



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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In the Matter of

WILLIAM PENN LIFE INSURANCE COMPANY OF NEW YORK, No. 2018-0054-S

Respondent.

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CONSENT ORDER

WHEREAS, the Department of Financial Services (the “Department”) conducted a targeted examination (the “Examination”) of the reinsurance operations and related financial reporting of William Penn Life Insurance Company of New York (hereinafter “Respondent”).

WHEREAS, Respondent, over a period of four (4) years from 2014 through 2018, engaged in reinsurance transactions that did not comply with New York Insurance Law in an effort to minimize reserves backing term life insurance policies issued by the Respondent in the state.

WHEREAS, Respondent engaged in reinsurance transactions with affiliated entities under terms that were not economically reasonable for the purpose of reducing the amount of assets held by Respondent.

WHEREAS, the Department concluded that Respondent engaged in unapproved reinsurance transactions.

WHEREAS, Respondent made materially inaccurate statements to the Department in response to requests for information related to the structure and purpose of Respondent's reinsurance program.

WHEREAS, the Department and Respondent are willing to resolve the matters cited herein in lieu of proceeding by notice and hearing

NOW, THEREFORE, this Consent Order contains the Department's findings and the relief agreed to by the Department and Respondent.

BACKGROUND

1. Respondent is a domestic insurance company authorized to transact life, annuities and accident and health insurance business in this State pursuant to Section 1113(a) of the New York Insurance Law.
2. In 2016, the Department became aware that Respondent had implemented amendments to existing reinsurance treaties with an affiliated entity, Legal & General Assurance Society (hereinafter "LGAS"), without those amendments being approved by the Department pursuant to Insurance Law Section 1505(d)(2).
3. Upon review of Respondent's unapproved but implemented reinsurance amendments, the Department found that these amendments did not contain terms that were fair and equitable as required by Insurance Law Section 1505(a)(1). On September 20, 2016, the Department notified Respondent that the amendments were disapproved. The Department further notified Respondent that it would not approve additional amendments to these reinsurance treaties and new business would not be permitted to be added to these reinsurance treaties.
4. As a result of the growing concern with Respondent's reinsurance activities, the Department commenced an investigation, followed by an examination, of Respondent. The Department found that Respondent was using questionable reinsurance treaties which resulted in non-compliance with New York's reserve requirements.

5. Specifically, the Department found that Respondent, without approval from the Department, was utilizing a reinsurance arrangement with a third-party reinsurer that retroceded business to its affiliated entity, LGAS, where the original reinsurance cession was dependent upon such retrocession.
6. The overall structure of the reinsurance arrangement did not meet New York's requirements and ultimately resulted in the insurance risks either being insured by Respondent or being reinsured by LGAS and other entities affiliated with Respondent.
7. The Department discovered that Respondent did not disclose this reinsurance arrangement in the Exhibit of Captive and Offshore Affiliated Reinsurance Transactions to the Annual Statement. Further, Respondents made materially inaccurate statements in response to the Department's requests for information related to the structure and purpose of Respondent's reinsurance arrangement.

FINDINGS

8. Respondent for the time period of 2014 through 2018:
 - a) failed to receive non-disapproval of, and reflected in its Annual Statement, amendments to reinsurance treaties with an affiliated entity;
 - b) amended three reinsurance agreements with an affiliated entity effective December 31, 2014, covering 126,820 policies, under terms that were not fair and equitable;
 - c) amended three reinsurance agreements with an affiliated entity effective December 31, 2015, covering 133,265 policies, under terms that were not fair and equitable;
 - d) failed to receive non-disapproval for, and reflected in its Annual Statement as of December 31, 2016, the recapture of a reinsurance agreement with an affiliated entity, which was executed on December 21, 2016;
 - e) failed to receive non-disapproval of, and reflected in its Annual Statement as of December 31, 2016, a reinsurance transaction covering 126,009 policies which ultimately retroceded business to LGAS, an affiliated entity and whereby the original reinsurance cession was dependent upon such retrocession;

- f) on March 1, 2017, filed with the Department its Annual Statement as of December 31, 2016, which included an Exhibit of Captive and Offshore Affiliated Reinsurance Transactions which inaccurately certified that Respondent was not ceding insurance to LGAS, an affiliated entity; and
 - g) made materially inaccurate statements to the Department related to its retrocession to LGAS, an affiliate of Respondent.
9. Respondent's violations contravened New York Insurance Law.

VIOLATIONS

10. By reason of the foregoing, Respondent violated: New York Insurance Law Sections 307(a), 1505(a) and 1505(d).

AGREEMENT

IT IS HEREBY AGREED AND ORDERED that Respondent, its successors and assigns (on behalf of its agents, representatives, employees, parent company, holding company, and any corporation, subsidiary or division through which Respondent operates) shall comply with the following:

11. Respondent shall:
- i. obtain prior approval by the Department of all Respondent's reinsurance agreements for five (5) years from the execution of this Consent Order;
 - ii. in the event that the Department approves the pending application to reinstate LGAS as a certified reinsurer pursuant to 11 NYCRR 125, Respondent's future reinsurance treaties involving LGAS will not be eligible for reduced collateral; and
 - iii. Respondent will resubmit and amend any existing reinsurance agreements or amendments to any reinsurance agreements if found by the Department to have been implemented in violation of, or are not in accordance with, New York Insurance Law and regulations.

- iv. Respondent will demonstrate to the Department's satisfaction that it has taken the necessary corrective action within three (3) months from the date of Respondent's signing of this Consent Order. Respondent will also take all necessary steps to comply with the New York Insurance Law and Regulations with respect to its reinsurance operations in the future.

MONETARY PENALTY

12. Within seven (7) days of the execution of this Consent Order, Respondent shall pay a civil penalty of Six Million Three Hundred Thousand Four Hundred and Fifty Dollars (\$6,300,450.00). Respondent agrees that it will not claim, assert, or apply for a tax deduction or tax credit with regard to any U.S. federal, state or local tax, directly or indirectly, for any portion of the civil monetary penalty paid pursuant to this Consent Order.
13. The above referenced payment shall be payable to the New York State Department of Financial Services via electronic transfer in accordance with instructions provided by the Department.

BREACH OF THE CONSENT ORDER

14. In the event that the Department believes Respondent to be materially in breach of this Consent Order ("Breach"), the Department will provide written notice of such Breach to Respondent and Respondent must, within ten (10) business days from the date of receipt of said notice, or on a later date if so determined in the sole discretion of the Department, appear before the Department and have an opportunity to rebut the evidence, if any, of the Department that a Breach has occurred and, to the extent pertinent, to demonstrate that any such Breach is not material or has been cured.
15. Respondent understands and agrees that Respondent's failure to appear before the Department to make the required demonstration within the specified period as set forth herein is presumptive evidence of Respondent's Breach. Upon a finding of Breach, the Department has all the remedies available to it under New York or other applicable laws and may use any and all evidence available to the Department for all ensuing

examinations, hearings, notices, orders, and other remedies that may be available under New York or other applicable laws.

OTHER PROVISIONS

16. If Respondent defaults on any of its obligations under this Consent Order, the Department may terminate the Consent Order, at its sole discretion, upon ten (10) days' written notice to Respondent. In the event of such termination, Respondent expressly agrees and acknowledges that this Consent Order shall in no way bar or otherwise preclude the Department from commencing, conducting, or prosecuting any investigation, action, or proceeding, however denominated, related to the Consent Order, against Respondent or from using in any way the statements, documents, or other materials produced or provided by Respondent prior to or after the date of this Consent Order, including, without limitation, such statements, documents, or other materials, if any, provided for purposes of settlement negotiations.
17. The Department has agreed to the terms of this Consent Order based on, among other things, representations made to the Department by Respondent and the Department's own factual examination. To the extent that representations made by Respondent are later found to be materially incomplete or inaccurate, this Consent Order or certain provisions thereof are voidable by the Department in its sole discretion.
18. Upon the request of the Department, Respondent shall provide all documentation and information reasonably necessary for the Department to verify compliance with this Consent Order.
19. All notices, reports, requests, certifications, and other communications to the Department regarding this Consent Order shall be in writing and shall be directed as follows:

If to the Department:

New York State Department of Financial Services
One State Street, 19th Floor

New York, NY 10004-1511

Attention: Scott Fischer, Executive Deputy Superintendent for Insurance

If to the Company:

William Penn Life Insurance Company of New York

70 East Sunrise Highway, Suite 500


Valley Stream, NY 11581

Attention: Bernard Leigh Hickman, President & Chief Executive Officer


20. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.
21. Respondent waives its right to further notice and hearing in this matter as to any allegations of past violations up to and including the Effective Date and agrees that no provision of the Consent Order is subject to review in any court or tribunal outside the Department.
22. This Consent Order may not be amended except by an instrument in writing signed on behalf of all parties to this Consent Order.
23. This Consent Order constitutes the entire agreement between the Department and Respondent relating to the violations identified herein and supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Consent Order. No inducement, promise, understanding, condition, or warranty not set forth in this Consent Order has been relied upon by any party to this Consent Order.
24. In the event that one or more provisions contained in this Consent Order shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Consent Order.
25. Upon execution by the parties to this Consent Order, no further action will be taken by the Department against Respondent for the conduct set forth in this Consent Order, subject to the terms of this Order.

26. This Consent Order may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto and So Ordered by the Superintendent of Financial Services.

WILLIAM PENN LIFE INSURANCE COMPANY OF NEW YORK

By:  Dated: 26th April 2018
Bernard Leigh Hickman
President & Chief Executive Officer

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

By:  Dated: 4/30/18
Scott Fischer
Executive Deputy Superintendent for Insurance

THE FOREGOING CONSENT ORDER IS HEREBY APPROVED.

By:  Dated: 5/3/18
Maria T. Vullo
Superintendent of Financial Services