



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

MAY 19, 2014

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EXAMINER:

JAMES MENCK, CFE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

May 22, 2014

Honorable Benjamin M. Lawsky  
Superintendent of Financial Services  
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30985, dated August 20, 2013 and annexed hereto, an examination has been made into the condition and affairs of ReliaStar Life Insurance Company of New York, hereinafter referred to as “the Company,” at its main administrative office located at 5780 Powers Ferry Road, NW Atlanta, Georgia 30327-4390 and at the Company’s home office which is located at 1000 Woodbury Road, Suite 208, Woodbury, New York 11797.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

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

## 1. EXECUTIVE SUMMARY

- Following the global financial crisis in 2008 ING Groep N.V. (“ING”), the parent of ING America Insurance Holdings, Inc. (“ING AIH”), was granted state aid by the Dutch government. As a condition to receiving this state aid, ING was required to submit a restructuring plan to the European Commission which resulted in the separation of ING’s global investment and insurance operations. Following the separation of the ING’s global operations, ING now owns 43% of the Company’s indirect parent, Voya Financial, Inc. (formally known as ING U.S., Inc. formally known as ING AIH). (See item 3A of this report)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2013 Edition* (the “Handbook”). The examination covers the four-year period from January 1, 2009, to December 31, 2012. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2012, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners (“NAIC”). The Handbook guidance provides for the establishment of an examination plan based on the examiner’s assessment of risk in the insurer’s operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management’s compliance with Department statutes and guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2009 through 2012, by the accounting firm of Ernst & Young, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. Voya Financial, Inc. (formerly known as ING U.S., Inc., formerly known as ING America Insurance Holdings, Inc., the Company's indirect parent, has an internal audit department and a separate internal control department which were given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Although the Company is not subject to the SOX, certain business units that provide services to the Company are subject to SOX at the Voya Financial, Inc. level. Where applicable, SOX workpapers and reports were reviewed and portions were utilized in this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendation contained in the prior financial and market conduct reports on examination. The results of the examiner's review are contained in item 8 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 on June 11, 1917, under the name The Morris Plan Insurance Society, and commenced business on September 18, 1917. The name was changed to Bankers Security Life Insurance Society (“Bankers”) in July 1946. In 1962, through an exchange of securities, Bankers merged with Postal Life Insurance Company of New York. In 1971, also by an exchange of securities, the Congressional Life Insurance Company merged into Bankers.

On January 17, 1995, ReliaStar Financial Corporation (“RFC”), the parent of ReliaStar Life Insurance Company (“RLIC”), acquired USLICO Corporation, the ultimate parent of Bankers at that time, through an exchange of stock. RFC became Bankers ultimate parent. As a condition to the approval of the acquisition by the Department, RLIC agreed to merge another one of its New York subsidiaries, North Atlantic Life Insurance Company of America, with and into Bankers. The merger became effective on December 28, 1995. On August 19, 1996, Bankers changed its name to ReliaStar Bankers Security Life Insurance Company.

On July 1, 1997, through an exchange of securities, Security-Connecticut Corporation (“SCC”) merged into RFC. SCC owned Security-Connecticut Life Insurance Company which, in turn, owned Lincoln Security Life Insurance Company (“Lincoln Security”), a domestic stock life insurer. On January 1, 1998, Lincoln Security was merged into the Company and the Company changed its name to ReliaStar Life Insurance Company of New York.

On September 1, 2000, ING AIH acquired RFC. On April 1, 2002, First Golden America Life Insurance Company, a Company affiliate at the time, was merged into the Company.

On December 31, 2002, RFC merged with and into Lion Connecticut Holdings, Inc. (“Lion”), a Connecticut holding and management company which then became the parent of RLIC within ING AIH.

Following the global financial crisis in 2008, ING Groep N.V. (“ING”), the parent of ING AIH, requested state aid from the Dutch government in November 2008 and again in March 2009. On October 26, 2009, ING submitted a restructuring plan (the “2009 Restructuring Plan”) to the European Commission (“EC”) in order to receive approval for the state aid (the “Dutch State Transactions”) granted to ING by the Kingdom of the Netherlands (the “Dutch State”).

In November 2009, the 2009 Restructuring Plan received formal EC approval and the separation of insurance and banking operations and other components of the 2009 Restructuring Plan were approved by ING's shareholders. As a condition to receiving approval for this state aid, ING was required to divest its global insurance and investment management businesses, including the Company. Subsequent challenges by ING and the EC resulted in an Amended Restructuring Plan ("the 2012 Amended Restructuring Plan") that was agreed to on November 19, 2012. Pursuant to the 2012 Amended Restructuring Plan, ING was required to divest at least 25% of its U.S. insurance and investment businesses, including the Company by December 31, 2013, more than 50% of its U.S. insurance and investment businesses, including the Company, by December 31, 2014, and 100% of its U.S. insurance and investment businesses including the Company by December 31, 2016.

On June 14, 2012, ING AIH changed its name and became known as ING U.S., Inc. and was still 100% owned by ING, a global financial services company based in the Netherlands.

On May 7, 2013, and May 31, 2013, ING U.S., Inc. completed its initial public offering and the sale of its common stock (NYSE: VOYA) to ING Insurance International B.V. (ING International), an indirect wholly owned subsidiary of ING, and the parent of ING U.S., Inc. On September 30, 2013, ING International transferred all of its shares of ING U.S., Inc. common stock to ING.

On October 29, 2013, ING completed the sale of common stock of ING U.S., Inc. in a registered public offering ("secondary offering"), reducing ING's ownership of ING U.S., Inc. to 57%.

On November 6, 2013, ING announced that the EC approved amendments to the 2012 Amended Restructuring Plan (the "2013 Amended Restructuring Plan"). The 2013 Amended Restructuring Plan did not amend any commitment that is applicable or relevant to ING U.S., Inc. In case ING does not satisfy its commitment to (timely) divest the U.S. insurance and investment management businesses, or in case of other material non-compliance with the 2012 Restructuring Plan, the Dutch State will re-notify the recapitalization measures to the EC. In such a case, the EC may require additional restructuring measures or take enforcement actions against ING, or, at the request of ING and the Dutch State, could allow ING more time to complete the divestment.

On March 25, 2014, ING completed another sale of common stock of ING U.S., Inc. in a registered public offering. Simultaneously, and pursuant to the terms of a share repurchase

agreement between ING and ING U.S., Inc., ING U.S., Inc. acquired 7,255,853 shares of ING U.S., Inc.'s common stock from ING (the "Direct Share Buyback"). Upon completion of these transactions (the stock offering and the Direct Share Buyback), ING's ownership of ING U.S., Inc. was reduced to 43%. The divestment of more than 50% of the U.S. insurance and investment management businesses, including the Company, is measured in terms of a divestment of over 50% of the shares of common stock of ING U.S., Inc. the loss of ING's majority of directors on ING U.S., Inc.'s board of directors and the accounting deconsolidation of ING U.S., Inc. from ING (in line with IFRS accounting rules).

Effective April 7, 2014, ING U.S., Inc. changed its name and became known as Voya Financial, Inc.

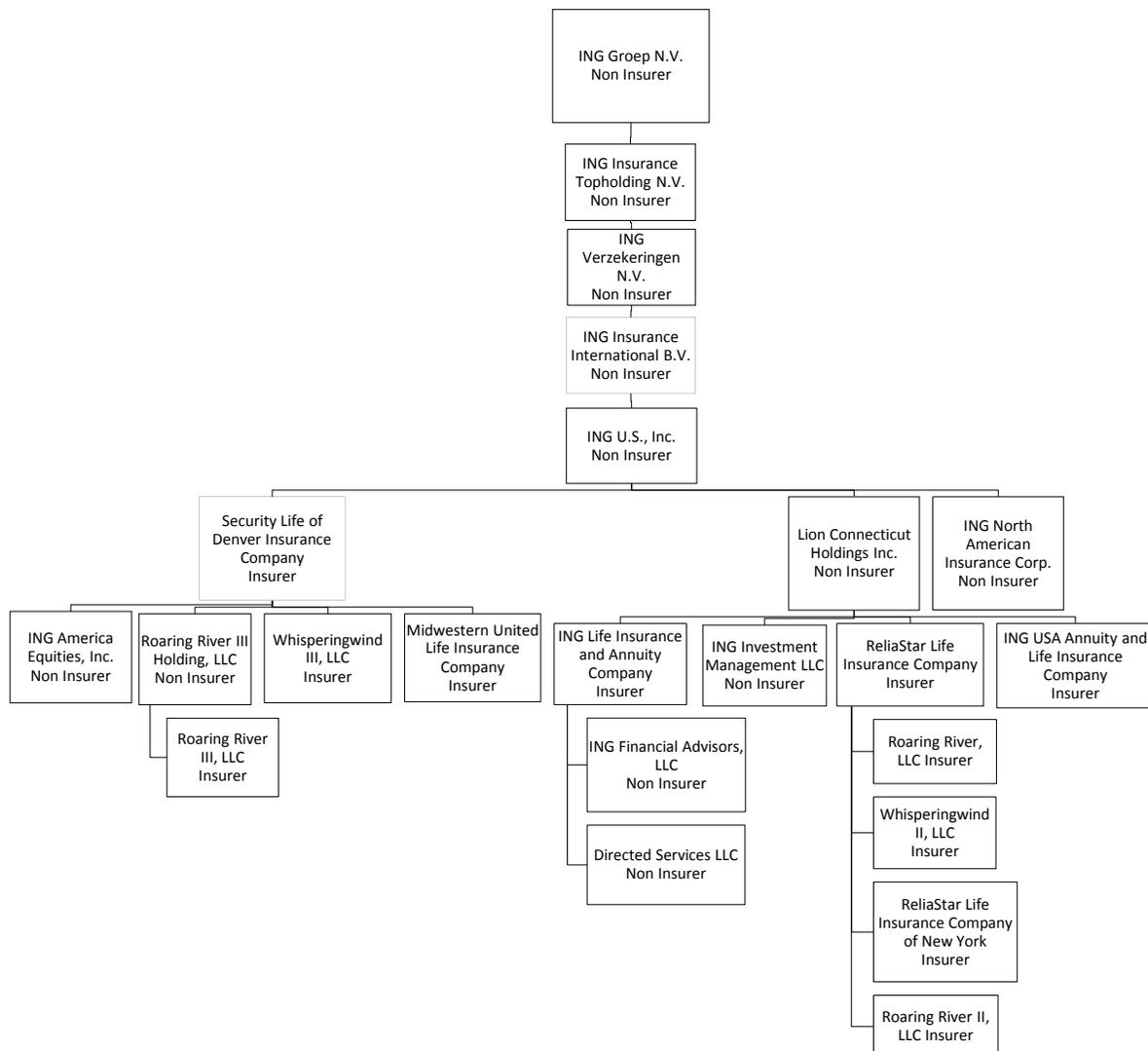
As of December 31, 2012, the Company reported capital stock in the amount of \$2,755,726, consisting of 1,377,863 shares of common stock with a par value of \$2 each, and paid in and contributed surplus of \$228,881,164.

## B. Holding Company

The Company is a wholly-owned subsidiary of RLIC, an insurance company domiciled in the State of Minnesota, which, in turn, is a wholly owned subsidiary of Lion. Lion is a wholly-owned subsidiary of Voya Financial, Inc. (formally known as ING U.S., Inc.). The ultimate parent of the Company is ING, a global financial services company based in the Netherlands.

## C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2012 follows:



D. Service Agreements

The Company had seven service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	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 - File No. 29998  Amendment - File No. 29998G	03/01/2003  Amended 08/01/2004	ING USA Annuity and Life Insurance Company, ING Life Insurance and Annuity Company, RLIC, Security Life of Denver Insurance Company, ING Financial Advisers, LLC (“INGFA”) and ING North America Insurance Corporation	The Company	Underwriting, producer licensing, policyowner and claims processing, actuarial and financial management, information services, legal, risk management, compliance, human resource, marketing and sales promotion, tax, reinsurance management and administration, real estate management, corporate accounting, finance and treasury, etc.	2009 - \$(34,512,756) 2010 - \$(34,842,936) 2011 - \$(37,856,756) 2012 - \$(39,724,646)
Paymaster Agreement	01/01/2004	The Company	ING Financial Partners, Inc. (“INGFP”)	The Company acts as paymaster for compensation payable for sales of ING variable products.	2009 - \$ 0 2010 - \$605,881 2011 - \$703,443 2012 - \$648,510

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/(Expense)* For Each Year of the Examination
Paymaster Agreement	07/01/2004	The Company	INGFA	The Company acts as paymaster on behalf of INGFA for compensation payable to INGFA representatives for sales of ING variable products.	2009 - \$75,465 2010 - \$49,694 2011 - \$ 0 2012 - \$ 0
Paymaster Agreement File No. 35055  Amendment File No. 38285	01/01/2006  Amended 12/31/2007	RLIC	The Company	RLIC acts as paymaster on behalf of the Company for compensation payable to INGFP registered representatives for the sale of ING variable products.	2009 - \$(71,449) 2010 - \$(49,197) 2011 - \$(38,787) 2012 - \$(31,725)
Service Agreement	11/08/1996	The Company	Directed Services LLC	Recordkeeping, disaster recovery program and use of facilities reasonably necessary in conduct of insurance operations.	2009 - \$1,191,468 2010 - \$3,255,428 2011 - \$3,238,073 2012 - \$3,215,938
Master Participation Agreement and Mortgage Loan Servicing Agreement  Amendment File No. 029218	07/27/1993  Amended 02/08/1994  Amended 10/01/2001	ING Investment Management LLC ("IIM")	The Company and other participants named therein	Mortgage loan servicing.	Fees paid through the investment advisory agreement

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/(Expense)* For Each Year of the Examination
Investment Advisory Agreement - File No. 29217  Amendment - File No. 29217G.	01/01/2001  Amended 09/01/2003	IIM	The Company	Investment advisory services, reinvestment management and servicing of assets, asset liability management, administrative consulting, accounting, etc.	2009-\$ (2,015,525) 2010-\$ (2,597,440) 2011-\$ (2,909,651) 2012-\$ (2,798,834)

The Company participates in a tax sharing agreement with Voya Financial, Inc. (formally known as ING U.S., Inc.) and other members of the affiliated group.

#### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 22 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, 2012, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2012, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Donald W. Britton Atlanta, GA	President and Chief Executive Officer, ReliaStar Life Insurance Company of New York	2005
Carol V. Coleman* New York, NY	Partner, Coleman & Coleman, LLC	2005
Richard M. Conley* Plymouth, MN	Retired, former Senior Vice President, ReliaStar Life Insurance Company of New York	1998
James R. Gelder* Austin, TX	Retired, former Executive Vice President, ING U.S. Financial Services	1999

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Richard K. Lau Exton, PA	Vice President and Actuary, ReliaStar Life Insurance Company of New York	2009
Heather H. Lavallee Shorewood, MN	Senior Vice President, ReliaStar Life Insurance Company of New York	2011
James F. Lille* Gansevoort, NY	Retired, former Managing Director, Aetna Financial Services	2003
Gilbert E. Mathis Atlanta, GA	Senior Vice President, ReliaStar Life Insurance Company of New York	2012
Daniel P. Mulheran, Sr. Edina, MN	Senior Vice President, ReliaStar Life Insurance Company of New York	2009
Michael S. Smith Chester Springs, PA	Executive Vice President, ReliaStar Life Insurance Company of New York	2012
Ewout L. Steenbergen New York, NY	Executive Vice President and Chief Financial Officer, ReliaStar Life Insurance Company of New York	2010
Charles B. Updike* Westport, NY	Partner, Schoeman, Updike & Kaufman	1990
Ross M. Weale* South Salem, NY	President, Waccabuc Enterprises, Inc.	1984

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

In January 2013, Richard K. Lau was replaced by Paul S. Mistretta on the board of directors. In June 2013, Paul S. Mistretta and Daniel P. Mulheran, Sr. also resigned from the board and were replaced by Thomas Lutter and David P. Wilkin, respectively. In December 2013, Thomas Lutter resigned from the board and was replaced by Diane McCarthy.

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 the meetings.

The following is a listing of the principal officers of the Company as of December 31, 2012:

<u>Name</u>	<u>Title</u>
Donald W. Britton	President and Chief Executive Officer
Bridget M. Healy	Executive Vice President and Chief Legal Officer
Paul S. Mistretta	Executive Vice President
Ewout L. Steenbergen	Executive Vice President and Chief Financial Officer
David S. Pendergrass	Senior Vice President and Treasurer
Steven T. Pierson	Senior Vice President and Chief Accounting Officer
Megan A. Huddleston	Secretary
Judith Ginter*	Vice President, Compliance

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

In June 2013, Paul S. Mistretta resigned as Executive Vice President of the Company. In June 2013, Ewout Steenbergen resigned as Chief Financial Officer of the Company and was replaced by Thomas Lutter. In December 2013, Thomas Lutter resigned as Chief Financial Officer of the Company and was replaced by Diane McCarthy.

#### 4. TERRITORY AND PLAN OF OPERATIONS

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 all states, and the District of Columbia. The Company is also licensed to transact business in the Cayman Islands, and the Dominican Republic.

In 2012, 70.5% of life premiums, 80.2% of annuity considerations and 56.1% of accident and health premiums were received from New York.

Policies are written on a participating and non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2012, the Company had \$1,485,000 of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmations received from the following states which were reported in Schedule E of the 2012 filed annual statement an additional \$1,772,460 was being held by the states of Arkansas, Georgia, Massachusetts, New Mexico, North Carolina and Oklahoma. In addition, a special deposit of \$3,018,000 was being held in the Cayman Islands.

##### B. Direct Operations

The Company principally provides life insurance and related financial services products including individual life, fixed annuities, and group life and health products. The Company's individual life insurance products include term, universal life and second-to-die universal life. Fixed universal life and term products represent 100 percent of the single and first-year individual life premium volume in 2012. The Company also markets fixed annuities.

In 2010, the Company discontinued sales of variable annuity contracts. However, the Company continues to accept additional premium payments for the variable annuities that were also flexible premium deferred annuity contracts. These contracts offered guaranteed minimum death benefits, guaranteed living benefits, or both benefits.

Group life and health product agents target the sale of employee benefits and related financial services to medium and large corporate employers and affinity groups. In addition, the Company sells individual and payroll-deduction products to employees of its corporate clients including group and individual life insurance and non-medical group insurance products.

The Company's retail life and fixed annuity agency operations are conducted on a general agency basis either with independent general agents or independent personal producing agents. The employee benefits division distributes worksite payroll deduction life and health insurance products through general agents, brokers and consultants, primarily to employers and their employees.

### C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with 30 companies, of which 20 were 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 maximum retention limit for individual life contracts is \$300,000. The total face amount of life insurance ceded as of December 31, 2012, was \$53,744,885,843 which represents 73.4% 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 \$16,842,453, was supported by letters of credit.

The Company did not assume any life insurance as of December 31, 2012.

## 5. 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 (decline) during the period under review:

	December 31, <u>2008</u>	December 31, <u>2012</u>	Increase (Decrease)
Admitted assets	<u>\$3,207,470,782</u>	<u>\$3,232,374,805</u>	<u>\$ 24,904,023</u>
Liabilities	<u>\$2,985,507,203</u>	<u>\$2,891,756,805</u>	<u>\$ (93,750,398)</u>
Common capital stock	\$ 2,755,726	\$ 2,755,726	\$ 0
Gross paid in and contributed surplus	228,881,164	228,881,164	0
Deferred gain on reinsurance	79,303,399	73,341,861	(5,961,538)
Unassigned funds (surplus)	<u>(88,976,710)</u>	<u>35,639,249</u>	<u>124,615,959</u>
Total capital and surplus	<u>\$ 221,963,579</u>	<u>\$ 340,618,000</u>	<u>\$118,654,421</u>
Total liabilities, capital and surplus	<u>\$3,207,470,782</u>	<u>\$3,232,374,805</u>	<u>\$ 24,904,023</u>

The Company's invested assets as of December 31, 2012, exclusive of separate accounts, were mainly comprised of bonds (82.3%) and contract loans (4.9%).

The majority (96.5%) of the Company's bond portfolio, as of December 31, 2012, was comprised of investment grade obligations.

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

	<u>Ordinary Annuities</u>			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Outstanding, end of previous year	20,542	20,490	19,480	18,047
Issued during the year	1,388	487	70	83
Other net changes during the year	<u>(1,440)</u>	<u>(1,497)</u>	<u>(1,503)</u>	<u>(1,588)</u>
Outstanding, end of current year	<u>20,490</u>	<u>19,480</u>	<u>18,047</u>	<u>16,542</u>

The decrease in issued ordinary annuities between 2009 and 2010 reflects the Company's decision to stop writing variable annuity business in 2010.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Ordinary:				
Life insurance	\$ 34,863,115	\$ 8,237,502	\$ 1,605,948	\$17,533,496
Individual annuities	84,075,421	709,699	(44,701,091)	51,392,264
Supplementary contracts	<u>2,827,513</u>	<u>2,112,911</u>	<u>2,151,650</u>	<u>1,220,599</u>
Total ordinary	<u>\$121,766,049</u>	<u>\$11,060,112</u>	<u>\$(40,943,493)</u>	<u>\$70,146,359</u>
Group:				
Life	\$ 2,994,450	\$ (2,259,774)	\$ (5,123,639)	\$ (5,604,231)
Annuities	<u>(459,003)</u>	<u>(523,641)</u>	<u>(697,569)</u>	<u>(537,411)</u>
Total group	<u>\$ 2,535,447</u>	<u>\$(2,783,415)</u>	<u>\$(5,821,208)</u>	<u>\$(6,141,642)</u>
Accident and health:				
Group	\$ (2,245,482)	\$ 2,543,309	\$ (3,372,194)	\$ 1,570,486
Other	<u>(2,970,102)</u>	<u>1,373,624</u>	<u>(1,347,901)</u>	<u>(2,397,002)</u>
Total accident and health	<u>\$(5,215,584)</u>	<u>\$ 3,916,933</u>	<u>\$(4,720,095)</u>	<u>\$(826,516)</u>
All other lines	<u>\$(3,119)</u>	<u>\$ 2,769,735</u>	<u>\$ 6,030,428</u>	<u>\$ 4,714,154</u>
Total	<u>\$119,082,793</u>	<u>\$14,963,365</u>	<u>\$(45,454,368)</u>	<u>\$67,892,355</u>

As a result of the planned separation from ING, ING U.S., Inc. modified its sales strategy to suspend sales of secondary guarantee universal life business and 25 plus year term life products in 2010 to focus on products that are less capital intensive, such as indexed universal life business. This, coupled with other capital initiatives, such as portfolio restructuring, resulted in a reduction to the individual life income.

The variance between years for individual annuities relates primarily to discontinuing writing variable annuity contracts in 2010, the increase in AG43 reserves of approximately \$42M, and fluctuations in investment equity values and interest rates impacting the statutory reserves. Some of this fluctuation is hedged by futures contracts.

The decrease in group life income was due to New York Regulation 147 reserve increases on contracts with multi-year rate guarantees.

The decrease in group accident and health business in 2009 was due to unfavorable experience in stop loss and to unfavorable long-term disability claims development in the first eight months of the year. Ninety percent of the long-term disability block was ceded in the third quarter of 2009. In 2012, accident and health earnings were positive due to favorable stop-loss experience.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2012, as contained in the Company's 2012 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, 2012 filed annual statement.

### A. Independent Accountants

The firm of Ernst & Young LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31<sup>st</sup> of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Ernst & Young LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	\$1,845,878,935
Stocks:	
Preferred stocks	600,000
Common stocks	667,935
Mortgage loans on real estate:	
First liens	101,091,053
Cash, cash equivalents and short term investments	47,616,938
Contract loans	110,334,344
Derivatives	26,407,456
Other invested assets	11,807,986
Receivable for securities	419,458
Securities lending reinvested collateral assets	15,068,747
Investment income due and accrued	22,313,984
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(19,923,830)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	9,306,907
Reinsurance:	
Amounts recoverable from reinsurers	17,490,244
Funds held by or deposited with reinsured companies	218,355
Other amounts receivable under reinsurance contracts	7,066,036
Current federal and foreign income tax recoverable and interest thereon	299,702
Net deferred tax asset	38,512,330
Guaranty funds receivable or on deposit	346,141
Receivables from parent, subsidiaries and affiliates	5,689,721
Miscellaneous assets	2,551,886
From separate accounts, segregated accounts and protected cell accounts	<u>988,610,477</u>
Total admitted assets	<u>\$3,232,374,805</u>

### C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$1,671,372,297
Aggregate reserve for accident and health contracts	37,251,337
Liability for deposit-type contracts	101,836,935
Contract claims:	
Life	23,706,413
Accident and health	1,698,061
Policyholders' dividends and coupons due and unpaid	25,641
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	1,106,372
Premiums and annuity considerations for life and accident and health contracts received in advance	456,963
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	468,470
Commissions to agents due or accrued	509,066
General expenses due or accrued	869,984
Transfers to separate accounts due or accrued	(15,520,426)
Taxes, licenses and fees due or accrued, excluding federal income taxes	834,757
Unearned investment income	3,682,237
Amounts withheld or retained by company as agent or trustee	1,316,279
Amounts held for agents' account	472,520
Remittances and items not allocated	6,605,209
Miscellaneous liabilities:	
Asset valuation reserve	1,190,152
Reinsurance in unauthorized companies	164,331
Payable to parent, subsidiaries and affiliates	22,033,361
Derivatives	2,703,815
Payable for securities	16,666
Payable for securities lending	15,068,747
Margin call collateral	15,800,000
Other contingency reserves	4,123,994
Futures payable	3,483,124
Unclaimed property	1,420,518
Bad debt reserve	239,976
Miscellaneous liabilities	209,529
From Separate Accounts statement	<u>988,610,477</u>
Total liabilities	<u>\$2,891,756,805</u>
Common capital stock	\$ 2,755,726
Deferred gain on reinsurance	73,341,861
Gross paid in and contributed surplus	228,881,164
Unassigned funds (surplus)	<u>35,639,249</u>
Surplus	<u>\$ 337,862,274</u>
Total capital and surplus	<u>\$ 340,618,000</u>
Total liabilities, capital and surplus	<u>\$3,232,374,805</u>

D. Condensed Summary of Operations

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Premiums and considerations	\$ 286,671,630	\$180,229,916	\$116,292,844	\$160,765,348
Investment income	101,639,177	104,384,967	107,975,340	101,392,349
Commissions and reserve adjustments on reinsurance ceded	34,871,875	30,443,583	50,899,947	39,385,191
Miscellaneous income	<u>27,809,063</u>	<u>33,911,002</u>	<u>30,484,565</u>	<u>29,566,243</u>
Total income	<u>\$ 450,991,745</u>	<u>\$348,969,468</u>	<u>\$305,652,696</u>	<u>\$331,109,131</u>
Benefit payments	\$ 490,292,633	\$263,513,052	\$318,998,675	\$284,501,284
Increase in reserves	(98,793,097)	3,185,883	49,841,715	(43,071,254)
Commissions	38,090,845	29,944,847	34,585,175	33,527,508
General expenses and taxes	55,900,353	54,466,177	42,759,023	49,245,795
Increase in loading on deferred and uncollected premiums	(12,999,792)	(169,436)	(4,288,639)	9,895,276
Net transfers to (from) Separate Accounts	(149,308,220)	(21,261,699)	(95,991,234)	(89,310,255)
Miscellaneous deductions	<u>936,288</u>	<u>287,060</u>	<u>5,198,019</u>	<u>1,154,166</u>
Total deductions	<u>\$ 324,119,010</u>	<u>\$329,965,884</u>	<u>\$351,102,734</u>	<u>\$245,942,520</u>
Net gain (loss)	\$ 126,872,735	\$ 19,003,584	\$ (45,450,038)	\$ 85,166,611
Dividends	937,175	926,974	977,693	1,062,521
Federal and foreign income taxes incurred	<u>6,852,767</u>	<u>3,113,244</u>	<u>(973,363)</u>	<u>16,211,735</u>
Net gain (loss) from operations				
before net realized capital gains	\$ 119,082,793	\$ 14,963,366	\$ (45,454,368)	\$ 67,892,355
Net realized capital gains (losses)	<u>(23,836,810)</u>	<u>(34,989,133)</u>	<u>(3,601,986)</u>	<u>(27,822,492)</u>
Net income	<u>\$ 95,245,983</u>	<u>\$ (20,025,767)</u>	<u>\$ (49,056,354)</u>	<u>\$ 40,069,863</u>

E. Capital and Surplus Account

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capital and surplus, December 31, prior year	\$ <u>221,963,579</u>	\$ <u>322,591,230</u>	\$ <u>320,196,136</u>	\$ <u>281,525,091</u>
Net income	\$ 95,245,983	\$ (20,025,767)	\$ (49,056,354)	\$ 40,069,863
Change in net unrealized capital gains (losses)	(3,139,981)	(747,944)	17,291,549	(141,535)
Change in net unrealized foreign exchange capital gain (loss)	(57,161)	(99,483)	122,680	149,954
Change in net deferred income tax	(34,962,697)	13,079,307	16,082,043	(7,432,676)
Change in non-admitted assets and related items	21,727,623	(8,587,451)	(9,868,741)	16,626,867
Change in liability for reinsurance in unauthorized companies	2,611,050	1,782,704	1,375	3,036
Change in reserve valuation basis	0	2,191,435	0	0
Change in asset valuation reserve	15,185,488	(534,598)	(12,858,102)	14,426,193
Cumulative effect of changes in accounting principles	(525,240)	0	0	(1,880,928)
Change in surplus as a result of reinsurance	(2,712,030)	(2,712,030)	2,347,528	(2,885,006)
Prior period adjustment	0	0	0	157,141
Admitted deferred tax per SSAP 10R	<u>7,254,617</u>	<u>13,258,732</u>	<u>(2,733,023)</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>100,627,652</u>	\$ <u>(2,395,095)</u>	\$ <u>(38,671,045)</u>	\$ <u>59,092,909</u>
Capital and surplus, December 31, current year	\$ <u>322,591,230</u>	\$ <u>320,196,136</u>	\$ <u>281,525,091</u>	\$ <u>340,618,000</u>

## 7. 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.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in the prior financial report on examination and the subsequent actions taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1505(d)(3) of the New York Insurance Law by not notifying the Superintendent in writing of agreements with affiliates at least thirty days before the effective dates of the agreements. A similar violation appeared in the prior report on examination.</p> <p>The Company did not enter into any new agreements with affiliates during the examination period. The agreements referenced above were subsequently filed with and approved by the Department.</p>
B	<p>The examiner recommended that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department.</p> <p>The Company subsequently computed reserves based upon appropriate assumption and methodologies in a manner acceptable to the Department, and received reserve certifications from the Department.</p>

Following are the violations contained in the prior Market Conduct report on examination and the subsequent actions taken by the Company in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 53-2.2(a)(4) of Department Regulation No. 74 by not using the generic name of the basic policy on the policy summary.</p> <p>During the current examination, the examiner did not identify any policy summaries that violated Department Regulation No. 74.</p>
B	<p>The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by not maintaining complete records of policies subject to review.</p> <p>The examiner did not note any incomplete policy records during the current examination</p>



APPOINTMENT NO. 30985

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**JAMES W. MENCK**

as a proper person to examine the affairs of the

**RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK**

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

**COMPANY**

with such other information as he shall deem requisite.

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

this 20th day of August, 2013

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:



MICHAEL MAFFEI  
ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

