



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

FIDELITY SECURITY LIFE INSURANCE COMPANY

OF

NEW YORK

AS OF DECEMBER 31, 2021

EXAMINER:

MESKEREM BELAY

DATE OF REPORT:

JUNE 13, 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	10
	A. Independent accountants	10
	B. Net admitted assets	11
	C. Liabilities, capital and surplus	12
	D. Condensed summary of operations	13
	E. Capital and surplus account	14

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. 32397, dated March 30, 2022, and annexed hereto, an examination has been made into the condition and affairs of Fidelity Security Life Insurance Company of New York, hereinafter referred to as “the Company”. The Company’s home office is located at 3130 Broadway, Kansas City, MO 64111. The Company’s statutory home office is located at 162 Prospect Hill Road, Suite 101A, Brewster NY 10509. 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 five-year period from January 1, 2017, 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 coordinated and conducted in conjunction with the examination of the Company's parent, Fidelity Security Life Insurance Company ("FSL"), a Missouri domestic insurance company. Missouri served as the lead state with participation from the states of New York and Arkansas. 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 RSM US LLP (“RSM”). 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 Company shares an internal audit department with its affiliates in the Fidelity Security Group, which was given the task of assessing the internal control structure and compliance with the Model Audit Rule (“MAR”). Where applicable, MAR workpapers and reports were reviewed, and portions were relied upon 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.

2. 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 December 23, 1963, under the name of Old Republic Life Insurance Company of New York. The Company was licensed and commenced business on April 30, 1964. Initial resources of \$750,000, consisting of common capital stock of \$500,000 and paid in and contributed surplus of \$250,000, were provided through the sale of 100,000 shares of common stock (with a par value of \$5 each) for \$7.50 per share.

In 1971, the Company increased its capital from \$500,000 to \$600,000 through the issuance of a stock dividend of 20,000 shares with a par value of \$5 per share. In 1993, the Company increased its capital from \$600,000 to \$2,000,000 through the issuance of a stock dividend of 280,000 shares with a par value of \$5 per share.

The Company was acquired in February 1999 by Great American Life Insurance Company, and on April 2, 1999, the Company's name was changed to Great American Life Insurance Company of New York.

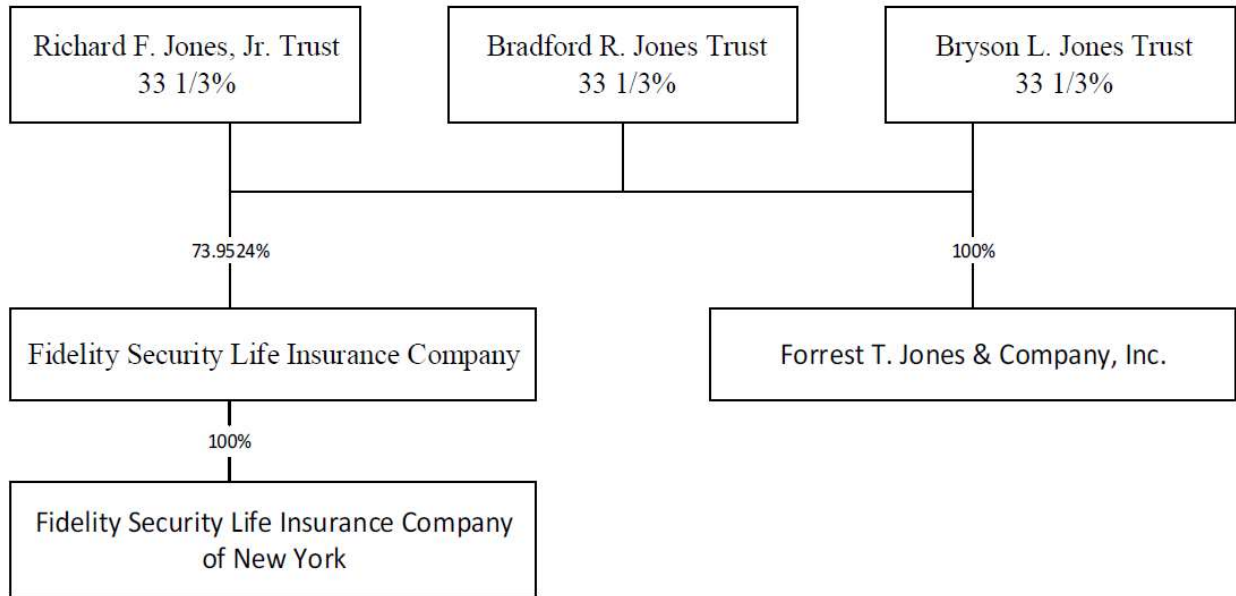
On December 30, 2011, FSL purchased 100% of the issued and outstanding common stock of Great American Life Insurance Company of New York from Great American Life Insurance Company. The Company's name was changed from Great American Life Insurance Company of New York to Fidelity Security Life Insurance Company of New York.

B. Holding Company

The Company is a wholly owned subsidiary of FSL, a Missouri life insurance Company. FSL's ownership consists of three trusts, each with a one-third interest.

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 affiliated

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Administrative Service Agreement File No. 45072	12/30/2011	Forrest T. Jones & Company, Inc.	The Company	Facilities and Personnel, Licensing and Insurance, Administrative and Functional Duties, Marketing, Underwriting and Verifying Eligibility, Billing and Collecting, and Adjusting Claims	2017 \$ (965,292) 2018 \$(1,073,822) 2019 \$(1,178,804) 2020 \$(1,051,306) 2021 \$ (879,011)
Investment Services Agreement** File No. 45072	01/01/2012	FSL	The Company	Investment Management Services	2017 \$0 2018 \$0 2019 \$0 2020 \$0 2021 \$0

*Amount of Expense Incurred by the Company

** FSL and the Company agreed to place a moratorium on the amounts due to FSL, pursuant to the agreement.

The Company participates in a federal income tax allocation agreement and has a Letter of Guarantee with its parent.

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 13 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 quarterly.

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>
Billy B. Hill, Jr.* Austin, TX	Director of Special Projects AmeriLife Group, LLC	2011
William R Hobbs* Overland Park, KS	Retired, Vice President and Controller Fidelity Security Life Insurance Company	2011
Kathryn A. Howell* Pelham, NY	Chief Legal Officer Well Dot, Inc.	2011
Richard F. Jones Mission Hills, KS	Chairman, President and Chief Executive Officer Fidelity Security Life Insurance Company of New York	2011
Steven C. Krueger* St. Petersburg, FL	Of Counsel Slagle, Bernard &Gorman, P.C.	2011
Peter A. Lindquist Wheaton, IL	Treasurer and Vice President Fidelity Security Life Insurance Company of New York	2016
Martha E. Madden Prairie Village, KS	Vice President and Secretary Fidelity Security Life Insurance Company of New York	2011

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

Effective April 26, 2022, Richard F. Jones, Jr., Bradford R. Jones and Bryson L. Jones joined the Company's board of 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.

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

<u>Name</u>	<u>Title</u>
Richard F. Jones	Chairman, Chief Executive Officer, and President
Peter A. Lindquist	Vice President and Treasurer
Bryson L. Jones	Vice President and Assistant Treasurer
Martha E. Madden*	Vice President and Secretary

<u>Name</u>	<u>Title</u>
Bradford R. Jones	Vice President and Assistant Secretary
Richard F. Jones Jr.	Vice President
Timothy Wayne Knott	Vice President

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

In April 2022, Bradford R. Jones replaced Richard F. Jones as President of the Company; however, Richard F. Jones remained as Chairman of the Board. In addition, in April 2022, Bryson L. Jones was elected as Executive Vice President and Vice Chairman; Richard F. Jones Jr., was elected as Executive Vice President and Vice Chairman; and Martha E. Madden was elected as Senior Vice President.

3. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law. The Company is licensed to transact business in two states, namely Mississippi and New York. In 2021, 100% of premiums (life premiums, accident and health premiums, and annuity considerations) were received from New York. Policies are written on a non-participating basis. The Company did not write annuities during the period under review.

A. Statutory and Special Deposits

As of December 31, 2021, the Company had \$250,000 (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 principal line of business marketed during the examination period was group accident and health insurance. The Company markets two products, a limited benefit health vision product and a traditional stop-loss health coverage plan. Both products are reinsured to minimize loss exposure.

The Company markets its products through a number of distribution channels that include individual sales representatives, brokers, managing general agents and third-party administrators. In 2021, 95% of the Company's business was produced by First American Administrators, Inc.

C. Reinsurance

As of December 31, 2021, the Company had accident and health reinsurance treaties in effect with seven companies, of which five were authorized, accredited, or certified. The Company's accident and health business is reinsured on a quota share and coinsurance. Reinsurance is provided on an automatic and facultative basis.

The Company did not assume any insurance business during the examination period.

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 RSM 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.

RSM 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	\$34,508,438
Stocks:	
Preferred stocks	207,520
Cash, cash equivalents and short-term investments	1,748,762
Other invested assets	520,346
Investment income due and accrued	328,298
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,063,911
Reinsurance:	
Other amounts receivable under reinsurance contracts	727,768
Current federal and foreign income tax recoverable and interest thereon	50,553
Net deferred tax asset	<u>188,086</u>
Total admitted assets	<u>\$39,343,681</u>

C. Liabilities, Capital, and Surplus

Aggregate reserve for life policies and contracts	\$20,462,675
Aggregate reserve for accident and health contracts	143,836
Liability for deposit-type contracts	1,783,333
Contract claims:	
Accident and health	345,856
Premiums and annuity considerations for life and accident and health contracts received in advance	129
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	181,639
Interest maintenance reserve	131,203
General expenses due or accrued	99,963
Amounts withheld or retained by company as agent or trustee	38,035
Amounts held for agents' account	17,742
Remittances and items not allocated	76,866
Miscellaneous liabilities:	
Asset valuation reserve	447,726
Funds held under reinsurance treaties with unauthorized reinsurers	167,821
Payable to parent, subsidiaries and affiliates	984,513
Liability for unclaimed funds	<u>4,354</u>
 Total liabilities	 <u>\$24,885,691</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	5,350,000
Unassigned funds (surplus)	<u>7,107,994</u>
Surplus	<u>\$12,457,994</u>
Total capital and surplus	<u>\$14,457,994</u>
 Total liabilities, capital and surplus	 <u>\$39,343,685</u>

D. Condensed Summary of Operations

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums and considerations	\$3,034,728	\$ 3,141,307	\$ 5,627,736	\$ 5,634,476	\$ 6,153,376
Investment income	1,878,161	1,712,949	1,515,295	1,559,780	1,574,699
Commissions and reserve adjustments on reinsurance ceded	4,635,863	6,423,327	8,172,828	9,284,634	8,423,037
Miscellaneous income	<u>50</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total income	<u>\$9,548,802</u>	<u>\$11,277,582</u>	<u>\$15,315,858</u>	<u>\$16,478,890</u>	<u>\$16,151,112</u>
Benefit payments	\$3,253,456	\$ 5,031,238	\$ 5,909,250	\$ 6,788,346	\$ 6,858,960
Increase in reserves	190,417	(1,994,247)	(401,902)	(2,000,096)	(1,373,535)
Commissions	4,066,795	5,152,481	7,398,789	7,356,628	7,491,371
General expenses and taxes	<u>1,174,699</u>	<u>2,017,492</u>	<u>1,531,944</u>	<u>2,606,947</u>	<u>1,620,554</u>
Total deductions	<u>\$8,685,368</u>	<u>\$10,206,964</u>	<u>\$14,438,081</u>	<u>\$14,751,827</u>	<u>\$14,597,350</u>
Net gain (loss)	\$ 863,434	\$ 1,070,618	\$ 877,778	\$ 1,727,063	\$ 1,553,762
Federal and foreign income taxes incurred	<u>224,973</u>	<u>282,053</u>	<u>53,279</u>	<u>504,033</u>	<u>292,396</u>
Net gain (loss) from operations before net realized capital gains	\$ 638,461	\$ 788,565	\$ 824,499	\$ 1,223,029	\$ 1,261,366
Net realized capital gains (losses)	<u>(27,482)</u>	<u>3,605</u>	<u>0</u>	<u>0</u>	<u>13,460</u>
Net income	<u>\$ 610,979</u>	<u>\$ 792,169</u>	<u>\$ 824,499</u>	<u>\$ 1,223,029</u>	<u>\$ 1,274,826</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>\$10,587,817</u>	<u>\$11,119,118</u>	<u>\$11,959,432</u>	<u>\$12,162,872</u>	<u>\$13,318,847</u>
Net income	\$ 610,979	\$ 792,169	\$ 824,499	\$ 1,223,029	\$ 1,274,826
Change in net unrealized capital gains (losses)	59,809	(16,610)	0	(7,233)	166,598
Change in net deferred income tax	(185,646)	(8,743)	22,253	(18,717)	(74,511)
Change in non-admitted assets and related items	256,128	(2,992)	(14,876)	(20,978)	793
Change in reserve valuation basis	(221,959)	0	(602,134)	0	0
Change in asset valuation reserve	<u>11,989</u>	<u>76,489</u>	<u>(26,302)</u>	<u>(20,126)</u>	<u>(228,556)</u>
Net change in capital and surplus for the year	<u>\$ 531,301</u>	<u>\$ 840,314</u>	<u>\$ 203,440</u>	<u>\$ 1,155,975</u>	<u>\$ 1,139,150</u>
Capital and surplus, December 31, current year	<u>\$11,119,118</u>	<u>\$11,959,432</u>	<u>\$12,162,872</u>	<u>\$13,318,847</u>	<u>\$14,457,996</u>

Respectfully submitted,

Meskerem Belay

Meskerem Belay
Senior Insurance Examiner

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

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

Meskerem Belay
Meskerem Belay

Subscribed and sworn to before me
this 23rd day of June, 2023
Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274800
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

/s/

Courtney Williams
Principal Insurance Examiner

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

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

/s/

Courtney Williams

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32397

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:

MESKEREM BELAY

as a proper person to examine the affairs of the

FIDELITY SECURITY LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 30th day of March, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Mark McLeod

*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

