

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
FIRST ING LIFE INSURANCE COMPANY OF NEW YORK
AS OF
DECEMBER 31, 2000

DATE OF REPORT:

OCTOBER 26, 2001

EXAMINER:

KENNETH WEITZ

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	4
A. History	4
B. Holding company	4
C. Management	6
D. Territory and plan of operation	7
E. Reinsurance	7
4. Significant operating results	8
5. Financial statements	10
A. Assets, liabilities, capital, surplus and other funds	10
B. Condensed summary of operations	11
C. Capital and surplus account	12
6. Market conduct activities	13
7. Prior report summary and conclusions	14
8. Summary and conclusions	16



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

October 26, 2001

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

Sir:

In accordance with instructions contained in Appointment No.21784, dated September 25, 2001 annexed hereto, an examination has been made into the condition and affairs of First ING Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 230 Park Avenue, New York, New York 10169.

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

During the examination, the Company primarily limited its operations to the run off of its existing reinsurance business. There is an agreement, effective May 3, 2001, for the Company to be sold to a joint venture whose partners are Ohio National Financial Services, Inc. and Security Mutual Life Insurance Company of New York. (See item 3A of this report)

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

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

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1995. This examination covers the period from January 1, 1996 through December 31, 2000. This was a limited scope examination which included; (i) a review or audit of certain targeted balance sheet items considered by this Department to require analysis, verification or description, (ii) a review or audit of the treatment of policyholders and (iii) a review or audit of the items noted in the following paragraph. The balance sheet items targeted for review were bonds, cash and short term investments and other amounts recoverable under reinsurance contracts. 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 examiner 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
- Growth of Company
- Business in force by states
- Advertising
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and comments 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 Urbaine Insurance Company on February 7, 1973 and licensed as a property insurer on March 31, 1973. The Company was initially owned by subsidiaries of Societe Centrale L'Union des Assurances de Paris, France ("UAP"). On May 14, 1973, the Company became a licensed life insurer and changed its name to The Urbaine Life Insurance Company. The Company commenced business on July 25, 1975. Initial resources of \$4,061,574, consisting of common capital stock of \$1,000,000 and paid in and contributed surplus of \$3,061,574, were provided through the sale of 10,000 shares of common stock (with a par value of \$100 each) for \$406.15 per share. On June 27, 1977, the Company changed its name to The Urbaine Life Reinsurance Company. Ultimate control of the Company passed from UAP to SCOR S.A. in November of 1989. All of the shares of the Company's capital stock were repurchased by UAP in February 1990 and sold on March 31, 1993 to Security Life of Denver Insurance Company. On June 21, 1994 the Company changed its name to First ING Life Insurance Company of New York.

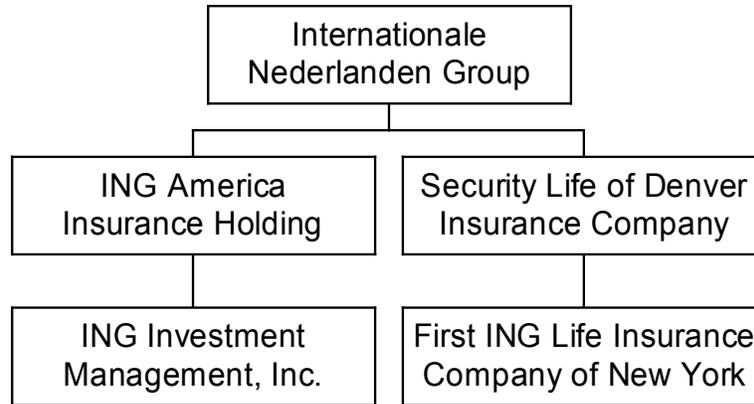
In 1997, the Company increased the par value of its capital stock from \$110 to \$250 by transferring \$1,400,000 from paid in capital to capital stock. This increased capital stock to \$2,500,000 and decreased paid in and contributed surplus to \$21,929,976.

There is an agreement, effective May 3, 2001, for the Company to be sold to a joint venture whose partners are Ohio National Financial Services, Inc. and Security Mutual Life Insurance Company of New York.

B. Holding Company

The Company is a wholly owned subsidiary of Security Life of Denver Insurance Company ("SLD"), a Colorado insurer, which is ultimately owned by Internationale Nederlanden Group of the Netherlands.

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



The Company has three service agreements with SLD, ING America Insurance Holding (“America”) and ING Investment Management, Inc. (“Investment”). Under the agreement with SLD the Company is provided reinsurance administration, administrative services and investment services. The agreement with America is a revolving credit agreement. Under the agreement, the Company may borrow money to meet short-term cash needs. The agreement with Investment is for investment management services.

The Company’s service agreement with SLD states that actual costs are determined based on methods used by SLD for internal cost distribution, including time studies prepared at least annually for this purpose. The last time study performed by SLD was in 1997. The examiner found that time studies were not done annually as required under the service agreement.

The examiner recommends that the Company perform annual time studies as required by the service agreement.

The Company entered into a revolving credit loan agreement with America in 1997. Part of the non-disapproval process was that an annual submission be made to the Department outlining any advances made during the year. The Company did not make submissions for any of the years under examination.

The examiner recommends that the Company make annual submissions outlining any advances made under the revolving credit loan agreement.

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 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in November of each year. As of December 31, 2000, 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, 2000, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
John R. Barmeyer Atlanta, GA	Chief Legal Officer First ING Life Insurance Company of New York	1994
Barnett Chernow West Chester, PA	President and Chief Executive Officer First ING Life Insurance Company of New York	1999
Carol V. Coleman* Larchmont, NY	President Coleman & Co. Executive Search	1994
Michael W. Cunningham Avon, CT	Executive Vice President ING America Insurance Holdings, Inc.	1997
Fred A. Deering* Osprey, FL	Director Invesco Funds	1993
Weaver H. Gaines* Ocean Beach, NY	Chairman Ixion Biotechnology, Inc.	1993
Myles R. Tashman Lambertville, NJ	Senior Vice President First ING Life Insurance Company of New York	1994
Mark A. Tullis East Hills, NY	Executive Vice President Strategies and Operations First Golden American Life Insurance Corp.	1999
Stephen West* Bernardsville, NJ	Of Counsel Sullivan and Cromwell	1997

* 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:

<u>Name</u>	<u>Title</u>
Barnett Chernow	President and Chief Executive Officer
Thomas F. Conroy	Executive Vice President, Reinsurance
James L. Livingston, Jr.	Executive Vice President and Chief Actuary
Myles R. Tashman	Senior Vice President
David S. Pendergrass	Vice President and Treasurer
Amy L. Winsor	Vice President and Chief Administrative Officer
David L. Jacobsen	Vice President
Mary B. Wilkinson	Vice President
John R. Barmeyer	Chief Legal Officer
William S. Lutter*	Vice President, Administration
Shari Enger	Vice President and Controller
Eric G. Banta	Corporate 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 and is licensed to transact business in 21 states. However, the Company has been generally inactive with respect to new business.

During the examination period, the Company primarily limited its operations to the run off of its existing reinsurance business. The only product directly written by the Company during the period under examination was a medical stop-loss policy. However, the Company only wrote seven policies and decided not to renew the policies in 2000.

E. Reinsurance

During the examination period, the Company did not enter into any new reinsurance treaties. As of the date of this report, the Company had 54 treaties under which they assumed business and 19 treaties whereby they retroceded most of the assumed business. Reserve credit taken for reinsurance ceded with unauthorized companies, totaling \$8,910,103, was supported by two letters of credit.

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, <u>1995</u>	December 31, <u>2000</u>	Increase (Decrease)
Admitted assets	<u>\$22,610,567</u>	<u>\$21,220,573</u>	<u>\$(1,389,994)</u>
Liabilities	<u>\$ 1,169,271</u>	<u>\$ 638,842</u>	<u>\$ (530,429)</u>
Common capital stock	\$ 1,100,000	\$ 2,500,000	\$ 1,400,000
Gross paid in and contributed surplus	23,329,976	21,929,976	(1,400,000)
Unassigned funds (surplus)	<u>(2,988,680)</u>	<u>(3,848,245)</u>	<u>(859,565)</u>
Total capital and surplus	<u>\$21,441,296</u>	<u>\$20,581,731</u>	<u>\$ (859,565)</u>
Total liabilities, capital and surplus	<u>\$22,610,567</u>	<u>\$21,220,573</u>	<u>\$(1,389,994)</u>

The Company's invested assets, as of December 31, 2000, consisted entirely of bonds. The Company's entire bond portfolio, as of December 31, 2000, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Ordinary:					
Life insurance	\$ 268,811	\$ 651,466	\$ 733,290	\$ 814,412	\$603,510
Individual annuities	<u>(109,952)</u>	<u>(8,954)</u>	<u>(3,342)</u>	<u>0</u>	<u>0</u>
Total ordinary	\$ <u>158,859</u>	\$ <u>642,512</u>	\$ <u>729,948</u>	\$ <u>814,412</u>	\$ <u>603,510</u>
Credit life	\$ <u>11,044</u>	\$ <u>6,330</u>	\$ <u>3,015</u>	\$ <u>1,919</u>	\$ <u>0</u>
Group:					
Life	\$ 778	\$ 565	\$ 0	\$ 6,514	\$ (7,271)
Annuities	<u>0</u>	<u>(326,480)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total group	\$ <u>778</u>	\$ <u>(325,915)</u>	\$ <u>0</u>	\$ <u>6,514</u>	\$ <u>(7,271)</u>
Accident and health:					
Group	\$ 50	\$ (24,301)	\$(372,546)	\$(161,437)	\$171,766
Credit	<u>4,066</u>	<u>150</u>	<u>30</u>	<u>1,460</u>	<u>0</u>
Total accident and health	\$ <u>4,116</u>	\$ <u>(24,151)</u>	\$ <u>(372,516)</u>	\$ <u>(159,977)</u>	\$ <u>171,766</u>
Total	\$ <u>174,797</u>	\$ <u>298,776</u>	\$ <u>360,447</u>	\$ <u>662,868</u>	\$ <u>768,005</u>

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	\$19,917,020
Cash and short term investments	(380,373)
Reinsurance ceded:	
Other amounts recoverable under reinsurance contracts	1,309,683
Guaranty funds receivable or on deposit	992
Investment income due and accrued	<u>373,251</u>
 Total admitted assets	 <u>\$21,220,573</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for accident and health policies	\$ 464,360
Commissions to agents due or accrued	22,798
General expenses due or accrued	1,241
Taxes, licenses and fees due or accrued	82,129
Amounts withheld or retained by company as agent or trustee	2,650
Remittances and items not allocated	(160,634)
Reinsurance in unauthorized companies	6,438
Payable to parent, subsidiaries and affiliates	<u>219,860</u>
 Total liabilities	 <u>\$ 638,842</u>
 Common capital stock	 \$ 2,500,000
Gross paid in and contributed surplus	21,929,976
Unassigned funds (surplus)	<u>(3,848,245)</u>
 Total capital, surplus and other funds	 <u>\$20,581,731</u>
 Total liabilities, capital, surplus and other funds	 <u>\$21,220,573</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Premiums and annuity considerations	\$ 648,746	\$ 333,614	\$ 793,448	\$ 618,800	\$ 55,955
Investment income	1,052,116	1,265,680	1,299,839	1,334,242	1,329,068
Commissions and reserve adjustments on reinsurance ceded	480,094	423,151	544,951	599,329	318,990
Miscellaneous income	<u>3,608</u>	<u>54,693</u>	<u>(9,609)</u>	<u>(5,052)</u>	<u>(3,212)</u>
Total income	<u>\$2,184,564</u>	<u>\$2,077,138</u>	<u>\$2,628,629</u>	<u>\$2,547,319</u>	<u>\$1,700,801</u>
Benefit payments	\$ 25,198	\$1,189,116	\$ 231,359	\$ 405,007	\$ (386,213)
Increase in reserves	18,682	(24,418)	478,318	(35,908)	(55,506)
Commissions	440,333	353,446	423,375	501,870	257,681
General expenses and taxes	1,192,899	1,240,332	1,216,710	1,089,390	929,957
Net transfers to Separate Accounts	570,557	(807,423)	(22,000)	0	0
Miscellaneous deductions	<u>(238,130)</u>	<u>(172,691)</u>	<u>(59,580)</u>	<u>(77,850)</u>	<u>(26,139)</u>
Total deductions	<u>\$2,009,539</u>	<u>\$1,778,362</u>	<u>\$2,268,182</u>	<u>\$1,882,509</u>	<u>\$ 719,780</u>
Net gain	\$ 175,025	\$ 298,776	\$ 360,447	\$ 664,810	\$ 981,021
Federal income taxes	<u>227</u>	<u>0</u>	<u>0</u>	<u>1,941</u>	<u>213,016</u>
Net income	<u>\$ 174,798</u>	<u>\$ 298,776</u>	<u>\$ 360,447</u>	<u>\$ 662,869</u>	<u>\$ 768,005</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Capital and surplus, December 31, prior year	\$ <u>21,441,296</u>	\$ <u>21,426,882</u>	\$ <u>21,799,336</u>	\$ <u>22,260,994</u>	\$ <u>20,854,412</u>
Net income	\$ 174,798	\$ 298,776	\$ 360,447	\$ 662,869	\$ 768,005
Change in net unrealized capital gains (losses)	(138,112)	106,464	(175,955)	(98,651)	(819,131)
Change in nonadmitted assets and related items	(77,477)	12,494	231,886	(800)	(215,117)
Change in liability for reinsurance in unauthorized companies	0	(2,259)	2,259	0	(6,438)
Change in asset valuation reserve	26,377	(43,021)	43,021	0	0
Change in capital paid in	0	1,400,000	0	0	0
Surplus adjustment paid in	0	(1,400,000)	0	0	0
Dividends to stockholders	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,970,000)</u>	<u>0</u>
Net change in capital and surplus	\$ <u>(14,414)</u>	\$ <u>372,454</u>	\$ <u>461,658</u>	\$ <u>(1,406,582)</u>	\$ <u>(272,681)</u>
Capital and surplus, December 31, current year	\$ <u>21,426,882</u>	\$ <u>21,799,336</u>	\$ <u>22,260,994</u>	\$ <u>20,854,412</u>	\$ <u>20,581,731</u>

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.

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 a review of past and present underwriting practices did not reveal any instances where a problem could exist. This review included an examination of internal underwriting manuals and guidelines, policies and application forms and discussions with the corporate officers of claims and underwriting. The Company has not acquired any business as a result of assumption, merger, acquisition, consolidation or purchase.

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 the citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1202(b)(1) of the New York Insurance Law in that less than one third of the directors were neither officers nor employees of the Company or its affiliates.</p> <p>A review indicated that the Company appointed new directors so that the board is now comprised of at least one third unaffiliated persons.</p>
B	<p>The Company did not comply with its by-laws by failing to hold regular meetings of the board of directors.</p> <p>A review indicated that the Company now holds regularly scheduled meetings of the board of directors.</p>
C	<p>The Company violated Section 1202(b)(2) of the New York Insurance Law in that the Independent Directors Committee did not perform the duties required by such committee.</p> <p>A review indicated that the Independent Directors Committee performed all duties required by Section 1202(b)(2) of the New York Insurance Law.</p>
D	<p>The Company did not comply with its by-laws by failing to have five directors on the Company's Independent Directors Committee.</p> <p>A review indicated that the by-laws were amended and the Independent Directors Committee has the requisite number of directors.</p>
E	<p>The Company violated Section 1411(a) of the New York Insurance Law in that the board of directors did not authorize or approve investment transactions made during the examination period.</p> <p>A review indicated that all investment transactions are now authorized or approved by the board of directors.</p>

<u>Item</u>	<u>Description</u>
F	<p>The examiner recommends that, when a trust account is established for the sole benefit of a ceding company, the Company report the excess of the asset value of the trust account over the liability associated with the underlying reinsurance contract as a non-admitted asset.</p> <p>A review indicated that the Company does establish a non-admitted asset when the asset value of the trust account is greater than the corresponding liability.</p>

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Company perform annual time studies as required by the service agreement.	5
B	The examiner recommends that the Company make annual submissions outlining any advances made under the revolving credit loan agreement.	5

APPOINTMENT NO. 21784

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:

KENNETH WEITZ

as a proper person to examine into the affairs of the

FIRST ING 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.

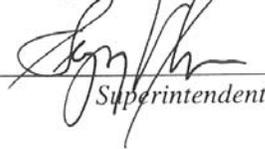
In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 25th day of September, 2001



GREGORY V. SERIO

Superintendent of Insurance


Superintendent