STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2003

DATE OF REPORT:	JULY 30, 2004
EXAMINER:	EDWARD J. TASKER

REPORT ON ASSOCIATION EXAMINATION

OF THE

STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2003

BY

THE INSURANCE DEPARTMENTS

OF THE

STATE OF NEW YORK

AND THE

STATE OF MISSISSIPPI

DATE OF REPORT: JULY 30, 2004

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

July 30, 2004

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

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

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

Effective October 31, 2003, the Company entered into a coinsurance agreement with Monitor Life Insurance Company of New York ("Monitor") whereby the Company agreed to reinsure 100% of Monitor's individual life insurance policies and annuity contracts, which Monitor no longer writes. The Company is also the administrator of this business. An assumption of the business is expected to take place during 2004. In addition, effective October 31, 2003, the Company also entered into a quota share reinsurance agreement with its parent, Madison National Life Insurance Company ("MNL"), in which MNL agreed to accept 58% of the Company's liability with respect to Monitor's non-participating policies.

The Company violated Section 127.2 of Department Regulation No. 102 by taking reserve credit for reinsurance where the Company can be deprived of surplus or assets at the assuming company's option. In 2003, the amount of such reserve credit totaled $7,771,705. As of December 31, 2003, the Company's surplus of $79,183,279 is overstated by the reserve credit taken; as a result, surplus should have been reported at $71,411,574. The examiner recommends that the Company amend existing reinsurance agreements, where possible, to comply with the requirements of Department Regulation No. 102. (See item 3E of this report)

The Company failed to comply with the NAIC Securities Valuation Office ("SVO") and annual statement instruction filing and reporting requirements regarding its interest only mortgage-backed securities. The examiner recommends that the Company comply with all applicable filing and reporting requirements of the SVO and annual statement instructions in future annual statement filings. (See item 5D of this report)

The examiner recommends that the Company develop a disaster recovery plan and a business continuity plan. (See item 7 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, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2003 to determine whether the Company's 2003 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendation 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 June 28, 1957, under the name American Security Life Insurance Company of New York. It 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).

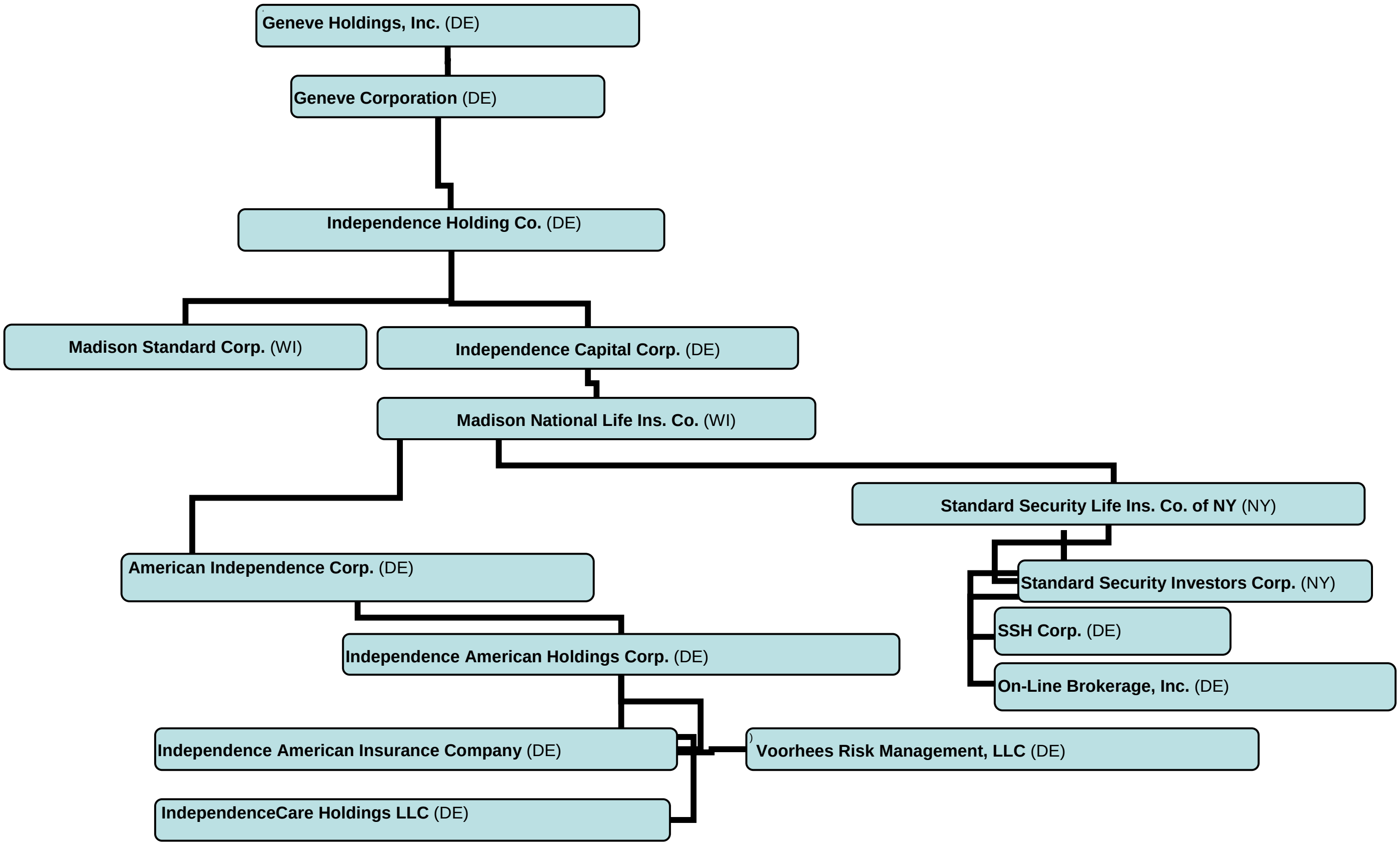
As of December 31, 2000, the Company had paid-in and contributed surplus of $2,586,845 and $6,022,278, respectively. The Company's paid-in surplus increased by $134,141 in 2002 due to a capital contribution from its parent, MNL, consisting of its ownership in IndependenceCare Holdings, LLC.

As of December 31, 2003, 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 $6,156,419, respectively.

B. Holding Company

The Company is a wholly owned subsidiary of MNL, a Wisconsin life insurance company, which sells group long-term disability and group term life products to school districts and municipalities in the Midwest. MNL is in turn a wholly owned subsidiary of Independence Holding Company ("IHC"), a holding company domiciled in the State of Delaware, and engaged principally in the life and health 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 significant entities in its holding company system as of December 31, 2003 follows:


Geneve Holdings, Inc. (DE)
Geneve Corporation (DE)
Independence Holding Co. (DE)
Madison Standard Corp. (WI)
Independence Capital Corp. (DE)
Madison National Life Ins. Co. (WI)
Standard Security Life Ins. Co. of NY (NY)
American Independence Corp. (DE)
Standard Security Investors Corp. (NY)
SSH Corp. (DE)
Independence American Holdings Corp. (DE)
On-Line Brokerage, Inc. (DE)
Independence American Insurance Company (DE)
Voorhees Risk Management, LLC (DE)
IndependenceCare Holdings LLC (DE)

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

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Service Agreement	11/1/99	Madison Standard Corp.	the Company	Underwriting, premium collection, agent administration and claims payment	2001: $(42,385) 2002: $(31,091) 2003: $(56,572)
Service Agreement	6/1/98	IHC, First Standard Security Company, and Independence Care, LLC	the Company, Standard Security Investors Corp., Standard Life Asset Management Corp., On-Line Brokerage, Inc., SSH Corp.	Technical expertise for complex GAAP accounting transactions; financial, underwriting, claims and administrative audits; recommendations for appointment, retention and, if necessary, termination of managing general underwriters	2001: $0 2002: $0 2003: $(26,280)
Amended and Restated Service Agreement	11/25/03 Originally dated 10/16/98	Madison Standard Corp.	the Company	Data processing, actuarial, policy administrative services and accounting services	2001: $(57,636) 2002: $(46,343) 2003: $(89,999)
Amended and Restated Investment Counsel Agreement	1/1/02 Originally dated 8/1/89	IHC	the Company	Investment counseling services	2001: $(230,110) 2002: $(516,089) 2003: $(609,863)

* Amount of Income or (Expense) Incurred 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, 2003, the board of directors consisted of 11 members. Meetings of the board are held quarterly.

The 11 board members and their principal business affiliation, as of December 31, 2003, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Bernard Eichwald* Stamford, CT	President B. Eichwald & Co., Inc.	1960
Alex Giordano S. Bellmore, NY	Executive Vice President 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 Independence Holding Company	1992
Robert M. Leopold* Larchmont, NY	President Huguenot Associates, 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 Netter International, Ltd.	1973
Martin L. Rein New York, NY	Vice Chairman Standard Security Life Insurance Company of New York	1957
Robert P. Ross, Jr.* Houston, TX	President The Starboard Capital Management Corporation	1978

Name and Residence	Principal Business Affiliation	Year First Elected
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, 2003:

Name	Title
Roy T. K. Thung	Chairman and Chief Executive Officer
Rachel Lipari	President and Chief Operating Officer
Martin L. Rein*	Vice Chairman
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

*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 50 states, the District of Columbia, Puerto Rico, and the U. S. Virgin Islands. In 2003, 62.14% of life premiums were received from New York; 14.52% and 12.03% of accident and health premiums were received from New York and California, respectively. Policies are written on both a participating and non-participating basis.

During the examination period, the Company's principal products were as follows:

> 1) excess or stop-loss insurance for: (i) self–insured employer groups; (ii) providers and managed care organizations, including provider hospital organizations, hospital groups, physician groups and individual practice associations; and (iii) health maintenance organizations;
> 2) short-term disability insurance ("DBL"), marketed only in New York State;
> 3) group term life insurance; and,
> 4) group annuities, which were sold in defined benefit and defined contribution service award programs for volunteer emergency services personnel in 45 states.

The Company also markets, in 16 states, deposit-type contracts for defined benefit and defined contribution service award programs marketed to volunteer firefighters.

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

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

	2001	2002	2003
General Agents/NYS DBL	76	76	76
Soliciting Agents/Brokers			
DBL-NY only	480	428	379
Stop-loss	2,733	3,157	3,884

As of December 31, 2003, the Company also had 12 MGUs. The MGUs are non-salaried contractors who receive administrative fees for administering the Company's stop-loss business. They underwrite policies utilizing the Company's underwriting guidelines, and pay claims on behalf of the Company.

E. Reinsurance

As of December 31, 2003, the Company had reinsurance treaties in effect with 67 companies, of which 41 were authorized or accredited. The Company's ordinary and group life business is ceded on a coinsurance, modified-coinsurance, catastrophe, and yearly renewable term basis. Reinsurance is provided on both an automatic and facultative basis.

The Company's maximum retention limits are as follows: $210,000 for individual life contracts; $550,000 on any one medical stop-loss claim; $2,500 of monthly benefits on a disability income policy; and $25,000 on special disability.

The total face amount of life insurance ceded, as of December 31, 2003, was $49,122,000, which represents 33.9% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling $9,613,566, was supported by letters of credit and a trust agreement.

The total face amount of life insurance assumed, as of December 31, 2003, was $133,529,789. Of this total, $86,576,000 was assumed from Monitor.

The Company maintains reinsurance agreements with Transatlantic Reinsurance Company ("Transatlantic"), Partner Reinsurance Company of the U.S. ("Partner"), and Everest Reinsurance Company ("Everest"). Each of the agreements with these reinsurers states that the Company will require the reinsurers' prior written approval for payment on claims equal to or greater than $200,000.

Section 127.2 of Department Regulation No. 102 states, in part:

> "(a) No insurer subject to this part, shall for reinsurance ceded, take reserve credit by reducing a liability or establishing an asset in any financial statement filed with the superintendent if, . . . (2) The ceding insurer can be deprived of surplus or assets at the assuming insurer's option or automatically upon the occurrence of some event . . . "

While it may be appropriate for a reinsurance agreement to contain a provision that allows the reinsurer to be afforded claim notification or consultation, under Department Regulation No. 102, it is inappropriate for a reinsurance agreement to require the reinsurer's prior approval for payment of claims. Since reimbursement for the reinsured portion of claims is contingent upon the reinsurer's approval, the Company may be denied reimbursement.

The Company violated Section 127.2 of Department Regulation No. 102 by taking reserve credits for reinsurance with Everest, Transatlantic and Partner, since the Company can be deprived of surplus or assets at the assuming insurer's option.

In 2003, the Company reported an aggregate total of $7,771,705 in reserve credit for its reinsurance agreements with Transatlantic, Partner and Everest. As discussed above, the Company failed to meet the requirements of Department Regulation No. 102, and, therefore, the full amount of the reserve credit should have been not admitted. As of December 31, 2003, the Company's surplus of $79,183,279 is overstated by the aforementioned reserve credit; as a result, surplus should have been reported at $71,411,574.

The examiner recommends that the Company amend existing reinsurance agreements, where possible, to comply with the requirements of Department Regulation No. 102.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 2000	December 31, 2003	Increase
Admitted assets	$183,195,669	$248,380,652	$65,184,983
Liabilities	$120,062,608	$160,229,109	$40,166,501
Common capital stock	$ 2,586,845	$ 2,586,845	$ 0
Gross paid in and contributed surplus	6,022,278	6,156,419	134,141
Group life contingency reserve	123,000	225,000	102,000
Unassigned funds (surplus)	54,400,938	79,183,279	24,782,341
Total capital and surplus	$ 63,133,061	$ 88,151,543	$25,018,482
Total liabilities, capital and surplus	$183,195,669	$248,380,652	$65,184,983

The Company's invested assets, as of December 31, 2003, were mainly comprised of bonds (77.8%) and stocks (7.2%). The majority (92.6%) of the Company's bond portfolio, as of December 31, 2003, was comprised of investment grade obligations.

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

Individual
Whole Life

Year	Issued	In Force
2001	$0	$ 67,187
2002	$0	$ 65,451
2003	$28	$144,870

The Company's assumption of ordinary life insurance in 2003 led to the increase of in-force at year-end.

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

	2001	2002	2003
Ordinary:			
Life insurance	$ 323,465	$ (206,505)	$(1,170,527)
Individual annuities	246,630	335,893	325,746
Supplementary contracts	(9,231)	86,592	(140,795)
Total ordinary	$ 560,864	$ 215,980	$ (985,576)
Group:			
Life	$ (564,313)	$ (353,462)	$ (105,928)
Annuities	603,680	717,100	624,409
Total group	$ 39,367	$ 363,638	$ 518,481
Accident and health:			
Group	$6,835,102	$ 8,191,857	$9,521,235
Other	15,626	(130,852)	(87,611)
Total accident and health	$6,850,728	$8,061,005	$9,433,624
Total	$7,450,959	$8,640,623	$8,966,529

The Company distributed net investment income to major annual statement lines of business utilizing a worksheet that contained an incorrect formula for allocating investment income among the ordinary life, individual annuity and supplementary contract lines of business. The examiner reviewed the allocation and determined that the Company’s method of calculation under-allocated investment income to the ordinary life line of business.

The Company has corrected the allocation formula for future filings.

As indicated earlier, in 2003, the Company reinsured a block of life and annuity business from Monitor. The net loss in 2003 was due to the resultant increase in reserves and transfer fees on this block of business.

The Company continued to generate income on its deposit-type funds. These amounts are reflected in the group annuity line of business.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2003, as contained in the Company's 2003 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

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

Admitted Assets

Bonds	$193,141,741
Stocks:	
Preferred stocks	4,924,000
Common stocks	12,840,302
Cash, cash equivalents and short-term investments	8,140,754
Contract loans	1,391,823
Other invested assets	5,933,958
Receivable for securities	5,771,506
Investment income due and accrued	2,051,516
Premiums and considerations:	
Uncollected premiums and agent's balances in the course of collection	3,022,287
Deferred premiums, agents' balances and installments booked but deferred and not yet due	351,114
Reinsurance:	
Amounts recoverable from reinsurers	467,549
Other amounts receivable under reinsurance contracts	242,394
Net deferred tax asset	837,027
Electronic data processing equipment and software	7,545
Claim funds	9,257,136
Total admitted assets	$248,380,652

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life contracts	$ 30,347,322
Aggregate reserve for accident and health contracts	33,463,715
Liability for deposit-type contracts	65,928,511
Contract claims:	
Life	94,745
Accident and health	687,811
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	138,741
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	26,618
Commissions to agents due or accrued	2,268,247
Commissions and expense allowances payable on reinsurance assumed	1,189,012
General expenses due or accrued	1,597,710
Taxes, licenses and fees due or accrued	2,735,438
Current federal and foreign income taxes	(150,300)
Amounts withheld or retained by company as agent or trustee	15,142
Remittances and items not allocated	2,799,342
Miscellaneous liabilities:	
Asset valuation reserve	4,237,987
Reinsurance in unauthorized companies	863,503
Payable to parent, subsidiaries and affiliates	7,588,387
Funds held under coinsurance	49,467
Payable for securities	6,175,270
Reserve for unpresented checks	171,308
Premium deposit funds	1,133
Total liabilities	$160,229,109
Common capital stock	$ 2,586,845
Gross paid in and contributed surplus	6,156,419
Group contingency life reserve	225,000
Unassigned funds (surplus)	79,183,279
Total capital, surplus and other funds	$ 88,151,543
Total liabilities, capital, surplus and other funds	$248,380,652

B. CONDENSED SUMMARY OF OPERATIONS

	2001	2002	2003
Premiums and considerations	$ 64,435,608	$ 81,590,023	$ 92,524,029
Investment income	9,459,990	9,442,272	9,253,714
Commissions and reserve adjustments on reinsurance ceded	21,864,947	23,148,401	25,085,891
Asset received on reserves transferred	4,058,887	0	11,086,498
Other income	455,348	53,042	129,660
Total income	$100,274,780	$114,234,438	$138,079,792
Benefit payments	$ 55,349,970	$ 52,644,423	$ 53,859,734
Increase in reserves	(5,448,581)	13,206,450	15,433,858
Commissions	25,410,878	28,184,203	35,840,956
General expenses and taxes	12,867,639	15,968,784	18,535,615
Increase in loading on deferred and uncollected premium	23,289	16,077	349,543
Total deductions	$ 88,203,196	$100,019,937	$124,019,706
Net gain (loss)	$ 12,071,584	$ 14,214,501	$ 14,060,086
Dividends	210,068	75,440	111,202
Federal and foreign income taxes incurred	4,410,017	5,498,438	4,982,355
Net gain (loss) from operations before net realized capital gains	$ 7,450,959	$ 8,640,623	$ 8,966,529
Net realized capital gains (losses)	(121)	582	1,420,332
Net income	$ 7,450,838	$ 8,641,205	$ 10,386,861

C. CAPITAL AND SURPLUS ACCOUNT

	2001	2002	2003
Capital and surplus, December 31, prior year	$ 63,133,061	$70,350,544	$79,301,198
Net income	$ 7,450,838	$ 8,641,205	$10,386,861
Change in net unrealized capital Gains (losses)	1,488,732	2,586,640	(639,697)
Change in net deferred income tax	0	0	(1,033,354)
Change in non-admitted assets and related items	(227,239)	(3,840,723)	1,582,833
Change in liability for reinsurance in unauthorized companies	454,967	159,237	1,094,705
Change in asset valuation reserve	(1,949,815)	(1,845,433)	3,458,997
Cumulative effect of changes in accounting Principles	0	3,115,587	0
Capital changes:			
Paid in	0	134,141	0
Dividends to stockholders	0	0	(6,000,000)
Net change in capital and surplus	$ 7,217,483	$ 8,950,654	$ 8,850,345
Capital and surplus, December 31, current year	$ 70,350,544	$ 79,301,198	$88,151,543

D. INTEREST ONLY SECURITIES

The Company reported certain interest only mortgage-backed securities ("I/Os") as bonds in Schedule D of the 2003 annual statement.

Page two, part six of the 2003 SVO Manual states, in part:

> "The reporting insurance company shall provide the SVO with two price quotes for any bond without a publicly available price. The price quotes shall be obtained from financial institutions acceptable to the SVO and shall be written on the letterhead of such financial institutions. The SVO shall use these price quotes to determine a Unit Price for the bond."

The Company did not provide the SVO with two price quotes for each I/O that did not have a publicly available price. In Schedule D Part 1 of the 2003 annual statement, for each I/O, the Company reported $0 in column 5 - "Rate Used to Obtain Fair Value", and reported the book value, instead of fair value, in column 6 – "Fair Value". The Company failed to comply with the filing requirements of the SVO as of December 31, 2003.

The Company recorded I/O impairments utilizing Schedule D Parts 1, 3, 4 and 5 of the 2003 annual statement. The book values of I/Os purchased during previous financial years were changed by showing them as fictitious purchases and sales from a counterparty "impairment" during 2003. They were shown as purchases in Schedule D Part 3, sales in Schedule D Part 4, and as a purchase and a sale in Schedule D Part 5, all with false dates indicating that the securities were acquired in 2003. No real transactions took place in 2003. In accordance with the annual statement instructions, the Company should only have used Schedule D Part 1 to record the I/O impairments.

The examiner recommends that the Company report I/O impairments in Schedule D Part 1 only, in accordance with the annual statement instructions.

The examiner also recommends that the Company comply with all applicable filing and reporting requirements of the SVO, and annual statement instructions, in future annual statement filings.

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

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

B. Underwriting and Policy Forms

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

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

C. Treatment of Policyholders

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

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

7. DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS

The Company does not have a written disaster recovery plan. The objective of a disaster recovery plan is to provide reasonable assurance that data, systems and operations can be successfully recovered and be available to users in the event of a disaster. Such a plan should address hardware and system recovery, data retrieval procedures, emergency contact information, hardware/software vendor information, telecommunications recovery procedures, disaster declaration approval procedures, and physical recovery location. The plan should contain provisions to ensure periodical testing. The disaster recovery plan should be aligned with the Company's business continuity plans and be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the disaster recovery test plan and results (indicating problems found or successful completions), and documentation of management approval of the plan should be maintained.

The examiner recommends that the Company develop a disaster recovery plan.

The Company does not have a business continuity plan. The objective of a business continuity plan is to reasonably ensure that the recovery of critical business processes could take place in the event of a disaster. Such a plan should identify the recovery of critical business processes. The plan should also identify supporting systems applications, vendors that would assist with locating alternate processing and office site locations, forms and documentation arrangements, network and application restoration procedures, and procedures to be followed by Company personnel during the disaster and recovery period. The plan should contain provisions to ensure periodical testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the business continuity test plan and results and documentation of management approval of the plan should be maintained.

The examiner recommends that the Company develop a business continuity plan.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendation 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 2112(a) of the New York Insurance Law by having unappointed agents represent the Company. The examiner's sample did not reveal any discrepancies during this examination.
B	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. The examiner determined that the Company discontinued using the policy form that deviated from the approved form, and filed the modifications with the Superintendent on August 10, 2001. The Company subsequently filed an entirely new policy form.
C	The Company violated 3201(b)(2) of the New York Insurance Law by using policy forms that were not filed with the Superintendent. The examiner determined that the Company filed state variations for its Group Accidental Death and Dismemberment Rider, Group Term Life Insurance Certificate, and, for informational purposes in New York, a Schedule of Excess Loss Insurance - Benefits Covered form. The Department accepted the filings in November 2002.
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. The examiner determined that the Company filed its new rates in accordance with the Department's instructions.
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. In 2000, the Company changed its retention policy on rate manuals to a minimum of seven years.
F	The examiner recommended 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.

The Company has since hired additional regulatory and underwriting staff. Each MGU is audited at least twice a year, for policy and underwriting compliance. The Company has developed a formal plan of oversight of the MGUs, which was submitted to the audit committee of the board of directors for approval.

9. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The Company violated Section 127.2 of Department Regulation No. 102 by taking reserve credits for reinsurance where the Company can be deprived of surplus or assets at the assuming insurer's option.	10 – 11
B	The examiner comments that surplus as of December 31, 2003 is overstated by the amount of the reserve credits taken under the reinsurance agreements with Everest, Transatlantic and Partner; as a result, surplus should have been reported at $71,411,574.	10 – 11
C	The examiner recommends that the Company amend existing reinsurance agreements, where possible, to comply with the requirements of Department Regulation No. 102.	10 – 11
D	The examiner recommends that the Company supply the SVO with two price quotes for each security that does not have a publicly available price.	19
E	The examiner recommends that the Company report I/O impairments in Schedule D Part 1 only, in accordance with the annual statement instructions.	19
F	The examiner recommends that the Company comply with all applicable filing and reporting requirements of the SVO, and the annual statement instructions, in future annual statement filings.	19
G	The examiner recommends that the Company develop both a disaster recovery plan and a business continuity plan.	21

The foregoing report on examination is respectfully submitted:

________/s/____________________	_________/s/________________
Edward J. Tasker	Vincent Rapacciuolo, CFE
State of New York	State of Mississippi
Representing Northeastern Zone	Representing Southeastern Zone

Respectfully submitted,

_______/s/_________________
Edward J. Tasker
Associate Insurance Examiner

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

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

_______/s/___________
Edward J. Tasker

Subscribed and sworn to before me

this__________ day of ____________________2004.

APPOINTMENT NO. 22134

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:*

EDWARD TASKER

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 15th day of January, 2004

GREGORY V. SERIO
Superintendent of Insurance

Superintendent