



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

ASSURITY LIFE INSURANCE COMPANY OF NEW YORK

AS OF DECEMBER 31, 2021

EXAMINER:

DENISE SAUNDERS

DATE OF REPORT:

JUNE 20, 2023

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	4
	A. History	4
	B. Holding company	4
	C. Organizational chart	5
	D. Service agreements	6
	E. Management	6
3.	Territory and plan of operations	9
	A. Statutory and special deposits	9
	B. Direct operations	9
	C. Reinsurance	9
4.	Financial statements	11
	A. Independent accountants	11
	B. Net admitted assets	11
	C. Liabilities, capital and surplus	12
	D. Condensed summary of operations	13
	E. Capital and surplus account	14
5.	Prior report summary and conclusions	15

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 21, 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. 32492, dated March 6, 2023, and annexed hereto, an examination has been made into the condition and affairs of Assurity Life Insurance Company of New York, hereinafter referred to as “the Company”. The Company’s main administrative office is located at 2000 Q Street, Lincoln, NE 68503. The Company’s statutory home office is located at 121 State Street, Albany, NY 12207. 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. 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 four-year period from January 1, 2018, to 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 conducted and coordinated in conjunction with the examination of the Company's parent, Assurity Life Insurance Company ("ALIC"), a Nebraska domestic insurer. The examination was conducted as part of the Assurity Group. The State of Nebraska served as the lead state with participation from the State of New York. Since Nebraska and New York 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 2018 through 2021, by the accounting firm of KPMG LLP (“KPMG”). The Company received an unqualified opinion in all years under examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination.

The examiner reviewed the corrective action taken by the Company with respect to the violation contained in the prior report on examination. The results of the examiner’s review are contained in item 5 of this report.

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

2. DESCRIPTION OF COMPANY

A. History

The Company is a stock life insurance company and was incorporated under the laws of the State of New York on March 30, 2015, was licensed on January 21, 2016, and commenced business on April 4, 2016.

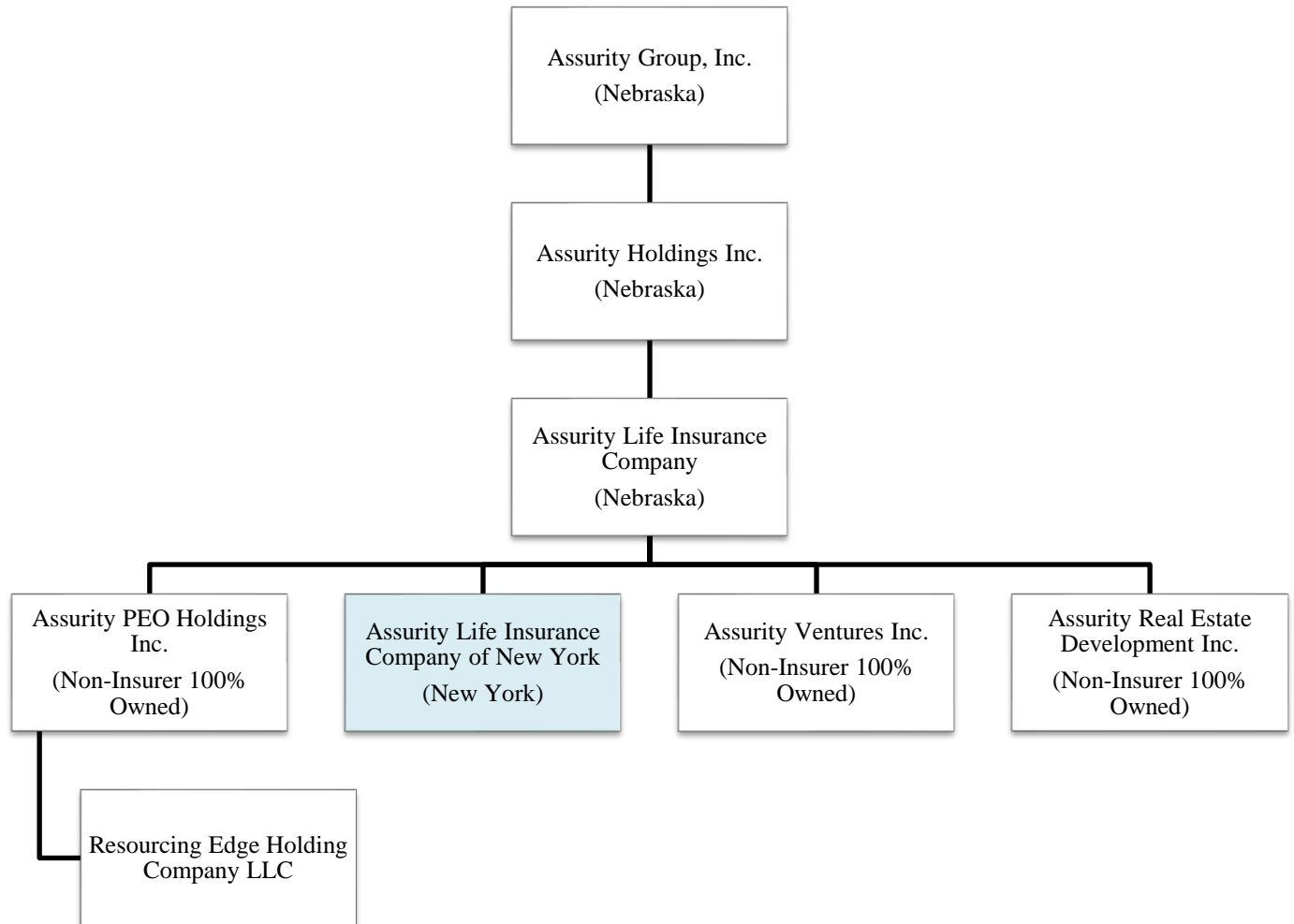
Initial resources of \$7,596,882, consisting of \$2,500,000 of common capital stock and paid in and contributed surplus of \$5,096,882 were provided through the sale of 50,000 shares of common capital stock of \$50 per share.

B. Holding Company

The Company is a wholly owned subsidiary of ALIC, a stock life insurance company domiciled in Nebraska. ALIC in turn is a wholly owned subsidiary of Assurity Holdings Inc., a holding company domiciled in Nebraska. Assurity Holdings Inc. is an intermediate noninsurance stock company domiciled in Nebraska, and is ultimately owned by Assurity Group Inc. (“AGI”), a Nebraska domiciled noninsurance mutual holding 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 two service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
Administrative Service Agreement File No. 50139	12/11/2015	ALIC	The Company	Accounting, Actuarial, Underwriting, Claims Management, Marketing, Legal, and Information Technology	2018 \$(112,707) 2019 \$(192,998) 2020 \$(187,518) 2021 \$(182,184)
Investment Service Agreement File No. 50139	12/11/2015	ALIC	The Company	Investments, Management	2018 \$(19,825) 2019 \$(20,177) 2020 \$(20,177) 2021 \$(19,910)

* Amount of Expense Incurred by the Company

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

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 12 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2021, the board of directors consisted of seven members. Meetings of the board are held annually unless a special meeting is called.

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>
Fredric L. Bodner* Latham, NY	Attorney Hinman Straub, PC	2015
William R. Cintani* Lincoln, NE	President and Chief Executive Officer Mapes Industries	2015
Kevin G. Faltin Lincoln, NE	Vice President and Chief Financial Officer Assurity Life Insurance Company	2020
Thomas E. Henning Lincoln, NE	Chairman of the Board, Chief Executive Officer, and Past President Assurity Life Insurance Company	2015
Marc E. LeBaron* Lincoln, NE	Chairman and Chief Executive Officer Lincoln Industries	2015
Susan L. Keisler-Munro Lincoln, NE	President Assurity Life Insurance Company	2015
Lyn W. Ziegenbein* Lincoln, NE	Director Emerita Peter Kiewit Foundation	2020

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

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

<u>Name</u>	<u>Title</u>
Thomas E. Henning	Chairman of the Board and Chief Executive Officer
Susan L. Keisler-Munro	President
Kevin G. Faltin	Treasurer
Jill D. Fiddler*	Secretary

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

On August 5, 2021, Susan L. Keiser-Munro was appointed President, replacing Thomas E. Henning. On December 31, 2021, Thomas E. Henning resigned as Chief Executive Officer. Susan L. Keiser-Munro was appointed Chief Executive Officer as of January 1, 2022. On December 10, 2022, William R. Cintani passed. On December 31, 2022, Thomas E. Henning resigned from the board of directors. As of December 31, 2022, the Company had five directors.

As of May 12, 2023, David Lockwood was added to the board to replace Thomas E. Henning, Ryan Downs was added to the board to replace William R. Cintani, and David Graff was added to the board to replace Lyn W. Ziegenbein. Thus, as of May 12, 2023, the Company had seven directors.

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.

3. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance and accident and health insurance as defined in paragraphs 1 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is only licensed to transact business in the State of New York. In 2021, all life insurance premiums, and 95% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2021, the Company had \$500,000 (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 operates exclusively in New York, and distributes its products through independent brokers. Disability income products are marketed to small business owners and to middle to higher-income skilled laborers. Accidental death products are marketed to any individual seeking death benefit coverage to assist their beneficiaries with expenses in the event of accidental death.

In 2020, the Company introduced a new line of business, an individual specified disease policy. As of December 31, 2021, the Company maintained a small amount of credit life insurance and individual disability insurance in-force which included one group credit life insurance master policy issued in 2016. During 2021, the Company continued to sell its individual disability income product and an individual accidental death product “Century+ Disability Income Insurance”. Monthly benefit limits for the Century+ Disability Income Insurance product are up to \$20,000, dependent upon occupation, class, with issue age limits from 18 through 60.

C. Reinsurance

As of December 31, 2021, the Company had reinsurance treaties in effect with two companies, General Re Life Corporation and Munich American Reassurance Company, of which

both were authorized or accredited to reinsure its accident and health business on a coinsurance and automatic basis.

The Company does not assume any life insurance.

4. 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 KPMG 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.

KPMG 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	\$7,928,549
Cash, cash equivalents and short-term investments	5,429
Investment income due and accrued	60,471
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(11,242)
Reinsurance:	
Amounts recoverable from reinsurers	6,081
Other amounts receivable under reinsurance contracts	5,030
Current federal and foreign income tax recoverable and interest thereon	161,705
Net deferred tax asset	<u>29,301</u>
Total admitted assets	<u>\$8,185,325</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 35,658
Aggregate reserve for accident and health contracts	1,197,589
Contract claims:	
Accident and health	108,673
Premiums and annuity considerations for life and accident and health contracts received in advance	1,237
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	2,515
General expenses due or accrued	47,286
Taxes, licenses and fees due or accrued, excluding federal income taxes	49,092
Amounts held for agents' account	104
Remittances and items not allocated	641
Miscellaneous liabilities:	
Asset valuation reserve	26,709
Payable to parent, subsidiaries and affiliates	<u>17,964</u>
 Total liabilities	 <u>\$1,487,469</u>
 Common capital stock	 \$2,500,000
Unassigned funds (surplus)	<u>4,197,856</u>
Surplus	<u>\$4,197,856</u>
Total capital and surplus	<u>\$6,697,856</u>
 Total liabilities, capital and surplus	 <u>\$8,185,325</u>

D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums and considerations	\$ 255,738	\$ 492,628	\$ 599,727	\$ 700,590
Investment income	202,754	218,695	214,777	214,682
Commissions and expense allowance on reinsurance ceded	21,947	51,620	60,099	57,022
Miscellaneous income	<u>4</u>	<u>(28)</u>	<u>11</u>	<u>7</u>
Total income	<u>\$ 480,443</u>	<u>\$ 762,915</u>	<u>\$ 874,615</u>	<u>\$ 972,301</u>
Benefit payments	\$ 119,777	\$ 321,196	\$ 364,071	\$ 465,650
Increase in reserves	203,439	(86,825)	248,187	79,453
Commissions	113,149	244,809	249,565	241,259
General expenses and taxes	401,350	429,512	390,575	365,191
Increase in loading on deferred and uncollected premiums	<u>3,509</u>	<u>661</u>	<u>(1,093)</u>	<u>1,236</u>
Total deductions	<u>\$ 841,224</u>	<u>\$ 909,353</u>	<u>\$1,251,304</u>	<u>\$1,152,789</u>
Net gain (loss)	\$(360,781)	\$(146,438)	\$ (376,690)	\$ (180,488)
Federal and foreign income taxes incurred	<u>0</u>	<u>0</u>	<u>0</u>	<u>(161,705)</u>
Net gain (loss) from operations before net realized capital gains	<u>\$(360,781)</u>	<u>\$(146,438)</u>	<u>\$ (376,690)</u>	<u>\$ (18,783)</u>
Net income	<u>\$(360,781)</u>	<u>\$(146,438)</u>	<u>\$ (376,690)</u>	<u>\$ (18,783)</u>

E. Capital and Surplus Account

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ <u>7,591,032</u>	\$ <u>7,226,171</u>	\$ <u>7,071,322</u>	\$ <u>6,689,414</u>
Net income	\$ (360,781)	\$ (146,438)	\$ (376,690)	\$ (18,783)
Change in net deferred income tax	75,001	(77,819)	0	64,492
Change in non-admitted assets and related items	(75,788)	72,793	868	(31,292)
Change in asset valuation reserve	<u>(3,294)</u>	<u>(3,386)</u>	<u>(6,088)</u>	<u>(5,975)</u>
Net change in capital and surplus for the year	\$ <u>(364,861)</u>	\$ <u>(154,849)</u>	\$ <u>(381,908)</u>	\$ <u>8,442</u>
Capital and surplus, December 31, current year	\$ <u>7,226,171</u>	\$ <u>7,071,322</u>	\$ <u>6,689,414</u>	\$ <u>6,697,856</u>

5. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report on 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 1411(a) of the New York law by failing to present investment transactions to the board of directors for its approval.</p> <p>The examiner's review revealed that investment transactions were approved by the board of directors as evidenced in the minutes of the board's meetings.</p>

Respectfully submitted,



Denise Saunders
Senior Insurance Examiner

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

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



Denise Saunders

Subscribed and sworn to before me

this 20th day of June, 2023

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

APPOINTMENT NO. 32492

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:

DENISE SAUNDERS

as a proper person to examine the affairs of the
ASSURITY 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 6th day of March, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

