

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

NORTHSTAR LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2000

DATE OF REPORT:

JULY 13, 2001

EXAMINER:

DAVID COOPER

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

July 13, 2001

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

Sir:

In accordance with instructions contained in Appointment No. 21674 dated January 10, 2001 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 University Corporate Center at Amherst, 100 Corporate Parkway, Amherst, New York 14226.

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

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

1. EXECUTIVE SUMMARY

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

The 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. (See item 3C of this report)

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. (See item 4 of this report)

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. (See item 6A 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 2000 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

- Company history
- Management and control
- Corporate records
- 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 violations, recommendations and/or 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

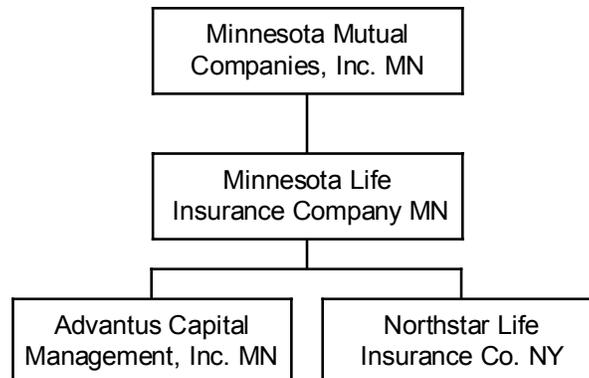
A. History

The Company was incorporated as 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, 2000, the Company had common capital stock of \$2,000,000 and paid in and contributed surplus of \$6,000,000.

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, 2000 follows:



The Company had two service agreements in effect as of December 31, 2000. One agreement with its parent, ML, provides for the rendering of accounting, data processing, tax, auditing, actuarial, underwriting, claims, marketing, advertising, and sales promotional activities. Another agreement with Advantus Capital Management, Inc. provides for the rendering of services in connection with the Company's investment portfolio.

Section 308(a) of the New York Insurance Law states, in part:

“The superintendent may also address to any . . . authorized insurer or its officers any inquiry in relation to its transactions or condition or any matter connected therewith. Every corporation or person so addressed shall reply in writing to such inquiry promptly . . . ”

Department Circular Letter No. 33 (1979) advises that:

“ . . . Any domestic insurer which currently does not participate in a consolidated tax return shall file a copy of its tax allocation agreement with this Department within 30 days of electing to do so. Furthermore, notification to this Department should be given within 30 days of any amendment to or termination of a tax allocation agreement.”

The Company files its federal income tax on a consolidated basis with other members of its holding company system. In connection therewith, the Company participates in a written federal tax allocation agreement with its parent, ML. The Company has not submitted a copy of the agreement to the Department.

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).

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 21 directors. 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, 2000, the board of directors consisted of only 12 members due to the resignation of Helen W. Leslie in October 2000. She was replaced by Geoffrey S. Michel at the annual meeting of the

shareholders in March 2001. Meetings of the board are held annually. Interim resolutions during the year are made by unanimous written consent of the board.

The 12 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 F. Bruder Mendota Heights, MN	Vice President Northstar Life Insurance Company	1989
Keith M. Campbell Mendota Heights, MN	Senior Vice President Minnesota Life Insurance Company	1989
Susan L. Ebertz Woodbury, MN	Vice President of Operations Northstar Life Insurance Company	1997
John M. Gibbons, III * New York, NY	Managing Director Bankers Trust Company/Deutsche Bank	1993
Kathleen A. Hagen * Staten Island, NY	Senior Vice President P&L Corporate Services, Inc	1993
Robert E. Hunstad Eagan, MN	President and Chief Executive Officer Northstar Life Insurance Company	1993
James E. Johnson St. Paul, MN	Vice President and Actuary Northstar Life Insurance Company	1989
Marc J. Lifset * Albany, NY	Attorney at Law McNamee, Lochner, Titus & Williams	1993
Harry P. Meislahn * Slingerlands, NY	Attorney at Law McNamee, Lochner, Titus & Williams	1996
Dennis E. Prohofsky St. Paul, MN	Vice President and Secretary Northstar Life Insurance Company	1994
Joseph W. Sarbinowski * New York, NY	Director Bankers Trust Company/Deutsche Bank	1994
Robert L. Senkler White Bear Lake, MN	President and Chief Executive Officer Minnesota Life Insurance Company	1994

* 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>
Robert E. Hunstad	President and Chief Executive Officer
Frederick P. Feuerherm	Treasurer
Dennis E. Prohofsky	Vice President and Secretary
James E. Johnson	Vice President and Actuary
Susan L. Ebertz	Vice President of Operations
Robert M. Olafson	Vice President, Group Insurance
Paul. W. Anderson	Vice President
John F. Bruder	Vice President
Paul C. Dorn *	Vice President and Assistant Secretary

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

In March 2001, Donna Adams was appointed Second Vice President of Operations and Assistant Secretary and was designated the consumer services officer. In March 2001, Paul C. Dorn was replaced by Geoffrey S. Michel.

Section 1202(b)(2) of the New York Insurance Law states, in part:

“The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the company’s financial condition, the scope and results of independent audit and any internal audit, nominating candidates for director . . . evaluating the performance of officers deemed . . . to be principal officers of the company and recommending to the board of directors the selection and compensation of such principal officers and . . . recommending to its board of directors any plan to issue options to its officers and employees for the purchase of stock . . .”

The examiner did not note any references to an independent committee in the board minutes for the period under examination, nor any references indicating that an independent committee has been performing the duties required by law, and no minutes for such a committee were provided to the examiner.

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.

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 Company’s lines of business include group life, group mortgage life, group credit accident and health, and group credit life and disability coverage. The principal lines of business sold during the examination period were group mortgage life and group credit accident and health coverage.

The Company distributes its products through financial institutions to New York residents. In addition, the Company’s products are sold and serviced through salaried representatives. There are 34 non-resident representatives and two resident representatives.

There are also 23 licensed and appointed brokers, financial institutions and loan officers who receive commissions.

In January 2000, Northstar entered into a relationship with Creditor Services Inc. ("CSI"), a major broker marketing credit life and accident and health business to credit unions. The CSI business represents 56.8% of total credit life premium and 80.9% of total credit disability premium as of December 31, 2000. CSI was appointed to represent the Company on February 23, 2000 and CSI received compensation totaling \$562,446 in 2000.

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.

E. Reinsurance

As of December 31, 2000, 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, 2000, was \$16,678,269, which represents .8% of the total face amount of life insurance in force.

Effective January 1, 1999, the Company took over as successor to an agreement with Hartford Life Insurance Company that was originally written with the parent, Minnesota Life Insurance Company. The original agreement was effective January 1, 1989, and provides for 100% assumption by Northstar of a series of credit life, mortgage life and mortgage disability policies. An Administrative Services and Claims Administrative Agreement is part of the reinsurance arrangement whereby the Company provides for the administration of the policies. The agreements were 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, 2000 was \$432,000.

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>1997</u>	December 31, <u>2000</u>	<u>Increase</u>
Admitted assets	\$ <u>25,186,075</u>	\$ <u>38,335,368</u>	\$ <u>13,149,293</u>
Liabilities	\$ <u>14,440,107</u>	\$ <u>23,840,463</u>	\$ <u>9,400,356</u>
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)	<u>2,745,968</u>	<u>6,494,905</u>	<u>3,748,937</u>
Total capital and surplus	\$ <u>10,745,968</u>	\$ <u>14,494,905</u>	\$ <u>3,748,937</u>
Total liabilities and surplus	\$ <u>25,186,075</u>	\$ <u>38,335,368</u>	\$ <u>13,149,293</u>

The Company experienced a significant increase in admitted assets, liabilities and surplus due to the increase in credit business.

The Company's invested assets as of December 31, 2000, were mainly comprised of bonds (89.5%) and cash and short-term investments (8.6%). 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>1998</u>	<u>1999</u>	<u>2000</u>
Credit life	\$ 221,674	\$ 22,769	\$ 182,357
Group life	\$ 901,445	\$ 655,201	\$ 683,826
Accident and health:			
Group	\$ 560,187	\$ 515,717	\$ 598,519
Credit	<u>(57,904)</u>	<u>(76,806)</u>	<u>(762,255)</u>
Total accident and health	<u>\$ 502,283</u>	<u>\$ 438,911</u>	<u>\$(163,736)</u>
Total	<u>\$1,625,402</u>	<u>\$1,116,881</u>	<u>\$ 702,447</u>

The decrease in the credit life gain in 1999 was due to higher claims experience. The increase in the credit life gain in 2000 was due to the credit life business the Company began writing through CSI. The increasing losses in the credit accident and health business were due to large increases in the reserves and commissions resulting from the new business written through CSI.

Section 91.4(c)(2) of Department Regulation No. 33 states, in part:

“Net investment income . . . shall be distributed to major annual statement lines of business either:

- (i) in proportion to the total mean policy reserves and liabilities of each of such major annual statement lines of business or
- (ii) in proportion to the total mean funds of each of such major annual statement lines of business. . . .”

Net investment income was distributed to major annual statement lines of business based on the amount of time spent by each employee on each line of business.

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	53.8%	59.6%	64.7%
Increase in policy reserves	0.0	0.0	3.6
Commissions	0.0	0.0	7.7
Expenses	<u>32.9</u>	<u>30.5</u>	<u>29.0</u>
	<u>86.7%</u>	<u>90.1%</u>	<u>105.0%</u>
Underwriting results	<u>13.3%</u>	<u>9.9%</u>	<u>(5.0)%</u>

The negative underwriting results in 2000 were due to the acquisition 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, 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	\$31,515,603
Cash and short term investments	3,014,824
Receivable for securities	700,000
Life insurance premiums and annuity considerations deferred and uncollected on in force business	1,276,108
Accident and health premiums due and unpaid	1,374,254
Investment income due and accrued	<u>454,579</u>
 Total admitted assets	 <u>\$38,335,368</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$11,715,501
Aggregate reserve for accident and health policies	7,511,576
Policy and contract claims:	
Life	661,350
Accident and health	463,640
Premiums and annuity considerations received in advance	2,913
Policy and contract liabilities	
Provision for experience rating refunds	1,554,746
General expenses due or accrued	945,435
Federal income taxes due or accrued	316,208
Cost of collection on premiums and annuity considerations deferred and uncollected in excess of total loading thereon	93,053
Remittances and items not allocated	228,382
Miscellaneous liabilities:	
Asset valuation reserve	76,420
Payable to parent, subsidiaries and affiliates	550
Payable for securities	248,894
Accrued interest on claims	<u>21,795</u>
 Total liabilities	 <u>\$23,840,463</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	6,000,000
Unassigned funds (surplus)	<u>6,494,905</u>
 Total capital, surplus and other funds	 <u>\$14,494,905</u>
 Total liabilities, capital, surplus and other funds	 <u>\$38,335,368</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Premiums and considerations	\$12,286,670	\$11,859,882	\$19,418,355
Investment income	1,391,446	1,592,561	1,922,473
Miscellaneous income	<u>0</u>	<u>950</u>	<u>5,124</u>
Total income	<u>\$13,678,116</u>	<u>\$13,453,393</u>	<u>\$21,345,952</u>
Benefit payments	\$ 6,269,083	\$ 6,805,237	\$ 6,839,672
Increase in reserves	775,222	1,361,563	7,619,418
Commissions	0	118	565,258
General expenses and taxes	3,958,945	3,427,291	4,493,070
Increase in loading and cost of collection	<u>(21,241)</u>	<u>(10,236)</u>	<u>36,951</u>
Total deductions	<u>\$10,982,009</u>	<u>\$11,583,973</u>	<u>\$19,554,369</u>
Net gain	\$ 2,696,107	\$ 1,869,420	\$ 1,791,583
Federal income taxes	<u>1,070,705</u>	<u>752,539</u>	<u>1,089,136</u>
Net gain from operations before net realized capital gains	\$ 1,625,402	\$ 1,116,881	\$ 702,447
Net realized capital gains (losses)	<u>(1,466)</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 1,623,936</u>	<u>\$ 1,116,881</u>	<u>\$ 702,447</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Capital and surplus, December 31, prior year	<u>\$10,745,968</u>	<u>\$12,481,082</u>	<u>\$13,902,867</u>
Net income	\$ 1,623,936	\$ 1,116,881	\$ 702,447
Change in non-admitted assets and related items	121,224	(7,357)	(85,537)
Change in asset valuation reserve	(10,046)	(36,172)	(24,877)
Prior year federal income tax adjustment	<u>0</u>	<u>348,433</u>	<u>0</u>
Net change in capital and surplus	<u>\$ 1,735,114</u>	<u>\$ 1,421,785</u>	<u>\$ 592,038</u>
Capital and surplus, December 31, current year	<u>\$12,481,082</u>	<u>\$13,902,867</u>	<u>\$14,494,905</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.

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 215.13(a) of Department Regulation No. 34 states:

“The name of the actual insurer and the form number or numbers advertised shall be identified and made clear in all of its advertisements. . . .”

Section 219.4(p) of Department Regulation No. 34-A states:

“In all advertisements made by an insurer, or on its behalf, the name of the insurer shall be clearly identified, together with the name of the city, town or village in which it has its home office in the United States. An advertisement shall prominently describe the type of policy advertised. If a specific policy or policy series is being advertised, the form or series number or other appropriate description shall be shown. . . .”

The following advertisements lacked the form number and/or the Company's home office location :

<u>Advertisement #</u>	<u>Description</u>	<u>Missing requirement</u>
F. 42769 Rev. 11-1999	Mortgage credit insurance	Form number
B 11-1999	Mortgage credit insurance	Form number
F. 49938 Rev. 11-2000	Credit insurance	Home office location, form number
F. 49101 9/95	Toll-free service	Home office location
F. 47684 Rev. 3/1997	Premium calculation	Home office location, form number
F. 47684-1 9/94	Farm credit	Form number
E416SNY	Mortgage credit	Home office location, form number

<u>Advertisement #</u>	<u>Description</u>	<u>Missing requirement</u>
E417SNY	Mortgage credit	Form number
E109LNY	Mortgage credit	Home office location, form number
E110LNY	Mortgage credit	Form number
E469SNY	Mortgage disability	Form number
E470SNY	Mortgage disability	Form number
E160LNY	Mortgage disability	Form number
E161LNY	Mortgage disability	Form number
E427SNY	Mortgage AD&D	Home office location, form number
E428SNY	Mortgage AD&D	Form number
E244LNY	Mortgage AD&D	Home office location, form number
E245LNY	Mortgage AD&D	Form number

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.

B. Underwriting and Policy Forms

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

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

C. Treatment of Policyholders

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

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

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

Supplement No. 1 to 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 “all business units and staff departments involved in the pricing, underwriting and marketing of the products offered by the Company in the state of New York conducted audits in accordance with the instructions contained in the Circular Letter. Each area involved in the audit conducted a complete review of all relevant documents, including, but not limited to, rate charts, mortality tables, compensation schedules, underwriting manuals, applications, policy forms, marketing agreements and relevant internal memoranda.”

In summary, the Company’s findings were that “they have never solicited, obtained, retained or used in any fashion the insured’s race, color, creed or national origin as part of our marketing, sales, rate setting or any other practice.” The findings also indicated that there has “never been any race-based underwriting of group life insurance issued by the Company.”

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:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Company comply with Sections 4 and VII of the signed service agreements with ML and Advantus Capital Management, Inc., respectively. This recommendation appeared in the previous report on examination.</p> <p>The Company complied with its service agreements.</p>
B	<p>The examiner recommends that the Company remove from its board of directors any member who is unable to attend the board's meetings.</p> <p>The attendance of board members was satisfactory.</p>
C	<p>The Company violated Section 1505(d) of the New York Insurance Law by terminating a reinsurance agreement with its parent ML, without notifying the superintendent in writing of its intention to do so.</p> <p>The Company subsequently notified the superintendent of the termination of the reinsurance agreement.</p>
D	<p>The Company violated Section 91.4(f)(5) of Department Regulation No. 33 by using premium volume as a basis for distributing expenses among major annual statement lines of business. This violation appeared in the previous report on examination.</p> <p>The Company properly distributed expenses as per Department Regulation No 33.</p>
E	<p>The Company violated Section 701(1) of the New York Abandoned Property Law by failing to file written reports to the state comptroller of abandoned property.</p> <p>The Company filed the appropriate reports.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
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).	5
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.	8
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.	9
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.	11
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.	17 - 18

Respectfully submitted,

David Cooper
Senior Insurance Examiner

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

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

David Cooper

Subscribed and sworn to before me
this _____ day of _____ 2001.

APPOINTMENT NO. 21674

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:

DAVID COOPER

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

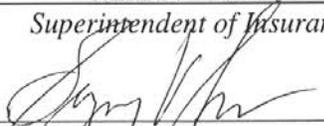
with such other information as he shall deem requisite.

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

this 10th day of January, 2001



NEIL D. LEVIN
Superintendent of Insurance


by GREGORY V. SERIO
First Deputy Superintendent