NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

SHELTERPOINT LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2019

DATE OF REPORT: MARCH 26, 2021

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EXAMINER:	DONALD L. GASKILL, CFE

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

May 11, 2021

Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Linda A. Lacewell:

In accordance with instructions contained in Appointment No. 32078, dated April 3, 2020, and annexed hereto, an examination has been made into the condition and affairs of ShelterPoint Life Insurance Company, hereinafter referred to as "the Company". The home office is located at 1225 Franklin Avenue, Garden City, New York 11530. Due to the COVID-19 pandemic, the examination was conducted remotely.

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 findings, comments, violations and recommendations contained in this report are summarized below.

- In February 2019, the Department approved, the transfer of EOS Capital Partners III, LP and EOS Capital Partners IV, LP ownership interest (42%) in ShelterPoint Group, Inc. ("SPGI") to ECP Helios Entities. (See item 3B of this report)
- The Company violated Section 2108(a)(4) of the New York Insurance Law by compensating Mahindra for acting as an independent adjuster after Mahindra did not possess a valid independent adjuster's license beginning January 1, 2019. (See item 7 of this report)
- The Company violated Section 82.2(a) and Section 82.2(a)(2) of New York Insurance Regulation No. 203 by failing to adopt a formal enterprise risk management function and establish a written risk policy (See item 8 of this report)
- The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. (See item 9 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") *Financial Condition Examiners Handbook, 2020 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2015 to December 31, 2019. 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, 2019 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 conducted by the State of New York with participation from the state of Florida, examining the Company's subsidiary, ("SPIC"), a Florida domiciled life insurer. Since both companies share common management and systems, and both states are accredited by the NAIC, they both 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 2015 through 2019, by the accounting firm of Deloitte & Touche, LLP ("Deloitte & Touche"). The Company received an unqualified opinion for all five years. Certain audit workpapers of Deloitte & Touche were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department which was given the task of assessing the internal control structure. Where applicable, internal audit workpapers and internal audit reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated in New York as a stock insurance company under the name of The First Rehabilitation Insurance Company of America on August 12, 1971. The Company was licensed on August 8, 1972 to write accident and health insurance as specified in paragraph 3 of Section 1113(a) of the New York Insurance Law and commenced business on November 1, 1972. In January 1997, the Company amended its charter to include the writing of life insurance and annuities as specified in paragraphs 1 and 2 of Section 1113(a) of the New York Insurance Law. Effective, January 1, 1997, the name of the Company was changed to The First Rehabilitation Life Insurance Company of America. In 2014, the Company's name was changed to ShelterPoint Life Insurance Company. On January 24, 2014, the Company purchased 100% of the issued and outstanding stock of J.M.I.C. Life Insurance Company ("JMIC"), a Florida domiciled life and health insurer, which was licensed in 48 jurisdictions, for $8.8 million. In 2014, JMIC's name was changed to ShelterPoint Insurance Company.

As of December 31, 2019, the Company had 20,000 shares of common stock outstanding and capital and paid in and contributed surplus of $2,000,000 and $5,649,082, respectively.

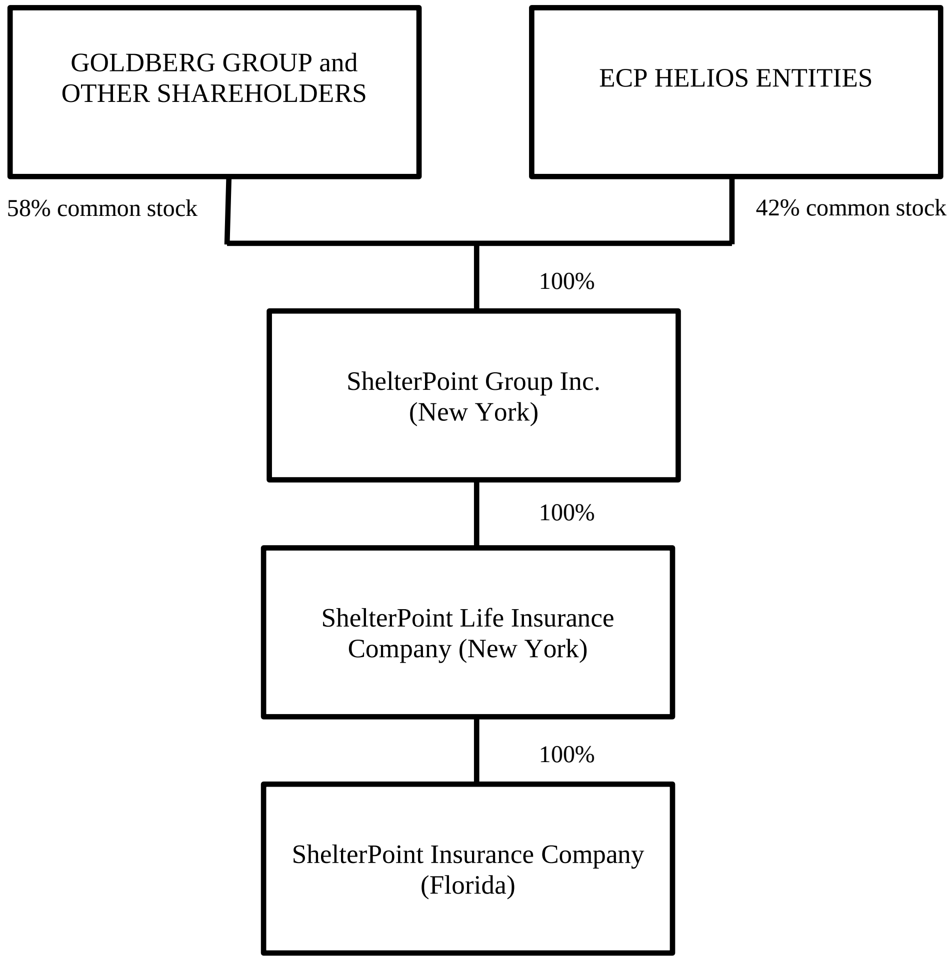
B. Holding Company

The Company is a wholly owned subsidiary of SPGI, formally known as Rehab Services Corporation, an insurance holding company incorporated in the State of New York. SPGI is in turn owned by the Goldberg Group and other shareholders (58%) and ECP Helios Entities (42%).

In February 2019, the Department approved, the transfer of EOS Capital Partners III, LP and EOS Capital Partners IV, LP ownership interest (42%) in SPGI to ECP Helios Entities.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2019 is below.



D. Service Agreements

The Company had one service agreement in effect during the examination period, an administrative services-cost allocation agreement with SPIC effective January 24, 2014, (Department file number 48164) and one Net Worth Maintenance Agreement (Department file number 48296). Prior to January 1, 2014, there were no service agreements in effect. The services provided by the Company to SPIC include: consultation and assistance in operating plans; data management; accounting and tax advice; underwriting; policy and certificate issuance and renewals; premium collections; claims handling services; legal and compliance support services; investment and asset management services; financial reporting; treasury; actuarial; bookkeeping; billing; commission payment and accounts payable services; reinsurance administration; information technology, systems development and maintenance; and disaster preparedness. Income for each year under examination:

2015 - $644,167
2016 - $701,908
2017 - $701,275
2018 - $593,747
2019 - $343,174

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

The Company entered into a Net Worth Maintenance Agreement with SPIC, effective January 24, 2014, which provided for the Company to maintain SPIC's Risk Based Capital ratio "RBC" at a minimum of 200%. The Company and SPIC Amended and Restated its Net Worth Maintenance Agreement, effective September 1, 2014, providing for the Company to furnish support to maintain SPIC's RBC ratio at a minimum of 500%.

During the examination period January 1, 2015 through December 31, 2019 the Company provided surplus contributions to SPIC as follows:

2015 - $1,100,000
2016 - $1,000,000
2017 - $ 300,000
2018 - $ 300,000
2019 - $ 150,000

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in December of each year. As of December 31, 2019, the board of directors consisted of seven members. Meetings of the board are held quarterly.

The seven board members and their principal business affiliation, as of December 31, 2019, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Michelle Goldberg-Berezin Franklin Lakes, New Jersey	Homemaker	2011
Seth Goldberg, MD Roslyn, New York	Chairman of the Board ShelterPoint Life Insurance Company	1972
William Hawfield* Westlake Village, California	President Hillcrest Associates	2011
Milan Radonich* Stamford, Connecticut	Partner TigerRisk Partners	2011
John Roberts* Falmouth, Maine	Retired Chief Executive Officer & President Assured Employee Benefits	2016
Frank Wander* Hillsborough, New Jersey	Chief Executive Officer People Productive	2017
Richard White Great Neck, New York	Chief Executive Officer ShelterPoint Life Insurance Company	2009

*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, 2019:

Name	Title
Richard White	Chief Executive Office
DeWitt M. Smith	Executive Vice President, Chief Sales & Marketing Officer
Shailesh Modi	Executive Vice President, Chief Financial Officer
James R. Lasko	Executive Vice President, Chief Administrative Officer
David Melman*	Senior Vice President of Government Affairs, Chief Legal Officer
Brian Dunham	Senior Vice President, Chief Actuary

*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 15 states and the District of Columbia and is an accredited reinsurer in Florida. In 2019, 99.5% of the life premiums and 98.6% of the accident and health premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2019, the Company had $1,750,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. An additional $500,000 (par value) and $450,000 (par value) being held by the states of Massachusetts and North Carolina, respectively.

B. Direct Operations

The Company's primary products are the New York Statutory Disability Benefit ("DBL") and Paid Family Leave ("PFL"); which was first offered January 1, 2018. The Company offers group term life and group accident and health coverage which includes: short-term disability, long term disability, excess major medical, dental, vision, hospital cash benefit, and gap-supplemental medical.

The Company's agency operations are conducted on both a general agency and broker basis. Group accident and health insurance plans are sold by brokers and agents, and group term life insurance is sold exclusively through agents. During 2019, the Company's field force consisted of approximately 7,000 agents and brokers, including 12 general agencies.

C. Reinsurance

As of December 31, 2019, the Company had reinsurance treaties in effect with two companies, both of which were authorized or accredited.

Long term disability policies are ceded to Union Security Life Insurance Company of New York on a facultative quota share basis with the Company retaining 20% of each risk. RGA Reinsurance Company reinsures the Company's group life, and group accidental death and dismemberment catastrophe losses for $10 million in excess of $500,000 per occurrence, under the Company’s directly written or assumed group flat term life policy, group medical excess policy, group accidental death and dismemberment rider of the DBL policy, and group life and group accidental death and dismemberment policies.

The Company assumed $3,244,951 in premiums in 2019 related to its 100% quota share agreement with SPIC.

5. 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 growth during the period under review:

	December 31, 2014	December 31, 2019	Increase
Net Admitted assets	$104,351,445	$189,354,714	$85,003,269
Liabilities	$ 49,470,605	$126,202,674	$76,732,069
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	5,581,565	5,649,082	67,517
Unassigned funds (surplus)	47,299,275	55,502,958	8,203,683
Total capital and surplus	$ 54,880,840	$ 63,152,040	$ 8,271,200
Total liabilities, capital and surplus	$104,351,445	$189,354,714	$85,003,269

The Company's invested assets as of December 31, 2019 were mainly comprised of bonds (61.3%), cash and short-term investments (32.7%) and stocks (6.0%).

The majority (99.8%) of the Company's bond portfolio as of December 31, 2019 was comprised of investment grade obligations and the investment in stocks consists of the Company's ownership of SPIC.

The Company's bonds as a percentage of invested assets had decreased from 85.8% at year-end 2014 to 61.3% at year-end 2019. The Company shifted more of its investment portfolio into cash and short-term investments, which as a percentage of invested assets increased from 4.0% at December 31, 2014 to 32.7% at December 31, 2019. The shift is due to the declining interest rate environment, the Company's desire to invest in short duration securities, and the liquidity needs for the Paid Family Leave Risk Adjustment Payable of $19.9 million in 2019.

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):

	Group Life	
Year	Issued & Increases	In Force
2015	$ 58,016	$553,152
2016	$142,324	$636,579
2017	$ 66,523	$643,986
2018	$ 82,114	$598,645
2019	$131,268	$657,087

The increase in the amount of group term life issued in 2016 over 2015 and 2019 over 2018 was directly impacted by the Company's initiatives to offer group term life when the Company sends renewal notices to DBL policyholders. Most new group term life products are sold during the annual renewal of DBL policies. The Company started offering group term life on the renewal notices from October 2015 to March 2017 and then resumed from October 2017 to present.

The following number of policies has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

			Group		
	2015	2016	2017	2018	2019
Outstanding, end of previous year	1,366,408	1,402,160	1,451,306	1,510,290	1,632,507
Issued during the year	118,265	119,785	152,004	219,975	161,733
Other net changes during the year	(82,513)	(70,639)	(93,020)	(97,758)	(112,595)
Outstanding, end of current year	1,402,160	1,451,306	1,510,290	1,632,507	1,681,645

The increase in issued during 2018 and 2019 as compared to the prior three years is related the PFL product introduced in 2018. The increase in the outstanding group accident and health insurance during the period was attributable to the Company's increased DBL/PFL market share.

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:

	2015	2016	2017	2018	2019
Group life insurance	$ 573,949	$ 404,646	$ 425,309	$ 743,129	$ 246,247
Accident and health:					
Group	$5,195,694	$5,090,892	$3,039,937	$8,072,526	$ 0
Other	0	0	0	0	$5,153,883
Total accident and health	$5,195,694	$5,090,892	$3,039,937	$8,072,526	$5,153,883
Total	$5,769,644	$5,495,539	$3,465,246	$8,815,657	$5,400,132

The significant increase in group life net gain from operations in 2018 as compared to 2017 is mainly attributed to a $197 thousand decrease in expenses, together with a $160 thousand decrease in federal income tax driven by a decline in the tax rate from 34% to 21% and the allocation of taxes between life and accident and health lines of business.

The significant decrease in group life net gain from operations in 2019 as compared to 2018 is primarily driven by a $294 thousand decrease in administrative service fees resulting from changes in the allocation methodology associated with the SPIC services-cost allocation agreement, a $61 thousand increases in claims and loss ratios, a $51 thousand increase in reserves and a $87 thousand increase in expenses.

The significant decrease in group accident and health net gain from operations in 2017 as compared to 2016 is primarily a result of increased premiums offset by increased commissions, premium taxes and operating expenses, which included PFL planning costs in preparation for entering the PFL market.

The significant increase in group accident and health net gain from operations in 2018 as compared to 2017 was primarily driven by the Company's entrance into the PFL market combined with an increase in DBL contracts issued from carriers exiting the line of business.

In 2019, the NAIC annual statement blank required expanded disclosures to the "Analysis of Operations by Line of Business" into further categories of group life, individual life and accident and health. The column heading changed from "Group" to "Other Accident & Health". This change was presentation only, there were no changes to the lines of business.

The significant decrease in total accident and health net gain from operations in 2019 as compared to 2018 was primarily a result of the PFL premium rate and benefit increase mandated by New York State, offset by an increase in the gain on DBL business driven by lower DBL claims which became PFL claims.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2015	2016	2017	2018	2019
Premiums earned	100.0%	100.0%	100.0%	100.0%	100.0%
Incurred losses	54.1%	55.7%	53.0%	54.4%	57.8%
Commissions	18.8%	18.0%	18.1%	14.6%	15.8%
Expenses	23.6%	23.6%	27.6%	16.7%	16.4%
Underwriting results	3.5%	2.7%	1.3%	14.4%	10.1%

The Company's commission ratio and expense ratio declined in 2018 and 2019 due to the introduction of PFL benefits on January 1, 2018 and the related large increase in premiums written allowing for better expense efficiency.

In October 2020, the Company received approval for a 14% aggregate premium rate reduction in order to comply with 11 NYCRR 91 Insurance Regulation 62. All rate reductions were applied as cases incepted and renewed in 2021.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2019, as contained in the Company's 2019 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, 2019 filed annual statement.

A. Independent Accountants

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

Deloitte & Touche concluded that the Company's 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	$89,239,129
Stocks:	
Common stocks	8,806,731
Cash, cash equivalents and short-term investments	47,642,856
Investment income due and accrued	692,384
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	37,124,711
Reinsurance:	
Amounts recoverable from reinsurers	6,447
Other amounts receivable under reinsurance contracts	1,022,471
Current federal and foreign income tax recoverable and interest thereon	54,698
Net deferred tax asset	4,053,086
Electronic data processing equipment and software	571,290
Receivables from parent, subsidiaries and affiliates	12,783
Health care and other amounts receivable	123,203
Miscellaneous Receivables	934
Other assets	3,991
Total admitted assets	$189,354,714

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$531,089
Aggregate reserve for accident and health contracts	64,777,697
Contract claims:	
Life	270,231
Accident and health	5,986,843
Premiums and annuity considerations for life and A&H contracts received in advance	14,993,244
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	611,909
Interest maintenance reserve	211,833
Commissions to agents due or accrued	9,482,786
Commissions and expense allowances payable on reinsurance assumed	403,989
General expenses due or accrued	4,642,489
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,006,256
Amounts withheld or retained by company as agent or trustee	774,596
Miscellaneous liabilities:	
Asset valuation reserve	419,064
Payable to parent, subsidiaries and affiliates	162,700
Amounts due to third party administrators	160,204
Deferred non-insurance revenue	167,617
PFL risk adjustment payable	21,587,429
Other liabilities	12,698
Total liabilities	$126,202,674
Common capital stock	2,000,000
Gross paid in and contributed surplus	5,649,082
Unassigned funds (surplus)	55,502,958
Surplus	$ 61,152,040
Total capital and surplus	$ 63,152,040
Total liabilities, capital and surplus	$189,354,714

D. Condensed Summary of Operations

	2015	2016	2017	2018	2019
Premiums and considerations	$88,630,608	$91,840,852	$ 97,190,128	$187,630,009	$213,105,350
Investment income	2,692,685	2,583,949	2,589,880	3,091,309	4,126,453
Miscellaneous income	2,056,133	1,875,552	1,933,340	2,294,005	1,977,606
Total income	$93,379,426	$96,300,353	$101,713,348	$193,015,323	$219,209,409
Benefit payments	$47,166,837	$50,199,830	$ 51,521,857	$ 89,640,980	$110,197,878
Increase in reserves	992,930	1,093,949	(80,323)	38,182,823	20,497,631
Commissions	16,373,905	16,468,614	17,533,018	25,361,000	30,697,036
General expenses and taxes	20,629,335	21,518,743	26,856,124	29,075,579	32,010,052
Miscellaneous deductions	(19,841)	(1,787)	(95,690)	0	17,393,539
Total deductions	$85,143,166	$89,279,349	$ 95,734,986	$182,260,382	$210,796,136
Net gain	$8,236,260	$ 7,021,004	$ 5,978,362	$ 10,754,941	$ 8,413,273
Federal and foreign income tax incurred	2,466,616	1,525,465	2,513,116	1,939,284	3,013,141
Net gain (loss) from operations before net realized capital gains	$ 5,769,644	$ 5,495,539	$ 3,465,246	$ 8,815,657	$ 5,400,132
Net realized capital gains (losses)	(165,789)	0	0	0	3,828
Net income	$ 5,603,855	$ 5,495,539	$ 3,465,246	$ 8,815,657	$ 5,403,960

The significant increase in premiums and consideration in 2018 as compared to 2017 is mainly due to the introduction of its PFL product in 2018, resulting in approximately $79.5 million in additional premium, increases in DBL premiums of $9.6 million and increases in medical gap premiums assumed from SPIC of $0.9 million.

The significant increase in premiums and considerations in 2019 as compared to 2018 is mainly due to a PFL rate increase resulting in $22.2 million in additional premiums.

The significant increase in benefit payments in 2018 as compared to 2017 is mainly due to increases in PFL claims of $31.3 million and DBL claims of $5 million.

The significant increase in benefit payments in 2019 as compared to 2018 is mainly due to the increase in PFL benefits resulting from a New York State mandated benefit increase in 2019.

The significant increase in commissions in both 2018 and 2019 as compared to all other years under examination is mainly due to the Company's introduction of its PFL product in 2018, resulting in increased commissions associated with the increase in premiums.

The significant increase in reserves of approximately $38.1 million in 2018 is due to the introduction of PFL, which incurred an unearned premium reserve component and a risk adjustment liability component which is associated with the business.

The significant increase in reserves of approximately $20.4 million in 2019 was driven by an increase in the unearned premium reserve and a premium rate increase on PFL which was to be implemented in 2020.

The miscellaneous deduction of approximately $17.4 million in 2019 included the increase in the PFL Risk Adjustment Liability, and the payment to New York State for the Company's share of the statewide pooling for accident year 2018 of approximately $15.7 million.

The approximate $2 million decrease in net income in 2017 as compared to 2016 is primarily the result of PFL planning costs, increased operating expenses related to increased commissions, taxes, licenses and fees, and increased income taxes related to a tax deduction for the final payment to New York State for unclaimed policy premium refunds.

The approximate $5.3 million increase in net income in 2018 as compared to 2017 is primarily driven by the Company writing PFL business, effective January 1, 2018, and an increase in DBL polices from carriers exiting the line of business.

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E. Capital and Surplus Account

	2015	2016	2017	2018	2019
Capital and surplus, December 31, prior year	$54,880,840	$54,937,776	$58,795,609	$60,967,579	$68,448,957
Net income	$ 5,603,855	$ 5,495,539	$ 3,465,246	$ 8,815,657	$ 5,403,960
Change in net unrealized capital gains (losses)	(161,821)	220,333	(257,939)	(154,743)	25,430
Change in net deferred income tax	(15,846)	(618,510)	(504,017)	326,814	3,877,298
Change in non-admitted assets and related items	141,424	(180,225)	(214,113)	(1,229,547)	(14,460,267)
Change in asset valuation reserve	88,409	(59,584)	(17,206)	(4,969)	(31,495)
Surplus adjustments:					
Paid In	914	281	0	28,167	38,155
Transferred from Capital	(1,100,000)	(1,000,000)	(300,000)	(300,000)	(150,000)
Dividends to stockholders	(4,500,000)	0	0	0	0
Net change in capital and surplus for the year	$ 56,935	$ 3,857,834	$ 2,171,971	$ 7,481,379	$ 5,296,919
Capital and surplus, December 31, current year	$54,937,776	$58,795,609	$60,967,579	$68,448,957	$63,152,040

In October 2019, the Company purchased a client list for approximately 40,000 DBL/PFL policies from Wesco Insurance Company, which was owned by the holding company AmTrust Financial Services ("AmTrust") for $11.5 million. The transaction was accounted for as a purchase of customer list which resulted in the decrease in non-admitted assets between 2019 and 2018.

The change in net deferred income tax between 2019 and 2018 is attributed to an increase in the unearned premium and advanced premium reserves related to the increase in PFL rates, the acquisition of the AmTrust customer list and related advanced premiums.

7. THIRD PARTY ADMINISTRATOR

Section 2108(a)(3) of the New York Insurance Law states, in part:

> "No adjuster shall act on behalf of an insurer unless licensed as an independent adjuster . . . "

Section 2108(a)(4) of the New York Insurance Law states, in part:

> "No insurer, agent or other representative of an insurer shall pay any fees or other compensation to any person, firm, association or corporation for acting as an independent adjuster except to a licensed independent adjuster . . . "

The licenses for both Tech Mahindra BPO ("a predecessor entity of Tech-M") and its affiliate, Tech Mahindra (Americas) Inc., collectively referred to as ("Mahindra") which adjudicates the Company's DBL business expired on December 31, 2018.

The Company compensated Mahindra for adjusting claims without a valid independent adjuster's license for the period subsequent to December 31, 2018.

The Company violated Section 2108(a)(4) of the New York Insurance Law by compensating Mahindra for acting as an independent adjuster after Mahindra did not possess a valid independent adjuster's license beginning January 1, 2019.

This was a prior examination violation. On March 31, 2021, the board of directors approved a plan to address the violation of Section 2108(a)(4).

8. ENTERPRISE RISK MANAGEMENT

> New York Insurance Regulation No. 203, 11NYCRR82 Section 82.2(a) states, in part:
>
> "(a) Pursuant to Insurance Law sections 1503(b) … an entity shall adopt a formal enterprise risk management function that identifies, assesses, monitors, and manages enterprise risk.... The enterprise risk management function shall be appropriate for the nature, scale, and complexity of the risk and shall adhere to the following, as relevant:
> (1) have an objective enterprise risk management function headed by an appropriately experienced individual with the requisite authority and who has access to the board of directors, or if there is no board of directors, then the governing body, and senior management;
> (2) have a written risk policy adopted by the respective board or a committee thereof,… that delineates the insurer's, holding company system's, article 16 system's, or article 17 system's risk/reward framework, risk tolerance levels, and risk limits;..."

The Company's board of directors or a committee thereof did not adopt a formal enterprise risk management function and establish a written risk policy, as required by Section 82.2(a) and Section 82.2(a)(2) of New York Insurance Regulation No. 203.

The Company violated Section 82.2(a) and Section 82.2(a)(2) of New York Insurance Regulation No. 203 by failing to adopt a formal enterprise risk management function and establish a written risk policy.

The examiner recommends that the Company's board of directors adopt a formal enterprise risk management function and a written risk policy.

9. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

10. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations, and comments included in this report:

Item	Description	Page No(s).
A	The Company violated Section 2108(a)(4) of the New York Insurance Law by compensating Mahindra for acting as an independent adjuster after Mahindra did not possess a valid independent adjuster's license beginning January 1, 2019.	22
B	The Company violated Section 82.2(a) and Section 82.2(a)(2) of New York Insurance Regulation No. 203 by failing to adopt a formal enterprise risk management function and establish a written risk policy.	23
C	The examiner recommends that the Company's board of directors adopt a formal enterprise risk management function and a written risk policy.	23
D	The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic of the U.S. insurers.	24

BILAL SHAHZAD
Notary Public - State of Kansas
My Appt. Expires 02/22/25

Respectfully submitted,

Donald L. Gaskill, CFE
INS Regulatory Consulting, Inc.

BS

STATE OF KANSAS)
)SS:
COUNTY OF SEDGWICK)

BS

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

Donald L. Gaskill

BILAL SHAHZAD
Notary Public - State of Kansas
My Appt. Expires 02/22/25

Subscribed and sworn to before me

this 12 day of MAY 2021

Respectfully submitted,

_____________/s/___________
Anthony Mauro
Principal Insurance Examiner

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

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

_____________/s/___________
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. <u>32078</u>

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **<u>LINDA A. LACEWELL</u>**, 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:*

DONALD L. GASKILL
(INS REGULATORY CONSULTING, INC.)

as a proper person to examine the affairs of the

SHELTERPOINT 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 <u>3rd</u> day of <u>April</u>, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU