TARGETED MARKET CONDUCT REPORT ON EXAMINATION

OF THE

NATIONAL INCOME LIFE INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **MOSES MUGULUSI**

DATE OF REPORT: **MAY 31, 2024**

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	4
	A. History	4
	B. Holding company	4
	C. Territory and plan of operation	4
4.	Market conduct activities	5
	A. Treatment of policyholders	5
5.	Summary and conclusions	7

January 10, 2025

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. 32667, dated May 10, 2024, and annexed hereto, an examination has been made into the condition and affairs of National Income Life Insurance Company, hereinafter referred to as "the Company." The Company's home office is located at 301 Plainfield Road, Suite 150, Syracuse, NY 13212.

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 violation contained in this report is summarized below.

The Company violated Section 86.4(e) of Insurance Regulation 95 by using claim forms with altered fraud warning statements without obtaining prior approval from the Department's Criminal Investigations Unit. (See item 4A of this report.)

2. SCOPE OF EXAMINATION

This examination was a targeted examination limited to the review of the Company's life claims adjudication process and related market conduct activities during the period January 1, 2016 through December 31, 2023.

This report on examination is confined to comments on 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 May 14, 1996, was licensed on October 16, 2000, and commenced business on November 16, 2000. 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 100 shares of common stock (with a par value of $20,000 each) for $80,000 per share. On April 5, 2002, a surplus contribution was made in the amount of $5,000,000 bringing the paid in and contributed surplus to $11,000,000.

B. Holding Company

The Company is a wholly owned subsidiary of American Income Life Insurance Company ("AILIC"), an Indiana insurance company. AILIC is in turn a wholly owned subsidiary of Globe Life Inc., the ultimate parent of the Company. Globe Life Inc. is a publicly traded Delaware company. Globe Life Insurance Company of New York (formerly known as First United American Life Insurance Company of New York) is an affiliate company that is domiciled in the State of New York.

C. Territory and Plan of Operation

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 only licensed to write business in New York. In 2023, all life premiums and accident and health premiums were received from New York. Policies are written on a non-participating basis.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Treatment of Policyholders

The examiner reviewed a sample of various types of claims. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 86.4(a) of 11 NYCRR 86 (Insurance Regulation 95) states, in part:

> " . . . all claim forms for insurance . . . and all applications for commercial insurance and accident and health insurance, provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:
>
> 'Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.'"

Section 86.4(e) of Insurance Regulation 95 states:

> "Notwithstanding the provisions of subdivisions (a) and (b) of this section, insurers may use substantially similar warning statements provided such warning statements are submitted to the Criminal Investigations Unit for prior approval."

The examiner reviewed a sample of 79 life insurance claims which consisted of 25 paid claims, 25 pending claims and 29 resisted claims. In 3 out of 25 (12%) paid claims, 4 out of 25 (16%) pending claims, and 14 out of 29 (48%) resisted claims reviewed, the Company used Form C-30 (R12) NY which includes a fraud warming statement that states "Any person who knowingly presents a false or fraudulent claim for payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison." However, the Company did not submit the alternate

language for the fraud warning statement to the Department's Criminal Investigations Unit for approval prior to use.

The Company violated Section 86.4(e) of Insurance Regulation 95 by using claim forms with altered fraud warning statements without obtaining prior approval from the Department's Criminal Investigations Unit. The Company is directed to come into compliance with Section 86.4(e) of Insurance Regulation 95.

The Company has advised that it took the following steps to mitigate these deficiencies: First, by mid-February 2024, the Company began mailing claim packages, that included a claim form with the requisite New York fraud warning, to all claimants who report the insured's death by phone. Second, in May 2024, the Company confirmed that all customer service representatives read the required New York fraud warning to, and received verbal acknowledgment from, the claimant for claims first reported to the Company by phone. Third, the Company has notified all agents of the correct form that they should be sharing with consumers. Finally, Company agents and consumers are able to access current claim forms containing the required fraud warning online.

5. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 86.4(e) of Insurance Regulation 95 by using claim forms with altered fraud warning statements without obtaining prior approval from the Department's Criminal Investigations Unit.	6

Respectfully submitted,

Moses Mugulusi
Senior Insurance Examiner

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

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

Moses Mugulusi

Subscribed and sworn to before me
this 10th day of January, 2025

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

APPOINTMENT NO. 32667

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:*

MOSES MUGULUSI

as a proper person to examine the affairs of the

NATIONAL INCOME LIFE INSURANCE COMPANY

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 10th day of May 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU