FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

UNION SECURITY LIFE INSURANCE COMPANY

OF NEW YORK

AS OF DECEMBER 31, 2022

EXAMINER: **SAUHUNG YOU**

DATE OF REPORT: **OCTOBER 18, 2024**

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October 24, 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. 32547, dated June 7, 2023, and annexed hereto, an examination has been made into the condition and affairs of Union Security Life Insurance Company of New York, hereinafter referred to as "the Company." The Company's home office is located at 55 Broadway, 20th Floor, New York NY 10006. The Company's administrative office is located at 11222 Quail Roost Drive, Miami, FL 33157.

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 finding and violation contained in this report is summarized below.

The Company violated Section 243.2(b)(1)(ii) of Insurance Regulation 152 by failing to maintain the application, including any application form or enrollment form for coverage under any insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. (See item 6 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 Examiner*s *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 called by the State of Florida ("Florida") in accordance with the NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted as part of the Assurant Group. Florida served as the lead state with participation from the states of Delaware, Georgia, Illinois, New York, and Texas, and the Commonwealth of Puerto Rico. 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 PricewaterhouseCoopers, LLP ("PwC"). The Company received an unqualified opinion in each year of the examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination.

Although the Company does not have an internal audit department, the Company has an audit committee. Internal audit services ("IAS") at Assurant, Inc. ("Assurant") performs a semi-annual risk assessment of the Company and aligns the semi-annual audit plan with Assurant's principal enterprise and product line risks and initiatives. Therefore, the audit plan includes projects that are aligned to strategies, processes, systems, and products rather than to specific legal entities.

The Company's audit committee receives an annual report from IAS highlighting the results of performed audits, which are indirectly related to the Company. These reports reflect IAS's audit activity related to processes, primarily in the corporate and information technology areas. IAS's projects in these areas include audits that are scoped to include infrastructure, security, governance, and policies at Assurant's enterprise level.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 7 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 August 17, 1971, under the name Securance Life Insurance Company. The Company was licensed and commenced business on April 5, 1974. Changes in the capital and surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of $2,000,000 and $36,500,000, respectively, as of December 31, 2008. The Company was originally a wholly owned subsidiary of the Crum and Forster Insurance Group. On July 1, 1978, the Company's name was changed to Crum and Forster Insurance Group (New York).

On December 12, 1979, the Charter Company, an industrial and financial services conglomerate, purchased the Company from Crum and Forster Insurance Group, and on March 11, 1980, the name of the Company was changed to Charter Security Life Insurance Company (New York). On January 10, 1985, Metropolitan Life Insurance Company ("Metropolitan Life") purchased the Company from the Charter Company, and on June 14, 1985, the name of the Company was changed to Metlife Security Insurance Company of New York.

On March 24, 1989, AMEV Holdings Inc, ("AMEVHI"), a Nevada corporation purchased the Company from Metropolitan Life, and on June 16, 1989, the name of the Company was changed to Financial Security Life Insurance Company ("FSLIC"). On January 4, 1991, Fortis AMEV, N.V. ("FAMEVNV"), a Dutch corporation, purchased the Company from its subsidiary, AMEVHI. The sale was accomplished through a transfer of FSLIC shares from AMEVHI, its immediate parent, to FAMEVNV, its ultimate parent. On January 2, 1992, AMEVHI changes its name to Fortis Inc. ("Fortis"), and on January 27, 1992, the name of the Company was changed to First Fortis Life Insurance Company ("FFLIC"). On April 30, 1997, Fortis re-acquired 100% of the Company's common stock.

In 1999, Fortis acquired American Bankers Insurance Group, Inc. ("ABIG"). One of the subsidiaries of ABIG was Bankers American Life Assurance Company ("BALAC"), a New York-licensed life and accident and health insurer. On November 30, 2001, the Company acquired all the issued and outstanding common stock of BALAC from ABIG, then BALAC merged with and into the Company, with the Company being the surviving corporation.

On April 1, 2001, Fortis completed the sale of its Fortis Financial Group division to Hartford Life Insurance and Annuity Company.

On February 5, 2004, Fortis N.V. and Fortis SA/NV, together the successor to FAMEVNV, through their subsidiary Fortis Insurance, N.V., sold approximately 64% of its ownership interest in Fortis through an initial public offering, retaining approximately 36% of its ownership. Prior to the initial public offering, on February 4, 2004, Fortis was merged into Assurant, a Delaware corporation. The merger was executed to re-domesticate Fortis from Nevada to Delaware and to change its name. After the merger, Assurant became the successor to the business, operations, and obligations of Fortis.

On January 21, 2005, Fortis N.V. and Fortis SA/NV, through their subsidiary Fortis Insurance N.V., sold 27,200,000 (approximately 17%) of its Assurant's shares in a secondary offering to the public and concurrently sold mandatory exchangeable bonds, due January 26, 2008, which were exchangeable for approximately 22 million of Assurant's shares. On January 28, 2008, Fortis N.V. and Fortis SA/NV distributed shares of Assurant common stock to the holders of the mandatory exchangeable bonds. Fortis N.V. and Fortis SA/NV then owned 4,147,440 (approximately 3.5%) of Assurant's outstanding shares. On August 7, 2008, Assurant purchased 1,000,000 of its common shares from Fortis N.V. and Fortis SA/NV, which subsequently sold the remaining shares to other investors. Following this transaction, Assurant continued to own 100% of the Company.

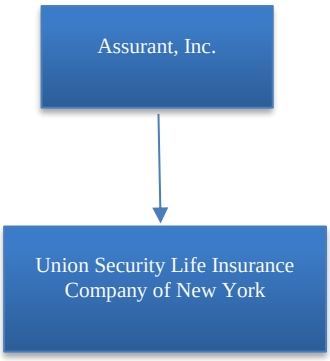
The Company changed its name from FFLIC to its present's name on September 5, 2005.

B. Holding Company

The Company is a wholly owned subsidiary of Assurant, a Delaware publicly traded 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, 2022, 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
Investment Management Agreement File No. 37783	03/01/1994 Amended 02/06/2004 09/06/2005 Amended to revise the names of the legal entities	Assurant	The Company	Investment services	2018 $(54,348) 2019 $(34,748) 2020 $(41,643) 2021 $(38,392) 2022 $(36,543)
Administrative Services Agreement File No. 37782	10/01/2000 Amended 02/06/2004 09/06/2005 Amended to revise the names of the legal entities	Assurant	The Company	Distribution/producer management, marketing support/product development and administration, reinsurance and underwriting, policyowner and contract holder services, claims processing and payment, actuarial/financial services, information technology, legal services and government relations, general services, human resources, etc.	2018 $(321,069) 2019 $ (56,719) 2020 $(499,375) 2021 $(473,959) 2022 $(460,808)

*Amount of Expense Incurred by the Company

The reason for the significant decrease in expenses paid in 2019 as compared to 2018 under the administrative services agreement between the Company and Assurant was related to the coinsurance transaction with Sun Life and Health Insurance Company to 100% coinsure its employee benefits business segment ("Sun Life Transaction"). The Sun Life Transaction called for all new and renewal premiums to be written on the Company's paper through 2018 and Sun Life's paper starting in 2019. This resulted in a significant decrease in earned premiums in 2019. which decreased the expenses allocated to the Company.

The reason for the significant increase in expenses paid in 2020 as compared to 2019 under the administrative agreement between the Company and Assurant was due to a change in the method utilized to allocate expenses related to credit life and other health products which resulted in a significant increase in expenses allocated to the Company as a writer of those products.

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 10 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, 2022, 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, 2022, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Melissa J. T. Hall New York, New York	Senior Vice President, Tax Assurant, Inc.	2005
Terry J. Kryshak* Bessemer, Michigan	Retired Vice President, Audit Assurant, Inc.	2011
Eric M. Kurzrok Ridgewood, New Jersey	Vice President, Actuary Rating and Capital Assurant, Inc.	2016
Dawn M. Lamnin Miami, Florida	Senior Vice President, Financial Services Assurant, Inc.	2019

Name and Residence	Principal Business Affiliation	Year First Elected
Richard J. Lauria* Forest Hills, New York	Professor Columbia University	2022
Tamrha V Mangelsen* Clayton, Wisconsin	Retired Vice President, EBS Statistical Reporting Interfinancial	2022
Paula M. SeGuin Chittenango, New York	President and Chief Executive Officer Union Security Life Insurance Company of New York	2007

*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, 2022:

Name	Title
Paula M. SeGuin*	President and Chief Executive Officer
Athanasios Bolovinos	Treasurer and Chief Financial Officer
Jeannie A. Aragon-Cruz	Secretary
Alisa J. Widmer	Actuary
Dawn M. Lamnin	Senior Vice President, Financial Services
Marilyn M. Piccolo	Chief Information Security Officer

*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 in New York only. In 2022, all life premiums, annuity considerations, and accident and health premiums were received from New York.

A. Statutory and Special Deposits

As of December 31, 2022, the Company had $915,000 (par value) of United States Treasury note 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

Through February 2016, the Company's major products were group life, group credit life, credit accident and health, group disability, group dental and vision, and group accidental death insurance. The Company has a limited number of ordinary life policies, which were obtained through conversion of group life contracts.

Effective March 1, 2016, the Company entered into a 100% coinsurance agreement ("Agreement") with Sun Life and Health Insurance Company ("Sun Life"), effectively exiting the group life, group dental and vision, and group disability insurance lines of business (i.e., the employee benefits business segment). The reinsurance transaction allowed the Company to have a significantly reduced business profile as the Company's business is either 100% ceded, or in run off, except for a small block of active group accidental death and dismemberment business.

Effective June 2017, the company ceased writing group credit life and group credit accident and health insurance.

Effective August 2018, the Company stopped actively marketing group accidental death and dismemberment insurance, however, the Company will accept a new enrollment if a consumer either contacts the Company using previous marketing material, or if the consumer is informed of the program by a financial services company that has a relationship with the Company.

C. Reinsurance

As of December 31, 2022, the Company had reinsurance treaties in effect with eight companies, of which five were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic basis.

The total face amount of life insurance ceded as of December 31, 2022, was $13,682,767, which represents 81.8% of the total face amount of life insurance in force; the total amount of accident and health insurance premiums ceded as of December 31, 2022, was $6,743,685, which represents 96% of the total direct accident and health premiums in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $652,348,326, was supported by trust agreements.

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 PwC 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.

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.

B. Net Admitted Assets

Bonds	$10,155,648
Cash, cash equivalents and short-term investments	1,969,618
Investment income due and accrued	49,028
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	3,380
Reinsurance:	
Amounts recoverable from reinsurers	17,487
Other amounts receivable under reinsurance contracts	316,635
Net deferred tax asset	580,617
From separate accounts, segregated accounts and protected cell accounts	10,144,619
Total admitted assets	$23,237,032

C. Liabilities, Capital and Surplus

Aggregate reserve for accident and health contracts	$ 1,065,158
Contract claims:	
Life	11,360
Accident and health	85,292
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	14,783
Other amounts payable on reinsurance	18,451
Commissions to agents due or accrued	171
Taxes, licenses and fees due or accrued, excluding federal income taxes	15,953
Current federal and foreign income taxes	42,105
Miscellaneous liabilities:	
Asset valuation reserve	26,433
Payable to parent, subsidiaries and affiliates	31,423
Unclaimed funds to be escheated	5,422
From Separate Accounts statement	10,144,619
Total liabilities	$11,461,170
Common capital stock	$ 2,000,000
Gain on reinsurance of inforce block	980,322
Gross paid in and contributed surplus	38,627,088
Unassigned funds (surplus)	(29,831,548)
Surplus	$ 9,775,862
Total capital and surplus	$11,775,862
Total liabilities, capital and surplus	$23,237,032

D. Condensed Summary of Operations

	2018	2019	2020	2021	2022
Premiums and considerations	$ 759,885	$ 667,880	$ 541,742	$ 450,143	$ 324,717
Investment income	2,062,786	1,867,319	1,653,967	1,396,809	1,192,669
Commissions and reserve adjustments on reinsurance ceded	5,531,709	2,661,867	1,363,345	907,494	772,633
Miscellaneous income	0	1,865	0	0	0
Total income	$8,354,380	$5,198,931	$3,559,054	$2,754,446	$2,290,019
Benefit payments	$ 167,681	$ 267,464	$ 308,743	$ 227,573	$ 117,989
Increase in reserves	2,214	26,982	67,986	(60,164)	440,104
Commissions	2,263,996	1,606,973	939,071	737,008	602,380
General expenses and taxes	600,258	384,428	642,576	532,204	697,049
Miscellaneous deductions	(69)	0	93	20,044	177
Total deductions	$3,034,080	$2,285,847	$1,958,469	$1,456,665	$1,857,699
Net gain (loss)	$5,320,300	$2,913,084	$1,600,585	$1,297,781	$ 432,320
Federal and foreign income taxes Incurred	410,520	437,863	350,507	217,386	329,643
Net gain (loss) from operations before net realized capital gains	$4,909,780	$2,475,221	$1,250,078	$1,080,395	$ 102,677
Net realized capital gains (losses)	40,783	4,722	(23,356)	(16,889)	(227,783)
Net income	$4,950,563	$2,479,942	$1,226,721	$1,063,506	$ (125,106)

E. Capital and Surplus Account

	2018	2019	2020	2021	2022
Capital and surplus, December 31, prior year	$52,730,102	$48,181,513	$44,732,651	$43,065,320	$ 42,717,759
Net income	$ 4,950,563	$ 2,479,942	$ 1,226,721	$ 1,063,506	$ (125,106)
Change in net unrealized capital gains (losses)	0	197	434	1,166	(1,797)
Change in net deferred income tax	94,800	147,099	207,787	41,256	516,790
Change in non-admitted assets and related items	(241,372)	(100,324)	(79,102)	(5,530)	(1,272,566)
Change in asset valuation reserve	51,090	(22,376)	21,952	33,726	137,405
Surplus adjustments:					
Change in surplus as a result of Reinsurance	(172,504)	(60,509)	(154,651)	(146,333)	(139,249)
Dividends to stockholders	(5,910,519)	(4,682,578)	(2,444,030)	(1,200,000)	(29,957,956)
Gain on reinsurance of inforce block	(3,320,647)	(1,210,313)	(446,442)	(135,351)	(99,418)
Net change in capital and surplus for the year	$(4,548,589)	$(3,448,862)	$(1,667,331)	$ (347,561)	$(30,941,898)
Capital and surplus, December 31, current year	$48,181,513	$44,732,651	$43,065,320	$42,717,759	$ 11,775,862

6. RECORD RETENTION

Section 243.2(b)(1) of 11 NYCRR 243 (Insurance Regulation 152) states:

"Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this Part. A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to Section 243.3(a) of this Part. A policy record shall include:

(i) The policy term, basis for rating, and return premium amounts, if any;

(ii) The application, including any application form or enrollment form for coverage under any insurance contract or policy;

(iii) The contract or policy forms issued including the declaration pages, endorsements, riders, and termination notices of the contract or policy. Binders shall be retained if a contract or policy was not issued; and

(iv) Other information necessary for reconstructing the solicitation, rating, and underwriting of the contract or policy."

In 2 out of 10 health policies reviewed (20%), the Company failed to provide a copy of the application or enrollment form.

The Company violated Section 243.2(b)(1)(ii) of Insurance Regulation 152 by failing to maintain the application, including any application form or enrollment form for coverage under any insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 1405(a)(7)(C)(ii) of the New York Insurance Law by investing in and holding foreign investments in the Cayman Islands that exceeded seven percent (7%) of its admitted assets. The examiner's review revealed that the Company's foreign investments in the Cayman Islands is now below statutory limits.
B	The Company violated Section 1405(a)(7)(D) of the New York Insurance Law by investing in and holding Cayman Islands CLO's that exceeded six percent (6%) of its admitted assets. The examiner's review revealed that the Company discontinued investing in Cayman Islands CLO's.
C	The examiner recommends that the Company both correctly classify its Cayman Islands investments as foreign investments and reduce such investments to keep within the limitations outlined in Sections 1405(a)(7)(c)(ii) and 1405(a)(7)(D) of the New York Insurance Law. The examiner's review revealed that the Company discontinued investing in Cayman Islands CLO's and has no known plans to invest in CLO's in the future.

8. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 243.2(b)(1)(ii) of Insurance Regulation 152 by failing to maintain the application, including any application form or enrollment form for coverage under any insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer.	16

Respectfully submitted,

Sauhung You
Associate Insurance Examiner

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

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

Sauhung You

Subscribed and sworn to before me
this 24th day of October, 2024
Audrey Hall

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

APPOINTMENT NO. 32547

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:*

SAUHUNG YOU

as a proper person to examine the affairs of the

UNION SECURITY LIFE INSURANCE COMPANY 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 7th day of June, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU