



REPORT ON EXAMINATION
OF
HUMANA INSURANCE COMPANY OF NEW YORK
AS OF DECEMBER 31, 2017

EXAMINER:

TOMMY KONG, CPCU, CFE, PIR

DATE OF REPORT:

AUGUST 16, 2022

TABLE OF CONTENTS

| <u>ITEM NO.</u> | | <u>PAGE NO.</u> |
|-----------------|--|-----------------|
| 1. | Scope of the examination | 2 |
| 2. | Description of the Company | 5 |
| | A. Corporate governance | 5 |
| | B. Territory and plan of operation | 9 |
| | C. Reinsurance | 12 |
| | D. Holding company system | 13 |
| | E. Significant operating ratios | 15 |
| 3. | Financial statements | 17 |
| | A. Balance sheet | 18 |
| | B. Statement of revenue and expenses and changes in capital and surplus | 19 |
| 4. | Compliance with prior report on examination | 21 |
| 5. | Summary of comments and recommendations | 22 |

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

August 16, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 31687, dated December 4, 2017, attached hereto, I have made an examination into the condition and affairs of Humana Insurance Company of New York, an accident and health insurer licensed pursuant to Article 42 of the New York Insurance Law, as of December 31, 2017, and submit the following report thereon.

The examination was conducted at the main administrative office of Humana Insurance Company of New York, located at 500 West Main Street, Louisville, Kentucky.

Wherever the designations "HICNY" or the "Company" appear herein, without qualification, they should be understood to indicate Humana Insurance Company of New York.

Wherever the designations "Humana" or the "Parent" appear herein, without qualification, they should be understood to indicate Humana Inc., the parent of Humana Insurance Company of New York.

Wherever the designation the "Department" appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

The previous examination of the Company was conducted as of December 31, 2012. This examination of the Company was a financial examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiners Handbook, 2018 Edition* (the "Handbook") and covered the period January 1, 2013 through December 31, 2017. 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, 2017 were also reviewed.

The examination was conducted using a risk-focused approach, in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner's assessment of risk in the Company's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Company's current financial condition, as well as to identify prospective risks that may threaten the future solvency of HICNY.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and NAIC annual statement instructions.

Information concerning the Company's organizational structure, business approach and control environment were utilized to develop the examination plan and procedures. The

examination evaluated the Company's risks and management activities in accordance with the NAIC's nine branded risk categories. These categories are as follows:

- Pricing / Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated the Company's risks and management activities in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation / Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness / Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy / Quality
- Reserve Data
- Reserve Adequacy
- Related Party / Holding Company Considerations
- Capital Management

The Company was audited annually, for the years 2013 through 2017, by the accounting firm of PricewaterhouseCoopers LLP ("PwC"). HICNY received an unmodified opinion in each of those years. Certain audit work papers of PwC were reviewed and relied upon in conjunction with this examination.

This examination was conducted as a coordinated examination, as such term is defined in the Handbook (an examination of one insurer or a group of insurers performed by examiners from

more than one state whereby the participating states share resources and allocate work among the examiners), of the insurance subsidiaries of Humana. The facilitating state for the examination was the Georgia Department of Insurance with assistance from the consulting firm of Examination Resources, LLC. The New York State Department of Financial Services was a participating state in the examination. Since the Facilitating and Participating States, as such term is defined in the Handbook, are accredited by the NAIC, the states deemed it appropriate to rely on each other's work. The examination teams, representing the Facilitating and Participating States, identified and assessed the risks for key functional activities across the Humana's subsidiaries under examination. The examination teams also assessed the relevant prospective risks as they relate to the various insurance entities.

During the examination, the firm of Risk and Regulatory Consulting was contracted by the Department to review the Company's information technology systems and operations on a risk-focused basis in accordance with the provisions of the Handbook. No material finding was noted from such review.

A review was also made to ascertain what actions were taken by HICNY with regards to the comments and recommendations contained in the prior report on examination. The results of such review are contained in Item 4 of this report.

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

2. DESCRIPTION OF THE COMPANY

HICNY is a wholly-owned subsidiary of Humana Inc. HICNY was incorporated in the State of New York on May 20, 2005. The Company is a for-profit accident and health insurance company which commenced writing business on August 17, 2006. HICNY offers coordinated medical and prescription drug coverage to Medicare-eligible individuals under Medicare Advantage, Medicare Advantage Plus, and Medicare Part D Prescription Drug contracts with the Centers for Medicare and Medicaid Services (“CMS”). In addition, HICNY writes supplemental Medicare and stand-alone commercial dental and vision coverages.

A. Corporate Governance

In accordance with the Company’s charter and by-laws, management of HICNY during the examination period was vested in a Board of Directors (“Board”) consisting of not less than seven (7) and no more than fifteen (15) members. The following seven (7) members comprised HICNY’s Board as of December 31, 2017:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|---|--|
| Renee J. Buckingham Prospect, Kentucky | President of Care Delivery Organization, Humana Inc. |
| Alexander W. Clague New York, New York | Northeast Regional President of Senior Products, Humana Inc. |
| Steven E. McCulley Louisville, Kentucky | Senior Vice-President of Medicare Operations, Humana Inc. |
| Frank A. Pistone Locust Valley, New York | Regional Vice-President, Humana MarketPOINT, Inc. |
| Denise M. Smith Orange, Connecticut | Northeast Regional Vice-President of Provider Experience, Humana Inc. |

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|---|--|
| Joseph C. Ventura Louisville, Kentucky | Enterprise Vice-President, Associate General Counsel, and Corporate Secretary, Humana Inc. |
| Cynthia H. Zipperle Louisville, Kentucky | Senior Vice-President and Chief Accounting Officer, Humana Inc. |

The minutes of all meetings of the Board of Directors and committees thereof held during the examination period were reviewed. The review indicated all Board and committee meetings were well attended, with all Board members attending at least one-half of the meetings they were eligible to attend. The Board met four (4) times in 2016 and 2017.

Part 243.2(b)(8) of Insurance Regulation No. 152 (11 NYCRR 243.2(b)(8)) states:

“(b) Except as otherwise required by law or regulation, an insurer shall maintain:

- (8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review.”

The examiner requested and reviewed HICNY’s Board members’ biographical affidavits. It was noted that the Company did not retain several Board members’ biographical affidavits.

It is recommended that HICNY comply with Part 243.2(b)(8) of Insurance Regulation No. 152 by retaining the biographical affidavits of all its Board members for the required period.

As of December 31, 2017, the principal officers of the Company were as follows:

| <u>Name</u> | <u>Title</u> |
|---------------------|---|
| Alexander W. Clague | Chief Executive Officer |
| Brian A. Kane | Senior Vice-President and Chief Financial Officer |
| Joseph C. Ventura | Vice-President and Corporate Secretary |
| Vanessa M. Olson | Vice-President and Chief Actuary |

Humana Inc. has an established corporate governance structure which is led by Humana's Board and its senior executive officers, whereby appointed by the Board to manage the day-to-day affairs of Humana Inc. and its subsidiaries and affiliates, including the Company.

Exhibit M of the Handbook (Understanding the Corporate Governance Structure) was utilized by the examiners as guidance for assessing the Company's Corporate Governance.

Enterprise Risk Management / Internal Audit Functions

The following are summaries of the Company's Enterprise Risk Management and Internal Audit functions, both of which are provided by Humana Inc., a publicly traded company that is subject to the Sarbanes-Oxley Act of 2002. Unless otherwise noted, references to the aforementioned functions provided by Humana Inc. also apply to the Company.

i. Enterprise Risk Management ("ERM")

The Company has an established Enterprise Risk Management framework for proactively identifying, addressing and mitigating risks, including prospective business risks. Humana's risk framework, consistent with the Committee of Sponsoring Organizations ERM Framework, aligns all potential risks impacting the organization into four (4) risk categories consisting of (1) strategic, (2) operational, (3) financial reporting and disclosure, and (4) compliance. In addition, risks identified within each of the aforementioned risk categories are broken down further into planning and execution risks.

Humana Inc.'s ERM program is administered by its Enterprise Risk Management Committee ("Risk Committee") which includes Humana Inc.'s President / Chief Executive Officer ("CEO") and the CEO's other direct reports, consisting of the Controller, Chief Compliance

Officer, and Chief Actuary. The Risk Committee maintains a list of top enterprise-level risks, which are reviewed collectively by the Risk Committee and the Audit Committee (“AC”) of Humana Inc.’s Board of Directors on a regular basis. Periodic structured risk workshops between Humana’s functional and segment management leaders are held to synchronize risk tolerance and identify the most significant risks to their business unit / segment. The Board’s AC provides both oversight of Humana’s ERM program and assistance to management relative to Humana’s risk assessment and risk management policies.

Humana Inc.’s ERM program appears to have an effective approach to identifying and mitigating risks across the organization, including prospective business risks. Humana Inc. deals proactively with its areas of risk, and its management is knowledgeable about risk mitigation strategies. Through risk discussions and other measures, Humana Inc.’s management reviews significant issues and reacts to changes in the environment with a sense of commitment to address risk factors and manage the business accordingly. Humana Inc.’s overall risk management process takes a proactive approach to identifying, tracking, and mitigating significant current and emerging risk factors.

ii. Internal Audit Department

Humana Inc. has an established Internal Audit Department (“IAD”), which is independent of management and which functions to serve Humana Inc. and its subsidiaries. Humana Inc.’s IAD or Internal Audit Consulting Group (“IACG”), which the IAD is known as within Humana’s organization, falls under the direct supervision of the AC as designated by Humana Inc.’s Board of Directors. The IACG also reports simultaneously to Humana Inc.’s management on an indirect

and dotted line basis. The AC is comprised entirely of outside members that are independent of Humana Inc.'s and HICNY's management.

The IACG assists all levels of management by reviewing and testing financial and operational controls and processes established by management to ensure compliance with laws, regulations, and Humana Inc.'s policies. The scope of the IACG program is coordinated with Humana Inc.'s independent Certified Public Accountant with the intended purpose of ensuring optimal audit coverage and maximum efficiency by Humana.

During the course of the examination, consideration was given to the significance and potential impact of certain IACG work, including the results of the IACG's testing of internal control policies and procedures established by management. The examiner relied upon certain work performed by the IACG, as prescribed by the Handbook.

Based on the examiner's use of Humana's IACG's test work, it was noted that the IACG's testing of the internal controls at the Humana Inc. level revealed the existence of policies and procedures adequately designed to effectively mitigate risks within those key functional areas of the Company selected for review by the examiner.

B. Territory and Plan of Operation

HICNY is licensed in New York State only. The Company provides medical, hospital and prescription drug coverage under the Medicare Advantage and Medicare Part D (Prescription Drug) plans. The Company also offers commercial dental, vision and Medicare Supplemental direct pay contracts.

Under the Company's Medicare Advantage contract with CMS, HICNY provides health insurance to eligible members aged 65 and older and to disabled members under the age of 65. Members may select coverage under the Company's Health Maintenance Organization, Preferred Provider Organization or Private-Fee-For-Service plans. Enrollees in the Medicare Advantage program receive benefits in excess of traditional Medicare coverage, including: reduced cost sharing, enhanced prescription drug benefits, care coordination, case management, disease management, wellness and prevention programs and reduced monthly Part B premiums (physician care and other services).

HICNY's Medicare Part D (Prescription Drug) plans are stand-alone plans. They offer both basic coverage with mandated benefits and enhanced coverage with varying degrees of out-of-pocket costs (for premiums charge), deductibles and co-insurance amounts.

The Company's Private Fee-For-Service plans provide Medicare Advantage benefits with the freedom for the insureds to choose any health care provider that accepts rates equivalent to traditional Medicare payment rates as reimbursement.

Under the Company's Medicare Advantage and Medicare Part D (Prescription Drug) contracts with CMS, HICNY provides health benefits to its insured members and receives fixed contractual payments (per member per month) from CMS.

The following summary reflects HICNY's net premium income and enrollment for the period under examination:

| <u>Year</u> | <u>Net Premium Income</u> | <u>Enrollment</u> |
|-------------|---------------------------|-------------------|
| 2013 | \$185,547,532 | 99,456 |
| 2014 | \$230,664,409 | 135,807 |
| 2015 | \$253,470,070 | 156,396 |
| 2016 | \$291,831,365 | 171,961 |
| 2017 | \$277,209,482 | 178,036 |

For calendar years 2013 through 2017, the Company reported total net premium income in the amount of \$1,238,722,858, which was comprised of 52.8% and 41.8% Medicare Part D (Prescription Drug) and Medicare Advantage business, respectively. The remaining 5.4% was comprised of Medicare Supplemental and direct payment vision and dental business. The Company's total premium income increased \$91,661,950 or 49.4% during the examination period from \$185,547,532, as of December 31, 2013, to \$277,209,482, as of December 31, 2017. Total enrollment increased by 78,580 enrollees or 79% during the examination period.

The overall increase in premium income was due to growth in HICNY's Medicare Part D Prescription Drug and Medicare Advantage lines of business between calendar years 2016 and 2017, the Company's total revenues conversely decreased by \$14,663,394 from \$291,837,316 in calendar year 2016 to \$277,173,922 in calendar year 2017.

As noted above, the Company also wrote the following commercial business during the period under examination:

| <u>Line of Business</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Total</u> |
|-------------------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Medicare Supplemental | \$3,507,890 | \$8,381,542 | \$13,179,061 | \$15,072,252 | \$15,813,197 | \$55,953,942 |
| Dental | \$ 892,074 | \$1,737,920 | \$ 2,239,391 | \$ 2,450,736 | \$ 2,638,233 | \$ 9,958,354 |
| Vision | \$ 39,258 | \$ 61,517 | \$ 58,571 | \$ 40,797 | \$ 786,417 | \$ 986,560 |

HICNY utilizes an external distribution system consisting of agents, including a network of independent contracted agents, telesales agents, brokers, and strategic distribution partnerships with other private insurers, for the sale of its products.

C. Reinsurance

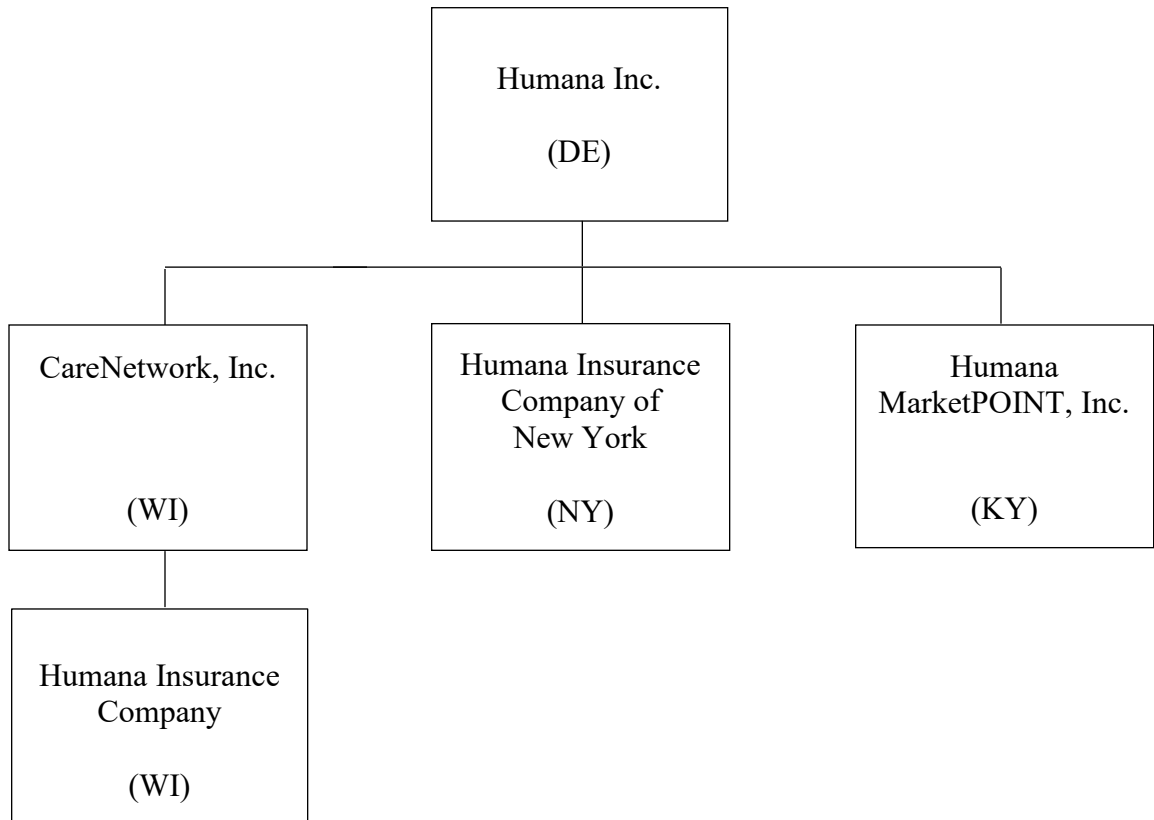
During the examination period, the Company did not assume any reinsurance.

The Company maintained a Coinsurance Agreement (“Agreement”), dated April 15, 2010, with Connecticut General Life Insurance Company (“CIGNA”), a New York licensed insurer domiciled in the State of Connecticut. The Agreement provided for CIGNA to maintain a 50% quota share participation in the Company’s Medicare Advantage Plan (“MA”) business issued to groups under HICNY’s MA Private Fee-For-Service plan and Medicare Preferred Provider Organization plan products.

The Agreement was terminated effective February 29, 2012. However, the Agreement contains a wind-down period whereby the Company and CIGNA are required to perform their respective obligations until no further services or reporting is required under the Agreement. Based on the aforementioned provision, the post termination period of the Agreement is the later of December 31, 2013, or until all the required contractual conditions and obligations are met.

D. Holding Company System

The following abbreviated chart depicts the Company's holding company system as of December 31, 2017:



The Company maintained the following inter-company agreements with members of its holding company system, as of December 31, 2017.

i. Corporate Service Agreement (“CSA”)

The CSA labeled #233, effective on November 4, 2005, as amended, between HICNY and Humana Inc. was approved by the Department on November 3, 2005. The CSA, which was last amended effective January 1, 2013, and thereafter approved by the Department on August 14, 2013, allows Humana Inc. to provide HICNY with various administrative and managerial services including, but not limited to the following functions: (1) clerical processing of the Company’s trade accounts payable, payroll, and broker commissions payments; (2) medical and product management; (3) executive management; (4) information systems; (5) financial services; (6) legal services; (7) human resources; (8) employee benefits; (9) insurance; and (10) marketing and advertising services.

ii. Service Center Service Agreement (“SCSA”)

The SCSA labeled #232R, effective on June 29, 2006, as amended, between HICNY, Humana Insurance Company (“HIC”) and Humana (as Repository) was approved by the Department on November 3, 2005. The SCSA, which was last amended on January 1, 2013, and thereafter approved by the Department on August 14, 2013, requires HIC to provide HICNY with the necessary staff, systems and related support to administer the following management functions of HICNY: (1) claims processing; (2) customer service; (3) front end operations; (4) billing and enrollment; (5) utilization review; and (6) other support, including direct cost of employee fringe benefits, payroll taxes, and occupancy.

iii. Marketing Service Agreement (“MSA”)

The MSA labeled #231R, effective on June 29, 2006, as amended, between HICNY, Humana MarketPOINT, Inc. (“HMP”) and Humana (as Repository) was approved by the Department on November 3, 2005. The MSA, which was last amended on January 1, 2013, and thereafter approved by the Department on August 14, 2013, requires HMP to provide HICNY with sales representatives and management employees, systems, and other related support (e.g., office rent, office supplies, printing, postage, travel and entertainment, etc.) necessary to sell the Company’s products.

iv. Tax Allocation Agreement (“TAA”)

The TAA, effective on November 4, 2005, and approved by the Department on November 3, 2005, provides for HICNY to be a party to Humana Inc.’s group consolidated tax return, along with its Parent and other holding company system members.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis and encompass the five-year period covered by this examination:

| | <u>Amounts</u> | <u>Ratios</u> |
|--|------------------------|----------------|
| Claims expenses incurred | \$1,046,695,726 | 84.51% |
| Claim adjustment expenses incurred | 50,996,669 | 4.12% |
| General administrative expenses incurred | 149,238,384 | 12.05% |
| Increase in reserves for accident and health contracts | (340,000) | (0.03)% |
| Net underwriting gain | <u>(8,002,298)</u> | <u>(0.65)%</u> |
| Total revenues | <u>\$1,238,588,481</u> | <u>100.00%</u> |

During the examination period, the Company's incurred medical benefits costs increased by \$75,971,747, from \$156,106,592 in calendar year 2013 to \$232,078,339 in calendar year 2017. The medical loss ratio for the years ended 2016 and 2017 was 86.1% and 83.7%, respectively. The decrease in the medical loss ratio was a result of the overall increase in members' enrollment whereby the benefits cost was lower than the Medicare Part D Prescription Drug cost.

The Company reported the following Risk-Based Capital results during the examination years, 2013 through 2017:

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total adjusted capital | \$63,970,849 | \$59,436,685 | \$56,583,279 | \$68,142,678 | \$71,871,737 |
| Authorized control level RBC | \$ 5,613,323 | \$ 6,616,176 | \$ 7,371,114 | \$ 8,727,941 | \$ 8,236,285 |
| Risk-based capital ratio | 1,140% | 898% | 768% | 781% | 873% |

The Company's total adjusted capital amounts reported for the examination period were well above its authorized control level risk-based capital calculations.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2017, as reported in the Company's 2017 filed annual statement, a condensed summary of operations and 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, 2017, filed annual statement.

Independent Accountants:

The firm of PricewaterhouseCoopers LLP ("PwC") was retained by the Company to audit HICNY's combined statutory basis statements of financial position as of December 31st of each year within the examination period, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

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

A. Balance SheetAssets

| | |
|---|----------------------|
| Bonds | \$ 36,542,203 |
| Cash, cash equivalents and short-term investments | 73,792,161 |
| Investment income due and accrued | 169,955 |
| Uncollected premiums and agents' balances in the course of collection | 4,303,637 |
| Accrued retrospective premiums and contracts subject to redetermination | 2,869,520 |
| Amounts recoverable from reinsurers | 1,427 |
| Other amounts receivable under reinsurance contracts | 40 |
| Amounts recoverable relating to uninsured plans | 2,433,919 |
| Net deferred tax asset | 1,179,520 |
| Receivable from parent, subsidiaries and affiliates | 6,405,866 |
| Healthcare and other amounts receivable | <u>26,725,502</u> |
| Total assets | <u>\$154,423,750</u> |

Liabilities

| | |
|---|----------------------|
| Claims unpaid | \$ 16,644,388 |
| Accrued medical incentive pool and bonus amounts | 8,431,215 |
| Unpaid claims adjustment expenses | 90,199 |
| Aggregate health policy reserves | 19,155,232 |
| Premiums received in advance | 1,609,812 |
| General expenses due and accrued | 912,359 |
| Current federal and foreign income tax payable and interest thereon | 957,679 |
| Ceded reinsurance premiums payable | 419 |
| Remittances and items not allocated | 688,373 |
| Liability for amounts held under uninsured plans | 33,932,750 |
| Aggregate write-ins for other liabilities | <u>129,587</u> |
| Total liabilities | <u>\$ 82,552,013</u> |

Capital and Surplus

| | |
|---|----------------------|
| Aggregate write-ins for special surplus funds | \$ 5,702,156 |
| Common capital stock | 1,500,000 |
| Gross paid-in and contributed surplus | 75,500,000 |
| Unassigned funds | <u>(10,830,419)</u> |
| Total capital and surplus | <u>\$ 71,871,737</u> |
| Total liabilities, capital and surplus | <u>\$154,423,750</u> |

Note: The Internal Revenue Service completed audits of Humana Inc.'s consolidated federal income tax returns of which the Company is a party to, for tax years 2013 to 2017. The examiner is unaware of any potential exposure to HICNY for any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Changes in Capital and Surplus

Capital and surplus increased \$7,644,501 during the five-year examination period, January 1, 2013, through December 31, 2017, detailed as follows:

Revenue

| | | |
|-------------------------------------|------------------|-----------------|
| Premium | \$1,238,722,858 | |
| Change in unearned premium reserves | <u>(134,377)</u> | |
| Total revenue | | \$1,238,588,481 |

Hospital and Medical Expenses

| | | |
|--|------------------|-----------------------|
| Hospital/medical benefits | \$ 428,362,938 | |
| Other professional services | 16,546,516 | |
| Emergency room and out-of-area | 17,447,278 | |
| Prescription drugs | 574,020,530 | |
| Incentive pool, withhold adjustments and bonus amounts | 10,441,405 | |
| Net reinsurance recoveries | <u>(122,941)</u> | |
| Total hospital and medical expenses | \$1,046,695,726 | |
| Claims adjustment expenses | 50,996,669 | |
| General administrative expenses | 149,238,384 | |
| Increase in reserves for life and accident and health contracts | <u>(340,000)</u> | |
| Total underwriting deductions | | <u>1,246,590,779</u> |
| Net underwriting loss | | \$ (8,002,298) |
| Net investment income earned | \$ 3,464,305 | |
| Net realized capital gains | <u>422,169</u> | |
| Net investment gains | | 3,886,474 |
| Aggregate write-ins for other income | | <u>6,960</u> |
| Net loss before federal income taxes | | \$ (4,108,864) |
| Federal income taxes incurred | | <u>3,957,818</u> |
| Net loss | | <u>\$ (8,066,682)</u> |

Changes in Capital and Surplus

| | | | |
|---|-------------------------|--------------------------|---------------------|
| Capital and surplus, per report on examination, as of December 31, 2012 | | | \$64,227,236 |
| | <u>Gains in Surplus</u> | <u>Losses in Surplus</u> | |
| Net loss | | \$8,066,682 | |
| Change in net deferred income tax | \$ 215,135 | | |
| Change in non-admitted assets | 388,654 | | |
| Paid-in surplus | 15,000,000 | | |
| Aggregate write-ins for gains in surplus | <u>107,394</u> | _____ | |
| Net increase in capital and surplus | | | \$ <u>7,644,501</u> |
| Capital and surplus, per report on examination, as of December 31, 2017 | | | <u>\$71,871,737</u> |

4. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination, as of December 31, 2012, contained the following five (5) comments and recommendations (page number refers to the prior report on examination):

| <u>ITEM NO.</u> | | <u>PAGE NO.</u> |
|-----------------|--|-----------------|
| | <u>Corporate Governance</u> | |
| 1. | It is recommended that HICNY's Board of Directors comply with Article III, Section 4 of the Company's by-laws by ensuring that the Board holds its regular meeting every year, on the same date of the annual meeting of the Company's shareholders. <i>The Company has complied with this recommendation.</i> | 5 |
| 2. | It is recommended that HICNY's Board of Directors hold meetings on at least a quarterly basis during each calendar year. <i>The Company has complied with this recommendation.</i> | 6 |
| 3. | It is recommended that HICNY's Board of Directors comply with the Company's by-laws by limiting the Board's use of unanimous written consents to only those occasions when time is of the essence. The Board should refrain from its standard practice of utilizing unanimous written consents in lieu of regularly scheduled meetings. <i>The Company has complied with this recommendation.</i> | 6 |
| | <u>Reinsurance</u> | |
| 4. | Inasmuch as HICNY's coinsurance agreement with CIGNA is no longer in effect, it is recommended that the Company ensure that all its future ceded reinsurance agreements contain a specific reference to Section 7427 of the New York Insurance Law. <i>The Company has complied with this recommendation.</i> | 14 |
| | <u>Accounts and Records</u> | |
| 5. | It is recommended that the Company exercise greater care and diligence when preparing its New York Annual Supplement filings with the Department. <i>The Company has complied with this recommendation.</i> | 18 |

5. SUMMARY OF COMMENTS AND RECOMMENDATIONS**ITEM****PAGE NO.**A. Corporate Governance

It is recommended that HICNY comply with Part 243.2(b)(8) of Insurance Regulation No. 152 by retaining the biographical affidavits of all its Board members for the required period.

6

Respectfully submitted,

Tommy Kong, CPCU, CFE, PIR
Financial Services Examiner 2

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

Tommy Kong, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

Tommy Kong, CPCU, CFE, PIR

Subscribed and sworn to before me
this _____ day of _____ 2022

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

Tommy Kong

as a proper person to examine the affairs of the

Humana Insurance Company of New York

and to make a report to me in writing of the condition of said

Company

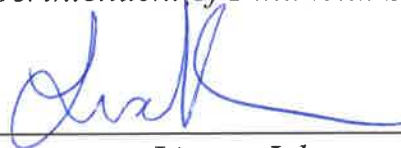
with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 4th day of December, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:



Lisette Johnson
Bureau Chief
Health Bureau

