



FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

NTA LIFE INSURANCE COMPANY OF NEW YORK

AS OF DECEMBER 31, 2021

EXAMINER:

JAMES WANG

DATE OF REPORT:

JUNE 7, 2023

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	5
	D. Service agreements	7
	E. Management	9
4.	Territory and plan of operations	13
	A. Statutory and special deposits	13
	B. Direct operations	13
	C. Reinsurance	14
5.	Financial statements	15
	A. Independent accountants	15
	B. Net admitted assets	15
	C. Liabilities, capital and surplus	16
	D. Condensed summary of operations	17
	E. Capital and surplus account	18
6.	Prior report summary and conclusions	19
7.	Summary and conclusions	20

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 8, 2023

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 323400, dated March 31, 2022, and annexed hereto, an examination has been made into the condition and affairs of NTA Life Insurance Company of New York, hereinafter referred to as "the Company". The Company's home office is located at 4949 Keller Springs Road, Addison, TX 75001. 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 and violations contained in this report are summarized below.

- The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election of directors with the Superintendent at least ten days before the day of such election. (See item 3E of this report.)
- The Company violated Section 4211(b) of the New York Insurance Law by electing a successor to the board without notifying the Superintendent of the filling of such vacancy prior to the effective date of the director's election. (See item 3E 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's") *Financial Condition Examiners Handbook, 2022 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2018, to December 31, 2021. 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, 2021, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was called by the Illinois Department of Insurance ("Illinois") in accordance with the NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted as part of the Horace Mann Group. Illinois served as the lead state with participation from the states of New York, Texas, and Wisconsin. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited for the year 2018 by the accounting firm of BDO, LLP (“BDO”), and annually, for the years 2019 through 2021 by the accounting firm of KPMG, LLP (“KPMG”). The Company received an unqualified opinion in all applicable years. Certain audit workpapers of the KPMG accounting firm 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 and compliance with the Sarbanes-Oxley Act of 2002 (“SOX”). Where applicable, SOX workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violation contained in the prior report on examination. The results of the examiner’s review are contained in item 6 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 July 17, 2012, was licensed and authorized to commence business on October 1, 2013. Initial resources of \$7,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$5,000,000, were provided through the sale of 2,000,000 shares of common stock (with a par value of \$1 each) for \$3.50 per share.

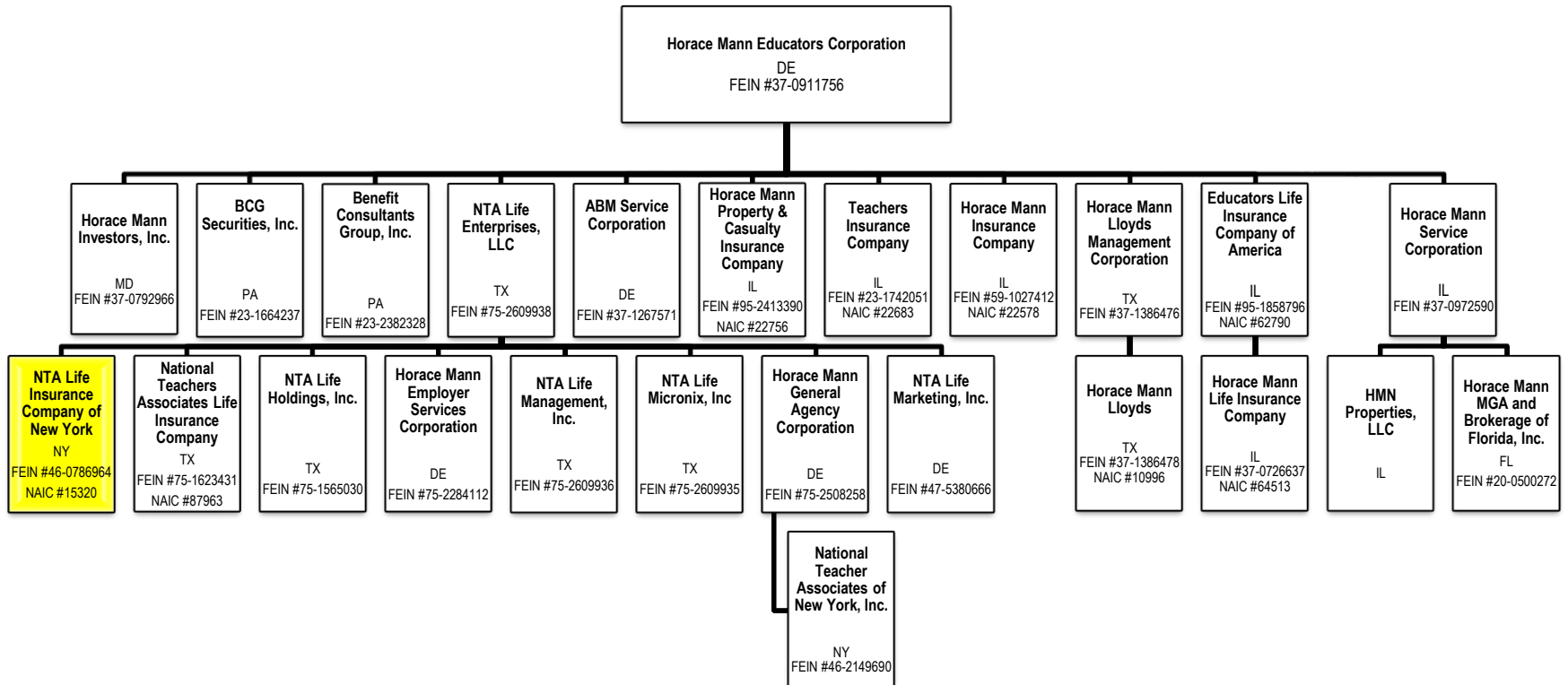
On June 25, 2019, the Department approved the acquisition of control of the Company by Horace Mann Educators Corporation (“HMEC”), a publicly-traded corporation incorporated in Delaware. Following the acquisition, the Company became a direct wholly-owned subsidiary of the parent, NTA Life Enterprises, LLC, a Texas domiciled limited liability company, which in turn is a wholly-owned subsidiary of HMEC.

B. Holding Company

The Company is a wholly-owned subsidiary of NTA Life Enterprises, LLC (“NTALE”), a Texas domiciled limited liability company. NTALE is in turn a wholly-owned subsidiary of HMEC, the ultimate parent of the 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, 2022, follows:



D. Service Agreements

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

Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* for Each Year of the Examination
Administrative Services Agreement File No. 46763	08/01/2013	National Teachers Associates Life Insurance Company (“NTALIC”)	The Company	Accounting, actuarial, agency support, claims administration, corporate communications, Corporate Secretary functions, customer care, general management, information technology, legal, mailing and supplies, premium billing and collection, product development, record keeping and retention, reinsurance administration, sales and marketing support, Special Investigative Unit functions, underwriting	2018 \$(177,570) 2019 \$(219,580) 2020 \$(190,908) 2021 \$(167,162)

Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* for Each Year of the Examination
Premium Remittance Agreement File No. 46538	08/01/2013	NTA Life Business Services Group, Inc., now known as Horace Mann Employer Services Corporation	The Company	Collection and remittance of payroll deducted premiums due to the Company with respect to policies issued by the Company to employees	2018 \$0 2019 \$0 2020 \$0 2021 \$0
Master General Agency Agreement File No. 46538	Effective 08/05/2013	National Teacher Associates of New York, Inc.; assigned to National Teacher Associates, Inc. now known as Horace Mann General Agency Corporation	The Company	Appointments to solicit applications for the Company's life and health insurance products in states and markets where both entities are authorized to conduct business	2018 \$(516,057) 2019 \$(632,273) 2020 \$(508,414) 2021 \$(288,759)

* Amount of Income or (Expense) Incurred by the Company

For the Premium Remittance Agreement, services were not provided during the examination period.

The Company has an Administrative Service Agreement, effective August 1, 2013, (currently) with its affiliate NTALIC. Under this agreement, NTALIC provides various services, including but not limited to accounting, actuarial, legal, claims, information technology, and underwriting and premium, and other services. In 2021, the Company incurred expenses of \$167,162.

The Company has a Master General Agency Agreement ("MGA"), effective August 5, 2013, with its affiliate Horace Mann General Agency Corporation ("HMGAC"). Under this agreement, the Company appointed HMGAC to provide solicitation and marketing services for the Company's life and health products. In 2021, the Company incurred expenses of \$288,759.

The review of the HMGAC agreement indicated that when the agreement was submitted to the Department in 2013, the agreement was between the Company as recipient of services and National Teacher Associates of New York, Inc. (“NTANY”) as provider of services. Since the 2013 submission to the Department, the agreement has been amended twice via assignment, by replacing NTANY with a different affiliate National Teacher Associates, Inc as the provider of services through December 31, 2015. Effective January 1, 2016, the HMGAC became the provider of services under the agreement. Replacing NTANY with other affiliates to provide the services on a regular and systematic basis is deemed a material amendment to the 2013 submission, as such, the Department should have been notified of the subsequent changes. The Company did not file the amendments to the agreement with the Department.

The examiner recommends that the Company file all amendments to its MGA agreement with the Department for review.

The Company participated in a federal income tax allocation agreement with its former parent, NTALIC, for the years 2018 and 2019. The Company filed stand-alone federal income tax returns for the years 2020 and 2021.

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 12 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in the last 14 days of April of each year. As of December 31, 2021, 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, 2021, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Donald M. Carley Springfield, IL	Executive Vice President, General Counsel NTA Life Insurance Company of New York	2019
Bret A. Conklin Williamsville, IL	Executive Vice President, Chief Financial Officer NTA Life Insurance Company of New York	2019

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Timothy A. Darley Dallas, TX	Senior Vice President, Operational Shared Services National Teachers Associates Life Insurance Company	2021
Matthew J. Gaul* Brooklyn, NY	Partner Willkie Farr and Gallagher LLP	2012
Ryan E. Greenier Leland Grove, IL	Senior Vice President, Chief Investment Officer NTA Life Insurance Company of New York	2021
Matthew P. Sharpe Williamsburg, VA	Executive Vice President, Supplemental & Group Benefits and Corporate Strategy NTA Life Insurance Company of New York	2019
Marita Zuraitis Springfield, IL	President and Chief Executive Officer NTA Life Insurance Company of New York	2019

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

Timothy A. Darley resigned as Director and Senior Vice President effective October 7, 2022. Mark Desrochers and Mike Weckenbrock were elected as Directors effective October 7, 2022

The following is a listing of the principal officers of the Company as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Marita Zuraitis	President and Chief Executive Officer
Bret A. Conklin	Executive Vice President, Chief Financial Officer
Donald M. Carley	Executive Vice President, Secretary and Chief Compliance Officer
Kimberly A. Johnson	Senior Vice President, Controller
Ryan E. Greenier	Senior Vice President, Chief Investment Officer
Troy M. Gayle	Vice President, Treasurer
Derik T. Sanders	Vice President, Supplemental

Heather Maney, Operations Support Manager, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

Derik T. Sanders's title was changed from Vice President to Senior Vice President effective April 23, 2022.

Section 4211(a) of the New York Insurance Law states:

“No election of directors of a domestic stock life insurance company shall be valid unless a copy of the notice of election shall have been filed in the office of the superintendent at least ten days before the day of such election in addition to the service thereof, as required by section six hundred five of the business corporation law.”

Section 4211(b) of the New York Insurance Law states:

“Whenever any directors of such a company shall have resigned and successors shall have been chosen pursuant to the provisions of the by-laws, such successors shall not take office nor exercise their duties until ten days after written notice of their election shall have been filed in the office of the superintendent.”

The examiner reviewed the Department's record of filings made in accordance with Section 4211(a) of the New York Insurance Law and noted that there was no notice of elections of directors filed with the Department during the examination period. The examiner also noted one director's election became effective June 30, 2020, but the Department was not notified of the election until July 31, 2020, 30 days after the effective date, instead of ten days before the effective date.

The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election of directors with the Superintendent at least ten days before the day of such election.

The Company failed to notify the Superintendent when it elected a director to fill a vacancy created by a retiring director.

The Company violated Section 4211(b) of the New York Insurance Law by electing a successor to the board without notifying the Superintendent of the filling of such vacancy prior to the effective date of the director's election.

During corporate governance review and assessment, the examiner also noted that the Company failed to ensure required compliance with Corporate Code of Ethics, which states in part:

“The Horace Mann Educators Corporation Board of Directors shall conduct business with integrity and high ethical standards consistent with the disciplines and principles set forth in this Code of Ethics and in the Code of Conduct. The Board adopted this Code of Ethics and Code of Conduct as it applies to each board member’s business conduct on behalf of Horace Mann and annually each Board member completes a Verification Statement.”

The examiner’s review of the conflict-of-interest annual certifications completed by officers and directors for the examination period revealed that five officers and three directors did not complete the required certifications in various years.

The examiner recommends that the Company adhere to the Corporate Code of Ethics by obtaining verification statements completed annually by each officer and director along with appropriate senior level employees.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance and accident and health insurance as defined in paragraphs 1 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business only in New York. The Company is a provider of voluntary worksite marketing insurance products in New York. The Company was authorized to commence business on October 1, 2013 and began issuing policies in January 2014.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2021:

<u>Life Insurance Premiums</u>		<u>Accident and Health Insurance Premiums</u>	
New York	73.0%	New York	96.8%
Pennsylvania	13.4		
New Jersey	<u>7.3</u>	Subtotal	96.8%
		All others	<u>3.2</u>
Subtotal	93.7%		
All others	<u>6.3</u>	Total	<u>100.0%</u>
Total	<u>100.0%</u>		

A. Statutory and Special Deposits

As of December 31, 2021, the Company had \$500,000 (par value) of New York State Government Bond on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants, and creditors of the Company.

B. Direct Operations

The Company markets nonparticipating health and life insurance products to public sector employees with a particular focus on teachers, administrators, and other employees of public schools. The Company has expanded its marketing to police, firefighters, and other groups within the public sector. Approximately 99% of premiums written in 2021 were from health insurance products that are exempt from the provisions of the Patient Protection and Affordable Care Act of 2010. Health products marketed include limited benefit medical insurance, hospital indemnity

insurance, accident-only and disability income insurance. The Company also markets ordinary life insurance products. Products are marketed through an affiliated captive agency.

C. Reinsurance

As of December 31, 2021, the Company had reinsurance treaties in effect with one company, NTALIC, which is unauthorized. The Company's life business is reinsured with NTALIC on a coinsurance with funds withheld basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$100,000. The total face amount of life insurance ceded as of December 31, 2021, was \$690,000, which represents 50% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$53,332, was supported by funds withheld.

The Company did not assume any insurance business during the examination period.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2021, as contained in the Company's 2021 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, 2021 filed annual statement.

A. Independent Accountants

BDO was retained by the Company to audit the Company's combined statutory-basis statements of financial position and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended December 31st of the year 2018. KPMG 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 from 2019 through 2021, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

KPMG and BDO 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	\$ 5,848,743
Cash, cash equivalents and short-term investments	4,091,887
Contract loans	-
Investment income due and accrued	29,879
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	9,031
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,207
Current federal and foreign income tax recoverable and interest thereon	49,446
Net deferred tax asset	<u>47,484</u>
 Total admitted assets	 <u>\$10,079,677</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 53,343
Aggregate reserve for accident and health contracts	1,817,749
Contract claims:	
Life	807
Accident and health	252,884
Premiums and annuity considerations for life and accident and health contracts received in advance	4,353
Commissions to agents due or accrued	2,166
Taxes, licenses and fees due or accrued, excluding federal income taxes	82,274
Miscellaneous liabilities:	
Asset valuation reserve	11,488
Funds held under reinsurance treaties with unauthorized reinsurers	98,930
Payable to parent, subsidiaries and affiliates	<u>66,184</u>
 Total liabilities	 \$ <u>2,390,178</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	4,999,746
Unassigned funds (surplus)	<u>689,753</u>
Surplus	\$ <u>5,689,499</u>
Total capital and surplus	\$ <u>7,689,499</u>
 Total liabilities, capital and surplus	 \$ <u>10,079,677</u>

D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums and considerations	\$1,370,911	\$1,762,676	\$1,891,875	\$1,723,029
Investment income	202,578	227,799	180,385	157,997
Commissions and reserve adjustments on reinsurance ceded	2,449	2,424	2,284	2,284
Miscellaneous income	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total income	<u>\$1,575,938</u>	<u>\$1,992,899</u>	<u>\$2,074,544</u>	<u>\$1,883,320</u>
Benefit payments	\$ 291,466	\$ 249,573	\$ 219,888	\$ 208,843
Increase in reserves	256,902	348,532	484,461	578,674
Commissions	516,058	632,273	508,414	288,759
General expenses and taxes	514,302	442,562	439,021	407,322
Increase in loading on deferred and uncollected premiums	<u>(120)</u>	<u>(36)</u>	<u>0</u>	<u>0</u>
Total deductions	<u>\$1,578,608</u>	<u>\$1,672,904</u>	<u>\$1,651,784</u>	<u>\$1,483,598</u>
Net gain (loss)	\$ (2,670)	\$ 319,995	\$ 422,760	\$ 399,722
Federal and foreign income taxes incurred	<u>23,979</u>	<u>130,283</u>	<u>132,487</u>	<u>116,944</u>
Net gain (loss) from operations before net realized capital gains	\$ (26,649)	\$ 189,712	\$ 290,273	\$ 282,778
Net realized capital gains (losses)	<u>0</u>	<u>47,273</u>	<u>(1,030)</u>	<u>(563)</u>
Net income	<u>\$ (26,649)</u>	<u>\$ 236,985</u>	<u>\$ 289,243</u>	<u>\$ 282,215</u>

E. Capital and Surplus Account

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ <u>6,922,430</u>	\$ <u>6,890,248</u>	\$ <u>7,132,311</u>	\$ <u>7,433,116</u>
Net income	\$ (26,649)	\$ 236,985	\$ 289,243	\$ 282,215
Change in net deferred income tax	26,064	14,682	50,142	45,135
Change in non-admitted assets and related items	(27,144)	(4,008)	(37,390)	(70,178)
Change in reserve valuation basis	(3,283)	0	0	0
Change in asset valuation reserve	(1,170)	(1,739)	(1,190)	(789)
Surplus adjustments:				
Paid in	0	(254)	0	0
Adjustment due to 7/1/2019 acquisition	<u>0</u>	<u>(3,604)</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(32,183)</u>	\$ <u>242,063</u>	\$ <u>300,805</u>	\$ <u>256,383</u>
Capital and surplus, December 31, current year	\$ <u>6,890,248</u>	\$ <u>7,132,311</u>	\$ <u>7,433,116</u>	\$ <u>7,689,499</u>

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 4228(h) of the New York Insurance Law by failing to provide the required demonstrations.</p> <p>The Company did not have any new products approved since the last exam to implement the revised procedures.</p>

7. 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 file all amendments to its MGA agreement with the Department for review.	9
B	The Company violated Section 4211(a) of the New York Insurance Law by failing to file a copy of the notice of election of directors with the Superintendent at least ten days before the day of such election.	11
C	The Company violated Section 4211(b) of the New York Insurance Law by electing a successor to the board without notifying the Superintendent of the filling of such vacancy prior to the effective date of the director's election.	11
D	The examiner recommends that the Company adhere to the Corporate Code of Ethics by obtaining verification statements completed annually by each officer and director along with appropriate senior level employees.	12

Respectfully submitted,

James Wang
James Wang
Senior Insurance Examiner

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

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

James Wang
James Wang

Subscribed and sworn to before me
this 8th day of June, 2023

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

_____/s/
Flora Egbuchulam
Associate Insurance Examiner

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

Flora Egbuchulam, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/s/
Flora Egbuchulam

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 323400

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **ADRIENNE A. HARRIS**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

JAMES WANG

as a proper person to examine the affairs of the

NTA 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 31st day of March, 2022

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: *Mark McLeod*

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

