

OHIO DEPARTMENT OF INSURANCE

**A
MARKET REGULATION DESK AUDIT
OF
NEW YORK LIFE INSURANCE COMPANY**

NAIC #66915

As Of

December 31, 2004





Bob Taft, Governor
Ann Womer Benjamin, Director

2100 Stella Court, Columbus, OH 43215-1067
(614) 644-2658 www.ohioinsurance.gov

Honorable Ann Womer Benjamin
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a market regulation desk audit was conducted on the Ohio business of:

New York Life Insurance Company
51 Madison Avenue
New York NY
NAIC Company Code: 66915.

The desk audit was conducted at the Ohio Department of Insurance office located at:

2100 Stella Court
Columbus OH 43215.

A report of the desk audit is enclosed.

Respectfully submitted,

A handwritten signature in black ink that reads "David R. Beck".

David R. Beck
Chief, Market Regulation Division

Date

A handwritten date in black ink that reads "10/11/2006".



Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIP Hotline: 1-800-686-1578

TABLE OF CONTENTS

FOREWORD.....	1
SCOPE OF EXAMINATION	1
METHODOLOGY	1
SAMPLING.....	2
COMPANY HISTORY.....	2
COMPANY OPERATIONS	3
CERTIFICATE OF AUTHORITY	3
PAID CLAIMS.....	3
DENIED DEATH CLAIMS.....	6
COMPLAINT HANDLING.....	7

FOREWORD

This desk audit was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

SCOPE OF EXAMINATION

On September 23, 2005, the Market Regulation Division, Ohio Department of Insurance (“Department”), opened a desk audit into the non-financial business practices of the New York Life Insurance Company (“Company”) by sending the Company a call letter and initial request for information.

The desk audit was restricted to a review of Company activities for Ohio life insurance claims for the period of January 1, 2003 through December 31, 2004. The desk audit is reported by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the state of Ohio’s applicable statutes and rules.

Accordingly, the desk audit included the following areas of the Company’s operations:

- Company History
- Company Operations
- Certificate of Authority
- Paid Death Claims
- Denied Death Claims
- Complaint Handling

METHODOLOGY

As part of the desk audit, the Department’s examiners reviewed the Company’s life insurance claim files and the Company’s corresponding procedures. This information was supplemented by interviewing Company managers, with written inquiries requesting clarification, and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio insurance statutes and rules. These tests are described and the results noted in this report.

The examiners used the National Association of Insurance Commissioners’ standard of:

7% error ratio on claim files (93% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test. The results of each test applied to a sample are reported separately. Each test is expressed as a “yes/no” question. A “yes” response indicates compliance and a “no” response

indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings,
- Had additional information for the examiners to consider, and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the examiners’ recommendations are included in this report.

SAMPLING

Upon request, the Company supplied reports of policy and claim data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were pulled from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample given that it supplies a random starting point from which to select the sample.

COMPANY HISTORY

As part of our desk audit, the Company was asked to provide a brief corporate history. The following is the text of their response:

The Company was originally chartered in May 1841 in New York as Nautilus Insurance Company and was authorized to write fire and marine insurance, inland navigation and transportation risks. The charter was amended in April 1843 to permit Nautilus Insurance Company to organize as a mutual company and write life insurance. The by-laws were amended in June 1845 to restrict the Company’s business to “insurance on life and all and every insurance pertaining to life.” The Company’s name was officially changed to New York Life Insurance Company on April 5, 1849.

In 1951, the Company entered into the group insurance and individual accident and health insurance business.

In 1987, the Company ceased writing individual medical expense insurance products in all fifty states. In the same year, the Company entered into an administrative agreement with Mutual of Omaha (“MOO”), which requires MOO to service the individual medical expense products that remain in force.

In 1995, the Company placed existing disability income policies into a closed block of business and stopped offering new policies for individuals.

On July 15, 1998, the Company entered into an agreement with Aetna, Inc. to sell the Company’s wholly owned managed health care subsidiary, NYLCare Health Plans, Inc. (“NYLCare”), and to reinsure substantially all of the group life and health indemnity business

which was under NYLCare's management. Aetna assumed the responsibility for administering this business. The Company ceased writing those lines of business, except for professional membership association group policies.

On January 1, 2000 the Company transferred its closed block of individual disability income business to Unum Provident Corporation ("Unum Provident"), pursuant to a sale and purchase agreement, a 100% modified coinsurance reinsurance agreement with Paul Revere Insurance Company ("Paul Revere" [a subsidiary of Unum Provident]) and an administrative agreement with Paul Revere.

COMPANY OPERATIONS

The Company is licensed in all fifty states and the District of Columbia. Their statutory home office is in New York, New York.

The Company's 2004 reported life direct written premiums and direct incurred losses paid during the desk audit period are as follows:

Life Year	Ohio		National	
	Direct Written Premiums	Incurred Losses	Direct Written Premiums	Incurred Losses
2003	\$82,222,934	\$35,164,007	\$2,915,421,603	\$1,216,183,959
2004	\$81,952,870	\$37,061,586	\$3,028,466,002	\$1,192,676,833

As of December 31, 2004, the officers of the Company were:

Chairman of the Board & CEO:	Seymour Sternberg
President:	Frederick James Sievert

CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance with R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the desk audit, the examiners determined the Company's operations were in compliance with its Certificate of Authority.

PAID CLAIMS

Initial Contact

Standard: The initial contact by the Company with the claimant is within the required time frame.

Test: Upon receiving notification of claim, did the Company provide all items, statements and forms within the time frame required by Ohio Adm. Code 3901-1-07(C)(5)?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a sample of 50 files to test for compliance with Ohio Adm. Code 3901-1-07(C)(5).

- The claim files were reviewed to verify dates in the claim process.
- A claim was considered an exception if the Company did not contact the claimant within the prescribed number of days from the date of notification of the insured's death.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	50	0	93%	100%

The standard of compliance is 93%. The Company's performance met this standard.

Timely Investigation

Standard: Investigations are conducted in a timely manner.

Test: Did the Company begin investigating the claim within the time frame required by Ohio Adm. Code 3901-1-07(C)(4)?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a sample of 50 files to test for compliance with Ohio Adm. Code 3901-1-07(C)(4).

- The claim files were reviewed to verify dates in the claim process.
- A claim was considered an exception if the Company did not begin investigating the claim within the required time frame or could not document investigation of the claim with the required time frame.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	50	0	93%	100%

The standard of compliance is 93%. The Company's performance met this standard.

Timely Settlement

Standard: Claims are settled in a timely manner.

Test: Was the claim settled within the policy provisions required in R.C. 3915.05(K)?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a sample of 50 files to test for compliance with R.C. 3915.05(K).

- The claim files were reviewed to verify dates in the claim process.
- A claim was considered an exception if the Company did not provide settlement within the required time frame.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	50	0	93%	100%

The standard of compliance is 93%. The Company's performance met this standard.

Timely Response to Correspondence

Standard: The Company responds to claim correspondence in a timely manner.

Test: Did the Company respond to all claim correspondence within the time frames required within Ohio Adm. Code 3901-1-07(C)(2)?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a sample of 50 files to test for compliance with Ohio Adm. Code 3901-1-07(C)(2).

- The claim files were reviewed to verify dates in the claim process.
- A claim was considered an exception if the file showed that the Company did not respond to claim correspondence subsequent to the initial contact within the required time frame.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	50	0	93%	100%

The standard of compliance is 93%. The Company's performance met this standard.

Adequate Documentation

Standard: Claim files are adequately documented.

Test: Were the claim files adequately documented to determine the date of death, receipt date of notification of the death, receipt date of proof of death and the dates of all correspondence?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a population of 50 files to test for compliance.

- The claim files were reviewed to verify dates in the claim process.
- A claim was considered an exception if proper documentation could not be found within the claim file.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	50	0	93%	100%

The standard of compliance is 93%. The Company's performance met this standard.

Claim Settlement

Standard: Claim files are handled in accordance with policy provisions and state law.

Test: Were the claims correctly paid with interest where required by policy provisions and R.C. 3915.052?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a sample of 50 files to test for compliance with R.C. 3915.052.

- The claim files were reviewed to verify dates in the claim process, the insured’s resident state at the time of death and at the time of policy issue.
- A claim file was considered an exception if the Company did not accurately calculate interest payments due.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	47	3	93%	94%

The standard of compliance is 93%. The Company’s performance met this standard.

Cancelled checks and drafts

Standard: Canceled benefit checks and drafts reflect appropriate claim handling practices.

Test: Do the cancelled checks and drafts show that the claim was paid according to Company policies, policy provisions, beneficiary requests and documentation within the claim file?

Methodology:

The Company supplied a listing of all paid death claims during the desk audit period. The examiners selected a sample of 50 files to test for compliance.

- Canceled benefit checks were reviewed and compared to claim files to verify correct payee, payment amounts, and payment dates.
- A claim was considered an exception if the Company did not follow Company procedures for claim payments or the provisions in the initial policy and if information on the canceled benefit check did not match information in the claim file itself.

Findings:

Population	Sample	Yes	No	Standard	Compliance
3,053	50	50	0	93%	100%

The standard of compliance is 93%. The Company’s performance met this standard.

DENIED DEATH CLAIMS

The examiners conducted a review of the death claims that had been denied by the Company during the desk audit period. It appears all claim denials were justified and in accordance with policy language and applicable rules and regulations.

COMPLAINT HANDLING

The examiners conducted a review of the complaints filed against the Company during the desk audit period. The review was conducted to assure service issues are properly addressed. The audit findings were as follows:

During the examination period, a total of forty-nine complaints were filed against the Company. Several complaints were based on allegations of agent misconduct and this appears to be an area that needs to be addressed.

It is recommended that the Company review their agent training and educational procedures to make certain their licensed representatives are marketing and selling their products in a fair and ethical manner.

This concludes the report of the Market Regulation desk audit of the New York Life Insurance Company. The examiners would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.



Roger K. Hinkle
Examiner in Charge

10-11-06

Date