



**FINANCIAL CONDITION REPORT ON EXAMINATION**

**OF THE**

**FIRST SECURITY BENEFIT LIFE INSURANCE**

**AND ANNUITY COMPANY OF NEW YORK**

**AS OF DECEMBER 31, 2023**

**EXAMINER:**

**LELAND MITCHELL, CFE**

**DATE OF REPORT:**

**JUNE 13, 2025**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 25, 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. 32653, dated April 9, 2024, and annexed hereto, an examination has been made into the condition and affairs of First Security Benefit Life Insurance and Annuity Company of New York, hereinafter referred to as “the Company.” The Company’s home office is located at 121 State Street, Albany, New York 12207.

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, 2024 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2021, to December 31, 2023. 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, 2023, 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 Kansas Insurance Department in accordance with the NAIC's Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted in conjunction with the examination of the Company's affiliate, Security Benefit Life Insurance Company ("SBLIC"). Kansas served as the lead state with participation from New York, Vermont and Wisconsin. 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 2021 through 2023, by the accounting firm of Ernst & Young LLP (“EY”). The Company received unqualified opinions for all years under examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company utilizes the audit department of Security Benefit Corporation (“SBC”), a parent company within the Group, which is given the task of assessing the internal control structure and compliance with the NAIC’s 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 November 8, 1994, and was licensed and commenced business on July 31, 1995. Initial resources of \$6,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$4,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$30 per share to SBLIC, a Kansas life insurance company. On February 24, 1995, all of the stock was transferred to Security Benefit Group, Inc. (“SBG”), a wholly owned subsidiary of SBLIC.

On September 8, 1995, the Company merged with Pioneer Natural Life Insurance Company (“PNL”), a stock life insurance company organized under the laws of the State of Kansas. As of that date, PNL ceased to exist, and First Security Benefit Life Insurance and Annuity Company of New York became the surviving company. In August 2006, SBG merged with and into SBC.

In February 2010, Security Benefit Mutual Holding Company (“SBMHC”), the previous ultimate parent of the Company, entered into a definitive agreement with Guggenheim SBC Holdings, LLC (the “Purchaser”) whereby the Purchaser would purchase all of the outstanding capital stock of SBC, the Company’s parent, and SBMHC would demutualize and be liquidated. All regulatory approvals were received, and the transaction closed on July 30, 2010.

On January 31, 2017, SBC contributed all of the outstanding stock of the Company to SBLH, and SBLH became the Company’s immediate parent.

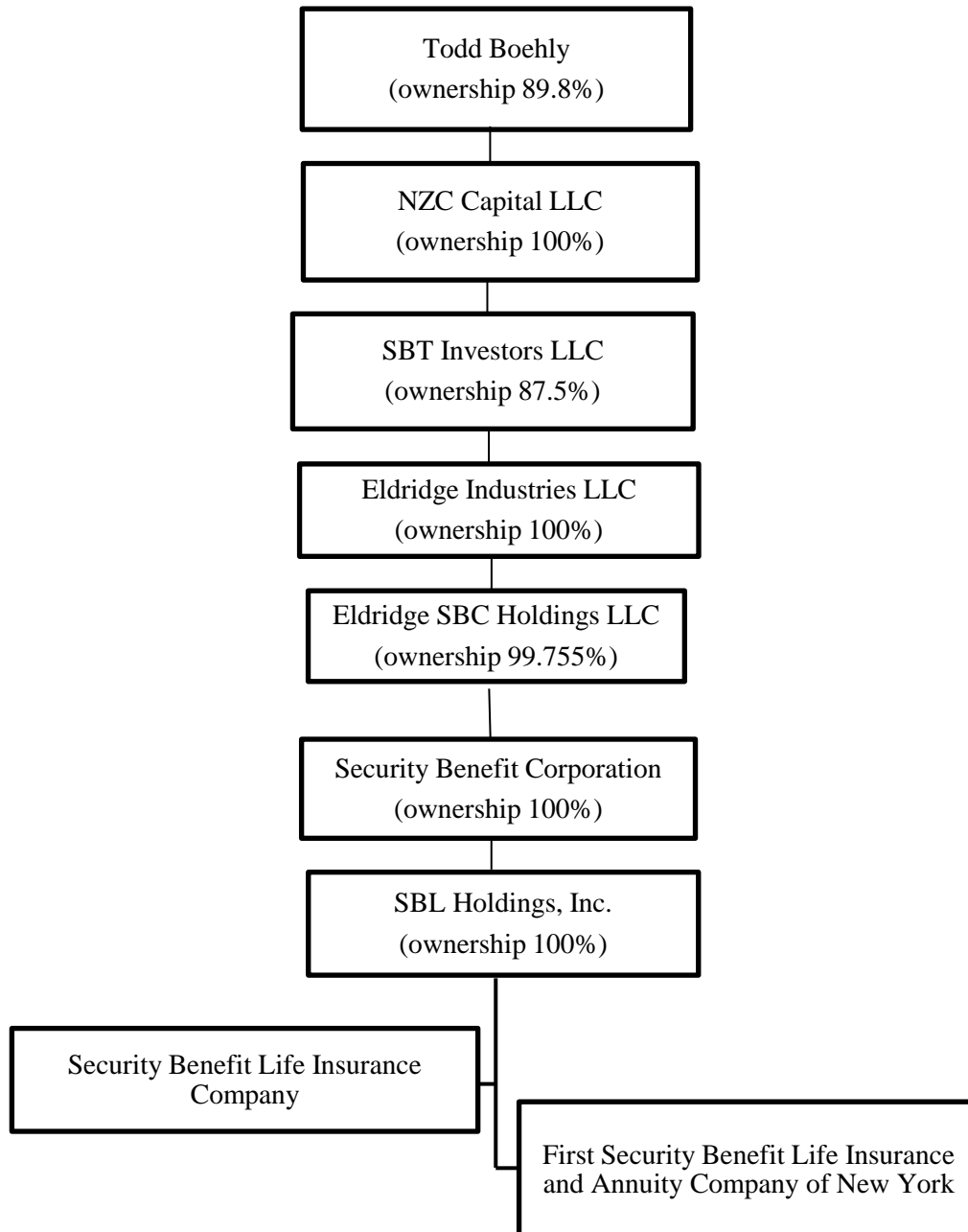
As of December 31, 2023, the Company’s capital stock and gross paid in and contributed surplus was \$2,000,000 and \$33,600,000, respectively.

### B. Holding Company

The Company is a wholly owned subsidiary of SBLH, a holding company domiciled in Kansas. Effective January 2020, SBLH converted from a limited liability company to a corporation and is a majority-owned subsidiary of Eldridge Industries, LLC. Effective January 31, 2017, the Company became controlled by Mr. Todd L. Boehly.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2023, follows:



#### D. Service Agreements

The Company had three significant 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 Services Agreement  File Nos. 34730 and 34730A	01/01/2006  Amended 12/16/2019	SBLIC	The Company	Underwriting, claims, and actuarial	2021 \$(259,083) 2022 \$(267,696) 2023 \$(237,417)
Administrative Services Agreement  File Nos. 33228 and 33228A	01/01/2005  Amended 12/16/2019	SBC	The Company	Accounting, marketing, advertising, functional support, and disaster recovery	2021 \$(450,626) 2022 \$(452,447) 2023 \$(413,669)
Distribution Agreement  File Nos. 30355 and 30355A	07/01/2002  Amended 12/16/2019	Security Distributors, LLC	The Company	Distribution of variable annuity contracts	2021 \$(103) 2022 \$ (39) 2023 \$ (42)

\*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 nine and not more than 21 directors. The number of directors shall be increased to not less than 13 within one year following the end of the calendar year in which the Corporation's admitted assets exceed \$1.5 billion. At least one-third of the directors, but not less than four shall not be officers or employees of the Corporation or its affiliates. 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, 2023, the board of directors consisted of 10 members. Meetings of the board are held in the first and fourth quarters.

The 10 board members and their principal business affiliation, as of December 31, 2023, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Stephen A. Crane* New York	Self-employed Insurance and reinsurance consultant	1999
Wayne S. Diviney* Virginia	Chief Financial Officer and Managing Member The Sail Time Group, LLC	2007
John F. Guyot Kansas	Senior Vice President, General Counsel, and Secretary First Security Benefit Life Insurance and Annuity Company of New York	2008
Stephen R. Herbert* New York	Partner Locke & Herbert LLP	1998
Michael Kiley Florida	Chairperson First Security Benefit Life Insurance and Annuity Company of New York	2010
Roger S. Offerman Kansas	Senior Vice President, Chief Actuary and Chief Product Officer First Security Benefit Life Insurance and Annuity Company of New York	2012
Barry G. Ward Kentucky	Senior Advisor First Security Benefit Life Insurance and Annuity Company of New York	2013

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Katherine P. White* New York	Adjunct Professor of Law Fordham University, School of Law	1994
Joseph. W. Wittrock Kansas	Senior Vice President and Chief Investment Officer First Security Benefit Life Insurance and Annuity Company of New York	2017
Douglas G. Wolff Kansas	Chief Executive Officer First Security Benefit Life Insurance and Annuity Company of New York	2010

\*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.

Following are the nine board members and their principal business affiliation, as of April 14, 2025:

<u>Name</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Brian Beckett Iowa	Senior Vice President, Chief Financial Officer First Security Benefit Life Insurance and Annuity Company of New York	2025
Stephen A. Crane* New York	Self-employed Insurance and reinsurance consultant	1999
Wayne S. Diviney* Virginia	Chief Financial Officer The SailTime Group, LLC	2007
Rui Guo Kansas	Senior Vice President, Chief Actuary and Chief Product Officer First Security Benefit Life Insurance and Annuity Company of New York	2025

<u>Name</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
John F. Guyot Kansas	Senior Vice President, Chief Legal Officer First Security Benefit Life Insurance and Annuity Company of New York	2008
Stephen R. Herbert* New York	Partner Locke & Herbert LLP	1998
Katherine P. White* New York	Adjunct Professor of Law Fordham University, School of Law	1994
Joseph W. Wittrock Kansas	Senior Vice President and Chief Investment Officer First Security Benefit Life Insurance and Annuity Company of New York	2017
Douglas G. Wolff Kansas	Chairman of the Board and Chief Executive Officer First Security Benefit Life Insurance and Annuity Company of New York	2010

\*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, 2023:

<u>Name</u>	<u>Title</u>
Douglas G. Wolff	Chief Executive Officer
Caleb I. Brainerd	Senior Vice President, Chief Financial Officer, and Treasurer
John F. Guyot	Senior Vice President, General Counsel, and Secretary
Joseph W. Wittrock	Senior Vice President and Chief Investment Officer
Roger S. Offerman	Senior Vice President, Chief Actuary, and Chief Product Officer
Peggy S. Avey*	Chief Administrative Officer, Assistant Secretary

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

In January 2024, Caleb I. Brainerd resigned as Senior Vice President, Chief Financial Officer and Treasurer and was replaced by Brian J. Beckett as Senior Vice President and Chief Financial Officer.

The following is a listing of the principal officers of the Company as of April 14, 2025:

<u>Name</u>	<u>Title</u>
Douglas G. Wolff	Chief Executive Officer
Brian Beckett	Senior Vice President, Chief Financial Officer
Justin Carroll	Senior Vice President, General Counsel and Secretary
Joseph W. Wittrock	Senior Vice President and Chief Investment Officer
Rui Guo	Senior Vice President, Chief Actuary and Chief Product Officer

### 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 New York and Kansas. In 2023, 99% of annuity considerations were received from New York. In 2023, all non-participating individual flexible premium deferred variable annuity sales were received from New York. Policies are written on a non-participating basis.

#### A. Statutory and Special Deposits

As of December 31, 2023, the Company had \$425,000 (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 main business segment is non-participating individual flexible premium deferred annuities. Each of the Company's annuity products are offered solely in the State of New York in both qualified and non-qualified markets. Qualified markets consist of retirement plans qualified under Sections 403(b), 408(b) and 408A of the Internal Revenue Code ("IRC"), and non-qualified markets consist of individual retirement plans that are not qualified under the foregoing or similar IRC Sections. Tax-qualified products constituted 9% of annuity sales, while the non-qualified sales made up 91% for the year ending December 31, 2023.

The Company's sales of its annuity products were marketed through independent broker-dealers and agencies distribution system. Security Distributors, LLC, an affiliate of the Company, has a services agreement to distribute the EliteDesigns Variable Annuity product.

The Company's agency operations are conducted by independent agencies with direct marketing.

#### C. Reinsurance

As of December 31, 2023, the Company had reinsurance treaties in effect with two unauthorized reinsurers. The Company's life business is reinsured on a coinsurance basis and the

Company's annuity business is reinsured on a coinsurance and coinsurance with funds withheld basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for life, accident and health contracts is \$0. The total face amount of life insurance ceded as of December 31, 2023, was \$75,103, which represents 100% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$335,905,234 was supported by funds withheld.

#### 4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2023, as contained in the Company's 2023 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, 2023, 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	\$417,249,088
Preferred stocks	1,969,279
Cash, cash equivalents and short-term investments	16,066,572
Contract loans	403,466
Other invested assets	1,942,155
Receivable for securities	91,966
Investment income due and accrued	3,412,823
Reinsurance:	
Other amounts receivable under reinsurance contracts	639,067
Net deferred tax asset	254,893
Receivables from parent, subsidiaries and affiliates	61,847
Miscellaneous assets	85,641
From separate accounts, segregated accounts and protected cell accounts	<u>159,990,003</u>
Total admitted assets	<u>\$602,166,800</u>



C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 63,439,250
Contract liabilities not included elsewhere:	
Interest maintenance reserve	273,854
Commissions to agents due or accrued	12,518
General expenses due or accrued	873,213
Transfers to separate accounts due or accrued	(716,501)
Taxes, licenses and fees due or accrued, excluding federal income taxes	232,675
Current federal and foreign income taxes	9,422
Amounts withheld or retained by company as agent or trustee	47,322
Remittances and items not allocated	3,053
Miscellaneous liabilities:	
Asset valuation reserve	2,773,572
Funds held under reinsurance treaties with unauthorized reinsurers	336,232,202
Payable to parent, subsidiaries and affiliates	588,778
Payable for securities	2,286,203
From separate accounts statement	<u>159,990,003</u>
Total liabilities	<u>\$566,045,564</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	33,600,000
Unassigned funds (surplus)	<u>521,236</u>
Surplus	<u>\$ 34,121,236</u>
Total capital and surplus	<u>\$ 36,121,236</u>
Total liabilities, capital and surplus	<u>\$602,166,800</u>

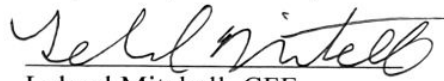
D. Condensed Summary of Operations

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Premiums and considerations	\$ 8,771,866	\$ 4,459,418	\$ 8,532,473
Investment income	3,063,729	3,675,511	4,412,110
Commissions and reserve adjustments on reinsurance ceded	686,851	957,464	466,533
Miscellaneous income	<u>2,443,549</u>	<u>2,108,410</u>	<u>2,063,466</u>
Total income	<u>\$14,965,995</u>	<u>\$11,200,803</u>	<u>\$ 15,474,582</u>
Benefit payments	\$23,121,703	\$20,489,855	\$ 28,332,333
Increase in reserves	(1,495,910)	(6,009,331)	(12,338,148)
Commissions	1,267,091	1,436,187	946,130
General expenses and taxes	1,470,577	1,259,762	1,242,295
Net transfers to (from) separate accounts	(5,726,767)	(6,998,881)	(7,152,477)
Miscellaneous deductions	<u>(36,130)</u>	<u>(1,527,035)</u>	<u>(1,650,980)</u>
Total deductions	<u>\$18,600,564</u>	<u>\$ 8,650,557</u>	<u>\$ 9,379,153</u>
Net gain (loss)	\$ (3,634,569)	\$ 2,550,246	\$ 6,095,429
Federal and foreign income taxes incurred	<u>114,009</u>	<u>125,564</u>	<u>1,489,408</u>
Net gain (loss) from operations before net realized capital gains	\$ (3,748,578)	\$ 2,424,682	\$ 4,606,021
Net realized capital gains (losses)	<u>(83,372)</u>	<u>(431,875)</u>	<u>(1,075,141)</u>
Net income	<u>\$ (3,831,950)</u>	<u>\$ 1,992,807</u>	<u>\$ 3,530,880</u>

E. Capital and Surplus Account

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital and surplus, December 31, prior year	\$ <u>35,747,874</u>	\$ <u>31,262,129</u>	\$ <u>32,488,677</u>
Net income	\$ (3,831,950)	\$ 1,992,807	\$ 3,530,880
Change in net unrealized capital gains (losses)	78,239	(982,058)	713,503
Change in net deferred income tax	1,168,496	(202,167)	387,489
Change in non-admitted assets and related items	(1,472,358)	(76,277)	(406,326)
Change in asset valuation reserve	<u>(428,172)</u>	<u>494,243</u>	<u>(592,987)</u>
Net change in capital and surplus for the year	\$ <u>(4,485,745)</u>	\$ <u>1,226,548</u>	\$ <u>3,632,559</u>
Capital and surplus, December 31, current year	\$ <u>31,262,129</u>	\$ <u>32,488,677</u>	\$ <u>36,121,236</u>

Respectfully submitted,



Leland Mitchell, CFE  
Examination Resources, LLC

STATE OF TEXAS            )  
  ) SS:  
COUNTY OF DENTON        )

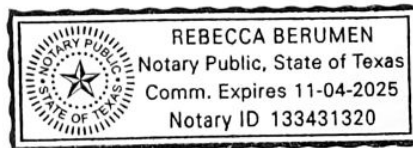
Leland Mitchell, being duly sworn, deposes and says that the foregoing report, subscribed by him,  
is true to the best of his knowledge and belief.




Leland Mitchell

Subscribed and sworn to before me

this 24<sup>th</sup> day of June, 2023



  
Rebecca Berumen

Respectfully submitted,

\_\_\_\_\_  
/s/

Rory Cummings  
Associate Insurance Examiner

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

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

\_\_\_\_\_  
/s/

Rory Cummings

Subscribed and sworn to before me

this\_\_\_\_\_ day of \_\_\_\_\_

**APPOINTMENT NO. 32653**

**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:*

**LELAND MITCHELL**  
**(EXAMINATION RESOURCES, LLC)**

*as a proper person to examine the affairs of the*  
**FIRST SECURITY LIFE AND ANNUITY 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 9th day of April, 2024*

**ADRIENNE A. HARRIS**  
*Superintendent of Financial Services*

By:

*Mark McLeod*

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

