NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

WILLIAM PENN LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2017

DATE OF REPORT: MAY 24, 2019

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EXAMINER: JEFFREY EBERT, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Acting Superintendent

May 31, 2019

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

Madam:

In accordance with instructions contained in Appointment No. 31681, dated October 23, 2017, and annexed hereto, an examination has been made into the condition and affairs of the William Penn Life Insurance Company of New York, hereinafter referred to as "the Company," at its administrative office located at 3275 Bennett Creek Avenue, Frederick, MD 21704. The Company's home office is located at 70 East Sunrise Highway, Suite 500, Valley Stream, NY 11581.

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 violations and comment contained in this report are summarized below.

- The Company violated Sections 1505(a) and 1505(d)(2) of the New York Insurance Law by failing to file and receive non-disapproval for reinsurance transactions with its affiliates. This issue was resolved by the consent order entered with the Company and approved by the Superintendent on May 3, 2018. (See item 4C of this report.)
- The Company violated Section 307(a)(2) of the New York Insurance Law by failing to disclose the Company's true financial condition when it inaccurately certified that the Company was not ceding insurance to Legal and General Assurance Society Limited. This issue was resolved by the consent order entered with the Company and approved by the Superintendent on May 3, 2018. (See item 4C of this report.)
- At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved. (See item 7 of this report.)
- The Company violated Section 4228(h) of the New York Insurance Law.by producing non-compliant demonstration, by failing to sign the demonstration, and by having the demonstration dated after the date of the statement of self-support. (See item 8 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, 2018 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2013, to December 31, 2017. 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, 2017, 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.

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 2013 through 2017, by the accounting firm of PricewaterhouseCoopers, LLP ("PwC"). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. Legal & General America, Inc.("LGA"), a Delaware holding company, has an internal audit department, and a separate internal control department, that was given the task of assessing the internal control structure and the compliance with the NAIC Model Audit Rule ("MAR") of the Company and the Company's direct parent, Banner Life Insurance Company ("Banner Life"). Where applicable, MAR workpapers and reports were reviewed and portions were relied upon for this examination. Legal & General Group PLC ("L&G"), a British incorporated company, is not subject to Sarbanes-Oxley Act of 2002.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendation and comment 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 life insurance company under the laws of the State of New York on September 12, 1962, was licensed on January 28, 1963, and commenced business on February 23, 1963, under the name Modern Life Insurance Company. Initial resources of $1,000,000, consisting of common capital stock of $500,000 and paid in and contributed surplus of $500,000 were provided through the sale of 100,000 shares of common stock (with a par value of $5 each) for $10 per share.

In 1967, ITT Hamilton Life Insurance Company, a subsidiary of Penncorp Financial, Inc., acquired the Company. In 1968, the Company's name was changed to ITT Life Insurance Company of New York; in 1972, the Company's name was changed to Penn Life Insurance Company of New York; and in 1975, the Company adopted its present name.

In 1983, Maiden Lane Life Insurance Company, a subsidiary of Continental Corp., acquired the Company and transferred the ownership to Commercial Life Insurance Company, also a subsidiary of Continental Corp. In 1985, ownership was transferred directly to Continental Corp.

In 1989, L&G acquired the Company and transferred the ownership to its subsidiary, LGA.

In 1991, the Company merged with its affiliate, Banner Life Insurance Company of New York, with the Company being the surviving entity. LGA then transferred 100% ownership of the Company to its affiliate, Banner Life.

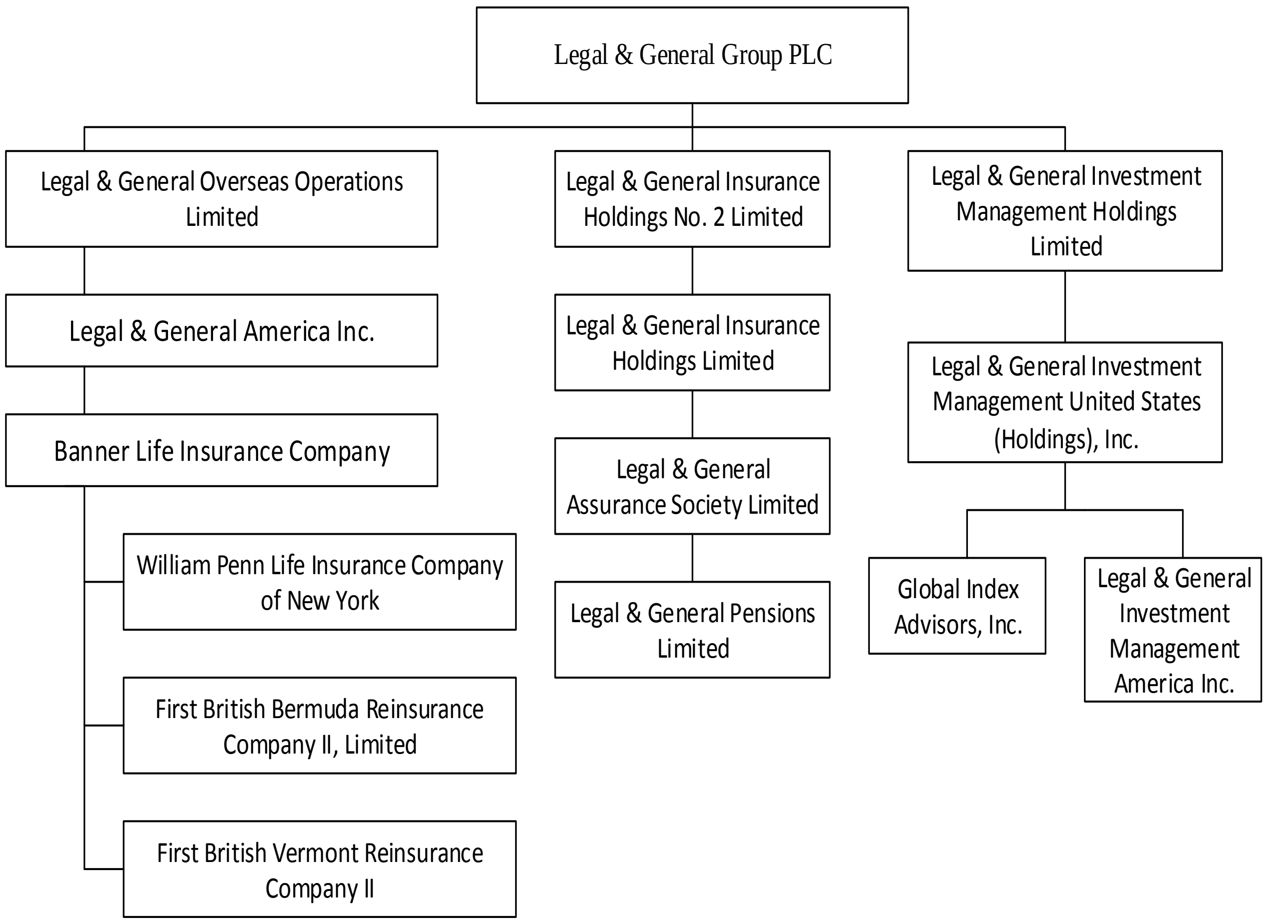
B. Holding Company

The Company is a wholly-owned subsidiary of Banner Life, a Maryland stock life insurance company that is licensed in all states except New York. LGA exerts 100% control over Banner Life through ownership of 100% of Banner Life's Class A common stock. The ultimate parent of the Company is L&G.

Legal & General Investment Management America Inc. ("LGIMA") provides investment advisory services to all affiliates within the holding company.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2017, follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Expense Sharing Agreement File No. 26116	10/22/1999	LGA	The Company	Services include: accounting, internal audit, tax related, legal advisory, actuarial advisory, payroll, personnel, supervisory, administrative, marketing and sales, underwriting and customer services	2013 $(11,614,586) 2014 $(9,110,578) 2015 $(11,902,734) 2016 $(10,700,786) 2017 $(10,069,006)
		Banner Life	The Company	Accounting, tax reconciliations, personnel, and administrative services	2013 $ (464,368) 2014 $ (542,586) 2015 $ (822,771) 2016 $ (1,003,739) 2017 $ (973,270)
		The Company	Banner Life	Underwriting, claims, reinsurance, and agency services	2013 $ 88,238 2014 $ 33,445 2015 $ 37,208 2016 $ 0 2017 $ 0
Investment Management Agreement File No. 44360 Amendment File No. 47516	02/17/2012 08/01/2013	LGIMA	The Company	Investment management services	2013 $(999,650) 2014 $(871,549) 2015 $(652,748) 2016 $(677,510) 2017 $(696,815)

*Amount of Income or (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 7 and not more than 24 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2017, the board of directors consisted of eight members. Meetings of the board are held quarterly.

The eight board members and their principal business affiliation, as of December 31, 2017, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James A. Galli Frederick, Maryland	Executive Vice President, Business Strategy & Innovation William Penn Life Insurance Company of New York	2016
Bernard L. Hickman Reigate, Surrey, England	President and Chief Executive Officer William Penn Life Insurance Company of New York	2016
Deborah D. Lambert * Pinehurst, North Carolina	Founding Partner Johnson Lambert LLP	2016
Andrew D. Love Ellicott City, Maryland	Senior Vice President, Chief Financial Officer & Treasurer William Penn Life Insurance Company of New York	2015
Jacquline L. Morales Frederick, Maryland	Senior Vice President & Chief Operations Officer William Penn Life Insurance Company of New York	2016
John P. Murrin * New York, New York	Retired, Former Chief Financial Officer, McKinsey & Co., Inc. Former Chief Financial Officer & Chief Operating Officer Stroz Friedberg, LLC	2013
Troy N. Thompson Frederick, Maryland	Senior Vice President & Chief Actuary William Penn Life Insurance Company of New York	2015
Thomas W. Walsh Portsmouth, Rhode Island	Retired, Former Partner PricewaterhouseCoopers	2007

*Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended, and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2017:

Name	Title
Bernard L. Hickman	President and Chief Executive Officer
James A. Galli	Executive Vice President, Business Strategy and Innovation
Troy N. Thompson	Senior Vice President & Chief Actuary
Andrew D. Love	Senior Vice President, Chief Financial Officer, and Treasurer
Patrick M. Bowen	Senior Vice President, Sales and Marketing
Sharon P. Jenkins	Senior Vice President and Chief Underwriter
Amy J. Butler	Vice President, Chief Risk Officer
Barbara A. Esau	Vice President, Human Resources
Randy W. Binger	Vice President, Information Systems & Services
J. Christopher Stanek	Vice President, Financial Planning & Strategy
Bryan R. Newcombe	Vice President, Secretary and General Counsel
Eric W. Lester*	Vice President, Administrative Services
John A. Zelinske	Vice President & Controller

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

Bernard L. Hickman stepped down as President and Chief Executive Officer of the Company on September 14, 2018, but he remains the President and Chief Executive Officer of Legal & General America, Inc. and on the board of the Company.

Mark N. Holweger joined the Company as Executive Vice President, Distribution and Marketing on January 19, 2018, and became the President and Chief Executive Officer on September 14, 2018.

Thomas W. Walsh retired from the board of directors in June of 2018, and Phillip Surprenant was appointed to the board of directors in June of 2018.

James A. Galli left the Company in April 2018, Eric Lester in August 2018, Jacquline L Morales in October 2018, and John A. Zelinske in April 2019.

Sarah Bennett joined the Company as Vice President of Marketing on November 26, 2018.

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 ceased writing accident and health insurance in 1975 and ceased writing annuities in 2005.

The Company is licensed to transact business in twenty states and the District of Columbia. In 2017, 82.5% of life premiums, 71.3% of annuity considerations, 60.2% of accident and health and 64.3% of deposit type funds were received from New York. Policies are written on non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2017.

Life Insurance Premiums		Annuity Considerations	
New York	82.5%	New York	71.3%
Florida	3.7	New Jersey	15.7
New Jersey	3.6	Florida	7.3
Subtotal	89.8%	Subtotal	94.3%
All others	10.2	All others	5.7
Total	100.0%		100.0%

Accident and Health Insurance Premiums		Deposit Type Funds	
New York	60.2%	New York	64.3%
Florida	14.0	New Jersey	12.5
New Jersey	7.7	Massachusetts	7.8
Pennsylvania	5.0	Florida	7.1
Subtotal	86.9%	Subtotal	91.7%
All others	13.1	All others	8.3
Total	100.0%		100.0%

A. Statutory and Special Deposits

As of December 31, 2017, the Company had $1,529,765 (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, $3,228,240 was reported in Schedule E of the 2017 filed annual statement as being held by the State of Massachusetts.

B. Direct Operations

The Company's primary products sold during the examination period were individual and universal life insurance with the focus on its fully underwritten term life insurance product. The Company de-emphasized the sale of its universal life insurance and annuity products in 1995 and ceased writing annuities in 2005. In addition, the Company has a closed block of par life products that was acquired from Monarch Life Insurance Company in the early 1990's.

The Company's agency operations are conducted on a brokerage general agency basis. The Company's general agents recruit agents/brokers for the Company to appoint. The agents/brokers sell the Company's products to the general public. All general agents and agents/brokers are independent.

C. Reinsurance

As of December 31, 2017, the Company had reinsurance treaties in effect with 26 companies, of which 15 were authorized, accredited or certified. The Company's business is reinsured on coinsurance and yearly renewable term bases. Reinsurance is provided on an automatic and or facultative basis.

The maximum retention limit for individual life contracts is $2,000,000. The total face amount of life insurance ceded as of December 31, 2017, was $95,349,737,813, which represents 95% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $366 million, was supported by letters of credit, trust agreements and funds withheld.

The total face amount of life insurance assumed, as of December 31, 2017, was $1,069,299 company. The Company did not assume accident and health insurance business.

With the adoption of 11 NYCRR 98 (Insurance Regulation 147), the Company was required to significantly increase its life insurance reserves. Therefore, the Company, along with

Banner Life, created First British American Reinsurance Company ("FBARC") as a special purpose financial captive for reinsuring certain blocks of the Company and Banner life's level-premium term life insurance business. The funding of the transaction primarily was through capital provided by outside investors. The transaction received Department approval on November 8, 2004, and it became effective December 1, 2004. In 2010, FBARC received an approval to transfer business originally reinsured with FBARC to Legal and General Assurance Society Limited ("LGAS") and, with that approval, FBARC was subsequently dissolved. LGAS is the primary insurance company within Legal & General Group PLC, a British multinational financial services company and the ultimate parent of the Company. As a result of the approved novation, the Company reinsures portions of its business to LGAS to address the Department's Regulation 147 reserve strain.

In 2012, the Department approved LGAS as a certified reinsurer, and subsequently, the Company executed two reinsurance treaties with LGAS under its new certified status. The transactions resulted in increased surplus of $37.1 million. However, in 2012, the Company reflected a $13.3 million net loss that primarily was attributable to the $44.7 million in ceded premiums for the initial setup of the two treaties.

Section 307(a)(2) of the New York Insurance Law states, in part:

> "The superintendent shall from time to time prescribe the form of such annual statement, . . . as shall seem to him best adapted to elicit a true exhibit of the condition of each such entity, in respect to every matter which he may deem material. . . ."

Section 1505(a) of the New York Insurance Law states, in part:

> "Transactions within a holding company system to which a controlled insurer is a party shall be subject to the following:
> (1) the terms shall be fair and equitable; . . ."

Section 1505(d) of the New York Insurance Law states, in part:

> The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period: . . .
> (2) reinsurance treaties or agreements; . . ."

The Company engaged in improper reinsurance transactions beginning in 2014 by implementing amendments to existing reinsurance treaties with LGAS, without receiving Department approval as required by New York Insurance Law. The Department found that the arrangements were not economically reasonable and could disadvantage the Company relative to its affiliate. As a result, the Department disapproved the amendments and prohibited any new business from being added to the existing reinsurance treaties.

Upon further review of the Company's unapproved but implemented reinsurance amendments, the Department found that the amendments did not include fair and equitable terms.

On September 20, 2016, the Department notified the Company that the amendments were disapproved, that it would not approve additional amendments to these reinsurance treaties, and that new business would not be permitted to be added to these reinsurance treaties.

Subsequent to the Department's disapproval of the amendments, the Company entered into a reinsurance arrangement, without the approval of the Department, with a third-party reinsurer where the reinsurance provided was conditioned upon the retrocession of that reinsured business back to LGAS and other affiliates of the Company. Concerned with the Company's reinsurance activities, the Department commenced an investigation and found that the Company was using questionable reinsurance treaties to circumvent New York's reserve requirements to reduce the amount of assets held by the Company.

The Company (1) failed to file and receive non-disapproval of amendments to reinsurance treaties with the Superintendent at least thirty days prior to entering into such reinsurance treaties with its affiliates; (2) amended three reinsurance agreements with an affiliated entity effective December 31, 2014, covering 126,820 policies, under terms that were not fair and equitable; (3) amended three reinsurance agreements with an affiliated entity effective December 31, 2015, covering 133,265 policies, under terms that were not fair and equitable; (4) failed to receive non-disapproval for, and reflected in its Annual Statement as of December 31, 2016, the recapture of a reinsurance agreement with an affiliated entity, which was executed on December 21, 2016; and (5) failed to receive non-disapproval of, and reflected in its Annual Statement as of December 31, 2016, a reinsurance transaction covering 126,009 policies which ultimately retroceded business to LGAS, an affiliated entity and whereby the original reinsurance cession was dependent upon such retrocession

The Company violated Sections 1505(a) and 1505(d)(2) of the New York Insurance Law by failing to file and receive non-disapproval for reinsurance transactions with its affiliates. This issue was resolved by the consent order entered with the Company and approved by the Superintendent on May 3, 2018.

In its December 31, 2016 filed annual statement, the Company failed to disclose in the Exhibit of Captive and Offshore Affiliated Reinsurance Transactions that the Company was ceding insurance to LGAS.

The Company violated Section 307(a)(2) of the New York Insurance Law by failing to disclose the Company's true financial condition when it inaccurately certified that the Company was not ceding insurance to LGAS. This issue was resolved by the consent order entered with the Company and approved by the Superintendent on May 3, 2018.

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 (decline) during the period under review:

	December 31, 2012	December 31, 2017	Increase (Decrease)
Admitted assets	$1,121,313,452	$1,185,243,825	$ 63,930,373
Liabilities	$ 914,962,281	$1,075,193,203	$160,230,922
Common capital stock	$ 2,002,500	$ 2,002,500	$ 0
Gross paid in and contributed surplus	80,058,416	80,058,416	$ 0
Unassigned funds (surplus)	124,290,255	27,989,706	$(96,300,549)
Total capital and surplus	$ 206,351,171	$ 110,050,622	$(96,300,549)
Total liabilities, capital and surplus	$1,121,313,452	$1,185,243,825	$ 63,930,373

The Company's invested assets as of December 31, 2017, were mainly comprised of bonds (72.0%), mortgage loans (19.8%), and cash and short-term investments (5.7%). More than half of the Company's bond portfolio (57.7%), as of December 31, 2017, was comprised of investment grade obligations; and more than one-third of the bond portfolio (36.8%) was privately placed, of which more than one-quarter (26.2%) comprised 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):

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2013	$126,794	$5,135,254	$11,784,698	$81,813,678
2014	$116,158	$4,973,248	$11,174,842	$89,435,157
2015	$ 55,260	$4,727,636	$ 7,059,829	$93,066,636
2016	$ 16,513	$4,426,912	$ 7,262,155	$96,414,854
2017	$ 20,734	$4,140,192	$ 7,181,103	$99,142,799

The decrease in the amount of term life issued beginning 2015 was primarily due to an increase in price and an update in product design eliminating the conversion products. The Company expects consistent-to-modest growth in new business issued during 2018.

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:

	2013	2014	2015	2016	2017
Ordinary:					
Life insurance	$(14,434,109)	$(14,266,539)	$(30,023,295)	$(210,136,389)	$35,135,416
Individual annuities	(209,447)	57,159	1,245,226	282,860	471,257
Supplementary contracts	(237,130)	(97,768)	(388,347)	(617,912)	(830,762)
Total ordinary	$(14,880,686)	$(14,307,148)	$(29,166,416)	$(210,471,441)	$34,775,911
Group:					
Life	$ 0	$ 0	$ 33,540	$ 0	$ 0
Accident and health:					
Other:	$ (29,281)	$ (4,744)	$ (40,656)	$ (14,346)	$ (27,428)
Total	$(14,909,967)	$(14,311,892)	$(29,173,531)	$(210,485,789)	$34,748,483

The Company often experiences losses on life insurance because of the significant expense and reserve strain associated with new term life business.

The $14 million loss in 2013 and 2014 was primarily due to new business strain from the Company's term life products.

The $30 million loss in 2015 was primarily due to recording an increase in cash flow testing reserve of $22 million in addition to a $10 million new business strain.

In 2016, significant losses of approximately $319 million were recognized through net income for the recapture of business ceded to LGAS. There were offsetting gains of $332 million on a simultaneous cession of the recaptured business to RGA Reinsurance Company ("RGA"), of which approximately $236 million were not realized through net income, but rather as a write-in surplus benefit.

The $34 million gain in 2017 resulted from the fluctuation in reserves related to the amortization of the deferred profits from the 2016 RGA reinsurance of $58 million.

The Company ceased writing individual annuities in 2005. The fluctuation in losses for this line of business is attributed mainly to changes in the number of claims or surrenders in a particular year.

The Company has not marketed its group life business since the late 1980's, and that business is currently in run off.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2017, as contained in the Company's 2017 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, 2017, filed annual statement.

A. Independent Accountants

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

PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 823,069,557
Mortgage loans on real estate:	
First liens	225,976,484
Cash, cash equivalents and short term investments	64,620,804
Contract loans	28,547,697
Receivable for securities	224,632
Investment income due and accrued	8,328,279
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(7,151,262)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	9,989,298
Reinsurance:	
Amounts recoverable from reinsurers	8,943,947
Other amounts receivable under reinsurance contracts	96,589
Current federal and foreign income tax recoverable and interest thereon	2,496,905
Net deferred tax asset	14,354,429
Receivables from parent, subsidiaries and affiliates	647,869
Gross deferred reinsurance premiums	5,098,597
Total admitted assets	$1,185,243,825

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 600,842,096
Aggregate reserve for accident and health contracts	81,766
Liability for deposit-type contracts	15,162,797
Contract claims:	
Life	17,271,493
Accident and health	2,122
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	750,000
Premiums and annuity considerations for life and accident and health contracts received in advance	934,451
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	5,400,272
Interest maintenance reserve	37,167,176
General expenses due or accrued	10,382,566
Taxes, licenses and fees due or accrued, excluding federal income taxes	(1,402,685)
Unearned investment income	967,815
Amounts withheld or retained by company as agent or trustee	158,885
Amounts held for agents' account	228,421
Remittances and items not allocated	2,066,249
Miscellaneous liabilities:	
Asset valuation reserve	13,297,075
Reinsurance in unauthorized reinsurers	3,397,007
Funds held under reinsurance treaties with unauthorized reinsurers	136,207,358
Payable to parent, subsidiaries and affiliates	95,924
Funds held under coinsurance	231,810,716
Accrued interest on policy funds	363,682
Modified coinsurance agreement	8,016
Total liabilities	$1,075,193,203
Common capital stock	2,002,500
Gross paid in and contributed surplus	80,058,416
Unassigned funds (surplus)	27,989,706
Surplus	$ 108,048,122
Total capital and surplus	$ 110,050,622
Total liabilities, capital and surplus	$1,185,243,825

D. Condensed Summary of Operations

	2013	2014	2015	2016	2017
Premiums and considerations	$ 47,207,958	$ 34,855,605	$ 24,772,193	$(293,846,041)	$24,040,406
Investment income	50,387,488	52,098,278	52,899,163	51,527,994	49,531,887
Commissions and reserve adjustments on reinsurance ceded	16,113,220	20,524,595	20,783,125	367,739,644	22,342,949
Miscellaneous income	(14,945,057)	(19,568,080)	(11,440,808)	(11,740,655)	(12,852,388)
Total income	$ 98,763,609	$ 87,910,398	$ 87,013,673	$ 113,680,942	$83,062,853
Benefit payments	$ 74,698,909	$ 64,124,935	$ 70,293,802	$ 74,697,230	$58,622,790
Increase in reserves	(10,741,848)	(9,008,132)	5,471,655	204,172,743	(54,827,014)
Commissions	17,310,782	18,088,033	16,653,027	14,143,828	13,325,068
General expenses and taxes	38,204,657	37,089,434	31,937,507	29,092,467	33,799,105
Increase in loading on deferred and uncollected premiums	(1,229,156)	(89,762)	(174,943)	893,528	1,037,278
Total deductions	$118,243,344	$110,204,508	$124,181,048	$ 322,999,796	$51,957,227
Net gain (loss)	$ (19,479,735)	$ (22,294,110)	$ (37,167,375)	$(209,318,854)	31,105,627
Dividends	738,735	760,679	679,878	651,814	657,682
Federal and foreign income taxes incurred	(5,308,503)	(8,742,897)	(8,673,721)	515,120	(4,300,539)
Net gain (loss) from operations before net realized capital gains	$ (14,909,967)	$ (14,311,892)	$ (29,173,532)	$(210,485,788)	34,748,484
Net realized capital gains (losses)	(300,030)	(792,443)	(1,338,260)	(2,864,532)	656,817
Net income	$ (15,209,997)	$ (15,104,335)	$ (30,511,791)	$(213,350,321)	$35,405,300

The losses on the miscellaneous income line are primarily the result of interest due on funds withheld for ceded reinsurance treaties.

The net income loss from 2013 to 2016 is primarily due to expenses and reserve strain associated with new term business.

E. Capital and Surplus Account

	2013	2014	2015	2016	2017
Capital and surplus, December 31, prior year	$206,351,171	$195,894,449	$176,566,763	$ 133,223,500	$144,265,335
Net income	$ (15,209,997)	$ (15,104,335)	$ (30,511,791)	$(213,350,321)	$ 35,405,300
Change in net unrealized capital gains (losses)	(15,487)	15,510	0	0	0
Change in net deferred income tax	2,189,850	3,866,791	9,720,450	(595,453)	(14,270,555)
Change in non-admitted assets and related items	(258,188)	(4,186,386)	(16,825,251)	(622,077)	8,415,985
Change in liability for reinsurance in unauthorized companies	(713,791)	713,791	0	0	(3,397,007)
Change in asset valuation reserve	(2,260,207)	(2,720,724)	(2,323,583)	(434,942)	(1,645,176)
Change due to reinsurance	5,811,098	(1,912,333)	(3,403,089)	226,044,629	(58,723,260)
Net change in capital and surplus for the year	$ (10,456,722)	$ (19,327,686)	$ (43,343,263)	$ 11,041,836	$ (34,214,713)
Capital and surplus, December 31, current year	$195,894,449	$176,566,763	$133,223,500	$ 144,265,335	$110,050,622

The $226 million change in reinsurance in 2016 was the result of $236 million of deferred profits booked directly to surplus because of the business ceded to RGA.

The $58 million change in reinsurance in 2017 resulted from the fluctuation in reserves related to the amortization of the previously deferred profits on the 2016 amount of $58 million ceded to RGA.

7. RESERVES

The Department conducted a review of the Company's reserves as of December 31, 2017. It included a review of the formulaic reserves in accordance with 11 NYCRR 98 (Insurance Regulation 147) and the asset adequacy analysis in accordance with 11 NYCRR 95 (Insurance Regulation 126).

During the review, concerns were raised with respect to the Company's reserves held for certain universal life insurance policies with secondary guarantees pursuant to Regulation 147. The Company agreed to revise the methodology in a manner acceptable to the Department, which increased such reserves by $22 million.

Concerns were also raised regarding the lack of conservatism in certain assumptions with respect to the Company's asset adequacy testing. The Company also agreed to refine the analysis in a manner acceptable to the Department; however, several such refinements were not incorporated within the 2018 actual testing and the Company made other changes that will require further review.

At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.

8. STATEMENT OF SELF-SUPPORT

Section 4228(h) of the New York Insurance Law states, in part:

> "No company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . ."

During the 2012 examination, the examiner noted concerns with respect to the Company's self-support documentation pursuant to Section 4228(h) of New York Insurance Law. The examiner conducted a review of the pricing adequacy for products subject to Section 4228(h) again during the 2017 examination. The examiner requested the actuarial statement of self-support and corresponding demonstration for the one form with 1,386 policies issued. Similar to the findings of the 2012 examination, the demonstration provided was not signed, referred to other documents for assumptions, and was dated after the date of the statement of self-support.

The Company violated Section 4228(h) of the New York Insurance Law.by producing non-compliant demonstration, by failing to sign the demonstration, and by having the demonstration dated after the date of the statement of self-support.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department The Company failed to take a corrective action in response to this recommendation. (See item 7 of this report.)
B	In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated and finalized prior to the date of the statement of self-support, and to improve its filing procedures so that the required demonstrations will be readily available upon request The Company failed to take a corrective action in response to this violation. (See item 8 of this report.)

10. SUMMARY AND CONCLUSIONS

Following are the violations and comment contained in this report:

Item	Description	Page No(s).
A	The Company violated Sections 1505(a) and 1505(d)(2) of the New York Insurance Law by failing to file and receive non-disapproval for reinsurance transactions with its affiliates. This issue was resolved by the consent order entered with the Company and approved by the Superintendent on May 3, 2018.	14
B	The Company violated Section 307(a)(2) of the New York Insurance Law by failing to disclose the Company's true financial condition when it inaccurately certified that the Company was not ceding insurance to Legal and General Assurance Society Limited. This issue was resolved by the consent order entered with the Company and approved by the Superintendent on May 3, 2018.	14
C	At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved.	25
D	The Company violated Section 4228(h) of the New York Insurance Law.by producing non-compliant demonstration, by failing to sign the demonstration, and by having the demonstration dated after the date of the statement of self-support.	26

Respectfully submitted,

Jeffrey Ebert, CFE
Risk & Regulatory Consulting, LLC

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

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

Jeffrey Ebert

Subscribed and sworn to before me

this 7 day of June 2019

NOTARY PUBLIC
STATE OF OHIO

NAMRATA D SORATHIA
Notary Public, State of Ohio
My Comm. Expires 05/12/2024
Recorded in Union County

Neata Sorathia
6/7/19

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 _______________

RAPPOINTMENT NO. 31681

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

JEFFREY EBERT
(RISK & REGULATORY CONSULTING, LLC)

as a proper person to examine the affairs of the

WILLIAM PENN LIFE INSURANCE 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 23rd day of October, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU