STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

SENTRY LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2003

DATE OF REPORT:	MARCH 18, 2005
EXAMINER:	VINCENT TARGIA

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

George E. Pataki
Governor

Howard Mills
Acting Superintendent

March 18, 2005

Acting Superintendent Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22224, dated May 3, 2004 and annexed hereto, an examination has been made into the condition and affairs of Sentry Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 220 Salina Meadows Parkway, Suite 255, Syracuse, New York 13212.

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, 2003 filed annual statement. (See item 5 of this report)

The Company violated Section 1411(a) of the New York Insurance Law by failing to have the board of directors authorize or approve each individual investment transaction. (See Section 3C of this report)

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. To the extent that audits performed by an affiliate on a functional basis are intended to encompass the activities of the Company, it should be clear from the audit workpapers that Company transactions or activities are selected and appropriate documentation is maintained by internal audit. (See Section 7 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003 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, 2003 to determine whether the Company's 2003 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
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
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 the 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

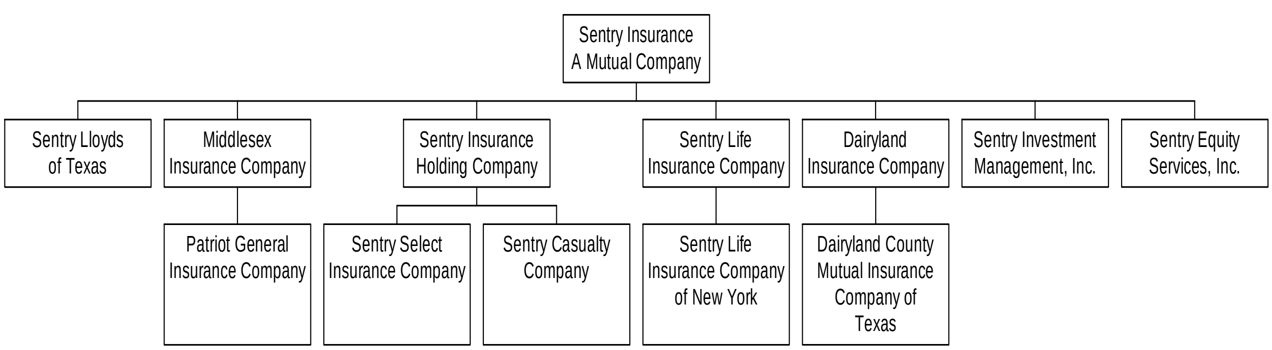
A. History

The Company was incorporated as a stock life insurance company under the laws of New York on May 23, 1966, was licensed on January 13, 1967 and commenced business on January 27, 1967. Initial resources of $2,000,000, consisting of common capital stock of $500,000 and paid in and contributed surplus of $1,500,000, were provided through the sale of 50,000 shares of common stock (with a par value of $10 each) for $40 per share. In 1976, an additional $2,000,000 was contributed to surplus. In 1977, capital was increased to $1,000,000 as a result of an additional capital contribution of $500,000, at the same time the par value of the common stock was increased from $10 to $20 per share. All of the Company's common shares are outstanding. As of December 31, 2003, the Company had common capital stock of $1,000,000 and paid in and contributed surplus of $3,500,000.

B. Holding Company

The Company is a wholly owned subsidiary of Sentry Life Insurance Company ("SLIC"), a Wisconsin life insurance company. SLIC is in turn a wholly owned subsidiary of the Company's ultimate parent, Sentry Insurance A Mutual Company ("SIAMCO"), a property and casualty insurance company licensed in New York.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2003 follows:



The Company had four service agreements in effect during the examination period.

Type of Agreement And Department	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Agreement (Amended 11/17/97, 3/1/00 & 12/1/03)	04/01/91	SIAMCO	the Company	Technology and office services, business services including claims, accounting, audit, actuarial, policy and office administrative services.	2003 $(563,063) 2002 $(380,253) 2001 $(287,075)
Investment Agreement (Amended 5/7/99, 3/4/02 & 2/10/03)	10/31/91	Sentry Investment Management, Inc.	the Company	Investment services	2003 $(12,600) 2002 $(9,072) 2001 $(7,116)
Broker-Dealer Agreement (Amended 12/31/03)	08/01/84	Sentry Equity Services, Inc.	the Company	Broker-dealer for sale and maintenance of records for variable annuity contracts.	2003 $0 2002 $0 2001 $0
Principal Underwriter Agreement (Amended 12/31/03)	05/01/84	Sentry Equity Services, Inc.	the Company	Distribution of variable annuity contracts.	2003 $(2,367) 2002 $(1,736) 2001 $(2,463)

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

There were no payments made by the Company under the Broker-Dealer agreement dated August 1, 1984 with Sentry Equity Services, Inc. ("SESI") during the examination period. The Company indicated that it is responsible for paying the expenses incurred by SESI in connection with the operation of Sentry Variable Account I and the Company's variable annuity products. The Company indicated that SESI is not providing the services indicated in the service agreement and that it pays these expenses directly to third parties.

The Company has indicated that certain provisions in the Broker-Dealer agreement are necessary, and that the Company is in the process of drafting a service agreement that incorporates relevant provisions form both the Broker-Dealer agreement and the Underwriter agreement. When that agreement is finalized, it will be filed with the Department and the current Broker-Dealer and Underwriter agreements will be terminated.

The Company has a consolidated federal tax allocation agreement in effect with its ultimate parent, SIAMCO.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of nine directors; provided the number of directors will increase to not less than 13 within one year following the end of the calendar year in which admitted assets of the Company exceed five hundred million dollars. Directors are elected for a period of three years at the annual meeting of the stockholders held in May of each year. As of December 31, 2003, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2003, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Steven R. Boehike Stevens Point, WI	Retired Vice President Sentry Insurance A Mutual Company	1992
Dennis R. Cabrey* East Syracuse, NY	Dentist Self-employed	1998
Paul A. Doxsee Stevens Point, WI	President and Chief Operating Officer Sentry Life Insurance Company of New York	2003
Larry R. Leatherman* Fayetteville, NY	Director of Operations Bristol Meyers Squibb Company	1995
William J. Lohr Stevens Point, WI	Treasurer Sentry Life Insurance Company of New York	1999
John D. Marshall* Liverpool, NY	Accountant Testone, Marshall & Discenza, LLP	1997
William M. O'Reilly Stevens Point, WI	Secretary Sentry Life Insurance Company of New York	1997
Dale R. Schuh Stevens Point, WI	President and Chief Executive Officer Sentry Insurance A Mutual Company	1990
Wallace D. Taylor Stevens Point, WI	Vice President Sentry Insurance A Mutual Company	1999

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

In August, 2004, Wallace D. Taylor resigned from the board and was replaced by James C. Clawson.

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.

Section 1411(a) of the New York Insurance Law states, in part:

> "No domestic insurer shall make any loan or investment . . . unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting."

The board of directors failed to authorize or approve each individual investment transaction made during the examination period.

The Company violated Section 1411(a) of the New York Insurance Law by failing to have the board of directors authorize or approve each individual investment transaction.

When brought to the attention of the Company, it indicated that going forward, the board of directors will approve each individual investment transaction.

The examiner was able to verify that beginning in 2005 the board of directors implemented procedures to approve individual investment transactions.

The following is a listing of the principal officers of the Company as of December 31, 2003:

Name	Title
Paul A. Doxsee*	President and Chief Operating Officer
William M. O'Reilly	Secretary
William J. Lohr	Treasurer
David A. Derksen	Actuary

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

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 three states, namely Minnesota, New York and North Dakota. In 2003, all accident and health premiums and annuity considerations and 86.6% of life insurance premiums were received from New York. Policies were written on a non-participating basis through year-end 1996. In March of 1996, the Company received a permit pursuant to Section 4231(f) of the New York Insurance Law to issue participating whole life policies and contracts in New York and began issuing such policies in 1997. The Company currently writes both participating and non-participating whole life policies.

During the examination period, the Company primarily sold individual life insurance, group life and health insurance and group pension products. The individual life line includes whole life and term life insurance products. The group life and health line consists mainly of term life, dental, and indemnity insurance products. The group pension products consist of Separate Account variable annuity contracts used for the purpose of funding pension and/or profit sharing plans. The plan participants have a number of investment options available varying from a money market account to aggressive stock funds, as well as a guaranteed interest fund. The Company also sells individual variable annuities.

Effective January 1999, the Company discontinued writing universal life insurance.

Effective January 2000, the Company exited the small group medical insurance market by non-renewing its remaining business starting with anniversary dates on or after January 1, 2000.

Effective December 1, 2004, the Company discontinued marketing its individual variable annuity products.

The Company's agency operations are conducted through a combination of salaried sales representatives and an independent general agency system.

E. Reinsurance

As of December 31, 2003, the Company had reinsurance treaties in effect with nine companies, of which eight were authorized or accredited. The Company's ordinary life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $50,000. The total face amount of life insurance ceded, as of December 31, 2003, was $31,674,052, which represents 26.4% of the total face amount of life insurance in force. Of the total face amount of life insurance reinsured, 85.6% is with SLIC, the Company's parent, an unauthorized insurer. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $55,578, was supported by funds withheld.

Effective 2003, the Company made a decision to terminate its participation in the Federal Employees Group Life Insurance and Servicemens Employee Group Life Insurance programs.

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 (decline) during the period under review:

	December 31, 2000	December 31, 2003	Increase (Decrease)
Admitted assets	$39,393,882	$42,787,072	$ 3,393,190
Liabilities	$29,301,094	$36,254,455	$ 6,953,361
Common capital stock	$ 1,000,000	$ 1,000,000	$ 0
Gross paid in and contributed surplus	3,500,000	3,500,000	0
Special reserve	3,030	3,099	69
Group contingency reserve	66,417	55,150	(11,267)
Unassigned funds (surplus)	5,523,342	1,974,368	(3,548,974)
Total capital and surplus	$10,092,789	$ 6,532,617	$(3,560,172)
Total liabilities, capital and surplus	$39,393,882	$42,787,072	$ 3,393,190

The decrease in the Company's "unassigned funds" from December 31, 2000 to December 31, 2003 was primarily due to the $4,000,000 dividend paid to its parent, SLIC.

The Company's invested assets as of December 31, 2003, exclusive of separate accounts, were mainly comprised of bonds (93.8%) and contract loans (5.3%).

The Company's entire bond portfolio, as of December 31, 2003, 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:

	2001	2002	2003
Ordinary:			
Life insurance	$ 849,278	$ 655,525	$ 680,628
Individual annuities	(51,969)	(22,879)	(74,528)
Supplementary contracts	8,015	7,279	6,817
Total ordinary	$ 805,324	$ 639,925	$ 612,917
Group:			
Life	$ 122,274	$ 36,339	$(105,362)
Annuities	(104,579)	(189,584)	(123,674)
Total group	$ 17,695	$(153,245)	$(229,036)
Accident and health:			
Group	$ 603,775	$ 398,362	$ 183,205
Other	(10,823)	(14,855)	503
Total accident and health	$ 592,952	$ 383,507	$ 183,708
Total	$1,415,971	$ 870,187	$ 567,589

The Company's steady decrease in net gain from operations during the period under examination occurred primarily in the ordinary life insurance and accident and health group lines of business.

The decrease in net gain from operations in the ordinary life insurance line was a result of death claims occurring on larger size policies in 2002 as compared to 2001.

The decreases in the net gain in the accident and health group line was due to the Company's withdrawal from the group medical business leaving dental and conversion policies as the only remaining premium paying policies in that line. Results during the examination period reflected the steady decrease in medical premiums while the associated general expenses remained fairly level due to the fixed nature of the largest component, employee compensation.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2003, as contained in the Company's 2003 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 that materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2003 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, AND SURPLUS AS OF DECEMBER 31, 2003

Admitted Assets

Bonds	$26,903,898
Cash and short term investments	271,322
Contract loans	1,513,072
Receivable for securities	6,235
Funds in transit	(7,479)
Investment income due and accrued	501,749
Premiums and considerations:	
Uncollected premiums	(56,625)
Deferred premiums	123,238
Net deferred tax asset	12,213
Receivable from parent, subsidiaries and affiliates	24,752
Account receivable – other	5,177
From Separate Accounts statement	13,489,520
Total admitted assets	$42,787,072

Liabilities, Capital, and Surplus

Aggregate reserve for life policies and contracts	$21,426,371
Aggregate reserve for accident and health policies	128,913
Policy and contract claims:	
Life	340,137
Accident and health	55,214
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends not yet apportioned	12
Commissions to agents due or accrued	7,712
General expenses due or accrued	35,570
Taxes, licenses and fees due or accrued	73,157
Federal and foreign income taxes	267,618
Amounts withheld or retained by company as agent or trustee	3,781
Remittances and items not allocated	86,217
Miscellaneous liabilities:	
Asset valuation reserve	6,722
Reinsurance in unauthorized companies	136,917
Funds held under reinsurance treaties with unauthorized reinsurers	100,000
Payable to parent, subsidiaries and affiliates	73,938
Escheat	22,269
Interest on policy funds	387
From Separate Accounts statement	13,489,520
Total liabilities	$36,254,455
Common capital stock	$ 1,000,000
Special reserve	3,099
Gross paid in and contributed surplus	3,500,000
Group contingency reserve	55,150
Unassigned funds (surplus)	1,974,368
Total capital and surplus	$ 6,532,617
Total liabilities, capital, and surplus	$42,787,072

B. CONDENSED SUMMARY OF OPERATIONS

	2001	2002	2003
Premiums and considerations	$ 8,571,153	$ 9,481,158	$ 5,251,525
Investment income	2,347,303	2,364,011	2,246,102
Commissions and reserve adjustments on reinsurance ceded	13,616	6,682	11,387
Miscellaneous income	164,246	197,066	206,933
Total income	$11,096,318	$12,048,917	$ 7,715,947
Benefit payments	$ 3,696,058	$ 5,704,930	$ 6,200,577
Increase in reserves	884,898	1,565,436	(1,586,670)
Commissions	198,190	178,145	110,239
General expenses and taxes	596,146	815,491	912,626
Increase in loading on deferred and Uncollected premium	1,640	(1,620)	216
Net transfers to (from) Separate Accounts	3,568,053	2,494,379	1,244,358
Total deductions	$ 8,944,985	$10,756,761	$ 6,881,346
Net gain (loss)	$ 2,151,333	$ 1,292,156	$ 834,601
Dividends	28	48	12
Federal and foreign income taxes incurred	735,334	421,919	267,000
Net gain (loss) from operations before net realized capital gains	$ 1,415,971	$ 870,189	$ 567,589
Net realized capital gains (losses)	(39,408)	(345,881)	(48,395)
Net income	$ 1,376,563	$ 524,308	$ 519,194

The large decrease (45%) in premiums and considerations in 2003 from 2002 was primarily due to a $3.7 million decrease in group annuity deposits as a result of several large deposits made in 2002 that did not recur in 2003.

The large increase in benefit payments in 2002 from 2001 was primarily due to an increase in ordinary death benefits and an increase in group and individual annuity surrenders.

The large fluctuation in the increase in reserves in 2003 from 2002 was primarily due to the surrender of one large pension case with $1.5 million in reserves and the overall decrease on new pension contracts in 2003.

C. CAPITAL AND SURPLUS ACCOUNT

	2001	2002	2003
Capital and surplus, December 31, prior year	$10,092,787	$10,574,549	$10,163,100
Net income	$ 1,376,563	$ 524,308	$ 519,194
Change in net deferred income tax	0	(44,362)	72,337
Change in non-admitted assets and related items	(536)	42,279	(78,375)
Change in liability for reinsurance in unauthorized companies	0	0	(136,917)
Change in asset valuation reserve	0	0	(6,722)
Cumulative effect of changes in accounting principles	5,736	16,326	0
Dividends to stockholders	(900,000)	(950,000)	(4,000,000)
Net change in capital and surplus	$ 481,763	$ (411,449)	$ (3,630,483)
Capital and surplus, December 31, current year	$10,574,550	$10,163,100	$ 6,532,617

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.

Section 3207(b) of the New York Law states, in part:

> "An insurer may deliver or issue for delivery in this state a policy or policies of life insurance upon the life of a minor under the age of fourteen years and six months, provided that such policy or policies are effectuated by a person or persons having an insurable interest in the life of such minor or by a person or persons upon whom such minor is dependent for support and maintenance and provided further that an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under any other policy or policies then in force upon the life of such minor, is in excess of the limit of twenty-five thousand dollars or the limit of fifty per centum or the limit of twenty-five per centum in the case of a minor under the age of four years and six months of the amount of life insurance in force upon the life of the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is the greater . . . "

A review was made of policies issued to minors between the ages of zero and 14 during the examination period. Out of a sample of 7 such policies issued in New York, 6 (85.7%) of the policies were issued for amounts of insurance in excess of the limits set forth in Section 3207(b) of the New York Insurance Law.

The Company violated Section 3207(b) of the New York Insurance Law by issuing policies to juveniles for amounts of life insurance in excess of the limits allowed by such section.

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.

7. INTERNAL AUDIT

Internal audit is an integral part of corporate governance that also includes the audit committee, the board of directors, senior management and the external auditors. In particular, internal auditors and audit committees are mutually supportive. Consideration of the work of internal auditors is essential for the audit committee to gain a complete understanding of the Company's operations. Internal audit identifies strategic, operational and financial risks facing the organization and assesses controls put in place by management to mitigate those risks. In the case of the Company, duties normally delegated to the audit committee are the fiduciary responsibility of the finance committee (which is comprised of the Company's unaffiliated directors).

In response to the Examination Planning Questionnaire, the Company indicated that the internal audit staff of SIAMCO also performed audits of the Company's operations. In response to the examiner's request for all internal audits that pertained to the Company, the examiner was provided with two internal audits performed by SIAMCO, both of which were outside the examination period covering: 1) Group Health and Pensions (March 2004); and 2) Group Life and Health (November 2004).

A review of the audit reports indicated that SIAMCO reviewed one Company group pension policy and one Company group life and health policy. In addition, a review of the audit committee minutes indicated that no internal audit reports were provided to the committee.

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. To the extent that audits performed by an affiliate on a functional basis are intended to encompass the activities of the Company, it should be clear from the audit workpapers that Company transactions or activities are selected and appropriate documentation is maintained by internal audit. This is a repeat recommendation from the prior report on examination. (See item 8E of this report)

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations 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 the Company review its service agreements and revise them accordingly to reflect how services are billed and how settlements are made. A review indicated that the Company implemented procedures to review its service agreements and revise them accordingly to reflect how services are billed and how settlements are made.
B	The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by failing to make an initial filing with respect to its existing compensation plans. A review indicated that the Company filed its compensation plans with the Department on March 14, 2003.
C	The Company violated Section 91.4(a)(3) of Department Regulation No. 33 by not maintaining its records related to the allocation of income and expenses in a manner that is classified and indexed in such form as to permit ready identification and is readily accessible for examination. A review indicated that the Company maintained its records relating to the allocation of income and expenses in a manner that is classified and indexed in such form as to permit ready identification and is readily accessible for examination.
D	The Company violated Section 91.4(f) of Department Regulation No. 33 by failing to provide documentation that supports the Company’s method of distributing expenses to the annual statement lines of business. A review indicated that the Company was able to provide documentation that supported its method of distributing expenses to the annual statement lines of business.

Item	Description
E	The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the finance committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. A review indicated that the Company did not implement this recommendation and a repeat recommendation appears in this report on examination. (See item 7 of this report)
F	The Company violated Section 4240(e) of the New York Insurance by investing the assets of the Separate Account contrary to the provisions of its approved plan(s) of operations. The examiner recommends that the Company take steps necessary to accurately reflect the proper ownership of the Separate Account assets. A review indicated that the Company maintained proper ownership of the Separate Account assets in accordance with the provisions of its approved plan(s) of operation.
G	The Company violated Section 243.2(b)(7) of Department Regulation No. 152 by failing to maintain the financial records required by the Regulation. A review indicated that the Company maintained financial records required by Section 243.2(b)(7) of Department Regulation No. 152.
H	The Company violated Section 219.5(a) of Department Regulation No. 34-A and Section 215.17(a) of Department Regulation No. 34 by failing to indicate the manner and extent of distribution for each policy advertised during the examination period. A review indicated that the Company maintains documentation indicating the manner and extent of distribution for each policy advertised during the examination period.
I	The Company violated Section 219.4(o) of Department Regulation No. 34-A for comparing itself and its products and services to what may be found elsewhere in the industry without being able to substantiate such statements. A review of advertisements indicated that the Company does not compare itself or its products and services to what may be found elsewhere in the industry without being able to substantiate such statements.

Item	Description
J	The Company violated Section 219.4(p) of Department Regulation No. 34-A and Section 215.13(a) of Department Regulation No. 34 by failing to include the policy form or series number of the policy being advertised for a number of Company advertisements. A review indicated that the Company included the policy form or series number of the policy being advertised for all of its advertisements reviewed.
K	The Company violated Section 2122(a)(2) of the New York Insurance Law, Section 219.4(p) of Department Regulation No. 34-A and Section 215.13(a) of Department Regulation No. 34 by calling attention to an unauthorized insurer and advertising in a manner that may have the tendency to mislead as to the true identity of the insurer in a number of its advertisements. A review of advertisements indicated that the Company did not call attention to any unauthorized insurer and did not advertise in a manner that may have the tendency to mislead as to the true identity of the insurer.
L	The Company violated Section 3204 of the New York Insurance Law by adding the automatic policy loan provision without prior written consent from the applicant/policyowner in cases where the automatic policy loan provision was not affirmatively selected. A review indicated that the Company changed its procedures to require a signed policy amendment by the policyowner in order to add the automatic policy loan provision in cases where the automatic policy loan provision was not affirmatively selected.
M	The Company violated Section 3211(g) of the New York Insurance Law by failing to notify insureds at least annually of their right to request an updated policy illustration. A review indicated that the Company added the appropriate language to all billing notices and sent letters containing the appropriate language to all policy holders that do not have periodic billings notifying insureds at least annually of their rights to request an updated policy illustration.

9. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The Company is in the process of drafting a service agreement that incorporates relevant provisions form both the Broker-Dealer agreement and the Underwriter agreement. When that agreement is finalized, it will be filed with the Department and the current Broker-Dealer and Underwriter agreements will be terminated.	5
B	The Company violated Section 1411(a) of the New York Insurance Law by failing to have the board of directors authorize or approve each individual investment transaction.	7
C	The Company violated Section 3207(b) of the New York Insurance Law by issuing policies to juveniles for amounts of life insurance in excess of the limits allowed by such section.	16 – 17
D	The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal control. To the extent that audits performed by an affiliate on a functional basis are intended to encompass the activities of the Company, it should be clear from the audit workpapers that Company transactions or activities are selected and appropriate documentation is maintained by internal audit.	18

Respectfully submitted,

/s/

Vincent Targia
Associate Insurance Examiner

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

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

/s/

Vincent Targia

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 22224

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, GREGORY V. SERIO , Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

VINCENT TARGIA

as a proper person to examine into the affairs of the

SENTRY 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 3rd day of May , 2004

GREGORY V. SERIO
Superintendent of Insurance

Superintendent