STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

NORTHSTAR LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2003

DATE OF REPORT:	NOVEMBER 12, 2004
EXAMINER:	VICTOR U. AGBU

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

November 12, 2004

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

Sir:

In accordance with instructions contained in Appointment No. 22229, dated May 19, 2004 and annexed hereto, an examination has been made into the condition and affairs of Northstar Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 301 East State Street, Ithaca, New York 14850.

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)

In January 2003, Creditor Services Inc. ("CSI"), a major broker marketing credit life and accident and health business to credit unions, terminated its relationship with the Company. The CSI business represented a significant portion of the Company's premiums as of December 31, 2002. (See item 3D of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services on a regular basis from an affiliate without notifying the Superintendent and by not notifying the Superintendent of two amendments regarding an investment advisory agreement with another affiliate. (See item 3B of this report)

The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint an agent that wrote over $10 million in premium and received over $1 million in commissions.

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
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 the comment 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

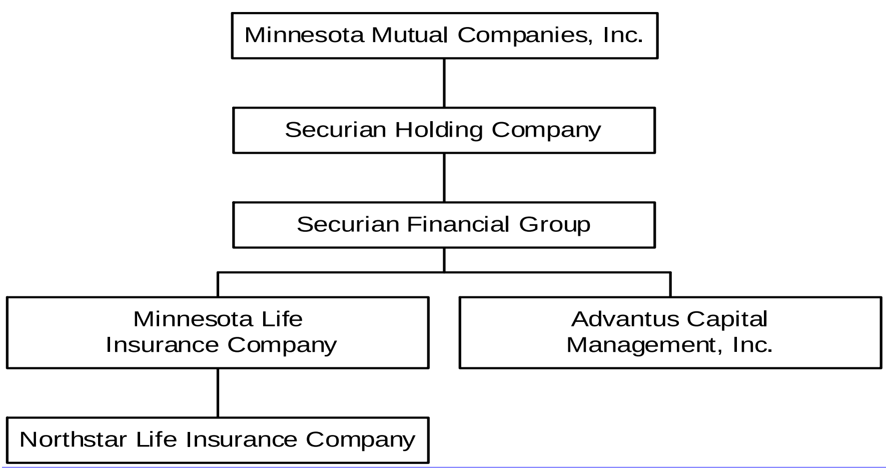
A. History

The Company was incorporated as a stock life insurance company under the laws of New York on May 18, 1989, was licensed and commenced business on January 9, 1991. Initial resources of $8,000,000 consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $6,000,000 were provided through the sale of 200,000 shares of common stock (with a par value of $10 each) for $40 per share. As of December 31, 2003, the Company's common capital stock and paid in and contributed surplus remained unchanged.

B. Holding Company

The Company was formerly a wholly owned subsidiary of Minnesota Mutual Life Insurance Company ("MML"), which was a mutual life insurance company incorporated under the laws of Minnesota. On October 1, 1998, MML converted to a stock life insurance company under a plan of reorganization (the "Plan") pursuant to Minnesota mutual holding company statutes. The Plan provided for MML to convert to a stock life insurance company and change its name to Minnesota Life Insurance Company ("ML"). It further provided that all of the stock of ML be controlled by Minnesota Mutual Companies, Inc., a Minnesota mutual holding company. Immediately after the conversion, Minnesota Mutual Companies, Inc. became the ultimate controlling entity, and ML became the immediate parent of the Company.

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 3 service agreements in effect with affiliates during the examination period.

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement	Original Date: 1/1/1991 Amend Date: 10/1/1998 Amend Date: 3/1/2003	ML	the Company	Administrative services (Underwriting, Claims, Sales and Marketing, etc) and use of facilities (data processing equipment, business property, etc.)	2001: $(1,770,070) 2002: $(1,589,633) 2003: $(1,584,902)
Investment Advisory Agreement	Original Date: 4/26/1990 Supplement Date: 7/20/1992 Amend Date: 2/8/2000	Advantus Capital Management, Inc.	the Company	Services related to advisability of owning, purchasing, selling, exchanging or otherwise investing or managing either equity or fixed income securities.	2001: $(90,587) 2002: $(104,187) 2003: $(114,382)
Administrative Service Agreement**	Beginning in 2003	Securian Financial Group	the Company	Services related to accounting and data processing.	2003: $(145,651)

* Amount of Income or (Expense) Incurred by the Company
**The Company has not filed an agreement with the Superintendent for these services.

The Company is also party to a federal tax allocation agreement with its parent and affiliates.

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

"The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto . . . and he has not disapproved it within such period . . .
(3) rendering of services on a regular or systematic basis . . . "

Beginning in 2003 the Company paid for accounting and data processing services provided on a regular basis by an affiliate, Securian Financial Group ("SFG"). The Company failed to notify the Superintendent in writing of its intention to enter into these transactions.

The Company has an investment advisory agreement with Advantus Capital Management, Inc., an affiliate. The Company amended the agreement twice without notifying the Superintendent.

The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services on a regular basis from an affiliate without notifying the Superintendent and by not notifying the Superintendent of two amendments regarding an investment advisory agreement with another affiliate.

The examiner recommends that the Company file the aforementioned service agreement and amendments with the Superintendent.

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 20 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2003, the board of directors consisted of 12 members. Meetings of the board are held annually.

The 12 board members and their principal business affiliation, as of December 31, 2003, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Paul W. Anderson Roseville, MN	Vice President Northstar Life Insurance Company Minnesota Life Insurance Company	2002
John F. Bruder Mendota Heights, MN	Senior Vice President Northstar Life Insurance Company Minnesota Life Insurance Company	1989
Robert J. Dethlefsen* Setauket, NY	President and Chief Executive Officer Island Federal Credit Union	2003

Name and Residence	Principal Business Affiliation	Year First Elected
Susan L. Ebertz Woodbury, MN	Vice President of Operations Northstar Life Insurance Company Second Vice President Minnesota Life Insurance Company	1998
John M. Gibbons, III* New York, NY	Managing Director ABN AMRO Bank N.V.	1993
Kathleen A. Hagen* Staten Island, NY	Vice President Deutsche Bank	1993
Robert E. Hunstad Eagan, MN	President and Chief Executive Officer Northstar Life Insurance Company Executive Vice President Minnesota Life Insurance Company	1993
James E. Johnson St. Paul, MN	Vice President and Actuary Northstar Life Insurance Company Senior Vice President Minnesota Life Insurance Company	1989
Dennis E. Prohofsky St. Paul, MN	Vice President and Secretary Northstar Life Insurance Company Executive Vice President and General Counsel Minnesota Life Insurance Company	1994
Theodore J. Schmelzle St. Louis Park, MN	Vice President and Assistant Secretary Northstar Life Insurance Company Counsel Minnesota Life Insurance Company	2003
Robert L. Senkler White Bear Lake, MN	Chairman, President and Chief Executive Officer Minnesota Life Insurance Company	1994
William L. Spearman* Lake Katrine, NY	President and Chief Executive Officer Mid-Hudson Valley Federal Credit Union	2002

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

In May of 2003 James S. Matthews resigned from the board and was not immediately replaced.

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, 2003:

Name	Title
Robert E. Hunstad	President and Chief Executive Officer
David J. LePlavy	Treasurer and Chief Financial Officer
Dennis E. Prohofsky	Vice President and Secretary
James E. Johnson	Vice President and Actuary
Susan L. Ebertz	Vice President of Operations
Theodore J. Schmelzle	Vice President and Assistant Secretary
Donna Adams *	Second Vice President and Assistant Secretary

* 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 currently does not issue annuity contracts.

The Company is licensed to transact business in New York only. Policies are written on a non-participating basis.

The principal lines of business sold during the examination period were group mortgage life and disability, group credit life and disability and group accidental death and dismemberment coverage.

The Company distributes its products to financial institutions through 3 brokers and 42 salaried representatives. There are 26 financial institutions that consist mainly of banks and credit unions.

In January 2003, CSI, a major broker marketing credit life and accident and health business to credit unions, terminated its relationship with the Company. The CSI business represented a significant portion of the Company's premiums as of December 31, 2002.

E. Reinsurance

As of December 31, 2003, the Company had one reinsurance treaty in effect ceding business to an authorized company. Reinsurance of the Company's group life and group accidental death and dismemberment policies is ceded on a coinsurance basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for each life contract is $200,000. The total face amount of life insurance ceded, as of December 31, 2003, was $60,434,189, which represents 4.3% of the total face amount of life insurance in force.

The Company is the successor to an indemnity reinsurance agreement with Hartford Life Insurance Company ("Hartford Life") that was originally written with its parent, ML. The agreement provides for the Company to assume 100% of a series of credit life, mortgage life and mortgage disability policies. An Administrative Services and Claims Administrative Agreement is part of the indemnity reinsurance arrangement whereby the Company provides for the administration of the policies. The indemnity reinsurance agreement was filed with the Department under Article 15 of the New York Insurance Law. The total face amount of life insurance assumed, as of December 31, 2003 was $192,460.

In 2001 the Company participated in a catastrophe reinsurance treaty with ML and its subsidiaries and Guy Carpenter, a reinsurance intermediary. This treaty, which terminated at the end of 2001, called for 10 unauthorized Lloyd companies to provide catastrophe coverage to ML and its subsidiaries. The treaty is still active due to the fact that there is still an outstanding claim. The Company is currently participating in another catastrophe reinsurance treaty with Swiss Re Life and Health America Inc. of Connecticut and ML and its subsidiaries, which was originally effectuated in 2002.

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

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

The Company did not notify the Superintendent prior to entering into the catastrophic reinsurance treaties described above whereby its parent and affiliates were also parties to the treaties.

The Company violated Section 1505(d)(2) of the New York Insurance Law by not notifying the Superintendent prior to entering into reinsurance treaties whereby its parent and affiliates were also parties to the treaties.

The Company reported several letters of credit covering minor amounts in its 2003 annual statement. It is noted that the Company did not take reserve credit for these letters of credit. The examiner requested the letters of credit and the Company was unable to provide them.

The examiner recommends that the Company not report letters of credit in its filed annual statement unless it has such in its possession.

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, 2000	December 31, 2003	Increase (Decrease)
Admitted assets	$38,335,368	$44,254,361	$5,918,993
Liabilities	$23,840,463	$24,714,671	$ 874,208
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	6,000,000	6,000,000	0
Unassigned funds (surplus)	6,494,905	11,539,690	5,044,785
Total capital and surplus	$14,494,905	$19,539,690	$5,044,785
Total liabilities, capital and surplus	$38,335,368	$44,254,361	$5,918,993

The Company's invested assets as of December 31, 2003 were mainly comprised of bonds (90%) and cash and short-term investments (8%).

The Company's entire bond portfolio, as of December 31, 2003, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

Credit Life

Year	Issued	In Force
2001	$151,251	$499,991
2002	$156,646	$509,018
2003	$68,065	$392,107

Group Life

Year	Issued	In Force
2001	$185,184	$1,519,307
2002	$151,652	$1,293,449
2003	$102,767	$1,001,616

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
Credit life	$ 278,194	$ 315,580	$ 51,321
Group life	$ 965,730	$1,320,727	$ 142,398
Accident and health:			
Group	$(144,006)	$ 404,265	$ 459,198
Credit	(433,273)	630,778	562,190
Total accident and health	$(577,279)	$1,035,043	$1,021,388
Total	$ 666,645	$2,671,350	$1,215,107

The decrease in the gain in credit life in 2003 is a result of the loss of a large block of business that was mainly single premium. The decrease in the gain in the group life line in 2003 is due to a decrease in premiums of about 48% and an increase in claims of 50% from the 2002 levels. Also in 2003, accident and health premiums decreased by 74%, however accident and health expenses and claims decreased by about 20% from 2002. Decreases in expenses and losses have resulted in profits in the accident and health line of business since 2002.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2001	2002	2003
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	83.0%	62.5%	74.3%
Increase in contract reserves	5.2	(.2)	(1.2)
Commissions	6.2	4.9	0.6
Expenses	26.5	23.9	21.6
Taxes, licenses and fees	.7	2.3	1.6
	121.6%	93.4%	96.9%
Underwriting results	(21.6)%	6.6%	3.1%

As indicated previously, decreases in expenses and losses have significantly increased the profit from the accident and health line of business from 2001. The Company also experienced a significant decrease in premiums and commissions in 2003 as a result of the loss of the CSI block of business.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds 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 which 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, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2003

Admitted Assets

Bonds	$38,391,662
Cash and short term investments	3,585,647
Receivable for securities	501,485
Reinsurance ceded:	
Amounts recoverable from reinsurers	1,201
Other amounts receivable under reinsurance contracts	4,902
Deferred tax asset	296,401
Premiums and considerations	
Uncollected premiums and agents' balances in course of collection	863,975
Investment income due and accrued	579,029
Miscellaneous receivable	5,315
From Separate Accounts statement	24,744
Total admitted assets	$44,254,361

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 9,886,022
Aggregate reserve for accident and health policies	7,951,932
Policy and contract claims:	
Life	554,466
Accident and health	674,931
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	4,976
Policy and contract liabilities:	
Provision for experience rating refunds	2,944,850
Other amounts payable on reinsurance assumed	15,213
General expenses due or accrued	236,819
Federal and foreign income taxes	390,230
Remittances and items not allocated	735,285
Miscellaneous liabilities:	
Asset valuation reserve	94,820
Payable to parent, subsidiaries and affiliates	694,319
Payable for securities	499,706
Accrued interest on claims	31,102
Total liabilities	$24,714,671
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	6,000,000
Unassigned funds (surplus)	11,539,690
Total capital, surplus and other funds	$19,539,690
Total liabilities, capital, surplus and other funds	$44,254,361

B. CONDENSED SUMMARY OF OPERATIONS

	2001	2002	2003
Premiums and considerations	$16,930,772	$14,722,511	$ 5,003,745
Investment income	2,415,661	2,526,330	2,411,934
Commissions and reserve adjustments on reinsurance ceded	0	90,606	63,413
Miscellaneous income	1,790	0	40,456
Total income	$19,348,223	$17,339,447	$ 7,519,548
Benefit payments	$ 8,526,739	$ 8,250,547	$ 8,393,318
Increase in reserves	4,195,096	101,452	(5,685,671)
Commissions	561,390	501,753	40,899
General expenses and taxes	4,894,097	4,465,031	3,140,209
Increase in loading on deferred and uncollected premium	15,897	8,465	(22,160)
Total deductions	$18,193,219	$13,327,248	$ 5,866,595
Net gain (loss)	$ 1,155,044	$ 4,012,199	$ 1,652,953
Federal and foreign income taxes incurred	488,359	1,340,849	437,846
Net gain (loss) from operations before net realized capital gains	$ 666,645	$ 2,671,350	$ 1,215,107
Net realized capital gains (losses)	1	0	82
Net income	$ 666,646	$ 2,671,350	$ 1,215,189

C. CAPITAL AND SURPLUS ACCOUNT

	2001	2002	2003
Capital and surplus, December 31, prior year	$14,494,905	$15,250,461	$18,178,276
Net income	$ 666,646	$ 2,671,350	$ 1,215,189
Change in net deferred income tax	0	(17,569)	(214,687)
Change in non-admitted assets and related items	206,642	(93,427)	380,842
Change in asset valuation reserve	(41,350)	47,622	(24,674)
Surplus contributed to Separate Accounts statement	0	0	(20,000)
Other changes in surplus in Separate Accounts statement	0	0	24,744
Cumulative effect of changes in accounting principles	(76,382)	319,839	0
Net change in capital and surplus	$ 755,556	$ 2,927,815	$ 1,361,414
Capital and surplus, December 31, current year	$15,250,461	$18,178,276	$19,539,690

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.

Section 2112(a) of the New York Insurance Law states, in part:

> "Every insurer . . . doing business in this state shall file a certificate of appointment in such form as the superintendent may prescribe in order to appoint insurance agents to represent such insurer . . . "

Between 2001 and 2003 the Company employed the services of an unappointed agent who wrote over $10 million in premium and received over $1 million in commissions.

The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint an agent.

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.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and the comment 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 308(a) of the New York Insurance Law by failing to notify the Department that it participates in a consolidated tax return. In addition, the Company failed to submit a copy of its tax allocation agreement to the Department within 30 days as advised by Department Circular Letter No. 33 (1979). A consolidated tax allocation agreement was subsequently filed with the Superintendent.
B	The Company violated Section 1202(b)(2) of the New York Insurance Law by not having an independent committee of the board of directors perform the responsibilities required by Law. An independent committee of the board of the directors is elected on an annual basis and performs the responsibilities required by Law.
C	The examiner noted that in response to General Interrogatory No. 26(a), in the 2000 filed annual statement, the Company incorrectly indicated that no broker controlled more than 20% of any major line of business. The Company indicated in the 2002 General Interrogatories that a broker controlled more than 20% of a major line of business. The Company's relationship with that broker terminated in 2003.
D	The Company violated Section 91.4(c)(2) of Department Regulation No. 33 by using a method for allocating net investment income to the major annual statement lines of business that is not permitted by the Regulation. The Company used the mean reserve method during the examination period, which is permitted by the Regulation.
E	The Company violated Section 215.13(a) of Department Regulation No. 34 and Section 219.4(p) of Department Regulation No. 34-A by not clearly identifying the form number and/or the location of the Company's home office in a number of its advertisements. A review of the Company's advertisements showed that form numbers and location of the home office were clearly identified.

8. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services on a regular basis from an affiliate without notifying the Superintendent and by not notifying the Superintendent of two amendments regarding an investment advisory agreement with another affiliate.	5 – 6
B	The examiner recommends that the Company file the service agreement and the amendments in question with the Superintendent.	6
C	The Company violated Section 1505(d)(2) of the New York Insurance Law by not notifying the Superintendent prior to entering into catastrophic reinsurance treaties whereby its parent and affiliates were also parties to the treaties.	10
D	The examiner recommends that the Company not report letters of credit in its filed annual statement unless it has such in its possession.	10
E	The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint an agent.	18

Respectfully submitted,

/s/

Victor U. Agbu
Senior Insurance Examiner

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

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

/s/

Victor U. Agbu

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22229

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:

VICTOR AGBU

as a proper person to examine into the affairs of the

NORTHSTAR LIFE INSURANCE COMPANY

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 19th day of May, 2004

GREGORY V. SERIO
Superintendent of Insurance

Superintendent