



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

CONDITION:

DECEMBER 31, 2008

DATE OF REPORT:

APRIL 19, 2010

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

SHARON SYBRANDT

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

October 28, 2011

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

Sir:

In accordance with instructions contained in Appointment No. 30261, dated October 28, 2008, and annexed hereto, an examination has been made into the affairs of Reliastar Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 1000 Woodbury Road, Woodbury, New York 11797.

On October 3, 2011, the Insurance Department merged with the Banking Department to create the New York State Department of Financial Services. 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. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2004 through December 31, 2008. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2008, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities, and utilized the National Association of Insurance Commissioners' Market Conduct Examiners Handbook or such other examination procedures, as deemed appropriate, in such review.

The examiner reviewed the corrective actions taken by the Company with respect to the market conduct violations and recommendation contained in the prior report on examination. The results of the examiner's review are contained in Section 4 of this report.

This report on examination is confined to comments on matters, which involve departure from laws, regulations or rules, or which require explanation or description.

## 2. 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 (“SCLIC”) 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 (“RLNY”).

On September 1, 2000, ING America Insurance Holdings, Inc. (“ING AIH”) acquired RFC. ING AIH is owned by ING Groep N.V., a global financial services company based in the Netherlands.

On April 1, 2002, First Golden America Life Insurance Company (“FGALIC”), an affiliate, 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, who then became the parent of RLIC within the ING Holding Company.

As of December 31, 2008, 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.

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 ING Groep N.V.

#### B. 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 all states and the District of Columbia. Policies are written on a participating and non-participating basis. Participating business approximates less than 2% of the Company's ordinary life insurance in force, and less than 3% of premium income.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2008:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>	
New York	64.5%	New York	94.3%
New Jersey	5.4	New Jersey	3.2
Connecticut	4.5	Florida	0.9
Pennsylvania	2.8	Virginia	0.5
Florida	<u>2.6</u>	Pennsylvania	<u>0.3</u>
Subtotal	79.8%	Subtotal	99.2%
All others	<u>20.2</u>	All others	<u>0.8</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

<u>Accident and Health Insurance Premiums</u>		<u>All Premiums</u>	
New York	30.7%	New York	80.8%
California	9.7	New Jersey	4.3
Florida	6.1	Florida	2.4
Texas	6.0	Connecticut	1.6
New Jersey	<u>5.2</u>	California	<u>1.3</u>
Subtotal	57.7%	Subtotal	90.4%
All others	<u>42.3</u>	All others	<u>9.6</u>
Total	<u>100.0%</u>	Total	<u>100.0%</u>

The Company offers a wide range of individual life insurance products, including term, universal life, second-to-die universal life, variable universal life, and fixed and variable annuities through a network of independent agents and financial professionals. The Company also offers group life and health products and services, and qualified group annuity contracts.

Variable universal life and fixed universal life products represent a significant portion of the individual life premium volume. In addition to alternative investment options, these products provide certain benefits associated with traditional life insurance such as death benefits and cash values.

Fixed annuities and variable annuities offered by the Company are long-term savings vehicles in which the contract owner deposit's are recorded and maintained in the general account for fixed annuities and in a separate account established for the contract owner in the case of variable annuities. The Company sells variable annuity contracts offering one or more of the following guaranteed benefits: (1) guaranteed minimum death benefits and (2) guaranteed living 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 offered deferred group annuity contracts primarily to small businesses. However, the Company is not actively marketing these contracts.

The Company's retail life 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.

### 3. 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.

Section 53-2.2(a) of Department Regulation No. 74 states, in part:

"a policy summary shall include the following . . . (4) the generic name of the basic policy and each rider. . . ."

The examiner reviewed 49 new underwriting files. In all 49 files the policy summary indicated the Company's plan code rather than the generic name of the policy (i.e., "TSNY05-30" instead of "30 YEAR RENEWABLE AND CONVERTIBLE TERM LIFE INSURANCE").

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.

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

"Except as otherwise required by law or regulation, and 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 after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this Part. A separate copy need not be maintained in an individual policy record, provided that

any data relating to a specific contract or policy can be retrieved pursuant to Section 243.3(a) of this Part . . .”

While performing the in-force accuracy review for a sample of policies, it was noted that there were two policies in the sample for which there were no imaged documents. All pages of the policies were missing from the imaging system. Upon request, the Company was able to reconstruct the missing policy data pages. Although the examiner traced the policy numbers to the respective applications, the examiner was unable to verify certain other information on the data listing.

The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by not maintaining complete records of policies subject to review.

### 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.

#### 4. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 4221(a)(7) of the New York Insurance Law by mailing annual reports 90 days after the policy anniversary date, which is beyond the prescribed 60-day limit.</p> <p>The review of annual reports did not show any recurrent deficiencies.</p>
B	<p>The Company violated Section 243.2 of Department Regulation No. 152 by not maintaining complete complaint records for six calendar years after all elements of the complaint are resolved and the file is closed.</p> <p>The review of complaints did not show any recurrent deficiencies.</p>
C	<p>The examiner recommended that the Company establish adequate controls over the maintenance of the complaint log in order to ensure that all of the Company's complaints appear on the log, and that any complaints related to the Company's affiliates that appear on the log should reflect such and indicate the manner in which they were disposed of (e.g., forwarded to the appropriate affiliate).</p> <p>The review of complaints did not show any recurrent deficiencies.</p>

## 5. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	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.	7
B	The Company violated Section 243.2(b)(1) of Department Regulation No. 152 by not maintaining complete records of policies subject to review.	8

Respectfully submitted,

\_\_\_\_\_/s/  
Sharon Sybrandt  
Market Conduct Supervisor

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

Sharon Sybrandt, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/s/  
Sharon Sybrandt

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

APPOINTMENT NO. 30261

**STATE OF NEW YORK**  
**INSURANCE DEPARTMENT**

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:

**SHARON SYBRANDT**

as a proper person to examine into the affairs of the

**RELIASTAR 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 23rd day of October, 2008

**JAMES J. WRYNN**

Acting Superintendent of Insurance

*James J. Wrynn*  
Acting Superintendent