STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2000

DATE OF REPORT: AUGUST 31, 2001

EXAMINER: VIJAY GOSWAMI

REPORT ON ASSOCIATION EXAMINATION

OF THE

STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2000

BY

THE INSURANCE DEPARTMENTS

OF THE

STATE OF NEW YORK

STATE OF MISSISSIPPI

DATE OF REPORT: AUGUST 31, 2001

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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. 21677, dated January 10, 2001 and annexed hereto, an examination has been made into the condition and affairs of Standard Security Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 485 Madison Avenue, New York, New York 10022.

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.

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

August 31, 2001

Honorable George Nichols III
Chairman, Ex Committee
Commissioner of Insurance
State of Kentucky

Honorable John Oxendine
Chairman, Southeastern Zone
Commissioner of Insurance
State of Georgia

Honorable Gregory V. Serio
Superintendent of Insurance
State of New York

Sirs:

Pursuant to your instructions an examination has been made into the condition and affairs of Standard Security Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 485 Madison Avenue, New York, New York 10022.

The examination was conducted by the New York Insurance Department, hereinafter referred to "the Department" with participation from the State of Mississippi representing the Southeastern zone.

The report on examination is respectfully submitted.

1. EXECUTIVE SUMMARY

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, 2000 filed annual statement. (See item 5 of this report)

The Company violated Section 2112(a) of the New York Insurance Law by using unappointed agents to represent the Company. (See item 6A of this report)

The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form not filed with and approved by the Superintendent. (See item 6B of this report)

The Company violated Section 4235(h) of the New York Insurance Law for not filing premium rate schedules used for its stop-loss policies with the Superintendent. (See item 6B of this report)

The Company violated Section 243.2(b)(1)(iv) of Department Regulation No. 152 by not maintaining information necessary to reconstruct the rating of policies as required by the Regulation. (See item 6B of this report)

The examiner recommends that the Company develop a plan of oversight for its managing general underwriters ("MGUs"), approved and monitored by the audit committee, to ensure that the MGUs are using approved policy forms, approved rates, appointed agents and are complying with all other applicable laws, regulations and rules. (See item 6B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. This examination covers the period from January 1, 1998 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 filed 2000 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

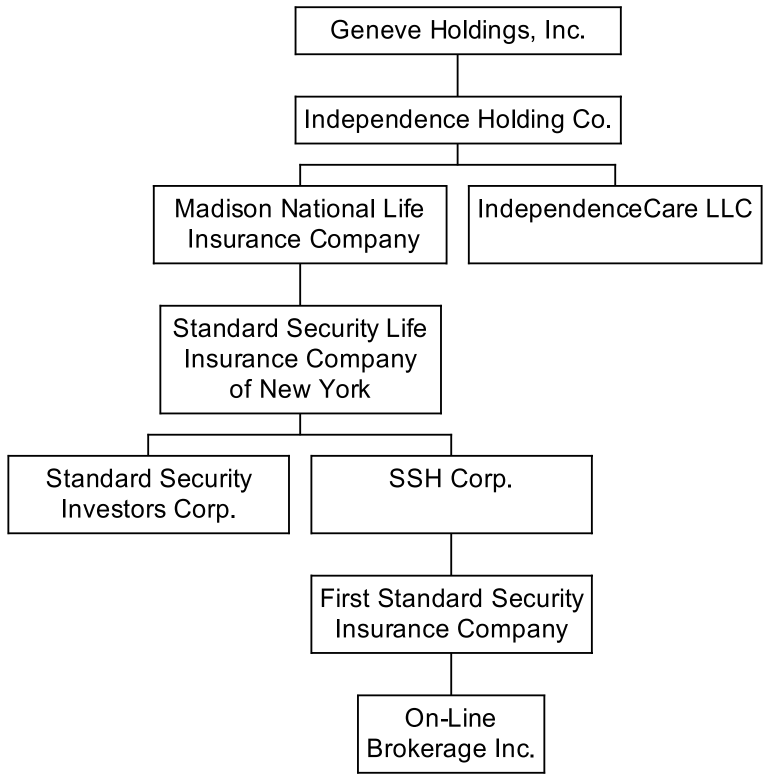
The Company was incorporated under the laws of the State of New York as a stock life insurance company, on June 28, 1957, under the name American Security Life Insurance Company of New York. The present name was adopted on August 4, 1958. The Company was licensed and commenced business on December 22, 1958.

Initial resources of $500,000, consisting of common capital stock of $500,000 were provided through the sale of 250,000 shares of common stock (with a par value of $2.00 each) for $2.00 per share. As of December 31, 2000, the Company had 1,034,738 shares of common stock authorized and outstanding with a par value of $2.50 per share. As of the same date, capital and paid-in and contributed surplus were $2,586,845 and $6,022,278, respectively.

B. Holding Company

The Company is a wholly owned subsidiary of Madison National Life Insurance Company, Inc. ("MNL"), domiciled in the State of Wisconsin. MNL sells group long-term disability and group term life products to school districts and municipalities in the Midwest, and also sells credit life and disability coverage, primarily through its agency in North Carolina. MNL has recently entered the military and civilian government employee market, distributing whole life policies (with annuity riders) on a national basis. MNL is a wholly owned subsidiary of Independence Holding Company ("IHC"), domiciled in the State of Delaware, engaged principally in the life and heath insurance business. The ultimate parent of the Company is Geneve Holdings, Inc., a Connecticut holding company.

An organization chart reflecting the relationship between the Company and certain significant entities in its holding company system as of December 31, 2000 follows:



As of December 31, 2000, the Company had two direct subsidiaries as follows:

1. Standard Security Investors Corporation which was incorporated in 1975, and is engaged in securities investing; and

2. SSH Corp. which was incorporated in 1987, and is the holding company for First Standard Security Insurance Company ("FSSIC"). FSSIC is a licensed property and casualty insurer in Delaware and New York and an approved surplus line writer in Arkansas. FSSIC owns On-Line Brokerage, Inc. ("ONLB"). ONLB sells individual insurance products and retirement plans on a commission basis.

The Company had three service agreements in effect as of December 31, 2000 as follows:

1. The Company has a master service agreement with IHC, FSSIC and IndependenceCare LLC whereby IHC provides to the Company its technical expertise regarding complex GAAP accounting transactions. FSSIC and IndependenceCare LLC provide financial, underwriting, claims, and administrative audit services. In addition, FSSIC and IndepedenceCare LLC provide marketing services, including the appointment, retention, monitoring, and termination of managed care organizations and managing general underwriters. This agreement was effective June 1, 1998.
2. The Company has a service agreement with Madison Standard Corp. ("MSC"), effective November 1, 1999, whereby MSC provides underwriting, premium collection, agent administration, and claim payment services for certain non-New York group life insurance and group disability policies issued by the Company.
3. The Company has a service agreement with MSC, effective January 1, 1999, whereby MSC provides administrative services for annuities, life and accident and health insurance assumed by the Company.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2000, the board of directors consisted of 11 members. Regular meetings of the board are held in April, September and December of each year.

The 11 board members and their principal business affiliation, as of December 31, 2000, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Bernard Eichwald* Stamford, CT	President B. Eichwald & Company, Inc.	1960
Alex Giordano S. Bellmore, NY	Executive Vice President and Chief Marketing Officer Standard Security Life Insurance Company of New York	1994
Larry R. Graber Austin, TX	President Madison National Life Insurance Company	1996
Steven B. Lapin Stamford, CT	Executive Vice President-Operation Independence Holding Company	1992
Robert M. Leopold* Larchmont, NY	Managing Director Certus Partners, Inc.	1975
Rachel Lipari New York, NY	President and Chief Operating Officer Standard Security Life Insurance Company of New York	1989
Edward Netter Greenwich, CT	Chairman Independence Holding Company	1973
Martin L. Rein New York, NY	Vice Chairman Standard Security Life Insurance Company of New York	1957
Robert P. Ross, Jr.* Houston, TX	Chairman Gro Corporation	1978
Leonard I. Shankman* Melbrook, NY	President Shankman Management, Inc.	1958
Roy T. K. Thung White Plains, NY	Chairman and Chief Executive Officer Standard Security Life Insurance Company of New York	1990

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

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
Roy T.K. Thung	Chief Executive Officer
Rachel Lipari	President and Chief Operating Officer
Alex Giordano	Executive Vice President and Chief Marketing Officer
David T. Kettig	Senior Vice President and Chief Administrative Officer and Secretary
Gary J. Balzofiore	Senior Vice President and Controller

Martin L. Rein is the 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 all 50 states, the District of Columbia, Puerto Rico, and the United States Virgin Islands. In 2000, most of the accident and health premiums were received from New York (17%) and California (16%); most of the life premiums were received from Illinois (34%) and New York (24%).

During the examination period, the Company's principal products were: specific and aggregate excess medical insurance coverage ("stop-loss" policies) sold to employers who self fund their employees' health benefits (governed under the Employee Retirement Income Security Act); short-term statutory disability insurance ("DBL"), marketed only in New York; point of service plans and managed care coverage; and blanket accident and health insurance sold to professional athletes, executives and entertainers.

The Company discontinued issuing ordinary life insurance and individual annuities in 1988.

The Company's agency operations are conducted on a general agency and broker basis.

The Company markets its products as follows: New York State DBL is marketed by general agents, agents and brokers; blanket accident and health, stop-loss, term life and annuities are marketed by MGUs; point of service plans are marketed by HMOs; and group health – managed mental health and chemical dependency plans are marketed by MGUs.

The following was the composition of the Company's field force during the period under examination:

	1998	1999	2000
General agents			
New York State DBL	88	88	88
Soliciting agents/brokers			
New York State DBL	425	390	471
Group health, etc.	2,668	2,509	2,668

As of December 31, 2000, the Company also had 13 MGUs. They administer the Company's stop-loss business, which represented 86% of the Company's direct premium for 2000. They are non-salaried independent contractors who receive administrative fees for their services. MGUs underwrite the policies pursuant to the Company's underwriting guidelines and pay claims on behalf of the Company.

E. Reinsurance

As of December 31, 2000, the Company had reinsurance in effect for its life policies with 19 companies, of which 15 were authorized or accredited. The Company's ordinary and group life business is ceded on a co-insurance, modified co-insurance, catastrophe, and yearly renewable term basis. Reinsurance is provided on both an automatic and facultative basis.

The total face amount of individual life insurance ceded was $9,498,000, which represents 11.87% of the total amount of individual life insurance in force; and the amount of group life insurance ceded was $149,118,000, which represents 35.41% of the total amount of group life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $302,002, was supported by trust agreements.

In addition, the Company had 75 accident and health reinsurance treaties and 221 Lloyd's of London syndicates to reinsure its stop-loss business. The Company's retention limits for the accident and health business are: (i) $250,000 quota share excess of stop-loss deductible; (ii) $2,500 of monthly benefits on disability income polices; and (iii) $25,000 on special disability business. During 2000, the Company collected accident and health premium in the amount of $192,076,248 of which $161,175,408 was ceded to reinsurers (83.91%). Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $44,906,334, was supported by letters of credit and trust agreements. The Company's accident and health business is ceded on a co-insurance, modified co-insurance, catastrophe, and yearly renewable term basis. Reinsurance is provided on both an automatic and facultative basis.

During 2000, the Company reported premiums for assumed business as follows: life insurance $1,953,912; annuity considerations $5,433,467; and accident and health insurance $14,245,044. As of the same date, the Company reported assumed reserves of $54,743,705 for life insurance and annuities and $21,631,085 for accident and health insurance. In 1999, the Company assumed, via 100% co-insurance, a block of group life and group annuity business from Unity Mutual Life Insurance Company ("Unity Mutual"). As of December 31, 2000, the Unity Mutual block consisted of $123,568,000 of business in force and $38,896,608 of reserves.

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, 1997	December 31, 2000	Increase (Decrease)
Admitted assets	$135,549,439	$183,195,669	$47,646,230
Liabilities	$ 87,700,386	$120,062,608	$32,362,222
Common capital stock	$ 2,586,845	$ 2,586,845	$ 0
Gross paid in and contributed surplus	6,022,278	6,022,278	0
Group life contingency reserve	21,000	123,000	102,000
Unassigned funds (surplus)	39,218,930	54,400,938	15,182,008
Total capital and surplus	$ 47,849,053	$ 63,133,061	$15,284,008
Total liabilities, capital and surplus	$135,549,439	$183,195,669	$47,646,230

The Company's invested assets as of December 31, 2000, were mainly comprised of bonds (80.7%), other invested assets (8.8%) and stocks (5.1%). During the current examination period, the amount invested in cash and short-term investments was reduced from 20.4% in 1998 to 2.2% in 1999. During this period, the Company increased its investment in bonds from 62.9% in 1998 to 82.6% in 1999 to increase investment yield.

The majority (94.7%) of the Company's bond portfolio, as of December 31, 2000, was comprised of investment grade obligations.

In 2000, the Company incorrectly reported group annuity reserves in the ordinary annuity column in Exhibit 8 of the annual statement.

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):

Group Life

Year	Issued & Increases	In Force
1998	$ 70,792	$476,834
1999	$339,259	$764,880
2000	$189,008	$421,063

The increase in the group life business in 1999 is due to policies assumed from Unity Mutual during 1999.

The following has been extracted from the Exhibit of Annuities in the filed annual statements for each of the years under review:

Group Annuities

	1998	1999	2000
Outstanding, end of previous year	0	0	5,700
Issued during the year	0	50	379
Reinsurance assumed	0	0	0
Increased during the year	0	5765	0
Decreased during the year	0	(115)	(367)
Outstanding, end of current year	0	5,700	5,712

The amounts reported in the above table represent the annuities assumed from Unity Mutual. The numbers reported as “Increased during the year” and “Issued during the year” should have been reported as “Reinsurance assumed. ”

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:

	1998	1999	2000
Ordinary:			
Life insurance	$1,495,022	$ 1,263,187	$ 650,761
Individual annuities	622,101	485,125	373,974
Supplementary contracts	5,575	(6,488)	16,514
Total ordinary	$2,122,698	$ 1,741,824	$1,041,249
Group:			
Life	$ 104,195	$ (328,113)	$ (245,815)
Annuities	0	(907,132)	1,072,588
Total group	$ 104,195	$(1,235,245)	$ 826,773
Accident and health:			
Group	$2,918,019	$ 3,411,291	$5,402,565
Other	(121,638)	(5,267)	42,494
Total accident and health	$2,796,381	$ 3,406,024	$5,445,059
Total	$5,023,274	$ 3,912,603	$7,313,081

The negative trend in the ordinary life business is a result of the Company's decision to stop writing this business in 1988. The losses reported for group life and annuities in 1999 are due to acquisition costs associated with the reinsurance assumed from Unity Mutual.

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:

	1998	1999	2000
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	72.8%	69.5%	67.6%
Commissions	18.5	16.4	15.3
Expenses	22.8	21.5	20.6
	114.1%	107.4%	103.5%
Underwriting results	(14.1)%	(7.4)%	(3.5)%

The Company's underwriting results are improving due to a decrease in incurred losses, commissions and other expenses during the examination period.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, 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 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, 2000, filed annual statement.

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

Admitted Assets

Bonds	$126,106,536
Stocks:	
Preferred stocks	1,439,747
Common stocks	6,520,572
Mortgage loans	
First liens	26,166
Policy loans	1,109,814
Cash and short term investments	7,320,796
Other invested assets	13,781,469
Put options	45,750
Reinsurance ceded:	
Amounts recoverable from reinsurers	22,414,807
Commissions and expense allowances due	25,000
Experience rating and other refunds due	(24,200)
Electronic data processing equipment	42,304
Life insurance premiums and annuity considerations deferred and uncollected on in force business	358,076
Accident and health premiums due and unpaid	(2,456,033)
Investment income due and accrued	1,278,056
Receivable from parent, subsidiaries and affiliates	1,000,000
Claim fund	4,111,809
Amounts due from HMOs	95,000
Total admitted assets	$183,195,669

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 59,585,592
Aggregate reserve for accident and health policies	31,617,126
Supplementary contracts without life contingencies	46,079
Policy and contract claims:	
Life	144,015
Accident and health	990,867
Policyholders' dividend and coupon accumulations	2,792
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:	
Dividends apportioned for payment	110,545
Premiums and annuity considerations received in advance	42,875
Liability for premium and other deposit funds	
Other contract deposit funds	6,482,204
Commissions to agents due or accrued	910,000
Commissions and expense allowances payable on reinsurance assumed	105,805
General expenses due or accrued	1,218,810
Taxes, licenses and fees due or accrued	2,836,695
Federal income taxes due or accrued	358,549
Amounts withheld or retained by company as agent or trustee	5,476
Remittances and items not allocated	2,734,768
Miscellaneous liabilities:	
Asset valuation reserve	3,901,734
Reinsurance in unauthorized companies	2,572,412
Payable to parent, subsidiaries and affiliates	31,656
Payable for security	5,477,787
Aggregate write-ins for liabilities	886,821
Total liabilities	$120,062,608
Common capital stock	$ 2,586,845
Gross paid in and contributed surplus	6,022,278
Aggregate write-ins for special surplus funds	123,000
Unassigned funds (surplus)	54,400,938
Total capital, surplus and other funds	$ 63,133,061
Total liabilities, capital, surplus and other funds	$183,195,669

B. CONDENSED SUMMARY OF OPERATIONS

	1998	1999	2000
Premiums and considerations	$44,246,717	$ 47,075,161	$52,015,351
Investment income	8,431,440	11,302,139	13,897,738
Commissions and reserve adjustments on reinsurance ceded	10,550,420	12,986,691	12,898,395
Miscellaneous income	3,519,120	37,734,025	2,035,322
Total income	$66,747,697	$109,098,016	$80,846,806
Benefit payments	$34,263,106	$ 34,279,248	$26,687,472
Increase in reserves	(4,841,726)	34,641,875	9,567,052
Commissions	21,318,846	25,271,306	24,734,834
General expenses and taxes	9,962,823	10,218,711	11,083,340
Increase in loading and cost of collection	22,485	(3,752)	(47,321)
Total deductions	$60,725,534	$104,407,388	$72,025,377
Net gain	$ 6,022,163	$ 4,690,628	$ 8,821,429
Dividends	303,202	85,131	40,764
Federal income taxes	695,687	692,893	1,467,584
Net gain from operations before net realized capital gains	$ 5,023,274	$ 3,912,604	$ 7,313,081
Net realized capital gains (losses)	(155,699)	16,849	(164,024)
Net income	$ 4,867,575	$ 3,929,453	$ 7,149,057

The amount reported for miscellaneous income in 1999 includes assets received as a result of the Unity Mutual reinsurance ($31,559,927) and a small fraternal acquisition ($2,039,336).

C. CAPITAL AND SURPLUS ACCOUNT

	1998	1999	2000
Capital and surplus, December 31, prior year	$47,849,053	$53,344,163	$56,952,410
Net income	$ 4,867,575	$ 3,929,453	$ 7,149,057
Change in net unrealized capital gains (losses)	(46,246)	(290,985)	54,024
Change in non admitted assets and related items	857,597	(666,343)	670,288
Change in liability for reinsurance in unauthorized companies	(1,472,710)	531,404	(1,261,838)
Change in reserve valuation basis	2,913,000	0	0
Change in asset valuation reserve	(26,178)	104,718	(431,346)
Change in unrealized gains assumed from subsidiary	0	0	466
Change in amount due to reinsurer	(1,597,928)	0	0
Net change in capital and surplus	$ 5,495,110	$ 3,608,247	$ 6,180,651
Capital and surplus, December 31, current year	$53,344,163	$56,952,410	$63,133,061

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 order to appoint insurance agents to represent such insurer . . . "

The Company's group stop-loss policies were sold by agents who were not appointed to represent the Company.

The Company violated Section 2112(a) of the New York Insurance Law by having unappointed agents represent the Company.

B. Underwriting and Policy Forms

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

1. Section 3201(b)(1) of the New York Insurance Law states, in part:

> "No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent . . . "

The examiner reviewed 17 stop-loss underwriting files issued in New York. Policy form GH2001, part A1 - "Benefits Covered", Section 1 - Schedule of Excess Loss Insurance, has the added options of medical, dental, weekly income, vision, and prescription drugs that were not included on the approved version of the policy form. In addition, the version of the form used has the phrase "excess loss insurance" instead of "insurance" as shown on the approved form. Finally, the definition for "incurred expense" was changed from "a covered medical expense" in the approved form to "an eligible expense" on the version of the form used. These unapproved changes were found to be in all of the New York stop loss application files reviewed, regardless of which MGU submitted the application.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form that was not filed with and approved by the Superintendent. On August 10, 2001, the Company filed for approval a revised version of form GH2001 to be used in New York State. The revised form addresses the issues raised by the examiner. A similar violation appeared in the prior report on examination. (See item 7D of this report)

2. Section 3201(b)(2) of the New York Insurance Law states:

> "No policy form shall be issued by a domestic insurer for delivery outside this state unless it has been filed with the superintendent."

The review of group life underwriting files revealed several instances where the Company used policy forms that were different than the version filed with the Department. The policy forms in question are ADBR24-GLC90 (Group Accidental Death and Dismemberment Certificate Rider), ADBR24-GL90 (Group Accidental Death and Dismemberment Rider) and GLC90 (Group Term Life Insurance Certificate).

A review of the Company's stop-loss underwriting files revealed that IAT, an MGU, is using multiple versions of policy form GH-SLIP-2 that differ from the filed version in the State of Texas.

The Company violated Section 3201(b)(2) of the New York Insurance Law by using policy forms that were not filed with the Superintendent.

3. Section 4235(h) of the New York Insurance Law states, in part:

> "(1) Each domestic insurer . . . doing business in this state shall file with the superintendent its schedules of premium rates, rules and classification of risks for use in connection with the issuance of its policies of group accident, group health or group accident and health insurance . . . whether transacted within or without the state.
> (2) An insurer may revise such schedules from time to time, and shall file such revised schedules with the superintendent. . . . "

For the period under examination, the examiner reviewed 23 group accident and health underwriting files issued by seven MGUs. The review revealed that none of the rates used were the rates filed with the Department.

The Company violated Section 4235(h) of the New York Insurance Law by not filing premium rate schedules used for its stop-loss policies with the Superintendent.

4. Section 243.2(b) of Department Regulation No. 152 states, in part:

> "Except as other wise required by law or regulation, an insurer shall maintain:
> (1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer . . . A policy record shall include . . .
> (iv) Other information necessary for reconstructing the solicitation, rating, and underwriting of the contract or policy. . . . "

The Company only maintains the current version of its stop-loss and group life rate manuals. The Company updates the rates on the computer periodically but does not maintain the old rates. The only version of the rate manuals provided to the examiner were those updated in March 2001, which was subsequent to the examination period. As a result, the examiner was unable to reconstruct the rating of policies that were issued during the examination period.

The Company violated Section 243.2(b)(1)(iv) of Department Regulation No. 152 by not maintaining the information necessary to reconstruct the rating of policies as required by the Regulation.

5. The aforementioned violations involving policy forms and rates used by the Company's MGUs that were not filed with the Department are an indication that the Company does not have sufficient controls in place regarding its MGUs. The examiner recommends that the Company develop a plan of oversight for its MGUs, approved and monitored by the audit committee, to ensure that the MGUs are using approved policy forms, approved rates, appointed agents and are complying with all other applicable laws, regulations and rules.

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 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 present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company reported that it has reviewed relevant and available documents including rate charts, plan codes, compensation and commission schedules, agent bulletins, policy applications and policy forms to determine whether or not it ever marketed or issued life insurance policies using the insured's race, color, creed or national origin as a basis for premium rates, underwriting ratings, dividends, etc. The Company determined that it never marketed or issued life insurance policies using the insured's race, color, creed or national origin.

The Company assumed a small block of business from Bnai Zion, a New York fraternal benefit society. The Company has reviewed a sample of the policy files assumed from Bnai

Zion issued from 1934 to 1961. These files consisted of applications, medical forms and correspondence with the applicants. The Company found no evidence of race-based underwriting.

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

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 1505(d) of the New York Insurance Law when it entered into transactions with its affiliate, FSSIC, without giving prior notice to the Superintendent. During the examination, the Company filed with the Department an amendment to its master service agreement, to address the prior report comment.
B	The examiner recommends that the Company file the automatic quota share reinsurance treaties with the Department pursuant to Section 1308(f)(1)(A) of the New York Insurance Law. The Company filed the automatic quota share reinsurance treaties with the Department on December 8, 1999.
C	At December 31, 1996 and 1997, the Company took reserve credit of \$5,746,736 and \$12,755,083, which accounted for 14% and 28% of surplus respectively, for reinsurance ceded to Lloyd's underwriters. For the purposes of taking credit for reinsurance involving the risks of life, annuity and accident and health from unauthorized insurers, Section 125.5(a) of Department Regulation No. 20 provides that each underwriting member of Lloyd's does not qualify as an accredited reinsurer. The examiner recommends that the Company obtain an acceptable funds withheld vehicle in accordance with Section 125.6(b) of Department Regulation No. 20 for its cessions to Lloyd's. The Company has indicated its willingness to comply with Section 125.6(b) by obtaining letters of credit. Therefore, no change has been made to the 1996 and 1997 filed annual statements. The Company has obtained letters of credit pursuant to Section 125.6(b) of Department Regulation No. 20.

Item	Description
D	The Company violated Section 3201(b)(1) of the New York Insurance Law by not filing an application used in the underwriting process with the Superintendent for prior approval. The Company no longer uses the application in question, however the Company did use another unapproved application form during this examination period.
E	The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form in a manner not consistent with the approval of the Superintendent. The policy form in question is only used in the manner approved by the Superintendent.
F	The Company violated Section 3201(b)(2) of the New York Insurance Law by failing to file the disclosure statement used in the underwriting process with the Superintendent. On January 18, 2000, the Company filed the above disclosure statement, however the Company used several other out-of-state policy forms that were not filed with the Superintendent during this examination period.
G	The examiner recommends that the Company exercise control with respect to the type and amount of information furnished to it by its MGUs. This report contains several violations involving MGUs and a recommendation that the Company develop a plan of oversight for its MGUs, approved and monitored by the audit committee, to ensure that the MGUs are using approved policy forms, approved rates, appointed agents and are complying with all other applicable laws, regulations and rules.

8. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The Company violated Section 2112(a) of the New York Insurance Law by having unappointed agents represent the Company.	19
B	The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form not filed with and approved by the Superintendent.	19 - 20
C	The Company violated Section 3201(b)(2) of the New York Insurance Law by using policy forms that were not filed with the Superintendent.	20
D	The Company violated Section 4235(h)(2) of the New York Insurance Law by not filing premium rate schedules with the Superintendent for its stop-loss policies.	21
E	The Company violated Section 243.2(b)(1)(iv) of Department Regulation No. 152 by not maintaining information necessary to reconstruct the rating of policies as required by the Regulation.	21
F	The examiner recommends that the Company develop a plan of oversight for its MGUs, approved and monitored by the audit committee, to ensure that the MGUs are using approved policy forms, approved rates, appointed agents and are complying with all other applicable laws, regulations and rules.	21 - 22

Respectfully submitted,

/s/
Vijay Goswami
Senior Insurance Examiner

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

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

/s/
Vijay Goswami

Subscribed and sworn to before me

this__________ day of ____________________2001.

The foregoing report on examination is respectfully submitted:

/s/	/s/
Vijay Goswami	Joseph Pires, CFE CIE
State of New York	State of Mississippi
Representing Northeastern Zone	Representing Southeastern Zone

APPOINTMENT NO. 21677

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:

VIJAY GOSWAMI

as a proper person to examine into the affairs of the

STANDARD SECURITY 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