040</td>
<td>$ 34,297,731</td>
<td>$ 33,759,762</td>
<td>$ (14,068,198)</td>
</tr>
<tr>
<td>Change in net unrealized capital gains (losses)</td>
<td>(2,540,266)</td>
<td>3,664,150</td>
<td>(258,836)</td>
<td>7,515,464</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>(6,766,435)</td>
<td>6,597,059</td>
<td>1,992,341</td>
<td>2,020,370</td>
</tr>
<tr>
<td>Change in non-admitted assets and related items</td>
<td>17,454,692</td>
<td>(10,377,716)</td>
<td>(1,154,945)</td>
<td>(2,547,779)</td>
</tr>
<tr>
<td>Change in reserve valuation basis</td>
<td>0</td>
<td>(15,181,183)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Change in asset valuation reserve</td>
<td>6,579,120</td>
<td>(2,897,059)</td>
<td>2,474,472</td>
<td>(2,445,409)</td>
</tr>
<tr>
<td>Other changes in surplus in Separate Accounts statement</td>
<td>0</td>
<td>0</td>
<td>(192,620)</td>
<td>192,621</td>
</tr>
<tr>
<td>Dividends to stockholders</td>
<td>(6,500,000)</td>
<td>(37,000,000)</td>
<td>(34,000,000)</td>
<td>(34,000,000)</td>
</tr>
<tr>
<td>Net change in capital and surplus for the year</td>
<td>56,564,151</td>
<td>(20,897,018)</td>
<td>2,620,174</td>
<td>(43,332,931)</td>
</tr>
<tr>
<td>Capital and surplus, December 31, current year</td>
<td>$377,538,939</td>
<td>$356,641,921</td>
<td>$359,262,095</td>
<td>$315,929,164</td>
</tr>
</tbody>
</table>
7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report on examination and the subsequent actions taken by the Company in response to the citation:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The Company violated Section 91.5(b) of Department Regulation No. 33 by adopting a method for allocating investment income by line of business which deviated from the investment year method without obtaining approval of the Superintendent. The examiner’s review revealed that the Company filed an asset segmentation plan on January 14, 2015, and provided supporting documentation demonstrating their execution of the approved plan.</td>
</tr>
</tbody>
</table>
8. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Page No(s.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving various mortgage loan services on a regular and systematic basis from an affiliated Company without notifying the Superintendent in writing of its intention to enter into such transaction at least thirty days prior thereto.</td>
<td>9</td>
</tr>
</tbody>
</table>
Respectfully submitted,

[Signature]

James M. Kattman, CFE
Noble Consulting Services, Inc.

STATE OF NEW YORK  )
COUNTY OF NEW YORK  )

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

[Signature]

James M. Kattman

Subscribed and sworn to before me
this 19 day of June 2019
Respectfully submitted,

/s/
Vincent Targia
Principal 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. 31782

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

JAMES M. KATTMAN
(NOBLE CONSULTING SERVICES, INC.)

as a proper person to examine the affairs of the NATIONAL INTEGRITY 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 31st day of May, 2018

MARIA T. VULLO
Superintendent of Financial Services

By: MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU