



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

TRUSTMARK LIFE INSURANCE COMPANY OF NEW YORK

AS OF DECEMBER 31, 2021

EXAMINER:

CHINETA ALFORD, CFE

DATE OF REPORT:

JUNE 2, 2023

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 23, 2023

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. 32431, dated July 21, 2022, and annexed hereto, an examination has been made into the condition and affairs of Trustmark Life Insurance Company of New York, hereinafter referred to as “the Company”. The Company’s home office is located at 400 Field Drive, Lake Forest, IL 60045. 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 findings, violation, and recommendation contained in this report are summarized below.

- The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the superintendent in writing of its intention to enter into service agreements with affiliates at least thirty days prior to the rendering of such services. (See item 3D of this report.)
- The Department conducted a review of the reserves as of December 31, 2021. This review included an examination of asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding the mortality and expense assumptions used in the analysis. In response, the Company agreed to refine such assumptions used in the analysis and increased reserves by \$1 million as of December 31, 2022. The examiner recommends that the Company continue to incorporate such refinements as agreed upon with the Department. (See item 5F of 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's") *Financial Condition Examiners Handbook, 2022 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2017 through December 31, 2021. 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, 2021 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 Illinois in accordance with the NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted as part of the Trustmark Insurance Group. Illinois served as the lead state with participation from the State of New York. Since the lead and participating states are all accredited by the NAIC, all 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 2017 through 2021, by the accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination.

Trustmark Services Company, an affiliate has an internal audit department which was given the task of assessing the internal control structure for the Company. The Company is not subject to the Sarbanes-Oxley Act of 2002 (“SOX”) or the Module Audit Rule (“MAR”). However, management has voluntarily implemented a similar system of internal controls that focus on the operating effectiveness of key controls.

The examiner reviewed the corrective actions taken by the Company with respect to the violation contained in the prior report on financial condition examination. The results of the examiner’s review are contained in item 6 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

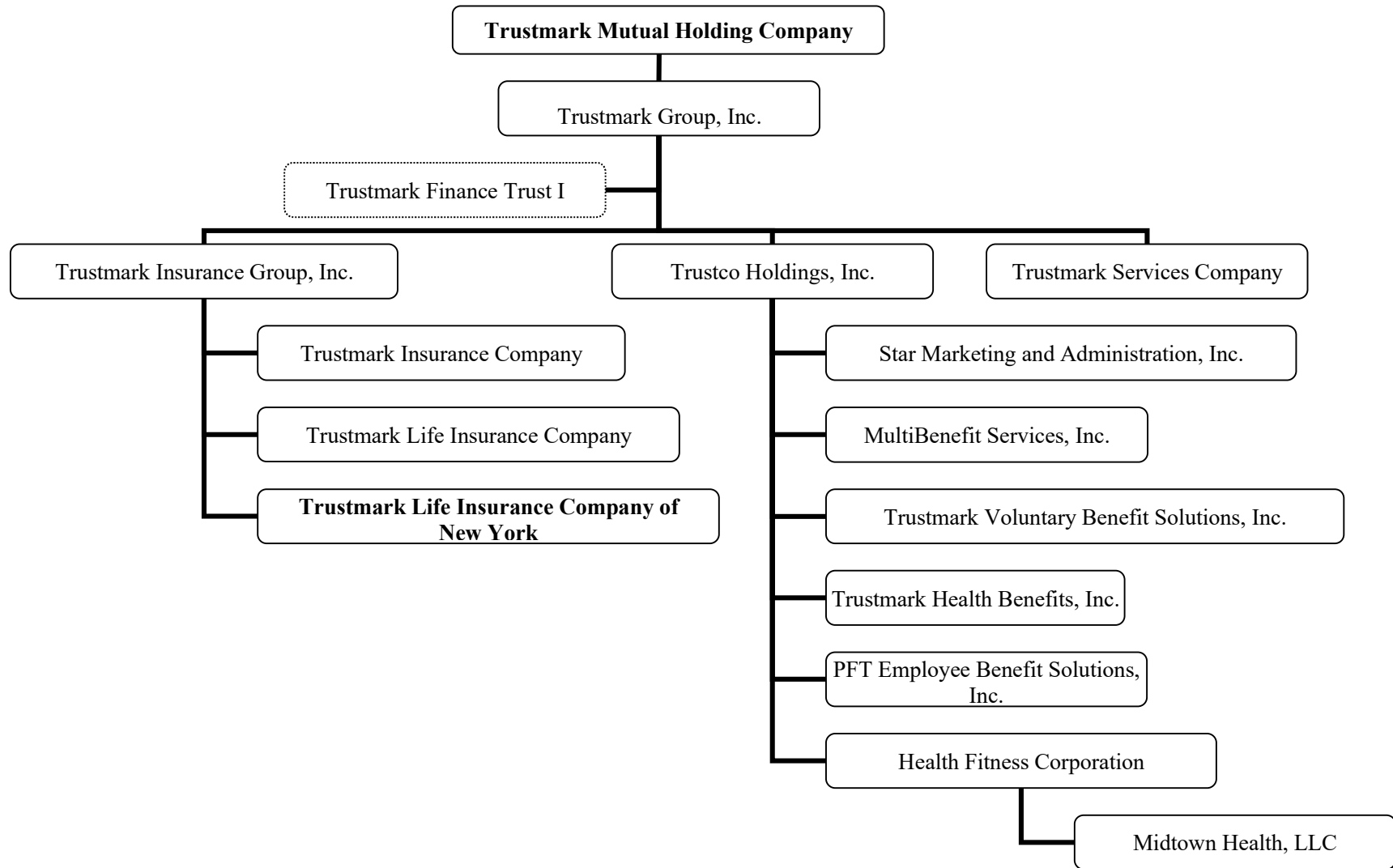
The Company was incorporated as a stock life insurance company under the laws of the State of New York on March 21, 2008, and was licensed and commenced business on June 17, 2009. Initial resources of \$6,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$4,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$30 per share. Trustmark Insurance Group, Inc. (“TIG”) is the sole shareholder. In December 2010, the Company received a \$1 million cash capital contribution from its parent. In May 2013, the Company received \$1.5 million cash capital contribution from its parent. In December 2014, the Company received \$1 million cash capital contribution from its parent. Lastly, in December 2015, the Company received another \$1 million cash capital contribution from its parent.

B. Holding Company

The Company is a wholly owned subsidiary of TIG, an Illinois insurance holding company. TIG is in turn a wholly owned subsidiary of Trustmark Group, Inc., an Illinois company. The ultimate parent of the Company is Trustmark Mutual Holding Company, an Illinois mutual insurance company.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2021, follows:



D. Service Agreements

The Company had six significant service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Administrative Agreement File No. 40062	04/15/2008	Trustmark Voluntary Benefits Solutions	The Company	Payroll Deduction or Premium Administration Services	2017 \$(45,891) 2018 \$(39,257) 2019 \$(43,486) 2020 \$(41,764) 2021 \$(35,166)
Investment Management Agreement File No. 40062	02/01/2009	Trustmark Insurance Company	The Company	Investment Management Services	2017 \$(13,757) 2018 \$(16,440) 2019 \$(20,171) 2020 \$(18,994) 2021 \$(17,936)
Intercompany Service Agreement File No. 63249	02/01/2009 Amended 01/01/2019	Trustmark Life Insurance Company	The Company	To the extent requested by the Company, the following services: <ul style="list-style-type: none"> • Data Processing • External Legal Services • External Enterprise Contractual Arrangements • Postage 	2017 \$(110,612) 2018 \$ (97,412) 2019 \$(266,711) 2020 \$(246,225) 2021 \$(241,920)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Intercompany Service Agreement File No. 63250	02/01/2009 Amended 01/01/2019	Trustmark Insurance Company	The Company	To the extent requested by the Company, the following services: <ul style="list-style-type: none"> • Data Processing • External Legal Services • External Enterprise Contractual Arrangements • Facilities Management 	2017 \$ (600,078) 2018 \$ (545,981) 2019 \$(1,059,732) 2020 \$ (632,192) 2021 \$ (493,681)
Intercompany Service Agreement File No. 63251	01/01/2019	Trustmark Services Company	The Company	To the extent requested by the Company, the following services or expenses: <ul style="list-style-type: none"> • Actuarial Services • Agency Services • Claims Services • Corporate Communication and Public Relations • Corporate Secretary Functions • Executive Management • Finance • Human Resources 	2017 Note 1 2018 Note 1 2019 Note 1 2020 Note 1 2021 \$(348,900)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
				<ul style="list-style-type: none"> • Internal Audit • Internal Legal Services • Records Management • Policy or Contract Owner Services • Policy and Certificate Issuance • Premium Billing and Collection Services • Products • Regulatory Compliance • Reinsurance Administration and Management • Sales, Advertising and Marketing Promotion and Marketing Support Services • Service Department Salaries and Benefits • Training of the Company Staff 	

Type of Agreement and Department File Number	Effective Date	Provider(s) of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
				<ul style="list-style-type: none"> Underwriting Services 	
Intercompany Service Agreement File No. 62909	05/01/2021	Trustmark Health Benefits, Inc., Health Fitness Corporation, Star Marketing and Administration, Inc., MultiBenefit Services, Inc., and PFT Employee Benefit Solutions, Inc.	The Company	Service providers will perform such administrative and other services as are requested from time to time by the Company	2017 N/A 2018 N/A 2019 N/A 2020 N/A 2021 \$(13,982)

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

Note 1: Prior to the Company's implementation of Workday Financials in 2021, the Company's previous financial systems was not set up to allocate expenses directly from Trustmark Services Company to the Company.

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

Section 1505(d)(3) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period:

(3) rendering of services on a regular or systematic basis . . . ”

By letter dated November 18, 2022, the Company submitted proposed (1) second amended and restated service agreements between (a) itself and Trustmark Life Insurance Company and (b) itself and Trustmark Insurance Company; and (2) an amended and restated agreement between itself and Trustmark Services Company, Health Fitness Corporation, Star Marketing and Administration, Inc., MultiBenefit Services, Inc., and PFT Employee Benefit Solutions, Inc.¹ for review and non-disapproval. During the examination of the Company, the examiner noted that certain prior service agreements were not submitted to the Department for review and non-disapproval.

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the superintendent in writing of its intention to enter into service agreements with affiliates at least thirty days prior to the rendering of such services.

¹ Although Trustmark Health Benefits, Inc. was among the original parties to the May 2021 services agreement (File No. 62909), such entity was acquired by Health Care Service Corporation, an unrelated third party, effective as of October 5, 2022. As a result, Trustmark Health Benefits, Inc. was not a party to the amended and restated service agreement filed in November 2022 (File No. 63251).

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 twenty one directors. Directors are elected for a period of three years at the annual meeting of the stockholders held in June of each year. As of December 31, 2021, the board of directors consisted of seven members. Meetings of the board are held annually.

The seven board members and their principal business affiliation, as of December 31, 2021, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
John K. Anderson Grayslake, IL	Executive Vice President Trustmark Mutual Holding Company	2021
Benjamin D. Bodner* Loudonville, NY	Principal Hinman Straub, P.C.	2021
Steven E. English* Columbus, OH	Retired Senior Vice President and Chief Financial Officer State Auto Insurance Companies	2021
Philip A. Goss Evanston, IL	Executive Vice President Trustmark Mutual Holding Company	2011
Christopher S. Panczner* New York, NY	Senior Vice President and General Counsel Montefiore Medical Center	2009
Kevin R. Slawin Northbrook, IL	President and Chief Executive Officer Trustmark Mutual Holding Company	2016
Lynn Shapiro Snyder* Boca Raton, FL	Senior Member Epstein Becker and Green, P.C.	2016

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

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

The following is a listing of the principal officers of the Company as of December 31, 2021:

<u>Name</u>	<u>Title</u>
John K. Anderson	President
Philip A. Goss	Treasurer
Laura A. Derouin*	Secretary

* In April 2022, Kathleen A. Sweitzer replaced Steven T. Auburn as the General Counsel and Laura Derouin as Secretary.

In April 2022, Katherine E. Licup replaced Elizabeth A. O'Brien as the Chief Compliance Officer, Chief Privacy Officer, and designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 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 only in the State of New York. In 2021, 100% of life premiums were received from the State of New York. Policies are written on a participating basis.

A. Statutory and Special Deposits

As of December 31, 2021, the Company had \$400,000 (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.

B. Direct Operations

The Company markets worksite products designed specifically for the voluntary market.

During the period under review, the Company wrote participating individual flexible premium universal life policies with convalescent care benefit riders.

The Company's agency operations are conducted on a general agency basis, through national and regional brokers and professional benefit communication firms.

C. Reinsurance

As of December 31, 2021, the Company had reinsurance treaties in effect with two authorized insurers. The Company's life business is reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic basis. In addition, effective July 1, 2015, the Company entered into a catastrophic life excess reinsurance treaty. Reinsurance under this treaty is provided on an excess of loss basis.

The maximum retention limit for individual life contracts is \$150,000. The catastrophic life excess reinsurance treaty provides additional protection for the Company in the event of catastrophic losses with a maximum retention of \$500,000 per occurrence. The total face amount of life insurance ceded as of December 31, 2021, was \$12,187,533, which represents 6% of the total face amount of life insurance in force.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2021, as contained in the Company's 2021 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, 2021 filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche LLP 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.

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

B. Net Admitted Assets

Bonds	\$10,357,826
Cash, cash equivalents and short-term investments	749,502
Contract loans	27,272
Investment income due and accrued	56,334
Receivables from parent, subsidiaries and affiliates	411,273
Premium tax recoverable	123,454
Assets due from other companies	<u>9,877</u>
Total admitted assets	<u>\$11,735,538</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 4,592,393
Liability for deposit-type contracts	33,330
Contract claims:	
Life	49,392
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	2,101
Interest maintenance reserve	21,041
General expenses due or accrued	187,078
Taxes, licenses and fees due or accrued, excluding federal income taxes	68,972
Current federal and foreign income taxes	12,326
Amounts held for agents' account	2,214
Remittances and items not allocated	16,277
Miscellaneous liabilities:	
Asset valuation reserve	26,264
Payable to parent, subsidiaries and affiliates	247,660
Unclaimed property	<u>34,823</u>
Total liabilities	\$ <u>5,293,871</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	8,500,000
Unassigned funds (surplus)	<u>(4,058,333)</u>
Surplus	\$ <u>4,441,667</u>
Total capital and surplus	\$ <u>6,441,667</u>
Total liabilities, capital and surplus	\$ <u>11,735,538</u>

D. Condensed Summary of Operations

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums and considerations	\$2,669,107	\$2,326,707	\$2,218,482	\$2,192,336	\$2,469,591
Investment income	<u>146,043</u>	<u>212,937</u>	<u>253,438</u>	<u>275,056</u>	<u>236,375</u>
Total income	<u>\$2,815,150</u>	<u>\$2,539,644</u>	<u>\$2,471,920</u>	<u>\$2,467,392</u>	<u>\$2,705,966</u>
Benefit payments	\$ 216,703	\$ 101,861	\$ 482,368	\$ 174,940	\$ 397,201
Increase in reserves	645,528	781,490	347,915	746,160	854,883
Commissions	930,650	354,502	555,844	430,149	589,813
General expenses and taxes	1,222,393	1,118,796	1,500,624	1,024,983	1,211,283
Fines and penalties of regulatory authorities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>135,151</u>
Total deductions	<u>\$3,015,274</u>	<u>\$2,356,649</u>	<u>\$2,886,751</u>	<u>\$2,376,232</u>	<u>\$3,188,331</u>
Net gain (loss)	\$ (200,124)	\$ 182,995	\$ (414,831)	\$ 91,160	\$ (482,365)
Federal and foreign income taxes incurred	<u>13,153</u>	<u>9,585</u>	<u>(75,992)</u>	<u>(994)</u>	<u>(91,653)</u>
Net gain (loss) from operations					
before net realized capital gains	\$ (213,277)	\$ 173,410	\$ (338,839)	\$ 92,154	\$ (390,712)
Net realized capital gains (losses)	<u>57</u>	<u>(758)</u>	<u>(5,418)</u>	<u>(10,536)</u>	<u>(2,188)</u>
Net income	<u>\$ (213,220)</u>	<u>\$ 172,652</u>	<u>\$ (344,257)</u>	<u>\$ 81,618</u>	<u>\$ (392,900)</u>

E. Capital and Surplus Account

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ <u>6,878,908</u>	\$ <u>6,924,132</u>	\$ <u>7,094,113</u>	\$ <u>6,730,742</u>	\$ <u>6,822,307</u>
Net income	\$ (213,220)	\$ 172,652	\$ (344,257)	\$ 81,618	\$ (392,900)
Change in non-admitted assets and related items	261,984	2,197	(15,979)	9,524	16,748
Change in asset valuation reserve	<u>(3,540)</u>	<u>(4,868)</u>	<u>(3,135)</u>	<u>423</u>	<u>(4,488)</u>
Net change in capital and surplus for the year	\$ <u>45,224</u>	\$ <u>169,981</u>	\$ <u>(363,371)</u>	\$ <u>91,565</u>	\$ <u>(380,640)</u>
Capital and surplus, December 31, current year	\$ <u>6,924,132</u>	\$ <u>7,094,113</u>	\$ <u>6,730,742</u>	\$ <u>6,822,307</u>	\$ <u>6,441,667</u>

F. Reserves

The Department conducted a review of the reserves as of December 31, 2021. This review included an examination of asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding the mortality and expense assumptions used in the analysis. In response, the Company agreed to refine such assumptions used in the analysis and increased reserves by \$1 million as of December 31, 2022. The examiner recommends that the Company continue to incorporate such refinements as agreed upon with the Department.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report on financial condition examination and the subsequent actions taken by the Company in response to the citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 325(a) of the New York Insurance Law by failing to maintain several statutorily required records at its home office.</p> <p>The Company has complied with the requirement by maintaining all records required by Section 325(a) of the New York Insurance Law.</p>

7. SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the superintendent in writing of its intention to enter into service agreements with affiliates at least thirty days prior to the rendering of such services.	11
B	The examiner recommends that the Company continue to incorporate such refinements as agreed upon with the Department.	19

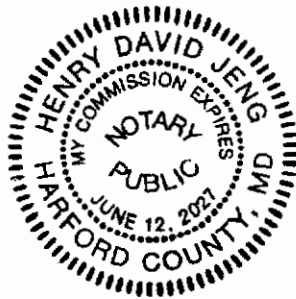
Respectfully submitted,

Chineta Alford

Chineta Alford, CFE
Global Insurance Enterprises, Inc.

STATE OF MARYLAND)
) SS:
COUNTY OF HARFORD)

Chineta Alford, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.



Chineta Alford
Chineta Alford

Henry David Jeng
NOTARY PUBLIC

Subscribed and sworn to before me
this 5th day of JUNE, 2023

Respectfully submitted,

/s/

Christine D. Mavour
Associate Insurance Examiner

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

Christine D. Mavour, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/

Christine D. Mavour

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32431

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ADRIENNE A. HARRIS, 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:

***CHINETA ALFORD**
(GLOBAL INSURANCE ENTERPRISES, INC.)*

*as a proper person to examine the affairs of the
TRUSTMARK 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 she 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 21st day of July, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Mark McLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

