NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

WILLIAM PENN LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2012

DATE OF REPORT: MAY 19, 2014

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EXAMINER:	ANTHONY MAURO

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 16, 2014

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

Sir:

In accordance with instructions contained in Appointment No. 30992, dated March 27, 2013 and annexed hereto, an examination has been made into the condition and affairs of William Penn Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 100 Quentin Roosevelt Boulevard, Garden City, New York, 11530.

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

- In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated and finalized prior to the date of the statement of self-support, and to improve its filing procedures so that the required demonstrations will be readily available upon request.

- The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the NAIC Financial Condition Examiners Handbook, 2012 Edition (the "Handbook"). The examination covers the four-year period from January 1, 2009 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.

The examination was coordinated in conjunction with the examination of Banner Life Insurance Company ("Banner Life"), the Company's parent. The coordinated examination was led by the Maryland Insurance Association ("MIA") with participation from New York. Since the Company and Banner Life share common controls and management and the MIA is accredited by the NAIC, it was deemed appropriate to rely on the work of the MIA.

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 2009 through 2012, by the accounting firm of PricewaterhouseCoopers LLP ("PWC"). 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 and Banner Life share common controls, management and a common internal audit department; which was given the task of assessing the internal control structure. Banner Life is subject to the NAIC Model Audit Rule ("MAR") and the examiners reviewed and relied on the Banner Life's MAR workpapers in order to identify and obtain an understanding of the financial reporting risks, processes and related internal controls. Where applicable, internal audit workpapers and reports were reviewed and portions were relied upon for this exam.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on September 12, 1962, was licensed on January 28, 1963 and commenced business on February 23, 1963 under the name Modern Life Insurance Company. Initial resources of $1,000,000, consisting of common capital stock of $500,000 and paid in and contributed surplus of $500,000 were provided through the sale of 100,000 shares of common stock (with a par value of $5 each) for $10 per share.

In 1967, ITT Hamilton Life Insurance Company, a subsidiary of Penncorp Financial, Inc., acquired the Company. In 1968, the Company's name was changed to ITT Life Insurance Company of New York; in 1972, the Company's name was changed to Penn Life Insurance Company of New York. In 1975, the Company adopted its present name.

In 1983, Maiden Lane Life Insurance Company, a subsidiary of Continental Corp., acquired the Company and transferred ownership to Commercial Life Insurance Company, also a subsidiary of Continental Corp. In 1985, ownership was transferred directly to Continental Corp.

In 1989, Legal & General Group, PLC ("L&G"), a London based insurance organization, acquired the Company, then transferred ownership to its subsidiary, Legal & General America, Inc. ("LGA").

In 1991, the Company merged with its affiliate, Banner Life Insurance Company of New York and was the surviving entity of that merger. At the same time, LGA transferred 100% ownership of the Company to its affiliate, Banner Life.

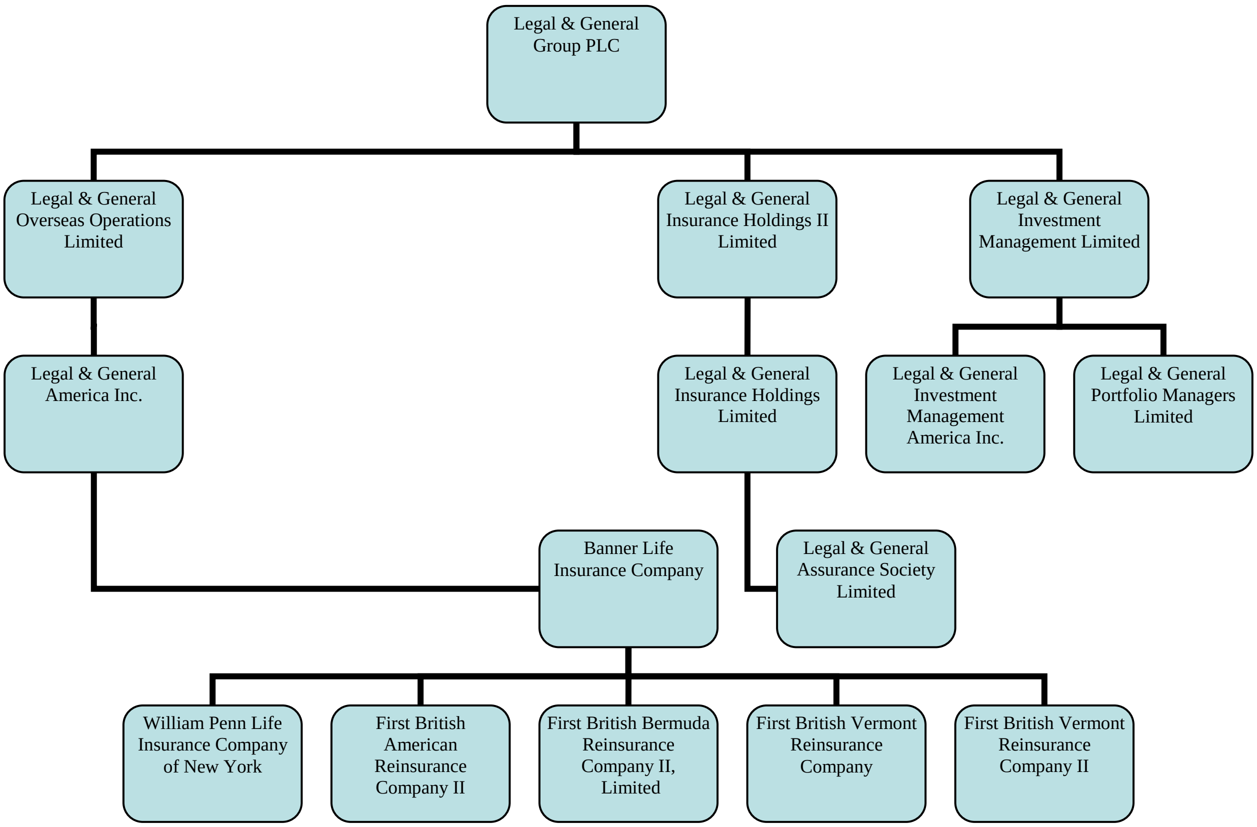
The Company has 450,000 shares of common stock authorized, issued and outstanding as of December 31, 2012, with a par value of $4.45 per share.

B. Holding Company

The Company is a wholly-owned subsidiary of Banner Life, a Maryland stock life insurance company that is licensed in all states except New York. LGA is a Delaware holding company which exerts 100% control over Banner Life through ownership of 100% of Banner Life's Class A common stock. The ultimate parent of the Company is L&G.

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 five 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
Investment Management Agreement No. 44360	02/12/2012	Legal & General Investment Management America, Inc.	The Company	Investment management services.	2012 $(1,009,000)
Investment Management Agreement No. 33194	09/16/2004	Legal & General Investment Management America, Inc.	The Company	Investment management services.	2012 $ 0 2011 $ (950,000) 2010 $ (750,000) 2009 $ (679,000)
Expense Sharing Agreement No. 26116	10/22/1999	Banner Life	The Company	Services include: accounting and tax reconciliations, personnel, and administrative services.	2012 $ (676,000) 2011 $ (473,000) 2010 $ (365,000) 2009 $ (540,000)
Expense Sharing Agreement No. 26116	10/22/1999	The Company	Banner Life	Services include: underwriting, claims, reinsurance, and agency services.	2012 $ 370,000 2011 $ 515,000 2010 $ 273,000 2009 $ 310,000
Expense Sharing Agreement No. 26116	10/22/1999	LGA	The Company	Services include: accounting support, internal auditing and tax related, legal advisory, actuarial advisory, payroll, personnel supervisory, administrative, marketing and sales, underwriting and customer services.	2012 $ (9,697,000) 2011 $ (8,729,000) 2010 $ (8,659,000) 2009 $ (7,046,000)

* 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 seven and not more than 24 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, 2012, the board of directors consisted of eight members. Meetings of the board are held quarterly.

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

Name and Residence	Principal Business Affiliation	Year First Elected
James D. Atkins Rockville, MD	President and Chief Executive Officer William Penn Life Insurance Company of New York	2008
Michael M. Cassell * Greenwich, CT	Retired - Founder and former President and Chief Executive Officer The Greenwich Bank & Trust Company	1989
Frank T. Gencarelli Lynchburg, VA	Senior Vice President, Sales and Marketing William Penn Life Insurance Company of New York	2009
Gene R. Gilbertson Myersville, MD	Senior Vice President, Chief Financial Officer and Treasurer William Penn Life Insurance Company of New York	1989
Sharon P. Jenkins Hempstead, NY	Senior Vice President and Chief Underwriter William Penn Life Insurance Company of New York	2000
David J. Orr Monrovia, MD	Senior Vice President and Chief Actuary William Penn Life Insurance Company of New York	1990
Leonard L. Reynolds * Salt Lake City, UT	Owner Sentry West Insurance Services	2007
Thomas W. Walsh * Portsmouth, RI	Retired, Former Partner PricewaterhouseCoopers	2007

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

In May, 2013, Mr. Leonard L. Reynolds did not stand for re-election to the board of directors. In September 2013, John P. Murrin was elected to the board of directors to replace Mr. Reynolds. Mr. Murrin is not affiliated with the Company or any other company in the holding company system. Mr. Murrin is a former partner and Chief Financial Officer of McKinsey & Company, Inc.

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:

Name	Title
James D. Atkins	President and Chief Executive Officer
Gene R. Gilbertson	Senior Vice President, Chief Financial Officer and Treasurer
Bryan R. Newcombe	Vice President, Secretary and General Counsel
Charles Lingaas*	Vice President, Administration
David J. Orr	Senior Vice President and Chief Actuary
Sharon P. Jenkins	Senior Vice President and Chief Underwriter
Frank T. Gencarelli	Senior Vice President, Sales and Marketing

* 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 ceased writing accident and health insurance in 1975 and ceased writing annuities in 2005.

The Company is licensed to transact business in 12 states and the District of Columbia. In 2012, 81.3% of life premiums and 78.4% of annuity considerations were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2012:

Life Insurance Premiums		Annuity Considerations	
New York	81.3%	New York	78.4%
New Jersey	4.7	Connecticut	8.4
Florida	4.0	Florida	6.3
Subtotal	90.0%	Subtotal	93.1%
All others	10.0	All others	6.9
Total	100.0%	Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2012, the Company had $1,530,000 (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. An additional, $3,146,518 was reported in Schedule E of the 2012 filed annual statement as being held by the state of Massachusetts.

B. Direct Operations

The Company's primary products sold during the examination period were individual life insurance and universal life insurance. The main focus is on its fully underwritten term life insurance product. The Company de-emphasized the sale of its universal life insurance and annuity products in 1995, and ceased writing annuities in 2005. In addition, the Company has a closed block of par life products that was acquired from Monarch Life in the early 1990's.

The Company's agency operations are conducted on a brokerage general agency basis. The Company's general agents recruit agents/brokers for the Company to appoint, the agents/brokers sell the Company's products to the general public. All general agents and agents/brokers are independent.

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with 26 companies, of which 15 were authorized or accredited. The Company's life insurance is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative 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, 2012, was $76,118,420,012 which represents 96.2% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $674 million, was supported by letters of credit, trust agreements and/or funds withheld.

The Company did not assume any life premiums but reported $0.9 million of life reserves assumed from a non-affiliate company. The Company did not assume accident and health business.

The primary type of insurance issued by the Company is term life. With the adoption of Department Regulation No. 147, the Company was required to significantly increase its reserves. As a result of the significant reserve increase, the Company, along with Banner Life, created First British American Reinsurance Company ("FBARC") as a special purpose financial captive established for the purpose of reinsuring certain level premium term business blocks of business of the Company and Banner Life. The funding of the transaction was primarily through capital provided by outside investors. The transaction received Department approval on November 8, 2004 and became effective December 1, 2004. In 2010, FBARC received approval to transfer business originally reinsured with FBARC to LGAS and the simultaneous amendment of the terms of the treaty and FBARC was subsequently dissolved. LGAS is the primary operating insurance company within the Legal & General Group in London, the ultimate parent of the Company. As a result of the approved novation, the Company reinsures portions of its business to LGAS to address Department Regulation No. 147 reserve strain.

In 2012, the Department approved LGAS as a certified reinsurer and subsequently, the Company executed two reinsurance treaties with LGAS under its new certified status. The transactions resulted in increased surplus of $37.1 million. However, in 2012, the Company reflected a $13.3 million net loss that was primarily attributable to the $44.7 million in ceded premiums for the initial setup of the two treaties.

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, 2008	December 31, 2012	Increase
Admitted assets	$965,647,301	$1,121,313,452	$155,666,151
Liabilities	$869,633,875	$ 914,962,281	$ 45,328,406
Common capital stock	$ 2,002,500	$ 2,002,500	$ 0
Gross paid in and contributed surplus	54,058,416	80,058,416	$ 26,000,000
Unassigned funds (surplus)	39,952,510	124,290,255	84,337,745
Total capital and surplus	$ 96,013,426	$ 206,351,171	$110,337,745
Total liabilities, capital and surplus	$965,647,301	$1,121,313,452	$155,666,151

The Company's invested assets as of December 31, 2012 were mainly comprised of bonds (94.5%).

The majority (99.6%) of the Company's bond portfolio, as of December 31, 2012, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2009	$103,958	$6,090,235	$ 5,538,154	$60,607,761
2010	$181,249	$5,839,135	$ 5,477,153	$63,136,450
2011	$137,520	$5,549,594	$ 7,702,439	$67,517,632
2012	$181,943	$5,383,835	$10,042,053	$73,757,192

In 2010, the Company implemented new initiatives to build relationships with additional and enhanced agency contacts. These initiatives resulted in a 49% increase in policy sales between 2010 and 2012.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2009	2010	2011	2012
Ordinary:				
Life insurance	$ (329,037)	$(9,245,614)	$ (514,847)	$ (8,984,949)
Individual annuities	2,233,594	1,468,665	1,164,266	(3,924,470)
Supplementary contracts	(15,696)	(4,160)	0	(9,472)
Total ordinary	$ 1,888,861	$(7,781,109)	$ 649,419	$(12,918,891)
Group:				
Life	$ 2,430	$ 0	$ 0	$ 0
Total group	$ 2,430	$ 0	$ 0	$ 0
Accident and health:				
Other	$ (78,554)	$ (41,676)	$ (42,081)	$ (58,502)
Total accident and health	$ (78,554)	$ (41,676)	$ (42,081)	$ (58,502)
Total	$ 1,812,737	$(7,822,785)	$ 607,338	$(12,977,393)

The loss of $9.2 million in 2010, in the ordinary life line of business was primarily attributable to approximately $25 million of net ceded premiums from the impact of the reinsurance novation from FBARC to LGAS. The loss of $8.9 million in 2012 in the ordinary life line of business was primarily due to the $44.7 million of net ceded premiums related to the reinsurance treaties effective 2012 with LGAS. The losses in 2009 and 2010 are considered normal losses for the line.

The Company ceased writing individual annuities in 2005, the fluctuation in losses for this line of business is mainly attributed to changes in the number of claims or surrenders in a particular year.

The Company has not marketed its group life business since the late 1980's and that business is currently in run off.

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 ("PWC") 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.

PWC 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	$ 998,830,800
Cash, cash equivalents and short term investments	21,398,721
Contract loans	36,407,381
Investment income due and accrued	11,028,014
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(1,410,894)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,746,286
Reinsurance:	
Amounts recoverable from reinsurers	7,066,750
Other amounts receivable under reinsurance contracts	148,085
Net deferred tax asset	27,257,530
Receivables from parent, subsidiaries and affiliates	2,386
Gross deferred reinsurance premiums	13,838,393
Total admitted assets	$1,121,313,452

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 628,337,723
Aggregate reserve for accident and health contracts	137,950
Liability for deposit-type contracts	5,795,898
Contract claims:	
Life	13,387,503
Accident and health	12,888
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	800,000
Premiums and annuity considerations for life and accident and health contracts received in advance	209,054
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	34,862
Other amounts payable on reinsurance	3,395,529
Interest maintenance reserve	35,562,668
Commissions to agents due or accrued	75,989
General expenses due or accrued	2,875,442
Taxes, licenses and fees due or accrued, excluding federal income taxes	(364,575)
Current federal and foreign income taxes	415,961
Unearned investment income	1,251,444
Amounts withheld or retained by company as agent or trustee	934,470
Amounts held for agents' account	446,309
Remittances and items not allocated	(550,335)
Miscellaneous liabilities:	
Asset valuation reserve	3,912,444
Funds held under reinsurance treaties with unauthorized reinsurers	165,267,830
Payable to parent, subsidiaries and affiliates	1,273,258
Funds held under coinsurance	39,957,579
Payable for securities	10,379,909
Accrued interest on policy funds	466,298
Other liabilities	866,792
Modified coinsurance agreement	79,391
Total liabilities	$ 914,962,281
Common capital stock	$2,002,500
Gross paid in and contributed surplus	80,058,416
Unassigned funds (surplus)	124,290,255
Surplus	$ 204,348,671
Total capital and surplus	$ 206,351,171
Total liabilities, capital and surplus	$1,121,313,452

D. Condensed Summary of Operations

	2009	2010	2011	2012
Premiums and considerations	$ 50,043,438	$ 28,043,942	$ 49,167,951	$ 3,407,744
Investment income	54,948,853	55,336,818	56,292,756	51,142,944
Commissions and reserve adjustments on reinsurance ceded	15,689,227	13,110,100	13,602,696	14,867,903
Miscellaneous income	(461,048)	(1,235,575)	(11,545,524)	(12,460,116)
Total income	$120,220,470	$ 95,255,285	$107,517,879	$ 56,958,475
Benefit payments	$ 82,535,538	$ 80,641,128	$ 79,809,979	$ 67,362,379
Increase in reserves	(8,297,683)	(21,709,826)	(37,747,767)	(56,290,917)
Commissions	13,526,161	12,595,144	13,593,977	15,620,722
General expenses and taxes	29,239,498	29,780,679	29,765,650	34,283,305
Increase in loading on deferred and uncollected premiums	(47,202)	123,219	122,054	1,231,879
Total deductions	$116,956,312	$101,430,344	$ 85,543,893	$ 62,207,368
Net gain (loss)	$ 3,264,158	$ (6,175,059)	$ 21,973,986	$ (5,248,893)
Dividends	848,091	809,401	735,139	750,997
Federal and foreign income taxes incurred	603,330	838,325	20,631,509	6,977,504
Net gain (loss) from operations before net realized capital gains	$ 1,812,737	$ (7,822,785)	$ 607,338	$(12,977,394)
Net realized capital gains (losses)	(285,809)	4,738,021	(1,878,708)	(393,214)
Net income	$ 1,526,928	$ (3,084,764)	$ (1,271,370)	$(13,369,608)

The losses on the miscellaneous income line are primarily the result of interest due on funds withheld for ceded reinsurance treaties.

The $22.0 million decrease in premium considerations from 2009 to 2010 is primarily due to the transfer of business originally reinsured with FBARC to LGAS and the simultaneous amendment of the terms of the treaty resulting in an initial ceded premium consideration to LGAS on the effective date of the amendment. The net effect of this transaction was an increase in ceded premiums to LGAS which caused the decrease in net premiums to the Company.

The $21.0 million increase in premium considerations from 2010 to 2011 is reflective of the initial premium consideration paid to LGAS on the effective date of the amendment of the treaty described above resulting in 2010 premium revenue being reduced. Premium considerations in 2011 were comparable to 2009. Net premium revenue decreased by $45.8 million from 2011 to 2012 due to the $44.7 million of premiums ceded to LGAS for the initial settlement of the new reinsurance treaties.

E. Capital and Surplus Account

	2009	2010	2011	2012
Capital and surplus, December 31, prior year	$ 96,013,426	$124,065,000	$143,657,361	$190,220,683
Net income	$ 1,526,928	$ (3,084,764)	$ (1,217,370)	$(13,369,608)
Change in net unrealized capital gains (losses)	195,000	0	0	0
Change in net deferred income tax	(273,183)	(5,295,883)	2,287,046	2,704,806
Change in non-admitted assets and related items	9,876,301	7,346,935	7,314,911	850,136
Change in liability for reinsurance in unauthorized companies	1,648,756	(270,440)	270,440	0
Change in reserve valuation basis	11,872,734	0	0	(1,898,708)
Change in asset valuation reserve	(1,389,301)	(2,113,870)	255,629	(664,902)
Surplus adjustment Paid in	0	26,000,000	0	0
Change due to reinsurance	4,594,339	(2,989,617)	37,706,666	28,508,764
Change due to deferred tax assets	4,666,000		2,909,000	0
Change due to deferred tax assets-non-admitted offset	(4,666,000)	636,000 (636,000)	(2,909,000)	
Net change in capital and surplus for the year	$ 28,051,574	$ 19,592,361	$ 46,563,322	$ 16,130,488
Capital and surplus, December 31, current year	$124,065,000	$143,657,361	$190,220,683	$206,351,171

The increase in surplus from 2009 to 2010 included a capital contribution of $26 million received from Banner Life on December 29, 2010. The increase in surplus from 2010 to 2011 is primarily due to a $37.7 million increase in surplus from the reinsurance agreement with FBARC.

Changes in net deferred income tax are primarily attributable to fluctuations in reserves and deferred acquisition costs as reported on a statutory accounting basis and tax basis.

F. Reserves

The Department conducted in-depth reviews of reserves as of December 31, 2012 and December 31, 2013. During these reviews, the Department found that greater conservatism is needed in the assumptions and methodology used for asset adequacy analysis pursuant to Department Regulation No. 126.

In response, the Company revised various assumptions and methodology for certain life insurance business and agreed to establish additional reserves as necessary and appropriate.

The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department.

7. SELF-SUPPORT

Section 4228(h) of the New York Insurance Law states, in part:

> "No company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . ."

The examiner conducted a review of the pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. This review included an examination of the required actuarial statements of self-support and the supporting demonstrations. The examiner requested statements and corresponding demonstrations for the Company's policy forms subject to Section 4228(h). For three life insurance policy forms, involving 30,487 policies, the Company was unable to provide the required demonstrations of self-support. As a result, the Company violated Section 4228(h) of the New York Insurance Law.

In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated and finalized prior to the date of the statement of self-support, and to improve its filing procedures so that the required demonstrations will be readily available upon request.

8. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

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

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

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

C. Treatment of Policyholders

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

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

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommended that the Company initiate action to ensure compliance with their by-laws. The Company filed an amendment to their by-laws with the Department which reduced the minimum number of directors to seven and also reduced the number of New York residents required to be members of the board. The amendment was approved by the Department on April 13, 2010.
B	The examiner recommended that the Company reiterate its advertising policies and procedures to ensure that all of its agents' websites that advertise their products receive prior approval to do so. The examiners review of advertising revealed that the Company sends quarterly reminders to its brokerage general agents reiterating is advertising policies and procedures and the requirement for the submission of compliance approval before the use of any form of advertising of its products. The examiners noted certificates of compliance for all advertisements disseminated during the examination period.
C	The Company violated Sections 53-3.2(a)(2) and 53-3.2(a)(3) of Department Regulation No. 74 by having incomplete illustrations. It is recommended that the Company initiate procedures to ensure compliance with Sections 53-3.2(a)(2) and 53-3.2(a)(3) of Department Regulation No. 74. The examiners review of illustrations revealed that the Company initiated and implemented procedures to ensure that illustrations were completed in accordance with Department Regulation No. 74
D	The Company violated Section 4233(a) of the New York Insurance Law by failing to complete its annual statement in accordance with the annual statement instructions as published by the National Association of Insurance Commissioners. It is recommended that the Company review annual statement controls to confirm accurate reporting in the future. A review of the annual statement line items and notes to the financial statement revealed that the Company took corrective action to ensure that accurate reporting was performed.

10. SUMMARY AND CONCLUSIONS

Following are the recommendation and comment contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department.	21
B	In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated and finalized prior to the date of the statement of self-support, and to improve its filing procedures so that the required demonstrations will be readily available upon request.	22

Respectfully submitted,

_____________/s/___________
Anthony Mauro
Associate Insurance Examiner

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

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

_____________/s/___________
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30992

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:*

ANTHONY MAURO

as a proper person to examine the affairs of the

WILLIAM PENN 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 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 27th day of March, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU