



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
UNION SECURITY LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

DECEMBER 31, 2005

DATE OF REPORT:

OCTOBER 6, 2006

STATE OF NEW YORK INSURANCE DEPARTMENT

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EXAMINER:

MANISH GAJIWALA

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Howard Mills
Superintendent

October 6, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22479, dated March 16, 2006 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," at its home office located at 212 Highbridge Street, Suite D, Fayetteville, New York 13066.

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

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

1. EXECUTIVE SUMMARY

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, 2005 filed annual statement. (See item 5 of this report)

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms and rates that were not filed with and approved by the Superintendent and by changing the language on approved policy forms in many instances. (See item 6B of this report)

The Company violated Sections 3201(b)(4)(a) and 4216(b)(3)(M) of the New York Insurance Law and Section 185.3(a) of Department Regulation No. 27-A by using unapproved policy forms in the issuance of its credit business and by incorrectly certifying that the language in certain credit insurance policy forms was in compliance with all applicable provisions of New York statute and regulation. (See item 6B of this report)

The Company violated Sections 243.2(b)(1) and 243.2(b)(7) of Department Regulation No. 152 by failing to maintain; proper workpapers to support the entire amounts of credit business reported in their exhibit of life insurance and exhibit of accident and health, all of the underwriting and financial records pertaining to their summary processed business, certain underwriting and death claim files that were requested but not received and missing applications in some of the underwriting files. (See item 7 of this report)

The examiner recommends that the Company be part of regular operational audits to provide management and the outside committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. (See item 8 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2005. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2005 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2005 to determine whether the Company's 2005 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

- Company history
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- Mortality and loss experience
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations contained in the prior report on examination. The results of the examiner's review are contained in item 9 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 insurance company under the laws of New York on August 17, 1971 under the name Securace 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, 2005. 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 ("Charter"), an industrial and financial services conglomerate, purchased the Company from Crum and Forster Insurance Group. 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 Charter. The name of the Company was changed to Metlife Security Insurance Company of New York on June 14, 1985.

On March 24, 1989, AMEV Holdings Inc. ("AMEVHI"), a Nevada Corporation purchased the Company from Metropolitan Life. Effective 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 changed its name to Fortis Inc. ("Fortis"). 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 life and accident and health insurer licensed in New York. On November 30, 2001, the Company acquired 100% of the issued and outstanding common stock of BALAC from ABIG.

Immediately following the stock purchase, BALAC merged with and into the Company; the Company was the surviving corporation.

On April 1, 2001, Fortis completed the sale of its Fortis Financial Group Division (“Division”) to Hartford Life Insurance and Annuity Company (“Hartford”).

On February 5, 2004, FAMEVNV, through its subsidiary Fortis Insurance, N.V., sold approximately 65% of its ownership interest in Fortis through an initial public offering, retaining approximately 35% of its ownership. In connection with the initial public offering, on the same day, Fortis was merged into Assurant, Inc. (“Assurant”), a Delaware corporation, which was formed solely for the purpose of the domestication of Fortis. After the merger, Assurant became the successor to the business, operations and obligations of Fortis.

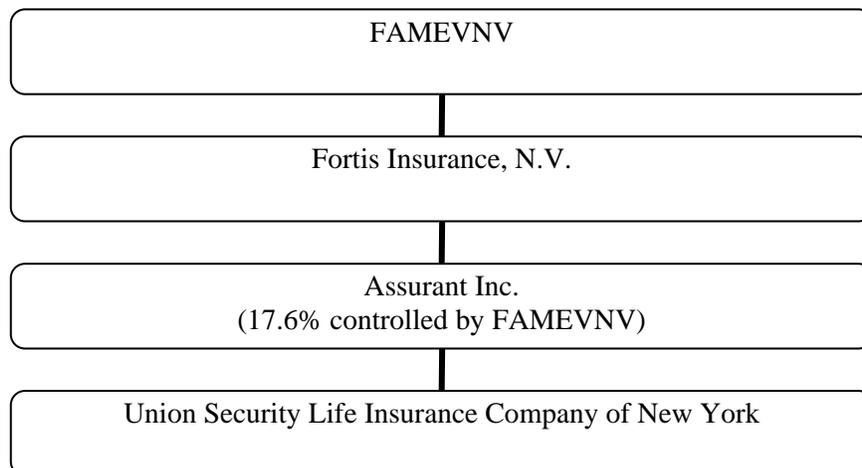
On January 21, 2005, FAMEVNV, through its subsidiary Fortis Insurance, N.V., sold 17.4% of its shares of Assurant in a secondary offering to the public and concurrently issued mandatory exchangeable bonds, due January 26, 2008, which were exchangeable for approximately 19 million of Assurant shares.

The Company changed its name to Union Security Life Insurance Company of New York on September 6, 2005.

B. Holding Company:

The Company is a wholly owned subsidiary of Assurant, a Delaware Corporation, 17.6% of which is controlled by FAMEVNV.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2005 follows:



The Company had two service agreements in effect with affiliates during the examination period.

Type of Agreement and Dept. File No.	Effective Date	Provider of Service(s)	Recipient of Service(s)	Specific Service(s) Covered	Expenses For Each Year of the Examination
Administrative Services 27582	10/1/00	Assurant Inc.	The Company	Product development, reinsurance, legal services and government relations, actuarial, claims, customer service and underwriting	2003 \$7,389,256 2004 \$5,767,860 2005 \$6,434,238
Investment Management 21249	3/1/94	Assurant Inc.	The Company	Investment advisory and management services	2003 \$138,957 2004 \$106,458 2005 \$225,398

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 13 directors, provided that 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 Company exceeds one and one-half billion dollars in admitted assets. Directors are elected for a period of one year at the annual meeting of the stockholders held in April or May of each year. As of December 31, 2005, the board of directors consisted of nine members. Meetings of the board are held annually.

The nine board members and their principal business affiliation, as of December 31, 2005, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Philip B. Camacho Cumming, GA	President, Chief Executive Officer and Chairman of Board Union Security Life Insurance Company of New York Chief Financial Officer Assurant Inc.	2005
Allen R. Freedman * Charlotteville, NY	Consultant	1989
Dale E. Gardner * Malta, NY	Retired	1989
Melissa J. Hall New York, NY	Assistant Treasurer Union Security Life Insurance Company of New York Senior Vice President of Tax Assurant Inc.	2005
Ranell M. Jacobson Eagan, MN	Treasurer Union Security Life Insurance Company of New York Chief Operating Officer, Shared Business Services Assurant Inc.	2004
Terry J. Kryshak Miami, FL	Senior Vice President Union Security Life Insurance Company of New York Vice President Assurant Inc.	1991
Henry C. Mackin * Etna, NH	Retired	2005
Esther L. Nelson * Fly Creek, NY	Consultant	1999

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Lesley G. Silvester New York, NY	Executive Vice President Assurant Inc.	2004

* 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, 2005:

<u>Name</u>	<u>Title</u>
Philip B. Camacho	President
Douglas R. Lowe	Secretary
Ranell M. Jacobson	Treasurer
Miles B. Yakre	Corporate Actuary
Terry J. Kryshak	Senior Vice President
Paula SeGuin *	Chief Administrative Officer

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. 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 licensed to transact business in New York only. In 2005, 100% of life premiums, annuity considerations and accident and health premiums were received from New York. Policies are written on non-participating basis.

The Company focuses on the sale of group life, group disability income, group dental, and group credit life and health business. The Company has a limited number of ordinary life policies, which were obtained through the conversion of group life contracts.

The Company's agency operations are conducted on a general agency basis for the group employee benefit products and the Company acts as a wholesaler to financial institutions for their credit business.

E. Reinsurance

As of December 31, 2005, the Company had reinsurance treaties in effect with 55 companies, of which 12 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$500,000. The total face amount of life insurance ceded as of December 31, 2005, was \$559,688,111, which represents 14% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$42,204,591 was supported by letters of credit, trust agreements and funds withheld.

The maximum retention limit for group disability income is \$2,000 per month. Amounts in excess of \$2,000 per month are reinsured with an affiliate, Union Security Insurance Company, to a maximum of \$10,000 per month. Amounts above \$10,000 are reinsured with Munich American Reassurance Corp.

The examiner noted that the Company has reinsurance agreements which still contain the former name of the Company.

The examiner recommends that the Company amend their reinsurance agreements at renewal to reflect the current name of the Company.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial decline during the period under review:

	December 31, <u>2002</u>	December 31, <u>2005</u>	<u>(Decrease)</u>
Admitted assets	\$ <u>226,676,980</u>	\$ <u>181,838,635</u>	\$(<u>44,838,345</u>)
Liabilities	\$ <u>162,644,751</u>	\$ <u>132,812,742</u>	\$(<u>29,832,009</u>)
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	36,500,000	36,500,000	0
Unassigned funds (surplus)	<u>25,532,229</u>	<u>10,525,893</u>	<u>(15,006,336)</u>
Total capital and surplus	\$ <u>64,032,229</u>	\$ <u>49,025,893</u>	\$(<u>15,006,336</u>)
Total liabilities, capital and surplus	\$ <u>226,676,980</u>	\$ <u>181,838,635</u>	\$(<u>44,838,345</u>)

The Company's invested assets as of December 31, 2005, exclusive of separate accounts, were mainly comprised of bonds (80.1%), mortgage loans (9.7%), stocks (6.2%), and cash and short-term investments (3.7%). The majority (92.6%) of the Company's bond portfolio, as of December 31, 2005, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

<u>Year</u>	<u>Credit Life</u>		<u>Group Life</u>	
	<u>Issued</u>	<u>In Force</u>	<u>Issued & Increases</u>	<u>In Force</u>
2005	\$1,385,872	\$1,174,720	\$462,200	\$2,860,940
2004	\$1,830,162	\$1,176,053	\$281,797	\$4,596,267
2003	\$977,139	\$1,543,927	\$8,645	\$3,681,862

The group life line of business declined in 2005 due to the loss of a few major group life clients in 2005.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Ordinary:			
Life insurance	\$ 598,745	\$ (85,674)	\$ 177,436
Individual annuities	951,667	1,118,086	596,974
Supplementary contracts	<u>102</u>	<u>272</u>	<u>297</u>
Total ordinary	<u>\$1,550,514</u>	<u>\$ 1,032,684</u>	<u>\$ 774,707</u>
Credit life	<u>\$1,413,374</u>	<u>\$ (1,572,125)</u>	<u>\$ 549,582</u>
Group Life	<u>\$2,599,509</u>	<u>\$ 4,838,055</u>	<u>\$ 2,319,581</u>
Total group	<u>\$2,599,509</u>	<u>\$ 4,838,055</u>	<u>\$ 2,319,581</u>
Accident and health:			
Group	\$3,330,991	\$ 5,335,806	\$ 6,555,042
Credit	1,077,915	956,528	446,921
Other	<u>15,984</u>	<u>158,521</u>	<u>(74,859)</u>
Total accident and health	<u>\$4,424,890</u>	<u>\$ 6,450,855</u>	<u>\$ 6,927,104</u>
Total	<u>\$9,988,287</u>	<u>\$10,749,469</u>	<u>\$10,570,974</u>

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2005, as contained in the Company's 2005 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, 2005 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2005

Admitted Assets

Bonds	\$116,901,340
Stocks:	
Preferred stocks	9,045,855
Mortgage loans on real estate:	
First liens	14,196,463
Cash, cash equivalents and short term investments	5,424,645
Contract loans	97,532
Other invested assets	240,216
Investment income due and accrued	1,604,888
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	3,050,256
Deferred premiums, agents' balances and installments booked but deferred and not yet due	107,777
Reinsurance:	
Amounts recoverable from reinsurers	2,395,752
Other amounts receivable under reinsurance contracts	184,630
Current federal and foreign income tax recoverable and interest thereon	122,139
Net deferred tax asset	1,318,356
Receivables from parent, subsidiaries and affiliates	1,789,432
Health care and other amounts receivable	16,456
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>25,342,898</u>
 Total admitted assets	 <u>\$181,838,635</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 19,439,707
Aggregate reserve for accident and health contracts	66,584,568
Liability for deposit-type contracts	24,546
Contract claims:	
Life	2,538,949
Accident and health	5,877,630
Premiums and annuity considerations for life and accident and health contracts received in advance	52,626
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	3,537,854
Interest maintenance reserve	596,352
Commissions to agents due or accrued	4,250,908
Commissions and expense allowances payable on reinsurance assumed	191,631
General expenses due or accrued	690
Transfers to Separate Accounts due or accrued	(950,782)
Taxes, licenses and fees due or accrued, excluding federal income taxes	(18,827)
Amounts withheld or retained by company as agent or trustee	35,181
Amounts held for agents' account	12,518
Remittances and items not allocated	1,449,545
Miscellaneous liabilities:	
Asset valuation reserve	1,011,715
Reinsurance in unauthorized companies	2,184
Funds held under reinsurance treaties with unauthorized reinsurers	83,260
Payable to parent, subsidiaries and affiliates	1,471,495
Payable for securities	162,628
Aggregate write-ins for liabilities	
Loss Expense Allowance	963,107
Cost of collection in excess of loading	152,359
From Separate Accounts statement	<u>25,342,898</u>
 Total liabilities	 <u>\$132,812,742</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	36,500,000
Unassigned funds (surplus)	<u>10,525,893</u>
Surplus	\$ <u>47,025,893</u>
Total capital and surplus	\$ <u>49,025,893</u>
 Total liabilities, capital and surplus	 <u>\$181,838,635</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Premiums and considerations	\$65,369,648	\$61,436,576	\$58,992,259
Investment income	10,196,565	9,745,799	8,871,538
Commissions and reserve adjustments on reinsurance ceded	4,638,754	3,838,731	3,483,420
Miscellaneous income	<u>318,381</u>	<u>305,485</u>	<u>29,424</u>
 Total income	 <u>\$80,523,348</u>	 <u>\$75,326,591</u>	 <u>\$71,376,641</u>
Benefit payments	\$44,388,023	\$39,091,839	\$37,187,892
Increase in reserves	(3,977,646)	994,929	(3,326,765)
Commissions	12,136,893	10,707,474	9,391,459
General expenses and taxes	14,835,173	11,677,910	11,791,079
Increase in loading on deferred and uncollected premium	(72,322)	(6,384)	(11,086)
Net transfers to (from) Separate Accounts	(11,547,684)	(10,439,930)	(8,268,579)
Miscellaneous deductions	<u>10,604,601</u>	<u>10,145,239</u>	<u>8,906,650</u>
 Total deductions	 <u>\$66,367,038</u>	 <u>\$62,171,077</u>	 <u>\$55,670,650</u>
 Net gain (loss)	 \$14,156,310	 \$13,155,514	 \$15,705,991
Federal and foreign income taxes incurred	<u>4,168,023</u>	<u>2,406,045</u>	<u>5,135,017</u>
 Net gain (loss) from operations Before net realized capital gains	 \$ 9,988,287	 \$10,749,469	 \$10,570,974
Net realized capital gains (losses)	<u>202,215</u>	<u>338,820</u>	<u>(32,538)</u>
 Net income	 <u>\$10,190,502</u>	 <u>\$11,088,289</u>	 <u>\$10,538,436</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Capital and surplus, December 31, prior year	\$ <u>64,032,229</u>	\$ <u>73,598,984</u>	\$ <u>43,039,419</u>
Net income	\$10,190,502	\$11,088,289	\$10,538,436
Change in net deferred income tax	(1,260,712)	(888,098)	69,986
Change in non-admitted assets and related items	1,290,760	776,275	109,579
Change in liability for reinsurance in unauthorized companies	14,100	(6,082)	(35,538)
Change in reserve valuation basis	1,168,158	0	61,325
Change in asset valuation reserve	(324,557)	(274,823)	170,662
Change in surplus as a result of reinsurance	(1,511,496)	(1,255,128)	(827,976)
Dividends to stockholders	0	(40,000,000)	(4,100,000)
Net change in capital and surplus for the year	\$ <u>9,566,755</u>	\$(<u>30,559,566</u>)	\$ <u>5,986,474</u>
Capital and surplus, December 31, current year	\$ <u>73,598,984</u>	\$ <u>43,039,418</u>	\$ <u>49,025,893</u>

The decline in capital and surplus in 2004 is due to \$40 million dividend paid to Assurant.

6. 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. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Section 2112(a) of the New York Insurance Law states, in part:

"Every insurer . . . doing business in this state shall file a certificate of appointment in such form as the superintendent may prescribe in order to appoint insurance agents to represent such insurer . . . "

Section 2114(a)(1) of the New York Insurance Law states:

"No insurer or fraternal benefit society doing business in this state shall pay any commission or other compensation to any person, firm or corporation, for any services in obtaining in this state any new contract of life insurance or any new annuity contract, except to a licensed life insurance agent of such insurer or of such society or to an insurance broker licensed under subparagraph (A) of paragraph one of subsection (b) of section two thousand one hundred four of this article, and except to a person described in paragraph two or three of subsection (a) of section two thousand one hundred one of this article."

During the examination period the Company used the services of several agents whom were not appointed by the Society. These agents represented the Company while procuring business for the Company and were paid commissions for such business.

The Company violated Sections 2112(a) and 2114(a)(1) of the New York Insurance Law by failing to file a certificate of appointment in order to appoint insurance agents to represent such insurer and paying commissions to such agents.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 3201(b)(1) of the New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent . . .”

Section 3201(c)(3) of the New York Insurance Law states, in part:

“The superintendent may disapprove any accident and health insurance policy form for delivery or issuance for delivery in this state if the benefits provided therein are unreasonable in relation to the premium charged...”

The review of the company's group policy forms revealed that during the examination period, the Company created new policy forms with distinct policy form identification numbers by mixing and matching various provisions from previously approved forms. Although rates for the various language changes were previously filed, the modified forms were never submitted to the Department for approval and the requisite rate approval for the modified forms were also never submitted to the Department for approval. In addition to creating new policy forms using other approved forms, the Company also changed the language of the approved policy forms in many instances and did not submit those changes to the Department for approval.

The Company was advised during the previous examination that their practice of using the mixing and matching approach raised issues for the Department. Although the Company took action in 2005 to re-file its forms to address this issue, the Company continued this approach into 2007. The Company has estimated that it issued 1,200 policies and 58,000 group life, disability and dental certificates which were never approved by the Department.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms and rates that were not filed with and approved by the Superintendent and by changing the language on approved policy forms in many instances.

Section 3201(b)(4)(A) of the New York Insurance Law states, in part:

“No credit insurance or credit unemployment insurance policy form shall be issued unless it and its premium rates have been filed with and approved by the superintendent . . .”

Section 4216(b)(3)(M) of the New York Insurance Law states:

"Each insurer shall file with the superintendent its forms of policies, certificate statements and applications pertaining to credit insurance together with its premium rates for such insurance and the same shall be subject to his approval. The superintendent shall not approve any such forms if the premium charged is unreasonable in relation to the benefits provided. "

Section 185.3(a) of Department Regulation No. 27-A states:

"Policies of credit life insurance or credit accident and health insurance, and certificates of group insurance, applications for the policy, applications for the certificate, notices of proposed group insurance, or other forms pertaining to credit life insurance or credit accident and health insurance and those portions of loan applications or credit card applications form pertaining to credit life insurance or credit accident and health insurance shall not be issued or delivered in this State unless such forms and the premium rates and identifiable charges therefore have been filed and approved by the superintendent. The submission of language related to the request for insurance and any questions regarding eligibility for coverage in an application may be made in variable language format."

The review of the Company's group credit policy forms indicated that the Company used several policy forms which had been approved for use by BALAC, an insurer which was absorbed by the Company in 2001, to issue their credit business during the examination period. The Company also used the application of another unaffiliated insurer, First Central National Life Insurance Company and other applications which were not filed with or approved by the Department to issue their credit business.

In addition, a number of the credit life underwriting files requested were not received and of the files received, many of the files were incomplete in that no applications were in the file. (Please see Section 7 of this report for additional information and the violations related to the maintenance of records and documents for the Company's credit line of business)

During the examination period, the Company also certified that the language in certain credit insurance policy forms was reviewed and was "in compliance with all applicable provisions of New York statute and regulation." However, the language in the forms was not in compliance with all applicable provisions of New York statute and regulation.

The Company violated Sections 3201(b)(4)(a) and 4216(b)(3)(M) of the New York Insurance Law and Section 185.3(a) of Department Regulation No. 27-A by using unapproved policy forms in the issuance of its credit business and by incorrectly certifying that the language

in certain credit insurance policy forms was in compliance with all applicable provisions of New York statute and regulation.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. 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 3214(c) of the New York Insurance Law states, in part:

"If no action has been commenced, interest upon the principal sum paid to the beneficiary . . . shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of the death of an insured or annuitant in connection with a death claim on such a policy of life insurance or contract of annuity . . . to the date of payment and shall be added to and be part of the total sum paid."

The Company's procedures for processing group death claims include using a worksheet which provides the claim processor with the option of using either the date the claim was reported or the date of death to calculate the settlement interest on the claim. The review of a sample of 35 group death claims indicated that the Company incorrectly used the date the claim was reported to calculate interest on the claim in five instances; this resulted in the underpayment of interest on these claims. The Company issued checks for the additional interest in these cases.

The interest settlement option rate was 5% for the period January 1, 2003 through June 23, 2005 and 3.64% for the period June 24, 2005 through December 31, 2005. The review of a sample of 50 group credit life death claims processed in 2005 revealed that the Company paid interest at a rate of 1.15% on 19 claims and at a rate of 4.13% on five additional claims; the Company should have paid interest at a rate of 5% on these claims.

In addition, the Company was unable to provide four group credit life death claims. (Please see Section 7 of this report for additional information and the violations related to the maintenance of records and documents for the Company's credit line of business)

The Company violated Section 3214(c) of the New York Insurance Law by incorrectly using the date the claim was reported instead of the date of death to calculate the amount of settlement interest to be paid on some group death claims and by paying interest at a rate which was lower than the established rate on some group credit death claims.

The examiner recommends that the Company review all group and group credit life death claims paid during the period in order to ensure that the correct amount of interest was paid on all claims and that the Company make any additional payments that may be required.

7. RECORD MAINTENANCE

Section 243.2 of Department Regulation No. 152 states, in part:

“(b) 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. . .

(7) A financial record necessary to verify the financial condition of an insurer, including ledgers, journals, trial balances, annual and quarterly statement workpapers, evidence of asset ownership, and source documents, for six calendar years from its creation or until after the filing of the report on examination in which the record was subject to review, whichever is longer.

(8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review. . . .

(d) An insurer shall require, by contract or other means, that a person authorized to act on its behalf in connection with the doing of an insurance business, including an managing general agent, an administrator, or other person or entity, shall comply with the provisions of this Part in maintaining records that the insurer would otherwise be required to maintain. Notwithstanding the above, the insurer shall be responsible if the person or entity fails to maintain the records in the required manner.

(e) The records shall be readily available and easily accessible to the superintendent in accordance with Insurance Law, section 310. . . .”

The Company regards its credit business clients as being divided into two categories; clients whom regularly provide detailed records such as applications, underwriting and premium information during the course of the business and clients whom provide only summary information for the business issued. The Company refers to the second category as summary processed business.

The examiner requested policy level detail to support the amounts reported for credit business in the exhibit of life insurance and the exhibit of accident and health in the Company’s 2005 filed annual statement. The Company explained that for the summary processed business, the Company estimates the amount of business in-force using the summaries provided by these clients and that they would not be able to provide any workpapers with certificate level detail to

support the amounts reported. In addition, the Company could not provide any underwriting records or financial records, such as certificate level premium and reinsurance information, for the summary processed credit business; the records are maintained entirely by the client/financial institution.

The Company was able to provide data files for the credit business of the remaining client/financial institutions from which credit life and disability underwriting and death claim samples were selected; however, a number of the underwriting files requested were not received. Of the underwriting files received, many of the files were incomplete in that no applications were in the file.

The Company violated Section 243.2(b)(7) of Department Regulation No. 152 by failing to maintain proper workpapers to support the entire amounts of credit business reported in their exhibit of life insurance and exhibit of accident and health and also by failing to maintain certain financial records, such as premium and reinsurance information for some of its credit business.

The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by failing to maintain certain records and application files related to its credit life and disability policies, including; all of the records pertaining to their summary processed business, the underwriting and death claim files that were requested but not received and the missing applications in some of the underwriting files. A similar comment appeared in the previous report on examination.

The examiner recommends that the Company take better care in the maintenance of their credit business, especially the business they refer to as summary processed business, and perform periodic audits of this business in order to ensure that appropriate records are being maintained.

8. INTERNAL AUDIT

Assurant performs operational audits, information systems audits, general control/compliance audits, financial audits and special project audits; however, only a limited number of compliance audits were performed at the Company level during the examination period.

Internal audit is an integral part of corporate governance that includes the finance/audit committee, the board of directors, senior management and the external auditors. In particular, internal auditors and the finance/audit committee are mutually supportive. Consideration of the work of internal auditors is essential for the finance/audit committee to gain a complete understanding of the Company's operations. Internal audit identifies strategic, operational and financial risks facing the organization and assesses controls put in place by management to mitigate those risks.

The examiner recommends that the Company be part of regular operational audits to provide management and the outside committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. To the extent that audits performed by an affiliate on a functional basis are intended to encompass the activities of the Company, it should be clear from the audit workpapers that Company transactions or activities are selected and appropriate documentation is maintained by internal audit.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by failing to maintain all records and application files for all of its credit life and disability in-force policies.</p> <p>The Company has again failed to maintain all records and application files for all of its credit life and disability in-force policies. This violation is repeated in this report on examination. (See item 7 of this report)</p>
B	<p>The Company violated Section 3220(a)(6) of the New York Insurance Law by issuing group life policies without the required total and permanent disability policy provision.</p> <p>The Company re-filed and received approval for the use of their group life policy forms in 2005.</p>
C	<p>The Company violated Section 185.14(d)(1) of Department Regulation No. 27-A by failing to meet the required mortgage credit life insurance benefit ratio requirements for the years 1996-2002.</p> <p>The Company issued refunds with interest to the affected insureds.</p>
D	<p>The Company violated Section 185.14(d)(4) of Department Regulation No. 27-A when it used an alternative plan that was not approved by the Superintendent to provide refunds to affected insureds.</p> <p>The Company accepted this violation; no other remediation plans have been executed.</p>
E	<p>The Company violated Section 4232(a)(2)(iii) of the New York Insurance Law by crediting additional interest without written criteria approved by the board or a committee thereof and will continue to be in violation until the required Board Resolution is approved.</p> <p>The Company's board of directors approved the written criteria in May 2004 and the Company has used the same since then.</p>

10. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Company amend their reinsurance agreements at renewal to reflect the current name of the Company.	9
B	The Company violated Sections 2112(a) and 2114(a)(1) of the New York Insurance Law by failing to file a certificate of appointment in order to appoint insurance agents to represent such insurer and paying commissions to such agents.	16
C	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms and rates that were not filed with and approved by the Superintendent and by changing the language on approved policy forms in many instances.	17
D	The Company violated Sections 3201(b)(4)(a) and 4216(b)(3)(M) of the New York Insurance Law and Section 185.3(a) of Department Regulation No. 27-A by using unapproved policy forms in the issuance of its credit business and by incorrectly certifying that the language in certain credit insurance policy forms was in compliance with all applicable provisions of New York statute and regulation.	18
E	The Company violated Section 3214(c) of the New York Insurance Law by incorrectly using the date the claim was reported instead of the date of death to calculate the amount of settlement interest to be paid on some group death claims and by paying interest at a rate which was lower than the settlement option rate on some credit death claims.	19
F	The examiner recommends that the Company review all group and credit life death claims paid during the period in order to ensure that the correct amount of interest was paid on all claims and that the Company make any additional payments that may be required.	20
G	The Company violated Section 243.2(b)(7) of Department Regulation No. 152 by failing to maintain proper workpapers to support the entire amounts of credit business reported in their exhibit of life insurance and exhibit of accident and health and also by failing to maintain certain financial records, such as premium and reinsurance information for some of its credit business.	21

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
H	The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by failing to maintain certain records and application files for its credit life and disability in-force policies, including all of the records pertaining to summary processed business, some of the underwriting files that were requested but not received; and the missing applications in some of the files. A similar comment appeared in the previous report on examination.	21
I	The examiner recommends that the Company take better care in the maintenance of their credit business, especially the business they refer to as summary processed business, and perform periodic audits of this business in order to ensure that appropriate records are being maintained.	21
J	The examiner recommends that the Company be part of regular operational audits to provide management and the outside committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. To the extent that audits performed by an affiliate on a functional basis are intended to encompass the activities of the Company, it should be clear from the audit workpapers that Company transactions or activities are selected and appropriate documentation is maintained by internal audit.	22

Respectfully submitted,

/s/

Manish Gajiwala
Senior Insurance Examiner

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

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

/s/

Manish Gajiwala

Subscribed and sworn to before me

this _____ day of _____.

APPOINTMENT NO. 22479

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

MANISH GAJIWALA

as a proper person to examine into the affairs of the

UNION SECURITY LIFE INSURANCE COMPANY OF NEW YORK
and to make a report to me in writing of the condition of the said

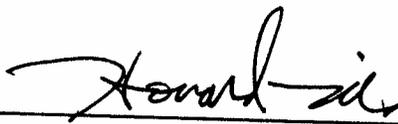
COMPANY

with such other information as he shall deem requisite.

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

this 16th day of March, 2006





HOWARD MILLS
Superintendent of Insurance