NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

MONITOR LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2011

DATE OF REPORT: MAY 22, 2013

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

MONITOR LIFE INSURANCE COMPANY OF NEW YORK

AS OF DECEMBER 31, 2011

DATE OF REPORT:	MAY 22, 2013
EXAMINER:	MICHAEL A. DAVIS, CFE

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	6
	D. Service agreements	8
	E. Management	9
4.	Territory and plan of operations	11
	A. Statutory and special deposits	11
	B. Direct operations	11
	C. Reinsurance	12
5.	Significant operating results	13
6.	Financial statements	16
	A. Independent accountants	16
	B. Net admitted assets	16
	C. Liabilities, capital and surplus	17
	D. Condensed summary of operations	18
	E. Capital and surplus account	19
7.	Market conduct activities	21
	A. Advertising and sales activities	21
	B. Underwriting and policy forms	21
	C. Treatment of policyholders	21
8.	Information technology	23
9.	Internal audit	24
10.	Prior summary and conclusions	25
11.	Summary and conclusions	30

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 22, 2013

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

Sir:

In accordance with instructions contained in Appointment No. 30533, dated June 5, 2012, and annexed hereto, an examination has been made into the condition and affairs of Monitor Life Insurance Company of New York, hereinafter referred to as "the Company," at its administrative office located at 6040 I-55 North Frontage Road, Jackson, MS 39211. The Company's home office is located at 70 Genesee Street, Utica, NY 13502.

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 events and violation contained in this report are summarized below.

- On January 1, 2011, the Company was purchased by AmFirst Insurance Company ("AmFirst"), an Oklahoma domiciled insurance company. (See item 3A of this Report)
- In 2011, under new ownership, the Company shifted from its primary block of business consisting of group term life insurance to a supplemental medical accident and health insurance policy called "Premium Saver", an employer sponsored group supplemental insurance plan which is designed to help reduce the cost of group medical coverage. (See item 4B of this Report)
- The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders, whose policies are applicable to this section and contain a cash surrender value, that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner. (See item 7C of this Report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the NAIC Financial Condition Examiners Handbook, 2011 Edition (the "Handbook"). The examination covers the five-year period from January 1, 2007 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 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 Department statutes and 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 2007 through 2010, by the accounting firm of BKD LLP and for 2011 by the accounting firm Carr Riggs & Ingram LLC. 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 examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior financial and market conduct reports on examination. The results of the examiner's review are contained in item 10 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on October 15, 1971, under the name Monitor Insurance Company of New York. The Company was licensed to write accident and health business as specified by paragraph 3 of Section 1113(a) of the New York Insurance Law and commenced business on June 1, 1972. The Company's initial paid-in capital was $500,000, and contributed surplus was $600,000.

On August 15, 1978, the Company amended its charter to include the writing of life insurance and annuities as specified in paragraphs 1 and 2 of Section 1113(a) of the New York Insurance Law.

On April 25, 1979, the Company's name was changed to Monitor Life Insurance Company of New York.

On January 1, 2011, the Company was purchased by AmFirst, an Oklahoma domiciled insurance company.

Changes in the capital and surplus of the Company since incorporation resulted in common capital stock of $1,000,000, consisting of 10,000 shares at $100 par value and gross paid in and contributed surplus of $2,000,000 as of December 31, 2006. In January 2011, the parent, AmFirst, made an investment in the Company through a cash contribution in the amount of $560,000, bringing the gross paid in and contributed surplus to $2,560,000 as of December 31, 2011.

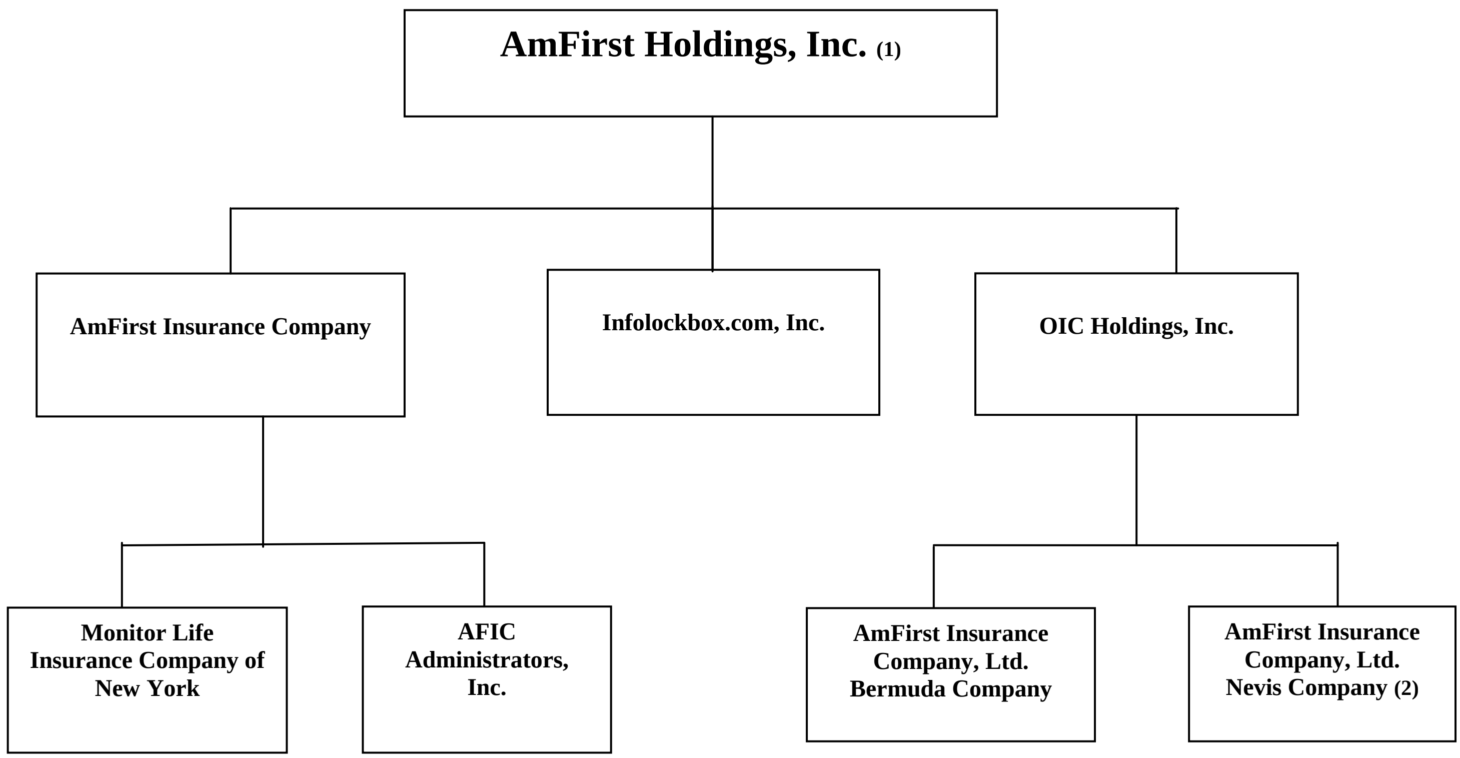
B. Holding Company

The Company is a wholly owned subsidiary of AmFirst. AmFirst is in turn a wholly owned subsidiary of AmFirst Holdings, Inc., ("AmFirst Holdings"), a privately-owned Mississippi holding company. Until December 30, 2011, the shares of AmFirst Holdings were owned by David R. White (45%), John J. Morgan (45%) and Richard L. Eaton (10%), at which time the shares owned by Mr. White and Mr. Eaton were transferred to Wheaton Holdings, LLC.

The Morgan-White Group, Inc. ("MWG"), which is also 45% owned by John J. Morgan and 55% owned by Wheaton Holdings, LLC is a significant participant in the Company's operations as MWG performs marketing and administrative services for the Company, AmFirst Holdings and AmFirst.

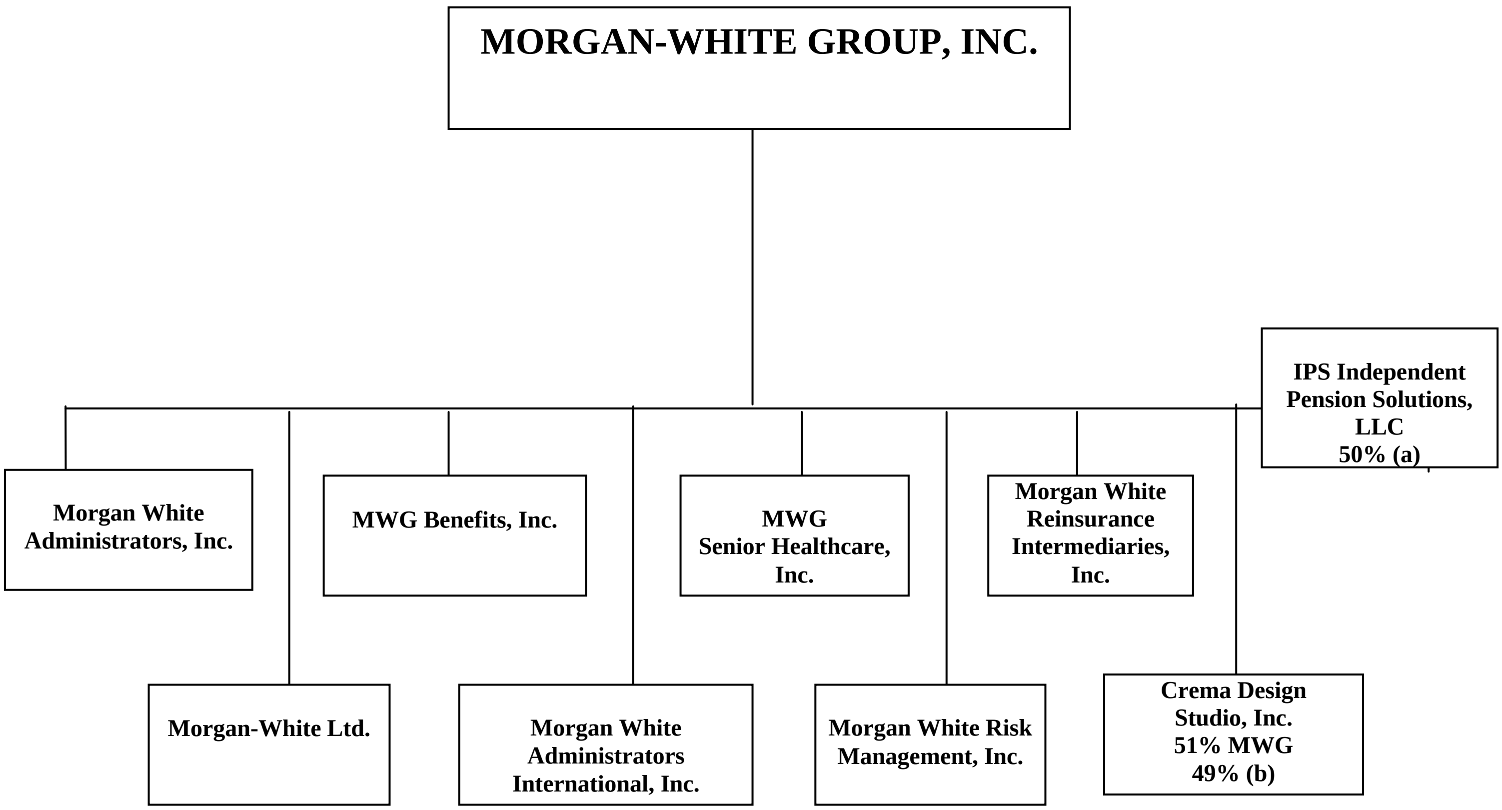
C. Organizational Chart

An organizational chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2011, follows:



(1) John J. Morgan (45%)
Wheaton Holdings, LLC (55%)

(2) Karl Bird (21%)



Footnote:

a. **50% Security Ballew LLP**
b. **29% James Douglas; 10% Ryan Eaton; 10% Jason Peets**

D. <u>Service Agreements</u>

Since being acquired by AmFirst on January 1, 2011, the Company had three service agreements in effect with affiliates.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	2011 Expense
General Agent Service Agreement (Department File No.43804)	01/01/11	Morgan-White Ltd. (“MWL”)	The Company	General agency and recruiting services and training brokers to market and sell the Company’s products.	$ (38,456)
Claims and Policy Service Agreement (Department File No.43803)	01/01/11	Morgan-White Administrators, Inc. (“MWA”)	The Company	Underwriting, policy issuance, premium billing and collection, and claim adjudication for the medical and dental business.	$(193,198)
Administration Services and Cost Allocation Agreement (Department File No.43802)	01/01/11	AmFirst Holdings	The Company	General administrative and accounting services.	$(418,460)

* Amount of Income or (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 seven and not more than 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2011, the board of directors consisted of eight members. Meetings of the board are held at least three times during each year.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Karl E. Byrd Jackson, MS	Vice President Security Ballew, Inc.	2011
Steven A. Corbitt Sr.* Jackson, MS	President/Owner The Corbitt Company	2011
Richard L. Eaton Ridgeland, MS	Treasurer and Secretary Monitor Life Insurance Company of New York	2011
Ryan L. Eaton Madison, MS	Vice President Monitor Life Insurance Company of New York	2011
John J. Morgan Oxford, MS	Vice President Monitor Life Insurance Company of New York	2011
Jason A. Peets Madison, MS	Vice President Monitor Life Insurance Company of New York	2011
Paul H. Trevvett* Cold Brook, NY	President and Chief Executive Officer Commercial Travelers Mutual Ins. Co	2011
David R. White Madison, MS	President and Chief Executive Officer Monitor Life Insurance Company of New York	2011

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

After the acquisition of the Company by AmFirst on January 1, 2011 management, including all directors, was changed to reflect the new ownership and management.

Effective April 3, 2012, James K. Douglas was elected as a Director of the Company, bringing the total number of directors to nine.

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:

Name	Title
David R. White	President and Chief Executive Officer
Richard L. Eaton*	Treasurer and Secretary
Jason A. Peets	Vice President
Ryan L. Eaton	Vice President
John J. Morgan	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 25 states and the District of Columbia. In 2011, 73% of life premiums were received from New York, and 88.5% of accident and health premiums were received from Texas (42.8%), Arizona (31.2%) and Mississippi (14.5%). Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2011, the Company had $2,170,000 (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. As per confirmations received from the following states which were reported in Schedule E of the 2011 filed annual statement, an additional $745,000 was being held by the states of Arkansas, Florida, Massachusetts and Virginia.

B. Direct Operations

The Company's principal line of business during the examination period prior to December 31, 2010 was group term life insurance targeted to small and mid size employers written in conjunction with group disability products offered by the Company's former parent, Commercial Travelers Mutual Insurance Company ("CT"). The marketing name of the combined effort was CT Group.

In 2003, the Company sold the vast majority of its individual life and annuity business by entering into a ceding agreement with Standard Security Life Insurance Company of New York ("SSLONY"). Effective October 31, 2003, the Company entered into a 100% coinsurance agreement with SSLONY that calls for SSLONY to assume the Company's inactive individual life and annuity business. The administration of the reinsured business was also turned over to SSLONY as third party administrator. In 2005, SSLONY commenced the process of assuming the reinsured business. A closed block of individual senior life policies currently in run-off that were jointly marketed with Guarantee Reserve Life Insurance Company ("GRLIC") are excluded from the assumption agreement, but are covered under a 100% coinsurance agreement with SSLONY and are administered by SSLONY.

In 2011, under new ownership, the Company shifted its primary block of business, from group term life insurance to "Premium Saver" which is an employer sponsored group supplemental medical accident and health insurance plan which is designed to help reduce the cost of group medical coverage.

The Company's current agency operations are conducted through its affiliate general agency, MWL, or through independent agents.

C. Reinsurance

As of December 31, 2011, the Company had reinsurance treaties in effect with three companies, all of which were authorized or accredited. The Company's ordinary life policies are ceded on a coinsurance, 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 $50,000. The total face amount of life insurance ceded as of December 31, 2011, was $83,253,701, which represents 18.79% of the total face amount of life insurance in force.

Effective October 31, 2003, the Company entered into an agreement with SSLONY to cede 100% of its individual life insurance business. The business included a closed block of individual life insurance and annuities that resulted from acquisitions and a senior life policy that was formerly marketed in conjunction with GRLIC.

Effective January 1, 2011, the Company entered into a 20% quota share reinsurance agreement with AmFirst to assume 20% of the liabilities and obligations for the group "Premium Saver" medical policies issued or renewed on or after January 1, 2011 for the policies that were produced by MWL and administered by MWA. Total premium assumed under this contract in 2011 was $3,952,502. The ceding commission is 33%.

Also effective January 1, 2011, the Company entered into a 50% quota share reinsurance agreement with Standard Life and Accident Insurance Company ("SLAIC") to assume 50% of the liabilities and obligations for the group "Premium Saver" medical policies issued or renewed on or after January 1, 2011, for the policies that were produced by MWL and administered by

MWA. Total premium assumed under this contract in 2011 was $8,062,742. The ceding commission is 38%.

The Company also has other individual and group life and annuity business that was assumed in prior periods and resulted in an assumed premium amount of $297,193. Total assumed reserves on this business were $1,003,346 as of December 31, 2011. The total face amount of life insurance assumed, as of December 31, 2011, was $65,993,920. The majority (99.1%) of the business was assumed from Fidelity Security Life Insurance Company, a Missouri insurer, under a 100% pro-rata coinsurance agreement covering employee group life insurance.

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, 2006	December 31, 2011	Increase (Decrease)
Admitted assets	$9,467,991	$11,799,119	$2,331,128
Liabilities	$3,781,562	$ 5,639,614	$1,858,052
Common capital stock	$1,000,000	$ 1,000,000	$ 0
Gross paid in and contributed surplus	2,000,000	2,560,000	560,000
Unassigned funds (surplus)	2,686,430	2,599,505	(86,925)
Total capital and surplus	$5,686,430	$ 6,159,505	$ 473,075
Total liabilities, capital and surplus	$9,467,991	$11,799,119	$2,331,128

The Company's invested assets as of December 31, 2011, were mainly comprised of bonds (50.8%), cash and short-term investments (38.9%) and preferred stocks (10.1%).

The Company's entire bond portfolio as of December 31, 2011, was comprised of investment grade obligations.

Admitted assets increased primarily as a result of an increase in cash and receivables provided by the direct writing and assumption of the Company's "Premium Saver" product. The increase in liabilities was a result of claim reserves established for the "Premium Saver" business. On January 1, 2011, the Company was purchased by AmFirst, who immediately infused $560,000 into paid-in surplus.

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:

	2007	2008	2009	2010	2011
Ordinary:					
Life insurance	$ 386,404	$ 220,048	$ 145,141	$ (20,003)	$ (51,111)
Individual annuities	106,237	62,779	38,516	20,137	(69,584)
Supplementary contracts	(5,696)	(7,853)	(20,407)	(13,049)	(29,683)
Total ordinary	$ 486,945	$ 274,974	$ 163,250	$ (12,915)	$ (150,378)
Group:					
Life	$(645,992)	$(611,542)	$(492,852)	$(539,168)	$ (416,419)
Total life	$(645,992)	$(611,542)	$(492,852)	$(539,168)	$ (416,419)
Accident and health:					
Group	$ 0	$ 0	$ 0	$ 0	$2,397,700
Other	7,085	4,074	5,332	2,684	6,486
Total accident and health	$ 7,085	$ 4,074	$ 5,332	$ 2,684	$2,404,186
Total	$(151,963)	$(332,494)	$(324,270)	$(549,398)	$1,837,389

The decrease in net income in the ordinary lines of business from 2007 through 2010 is a result of the following: The amortization of the profit on the sale of the block of business to

SSLONY in 2003 is less each year (declining balance method of amortization). The spread between the interest earned and the interest paid on annuity products became increasingly smaller. The interest being paid out on the SSLONY Modified Coinsurance agreement was supposed to match the amount of investment income being earned by the Company on those reserves. However, due to an error in the calculation beginning in 2005 and continuing through 2011, the Company overpaid the interest due under the SSLONY Modified Coinsurance agreement by a cumulative amount of $337,000. This amount was refunded in July 2012. The gap between what should have been paid under the agreement and what was actually paid became larger each year creating greater losses in 2010 and 2011. The net income of these lines should have been $337,000 greater for the period 2007 through 2011. In 2011, the net income would have been $87,000 greater if the correct amount had been paid under the agreement.

The reason for the net loss in the group life line of business during the period of 2007 through 2011 is due to a lack of rate increases initiated during the periods. Rate increases were implemented in 2012 that lead to a group life net gain in 2012.

The large increase in net income in the accident and health line of business is primarily due to the introduction of the “Premium Saver” product in 2011.

6. 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 that 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 Carr, Riggs & Ingram LLC ("CRI") was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31, 2011, and the related statutory-basis statements of operations, capital and surplus, and cash flows for 2011. The firm of BKD LLP ("BKD") audited the Company in the prior four years.

CRI and BKD 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	$5,236,488
Preferred stocks	1,039,626
Cash, cash equivalents and short term investments	4,016,081
Contract loans	22,166
Investment income due and accrued	37,145
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	115,573
Deferred premiums, agents' balances and installments booked but deferred and not yet due	124,422
Reinsurance:	
Amounts recoverable from reinsurers	881,930
Current federal and foreign income tax recoverable and interest thereon	30,931
Net deferred tax asset	294,756
Total admitted assets	$11,799,119

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 3,308,771
Aggregate reserve for accident and health contracts	14,060
Contract claims:	
Life	160,489
Accident and health	1,747,356
Premiums and annuity considerations for life and accident and health contracts received in advance	330,603
General expenses due or accrued	80,201
Taxes, licenses and fees due or accrued, excluding federal income taxes	(116,849)
Remittances and items not allocated	7,683
Miscellaneous liabilities:	
Asset valuation reserve	8,732
Payable to parent, subsidiaries and affiliates	98,558
Checks pending escheatment to states	5
Rounding	5
Total liabilities	$ 5,639,614
Common capital stock	$ 1,000,000
Gross paid in and contributed surplus	2,560,000
Unassigned funds (surplus)	2,599,505
Surplus	$ 5,159,505
Total capital and surplus	$ 6,159,505
Total liabilities, capital and surplus	$11,799,119

D. Condensed Summary of Operations

	2007	2008	2009	2010	2011
Premiums and considerations	$1,253,939	$1,221,808	$1,276,006	$1,163,064	$13,887,389
Investment income	346,834	303,439	256,865	163,580	200,618
Commissions and reserve adjustments on reinsurance ceded	393,457	269,689	195,051	191,260	157,952
Miscellaneous income				188,610	22,500
Total income	$1,994,231	$1,794,936	$1,727,939	$1,706,513	$14,268,459
Benefit payments	$ 931,386	$ 984,306	$ 819,328	$ 969,490	$ 6,299,361
Increase in reserves	99,172	(151,497)	25,323	(53,635)	(49,669)
Commissions	169,578	173,843	162,912	159,166	4,954,718
General expenses and taxes	959,137	1,134,657	1,055,121	940,907	1,228,269
Increase in loading on deferred and uncollected premiums	(13,153)	(13,878)	(10,477)	(10,016)	(1,608)
Miscellaneous deductions				250,000	
Total deductions	$2,146,193	$2,127,430	$2,052,208	$2,255,912	$12,431,071
Net gain (loss)	$ (151,963)	$ (332,493)	$ (324,268)	$ (549,399)	$ 1,837,389
Federal and foreign income taxes incurred	(148,025)	(220,183)	(185,031)	(9,528)	229,069
Net gain (loss) from operations before net realized capital gains	$ (3,938)	$ (112,310)	$ (139,237)	$ (539,871)	$ 1,608,320
Net realized capital gains (losses)					(1,863)
Net income	$ (3,938)	$ (112,310)	$ (139,237)	$ (539,871)	$ 1,606,457

E. Capital and Surplus Account

		2008	2009	2010	2011
Capital and surplus, December 31, prior year	$5,686,430	$5,320,978	$5,056,030	$4,722,890	$3,966,909
Net income	$ (3,938)	$ (112,310)	$ (139,237)	$ (539,871)	$1,606,457
Change in net deferred income tax	(35,558)	(49,378)	(33,080)	62,752	(8,078)
Change in non-admitted assets and related items	(26,028)	141,288	15,432	(99,469)	199,364
Change in asset valuation reserve	(2,992)	(1,241)	(878)	3,032	1,787
Surplus adjustments:					
Paid in	0	0	0	0	560,000
Deferred tax asset restatement	0	0	23,856	0	0
Nonadmitted asset related to	0	0	(175,412)	0	0
Intangible pension asset					
Change in nonadmitted asset related 2007 to deferred tax asset restatement	0	0	175,412	0	0
Amortization ceding commission	(296,935)	(243,304)	(199,232)	(182,425)	(166,938)
Rounding					
Block sale					
Net change in capital and surplus for the year	$ 0 (365,451)	$ 0 (264,945)	$ 0 (333,139)	$ 0 (755,981)	$ 3 2,192,596
Capital and surplus, December 31, current year	$5,320,979	$5,056,033	$4,722,891	$3,966,909	$6,159,505

7. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

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

B. Underwriting and Policy Forms

The examiner reviewed a sample of the Group Term Life 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.

Section 3214(c) of the New York Insurance Law states:

> "If no action has been commenced, interest upon the principal sum paid to the beneficiary or policyholder shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of death of an insured or annuitant in connection with a death claim on such a policy of life insurance or contract of annuity and from the date of maturity of an endowment contract to the date of payment and shall be added to and be a part of the total sum paid."

MWA, a third party administrator in Jackson, Mississippi, was responsible for the adjudication of death claims on behalf of the Company commencing in 2011. The review indicated that MWA failed to pay interest in 21 of the 25 (84%) death claims adjudicated in 2011. As a result of this discovery, the Company issued corrected interest payments for the 21 claims on July 24, 2012.

The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest on death claims.

Section 3211(g) of the New York Insurance Law states, in part:

> "In the case of insurance policies . . . which contain a cash surrender value, the insurer must provide an annual notification that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner. . . ."

A review of 100 policy files indicated that the Company failed to provide the required annual notification to policyholders with policies that contain a cash surrender value in 73 (73%) instances as required by Section 3211(g) of the New York Insurance law. As a result of the examination, the Company recognized a programming error had occurred that resulted in the failure to provide the required notices and on July 31, 2012 sent out 2,657 annual notifications, as required by Section 3211(g) of the New York Insurance Law, to affected policyholders.

The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders, whose policies are applicable to this section and contain a cash surrender value, that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner. This is a repeat violation.

8. INFORMATION TECHNOLOGY

An examination of the Company's Information Technology ("IT") Systems was performed. The areas of IT governance, logical security, computer operations and change management were reviewed. There were multiple areas of concern noted by the examiners which were factored into the overall examination risk assessment. Such areas of concern included the following deficiencies:

- Disaster recovery and business continuity planning:
  - The Company has not prepared business impact analyses, based upon which management would develop and update its disaster recovery plan.
  - The Disaster Recovery Plan ("DRP") lists objectives for overall recovery; however, the specific steps taken and the expected time to complete each step are not included in the plan.
  - The DRP has not been tested and tests have not been scheduled.
  - Key functions, applications and servers have been listed; however, a restoration priority for these items has not been included in the plan.
- Data classification and development of procedures for handling such data from inception to destruction need improvement.
- Formal minutes of IT Steering Committee meetings are not maintained.
- A comprehensive system development life cycle methodology has not been developed.
- Standards, policies and procedures for acquisition, implementation and the upgrade of IT infrastructure are not documented.
- Change control processes need strengthening.
- Password controls need strengthening where practical.
- IT help desk calls are not recorded and logged.
- Reviews and risk assessments associated with the IT environment are not conducted periodically.

Prior to the issuance of this examination report, the Company initiated steps to begin to remediate and mitigate the risks associated with these concerns. Since the remediation efforts were not fully implemented at the time of this report, the effectiveness of these mitigation strategies was not tested by the examiners.

The examiner recommends that the Company continue to take steps to mitigate the risks and areas of concern as noted by the examiners relative to its IT Systems.

9. INTERNAL AUDIT

Internal audit is an integral part of corporate governance that also includes the audit committee, the board of directors, senior management and the external auditors. In particular, internal auditors and audit committees are mutually supportive. Consideration of the work of internal auditors is essential for the audit committee to gain a complete understanding of the Company's operations. Internal audit identifies strategic, operational and financial risks facing the organization and assesses controls put in place by management to mitigate those risks.

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. The Company established an independent audit function in November, 2012.

10. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Financial Exam Report:

Item	Description
A	The examiner recommends that the Company continue to develop a business continuity plan. The examiners review revealed that while the Company has continued to develop an integrated disaster recovery/business continuity plan, there are weaknesses with respect to this plan as discussed in item 8 of this report.
B	The examiner recommends that each business unit or user department conduct business risk assessments in order to identify and prioritize critical business processes for coverage under the business continuity plan (i.e. premium accounting/processing, payment of claims, responding to calls from policyholders, processing policyholder requests, payment of commissions, etc.). Policies and procedures manuals which encompass all aspects of the business and address all the items contained in the listed recommendation were developed by the Company.
C	The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a records retention plan that includes a description of the financial records being retained, the method of retention, and the safeguards established to prevent alteration of such records. The Company has established a record retention plan that includes a description of the financial records being retained, the method of retention, and the safeguards to prevent alteration of such records.
D	The examiner recommends that the Company maintain proper documentation, including but not limited to electronic data extracts, to support the amounts reported in its filed annual statement, and that such documentation be readily available and accessible for future examinations. This includes data to support business administered by third parties. All data and records that support items reported in the Company's 2011 annual statement were readily available and accessible.

Market Conduct Exam Report:

Item	Description
A	The examiner recommends that the Company perform internal audits of the functions provided by the TPA. The examiners review indicated that the Company's former parent Commercial Travelers Mutual Insurance Company performed an audit of the functions provided by its TPA.
B	The Company violated Sections 2601(a)(1) and (4) of the New York Insurance Law by misrepresenting facts and policy provisions relating to coverage and failing to attempt in good faith to effectuate prompt, fair and equitable settlements of claims submitted in which liability had become reasonably clear. The examiners review of claims indicated that there were no failures to effectuate prompt, fair and equitable settlements of claims submitted in which the liability had become reasonably clear.
C	The examiner recommends that the Company conduct a review of all claims that were denied or resisted during the examination period and through the last date of field work (April 11, 2008) and pay any claims where the Company has no evidence of material misrepresentation by the insured. The examiners review indicated that the Company paid all denied or resisted claims where the Company had no evidence of material misrepresentation by the insured.
D	The examiner recommends that the Company review paid claims and reimburse beneficiaries for expenses incurred in obtaining medical records on behalf of the Company. The examiners review revealed that no requests were made of beneficiaries for additional documentation beyond the certified death certificate and a notarized claim form.
E	The Company violated Section 216.4(b) of Department Regulation No. 64 by failing to follow up on pertinent communications with the claimant. The examiners review revealed that the Company followed up on pertinent communication with the claimant when necessary.

Item	Description
F	The Company violated Section 216.6(c) of Department Regulation No. 64 by failing to: 1) notify claimants or the claimant's authorized representative within 15 business days after receipt of proof of loss and other requested information of its decision to accept or deny the claim; and 2) notify claimants that the insurer would need additional time to investigate the claim in order to determine whether or not the claim should be accepted or rejected. The examiners review indicated that the Company is in compliance with Section 216.6(c) of the New York Insurance Law.
G	The Company violated Section 216.11 of Department Regulation No. 64 by failing to maintain claim files so that all events relating to a claim can be reconstructed by the examiner. The examiners review indicated that the Company maintained claim files so that all events relating to a claim can be reconstructed by thee examiner.
H	The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to fully disclose to whole life and term policyholders that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the policyholder's right to any cash surrender value or nonforfeiture benefit thereunder. The examiners review revealed that the Company's premium notices included required language that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate of lapse except as to the policyholder's right to any cash surrender or nonforfeiture benefit thereunder.
I	The examiner recommends that the Company contact policyholders whose policy(ies) lapsed from January 1, 2003 to January 31, 2008, to determine if any benefits are payable since the policies were lapsed without proper notice. The examiners review indicated that the Company provided individuals with lapse notices and offered them the opportunity to reinstate their policies.
J	The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders, whose policies are applicable to this section and contain a cash surrender value, that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner.

Item	Description
	The examiners review revealed that the Company provided annual notifications to policyholders in 2009 and 2010. However, a programming error resulted in the Company's failure to send out the required notices during 2011. (See item 7C of this report)
K	The Company violated Section 86.4(a) of Department Regulation No. 95 by using claim forms that failed to contain the required fraud warning language. The examiners review indicated that all claim forms utilized by the Company contain the required fraud warning language.
L	The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to position the fraud warning statement on its claim form immediately above the space provided for the signature of the person executing the claim statement. The examiners review of the Company's claim forms indicated that the fraud warning statement is correctly positioned immediately above the space provided for the signature of the person executing the claim statement.
M	The Company violated Section 3214(c) of the New York Insurance Law by failing to pay the correct interest rate on death claims. The examiners review indicated that the Company's automated claim system implemented subsequent to the prior exam incorporates the interest rate requirement for every state. However, a similar violation appears in this report with regard to the adjudication of claims performed by TPAs. (See item 7C of this report)
N	The Company violated Section 243.2(b)(8) of Department Regulation No. 152 by failing to maintain: 1) documentation regarding lapsed life insurance policies; and 2) documentation related to the rates of interest paid on death claims incurred between January 1, 2004 and April 27, 2006. The examiners review revealed that the Company is currently maintaining documentation regarding lapsed life policies and documentation related to the rates of interest paid on death claims.
O	The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a record retention plan that includes a description of the types of records being retained, the method of retention, and the safeguards established to prevent alteration of such records.

Item	Description
	The examiners review indicated that the Company has established and maintains a record retention plan that includes a description of the types of records being retained, the method of retention, and the safeguards established to prevent alteration of such records.
P	The Company violated Section 4216(e) of the New York Insurance Law by failing to file its commission schedules paid to agents and brokers for the sale of its large group life insurance policies. The examiners review revealed that the Company's commission schedules for its large group life insurance policies were filed with and accepted by the Department on September 23, 2008.

11. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest on death claims.	22
B	The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders, whose policies are applicable to this section and contain a cash surrender value, that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner. This is a repeat violation.	22
C	The examiner recommends that the Company continue to take steps to mitigate the risks and areas of concern as noted by the examiners relative to its IT Systems.	24
D	The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control.	24

Respectfully submitted,

/s/
Michael A. Davis
CFE, EIC

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

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

/s/
Michael A. Davis

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30533

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:

MICHAEL DAVIS

as a proper person to examine the affairs of the

MONITOR 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 8th day of March, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU