STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

SECURITY MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2000

DATE OF REPORT: AUGUST 31, 2001

EXAMINER: PHARES CATON

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

August 31, 2001

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21676, dated January 10, 2000 and annexed hereto, an examination has been made into the condition and affairs of Security Mutual Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 100 Court House Square, Binghamton, New York 13902.

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

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

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2000 filed annual statement. (See item 5 of this report)

The examiner's review of the Company's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Company. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1995. This examination covers the period from January 1, 1996 through December 31, 2000. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2000 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2000 to determine whether the Company's 2000 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

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

The examiner reviewed the corrective actions taken by the Company with respect to violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 7 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 Security Mutual Life Association on November 6, 1886 as a mutual assessment association and commenced business on January 3, 1887. The Company was re-incorporated as Security Mutual Life Insurance Company, a stipulated premium company, on May 31, 1898. The Company reorganized on December 28, 1899 as a legal reserve mutual company. The Company changed its name to Security Mutual Life Insurance Company of New York in 1960.

In 1996, the Company entered into a strategic alliance with General American Life Insurance Company ("General American"), a Missouri life insurer. In 1997, the Company entered into service agreements with General American and its subsidiaries, including rights to policy administration, marketing and agency software, and investment advisory and portfolio management services. The benefits of the alliance to the Company included improved operating efficiencies from coordination of certain functions with shared technology, expanded product lines and enhanced product development.

In 1999, the Company terminated the strategic alliance with General American, opting to perform these functions on its own. The Company retained certain independent third-party service agreements with subsidiaries of General American.

B. Subsidiaries

As of December 31, 2000, the Company owned the following subsidiaries:

Security Administrators, Inc.

Security Administrators, Inc., ("SAI") provides a variety of services relating to employee benefits and actuarial consulting. SAI was a wholly owned subsidiary of the Company until May 4, 1998, when the Company sold 49% of its interest to American Annuity Group, Inc., a Delaware corporation, for $500,000.

As of December 31, 2000, SAI had assets of $1,657,291 and stockholder's equity of $831,351. The Company reported an amount of $423,989 for its 51% ownership of SAI stock in its 2000 annual statement.

SML Agency Services, Inc.

SML Agency Services, Inc., ("SAS") was incorporated on June 16, 1994. SAS was formed as a corporate general agency to offer the Company's agents insurance products that are not sold by the Company.

In July 1998, the Company entered into a service agreement with SAS and Schmitt – Sussman Enterprises, Inc., ("SSE") a Delaware corporation. The Company and SSE entered into a joint plan to market, write and reinsure life insurance products through employers, employer-sponsored credit unions and select financial services providers ("the Life Insurance Venture"). The Company and SML Marketing, a division of SAS, are attempting to take advantage of SSE's experience and efficiencies in areas such as recruiting agencies, the coordination of general trade show promotion, training and the technological assistance needed to conduct the Life Insurance Venture.

As of December 31, 2000, SAS had assets of $1,391,747 and stockholder's equity of $1,246,820. At the end of March 2001, SAS recorded a capital loss of $552,500 for its minority interest in a startup internet company, thereby reducing the Company's stockholder equity to $694,320.

Archway Technology Services, Inc.

The Company formed Archway Technology Services, Inc. ("Archway") on December 31, 2000. Archway will recruit, train and retain skilled technology resources and be in a position to potentially offer technology services and solutions to other organizations.

Archway had assets and stockholder's equity of $10,000 as of December 31, 2000.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 21 directors. The directors are divided into three classes as nearly equal as may be, to be elected annually in consecutive years for a term of three years. The charter provides for the election of directors to be held annually at the home office of the Company on the first Tuesday in February.

As of December 31, 2000, the board of directors consisted of 13 members. Meetings of the board are held four times a year, one annual meeting held in February and three regular meetings held in May, September, and November.

The 13 board members and their principal business affiliation, as of December 31, 2000, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Willard N. Archie* Brooklyn, NY	Former Chief Executive Officer Mitchell & Titus, LLP	1996
Carson E. Beadle* Lloyd Harbor, NY	President Carson E. Beadle, Inc.	1996
David L. Birchenough Binghamton, NY	Executive Vice President and Chief Financial Officer Security Mutual Life Insurance Company of New York	1999
Bruce W. Boyea Binghamton, NY	Chairman, President and Chief Executive Officer Security Mutual Life Insurance Company of New York	1996
James A. Carrigg* Endwell, NY	Former Chairman, President and Chief Executive Officer New York State Electric and Gas	1986
Maxine Fass* New York, NY	Senior Vice President, Chief Legal Officer and General Counsel New York Presbyterian Hospital	2000
Daryl R. Forsythe* Norwich, NY	President and Chief Executive Officer NBT Bancorp Inc.	1995
David D. Holbrook* New York, NY	Former Chairman, J&H Marsh & McLennan, Inc. New York, NY	1996
John M. Keeler* Binghamton, NY	Former Partner Hinman, Howard & Kattell	1989
Peter L. Meyers* Syracuse, NY	Senior Business Development Officer Alliance Bank, N.A.	1992
Walter G. Rich* Cooperstown, NY	President and Chief Executive Officer Delaware Ostego Corporation	1992

Name and Residence	Principal Business Affiliation	Year First Elected
Robert E. Sadler, Jr.* Buffalo, NY	President M&T Bank	1994
John T. Terrenzi Binghamton, NY	Executive Vice President Security Mutual Life Insurance Company of New York	1998

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

An additional board member, Hugh A. Johnson, Jr. was added on February 15, 2001.

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, 2000:

Name	Title
Bruce W. Boyea	President and Chief Executive Officer
David L. Birchenough	Executive Vice President and Chief Financial Officer
F. David Mistretta	Senior Vice President, General Counsel and Secretary
James M. Lynch	Vice President and Chief Actuary
Robert L. Dalke	Senior Vice President
Daniel J. Fischer	Executive Vice President
Richard G. Grady	Senior Vice President
George B. Kozol	Senior Vice President
Gregory W. Simonelli, Jr.	Senior Vice President
John T. Terrenzi	Executive Vice President
Thomas Walls*	Vice President

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

Mr. Walls retired, effective June 1, 2001, and he was replaced by Thomas E. Robbins, Second Vice President, Customer Relations and Conservation. Mr. Robbins also replaced Mr. Walls as the designated consumer services officer. Debra L. Andrako, Second Vice President, Mortgage Investments, was elected as Treasurer effective February 15, 2001. Kevin J. McKeown, Second Vice President, was elected Controller effective February 15, 2001.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all fifty states, the District of Columbia, Puerto Rico and the Virgin Islands. In 2000, the majority of life premiums was received from New York (62.25%), New Jersey (9.82%) and Florida (5.12%). The majority of annuity considerations was received from New York (58.43%), Illinois (16.44%), and Florida (10.13%). The majority of accident and health premiums was received from New York (39.59%), Florida (15.44%) and New Jersey (13.46%). The majority of deposit type considerations was received from New York (82.69%). Policies are written on a participating basis.

The Company's agency operations are conducted on a general agency basis. Insurance operations include the sale of individual insurance products, annuities and a variety of group life and disability coverages. PFP, one of the Company's largest producers, accounted for 26% of new life insurance premiums for the year 2000. This was mainly due to the sale of the worksite program to credit unions.

E. Reinsurance

As of December 31, 2000, the Company had reinsurance treaties in effect with 20 companies, all of which were authorized or accredited. Reinsurance of the life insurance business is ceded on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $750,000. The total face amount of life insurance ceded as of December 31, 2000 was $9,386,053,924, which represents approximately 40% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2000 was $3,450,957,992, which represents approximately 15% of all life insurance in force.

4. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, 1995	December 31, 2000	Increase (Decrease)
Admitted assets	$1,284,593,600	$1,469,860,561	$185,266,961
Liabilities	$1,223,937,633	$1,388,703,402	$164,765,769
Group life contingency reserve	$ 2,119,177	$ 3,011,127	$ 891,950
Separate accounts contingency reserve	862,515	534,815	(327,700)
Surplus notes	0	15,000,000	15,000,000
Unassigned funds (surplus)	57,674,275	62,611,217	4,936,942
Total surplus	$ 60,655,967	$ 81,157,159	$ 20,501,192
Total liabilities and surplus	$1,284,593,600	$1,469,860,561	$185,266,961

The Company's invested assets as of December 31, 2000, exclusive of separate accounts, were mainly comprised of bonds (75%), mortgage loans (10.1%), and policy loans (12%).

The majority (96%) of the Company's bond portfolio, as of December 31, 2000, was comprised of investment grade obligations.

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:

	1996	1997	1998	1999	2000
Ordinary:					
Life insurance	$3,148,608	$3,950,760	$3,849,406	$3,760,232	$5,500,002
Individual annuities	1,221,870	1,423,747	2,038,375	2,216,747	1,747,688
Supplementary contracts	75,313	45,821	181,009	99,672	156,978
Total ordinary	$4,445,791	$5,420,328	$6,068,790	$6,076,651	$7,404,668
Credit life	$ 68,231	$ 72,297	$ 78,125	$ 77,289	$ 62,312
Group:					
Life	$ 450,401	$ 577,426	$ 746,734	$ 564,185	$ 529,765
Annuities	178,851	154,741	106,701	195,431	87,748
Total group	$ 629,252	$ 732,167	$ 853,435	$ 759,616	$ 617,513
Accident and health:					
Group	$ 216,088	$ 110,748	$ 158,726	$ 263,158	$ (331,807)
Other	353,568	207,276	61,279	843,506	898,291
Total accident and health	$ 569,656	$ 318,024	$ 220,005	$1,106,664	$ 566,484
Total	$5,712,930	$6,542,816	$7,220,355	$8,020,220	$8,650,977

The increase in ordinary life earnings between 1999 and 2000 was due mainly to improved mortality in 2000. The decrease in individual annuities earnings between 1999 and 2000 was due to significant run-off of in-force deferred annuity business. The decrease in group accident and health earnings between 1999 and 2000 was due to an increase in the number and dollar amount of claims filed by active employees and their dependents. The increase in other accident and health earnings between 1998 and 1999 was due to the reinsurance of the non-cancelable individual disability block.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds as of December 31, 2000, as contained in the Company's 2000 filed annual statement, a condensed summary of operations and a reconciliation of the 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, 2000 filed annual statement.

A. ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2000

Admitted Assets

Bonds	$1,034,769,843
Stocks:	
Preferred stocks	332,590
Common stocks	18,366,656
Mortgage loans - first liens	139,194,690
Real estate:	
Properties occupied by the company	8,572,305
Properties acquired in satisfaction of debt	109,135
Investment real estate	1,610,378
Policy loans	165,021,213
Cash and short term investments	12,362,602
Reinsurance ceded:	
Amounts recoverable from reinsurers	3,639,729
Commissions and expense allowances due	7,802,247
Experience rating and other refunds due	(128,729)
Other amounts receivable under reinsurance contracts	664,908
Electronic data processing equipment	1,046,569
Guaranty funds receivable or on deposit	545,662
Life insurance premiums and annuity considerations deferred and uncollected on in force business	22,339,210
Accident and health premiums due and unpaid	846,503
Investment income due and accrued	24,153,358
Receivable from parent, subsidiaries and affiliates	34,125
Suspense	319,541
Voluntary deferred compensation trust	6,865,438
From Separate Accounts statement	21,392,588
Total admitted assets	$1,469,860,561

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$1,131,537,122
Aggregate reserve for accident and health policies	2,415,047
Supplementary contracts without life contingencies	1,173,276
Policy and contract claims:	
Life	10,858,010
Accident and health	258,401
Policyholders' dividend and coupon accumulations	11,564,806
Policyholders' dividends and coupons due and unpaid	2,731
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment to December 31, 2001	21,626,695
Premiums and annuity considerations received in advance	544,346
Liability for premium and other deposit funds:	
Policyholder premiums	1,725,889
Guaranteed interest contracts	101,641,975
Other contract deposit funds	798,717
Policy and contract liabilities:	
Surrender values on canceled policies	267,036
Interest maintenance reserve	5,512,800
Commissions to agents due or accrued	2,225,776
General expenses due or accrued	4,287,204
Taxes, licenses and fees due or accrued	1,949,516
Federal income taxes due or accrued	5,253,259
Cost of collection on premiums and annuity considerations deferred and uncollected in excess of total loading thereon	1,673,827
Amounts withheld or retained by company as agent or trustee	113,444
Amounts held for agents' account	74,756
Remittances and items not allocated	6,899,355
Liability for benefits for employees and agents if not included above	19,900,431
Miscellaneous liabilities:	
Asset valuation reserve	9,890,472
Drafts outstanding	2,242
Funds held under coinsurance	16,059,309
Interest on policy and contract funds	696,739
Liability for voluntary deferred compensation	6,865,438
Uncashed drafts and checks pending escheatment to a state	325,528
Indemnification reserve/surplus note	1,166,667
From Separate Accounts statement	21,392,588
Total liabilities	$1,388,703,402
Surplus notes	$ 15,000,000
Group life contingency reserve	3,011,127
Separate Account contingency reserve	534,815
Unassigned funds (surplus)	62,611,217
Total surplus and other funds	$ 81,157,159
Total liabilities, surplus and other funds	$1,469,860,561

B. CONDENSED SUMMARY OF OPERATIONS

	1996	1997	1998	1999	2000
Premiums and considerations	$193,678,158	$212,324,273	$206,117,876	$214,097,032	$238,477,519
Investment income	94,782,675	98,577,845	99,863,398	100,206,934	100,727,151
Commissions and reserve Adjustments on reinsurance ceded	3,610,585	3,785,237	5,134,004	18,198,832	18,366,620
Miscellaneous income	(126,511)	(8,465,119)	1,358,764	(19,398,659)	(592,838)
Total income	$291,944,907	$306,222,236	$312,474,042	$313,104,139	$356,978,452
Benefit payments	$150,453,948	$200,660,534	$186,219,267	$192,240,047	$225,732,512
Increase in reserves	60,005,024	40,809,662	27,126,009	26,996,698	18,686,651
Commissions	22,378,958	23,954,482	25,451,131	28,128,841	32,480,002
General expenses and taxes	32,934,243	35,909,697	38,181,183	41,248,349	45,120,521
Increase in loading and cost of collection	(707,813)	(80,188)	323,131	4,247,327	(401,027)
Net transfers to (from) Separate Accounts	(1,064,915)	(18,556,259)	(588,628)	(1,238,752)	(1,196,734)
Miscellaneous deductions	(1,126,603)	(9,224,164)	817,957	(13,876,184)	(883,025)
Total deductions	$262,872,842	$273,473,764	$277,530,050	$277,746,326	$319,538,900
Net gain	$ 29,072,065	$ 32,748,472	$ 34,943,992	$ 35,357,813	$ 37,439,552
Dividends	16,934,135	19,105,656	21,057,637	21,070,593	22,383,575
Federal income taxes	6,425,000	7,100,000	6,666,000	6,267,000	6,405,000
Net gain from operations before net Realized capital gains	$ 5,712,930	$ 6,542,816	$ 7,220,355	$ 8,020,220	$ 8,650,977
Net realized capital gains (losses)	370,811	333,567	437,690	(19,594)	(193,537)
Net income	$ 6,083,741	$ 6,876,383	$ 7,658,045	$ 8,000,626	$ 8,457,440

C. SURPLUS ACCOUNT

	1996	1997	1998	1999	2000
Capital and surplus, December 31, prior year	$60,655,967	$64,998,345	$74,567,286	$77,702,306	$ 79,780,404
Net income	$ 6,083,741	$ 6,876,383	$ 7,658,045	$ 8,000,626	$ 8,457,440
Change in net unrealized Capital gains (losses)	648,041	1,947,828	1,833,063	(1,879,267)	(1,942,480)
Change in non-admitted assets and related items	(160,363)	(3,009,143)	(4,004,545)	(5,155,524)	9,029,318
Change in liability for reinsurance in unauthorized companies	270	0	0	0	0
Change in reserve valuation basis	0	0	0	0	(1,361,853)
Change in asset valuation reserve	(624,017)	4,910,659	(1,127,673)	1,318,584	344,380
Aggregate write ins for gains and losses in surplus	(1,605,294)	(1,156,786)	(1,223,870)	(206,321)	(13,150,050)
Net change in capital and surplus	$ 4,342,378	$ 9,568,941	$ 3,135,020	$ 2,078,098	$ 1,376,755
Capital and surplus, December 31, current year	$64,998,345	$74,567,286	$77,702,306	$79,780,404	$ 81,157,159

D. REAL ESTATE

The Company reported Investment Real Estate in the amount of $1,610,378, as of December 31, 2000. This amount represents the book value of one property.

Section 1414(b)(1) of the New York Insurance Law states, in part:

> " . . . the investments . . . of all insurers authorized to do business in this state shall be valued, in the discretion of the superintendent, at their market value, or at their appraised value, or at prices determined by him as representing their fair market value."

An appraisal performed on January 1, 1997 determined the fair value of the property in question to be $222,500. No appraisal was available for review by the examiner for the period from the January 1, 1997 appraisal to December 31, 2000. An appraisal performed by a New York certified appraiser as of 2001 determined the fair value of the property to be $370,500. The value reported in the 2000 annual statement exceeds both the 1997 and the 2001 appraisals by over $1,200,000. The Company was unable to provide an appraisal supporting the amount reported of $1,610,378.

The examiner recommends that the Company reduce the value of the investment property in question to reflect the most current appraised value.

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

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

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

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

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Department Circular Letter No. 19 (2000) (the "Supplement"), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and current underwriting practices regarding race-based underwriting and to report its findings to the Department no later than August 15, 2000.

By letter, dated August 8, 2000, the Company reported to the Department the findings of its review of past and current underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company's investigation in response to the Supplement consisted of: (i) a review of certain Company documents, including rate manuals, underwriting manuals, compensation schedules and board minutes, to identify race-based underwriting policies; (ii) a review and analysis of certain life insurance policy application files; and (iii) conversations with current and former long-term Company employees to determine whether they knew of any race-based underwriting policies or practices at the Company.

In its response to the Department, the Company indicated that it reviewed its past and current underwriting practices and found no evidence that the Company ever engaged in race-based underwriting practices, as defined in the Circular Letter ("race-based underwriting"), in any state, either in business directly written by the Company or in business acquired by the Company as a result of assumption, merger, acquisition, consolidation or purchase.

A review was made into the affairs of the Company with respect to race-based underwriting and the findings reported pursuant to the Supplement. The examiner's review included, but was not limited to, a review of editions of the Company's Rate Manuals (dated 1933 and 1936), as well as their Rules and Regulations Manual (dated 1920) as adopted by the Company's board of directors. The manuals contained the following phrase in the commissions' section:

> "Commissions will not be paid upon any policy issued on the life of a member of any other than the Caucasian Race."

Although the Company's 1933 and 1936 rate manuals refer to payments of commissions based on the policyholder's race, the examiner's review did not identify any current or past policyholder affected by any race-based underwriting policy or practice.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 91.5(b) of Department Regulation No. 33 by using a revised net investment income allocation method without filing such revision with the Department prior to use. A review of the income allocation method indicated that the Company filed, and the Department subsequently approved, an amended version of the investment year method.
B	The Company violated Section 219.4(e) of Department Regulation No. 34-A by using prohibited wording in slide presentations. A review of the advertising indicated that the Company has ceased using the prohibited wording.
C	The examiner recommends that the Company exercise greater care in preparing advertising materials. A review of the advertising indicated that the Company is exercising greater care in the preparation of its advertising materials.
D	The Company violated Section 3214(c) of the New York Insurance Law by not paying interest on death claims from the date of death to the date of payment. A review of death claims indicated that the Company is paying interest properly.
E	The examiner recommends that the Company take steps to ensure that benefit payments are remitted to beneficiaries in a timely manner. A review of death claims indicated that the Company has taken steps to ensure that checks are delivered in a timely manner.

Item	Description
F	The examiner recommends that the Company periodically reviews its complaint log, investigate agents with multiple complaints and take prompt appropriate action. A review indicated that the Company has taken steps to identify and address patterns of problems or problem agents.
G	The Company violated Section 175.10(b) of Department Regulation No. 111 by not reporting hedging transactions in the Company's annual and quarterly statements. A review indicated that during the period under examination, the Company had no such transactions. If hedging transactions occur in the future, the Company has stated it will properly report all such transactions.
H	The Company violated Section 2114(a)(1) of the New York Insurance Law by paying commissions to two unlicensed agents. A review indicated that the Company complies with Section 2114(a)(1) of the New York Insurance Law.
I	The examiner recommends that the Company terminate agents whose licenses have not been renewed. A review indicated that the Company terminates agents whose licenses have not been renewed.

8. SUMMARY AND CONCLUSIONS

Following are the recommendation and the comment contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Company reduce the value of the investment property in question to reflect the most current appraised value.	15
B	The Company's 1933 and 1936 rate manuals refer to payments of commissions based on the policyholder's race. However, the examiner's review did not identify any current or past policyholder affected by any race-based underwriting policy or practice.	17

Respectfully submitted,

_______/s/__________________
Phares Caton
Associate Insurance Examiner

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

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

_______/s/__________________
Phares Caton

Subscribed and sworn to before me

this__________ day of ___________________2002.

APPOINTMENT NO. 21676

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, NEIL D. LEVIN , Superintendent of Insurance of the State of New York,

pursuant to the provisions of the Insurance Law, do hereby appoint:

PHARES CATON

as a proper person to examine into the affairs of the

SECURITY MUTUAL LIFE INSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

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

this 10th day of January ,2001

NEIL D. LEVIN
Superintendent of Insurance

*by **GREGORY V. SERIO***
First Deputy Superintendent