

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

CONDITION:

DECEMBER 31, 2017

DATE OF REPORT:

MAY 20, 2019

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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AS OF

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EXAMINER:

ROSHANAK FEKRAT, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Laceywell
Superintendent

April 28, 2020

Honorable Linda A. Laceywell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31850, dated December 14, 2018, and annexed hereto, an examination has been made into the condition and affairs of Assurity Life Insurance Company of New York, hereinafter referred to as “the Company,” at its main administrative office located at 2000 Q Street, Lincoln, NE 68503. The Company’s statutory home office is located at 121 State Street, Albany, NY 12207.

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 1411(a) of the New York law by failing to present investment transactions to the board of directors for its approval.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope single-state examination as defined in the National Association of Insurance Commissioners' *Financial Condition Examiners Handbook 2018 Edition* (the "Handbook"). The examination covers the two-year period from January 21, 2016 through 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 were also reviewed.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("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.

New York is the participating state in the examination, and the State of Nebraska is the lead state. Since the lead and participating states are both 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
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2016 and 2017, by the accounting firm of KPMG. The Company received an unqualified opinion in both years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company relies on the internal audit department of its parent.

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

Assurity Life Insurance Company of New York is a stock life insurance company and was incorporated under the laws of the State of New York on March 30, 2015, was licensed on January 21, 2016 and commenced business on April 4, 2016.

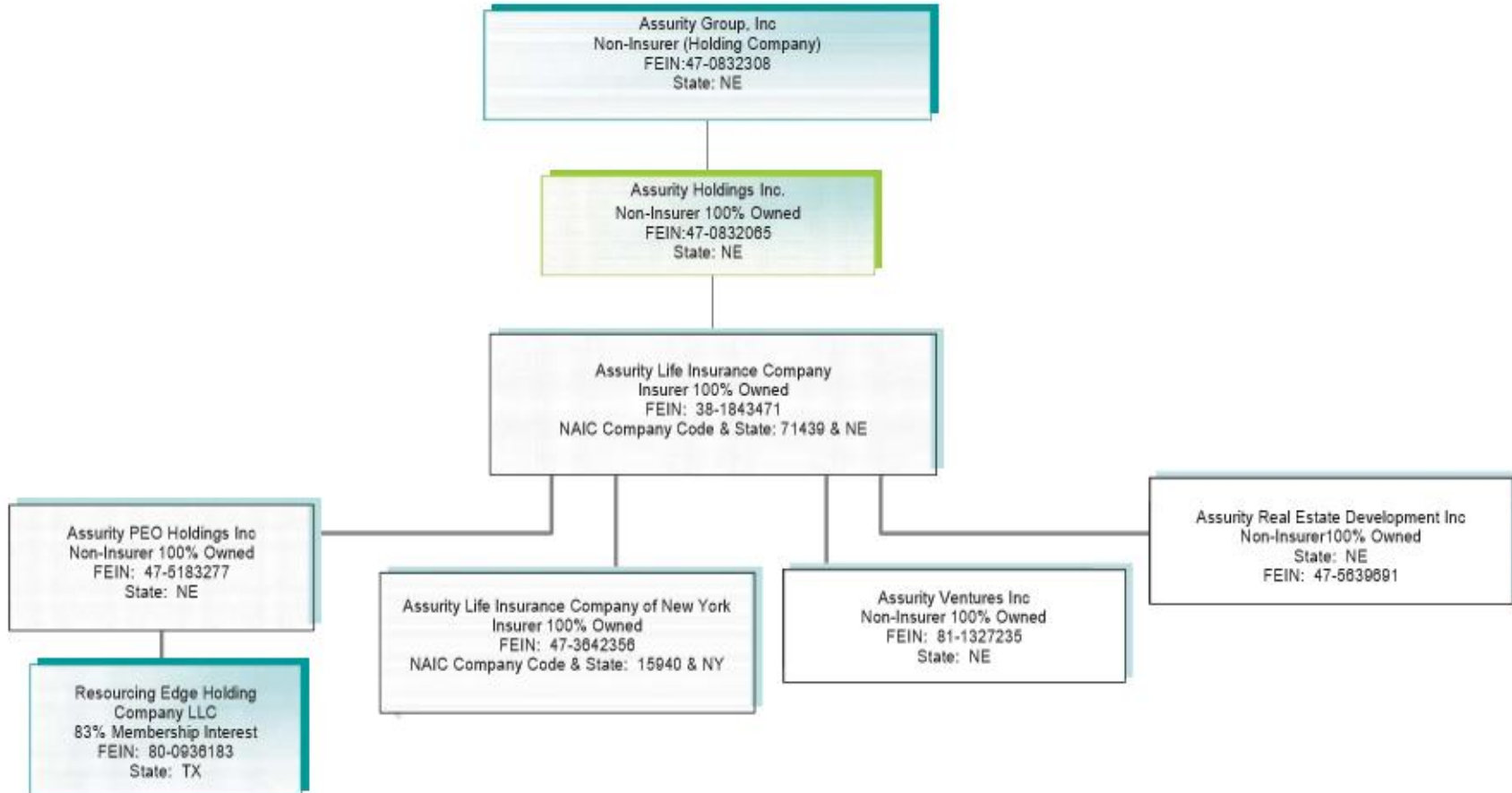
Initial resources of \$7,596,882, consisting of \$2,500,000 of common capital stock and paid in and contributed surplus of \$5,096,882 were provided through the sale of 50,000 common capital stock of \$50 per share during 2015.

B. Holding Company

The Company is a wholly owned subsidiary of Assurity Life Insurance Company (“ALIC”), a life insurance company domiciled in Nebraska. ALIC in turn is a wholly owned subsidiary of Assurity Holdings, Inc., a holding company domiciled in Nebraska. Assurity Holdings, Inc., is ultimately owned by Assurity Group, Inc. (“AGI”), a Nebraska domiciled holding company.

C. Organizational Chart

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



D. Service Agreements

The Company had 3 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	Income/ (Expense)* For Each Year of the Examination
Administrative Service Agreement File No. 50139	12/11/2015	ALIC	The Company	Accounting, Actuarial, Underwriting, Claims Management, Marketing, Legal, and Information Technology	2017-(\$67,879) 2016-(\$25,353)
Investment Service Agreement File No. 50139	12/11/2015	ALIC	The Company	Investments, Management	2017-(\$19,561) 2016-(\$18,985)
Tax Allocation Agreement 50139	12/11/2015	AGI	The Company	Filing of Consolidated Tax Return	2017-\$0 2016-\$0

* Amount of Income or (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 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 May of each year. As of December 31, 2017, the board of directors consisted of seven members. Meetings of the board are held annually unless a special meeting is called.

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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Fredric L. Bodner* Latham, NY	Attorney, Hinman Straub, PC	2015
William R. Cintani* Lincoln, Nebraska	President and CEO, Mapes Industries	2015
Marvin P. Ehly Lincoln, Nebraska	Vice President and Chief Financial Officer Assurity Life Insurance Company	2015
Thomas E. Henning Lincoln, Nebraska	President and CEO of the Company	2015
Mark E. LeBaron* Lincoln, Nebraska	Chairman and CEO, Lincoln Industries	2015
Susan L. Keiser-Munro Lincoln, Nebraska	Senior Vice President and Chief of Operations Assurity Life Insurance Company	2015
Paul Michael Schudel* Lincoln, Nebraska	Partner, Woods Aitken LLP	2015

*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:

<u>Name</u>	<u>Title</u>
Thomas E. Henning	President, CEO
Marvin P. Ehly	Treasurer
John A. Sharp*	Secretary

*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, and accident and health insurance as defined in paragraphs 1 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business only in New York. In 2017, all life premiums and accident and health 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 \$400,000 (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.

B. Direct Operations

Operations of the Company during the 2017 were focused on the development of products and the development of processes to administer those products.

All business is written through independent producers except for Group Credit Life, which is issued directly to tuition management providers.

The Company currently writes Credit Life insurance with coverage periods of one year or less, a guaranteed renewable disability income plan, and an individual accidental death benefit plan.

The Company's agency operations are conducted on an independent agency basis.

C. Reinsurance

As of December 31, 2017, the Company had reinsurance treaties in effect with General Re Life Corporation and Munich American Reassurance Company, both of which were authorized or accredited. The Company's accident and health business is reinsured 100% on a yearly renewable term basis. Reinsurance is provided on an automatic basis, facultative reinsurance is considered on a case by case basis.

The Company did not assume life insurance as of December 31, 2017.

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:

	January 20, <u>2016</u>	December 31, <u>2017</u>	Increase (Decrease)
Admitted assets	<u>\$7,610,783</u>	<u>\$7,660,033</u>	<u>\$ 49,250</u>
Liabilities	\$ <u>0</u>	\$ <u>69,000</u>	<u>\$ 69,000</u>
Common capital stock	\$2,500,000	\$2,500,000	\$ 0
Unassigned funds (surplus)	<u>5,110,783</u>	<u>5,091,033</u>	<u>(19,750)</u>
Total capital and surplus	<u>\$7,610,783</u>	<u>\$7,591,033</u>	<u>\$(19,750)</u>
Total liabilities, capital and surplus	<u>\$7,610,783</u>	<u>\$7,660,033</u>	<u>\$ 49,250</u>

The Company's invested assets as of December 31, 2017, were mainly comprised of bonds (97.8%), and cash and cash equivalents (2.2%).

The Company's entire bond portfolio, as of December 31, 2017, was comprised of investment grade obligations.

Section 1411(a) of the New York Law states, in part:

“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. . . .”

The examiner's review of the minutes of board of director meetings revealed that the Company did not present investment transactions to the board for its approval.

The Company violated Section 1411(a) of the New York law by failing to present investment transactions to the board of directors for its approval.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

Ordinary

	<u>2016</u>	<u>2017</u>
Outstanding, end of previous year	0	0
Issued during the year	0	47
Other net changes during the year	<u>0</u>	<u>0</u>
Outstanding, end of current year	<u>0</u>	<u>47</u>

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:

	<u>2016</u>	<u>2017</u>
Ordinary:		
Life insurance	\$(<u>51,211</u>)	\$ <u> 0</u>
Credit life	\$ <u>80,028</u>	\$(<u>46,664</u>)
Accident and health:		
Other	\$(<u>31,045</u>)	\$ <u>43,482</u>
Total	\$ <u>(2,228)</u>	\$ <u>(3,182)</u>

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:

	<u>2016</u>	<u>2017</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	0.0%	0.0%
Commissions	0.0	150.8
Expenses	<u>0.0</u>	<u>869.9</u>
	<u>0.0%</u>	<u>1,020.7%</u>
Underwriting results	<u>100.0%</u>	<u>(920.7)%</u>

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, 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 KPMG 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.

KPMG 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	\$7,435,039
Cash, cash equivalents and short-term investments	168,438
Investment income due and accrued	56,335
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(897)
Reinsurance:	
Other amounts receivable under reinsurance contracts	<u>1,117</u>
 Total admitted assets	 <u>\$7,660,032</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 35,421
Aggregate reserve for accident and health contracts	7,825
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	559
General expenses due or accrued	5,144
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,196
Remittances and items not allocated	302
Miscellaneous liabilities:	
Asset valuation reserve	7,967
Payable to parent, subsidiaries and affiliates	8,927
Payable for capitalized items	<u>1,660</u>
 Total liabilities	 \$ <u>69,000</u>
 Common capital stock	 \$2,500,000
Unassigned funds (surplus)	<u>5,091,033</u>
 Surplus	 <u>\$5,091,033</u>
 Total capital and surplus	 <u>\$7,591,033</u>
 Total liabilities, capital and surplus	 <u>\$7,591,033</u>

D. Condensed Summary of Operations

	<u>2016</u>	<u>2017</u>
Premiums and considerations	\$ 10,162	\$137,580
Investment income	206,727	214,671
Commissions and reserve adjustments on reinsurance ceded	<u>0</u>	<u>3,668</u>
Total income	<u>\$216,889</u>	<u>\$355,919</u>
Benefit payments	\$ 0	\$ 48,145
Increase in reserves	1,563	41,683
Commissions	3,447	57,300
General expenses and taxes	<u>214,107</u>	<u>211,974</u>
Total deductions	<u>\$219,117</u>	<u>\$359,102</u>
Net gain (loss) from operations	<u>\$ (2,228)</u>	<u>\$ (3,183)</u>
Net gain (loss) from operations before net realized capital gains	<u>\$ (2,228)</u>	<u>\$ (3,183)</u>
Net income	<u>\$ (2,228)</u>	<u>\$ (3,183)</u>

E. Capital and Surplus Account

	<u>2016</u>	<u>2017</u>
Capital and surplus, December 31, prior year*	\$ <u>7,610,783</u>	\$ <u>7,604,999</u>
Net income	\$ (2,228)	\$ (3,182)
Change in net deferred income tax	780	2,038
Change in non-admitted assets and related items	0	(9,192)
Change in asset valuation reserve	(4,336)	(3,631)
Capital changes:		
Paid in	0	0
Transferred to surplus	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(5,784)</u>	\$ <u>(13,967)</u>
Capital and surplus, December 31, current year	\$ <u>7,604,999</u>	\$ <u>7,591,032</u>

*The amount in the 2016 column for Capital and surplus was from January 20, 2016 instead of December 31, 2015

7. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1411(a) of the New York law by failing to present investment transactions to the board of directors for its approval.	10

Respectfully submitted,

Roshanak Fekrat

Roshanak Fekrat, CFE
Global Insurance Enterprises, Inc.

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

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

Roshanak Fekrat
Roshanak Fekrat

Subscribed and sworn to before me

this 29th day of May, 2020

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2021

Respectfully submitted,

/s/

Victor Agbu
Principal Insurance Examiner

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

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

/s/

Victor Agbu

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 31850

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:

***ROSHANAK FEKRAT
(GLOBAL INSURANCE ENTERPRISES, INC.)***

as a proper person to examine the affairs of the

ASSURITY 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 14th day of December, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

