



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

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

MAY 2, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

HM LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2012

DATE OF REPORT:

MAY 2, 2014

EXAMINER:

JOCATENA HARGROVE

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	5
A. History	5
B. Holding company	5
C. Organizational chart	6
D. Service agreements	7
E. Management	9
4. Territory and plan of operations	11
A. Statutory and special deposits	11
B. Direct operations	11
C. Reinsurance	12
5. Significant operating results	13
6. Financial statements	15
A. Independent accountants	15
B. Net admitted assets	15
C. Liabilities, capital and surplus	16
D. Condensed summary of operations	17
E. Capital and surplus account	18
7. Market conduct activities	19
A. Advertising and sales activities	19
B. Underwriting and policy forms	19
C. Treatment of policyholders	19
8. Prior report summary and conclusions	20
9. Summary and conclusions	21



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 22, 2014

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30974, dated November 14, 2013 and annexed hereto, an examination has been made into the condition and affairs of HM Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 420 Fifth Avenue, New York, New York 10018.

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 contained in this report is summarized below.

- In April, 2013, the ultimate parent of the Company, Highmark Inc., was acquired by UPE, a Pennsylvania non-profit corporation, and the Company became an indirect wholly owned subsidiary of UPE. On May 2, 2013, UPE changed its name to Highmark and Highmark Inc. changed its name to Highmark Health Services. On October 25, 2013, Highmark changed its name to Highmark Health and Highmark Health Services changed its name back to Highmark Inc. (See Section 3B 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, 2013 Edition* (the “Handbook”). The examination covers the three-year period from January 1, 2010 to December 31, 2012. 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, 2012 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

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, Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

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 2010 through 2012, by the accounting firm of PricewaterhouseCoopers, 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 shares an internal audit department with its parent (and affiliates). The Company's affiliate (HMLIC) has a separate internal control department which was given the task of assessing the internal control structure and compliance with the NAIC's Model Rule Requiring Annual Audited Financial Reports ("MAR"). The Company follows the same control processes as the affiliate and, where applicable, the shared internal audit and MAR workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations 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 October 16, 1996, under the name of Trans-General Life Insurance Company of New York. The Company was licensed and commenced business on March 26, 1997. On April 1, 1999, the Company changed its name to Highmark Life Insurance Company of New York. On April 1, 2006, the Company changed its name to HM Life Insurance Company of New York.

Initial resources of \$10,000,000 consisted of common capital stock of \$2,000,000 and paid in and contributed surplus of \$8,000,000. The capital stock was provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$10 per share and the contributed surplus was provided from its ultimate parent Highmark Inc. In 2004, the Company received a capital contribution of \$5,000,000 from, Highmark Inc. Capital and paid in and contributed surplus were \$2,000,000 and \$13,000,000, respectively, as of December 31, 2012.

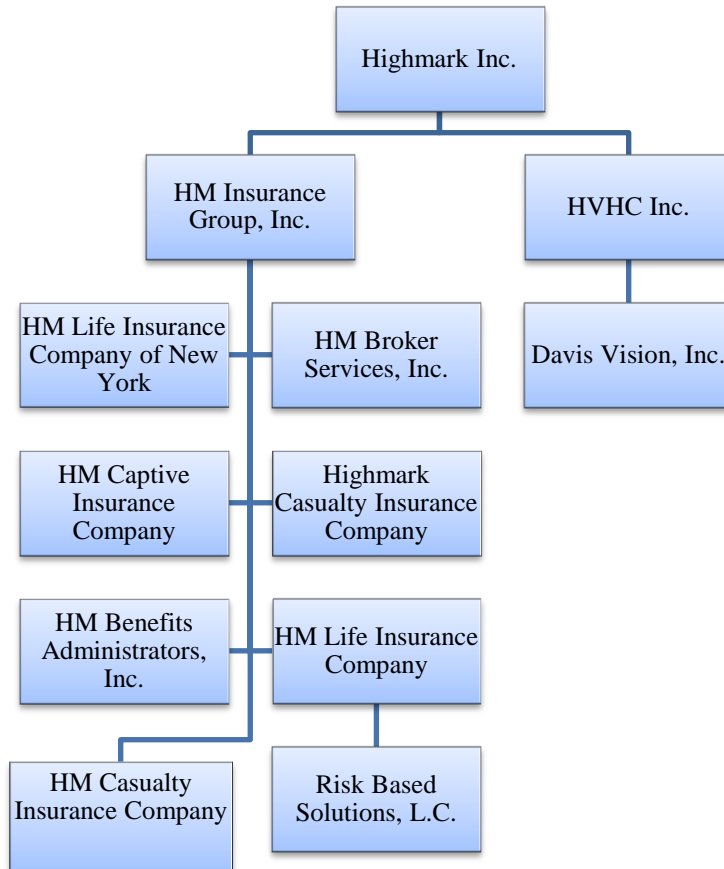
B. Holding Company

The Company is a wholly owned subsidiary of HM Insurance Group, Inc. (“HMIG”), a Pennsylvania holding company. HMIG is in turn a wholly owned subsidiary of Highmark Inc., a Pennsylvania non-profit corporation, which is licensed as a hospital plan and professional health services plan. Highmark Inc. is the ultimate parent of the Company.

In April, 2013, subsequent to the examination period, Highmark Inc. was acquired by UPE, a Pennsylvania nonprofit corporation, and became an indirect wholly owned subsidiary of UPE. On May 2, 2013, UPE changed its name to Highmark and Highmark Inc. changed its name to Highmark Health Services. On October 25, 2013, Highmark changed its name to Highmark Health and Highmark Health Services changed its name back to Highmark Inc.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2012 follows:



D. Service Agreements

The Company had 10 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
Employee Benefit Plan Administrators Agreement Department File No. 29380	02/1/2001	HM Benefits Administrators, Inc.	The Company	Employee benefit plan administration, financial, legal, information technology and other support services.	2010 - \$(1,596,127) 2011 - \$(2,117,307)** 2012 - \$ (192,176)**
Administrative Agreement Department File No. 33752	01/01/2003	The Company	HM Life Insurance Company	Sales and sales administration services.	2010 - \$514,041 2011 - \$810,843 2012 - \$ 0
Administrative Agreement Department File No. 33752	01/01/2003	The Company	Highmark Casualty Insurance Company	Sales and sales administration services.	2010 - \$461 2011 - \$314 2012 - \$ 0
Optical Laboratory Agreement Department File No. 35854	11/01/2006	Davis Vision, Inc.	The Company	Design, develop, manufacture and supply Vision Care products.	2010 - \$(4,516,740)*** 2011 - \$(2,897,026)*** 2012 - \$(3,147,859)***
PPO Network Agreement Department File No. 35854	11/01/2007	Davis Vision, Inc.	The Company	Contract with preferred provider networks of optometrists and ophthalmologists and other providers on behalf of the Company.	***
Third Party Administrator Agreement Department File No. 35854	11/01/2007	Davis Vision, Inc.	The Company	Group vision administrative services, billing, premium collection, customer service, claims administration, and record keeping services.	***
Administrative Agreement Department File No. 33917	09/01/2005	Davis Vision, Inc.	The Company	Provide customer service to all group policyholders and participants who are covered under the Company's group vision policies.	***

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
Investment Advisory Agreement Department File No. 44253	01/01/2008	Highmark Inc.	The Company	Provide supervision and direction of investment of cash, securities, and other assets.	2010 - \$(3,188) 2011 - \$(4,700) 2012 - \$(4,700)
Administrative Agreement	01/01/2011	Risk Based Solutions, L.C. ("RBS")	The Company	Sales, premium collection and claims payment and adjudication services.	2010 - \$(403,693) 2011 - \$(322,802) 2012 - \$(30,747)
Administrative Services Agreement Department File No. 45178	01/01/2012	HM Life Insurance Company	The Company	Executive management, staffing, customer service, underwriting, claims, financial, marketing and advertising, actuarial, computer and data processing.	2010 - \$(1,616,913)**** 2011 - \$(1,633,270)**** 2012 - \$(4,875,921)

* Amount of Income or (Expense) Incurred by the Company

** The business written between HMLNY & HMBA was slated for termination beginning September 2010 and running into 2011. Employees formally expensed in that company began to be repositioned within the new Highmark Shared Services organization. The costs associated with the employees during this transition period continued to be allocated to HMBA. HMBA did not eliminate all the employees until December 2012. Most of the HMBA employees were moved to Highmark Shared Services in January of 2012. The other remaining HMBA employees that were scheduled for job elimination (i.e. COBRA for example) were phased out during 2012.

*** For ease of administration, all fees paid to Davis Vision, Inc. were included on an aggregate basis with the payments made by the Company for services provided under the Optical Laboratory Agreement, Department File No. 35854.

**** The HM Life Insurance Company Administrative Services Agreement, Department File No. 45178, consolidated several agreements into one. The expenses listed on the service agreement chart for the years 2010 and 2011 are from the prior agreements.

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 seven directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2012, the board of directors consisted of seven members. Meetings of the board are held in March, May, September and November of each year.

The seven board members and their principal business affiliation, as of December 31, 2012, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Ray H. Carson, Jr. Presto, PA	Executive Vice President and Chief Human Resources Officer Highmark Inc.	2010
Nanette P. DeTurk Seabrook Island, SC	Executive Vice President, Chief Financial Officer & Treasurer Highmark Health	2010
David L. Holmberg San Antonio, TX	Chairman and Chief Executive Officer HM Life Insurance Company of New York	2011
David M. Matter* Naples, FL	Retired, President and Chief Executive Officer Oxford Development Company	2010
Donald P. Napier* Manlius, NY	Senior Vice President and Chief Operating Officer POMCO, Inc.	2001
Daniel W. O'Malley Pittsburgh, PA	Senior Vice President, Outreach and Market Affairs Highmark Inc.	2010
William J. Stallkamp* Vero Beach, FL	Retired Former Managing Partner Penn Hudson Financial Group	2010

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

In March, 2013, Daniel W. O'Malley resigned from the board and was replaced by Anthony N. Benevento.

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, 2012:

<u>Name</u>	<u>Title</u>
David L. Holmberg	Chairman of the Board and Chief Executive Officer
Michael W. Sullivan	President and Chief Operating Officer
Daniel J. Wright*	Treasurer and Chief Financial Officer
Edward A. Bittner, Jr.	Corporate Secretary

* 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 three states, namely New York, Rhode Island and the District of Columbia. In 2012, all 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, 2012, the Company had \$400,000 (par value) of United States Treasury Notes 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 primarily markets group accident and health insurance coverage. Within the accident and health business line, the Company markets stop loss, vision care, student indemnity and limited medical benefit. The Company ceased writing life and disability insurance coverage in 2008. The Company started marketing work site products in 2009; however, sales to date have been minor.

The Company's agency operations are conducted on a general agency basis. The Company does not have its own agency staff; it utilizes independent agents and brokers to market its stop loss products. Individuals employed by the Company, two in its New York City office and one in its Syracuse, New York office, contact agents and brokers in New York State encouraging them to market their products. Approximately 51.7% of 2012 written premium was derived from stop loss business.

Vision care products are marketed through Davis Vision, Inc., an affiliated third party administrator. Approximately 25.7% of 2012 written premium was derived from the vision care business.

Limited medical benefits business is marketed through an unaffiliated third party administrator, Key Benefit Administrators, Inc. Approximately 12.1% of 2012 written premium was derived from the limited medical benefits business.

The travel and student indemnity business is marketed through an unaffiliated third party administrator, Worldwide Insurance Services, Inc. Approximately 10.2% of 2012 written premium was derived from the student indemnity business. In December 2010, a mutual agreement was reached between the Company and Worldwide Insurance Services, Inc. to terminate this arrangement effective the end of May 2011. The Company then discontinued writing its travel and student indemnity business.

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with six companies, of which four were authorized or accredited. The Company's accident and health business is reinsured on a coinsurance basis. Reinsurance is provided on an automatic basis. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$5,175,696 was primarily supported by trust agreements and miscellaneous credit balances.

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 during the period under review:

	December 31, <u>2009</u>	December 31, <u>2012</u>	Increase (Decrease)
Admitted assets	<u>\$41,081,510</u>	<u>\$66,471,771</u>	<u>\$25,390,261</u>
Liabilities	<u>\$20,489,658</u>	<u>\$34,683,029</u>	<u>\$14,193,371</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	13,000,000	13,000,000	0
Unassigned funds (surplus)	<u>5,591,852</u>	<u>16,788,742</u>	<u>11,196,890</u>
Total capital and surplus	<u>\$20,591,852</u>	<u>\$31,788,742</u>	<u>\$11,196,890</u>
Total liabilities, capital and surplus	<u>\$41,081,510</u>	<u>\$66,471,771</u>	<u>\$25,390,261</u>

The Company's invested assets as of December 31, 2012 were mainly comprised of bonds (75.2%) and cash, cash equivalents and short term investments (24.8%).

The Company's entire bond portfolio, as of December 31, 2012, was comprised of investment grade obligations.

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>2010</u>	<u>2011</u>	<u>2012</u>
Group:			
Life	\$(<u>264,573</u>)	\$ (<u>68,101</u>)	\$ (<u>142,108</u>)
Total group	\$(<u>264,573</u>)	\$ (<u>68,101</u>)	\$ (<u>142,108</u>)
Accident and health:			
Group	\$ <u>72,387</u>	\$ <u>2,549,433</u>	\$ <u>9,166,667</u>
Total accident and health	\$ <u>72,387</u>	\$ <u>2,549,433</u>	\$ <u>9,166,667</u>
Total	\$(<u>192,186</u>)	\$ <u>2,481,332</u>	\$ <u>9,024,559</u>

The Company ceased writing group life and disability insurance coverage in 2008. The net loss is due to runoff of this business. The net gain in the group accident and health in 2011 and 2012 is due to the increased sales on the group stop loss products and the group vision products.

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>2010</u>	<u>2011</u>	<u>2012</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	77.8%	69.8%	62.5%
Commissions	4.3	3.9	6.3
Expenses	<u>19.7</u>	<u>21.1</u>	<u>17.1</u>
Underwriting results	<u>(1.8)%</u>	<u>5.3%</u>	<u>14.1%</u>

The underwriting results have improved due to disciplined marketing and underwriting of the stop loss product. The negative underwriting results show the expenses exceeded premiums. The positive underwriting results in 2012 show the improvement in business generated by the increased sales of the stop loss product.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2012, as contained in the Company's 2012 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, 2012 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers, LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position 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, 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

Bonds	\$43,029,840
Cash, cash equivalents and short term investments	14,197,262
Investment income due and accrued	258,222
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	7,769,864
Reinsurance:	
Amounts recoverable from reinsurers	267,324
Other amounts receivable under reinsurance contracts	316,439
Net deferred tax asset	367,388
Receivables from parent, subsidiaries and affiliates	161,725
Health care and other amounts receivable	76,518
Prepaid premium taxes	<u>27,189</u>
 Total admitted assets	 <u>\$66,471,771</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 475
Aggregate reserve for accident and health contracts	283,787
Contract claims:	
Life	176,500
Accident and health	25,335,400
Premiums and annuity considerations for life and accident and health contracts received in advance	125,940
Contract liabilities not included elsewhere:	
Interest maintenance reserve	980,478
Commissions to agents due or accrued	1,598,179
General expenses due or accrued	1,229,143
Current federal and foreign income taxes	968,051
Amounts withheld or retained by company as agent or trustee	1,037,409
Remittances and items not allocated	306,336
Miscellaneous liabilities:	
Asset valuation reserve	127,639
Reinsurance in unauthorized companies	48
Payable to parent, subsidiaries and affiliates	2,044,174
Funds held under coinsurance	226,316
Unclaimed property	<u>243,154</u>
 Total liabilities	 <u>\$34,683,029</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	13,000,000
Unassigned funds (surplus)	<u>16,788,742</u>
Surplus	<u>\$29,788,742</u>
Total capital and surplus	<u>\$31,788,742</u>
 Total liabilities, capital and surplus	 <u>\$66,471,771</u>

D. Condensed Summary of Operations

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Premiums and considerations	\$71,013,564	\$63,089,598	\$88,379,341
Investment income	1,363,243	1,390,108	1,279,292
Commissions and reserve adjustments on reinsurance ceded	1,817,653	2,043,988	1,335,056
Other income	<u>(8,212)</u>	<u>0</u>	<u>26,237</u>
Total income	<u>\$74,186,248</u>	<u>\$66,523,694</u>	<u>\$91,019,926</u>
Benefit payments	\$55,115,424	\$44,959,378	\$55,559,240
Increase in reserves	314,335	(96,319)	(387,413)
Commissions	4,864,004	4,497,086	6,947,729
General expenses and taxes	14,080,088	13,396,342	15,163,250
Penalties and interest	43	910	0
Other expense	<u>0</u>	<u>12,895</u>	<u>0</u>
Total deductions	<u>\$74,373,894</u>	<u>\$62,770,292</u>	<u>\$77,282,806</u>
Net gain (loss)	\$ (187,646)	\$ 3,753,402	\$13,737,120
Dividends	0	0	0
Federal and foreign income taxes Incurred	<u>4,540</u>	<u>1,272,070</u>	<u>4,712,561</u>
Net gain (loss) from operations before net realized capital gains	\$ (192,186)	\$ 2,481,332	\$ 9,024,559
Net realized capital gains (losses)	<u>(59,398)</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ (251,584)</u>	<u>\$ 2,481,332</u>	<u>\$ 9,024,558</u>

E. Capital and Surplus Account

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capital and surplus, December 31, prior year	\$ <u>20,591,852</u>	\$ <u>20,140,484</u>	\$ <u>22,891,680</u>
Net income	\$ (251,584)	\$ 2,481,332	\$ 9,024,558
Change in net unrealized capital gains (losses)	0	8,852	0
Change in net deferred income tax	239,418	(143,085)	4,150
Change in non-admitted assets and related items	(454,424)	390,509	(156,866)
Change in liability for reinsurance in unauthorized companies	(17,005)	23,006	42,016
Change in asset valuation reserve	32,227	(9,418)	(30,302)
Cumulative effect of changes in accounting principles	0	0	13,506
Net change in capital and surplus for the year	\$ <u>(451,368)</u>	\$ <u>2,751,196</u>	\$ <u>8,897,062</u>
Capital and surplus, December 31, current year	\$ <u>20,140,484</u>	\$ <u>22,891,680</u>	\$ <u>31,788,742</u>

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 and solicitation of insurance policies.

Based upon the samples 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 samples reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to receive investment advisory services from Highmark Inc. and administrative services from RBS, both affiliated companies, at least 30 days prior to receiving such services.</p> <p>The investment advisory services and administrative services agreements have been filed with the Department.</p>
B	<p>The Company violated Section 86.4(a) of Department Regulation No. 95 by failing to include the required fraud warning statement on its stop loss claim forms that are utilized by RBS, the Company's Third Party Administrator.</p> <p>The Company revised the stop loss claim forms utilized by RBS to include the fraud warning statement required by Section 86.4(a) of Department Regulation No. 95.</p>
C	<p>The Company violated Section 2108(a)(3) of the New York Insurance Law by allowing three (3) Third Party Administrators to adjudicate claims without being licensed as independent adjusters.</p> <p>The Third Party Administrators are now licensed as independent adjusters to adjudicate claims on behalf of the Company.</p>
D	<p>The Company violated Section 3234(b)(3) of the New York Insurance Law by failing to include an identification of the service for which the claim was made on its explanation of benefits forms.</p> <p>The explanation of benefits forms have been corrected to include an identification of the service for which the claim was made.</p>

9. SUMMARY AND CONCLUSIONS

Following is the comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	In April, 2013, the ultimate parent of the Company, Highmark Inc., was acquired by UPE, a Pennsylvania non-profit corporation, and the Company became an indirect wholly owned subsidiary of UPE. On May 2, 2013, UPE changed its name to Highmark and Highmark Inc. changed its name to Highmark Health Services. On October 25, 2013, Highmark changed its name to Highmark Health and Highmark Health Services changed its name back to Highmark Inc. (See Section 3B of this report)	5

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. 30974

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

HM 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 November, 2013

*BENJAMIN M. LAWSKY
Superintendent of Financial Services*

By:



***MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU***

