



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

LOMBARD INTERNATIONAL LIFE ASSURANCE COMPANY

OF

NEW YORK

AS OF DECEMBER 31, 2020

EXAMINER:
DATE OF REPORT:

PABLO RAMOS
MAY 2, 2022

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	6
	D. Service agreements	8
	E. Management	8
4.	Territory and plan of operations	13
	A. Statutory and special deposits	13
	B. Direct operations	13
	C. Reinsurance	13
5.	Financial statements	14
	A. Independent accountants	14
	B. Net admitted assets	14
	C. Liabilities, capital and surplus	15
	D. Condensed summary of operations	16
	E. Capital and surplus account	17
6.	Summary and conclusions	18

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 8, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32274, dated June 10, 2021, and annexed hereto, an examination has been made into the condition and affairs of Lombard International Life Assurance Company of New York, hereinafter referred to as “the Company”. The Company’s home office is located at One Liberty Place, 1650 Market Street, 54th Floor, Philadelphia, PA 19103. Due to the COVID-19 pandemic, the examination was conducted remotely.

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 1202(b)(1) of the New York Insurance Law and its by-laws when it failed to maintain the required minimum number of audit committee members from January 2016 through February 2019, and when it held an audit committee meeting without a quorum present. (See item 3E-1 in this report.)
- The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election in the office of the superintendent at least ten days before the elections of five directors. (See item 3E-2 in this report.)
- The Company violated Section 1411(a) of the New York Insurance Law when the board of directors did not authorize or approve purchases and sales of investments. (See item 3E-3 in this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiners Handbook, 2021 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2016, through December 31, 2020. 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, 2020, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the 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.

The examination was called by the Pennsylvania Insurance Department ("Pennsylvania") in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. Pennsylvania served as the lead state with New York participating. Since the lead and participating states are accredited by the NAIC, both states deemed it appropriate to rely on each other's work.

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 2016 through 2020, by the accounting firm of Ernst & Young, LLP (“EY”). 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 head of internal audit is the only employee in the Company’s internal audit department. The Company’s head of internal audit in coordination with its parent’s enterprise risk framework engaged various external consultants over the years to assist with internal audits. The examination team performed substantive testing and did not rely upon the work performed by the external consultants for this examination.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations, or comments.

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 April 15, 1988, under the name Maximum Life Insurance Company, was licensed on May 20, 1988, and commenced business on May 20, 1988. Initial resources of \$7,502,427, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$5,502,427, were provided through the sale of 2,000 shares of common stock (with a par value of \$1,000 each) for \$3,751.21 per share.

On December 31, 1995, the Company was acquired by American Phoenix Life and Reassurance Company (“APLAR”), and the name of the Company was changed to Phoenix Life and Reassurance Company of New York.

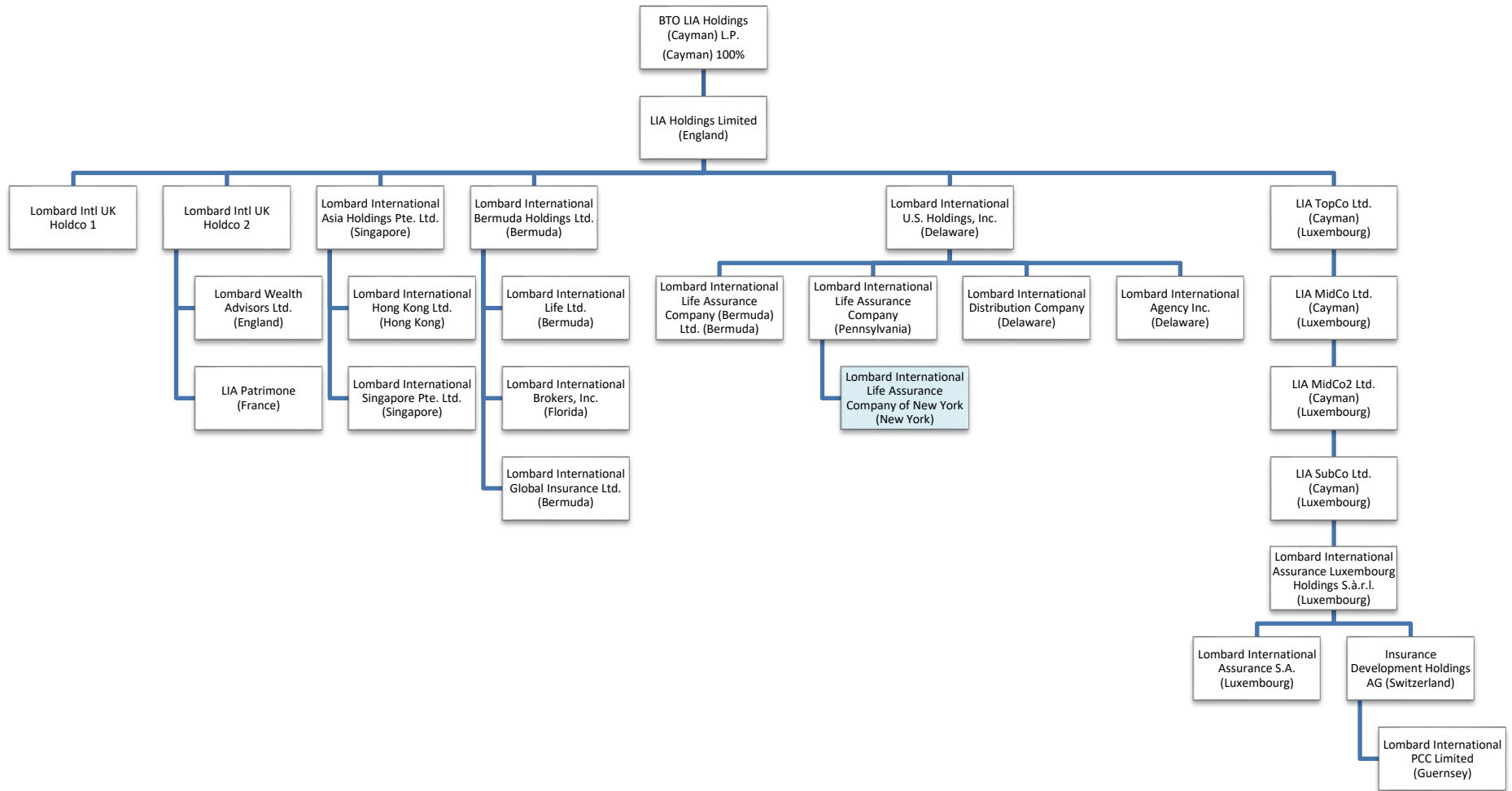
On October 6, 2010, the Company was acquired from the Phoenix Companies by Philadelphia Financial Life Assurance Company (“PFLAC”), a Pennsylvania company. On October 28, 2010, the name of the Company was changed from Phoenix Life and Reassurance Company of New York to Philadelphia Financial Life Assurance Company of New York. On June 30, 2015, the Company along with its parent, PFLAC were acquired by PFG Acquisition Corp. (“PFGAC”), an affiliate of The Blackstone Group, L.P. (now known as Blackstone Inc.). Contemporaneously with such acquisition, PFGAC transferred the stock of PFLAC and the Company to Lombard International Assurance US Holdings, Inc. (now known as Lombard International US Holdings, Inc.) (“HoldCo”), an affiliate of The Blackstone Group, L.P. On September 28, 2015, HoldCo changed its name to Lombard International US Holdings, Inc., PFLAC changed its name to Lombard International Life Assurance Company (“LILAC”) and the Company changed its name to Lombard International Life Assurance Company of New York.

B. Holding Company

The Company is a wholly owned subsidiary of LILAC, a Pennsylvania life insurance company. LILAC is in turn a wholly owned subsidiary of Lombard International U.S. Holdings, Inc., a Delaware corporation. The ultimate parent of the Company is BTO LIA Holdings (Cayman) L.P., a holding company which in turn is owned by affiliates of Blackstone Inc.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2020, 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	Income/ (Expense)* For Each Year of the Examination
Service Agreement File No. 44454	10/06/2010 Amended 01/08/2016	LILAC	The Company	On-going administrative services; financial reporting; accounting; separate account administration; underwriting; personal contact and communication with policyholders; claim processing; legal; data processing; information center; human resources; actuarial; tax accounting; banking; marketing; communications and creative services; travel and convention; purchasing; telecommunications; and general management.	2016 \$0 ** 2017 \$0 ** 2018 \$0 ** 2019 \$0 ** 2020 \$0 **

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

**The Company indicated that the services provided were di minimis expenses and therefore no charges were incurred. Furthermore, the service agreement is tied to sales and to date there have been no sales; thus, expenses have not been allocated to the Company.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2020, the board of directors consisted of eight members. Meetings of the board are held annually in March of each year, immediately after the meeting of the shareholders, or as soon as practicable after the annual meeting of the shareholders.

The eight board members and their principal business affiliation, as of December 31, 2020, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Patrick S. Baird* Cedar Rapids, Iowa	Self-employed consultant and retired former President AEGON USA	2015
Brendan D. Boyle* Bronxville, New York	Retired	2018
Joseph A. Phillip, Jr. Swarthmore, Pennsylvania	Executive Vice President, Global Tax and Legislative Affairs, and Secretary Lombard International Life Assurance Company of New York	2019
Michael J. Gordon Philadelphia, Pennsylvania	President and Chief Executive Officer Lombard International Life Assurance Company of New York	2016
Kent C. Keim Philadelphia, Pennsylvania	Executive Vice President and Chief Financial Officer Lombard International Life Assurance Company of New York	2019
Sharon Marie Ludlow* Toronto, Ontario, Canada	Corporate Director Global Risk Institute	2019
David J. Miller Wayne, Pennsylvania	Consultant Self-employed	2015
Stuart P. Parkinson Buckinghamshire, United Kingdom	Group Chief Executive Officer and Director Lombard International Assurance SA	2020

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

In November 2021, Joseph A. Phillip, Jr. retired from 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, 2020:

<u>Name</u>	<u>Title</u>
Michael J. Gordon	President and Chief Executive Officer
Kent C. Keim	Executive Vice-President, Chief Financial Officer
Joseph A. Phillip, Jr.	Executive Vice-President, Chief Risk Officer and Secretary
Charles Nachman	Executive Vice-President and Chief Operating Officer
Nancy Williams	Head of U.S. Internal Audit
Scott Hedgepeth	Executive Vice-President, Chief Actuary and Appointed Actuary
Virginia Klein	Executive Vice-President, Investments
Michelle J. Ross*	Executive Vice-President and Chief Compliance Officer

* Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

In September 2021, Jeffery C. Alton replaced Joseph A. Phillip, Jr. as Chief Risk Officer and John F. Reilly replaced Joseph A. Phillip, Jr. as Secretary.

1. Section 1202(b) of the New York Insurance Law states, in part:

“(1) Subject to item (v) of subparagraph (B) of paragraph five of subsection (a) of section one thousand two hundred one of this article, not less than one-third of the directors of a domestic stock life insurance company and not less than one-third of the members of each committee of the board of directors of any domestic life insurance company shall be persons who are not officers or employees of such company or of any entity controlling, controlled by, or under common control with such company and who are not beneficial owners of a controlling interest in the voting stock of such company or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof. . . .”

Section 3.2 of the Company’s By-Laws state, in part:

“3.2 Audit Committee.

The Board, by resolution adopted by a majority of the entire Board, may designate an Audit Committee of three (3) or more directors. A majority of the members shall constitute a quorum for the transaction of any business at any meeting of the Audit Committee. The Audit Committee shall have responsibility for recommending the selection of certified public accountants, reviewing the Corporation’s financial condition, the scope and results of the independent audit and any internal audit.”

The Company's board of directors established an Audit and Risk Committee ("audit committee"), which is required to be comprised of independent members of the board. The examiner's review of the audit committee minutes revealed that from January 2016 through February 2019, the Company did not have the required minimum of three independent directors.

In addition, for one audit committee meeting, only one independent committee member attended. Thus, a quorum was not present for the meeting.

The Company violated Section 1202(b)(1) of the New York Insurance Law and its by-laws when it failed to maintain the required minimum number of audit committee members from January 2016 through February 2019, and when it held an audit committee meeting without a quorum present.

The examiner recommends that the Company maintain the requisite number of independent audit committee members as required by Section 1202(b)(1) of the New York Insurance Law and its by-laws.

The examiner further recommends that the meetings of the audit committee for the transaction of any business be conducted only when a quorum is present, as required in its by-laws.

The examiner's review of the board of directors' minutes for the examination period revealed that the last board meeting minutes that contained considerable discussion concerning the evaluation and compensation of officers occurred on February 1, 2018. The board of directors' minutes for the meetings held after February 2018 through December 31, 2020, did not contain any discussions related to compensation of officers.

The examiner recommends that the audit committee minutes include discussions regarding performance evaluation of officers deemed by the committee to be principal officers of the company, and recommendation to the board of directors for the compensation of such principal officers.

2. Section 4211 of the New York Insurance Law states, in part:

"(a) No election of directors of a domestic stock life insurance company shall be valid unless a copy of the notice of election shall have been filed in the office of the superintendent at least ten days before the day of such election in addition to the service thereof, as required by section six hundred five of the business corporation law.

(b) Whenever any directors of such a company shall have resigned and successors shall have been chosen pursuant to the provisions of the by-laws, such successors shall not take office nor exercise their duties until ten days after written notice of their election shall have been filed in the office of the superintendent. . . .”

The examiner reviewed the board and audit committee minutes of the meetings held during the examination period and the Department’s records for the Company’s filings made in accordance with Section 4211 of the New York Insurance Law. The review revealed that for five directors, the Company did not file the notice of elections in the office of the superintendent at least ten days before the day of such elections.

The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election in the office of the superintendent at least ten days before the elections of five directors.

3. Section 1411(a) of the New York Insurance Law states, in part:

“No domestic insurer shall make any loan or investment . . . unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investments or loan. The committee’s minutes shall be recorded and a report submitted to the board of directors at its next meeting.”

The examiner’s review of the minutes of the board of directors during the examination period revealed that the minutes did not contain any evidence of the board of directors’ review and approval of the purchases and sales of investments in 17 out of the 19 meetings.

The Company violated Section 1411(a) of the New York Insurance Law when the board of directors did not authorize or approve purchases and sales of investments.

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 currently licensed to transact business only in New York State. In 2020, all life premiums were received from New York (48.5%) and Connecticut (51.5%).

A. Statutory and Special Deposits

As of December 31, 2020, 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 ceased marketing all direct insurance products in 1998, and currently has two term life insurance policies in force. The traditional products in this block are no longer issued by the Company. Policies were written on a non-participating basis.

No contracts or term life policies were issued during the examination period.

C. Reinsurance

As of December 31, 2020, the Company had one reinsurance treaty in effect with Optimum Re, an unauthorized insurer. The Company's life business is reinsured on a yearly renewable term basis.

The maximum retention limit for individual life contracts is \$50,000. The total face amount of life insurance ceded as of December 31, 2020, was \$150,000, which represents 60% of the total face amount of life insurance in force of \$250,000. Reserve credit taken for reinsurance ceded to unauthorized companies, totaled \$1,397.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2020, as contained in the Company's 2020 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, 2020, filed annual statement.

A. Independent Accountants

EY was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

EY 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	\$4,634,822
Cash, cash equivalents and short-term investments	95,307
Investment income due and accrued	30,411
Premiums and considerations:	
Net deferred tax asset	80
 Total admitted assets	 \$4,760,620

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 959
Contract liabilities not included elsewhere:	
Interest maintenance reserve	153,096
General expenses due or accrued	33,351
Taxes, licenses and fees due or accrued, excluding federal income taxes	40,000
Current federal and foreign income taxes	11,228
Miscellaneous liabilities:	
Asset valuation reserve	17,237
Reinsurance in unauthorized companies	<u>1,397</u>
 Total liabilities	 \$ <u>257,268</u>
 Common capital stock	 \$2,000,000
 Gross paid in and contributed surplus	 \$5,631,266
Unassigned funds (surplus)	<u>(3,127,914)</u>
Surplus	<u>\$2,503,352</u>
 Total capital and surplus	 <u>\$4,503,352</u>
 Total liabilities, capital and surplus	 <u>\$4,760,620</u>

D. Condensed Summary of Operations

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Premiums and considerations	\$ 1,717	\$ 1,982	\$ 2,573	\$ 3,312	\$ 2,216
Investment income	120,162	123,984	132,277	138,088	126,430
Total income	<u>\$121,879</u>	<u>\$125,966</u>	<u>\$134,850</u>	<u>\$141,400</u>	<u>\$128,646</u>
Increase in reserves	(232)	(162)	105	119	(401)
General expenses and taxes	104,035	109,058	135,886	135,630	81,886
Total deductions	<u>\$103,803</u>	<u>\$108,896</u>	<u>\$135,991</u>	<u>\$135,749</u>	<u>\$ 81,485</u>
Net gain (loss)	\$ 18,076	\$ 17,070	\$ (1,141)	\$ 5,651	\$ 47,161
Federal and foreign income taxes Incurred	<u>(12,461)</u>	<u>(1,166)</u>	<u>(3,752)</u>	<u>175</u>	<u>6,375</u>
Net gain (loss) from operations before net realized capital gains	<u>\$ 30,537</u>	<u>\$ 18,236</u>	<u>\$ 2,611</u>	<u>\$ 5,476</u>	<u>\$ 40,786</u>
Net income	<u>\$ 30,537</u>	<u>\$ 18,236</u>	<u>\$ 2,611</u>	<u>\$ 5,476</u>	<u>\$ 40,786</u>

E. Capital and Surplus Account

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, December 31, prior year	\$ <u>4,402,912</u>	\$ <u>4,431,140</u>	\$ <u>4,448,464</u>	\$ <u>4,458,892</u>	\$ <u>4,462,199</u>
Net income	\$ 30,537	\$ 18,236	\$ 2,611	\$ 5,476	\$ 40,786
Change in net deferred income tax	2,441	(12,000)	(63)	2,595	(538)
Change in non-admitted assets and related items	(3,053)	11,948	6,800	(2,583)	484
Change in liability for reinsurance in unauthorized companies	(194)	(220)	(256)	(298)	1,996
Change in asset valuation reserve	<u>(1,503)</u>	<u>(639)</u>	<u>1,335</u>	<u>(1,883)</u>	<u>(1,575)</u>
Net change in capital and surplus for the year	\$ <u>28,228</u>	\$ <u>17,325</u>	\$ <u>10,427</u>	\$ <u>3,307</u>	\$ <u>41,153</u>
Capital and surplus, December 31, current year	\$ <u>4,431,140</u>	\$ <u>4,448,464</u>	\$ <u>4,458,892</u>	\$ <u>4,462,199</u>	\$ <u>4,503,352</u>

6. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1202(b)(1) of the New York Insurance Law and its by-laws when it failed to maintain the required minimum number of audit committee members from January 2016 through February 2019, and when it held an audit committee meeting without a quorum present.	11
B	The examiner recommends that the Company maintain the requisite number of independent audit committee members as required by Section 1202(b)(1) of the New York Insurance Law and its by-laws.	11
C	The examiner further recommends that the meetings of the audit committee for the transaction of any business be conducted only when a quorum is present, as required in its by-laws.	11
D	The examiner recommends that the audit committee minutes include discussions regarding performance evaluation of officers deemed by the committee to be principal officers of the company, and recommendation to the board of directors for the compensation of such principal officers.	11
E	The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election in the office of the superintendent at least ten days before the elections of five directors.	12
F	The Company violated Section 1411(a) of the New York Insurance Law when the board of directors did not authorize or approve purchases and sales of investments.	12

Respectfully submitted,

/s/

Pablo Ramos
Senior Insurance Examiner

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

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

/s/

Pablo Ramos

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32274

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, 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:*

PABLO RAMOS

as a proper person to examine the affairs of the

LOMBARD INTERNATIONAL LIFE ASSURANCE 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 10th day of June, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By: *Mark McLeod*

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

