STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

IDS LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2002

DATE OF REPORT:	FEBRUARY 27, 2004
EXAMINER:	VINCENT TARGIA

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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

February 27, 2004

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

Sir:

In accordance with instructions contained in Appointment No. 22067, dated June 19, 2003 and annexed hereto, an examination has been made into the condition and affairs of IDS Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 20 Madison Avenue Extension, Albany, New York 12203.

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, 2002 filed annual statement. (See item 5 of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to receive sales management services from an affiliate at least 30 days prior thereto. (See item 3B of this report)

The Company violated Section 91.4 of Department Regulation No. 33 by failing to maintain adequate documentation to support payments made for services provided by an affiliate. (See item 3B of this report)

The Company violated Section 3227(d) of the New York Insurance Law by not releasing the proceeds on surrendered contracts as expeditiously as possible when an external annuity replacement was involved. (See item 6C of this report)

The Company violated Section 216.11 of Department Regulation No. 64 by failing to date all claim communications, whether written or oral, and by failing to maintain claim files such that all events relating to a claim could be reconstructed by the examiner. (See item 6C of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1999. This examination covers the period from January 1, 2000 through December 31, 2002. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2002 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, 2002 to determine whether the Company's 2002 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

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

The examiner reviewed the corrective actions taken by the Company with respect to violations and the 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

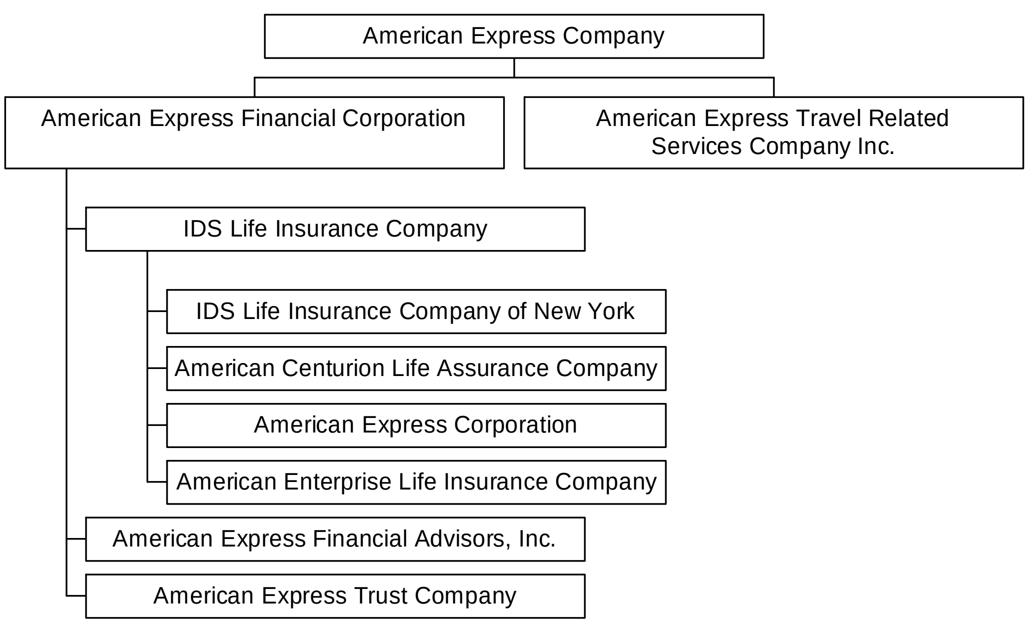
The Company was incorporated as a stock life insurance company under the laws of New York on July 10, 1972, and was licensed and commenced business on October 25, 1972. Initial resources of $4,000,000, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $3,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of $5 each) for $20 per share.

Changes in the capital and surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of $2,000,000 and $49,000,000, respectively, as of December 31, 2002.

B. Holding Company

The Company is a wholly owned subsidiary of IDS Life Insurance Company ("IDS"), a Minnesota life insurer. IDS is in turn a wholly owned subsidiary of American Express Financial Corporation ("AEFC"), a Delaware financial services corporation. The ultimate parent of the Company is American Express Company ("AEC") a New York financial services company.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2002 follows:



The Company had eight 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
Administrative Services Agreement	4/1/98	IDS	the Company	Advisory, actuarial, finance and accounting services, licensing, compensation and administrative services and printing	2002-$ 56,592** 2001-$(177,350)** 2000-$ 106,972**
Custodial Agreement	3/23/84	American Express Trust Company	the Company	Safekeeping and other usual custodial services pertaining to general and Separate Accounts	2002-$(53,828) 2001-$(49,642) 2000-$(47,844)
Service and Cost Allocation Agreement	4/1/98	the Company	American Centurion Life Assurance Company ("ACLAC")	Mail services, file maintenance, telecommunications, data communications	2002-$(17,450) 2001-$(8,028) 2000-$(2,077)
Inter-company Service Agreement	10/25/72	AEFC	the Company	General Administrative and Technical Services, including legal staff	2002-$(2,667,370) 2001-$(1,752,109) 2000-$(2,232,146)
Mortgage Participation Agreement	12/10/01	American Enterprise Life Insurance Company ("AEL")	the Company	the Company as lead lender/AEL as participant in mortgage participations	2002-$382
Mortgage Loan Servicing Agreement	2/26/96	IDS	the Company	Collect premium and maintain mortgage records	2001-$(118,754) 2002-$(106,589)
Marketing and Distribution Agreement	10/1/00	American Express Financial Advisors, Inc. ("AEFA")	the Company	Marketing and distribution of products	2002-$(14,855,572) 2001-$(14,718,500) 2000-$(11,800,697)
Administrative Service Agreement***	10/1/99	American Express Travel Related Services Company, Inc. ("AETRSC")	the Company	Record keeping, corporate expense services, vendor payments, tax payments, employee travel expense and tuition reimbursement	2002-$0 2001-$0 2000-$0

* Amount of Income or (Expense) Incurred by the Company

** These amounts include adjustments for prior years and adjustments for errors in the payments made by the Company.

***No services were provided under this agreement until 2005, the Company expects to supersede and withdraw this agreement in 2005.

The Company also had a tax allocation agreement with IDS, AEFC, ACLAC and AEC.

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

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

A review of services received by the Company from affiliates indicated that the Company received sales management services from ACLAC on a regular and systematic basis during the examination period. The Company never submitted a service agreement to the Superintendent for these services. The Company settled the payments due for these services by netting the amounts due to ACLAC with the amount ACLAC owed the Company under a separate service and cost allocation agreement.

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to receive sales management services from an affiliate at least 30 days prior thereto.

The examiner had great difficulty obtaining accurate information with respect to the service agreements, the services provided, and the amounts paid or received between companies. The Company provided numerous versions of the above table during and after the examination.

The examiner recommends that the Company maintain adequate documentation to accurately reflect the services and charges under its service agreements, and to maintain such in a manner as to be readily available for examination.

Section 91.4 of Department Regulation No. 33 states, in part:

> " . . . (2) Each life insurer shall maintain records with sufficient detail to show fully: (i) the system actually used for allocation of income and expenses; (ii) the actual basis of allocation; (ii) the actual monetary distribution of the respective items of income, salaries, wages, expenses, and taxes to: . . .(d) companies . . . (3) Such records shall be classified and indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated, and shall be maintained in such a manner as to be readily accessible for examination. . . . "

The Company was unable to provide the examiners with documentation to support the payments made by the Company under the administrative service agreement between the Company and IDS. In addition, the Company stated that adjustments to prior years' payments were necessary and that there were also errors in the payments made by the Company to IDS.

The Company violated Section 91.4 of Department Regulation No. 33 by failing to maintain adequate documentation to support payments made for services provided by an affiliate.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less 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, 2002, the board of directors consisted of 14 members. Meetings of the board are held bi-annually.

The 14 board members and their principal business affiliation, as of December 31, 2002, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Gumer C. Alvero Minneapolis, MN	Vice President – Annuities IDS Life Insurance Company of New York	2000
Timothy V. Bechtold Robindale, MN	President IDS Life Insurance Company of New York	1998
Maureen A. Buckley Loudonville, NY	Vice President and Chief Operating Officer IDS Life Insurance Company of New York	1998

Name and Residence	Principal Business Affiliation	Year First Elected
Rodney P. Burwell* Wayzata, MN	Chairman Xerxes Manufacturing Corporation	1999
Robert R. Grew* New York, NY	Partner Carter, Ledyard & Milburn, LLP	1997
Carol A. Holton Minneapolis, MN	President and Chief Executive Officer American Enterprise Life Insurance Company	2000
Jean B. Keffeler* Minneapolis, MN	Consultant	1999
Eric L. Marhoun St. Paul, MN	General Counsel and Secretary IDS Life Insurance Company of New York	2000
Thomas R. McBurney* Minneapolis, MN	President McBurney Management Associates	1999
Edward J. Muhl* Westchester, PA	Vice Chairman Peterson Consulting LLC	1999
Thomas V. Nicolosi Greenwich, CT	Group Vice President American Express Company	1996
Stephen P. Norman Norwich, CT	Director American Express Company	1994
Richard M. Starr New York, NY	Senior Attorney American Express Company	1996
Michael R. Woodward Oakfield, NY	Regional Vice President American Express Company	1989

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

In January 2003, Edward J. Muhl resigned from the board and was replaced by Ronald L. Guzlor in May 2003.

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, 2002:

Name	Title
Timothy V. Bechtold	President
Maureen A. Buckley*	Vice President and Chief Operating Officer
Eric L. Marhoun	General Counsel and Secretary
Gumer C. Alvero	Vice President – Annuities
Phillip C. Wentzel	Vice President and Controller
Lorraine R. Hart	Vice President – Investments

* 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 New York and North Dakota. In 2002, 90% of life premiums, 91% of accident and health premiums, 96% of annuity considerations, and 91% of deposit type funds were received from New York. Policies are written on a non-participating basis.

The Company's principal products are individual deferred annuities and universal life insurance. The Company offers single and flexible premium deferred and immediate annuities on both a fixed and variable dollar basis. Life insurance products currently offered by the Company include individual and joint universal life, on both a fixed and variable basis, and term products. The Company also markets disability income insurance. The Company discontinued marketing proprietary long-term care insurance at the end of 2002.

The Company's agency operations are conducted on a branch office basis. The Company has a distribution agreement with its affiliate, AEFA, which calls for AEFA to serve as the Company's distribution channel. In accordance with the agreement, AEFA recruits and trains advisors, procures applications for insurance, engages managers and supervisors to provide sales motivation and supervision and to maintain divisional offices. The Company is served by two of the national regions of AEFA each headed by a group vice president. There are 215 branch managers who supervise advisors and also write direct business for the Company. As of December 31, 2002, there were 1,611 advisors writing insurance for the Company.

E. Reinsurance

As of December 31, 2002, the Company had reinsurance treaties in effect with nine companies, all of which were authorized or accredited. The Company's life insurance business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $1,500,000. The total face amount of life insurance ceded, as of December 31, 2002, was $1,088,845,125, which represents 15.6% of the total face amount of life insurance in force.

The Company had treaties with two reinsurers to reinsure portions of its accident and health insurance business as of December 31, 2002.

The total amount of life insurance assumed as of December 31, 2002 was $163,501,820.

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, 1999	December 31, 2002	Increase (Decrease)
Admitted assets	$3,191,264,239	$2,534,677,680	$(656,586,559)
Liabilities	$2,983,007,836	$2,321,776,563	$(661,231,273)
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	49,000,000	49,000,000	0
Group life contingency reserve	554,051	514,189	(39,862)
Separate account surplus – special contingency reserve fund	750,000	750,000	0
Unassigned funds (surplus)	155,952,352	160,636,924	4,684,572
Total capital and surplus	$ 208,256,403	$ 212,901,113	$ 4,644,710
Total liabilities, capital and surplus	$3,191,264,239	$2,534,677,676	$(656,586,563)

The decrease in admitted assets and liabilities during the three year period is primarily the result of the decrease in Separate Account assets and corresponding Separate Account liabilities, reflecting the industry wide equity market decline. Approximately 44% of admitted assets as of December 31, 2002 are derived from Separate Accounts.

The Company's invested assets as of December 31, 2002, exclusive of Separate Accounts, were mainly comprised of bonds (86%) and mortgage loans (8%). The majority (92.6%) of the Company's bond portfolio, as of December 31, 2002, 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) as extracted from the Company's Exhibit of Life Insurance:

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2000	$515,334	$4,239,572	$234,848	$1,662,962
2001	$531,604	$4,599,133	$300,038	$1,861,874
2002	$318,463	$5,232,000	$391,472	$1,690,192

The examiner acquired from the Company supporting detail for its Exhibits of Life Insurance for the three-year period under review. The following table depicts the number of policies, as stated in the filed annual statement, and the Company's supporting workpapers:

	Exhibit of Life Insurance			Supporting Workpapers			Exam Period
Year	2000	2001	2002	2000	2001	2002	Difference
Policies Issued -							
Ordinary	2,829	2,737	2,636	3,221	3,133	2,739	(891)
Death	182	147	314	86	83	96	378
Expiry	4,264	3,772	921	50	33	18	8,856
Surrender	861	791	234	929	856	992	(891)
Lapse	450	553	287	399	538	429	(76)

As indicated above, the amounts reported in the filed annual statement differed from the supporting workpapers, in total for the three years, by 891 policies for ordinary life insurance issued, 378 policies for deaths, 8,856 policies for expirees, 891 policies for surrenders, and 76 policies for lapses. The Company could not provide a reconciliation of the differences.

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

	Ordinary Annuities			Group Annuities		
	2000	2001	2002	2000	2001	2002
Outstanding, end of previous year	55,260	53,282	52,889	2,579	2,427	2,324
Issued during the year	2,278	3,614	5,317	11	3	25
Other net changes During the year	(4,256)	(4,007)	(4,765)	(163)	(106)	(179)
Outstanding, end of current year	53,282	52,889	53,441	2,427	2,324	2,170

The examiner acquired from the Company supporting detail for its Exhibit of Annuities for the three-year period under review. The following table depicts the discrepancies in the number of contracts stated in the filed annual statement, and the Company's supporting workpapers:

	Exhibit of Annuities			Supporting Workpapers			Exam Period
Year	2000	2001	2002	2000	2001	2002	Difference
Contracts Issued - Ordinary	2,278	3,614	5,317	3,220	3,550	4,679	(240)
Decreases – Ordinary	4,256	4,007	4,765	4,501	3,608	4,111	808
Contracts Issued – Group	11	3	25	53	2	0	(16)
Decreases – Group	163	106	179	116	103	158	71

As indicated above, the amounts reported in the filed annual statement differed from the supporting workpapers, in total for the three years, by 240 contracts for ordinary immediate annuities issued, 808 contracts for ordinary immediate annuity decreases, 16 contracts for group annuities issued and 71 contracts for group decreases. The Company could not provide a reconciliation of the differences.

The examiner recommends that the Company maintain proper documentation to support the number of policies and contracts reported in the Exhibit of Life Insurance and the Exhibit of Annuities in the annual statement.

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:

	2000	2001	2002
Ordinary:			
Life insurance	$10,252,433	$ 1,991,022	$ 8,951,851
Individual annuities	18,719,188	2,063,330	8,826,630
Total ordinary	$28,971,621	$ 4,054,352	$17,778,481
Group:			
Life	$ 2,893,156	$ 2,203,495	$ 2,360,432
Annuities	642,564	6,708,667	538,074
Total group	$ 3,535,720	$ 8,912,162	$ 2,898,506
Accident and health – Other	$ (842,915)	$ 1,215,569	$ (199,289)
Total	$31,664,426	$14,182,083	$20,477,698

The variations in net gain are mainly due to the fluctuations in the Company's investment income. During 2001, the Company realized a significant decrease in net investment income. The decrease was primarily the result of a Company initiative during 2001 to lower its investment portfolio risk resulting in substantial capital losses.

In addition to the decrease in net investment income, the variation in net gain for ordinary life insurance was due to the increase in the Company's incurred but not reported ("IBNR") liability in 2001 for claims related to the September 11, 2001 terrorist event.

The variations in net gains in the individual annuity line were a result of the lower level of income and fees associated with the Company's Separate Account business which was attributed to the decline in the variable equity market, as well as an increase of transfers to fixed sub-accounts within the variable contracts.

The increase in net gain in the group annuity line in 2001 was a result of a spike in its group annuity sales during that year.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2002, as contained in the Company's 2002 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, 2002 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2002

Admitted Assets

Bonds	$1,178,006,445
Common stocks	137,175
Mortgage loans	
First liens	113,396,000
Policy loans	30,742,766
Cash and short term investments	26,670,497
Other invested assets	19,430,347
Receivable for securities	1,712,115
Reinsurance ceded:	
Amounts recoverable from reinsurers	210,719
Other amounts receivable under reinsurance contracts	3,408
Federal and foreign income tax recoverable and interest thereon	5,134,529
Guaranty funds receivable or on deposit	305,543
Life insurance premiums and annuity considerations deferred and uncollected on in force business	1,159,528
Accident and health premiums due and unpaid	252,769
Investment income due and accrued	14,779,585
Receivable from parent, subsidiaries and affiliates	1,305,015
Cash surrender value – BOLI	4,401,806
Miscellaneous assets	148,075
From Separate Accounts statement	1,136,881,358
Total admitted assets	$2,534,677,680

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$1,125,127,917
Aggregate reserve for accident and health policies	81,059,102
Liability for deposit-type contracts	7,302,860
Policy and contract claims:	
Life	2,078,273
Accident and health	672,489
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	140,708
Policy and contract liabilities	
Provision for experience rating refunds	14,486
Commissions to agents due or accrued	251,461
General expenses due or accrued	2,338,965
Transfers to Separate Accounts due or accrued	(49,737,439)
Taxes, licenses and fees due or accrued	(28,853)
Federal and foreign income taxes	2,248,093
Unearned investment income	333,878
Amounts withheld or retained by company as agent or trustee	52,418
Amounts held for agents' account	6,241,417
Remittances and items not allocated	(446,634)
Miscellaneous liabilities:	
Asset valuation reserve	5,321,722
Drafts outstanding	2,564,282
Prepaid reinsurance premium	(639,940)
From Separate Accounts statement	1,136,881,358
Total liabilities	$2,321,776,563
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	49,000,000
Separate accounts surplus special contingency reserve	750,000
Group life contingency reserve	514,189
Unassigned funds (surplus)	160,636,924
Total capital, surplus and other funds	$ 212,901,113
Total liabilities, capital, surplus and other funds	$2,534,677,676

B. CONDENSED SUMMARY OF OPERATIONS

	2000	2001	2002
Premiums and considerations	$229,233,811	$267,258,085	$362,230,619
Investment income	92,207,550	79,026,508	84,119,497
Commissions and reserve adjustments on reinsurance ceded	7,767	(8,492)	3,408
Miscellaneous income	29,317,147	26,738,710	25,079,013
Total income	$350,766,275	$373,014,811	$471,432,537
Benefit payments	$308,775,755	$232,727,670	$204,206,870
Increase in reserves	(37,578,907)	20,000,192	190,767,110
Commissions	17,085,759	18,516,386	20,922,465
General expenses and taxes	18,884,214	21,767,117	22,615,897
Increase in loading on deferred and uncollected premium	109,215	213,582	297,509
Net transfers to (from) Separate Accounts	(9,183,831)	55,949,680	(3,217,675)
Miscellaneous deductions	2,357,916	1,557,883	1,482,767
Total deductions	$300,450,121	$350,732,510	$437,074,943
Net gain (loss)	$ 50,316,154	$ 22,280,301	$ 34,357,594
Federal and foreign income taxes incurred	18,651,736	8,098,218	13,879,896
Net gain (loss) from operations before net realized capital gains	$ 31,664,418	$ 14,182,083	$ 20,477,698
Net realized capital gains (losses)	22,746	(22,177,934)	(7,425,008)
Net income	$ 31,687,164	$ (7,995,852)	$ 13,052,690

The fluctuation in net income during the period was primarily due to a Company initiative during 2001 to lower its investment portfolio risk resulting in significant capital losses.

C. CAPITAL AND SURPLUS ACCOUNT

	2000	2001	2002
Capital and surplus, December 31, prior year	$208,256,405	$218,789,484	$203,923,992
Net income	$ 31,687,165	$ (7,995,852)	$ 13,052,690
Change in net unrealized capital gains (losses)	(5,865,394)	6,185,495	(3,344,347)
Change in net deferred income tax	0	0	2,226,798
Change in non-admitted assets and related items	119,826	(2,432,562)	(28,899,871)
Change in asset valuation reserve	(408,517)	5,377,430	5,873,352
Cumulative effect of changes in accounting Principles	0	0	34,068,499
Dividends to stockholders	(15,000,000)	(16,000,000)	(14,000,000)
Net change in capital and surplus	$ 10,533,080	$ (14,865,489)	$ 8,977,121
Capital and surplus, December 31, current year	$218,789,485	$203,923,995	$212,901,113

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

> "Except as otherwise 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 the filing of the report on examination in which the record was subject to review, whichever is longer. . . .
> (8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review."

A review of a sample of 28 replacement policies revealed that in 11 of the cases, the Company failed to maintain either the 1035 exchange letter or the replacement letter that was sent to the insurer whose coverage was being replaced. In 17 other cases, where the 1035 exchange letter or replacement letter was maintained in the underwriting file, the letters indicated that there were enclosures. However, the letters did not indicate what type of documentation was enclosed.

The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain copies of the 1035 exchange letters, the replacement letters, and the documentation that was enclosed with these letters.

The examiner also recommends that the Company include as part of the 1035 exchange letter and replacement letter an itemized list of all enclosures.

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.

Section 3227 of the New York Insurance Law states, in part:

> "(a) Interest, at the rate provided for in section three thousand two hundred fourteen of this article, shall be payable by life insurers . . . upon: (1) the value of policies surrendered by policyholders for cash values, including the rollover of annuity funds to other entities . . . Such interest payment shall be added to and be a part of the total sum paid or be paid separately at the option of the insurer. . . .
> (d) Irrespective of the payment of interest in accordance with the above provisions, such life insurers . . . shall make disbursements under paragraphs one and two of subsection (a) hereof as expeditiously as possible."

A review of the Company's procedures concerning policy surrender requests indicated that the Company processed surrenders differently based on the type of policy or contract involved and whether or not there was an external replacement of the policy or contract involved. The following is a brief description of the Company's different procedures concerning surrenders:

- Surrender requests on all types of policies and contracts (life, variable annuity and fixed annuity) that do not indicate that there is a replacement involved – the Company releases the funds to the policy owner immediately upon receiving all of the information necessary to process the surrender.

- Surrender requests on all types of policies and contracts (life, variable annuity and fixed annuity) that indicate that there is an internal replacement involved – the Company releases the funds to the policy owner immediately upon receiving all of the information necessary to process the surrender.

- Surrender requests on variable annuity contracts that indicate that there is an external replacement involved – the Company immediately cashes out the fund upon receipt of all of the information necessary to process the surrender, and then holds the proceeds for seven days before releasing the funds to the replacing company or contract owner.

- Surrender requests on fixed annuity contracts that indicate that there is an external replacement involved – the Company waits 14 days from the day that all the information necessary to process the surrender is received before surrendering the annuity and releasing the proceeds to the replacing company or contract owner.

The Company violated Section 3227(d) of the New York Insurance Law by not releasing the proceeds on surrendered contracts as expeditiously as possible when an external annuity replacement was involved.

Section 216.11 of Department Regulation No. 64 states:

> "To verify compliance with this Part and related statutes, Insurance Department examiners will investigate the market performance of insurers. To enable department personnel to reconstruct an insurer's activities, all insurers subject to the provisions of this Part must maintain within each claim file all communications, transactions, notes and work papers relating to the claim. All communications and transactions, whether written or oral, emanating from or received by the insurer shall be dated by the insurer. Claim files must be so maintained that all events relating to a claim can be reconstructed by the Insurance Department examiners. Insurers shall either make a notation in the file or retain a copy of all forms mailed to claimants."

A review of a sample of 46 life and annuity death claims paid during the examination period revealed that in 43 instances (93.4%) the examiner was unable to reconstruct the events relating to the handling and disposition of the claim. In these instances the Company used an advisor/agent to communicate with the claimant during the processing of the claim. The advisor/agent acting on behalf of the Company during the claim process did not maintain an audit trail, from the date the acknowledgement/proofs were sent to the date that the necessary documentation was received, that would allow the examiner to reconstruct the events relating to the claim. In addition, the advisor/agent did not maintain documentation to verify that the claimant was furnished notification of items required and failed to date all communication whether written or oral.

The Company violated Section 216.11 of Department Regulation No. 64 by failing to date all claim communications, whether written or oral, and by failing to maintain claim files such that all events relating to a claim can be reconstructed by the examiner.

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 reviewed business that it issued directly, as it has not acquired business as a result of assumption, merger, acquisition, consolidation or purchase. The review, performed by senior managers of the Company, covered relevant documents such as rate charts, mortality tables, underwriting manuals, underwriting practices, agent contracts, applications, policy forms, compensation schedules and board minutes.

In summary, the Company's review found no evidence of any practices involving the activity described in the Department's Circular Letter.

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 and the 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 examiner recommended that the Company report prepaid insurance premium as a liability in the future. The Company reported prepaid insurance premium as a liability commencing with the 2001 filed annual statement.
B	The Company violated Section 2112(a) of the New York Insurance Law by failing to file certificates of appointment for its agents. In 2001, the Company instituted procedures to ensure that certificates of appointment are filed with the Department for all of its agents. The examination did not reveal any instances where the Company failed to file the certificate of appointment after corrective action was taken by the Company
C	The Company violated Section 2114(a)(1) of the New York Insurance Law by paying commissions to agents who were not licensed life insurance agents of the Company. In 2001, the Company instituted procedures to ensure that all agents were appropriately appointed as licensed life insurance agents of the Company. The examination did not reveal any instances where the Company paid commissions to agents who were not licensed life insurance agents of the Company.
D	The Company violated Section 4224(c) of the New York Insurance Law by waiving the contractual surrender charges on certain policies as an inducement to purchase a new policy with the Company. During 2001, the Company instituted procedures to ensure that surrender charges are not waived on certain policies as an inducement to purchase a new policy with the Company. The examination did not reveal any instances where the Company waived surrender charges as an inducement to purchase a new policy.

Item	Description
E	The Company violated Section 243.2(b) of Department Regulation No. 152 when the Company was unable to produce policy records (lapse notices) requested by the examiner. The examination did not reveal any instances where the Company was not able to produce policy records (lapse notices) requested by the examiner.

8. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to receive sales management services from an affiliate at least 30 days prior thereto.	6
B	The examiner recommends that the Company maintain adequate documentation to accurately reflect the services and charges under its service agreements, and to maintain such in a manner as to be readily available for examination.	6
C	The Company violated Section 91.4 of Department Regulation No. 33 by failing to maintain adequate documentation to support payments made for services provided by an affiliate.	7
D	The examiner recommends that the Company maintain proper documentation to support the number of policies and contracts reported in the Exhibit of Life Insurance and the Exhibit of Annuities in the annual statement.	13
E	The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain copies of 1035 exchange letters, replacement letters, and the documentation that was enclosed with these letters.	19
F	The examiner recommends that the Company include as part of the 1035 exchange letter and replacement letter an itemized list of all enclosures.	19
G	The Company violated Section 3227(d) of the New York Insurance Law by not releasing the proceeds on surrendered contracts as expeditiously as possible when an external annuity replacement was involved.	20 – 21
H	The Company violated Section 216.11 of Department Regulation No. 64 by failing to date all claim communications, whether written or oral, and by failing to maintain the claim files such that all events relating to a claim can be reconstructed by the examiner.	21 – 22

Respectfully submitted,

_______/s/___________________
Vincent Targia
Associate Insurance Examiner

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

Vincent Targia, being duly sworn, deposes and says that the foregoing report, subscribed by him,

is true to the best of his knowledge and belief.

_______/s/___________________
Vincent Targia

Subscribed and sworn to before me

this__________ day of ____________________2004.

APPOINTMENT NO. 22067

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:

VINCENT TARGIA

as a proper person to examine into the affairs of the

IDS 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 19th day of June, 2003

GREGORY V. SERIO
Superintendent of Insurance

Superintendent