

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

CONDITION:

DECEMBER 31, 2011

DATE OF REPORT:

SEPTEMBER 28, 2012

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EXAMINER:

CHACKO THOMAS

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

November 3, 2014

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

Sir:

In accordance with instructions contained in Appointment No. 30815, dated May 3, 2012 and annexed hereto, an examination has been made into the condition and affairs of Life Insurance Company of Boston & New York, hereinafter referred to as “the Company,” at its home office located at 277 North Avenue, Suite 200, New Rochelle, New York 10801.

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. 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, 2008 through December 31, 2011. 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, 2011 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 6 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 2008 through 2011, 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's parent, Boston Mutual Life Insurance Company, has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure.

The examination was conducted in conjunction with the coordinated examination of the Company's parent by the State of Massachusetts. Since both Massachusetts and New York are accredited by the NAIC and both companies share common management and controls, the states deemed it appropriate to rely on each other's work in the areas of the interview process, testing of financial controls, IT review, and risk matrices.

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 7 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.

## 2. DESCRIPTION OF COMPANY

### A. History

The Company was incorporated as a stock life insurance company under the laws of New York on May 25, 1988, and was licensed and commenced business on March 7, 1990. Initial resources of \$6,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$4,000,000, were provided through the sale of 20,000 shares of common stock (with a par value of \$100 each) for \$300 per share.

In June of 1992, the Company received a \$500,000 cash contribution to surplus from its parent, Boston Mutual Life Insurance Company (“Boston Mutual”), increasing gross paid in and contributed surplus to \$4,500,000.

In September of 1998, the Company received a \$2,000,000 cash contribution to surplus from Boston Mutual, increasing gross paid in and contributed surplus to \$6,500,000.

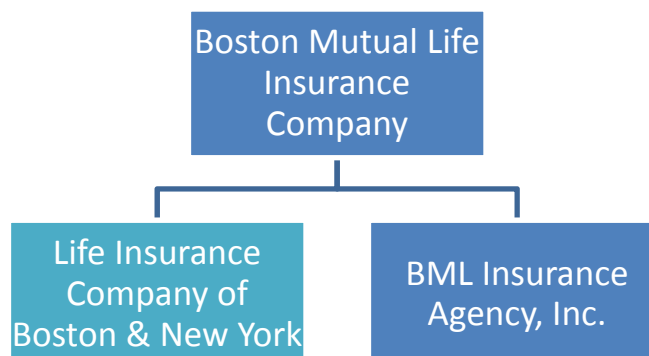
In December of 2002, the Company again received a \$1,000,000 cash contribution to surplus from Boston Mutual, increasing gross paid in and contributed surplus to \$7,500,000. As of December 31, 2011, capital and contributed surplus were \$2,000,000 and \$7,500,000, respectively.

### B. Holding Company

The Company is a wholly owned subsidiary of Boston Mutual, a Massachusetts Life Insurance 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, 2011 follows:



#### D. Service Agreements

The Company had one service agreement in effect with an affiliate 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   | (Expense)* For Each Year of the Examination  |
|--|----------------|---------------------------|----------------------------|---|--|
| Administrative File No. 29213                | 11/01/99       | Boston Mutual             | The Company                | Administrative Services including Accounting, Data Processing, Taxation, Auditing, Underwriting, Claims and Policy holder Services. | 2008 \$(1,007,662)<br>2009 \$( 985,083)<br>2010 \$( 921,164)<br>2011 \$(1,170,634) |

\* Amount of Expense Incurred by the Company

#### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2011, the board of directors consisted of 10 members. Pursuant to the by-laws of the Company, regular meetings of the board of directors are held on such dates as the board may designate. Meetings of the board were held in February, June and November of 2008 and 2009; and in February, May and November of 2010 and 2011.



The 10 board members and their principal business affiliation, as of December 31, 2011, were as follows:

| <u>Name and Residence</u>               | <u>Principal Business Affiliation</u>  | <u>Year First Elected</u> |
|---|--|---------------------------|
| Christine T. Coughlin<br>Stoneham, MA   | Treasurer and Secretary<br>Life Insurance Company of Boston & New York   | 2005                      |
| Clifford A. Lange<br>Medfield, MA       | Vice President<br>Life Insurance Company of Boston & New York  | 2011                      |
| Richard D. Lewis*<br>Cape Elizabeth, ME | Retired Partner<br>Ernst & Young   | 2006                      |
| Marnie W. Mueller*<br>Hartford, CT      | Retired<br>Former Consultant (Insurance)   | 2004                      |
| John J. Murphy Jr.*<br>New York, NY     | Managing General Partner<br>Murphy & Partners, L.P.  | 2008                      |
| Catharine W. O'Rourke*<br>New York, NY  | Consultant (Financial)   | 2011                      |
| Paul E. Petry<br>Osterville, MA         | President, Chief Executive Officer and Chairman<br>of the Board<br>Life Insurance Company of Boston & New York | 1996                      |
| Timothy L. Porter*<br>New York, NY      | Senior Counsel<br>Proskauer Rose, LLP  | 2000                      |
| Thomas H. Schwarz*<br>New York, NY      | Retired Managing Director<br>Schwarz Executive Search  | 1988                      |
| Laurie M. Shanon*<br>Brooklyn, NY       | President<br>Wilton Capital Group  | 2011                      |

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

In May 2012 the number of board members was increased from 10 to 12 and John R. Flores and Paul A. Quaranto Jr. were elected to the Board.

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, 2011:

| <u>Name</u>           | <u>Title</u>                          |
|-----------------------|---------------------------------------|
| Paul E. Petry         | President and Chief Executive Officer |
| Christine T. Coughlin | Secretary and Treasurer               |
| Paul S. Painchaud     | Appointed Actuary                     |
| Clifford A. Lange     | Vice President                        |
| Howard V. Neff Jr.    | Vice President                        |
| Paul A. Quaranto Jr.  | Vice President                        |
| Peter S. Tillson      | Vice President                        |

Frederick Thurston, the Company's Chief Compliance Officer, is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

In May, 2012, the titles of President and Chief Executive Officer were segregated; Paul A. Quaranto Jr. was elected President and Paul Petry continued as Chief Executive Officer.

### 3. 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 the State of New York only. In 2011, 94.36% of life premiums and 99.15% of accident and health premiums were received from New York State. Policies are written on a non-participating basis.

The Company primarily writes individual life, group life, individual long term disability, group long term disability, and group accidental death and disability insurance. In 2011, the majority of the Company's total premiums were received from ordinary life insurance (82.32%) and group accident and health insurance (17.15%). The remainder of premiums was received from group life insurance (0.53%).

#### A. Statutory and Special Deposits

As of December 31, 2011, the Company had \$400,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

#### B. Direct Operations

The Company's agency operations are conducted on a general agency basis. The Company's individual and group products are marketed through several independent producers, and sold to employer groups, trade organizations and professional organizations. Individual products are also marketed through a group of worksite marketing general agents. The Company has two worksite products. The first one is an Employee Life Option, which is an interest sensitive whole life insurance product that offers voluntary life insurance coverage. The second one is an Employee Accident Option which offers voluntary supplemental accident insurance coverage. Both of these worksite products are offered to employees of manufacturing, healthcare, and municipal organizations throughout New York.

### C. Reinsurance

As of December 31, 2011, the Company had reinsurance treaties in effect with five companies, all of which were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$50,000. The total face amount of life insurance ceded as of December 31, 2011, was \$147,125,932, which represents 12.4% of the total face amount of life insurance in force. The Company did not assume any reinsurance during the examination period.

#### 4. 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,<br><u>2007</u> | December 31,<br><u>2011</u> | <u>Increase</u>     |
|---|-----------------------------|-----------------------------|---------------------|
| Admitted assets   | <u>\$62,967,151</u>         | <u>\$93,650,888</u>         | <u>\$30,683,737</u> |
| Liabilities   | <u>\$53,375,806</u>         | <u>\$76,491,073</u>         | <u>\$23,115,267</u> |
| Common capital stock  | \$ 2,000,000                | \$ 2,000,000                | \$ 0                |
| Gross paid in and contributed surplus                           | 7,500,000                   | 7,500,000                   | 0                   |
| Increase in Admitted Deferred Tax Asset<br>pursuant to SSAP 10R | 0                           | 784,346                     | 784,346             |
| Unassigned funds (surplus)                                      | <u>91,345</u>               | <u>6,875,470</u>            | <u>6,784,125</u>    |
| Total capital and surplus                                       | <u>\$ 9,591,345</u>         | <u>\$17,159,816</u>         | <u>\$ 7,568,471</u> |
| Total liabilities, capital and surplus                          | <u>\$62,967,151</u>         | <u>\$93,650,889</u>         | <u>\$30,683,738</u> |

The Company's invested assets as of December 31, 2011, were mainly comprised of bonds (70.6%), policy loans (22.4%), and cash and short-term investments (6.5%).

The Company's entire bond portfolio, as of December 31, 2011, 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):

| <u>Year</u> | <u>Individual Whole Life</u> |                 | <u>Individual Term</u> |                 | <u>Group Life</u>             |                 |
|-------------|------------------------------|-----------------|------------------------|-----------------|-------------------------------|-----------------|
|             | <u>Issued</u>                | <u>In Force</u> | <u>Issued</u>          | <u>In Force</u> | <u>Issued &amp; Increases</u> | <u>In Force</u> |
| 2008        | \$239,285                    | \$ 851,634      | \$8,812                | \$52,251        | \$91                          | \$116,130       |
| 2009        | \$227,894                    | \$ 948,474      | \$3,594                | \$51,392        | \$ 0                          | \$101,477       |
| 2010        | \$112,448                    | \$ 976,003      | \$5,294                | \$51,599        | \$ 0                          | \$ 94,400       |
| 2011        | \$166,453                    | \$1,042,749     | \$7,045                | \$52,670        | \$ 0                          | \$ 91,117       |

The decrease in group life policies issued and in force during the examination period was due to the decision in 2007 by the Company to stop marketing the group life insurance to new groups in New York beginning 2008.

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

|                                   | <u>Ordinary</u> |              |              |                |
|-----------------------------------|-----------------|--------------|--------------|----------------|
|                                   | <u>2008</u>     | <u>2009</u>  | <u>2010</u>  | <u>2011</u>    |
| Outstanding, end of previous year | 0               | 1,942        | 3,977        | 5,984          |
| Issued during the year            | 2,052           | 2,445        | 2,785        | 1,425          |
| Other net changes during the year | <u>(0)</u>      | <u>(410)</u> | <u>(904)</u> | <u>(1,060)</u> |
| Outstanding, end of current year  | <u>1,942</u>    | <u>3,977</u> | <u>5,984</u> | <u>6,349</u>   |

The increase in issued policies from 2008 to 2011 is due to the marketing of a new worksite accident product. The market for this product decreased during 2011, resulting in fewer issued policies and overall lower sales of the product.

|                                   | <u>Group</u>   |                |                |               |
|-----------------------------------|----------------|----------------|----------------|---------------|
|                                   | <u>2008</u>    | <u>2009</u>    | <u>2010</u>    | <u>2011</u>   |
| Outstanding, end of previous year | 10,282         | 9,091          | 7,378          | 6,151         |
| Issued during the year            | 5              | 0              | 137            | 0             |
| Other net changes during the year | <u>(1,196)</u> | <u>(1,713)</u> | <u>(1,364)</u> | <u>( 407)</u> |
| Outstanding, end of current year  | <u>9,091</u>   | <u>7,378</u>   | <u>6,151</u>   | <u>5,744</u>  |

As stated earlier, the group accident and health line of business represents group long term disability and a voluntary accidental death and dismemberment product. The decrease in the group accident and health line of business represents the reduction in the voluntary accidental death and dismemberment product, which was associated with the group life product that the Company stopped marketing to new groups in New York beginning in 2008. The number of policies issued since 2008 represents additions to existing in-force groups. This block has been shrinking and is currently a closed block of business.

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>2008</u>         | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| Ordinary:                 |                     |                     |                     |                     |
| Life insurance            | \$ <u>2,382,887</u> | \$ <u>925,024</u>   | \$ <u>1,420,240</u> | \$ <u>1,182,794</u> |
| Total ordinary            | \$ <u>2,382,887</u> | \$ <u>925,024</u>   | \$ <u>1,420,240</u> | \$ <u>1,182,794</u> |
| Group:                    |                     |                     |                     |                     |
| Life                      | \$ <u>(35,221)</u>  | \$ <u>14,710</u>    | \$ <u>(41,156)</u>  | \$ <u>(68,976)</u>  |
| Total group               | \$ <u>(35,221)</u>  | \$ <u>14,710</u>    | \$ <u>(41,156)</u>  | \$ <u>(68,976)</u>  |
| Accident and health:      |                     |                     |                     |                     |
| Group                     | \$ 240,745          | \$ 101,555          | \$ 330,286          | \$ 129,782          |
| Other                     | <u>(29,034)</u>     | <u>27,156</u>       | <u>323,904</u>      | <u>547,075</u>      |
| Total accident and health | \$ <u>211,711</u>   | \$ <u>128,711</u>   | \$ <u>654,190</u>   | \$ <u>676,857</u>   |
| Total                     | \$ <u>2,559,378</u> | \$ <u>1,068,441</u> | \$ <u>2,033,276</u> | \$ <u>1,790,673</u> |

The 2009 decrease in ordinary life net gain is due to a revision in the calculation of deficiency reserves. The group life gain reported in 2009 was due to an improved claim ratio. The increase in group life losses in 2010 and 2011 is due to the company's decision to stop writing new group business beginning from 2008.

The fluctuation in the group accident and health line of business was due to the amount of claims reported each year. The earnings varied with fluctuations in the claim reserves.

The other accident and health is the worksite accident product which the Company began selling in 2008. The loss in this new block of business during the first year resulted from normal start-up expenses; as this block of business grew and more renewal premiums were received, the earnings increased.



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>2008</u>   | <u>2009</u>   | <u>2010</u>   | <u>2011</u>   |
|----------------------|---------------|---------------|---------------|---------------|
| Premiums earned      | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| Incurred losses      | 34.9%         | 45.8%         | 17.3%         | 22.5%         |
| Commissions          | 3.0%          | 18.4%         | 22.3%         | 14.7%         |
| Expenses             | <u>40.8%</u>  | <u>32.8%</u>  | <u>25.4%</u>  | <u>31.9%</u>  |
| Underwriting results | <u>21.3%</u>  | <u>3.0%</u>   | <u>34.9%</u>  | <u>30.9%</u>  |

The above results are driven by two separate issues. The first issue is the increase in the claim reserve on the long term disability insurance business. From 2008 to 2009, underwriting results decreased as expected earnings from the long term disability product did not materialize because more people continued to receive benefits and there were fewer claim terminations. In 2010, underwriting results improved as the loss ratios on long term disability insurance decreased from 44% to 41% and there were more claim terminations. The second issue is the higher first year commissions on the newly marketed worksite accident and health business. As the worksite accident and health product continued to grow and renew, the commissions were lower on the renewal business.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2011, as contained in the Company's 2011 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, 2011 filed annual statement.

### A. Independent Accountants

The firm of Ernst & Young was retained by the Company to audit the combined statutory basis statements of financial position of the Company as of December 31<sup>st</sup> 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 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  | \$61,870,269            |
| Cash, cash equivalents and short term investments  | 5,714,405               |
| Contract loans   | 19,662,815              |
| Other invested assets  | 334,790                 |
| Investment income due and accrued  | 1,435,476               |
| Premiums and considerations:   |                         |
| Uncollected premiums and agents' balances in the course of collection                    | 923,331                 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 1,543,275               |
| Reinsurance:   |                         |
| Amounts recoverable from reinsurers  | 6,613                   |
| Other amounts receivable under reinsurance contracts                                     | 681,373                 |
| Current federal and foreign income tax recoverable and interest thereon                  | 123,923                 |
| Net deferred tax asset   | 1,233,826               |
| Claim fund with TPA  | 59,660                  |
| Prepaid reinsurance premium  | <u>61,132</u>           |
| <br>Total admitted assets  | <br><u>\$93,650,888</u> |

C. Liabilities, Capital and Surplus

|  |                         |
|--|-------------------------|
| Aggregate reserve for life policies and contracts  | \$70,607,821            |
| Aggregate reserve for accident and health contracts  | 1,749,669               |
| Contract claims:   |                         |
| Life   | 1,284,747               |
| Accident and health  | 196,239                 |
| Premiums and annuity considerations for life and accident and health contracts received in advance | 40,056                  |
| Contract liabilities not included elsewhere:   |                         |
| Interest maintenance reserve   | 521,259                 |
| Commissions to agents due or accrued   | 454,368                 |
| General expenses due or accrued  | 325,007                 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes                            | (40,463)                |
| Amounts withheld or retained by company as agent or trustee  | 534,917                 |
| Remittances and items not allocated  | 377,932                 |
| Miscellaneous liabilities:   |                         |
| Asset valuation reserve  | 201,933                 |
| Payable to parent, subsidiaries and affiliates   | 129,859                 |
| Payable for Securities   | (7,400)                 |
| Uncashed checks pending escheatment  | <u>115,128</u>          |
| <br>Total liabilities  | <br><u>\$76,491,073</u> |
| <br>Common capital stock   | <br>\$ 2,000,000        |
| <br>Gross paid in and contributed surplus  | <br>\$ 7,500,000        |
| Increase in admitted deferred tax asset pursuant to SSAP 10R                                       | 784,346                 |
| Unassigned funds (surplus)   | <u>6,875,470</u>        |
| <br>Surplus  | <br><u>\$15,159,816</u> |
| <br>Total capital and surplus  | <br><u>\$17,159,816</u> |
| <br>Total liabilities, capital and surplus   | <br><u>\$93,650,889</u> |

D. Condensed Summary of Operations

|   | <u>      </u>       | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| Premiums and considerations                                       | \$13,192,495        | \$14,662,862        | \$15,326,002        | \$16,688,125        |
| Investment income   | 3,547,131           | 3,754,179           | 4,104,081           | 4,412,115           |
| Commissions and reserve adjustments on reinsurance ceded          | 2,289,567           | 2,191,060           | 2,118,450           | 2,009,152           |
| Miscellaneous income  | <u>          </u>   | <u>          </u>   | <u>          </u>   | <u>          </u>   |
|   | 18,112              |                     |                     |                     |
| Total income  | <u>\$19,047,305</u> | <u>\$20,612,118</u> | <u>\$21,554,409</u> | <u>\$23,110,399</u> |
| Benefit payments  | \$ 4,878,028        | \$ 5,291,446        | \$ 5,445,395        | \$ 6,432,269        |
| Increase in reserves  | 3,589,714           | 6,121,487           | 5,962,010           | 5,989,310           |
| Commissions   | 3,968,553           | 4,453,063           | 4,356,254           | 4,254,988           |
| General expenses and taxes  | 2,780,802           | 2,953,236           | 2,755,416           | 3,370,419           |
| Increase in loading on deferred and uncollected premiums          | <u>          </u>   | <u>          </u>   | <u>          </u>   | <u>          </u>   |
|   | 808,945             | 261,527             | 21,232              | 307,494             |
| Total deductions  | <u>\$16,026,042</u> | <u>\$19,080,759</u> | <u>\$18,540,307</u> | <u>\$20,354,480</u> |
| Net gain (loss)   | \$ 3,021,263        | \$ 1,531,359        | \$ 3,014,102        | \$ 2,755,919        |
| Federal and foreign income taxes incurred                         | <u>          </u>   | <u>          </u>   | <u>          </u>   | <u>          </u>   |
|   | 461,885             | 462,918             | 980,826             | 965,247             |
| Net gain (loss) from operations before net realized capital gains | <u>\$ 2,559,378</u> | <u>\$ 1,068,441</u> | <u>\$ 2,033,276</u> | <u>\$ 1,790,672</u> |
| Net realized capital gains (losses)                               | <u>(317,771)</u>    | <u>          </u>   | <u>          </u>   | <u>          </u>   |
| Net income  | <u>\$ 2,241,607</u> | <u>\$ 1,024,810</u> | <u>\$ 2,034,059</u> | <u>\$ 1,796,078</u> |

E. Capital and Surplus Account

|   | —                    | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          |
|---|----------------------|----------------------|----------------------|----------------------|
| Capital and surplus, December 31, prior year    | \$ <u>9,591,345</u>  | \$ <u>11,544,315</u> | \$ <u>13,225,237</u> | \$ <u>15,040,500</u> |
| Net income                                      | \$ 2,241,607         | \$ 1,024,810         | \$ 2,034,059         | \$ 1,796,078         |
| Change in net deferred income tax               | (468,184)            | (597,968)            | 8,802                | (223,747)            |
| Change in non-admitted assets and related items | 185,422              | 762,000              | (208,488)            | 327,074              |
| Change in asset valuation reserve               | (5,874)              | (3,034)              | (42,164)             | (46,266)             |
| Incremental DTA asset                           | —                    | —                    | —                    | —                    |
|   |                      | 495,117              | 23,054               | 266,175              |
| Net change in capital and surplus for the year  | \$ <u>1,952,971</u>  | \$ <u>1,680,925</u>  | \$ <u>1,815,263</u>  | \$ <u>2,119,315</u>  |
|   | 0                    |                      |                      |                      |
| Capital and surplus, December 31, current year  | \$ <u>11,544,315</u> | \$ <u>13,225,237</u> | \$ <u>15,040,500</u> | \$ <u>17,159,816</u> |

2008

## 6. 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.

## 7. 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:

| <u>Item</u> | <u>Description</u>   |
|-------------|--|
| A           | <p>The examiner recommended that the Company revise its procedures related to the appointment and termination of agents to include the maintenance of the confirmation of agent licensing status in order to comply with Section 243.2(b)(5) of Department Regulation No. 152.</p> <p>The Company corrected its procedures to maintain the confirmations of the agents' licensing status in the agents file. The examiner's review of the agents' licensing file did not find any discrepancies during the current examination period.</p>   |
| B           | <p>The Company violated Section 3230(a) of the New York Insurance Law by failing to provide an accelerated death benefit disclosure in any of the worksite policies issued to policyholders during the examination period.</p> <p>The Company mailed the disclosure to the affected policyholders in November 2008, and implemented procedures to strengthen its internal information technology and quality control checking processes. The examiner's review of accelerated death benefits did not detect any instances in which the disclosure form was not given to policyholders during the current examination period.</p> |
| C           | <p>The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing forms that were not filed with and approved by the Superintendent.</p> <p>The Company's review revealed that the five policies were for a product that has since been discontinued. The examiner's review of policy forms during the current examination did not reveal any violations of Section 3201(b)(1) of the New York Insurance Law.</p>  |
| D           | <p>The examiner recommended that the Company submit its unapproved policy form to the Superintendent for approval.</p> <p>The Company filed and obtained the Superintendent's approval for the use of the previously unapproved policy form.</p>   |
| E           | <p>The Company violated Section 403(d) of the New York Insurance Law by failing to include the required fraud warning statement on all of its claim forms.</p> <p>The Company's claim forms used during the current examination period included the required fraud warning statement.</p>  |



| <u>Item</u> | <u>Description</u>  |
|-------------|---|
| F           | <p>The examiner recommended that the Company maintain its complaint log in accordance with Department Circular Letter No. 11 (1978).</p> <p>The Company made the necessary changes to the complaint log to comply with Department Circular Letter No. 11 (1978).</p>  |
| G           | <p>The Company violated Section 4228(h) of the New York Insurance Law by failing to sign the supporting demonstrations related to the actuarial statements of self-support for the Company's primary policy forms.</p> <p>The examiner did not note any instances, during the current examination period, where the Company failed to comply with Section 4228(h) of the New York Insurance Law.</p>  |
| H           | <p>The examiner recommended that the Company implement changes for documenting its pricing and product development in the manner agreed upon with the Department.</p> <p>The Company incorporated an explicit margin for each material assumption in a manner that is consistent with a statutory valuation, as agreed to with the Department. Additionally, the margins are now appropriately documented in the Company's Actuarial Memoranda.</p> |

Respectfully submitted,

\_\_\_\_\_  
/s/

Chacko Thomas  
Senior Insurance Examiner

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

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

\_\_\_\_\_  
/s/

Chacko Thomas

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

APPOINTMENT NO. 30815

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:

**CHACKO THOMAS**

as a proper person to examine the affairs of the

**LIFE INSURANCE COMPANY OF BOSTON & 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 3rd day of May, 2012

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

