NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

NATIONAL INTEGRITY LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2013

DATE OF REPORT: JUNE 12, 2015

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EXAMINER:	VICTOR U. AGBU

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 12, 2015

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

Sir:

In accordance with instructions contained in Appointment No. 31103, dated September 29, 2014, and annexed hereto, an examination has been made into the condition and affairs of National Integrity Life Insurance Company, hereinafter referred to as "the Company," at the home office of the Company's parent, Integrity Life Insurance Company, located at 400 Broadway, Cincinnati, OH 45202. The Company's home office is located at 14 Main Street, Suite 100, Greenwich, New York 12834.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine and ascertain that the Disclosure Statement included all required disclosures.

- The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to have any deficiencies corrected or else reject the application in the cases where the Disclosure Statement did not include all required disclosures.

- The examiner recommends that the Company submit alternative Regulation No. 60 procedures to the Department, specifically an alternate Disclosure Statement, for situations where a deferred annuity contract is being replaced by one of the Company's SPIA contracts.

- The Company violated Section 91.5(b) of Department Regulation No. 33 by adopting a method for allocating investment income by line of business which deviated from the investment year method without obtaining the approval of the superintendent.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2014 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2011 through December 31, 2013. 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, 2013 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 and 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 2011 through 2013, by the accounting firm of Ernst & Young LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department which was responsible for assessing the internal control structure and compliance with the NAIC's Model Audit Rule ("MAR"). Where applicable, the Company's 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 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 under the name Merchants Life Insurance Company, as a stock life insurance company, under the laws of New York on November 22, 1968. The Company was licensed and commenced business on December 30, 1968. Initial resources of $3,000,000 consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $2,000,000, were provided through the sale of 100,000 shares of common stock (with a par value of $10 each) for $30 per share.

Capital was increased to $1,100,000 in 1972 as a result of the issuance of 10,000 additional shares of stock. Monumental Life Insurance Company acquired the Company in July 1981 and the Company's name was changed to Monumental National Life Insurance Company of New York. The Equitable Life Assurance Society of the United States ("Equitable") purchased the Company from Monumental Life Insurance Company in November 1985. In 1985, capital was increased to $2,000,000 as a result of the issuance of 90,000 additional shares of stock. The Company adopted its present name on January 21, 1986. In September 1988, Equitable sold the Company to National Mutual Life Association of Australasia. In November 1993, ARM Financial Group acquired the Company and its immediate parent, Integrity Life Insurance Company ("Integrity") from National Mutual Life Association of Australasia. The Western & Southern Life Insurance Company ("WSLIC") acquired Integrity and the Company in March 2000 from ARM Financial Group.

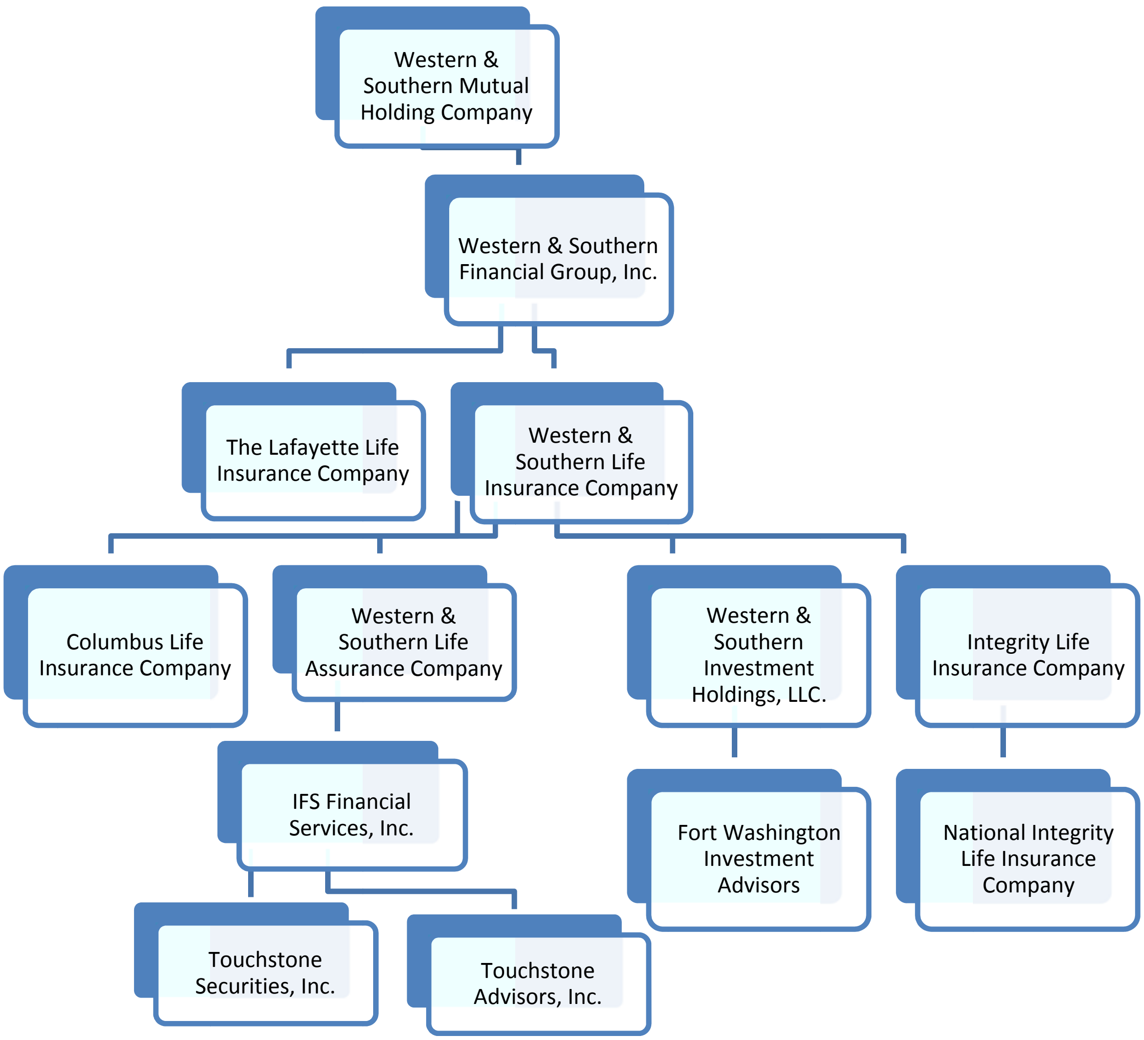
Capital stock and paid in and contributed surplus were $2,000,000 and $312,227,768, respectively, as of December 31, 2013.

B. Holding Company

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

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2013 follows:



D. Service Agreements

The Company had 6 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 Department File No. 34708	01/01/2006	WSLIC	The Company	Administrative, management, professional and information technology services, payroll and office space	2011 $(8,352,522) 2012 $(7,711,635) 2013 $(9,744,565)
Administrative Services Department File No. 34709	01/01/2006	IFS Financial Services, Inc.	The Company	Marketing and Distribution; Administrative and Compliance	2011 $(5,348,264) 2012 $(4,354,473) 2013 $(4,073,582)
Principal Underwriter Department File No. 34710	05/01/2006	Touchstone Securities, Inc.	The Company	Distribution and Underwriting Services	2011 $(56,430) 2012 $(58,684) 2013 $(39,255)
Shareholder Services Agreement Department File No. 38398	01/01/2008	The Company	Touchstone Advisors, Inc.	Administrative services to shareholders of Touchstone Funds through National Integrity Variable Annuities.	2011 $297,445 2012 $254,932 2013 $248,423
Investment Advisory Department File No. 29281 Amendment Department File No. 29281G Amendment No. 2 Department File No. 47397	02/10/2001 01/01/2006 (4.375% fee Amendment) 04/01/2013 (4.5% fee Amendment)	Fort Washington Investment Advisors.	The Company	Investment Advisory Services	2011 $(1,880,647) 2012 $(1,942,627) 2013 $(1,965,426)
Broker-Dealer Sales Agreement Department File No. 29517	03/17/2002	Touchstone Securities, Inc.	The Company	Sales	2011 $3,192,108 2012 $3,058,260 2013 $4,045,138

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

E. Management

The Company's by-laws provide that the board of directors ("the board") shall be comprised of not less than seven and not more than 12 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. As of December 31, 2013, the board of directors consisted of 11 members. Meetings of the board are held annually following the annual stockholders' meeting. Other regular meetings of the board are set by the board.

The 11 board members and their principal business affiliation, as of December 31, 2013, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Edward J. Babbitt Cincinnati, OH	Vice President and Senior Counsel Western & Southern Financial Group, Inc.	2003
John F. Barrett Cincinnati, OH	Chairman of the Board Western & Southern Financial Group, Inc.	2000
George R. Bunn Jr.* New York, NY	Owner George R. Bunn Jr., Attorney at Law	2003
Daniel J. Downing Cincinnati, OH	Senior Vice President and Independent Agent IFS Financial Services, Inc.	1998
Eric C. Fast* Stamford, CT	President and Chief Executive Officer Crane Company	2000
Dale P. Hennie Cincinnati, OH	Retired Former Senior Vice President Western & Southern Life Insurance Company	2000
Cameron F. MacRae III* New York, NY	Counsel Duane Morris LLP	2000
Jill T. McGruder Cincinnati, OH	President and Chief Executive Officer National Integrity Life Insurance Company	2006
Newton P.S. Merrill* New York, NY	Retired Former Senior Executive Vice President Bank of New York	2000

Name and Residence	Principal Business Affiliation	Year First Elected
Robert L. Walker Cincinnati, OH	Senior Vice President and Chief Financial Officer Western & Southern Financial Group, Inc.	2000
Donald J. Wuebbling Cincinnati, OH	Corporate Secretary and Counsel Western & Southern Financial Group, Inc.	2000

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

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2013:

Name	Title
John F. Barrett	Chairman of the Board
Jill T. McGruder	President and Chief Executive Officer
Nicholas P. Sargen	Sr. Vice President and Chief Investment Officer
Daniel J. Downing	Sr. Vice President, Independent Agent Channel
Kevin L. Howard*	Sr. Vice President and General Counsel
Constance M. Maccarone	Sr. Vice President, Insurance Operations
Nora E. Moushey	Sr. Vice President and Chief Actuary
Mark E. Caner	Sr. Vice President, Distribution
Clint D. Gibler	Sr. Vice President and Chief Information Officer
John P. Cipro	Vice President

* 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 eight states, namely Connecticut, Florida, Maine, New Hampshire, New York, Ohio, Rhode Island and Vermont, and the District of Columbia. In 2013, 92.4% of annuity considerations and 98% of all life insurance premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2013, the Company had $243,291 (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. As per Schedule E of the 2013 filed annual statement, an additional $1,013,711 (par value) was held by the State of New Hampshire.

B. Direct Operations

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

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

The Company’s agency operations are conducted on a general agency basis. Independent broker-dealer firms, stock brokerage firms, independent agents and financial institutions market the Company’s products.

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with three companies, all of which were authorized or accredited. The Company’s life business is reinsured on a modified-coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2013 was $5,979,822, which represents 4.3% of the total face amount of life insurance in force.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2010	December 31, 2013	Increase (Decrease)
Admitted assets	$4,830,605,377	$4,767,082,661	$ (63,522,716)
Liabilities	$4,578,620,270	$4,446,107,877	$(132,512,393)
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	312,227,768	312,227,768	0
Surplus from additional DTA	5,167,398	0	(5,167,398)
Unassigned funds (surplus)	(67,410,059)	6,747,016	74,157,075
Total capital and surplus	$ 251,985,107	$ 320,974,784	$ 68,989,677
Total liabilities, capital and surplus	$4,830,605,377	$4,767,082,661	$ (63,522,716)

The Company's invested assets as of December 31, 2013, exclusive of separate accounts, were mainly comprised of bonds (91.3%).

The majority (91.1%) of the Company's bond portfolio, as of December 31, 2013, 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	
Year	Issued	In Force
2011	$ 0	$112,481
2012	$ 11,918	$121,994
2013	$ 24,373	$140,343

The Company began selling a single premium universal life product in 2012. The amount in force in 2011 is comprised of Single Premium Endowment policies sold by the company prior to 2011.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

Ordinary Annuities

	2011	2012	2013
Outstanding, end of previous year	61,173	60,776	59,078
Issued during the year	3,872	2,459	2,172
Other net changes during the year	(4,269)	(4,157)	(3,810)
Outstanding, end of current year	60,776	59,078	57,440

The number of ordinary annuities issued during 2013 was misstated by the Company. The actual number of ordinary annuities issued during that year should have been stated as 2,517 rather than 2,172 and the total number of ordinary annuities outstanding at the end of the year should have been reflected as 57,785.

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:

	2011	2012	2013
Ordinary:			
Life insurance	$ 435,672	$ (85,706)	$ (506,734)
Individual annuities	27,072,432	34,431,480	35,448,676
Supplementary contracts	953,777	871,603	1,142,779
Total ordinary	$ 28,461,881	$35,217,377	$36,084,721
All other lines	$ 6,098,901	$ 5,659,965	$ (2,241,548)
Total	$ 34,560,782	$40,877,342	$33,843,173

The main driver of the net loss in the ordinary life line in 2012 and 2013 is the strain related to the introduction of a new Single Premium Universal Life product with a return of premium feature. The All other lines of business represent the capital gains or losses activity of the separate account.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Company's 2013 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, 2013 filed annual statement.

A. Independent Accountants

The firm of Ernst & Young LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 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.

Ernst & Young LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$2,482,926,391
Stocks:	
Common stocks	27,680,749
Mortgage loans on real estate:	
First liens	38,360,204
Cash, cash equivalents and short term investments	16,750,295
Contract loans	42,891,085
Other invested assets	70,504,313
Receivable for securities	623,902
Securities lending reinvested collateral assets	40,799,169
Investment income due and accrued	25,788,928
Net deferred tax asset	12,534,228
Guaranty funds receivable or on deposit	8,510,119
Health care and other amounts receivable	318,884
From separate accounts, segregated accounts and protected cell accounts	1,999,394,394
Total admitted assets	$4,767,082,661

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$2,280,523,165
Liability for deposit-type contracts	73,137,159
Contract claims:	
Life	96,524
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	19,765
Commissions to agents due or accrued	1,024,466
General expenses due or accrued	7,887
Transfers to separate accounts due or accrued	(18,815,089)
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,397,524
Current federal and foreign income taxes	4,107,340
Amounts withheld or retained by company as agent or trustee	28,641
Remittances and items not allocated	5,739,484
Miscellaneous liabilities:	
Asset valuation reserve	51,508,922
Payable to parent, subsidiaries and affiliates	436,915
Payable for Securities	282,934
Payable for Securities Lending	40,799,169
Uncashed drafts and checks that are pending escheatment to the state	418,677
From Separate Accounts statement	1,999,394,394
Total liabilities	$4,446,107,877
Common capital stock	$ 2,000,000
Gross Paid in and contributed surplus	312,227,768
Unassigned funds (surplus)	6,747,016
Surplus	318,974,784
Total capital and surplus	$ 320,974,784
Total liabilities, capital and surplus	$4,767,082,661

D. Condensed Summary of Operations

	2011	2012	2013
Premiums and considerations	$ 312,455,255	$ 214,824,969	$ 227,294,996
Investment Income	116,260,955	120,208,025	125,752,056
Miscellaneous income	7,485,368	7,317,087	7,610,761
Total income	$ 436,201,578	$ 342,350,081	$ 360,657,813
Benefit payments	$ 446,208,215	$ 456,201,742	$ 434,112,314
Increase in Reserves	132,277,205	168,567,625	131,092,460
Commissions	17,157,191	14,155,448	15,011,853
General expenses and taxes	19,202,405	13,420,977	13,832,293
Net transfers to (from) Separate Accounts	(229,348,057)	(365,336,141)	(288,283,779)
Miscellaneous deductions	3,878,420	196,569	757,271
Total deductions	$ 389,374,379	$ 287,206,220	$ 306,522,412
Net gain (loss)	$ 46,827,199	$ 55,143,861	$ 54,135,401
Federal and foreign income taxes incurred	12,266,417	14,266,519	20,292,228
Net gain (loss) from operations before net realized capital gains	$ 34,560,782	$ 40,877,342	$ 33,843,173
Net realized capital gains (losses)	(3,931,308)	372,869	529,931
Net income	$ 30,629,474	$ 41,250,211	$ 34,373,104

Section 91.5(b) of Department Regulation No. 33 states, in part:

> “ . . . If the company's method includes deviations from the foregoing rules, or contemplates the use of a method other than the investment year method for assets not listed in paragraph (a)(1), such deviations or use require the approval of the superintendent as being equitable and as being necessary for reasons of feasibility before the method can be adopted. ”

In 2011, the Company adopted a method for allocating investment income by line of business which deviated from the investment year method without obtaining the approval of the superintendent. The Company continued to use this unfiled method of allocating investment income through the end of the examination period.

The Company violated Section 91.5(b) of Department Regulation No. 33 by adopting a method for allocating investment income by line of business which deviated from the investment year method without obtaining the approval of the superintendent.

The Company has subsequently filed with the Department the plan it has been using since 2011 for allocating investment income. The Department is in the process of reviewing this filing.

E. Capital and Surplus Account

	2011	2012	2013
Capital and surplus, December 31, prior year	$251,985,107	$272,523,777	$301,682,416
Net income	$ 30,629,474	$ 41,250,211	$ 34,373,104
Change in net unrealized capital gains (losses)	(1,007,289)	5,194,161	5,363,353
Change in net deferred income tax	(1,543,698)	(6,058,196)	7,609,043
Change in non-admitted assets and related items	1,854,672	3,759,180	(21,131,583)
Change in asset valuation reserve	(4,721,501)	(18,912,434)	(8,263,377)
Other changes in surplus in Separate Accounts statement	(5,264,502)	3,925,717	1,341,827
Change in surplus from additional deferred tax asset	591,514	0	0
Net change in capital and surplus for the year	$ 20,538,670	$ 29,158,639	$ 19,292,367
Capital and surplus, December 31, current year	$272,523,777	$301,682,416	$320,974,784

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, solicitation and the replacement of insurance policies.

> Section 51.6(b) of Department Regulation No. 60 states, in part:
>
> “Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .
>
> (3) Examine any proposal used, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the ”Disclosure Statement”, and ascertain that they are accurate and meet the requirements of the Insurance Law and this Part. . .
>
> (7) Where the required forms are not received with the application, or if the forms do not meet the requirements of this Part or are not accurate, within 10 days from the date of receipt of the application either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason thereof. In such cases, the insurer shall maintain any material used in the proposed sale, in accordance with the guidelines of paragraph (6) of this subdivision.”

> The Company’s filed replacement procedures state:
>
> “Disclosure Form: After obtaining the Customer’s authorization, the Agent shall request from the Original Insurer information about the replaced contract/policy. The information requested from the Original Insurer must be received within 20 calendar days of receipt and must be sufficient in order to provide a fair and complete comparison of the two contracts/policies.”

The examiner reviewed a sample of 25 internal and external deferred annuity replacements. The sample included 3 instances where the new contract was a single premium immediate annuity (“SPIA”). A review of the Disclosure Statements for the three new SPIAs reviewed revealed the following:

- The Company accepted Disclosure Statements where the replaced company's account values were listed as a lump sum rather than the monthly payment amount that the policyholder would receive with an immediate annuity. In these instances the Company did not request, from the existing insurer, an appropriate comparison for the proposed SPIA.

- The Disclosure Statement did not disclose that a disadvantage of the proposed annuity is that it cannot be surrendered for a lump sum cash value.

- A statement was not included in Agent's Statement section of the Disclosure Statement indicating that one of the advantages of keeping the existing deferred annuity contract would be the opportunity to annuitize the deferred annuity according to the terms of the original contract and avoid a surrender fee.

- The agent did not state on two of the three authorization forms that the new product being offered was a SPIA.

The Company affirmed that all Disclosure Statements for immediate annuity replacements are completed following the same procedures.

The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine and ascertain that the Disclosure Statement included all required disclosures.

The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to have any deficiencies corrected or else reject the application in the cases where the Disclosure Statement did not include all required disclosures.

The Company did not comply with their own filed replacement procedures when they failed to state in two of the three Disclosure Statements that the proposed annuity product was a SPIA.

The examiner recommends that the Company submit alternative Regulation No. 60 procedures to the Department, specifically an alternate Disclosure Statement, for situations where a deferred annuity contract is being replaced by one of the Company's SPIA contracts.

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.

The examiner reviewed the Company’s complaint register to ensure completeness and compliance with Company policies and procedures and Department regulatory requirements.

Department Circular Letter No. 11 (1978) advises that:

> “As part of its complaint handling function, the company’s consumer services department will maintain an ongoing central log to register and monitor all complaint activity. The log should be kept in a columnar form and list the following:
>
> 1. The date the complaint was received in-house.
> 2. The name of the complainant and the policy or claim file number.
> 3. The New York State Insurance Department file number.
> 4. The responsible internal division, i.e., personal lines underwriting, property damage claims, etc.
> 5. The person in the company with whom the complainant has been dealing.
> 6. The person within the company to whom the matter has been referred for review.
> 7. The date of such referral.
> 8. Bearing in mind the appropriate regulation mandating timely substantive replies, the dates of correspondence to the Insurance Department's Consumer Services Bureau.
>   A. The acknowledgment (if any).
>   B. The date of any substantive response.
>   C. The chronology of further contacts with this Department.
> 9. The subject matter of the complaint.
> 10. The results of the complaint investigation and the action taken.
> 11. Remarks about internal remedial action taken as a result of the investigation.”

A review of the Company’s consumer complaint log revealed that it did not include, in columnar form, the following:

- The responsible internal division, i.e., personal lines underwriting, property damage claims, etc.

- The person in the company with whom the complainant has been dealing.

- The person within the company to whom the matter has been referred for review.

- The date of such referral.

- The subject matter of the complaint.

- The results of the complaint investigation and the action taken.

- Remarks about internal remedial action taken as a result of the investigation.

The examiner recommended in the prior report on examination, that the Company maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978). In May of 2014 the Company established a software application that maintains their complaint log in the format outlined in Department Circular Letter No. 11 (1978). However, from September 2011 through April of 2014 the Company failed to take corrective action to maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978).

The Company failed to maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978) during the period under review through April 2014. This comment appeared in the prior report on examination.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 216.11 of Department Regulation No. 64 when it failed to maintain, within each death claim file, all communications, notes or work papers relating to the transaction, whether written or oral. The examination revealed that the Company implemented a death claim notification process designed to maintain all communications and dates associated with notification of death.
B	The Company violated Section 216.5(a) of Department Regulation No. 64 when it failed to provide evidence that a notification of all items, statements and forms required of the claimant was furnished to the claimant, within 15 days of receiving notice of the claim. The examination revealed that the Company implemented a death claim notification process to capture and retain evidence that proper notice to the claimant was furnished within 15 days of the Company’s receipt of notice of the claim.
C	The Company violated Section 216.6(c) of Department Regulation No. 64 when it failed to provide evidence that it advised the claimant or the claimant’s authorized representative of the acceptance or rejection of the claim within 15 business days of receipt of all requested items. The examination revealed that the Company implemented a death claim notification process to capture and retain evidence that timely notice of the acceptance or rejection of the claim was provided within 15 business days of receipt of all requested items.

Item	Description
D	The Company violated Section 403(d) of the New York Insurance Law and Sections 86.4(a) and (e) of Department Regulation No. 95 by utilizing claim forms that failed to contain the required fraud warning statement, and further, by using language that deviated from the required fraud warning statement without obtaining prior approval from the Department's Insurance Frauds Bureau. The examination revealed that in July 2012, following receipt of the prior Report on Examination, claim forms were corrected to provide the required fraud warning statement to comply with Section 86.4(a) of Department Regulation No. 95.
E	The examiner recommends that the Company maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978). The examination revealed that in May of 2014 the Company established a software application that maintains their complaint log in the format outlined in Department Circular Letter No. 11 (1978). However, during the period from September 2011 to April 2014, the Company did not take any corrective action to comply with the requirements of the Circular Letter. This is a repeat of the failure to comply found during the prior examination.
F	The Company violated Section 216.4(b) of Department Regulation No. 64 by failing to provide an acknowledgement to the complainant within 15 business days of receipt of the complaint. The examination revealed that the Company now provides an appropriate reply to complainants within 15 business days.
G	The Company violated Section 216.11 of Department Regulation No. 64 when it failed to maintain, within each complaint file, all communications, transactions, notes and work papers relating to the complaint, whether written or oral, and by not dating all communications. The examination revealed that the Company now maintains, within each complaint file, all communications, transactions, notes and work papers relating to the complaint, whether written or oral.

9. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 91.5(b) of Department Regulation No. 33 by adopting a method for allocating investment income by line of business which deviated from the investment year method without obtaining the approval of the superintendent.	17
B	The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine and ascertain that the Disclosure Statement included all required disclosures.	20
C	The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to have any deficiencies corrected or else reject the application in the cases where the Disclosure Statement did not include all required disclosures.	20
D	The Company did not comply with their own filed replacement procedures when they failed to state in two of the three Disclosure Statements that the proposed annuity product was a SPIA.	20
E	The examiner recommends that the Company submit alternative Regulation No. 60 procedures to the Department, specifically an alternate Disclosure Statement, for situations where a deferred annuity contract is being replaced by one of the Company's SPIA contracts.	20
G	The Company failed to maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978) during the examination period under review through April 2014. This comment appeared in the prior report on examination.	22

Respectfully submitted,

/s/
Victor U. Agbu
Associate Insurance Examiner

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

Victor U. 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 U. Agbu

Subscribed and sworn to before me

this__________ day of ____________________