STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF

THE STANDARD LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2003

DATE OF REPORT:	JUNE 4, 2004
EXAMINER:	JO'CATENA HARGROVE

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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

June 4, 2004

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

Sir:

In accordance with instructions contained in Appointment No. 22133, dated January 15, 2004 and annexed hereto, an examination has been made into the condition and affairs of The Standard Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 360 Hamilton Avenue, Suite 210, White Plains, New York 10601-1871.

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, 2003 filed annual statement. (See item 5 of this report)

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

The Company violated Section 1505(b) of the New York Insurance Law by failing to maintain records which disclose the details and calculations of fees that were charged under service agreements with an affiliate. (See item 3B of this report)

The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show how the Company allocated its general expenses. (See item 4 of this report)

The Company violated Section 91.4(c) of Department Regulation No. 33 by failing to use an approved method of allocation for net investment income. (See item 4 of this report)

2. SCOPE OF EXAMINATION

The on-organization examination was conducted on September 26, 2000. This examination covers the period from the time the Company was licensed on October 25, 2000 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

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

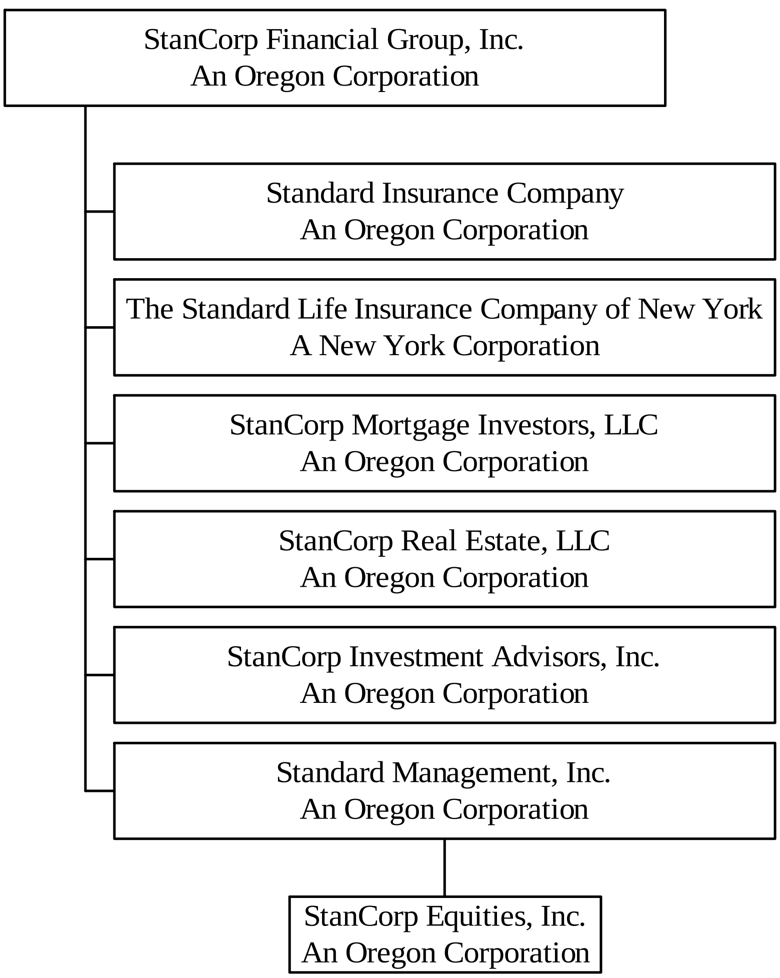
A. History

The Company was incorporated as a stock life insurance company under the laws of New York on April 24, 2000, and was licensed and commenced business on October 25, 2000. Initial resources of $12,450,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $10,450,000, were provided through the sale of 200,000 shares of common stock (with a par value of $10 each) for $62.25 per share.

B. Holding Company

The Company is a wholly-owned, direct subsidiary of StanCorp Financial Group, Inc. ("SFG"), an Oregon 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:



SFG was incorporated under the laws of Oregon in 1998 as a holding company resulting from the demutualization of Standard Insurance Company. SFG completed its initial public offering of common stock on April 21, 1999. Through its subsidiaries, it is a provider of selected insurance and retirement plan products. It is the sole shareholder of The Standard Life Insurance Company of New York. Other main subsidiaries include Standard Insurance Company ("SIC"), StanCorp Mortgage Investors, LLC ("SMI"), and StanCorp Investment Advisers, Inc. ("SIA").

SFG's largest subsidiary, SIC, was founded in 1906. It is domiciled in Oregon, and is licensed in 49 states, the District of Columbia, and the U.S. territories of Guam and the Virgin Islands. SIC offers insurance and investment products.

SMI originates, underwrites, and services small, fixed-rate commercial mortgage loans for the investment portfolios of SFG's subsidiaries. It also originates and services commercial mortgage loans for institutional investors.

StanCorp Real Estate, LLC manages and develops real estate properties for SIC, and provides investment advice and other services to SIC and non-affiliated clients.

SIA is an SEC registered investment adviser, and provides performance analysis for the Company, and performance analysis, fund selection support and model portfolios for SIC and non-affiliated clients.

Standard Management, Inc., ("StMI") is an SFG-owned downstream holding company that is the owner of miscellaneous non-insurance subsidiaries.

StanCorp Equities, Inc. is currently inactive. It will be a broker dealer of mutual funds and variable annuities for affiliated and non-affiliated companies.

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

Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement 1 Amendment 1 Amendment 2	8/24/00 10/25/00 1/1/02	SIC	the Company	Management of distribution/production, marketing support/product development and administration, reinsurance, underwriting, policyholder services, claims processing and payment, actuarial/financial services, information technology, legal services and government relations, general services, human resources, administrative services, and internal audit services	2000 $(284,912) 2001 $(517,980) 2002 $(540,000) 2003 $(1,755,855)
Administrative Services Agreement 2 Amendment 1 Amendment 2 Amendment 3	8/24/00 11/1/00 1/1/02 3/1/03	the Company	SIC	Claims process and payment services, claims for waiver of premium benefits, backup claimant intake and message services, and administration of reinsured insurance claims	2000 $0 2001 $4,588,134 2002 $4,938,686 2003 $6,828,936
Investment Services Agreement	8/24/00	SIC	the Company	Investment services	2000 $0 2001 $(3,203) 2002 $(2,368) 2003 $(2,201)

Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Non-Recourse Master Participation and Servicing Agreement	5/31/01	SMI	the Company	Mortgage loan services	2001 $(601) 2002 $(2,291) 2003 $(4,903)
Administration Agreement by and among SIC, the Company, and Teachers Insurance and Annuity Association of America	10/1/02	the Company and SIC	Teachers Insurance and Annuity Association of America	Claims processing and administration services	2003 $1,115,064

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

The Company also participates in a consolidated federal income tax return with its parent and affiliates.

With respect to transactions within a holding company system, Section 1505(b) of the New York Insurance Law states:

> "The books, accounts and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties."

In both service agreements that the Company maintains with SIC (the Administrative Services Agreement 1 and the Investment Services Agreement), there is a clause that indicates that a written statement of charges for services rendered and facilities used during the preceding calendar month should be sent to the Company within 30 days after the end of each calendar month. The examiner requested a sample of the statement of charges for October and November 2003. The statements received indicated only the amounts payable; there was no description or calculation of fees charged.

The Company violated Section 1505(b) of the New York Insurance Law by failing to maintain records which disclose the details and calculations of fees charged under the service agreements with SIC.

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 15 directors. The number of directors shall be increased to not less than 13 within one year following the end of the calendar year in which the Company's admitted assets exceed $1.5 billion. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2003, the board of directors consisted of 11 members. Meetings of the board are held in February, May, August and November.

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
John E. Chapoton* Washington, DC	Partner Brown Investment Advisory and Trust Company	2000
Regina Del Campo Hastings on Hudson, NY	Supervisor, Disability Benefits The Standard Life Insurance Company of New York	2001
Richard Geary* Lake Oswego, OR	Retired President Kiewit Pacific Company	2002
Peter O. Kohler, MD* Portland, OR	President Oregon Health & Science University	2002
Stanley J. Kulesa Mohegan Lake, NY	Assistant Vice President, Benefits The Standard Life Insurance Company of New York	2000
Douglas T. Maines Portland, OR	President and Chief Executive Officer The Standard Life Insurance Company of New York	2000
Jerome J. Meyer* Scottsdale, AZ	Retired Chairman and Chief Executive Officer Tektronix, Inc.	2002

Name and Residence	Principal Business Affiliation	Year First Elected
Eric E. Parsons Portland, OR	Chairman The Standard Life Insurance Company of New York	2002
Ralph R. Peterson* Highlands Ranch, CO	Chairman, President and Chief Executive Officer CH2M Hill Companies, LTD	2002
Michael G. Thorne* Seattle, WA	Director and Chief Executive Officer Washington State Ferry System	2002
Elizabeth G. Tyler Brewster, NY	Supervisor, Disability Benefits The Standard Life Insurance Company of New York	2002

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

In April 2004, Douglas T. Maines resigned from the board and was replaced by J. Gregory Ness. In May 2004, John E. Chapoton, Richard Geary and Peter O. Kohler resigned from the board and were replaced by Virginia L. Anderson and Wanda G. Henton.

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
Douglas T. Maines	President and Chief Executive Officer
J. Gregory Ness	Chief Investment Officer
Cindy J. McPike	Vice President and Chief Financial Officer
Michael T. Winslow	Vice President and Corporate Secretary
David G. Fitzpatrick	Vice President and Corporate Actuary
Nanci W. Werts	Assistant Vice President, Controller and Treasurer
Deborah D. Ferguson	Assistant Vice President, Internal Auditing
Stanley J Kulesa*	Assistant Vice President, Benefits
Elizabeth G. Incze	Second Vice President, Underwriting and Customer Service Operations
Kelly A. Hayes	Second Vice President, Group Insurance Administration
Allison T. Stumbo	Assistant Secretary

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

In May 2004, J. Gregory Ness replaced Douglas T. Maines as President and Chief Executive Officer.

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 only in New York State. Policies are written on a non-participating basis.

The Company offers group life insurance, group long and short term disability insurance, group accidental death and dismemberment insurance, and group dental insurance. The following table shows direct premium income received by product line for the year 2003:

Group life	$1,127,587
Group disability	6,142,487
Group accidental death and dismemberment	127,310
Dental	134,937
Total	$7,532,321

The Company's agency operations are conducted on a general agency/branch office basis.

E. Reinsurance

As of December 31, 2003, the Company had reinsurance treaties in effect with four companies, of which one was authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The retention limit for group life contracts is 60% of the face amount. The total face amount of life insurance ceded as of December 31, 2003, was $305,371,000, which represents 40% of the total face amount of life insurance in force. There were no reserve credits taken for reinsurance ceded to unauthorized companies.

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 (Decrease)
Admitted assets	$12,655,563	$12,787,452	$ 131,889
Liabilities	$ 2,435,434	$ 7,391,207	$ 4,955,773
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	10,450,000	10,450,000	0
Unassigned funds (surplus)	(2,229,871)	(7,053,755)	(4,823,884)
Total capital and surplus	$10,220,129	$ 5,396,245	$(4,823,884)
Total liabilities, capital and surplus	$12,655,563	$12,787,452	$ 131,889

The Company's invested assets as of December 31, 2003 were mainly comprised of bonds (47%), mortgage loans (34%), and cash and short-term investments (19%). The Company's entire bond portfolio, as of December 31, 2003, was comprised of investment grade obligations.

The decrease in total capital and surplus is a direct result of the Company starting to write business during the examination period.

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	2003
Group life	$ 0	$ 0	$(454,500)	$ (488,894)
Group accident and health	$ 0	$(35,545)	$(396,852)	$(3,077,364)
All other lines	$(1,606,303)	$ 0	$ 0	$ 0
Total	$(1,606,303)	$(35,545)	$(851,352)	$(3,566,258)

As previously stated, the Company was incorporated on April 24, 2000, and commenced business on October 25, 2000. In 2000, the net loss from operations of $1,606,303 was mainly associated with start-up costs that were not identifiable by line of business, since no premium revenue was generated in the first year of operations. For the following years, as specific products were sold, the Company reported its operations by line of business. The Company increased its writings in 2003 and had corresponding increases in reserves and expenses which caused the increase in losses.

The examiner reviewed a sample of the Company's expenses and the method of allocation by lines of business.

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

"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 bases of allocation;
(iii) the actual monetary distribution of the respective items of income, salaries, wages, expenses, and taxes . . . "

The Company did not provide the examiner with records in sufficient detail to substantiate the allocation of general expenses to its lines of business. Based on the workpapers provided, the examiner was unable to determine if the expense allocations that the Company made were in compliance with Department Regulation No. 33.

The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to support its allocation of general expenses.

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

> ". . . (2) Net investment income, after adjustment, if any . . . 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 . . .
> (3) In lieu of the methods specified in the preceding paragraph, a life insurer may distribute net investment income by an investment year method if its use of such method complies with the rules stated in section 91.5."

In allocating net investment income to lines of business, the Company uses a ratio of liabilities and capital attributable to each line of business over the Company's total liabilities and capital. This allocation method is not in compliance with the Regulation.

The Company violated Section 91.4(c) of Department Regulation No. 33 by failing to use an approved method to allocate its net investment income.

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. 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, 2003 filed annual statement.

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

Admitted Assets

Bonds	$ 5,522,185
Mortgage loans:	
First liens	4,061,630
Cash and short term investments	2,219,311
Investment income due and accrued	114,159
Premiums and considerations:	
Uncollected premiums and agents balances in the course of collection	183,627
Deferred premiums, agents balances and installments booked but deferred and not yet due	45,286
Reinsurance ceded:	
Amounts recoverable from reinsurers	154,451
Other amounts receivable under reinsurance contracts	361,793
Electronic data processing equipment and software	47,039
Receivable from parent, subsidiaries and affiliates	77,062
Other admitted assets	909
Total admitted assets	$12,787,452

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life contracts	$ 295,617
Aggregate reserve for accident and health contracts	4,467,057
Contract claims:	
Life	171,173
Accident and health	254,160
Premiums and annuity considerations for life and accident and health contracts received in advance	35,369
Policy and contract liabilities:	
Other amounts payable on reinsurance ceded	695,485
Commissions to agents due or accrued	244,670
General expenses due or accrued	585,249
Taxes, licenses and fees due or accrued	68,250
Current federal and foreign income taxes	417,257
Amounts withheld or retained by company as agent or trustee	2,227
Remittances and items not allocated	85,698
Miscellaneous liabilities:	
Asset valuation reserve	68,828
Payable to parent, subsidiaries and affiliates	167
Total liabilities	$ 7,391,207
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	10,450,000
Unassigned funds (surplus)	(7,053,755)
Total capital, surplus and other funds	$ 5,396,245
Total liabilities, capital, surplus and other funds	$12,787,452

B. CONDENSED SUMMARY OF OPERATIONS

	2000	2001	2002	2003
Premiums and considerations	$ 283,867	$ 148,683	$1,829,453	$5,238,906
Investment income	0	532,180	478,610	640,461
Commissions and reserve adjustments on reinsurance ceded	0	0	492,004	1,521,607
Miscellaneous income	0	0	7,972	8,340
Total income	$ 283,867	$ 680,863	$2,808,039	$ 7,409,314
Benefit payments	$ 0	$ 21,756	$ 312,635	$ 2,042,765
Increase in reserves	0	91,408	1,074,508	3,596,758
Commissions	0	28,329	389,493	889,636
General expenses and taxes	1,890,170	1,086,397	2,512,270	4,999,461
Increase in loading on deferred and uncollected premiums	0	0	2,435	9,230
Total deductions	$1,890,170	$1,227,890	$ 4,291,341	$11,537,850
Net gain (loss)	$(1,606,303)	$ (547,027)	$(1,483,302)	$ (4,128,536)
Federal and foreign income taxes incurred	0	(511,482)	(631,948)	(562,279)
Net gain (loss) from operations before net realized capital gains	$(1,606,303)	$ (35,545)	$ (851,354)	$ (3,566,257)
Net realized capital gains (losses)	0	0	0	0
Net income	$(1,606,303)	$ (35,545)	$ (851,354)	$ (3,566,257)

C. CAPITAL AND SURPLUS ACCOUNT

	2000	2001	2002	2003
Capital and surplus, December 31, prior year	$ 0	$10,220,129	$10,340,538	$9,486,623
Net income	$ (1,606,303)	$ (35,545)	$ (851,354)	$(3,566,257)
Change in net deferred income tax	0	0	(11,599)	1,136,966
Change in non-admitted assets and related items	(612,891)	53,394	(51,995)	(1,632,615)
Change in asset valuation reserve	(10,677)	(10,863)	(18,816)	(28,472)
Cumulative effect of changes in accounting principles	0	113,423	79,849	0
Capital changes:				
Paid in	2,000,000	0	0	0
Surplus adjustments:				
Paid in	10,450,000	0	0	0
Net change in capital and surplus	$10,220,129	$ 120,409	$ (853,915)	$(4,090,378)
Capital and surplus, December 31, current year	$10,220,129	$10,340,538	$9,486,623	$5,396,245

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. ACCOUNTING

Section 1217 of the New York Insurance Law states, in part:

> "No domestic insurance company shall make any disbursement of one hundred dollars or more unless evidenced by a voucher signed by or on behalf of the payee as compensation for goods or services rendered for the company, and correctly describing the consideration for the payment. If such disbursement be for services and disbursements, such vouchers shall set forth the services rendered and itemize the disbursements . . ."

The examiner reviewed a sample of 27 vouchers. There were four vouchers that the Company paid, even though the vouchers did not provide an explanation of the services rendered.

The Company violated Section 1217 of the New York Insurance Law by paying vouchers that did not identify the services rendered.

In exhibit 2 of the 2003 annual statement, the Company reported repairs of equipment and repairs of facilities on the line for rental equipment when they should have been reported on the line for postage, express, telegraph and telephone. In addition, doctors fees for consulting services were reported on the line for miscellaneous expenses when they should have been reported on the line for medical examination fees.

The examiner recommends that the Company follow the annual statement instructions for allocating expenses in exhibit 2 of the annual statement.

8. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(b) of the New York Insurance Law by failing to maintain records which disclose the details and calculation of fees charged under service agreements with an affiliate.	7 - 8
B	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain records with sufficient detail to show how the Company allocated its general expenses.	12
C	The Company violated Section 91.4(c) of Department Regulation No. 33 by failing to use an approved method of allocation of net investment income.	13
D	The Company violated Section 1217 of the New York Insurance Law by paying vouchers that did not identify the services rendered.	19
E	The examiner recommends that the Company follow the annual statement instructions in the reporting of expenses on exhibit 2 of the annual statement.	19

Respectfully submitted,

/s/
Jo'Catena Hargrove
Senior Insurance Examiner

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

Jo'Catena Hargrove, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Jo'Catena Hargrove

Subscribed and sworn to before me

this__________ day of ___________________2004.

APPOINTMENT NO. 22133

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:

JO'CATENA HARGROVE

as a proper person to examine into the affairs of the

STANDARD LIFE INSURANCE COMPANY OF NEW YORK

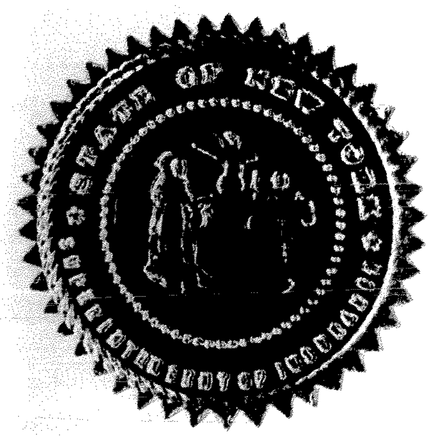
and to make a report to me in writing of the condition of the said

COMPANY

with such other information as she 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