



**FINANCIAL CONDITION REPORT ON EXAMINATION**

**OF THE**

**DEARBORN NATIONAL LIFE INSURANCE COMPANY**

**OF NEW YORK**

**AS OF DECEMBER 31, 2022**

**EXAMINER:**

**PABLO RAMOS**

**DATE OF REPORT:**

**JUNE 17, 2024**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 21, 2024

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. 32534, dated May 2, 2023, and annexed hereto, an examination has been made into the condition and affairs of Dearborn National Life Insurance Company of New York, hereinafter referred to as "the Company." The Company's administrative office is located at 701 East 22<sup>nd</sup> Street, Lombard, Illinois 60148. The Company's statutory home office is located at 1250 Pittsford Victor Road, Building 100, Suite 116, Pittsford, New York 14534.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

## 1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election with the Superintendent at least ten days before the day of such election for all years during the exam period. (See item 3E of this report.)
- The Company violated Section 4211(b) of the New York Insurance Law by failing to file a written notice of the election of directors with the Superintendent at least ten days prior to such successors taking office and exercising their duties. (See item 3E 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, 2023 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2018, to December 31, 2022. 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, 2022, 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 examinations of the Company's parent, Dearborn Life Insurance Company ("DLIC"), an Illinois domiciled life insurer and DLIC's parent, Health Care Service Corporation ("HCSC"), an Illinois Mutual Legal Reserve Company. The Coordinated examination was led by the Illinois Department of Insurance with participation from New Mexico, New York, Oklahoma, and Texas. 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 2018 through 2022, by the accounting firm of Ernst & Young, LLP ("EY"). The Company received an unqualified opinion in all of the years under examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company relies on its parent company, HCSC, which has an internal audit department that 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.

### 3. DESCRIPTION OF COMPANY

#### A. History

The Company was incorporated as a stock life insurance company under the laws of New York on May 18, 1989, under the name of Northstar Life Insurance Company (“Northstar”) and was licensed and commenced business on January 9, 1991. Initial resources of \$8,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$6,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$40 per share.

On July 1, 2007, Fort Dearborn Life Insurance Company (“FDL”), a stock life insurance company organized under the laws of the State of Illinois acquired all the outstanding shares of Northstar for cash. The acquisition was executed pursuant to a stock purchase agreement between FDL, Minnesota Life Insurance Company and Securian Life Insurance Company (“Securian”), the former parents of the Company. The cash transaction was in the amount of \$25.7 million. According to the terms of the agreement, Northstar would enter into a 100% coinsurance agreement with Securian. In January 2008, FDL filed with, and the Department approved a surplus contribution of \$1,066,214 to the Company. As a result, as of December 31, 2008, the Company’s gross paid-in and contributed surplus increased to \$7,066,214 and remained the same through December 31, 2018. On December 3, 2019, the Company paid \$6,000,000 to its Parent as a return of capital, thus resulting in gross paid-in and contributed surplus of \$1,066,214 which has remained the same through the date of this examination, December 31, 2022.

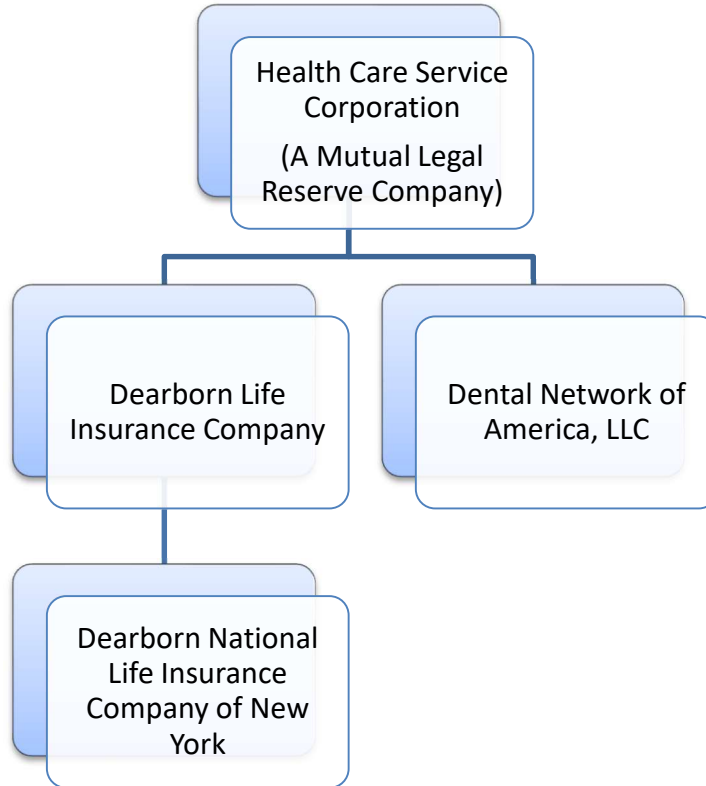
On January 1, 2012, FDL changed its name to Dearborn National Life Insurance Company (“DNL”), and on February 22, 2019, DNL changed its name to Dearborn Life Insurance Company. On July 24, 2012, the Company changed its name to its current name, Dearborn National Life Insurance Company of New York.

#### B. Holding Company

The Company is a wholly owned subsidiary of DLIC, an Illinois Corporation. DLIC is a wholly owned subsidiary of HCSC, an Illinois Mutual Legal Reserve Company, and the ultimate parent of the 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, 2022, follows:



D. Service Agreements

The Company had three 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 Service(s) Covered	Expense* For Each Year of the Examination
Investment Management Services Agreement  File No. 43486	04/01/2010	HCSC	The Company	HCSC's management of the Company's investments	2018 \$(15,754) 2019 \$(15,814) 2020 \$(23,252) 2021 \$(23,515) 2022 \$ (6,027)



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
Service Agreement  File No. 40217	04/01/2008	Dental Network of America, LLC	The Company	Dental claims administrative services	2018 \$(10,932) 2019 \$ 0 2020 \$ 0 2021 \$ 0 2022 \$ 0
Service Agreement  File No. 37244	07/01/2007	HCSC	The Company	Data Processing related to information technology application development, audit, risk management, tax consulting, planning, preparation, reporting and payment services	2018 \$(902,755) 2019 \$(694,083) 2020 \$(314,714) 2021 \$(308,213) 2022 \$(362,504)

\*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 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2022, the board of directors consisted of seven members. Meetings of the board are held from time to time as fixed by resolution of the Board of Directors.

The seven board members and their principal business affiliation, as of December 31, 2022, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Michael W. Witwer Lombard, Illinois	President and Chief Executive Officer Dearborn National Life Insurance Company of New York	2018
James Walsh Chicago, Illinois	Senior Vice-President and Chief Financial Officer Health Care Service Corporation	2020
Darrell Beckett McKinney, Texas	Divisional Senior Vice-President, Sales - Client Management – Marketing Heath Care Service Corporation	2020
Sachin Gupta Chicago, Illinois	Vice-President Corporate Development Heath Care Service Corporation	2022
Ralph C. Folz* Westhampton Beach, New York	Chairman and Chief Executive Officer Seabrook Benefits Consulting, Inc.	2011
James F. McCann* Manhasset, New York	Founder and Chief Executive Officer 1-800-Flowers, Inc.	2011
Sherman M. Wolff* Juno Beach, Florida	Retired Chief Operating Officer Health Care Service Corporation	2007

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

On February 7, 2023, the Company's board of directors elected the following new board members: Arun Prasad, Nick Brecker, Brian Snell, Jeffrey Tikkanen and Manika Turnbull. On the same date, the following board members left the board of directors: Darrell D. Beckett, Ralph C. Folz, Sherman W. Wolff, and Sachin Gupta.

Due to the election on February 7, 2023, the Company's board of directors increased the number of board members from seven to eight members.

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, 2022:

<u>Name</u>	<u>Title</u>
Michael W. Witwer	President and Chief Executive Officer
John Kosky*	Corporate Secretary and Consumer Services Officer
Claire C. Burke	Vice President, Treasurer, and Chief Financial Officer

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

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

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

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

Based on the examiner’s review of Department’s records for filings made in accordance with Section 4211 of the New York Insurance Law, the Section 4211(a) filings were not received by the Department during the years 2018, 2019, and 2020. In addition, the Company’s filings for the years 2021 and 2022 were not filed in a timely manner, as required under Section 4211(a) of the New York Insurance Law. Furthermore, the examiner requested that the Company provide documentary evidence of the filings submitted to the Superintendent pursuant to Section 4211(b) of the New York Insurance Law for the 13 directors elected during the examination period. Based on the examiner’s review of the documentation provided by the Company, the filings were not made in a timely manner for 10 directors, specifically the notifications were filed after the elections had already been held or after the successor had taken office and for one director, there is no record that the Company filed its notice of election of the director with the Department.

The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election with the Superintendent at least ten days before the day of such election for all years during the exam period.

The Company violated Section 4211(b) of the New York Insurance Law by failing to file a written notice of the election of directors with the Superintendent at least ten days prior to such successors taking office and exercising their duties.

#### 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 New York. In 2022, all life and accident and health premiums were received from New York. In 2017, the Company made a strategic decision to exit the group business in New York and not renew remaining contracts in 2018. Effective December 2008, the Company ceased accepting applications for new annuity contracts. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2022, 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's principal products in force during the examination period were ordinary life and group life and disability.

The Company closed its sales office in New York as of June 30, 2013, and has stopped marketing all products in New York. All current business has been non-renewed as of the end of 2018. The Company is in runoff.

##### C. Reinsurance

As of December 31, 2022, the Company had reinsurance treaties in effect with one active authorized or accredited company. The Company's life and accident and health business is 100% reinsured. Reinsurance is provided on an automatic basis.

The total face amount of life insurance ceded as of December 31, 2022, was \$1,585,000 which represents 52.1% 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, 2022, as contained in the Company's 2022 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, 2022, filed annual statement.

### A. Independent Accountants

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

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

### B. Net Admitted Assets

Bonds	\$10,934,826
Cash, cash equivalents and short-term investments	808,459
Contract loans	6
Investment income due and accrued	86,970
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	94
Deferred premiums, agents' balances and installments booked but deferred and not yet due	536
Reinsurance:	
Amounts recoverable from reinsurers	7,154
Current federal and foreign income tax recoverable and interest thereon	<u>101,565</u>
Total admitted assets	<u>\$11,939,610</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 5,575,415
Aggregate reserve for accident and health contracts	1,221,719
Liability for deposit-type contracts	69,137
Contract liabilities not included elsewhere:	
Interest maintenance reserve	142,670
General expenses due or accrued	146,938
Taxes, licenses and fees due or accrued, excluding federal income taxes	99,661
Amounts withheld or retained by company as agent or trustee	(1,104)
Remittances and items not allocated	541
Miscellaneous liabilities:	
Asset valuation reserve	47,062
Payable to parent, subsidiaries and affiliates	77,294
Funds held under coinsurance	11,727
Unclaimed funds	<u>19,228</u>
 Total liabilities	 \$ <u>7,410,287</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	1,066,214
Unassigned funds (surplus)	<u>1,463,109</u>
Surplus	\$ <u>2,529,323</u>
Total capital and surplus	\$ <u>4,529,323</u>
 Total liabilities, capital and surplus	 \$ <u>11,939,610</u>

D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Premiums and considerations	\$ 385,851	\$ (1,825)	\$ 5,063	\$ 19,618	\$ 5,063
Investment income	924,588	755,896	488,002	431,384	407,492
Commissions and reserve adjustments on reinsurance ceded	1,028	281	1,184	937	391
Miscellaneous income	<u>35</u>	<u>0</u>	<u>17</u>	<u>0</u>	<u>22</u>
Total income	<u>\$1,311,502</u>	<u>\$ 754,352</u>	<u>\$494,266</u>	<u>\$ 451,939</u>	<u>\$ 412,968</u>
Benefit payments	\$1,713,409	\$1,290,606	\$632,933	\$ 722,137	\$ 658,451
Increase in reserves	(624,762)	(1,033,864)	(808,740)	(338,384)	(629,248)
Commissions	32,567	0	0	0	0
General expenses and taxes	1,120,423	818,077	376,407	358,937	500,811
Increase in loading on deferred and uncollected premiums	233	(934)	(49)	0	(49)
Miscellaneous deductions	<u>1,483</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total deductions	<u>\$2,243,353</u>	<u>\$1,073,905</u>	<u>\$200,551</u>	<u>\$ 742,690</u>	<u>\$ 529,965</u>
Net gain (loss)	\$ (931,851)	\$ (319,553)	\$293,715	\$(290,751)	\$ (116,997)
Federal and foreign income taxes incurred	<u>(73,642)</u>	<u>(26,655)</u>	<u>25,467</u>	<u>(7)</u>	<u>(96,071)</u>
Net gain (loss) from operations before net realized capital gains	\$ (858,209)	\$ (292,898)	\$268,248	\$(290,744)	\$ (20,926)
Net realized capital gains (losses)	<u>(13,342)</u>	<u>(12,897)</u>	<u>(9,784)</u>	<u>3,296</u>	<u>(766)</u>
Net income	<u>\$ (871,551)</u>	<u>\$ (305,795)</u>	<u>\$258,464</u>	<u>\$(287,448)</u>	<u>\$ (21,692)</u>



E. Capital and Surplus Account

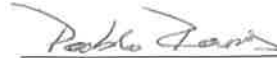
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$ <u>12,823,582</u>	\$ <u>10,844,892</u>	\$ <u>4,569,465</u>	\$ <u>4,831,927</u>	\$ <u>4,554,544</u>
Net income	\$ (871,551)	\$ (305,795)	\$ 258,464	\$ (287,448)	\$ (21,692)
Change in net deferred income tax	(91,258)	0	0	0	0
Change in non-admitted assets and related items	60,432	0	0	0	0
Change in asset valuation reserve	3,687	30,368	3,998	10,065	(3,529)
Surplus adjustments:					
Paid in	0	(6,000,000)	0	0	0
Dividends to stockholders	<u>(1,080,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(1,978,690)</u>	\$ <u>(6,275,427)</u>	\$ <u>262,461</u>	\$ <u>(277,383)</u>	\$ <u>(25,221)</u>
Capital and surplus, December 31, current year	\$ <u>10,844,892</u>	\$ <u>4,569,465</u>	\$ <u>4,831,927</u>	\$ <u>4,554,544</u>	\$ <u>4,529,323</u>

6. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election with the Superintendent at least ten days before the day of such election for all years during the exam period.	9
B	The Company violated Section 4211(b) of the New York Insurance Law by failing to file a written notice of the election of directors with the Superintendent at least ten days prior to such successors taking office and exercising their duties.	10

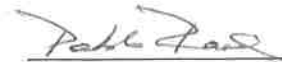
Respectfully submitted,



Pablo Ramos  
Associate Insurance Examiner

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

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



Pablo Ramos

Subscribed and sworn to before me

this 21<sup>st</sup> day of June, 2024



Audrey Hall  
Notary Public, State of New York  
Reg. No. 01HA0010698  
Qualified in Kings County  
Commission Expires 07/07/2027

*APPOINTMENT NO. 32534*

*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:*

***PABLO RAMOS***

*as a proper person to examine the affairs of the*

***DEARBORN NATIONAL 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 2nd day of May, 2023*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*

*Mark McLeod*

\_\_\_\_\_  
*MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU*

