



STATE OF NEW YORK INSURANCE DEPARTMENT  
REPORT ON EXAMINATION  
OF THE  
SENTRY LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

December 31, 2009

DATE OF REPORT:

March 4, 2011

STATE OF NEW YORK INSURANCE DEPARTMENT  
REPORT ON EXAMINATION  
OF THE  
SENTRY LIFE INSURANCE COMPANY OF NEW YORK  
AS OF  
DECEMBER 31, 2009

DATE OF REPORT:

MARCH 4, 2011

EXAMINER:

EDEN M. SUNDERMAN

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

Andrew M. Cuomo  
Governor

James J. Wrynn  
Superintendent

April 26, 2011

Honorable James J. Wrynn  
Superintendent of Insurance  
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30534, dated May, 27, 2010 and annexed hereto, an examination has been made into the condition and affairs of Sentry Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 220 Salina Meadows Parkway, Suite 255, Syracuse, New York 13212.

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

## 1. EXECUTIVE SUMMARY

The material violations contained in this report are summarized below.

- The Company violated Section 3209(b)(1)(A) of the New York Insurance Law by failing to provide prospective applicants with preliminary information that conformed to Section 3209(d) of the New York Insurance Law on or before the date that the application was taken. (See item 7C of this Report)
- The Company violated Section 53-1.4 of Department Regulation No. 74 by failing to maintain at its home or principal office, a complete file containing one specimen copy each of the preliminary information form, policy summary form, and sales illustrations authorized by the insurer for each policy form for use in New York. (See item 7C 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, 2009 Edition (the “Handbook”). The examination covers the three-year period from January 1, 2007 through December 31, 2009. 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, 2009 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 2007 through 2009, by the accounting firm of KPMG 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.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 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 under the laws of New York on May 23, 1966, was licensed on January 13, 1967 and commenced business on January 27, 1967. Initial resources of \$2,000,000, consisting of common capital stock of \$500,000 and paid in and contributed surplus of \$1,500,000, were provided through the sale of 50,000 shares of common stock (with a par value of \$10 each) for \$40 per share. In 1976, an additional \$2,000,000 was contributed to surplus. In 1977, capital was increased to \$1,000,000 as a result of an additional capital contribution of \$500,000, at the same time the par value of the common stock was increased from \$10 to \$20 per share. In 2008, an additional \$3,000,000 was contributed to surplus. All of the Company's common shares are outstanding. As of December 31, 2009, the Company had common capital stock of \$1,000,000 and paid in and contributed surplus of \$6,500,000.

#### B. Holding Company

The Company is a wholly owned subsidiary of Sentry Life Insurance Company ("SLIC"), a Wisconsin life insurance company. SLIC is in turn a wholly owned subsidiary of the Company's ultimate parent, Sentry Insurance A Mutual Company ("SIAMCO"), a property and casualty insurance company licensed in New York.

#### C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2009 follows:

#### D. Service Agreements

The Company had 3 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 Agreement	12/1/2003	Sentry Insurance A Mutual Company	Sentry Life Insurance Company of New York	Technology and office services, including office space, telecommunications, furniture & equipment, postage & mail delivery. Business services, including legal, claims, accounting & audit, actuarial & compliance, policy & office administration, sales and advertising	2007: \$(834,314) 2008: \$(725,914) 2009: \$(858,347)
Principal Underwriter and Distribution Agreement	8/15/2005	Sentry Equity Services, Inc.	Sentry Life Insurance Company of New York	Underwriting and distribution of variable annuity contracts, customer service, reporting required by regulatory authorities	2007: \$(120) 2008: \$(294) 2009: \$ 0
Investment Advisory Agreement	1/1/2008	Sentry Investment Management, LLC	Sentry Life Insurance Company of New York	Management of investment of assets	2007: \$(13,593) 2008: \$(13,350) 2009: \$(14,992)

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

The Company has a consolidated federal tax allocation agreement in effect with its ultimate parent, SIAMCO.

#### E. Management

The Company's By-laws provide that the number of directors shall be determined by the By-laws, but shall not be less than seven. Directors are elected for a period of three years at the annual meeting of the stockholders held in May of each year. As of December 31, 2009, the board of directors consisted of seven members. Meetings of the board are held quarterly.

The seven board members and their principal business affiliation, as of December 31, 2009, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Dennis R. Cabrey* Manlius, NY	Dentist Self-employed	1998
Mark R. Hackl Plover, WI	President and Chief Operating Officer Sentry Life Insurance Company of New York	2008
Larry R. Leatherman* Fayetteville, NY	President Museum of Science and Technology	1995
John D. Marshall* Liverpool, NY	Partner Testone, Marshall & Discenza, LLP	1997
William M. O'Reilly Stevens Point, WI	Secretary Sentry Life Insurance Company of New York	1997
Dale R. Schuh Stevens Point, WI	Chairman of the Board Sentry Life Insurance Company of New York	1990
Michael V. Zimmer Stevens Point, WI	Treasurer Sentry Life Insurance Company of New York	2008

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

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2009:

<u>Name</u>	<u>Title</u>
Mark R. Hackl	President and Chief Operating Officer
William M. O'Reilly*	Secretary
Michael V. Zimmer	Treasurer
David A. Derksen	Actuary

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

#### 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 three states, namely Minnesota, New York and North Dakota. In 2009, all accident and health premiums and annuity considerations and 84.9% of life premiums were received from New York. Policies were written on a non-participating basis through year-end 1996. In March of 1996, the Company received a permit pursuant to Section 4231(f) of the New York Insurance Law to issue participating whole life policies and contracts in New York and began issuing such policies in 1997. The Company currently writes both participating and non-participating whole life policies.

##### A. Statutory and Special Deposits

As of December 31, 2009, the Company had \$250,000 (par value) of United States of America 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.

##### B. Direct Operations

During the examination period, the Company primarily sold individual life insurance, group life and health insurance and group pension products. The individual life line includes whole life and term life insurance products. The group life and health line consists mainly of term life, dental, and indemnity insurance products. The group pension products consist of Separate Account variable annuity contracts used for the purpose of funding pension and/or profit sharing plans. In connection with the group annuity product (401k plans), the Company increased investment offerings to plan participants in 2006. With the plan additions, there are 27 investment options available to plan sponsors. The plan participants have a variety of investment options available ranging from a money market account to aggressive stock funds, as well as a guaranteed interest fund.

Effective January 1999, the Company discontinued writing universal life insurance.

Effective January 2000, the Company exited the small group medical insurance market by non-renewing its remaining business starting with anniversary dates on or after January 1, 2000.

Effective December 1, 2004, the Company discontinued marketing its individual variable annuity products.

The Company's agency operations are conducted through a combination of salaried sales representatives and an independent general agency system.

### C. Reinsurance

As of December 31, 2009, the Company had reinsurance treaties in effect with nine companies, of which seven were authorized or accredited. The Company's ordinary life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$50,000. The total face amount of life insurance ceded as of December 31, 2009, was \$19,765,836, which represents 23.0% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$45,423, was supported by funds withheld. The Company does not assume reinsurance business.

## 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>2006</u>	December 31, <u>2009</u>	Increase (Decrease)
Admitted assets	<u>\$52,066,927</u>	<u>\$58,247,874</u>	<u>\$6,180,947</u>
Liabilities	<u>\$44,659,165</u>	<u>\$47,980,351</u>	<u>\$3,321,186</u>
Common capital stock	\$ 1,000,000	\$ 1,000,000	\$0
Gross paid in and contributed surplus	3,500,000	6,500,000	3,000,000
Special reserve	3,378	3,493	115
Group contingency reserve	47,278	54,647	7,369
Additional admitted deferred tax assets	0	61,667	61,667
Unassigned funds (surplus)	<u>2,857,106</u>	<u>2,647,716</u>	<u>\$ (209,390)</u>
Total capital and surplus	<u>\$ 7,407,762</u>	<u>\$10,267,523</u>	<u>\$2,859,761</u>
Total liabilities, capital and surplus	<u>\$52,066,927</u>	<u>\$58,247,874</u>	<u>\$6,180,947</u>

The Company's invested assets as of December 31, 2009, exclusive of separate accounts, were mainly comprised of bonds (91.2%) and cash and short-term investments (5.6%).

The Company's entire bond portfolio, as of December 31, 2009, was comprised of investment grade obligations.

On December 17, 2008, Sentry Life Insurance Company made a \$3 million capital contribution to Sentry Life Insurance Company of New York.

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>2007</u>	<u>2008</u>	<u>2009</u>
Ordinary:			
Life insurance	\$623,958	\$498,301	\$552,157
Individual annuities	(101,985)	(70,608)	(94,184)
Supplementary contracts	<u>6,291</u>	<u>5,865</u>	<u>6,212</u>
Total ordinary	<u>\$528,264</u>	<u>\$433,558</u>	<u>\$464,185</u>
Group:			
Life	\$ 7,289	\$ (5,057)	\$ 9,075
Annuities	<u>(43,612)</u>	<u>(81,173)</u>	<u>(36,679)</u>
Total group	<u>\$ (36,323)</u>	<u>\$ (86,230)</u>	<u>\$ (27,604)</u>
Accident and health:			
Group	\$210,175	\$177,676	\$172,024
Other	<u>(1,951)</u>	<u>(7,504)</u>	<u>(19,548)</u>
Total accident and health	<u>\$208,224</u>	<u>\$170,172</u>	<u>\$152,476</u>
Total	<u>\$700,165</u>	<u>\$517,500</u>	<u>\$589,057</u>

The net loss from operations over the examination period on the individual annuity line of business is largely attributable to the small closed block of Patriot Variable Annuity business that is declining in volume. The expenses associated with this block of business are fixed. The decreased fee income for this line is largely a result of the declining asset base that was impacted by the decline in equity markets in 2008 and 2009.

The net losses incurred in the group annuity line are attributable to several factors. The pension line of business is fundamentally driven by the accumulation of assets. The general decline equity markets in 2008 and 2009 caused a decline in the separate account asset values of this block of business. The first year earnings strain from increased sales in 2009 also had a negative effect on net income. The fixed costs associated with administering such as small block of business also had a negative impact on operating income.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2009, as contained in the Company's 2009 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, 2009 filed annual statement.

### A. Independent Accountants

The firm of KPMG 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.

KPMG 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	\$30,287,464
Cash, cash equivalents and short term investments	1,874,294
Contract loans	1,057,749
Investment income due and accrued	510,298
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	6,051
Deferred premiums, agents' balances and installments booked but deferred and not yet due	81,307
Net deferred tax asset	97,214
A/R – other	456
From separate accounts, segregated accounts and protected cell accounts	<u>24,333,041</u>
Total admitted assets	<u>\$58,247,874</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$22,445,386
Aggregate reserve for accident and health contracts	60,719
Contract claims:	
Life	61,539
Accident and health	27,767
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends not yet apportioned	218
Contract liabilities not included elsewhere:	
Surrender values on cancelled contracts	773
Other amounts payable on reinsurance	10,438
Commissions to agents due or accrued	4,465
General expenses due or accrued	6,871
Taxes, licenses and fees due or accrued, excluding federal income taxes	91,122
Current federal and foreign income taxes	213,434
Amounts withheld or retained by company as agent or trustee	2,674
Remittances and items not allocated	34,333
Miscellaneous liabilities:	
Asset valuation reserve	66,884
Funds held under reinsurance treaties with unauthorized reinsurers	100,000
Payable to parent, subsidiaries and affiliates	484,040
Escheat funds	30,329
Interest on policy funds	84
Funds in transit	6,674
From Separate Accounts statement	<u>24,332,599</u>
 Total liabilities	 <u>\$47,980,351</u>
 Common capital stock	 \$1,000,000
Special reserve	3,493
Gross paid in and contributed surplus	6,500,000
Group contingency reserve	54,647
Additional admitted deferred tax assets	61,667
Unassigned funds (surplus)	<u>2,647,716</u>
 Total capital and surplus	 <u>\$10,267,523</u>
 Total liabilities, capital and surplus	 <u>\$58,247,874</u>

D. Condensed Summary of Operations

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Premiums and considerations	\$7,569,233	\$6,691,200	\$7,460,630
Investment income	1,841,822	1,752,589	1,907,766
Commissions and reserve adjustments on reinsurance ceded	924	3,886	3,202
Miscellaneous income	<u>392,480</u>	<u>343,078</u>	<u>341,319</u>
Total income	<u>\$9,804,459</u>	<u>\$8,790,753</u>	<u>\$9,712,917</u>
Benefit payments	\$7,454,626	\$6,235,723	\$5,549,833
Increase in reserves	(531,137)	1,155,372	848,130
Commissions	115,914	107,501	112,564
General expenses and taxes	953,333	894,603	940,579
Increase in loading on deferred and uncollected premium	135	(133)	813
Net transfers to (from) Separate Accounts	<u>831,124</u>	<u>(403,181)</u>	<u>1,371,245</u>
Total deductions	<u>\$8,823,995</u>	<u>\$7,989,885</u>	<u>\$8,823,164</u>
Net gain (loss)	\$ 980,464	\$ 800,868	\$ 889,751
Dividends	100	146	219
Federal and foreign income taxes incurred	<u>280,199</u>	<u>283,223</u>	<u>300,476</u>
Net gain (loss) from operations before net realized capital gains	\$ 700,166	\$ 517,499	\$ 589,056
Net realized capital gains (losses)	<u>(92,685)</u>	<u>(51,776)</u>	<u>(9,964)</u>
Net income	<u>\$607,481</u>	<u>\$465,723</u>	<u>\$579,092</u>

E. Capital and Surplus Account

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Capital and surplus, December 31, prior year	\$ <u>7,407,762</u>	\$ <u>7,402,207</u>	\$ <u>10,123,886</u>
Net income	\$ 607,481	\$ 465,723	\$ 579,092
Change in net deferred income tax	(44,141)	90,380	(36,814)
Change in non-admitted assets and related items	8,533	(164,776)	62,453
Change in liability for reinsurance in unauthorized companies	3,485	0	0
Change in asset valuation reserve	59,071	(29,543)	(22,840)
Surplus (contributed to), withdrawn from Separate Accounts during period	0	(209)	0
Other changes in surplus in Separate Accounts statement	17	104	79
Surplus adjustments:			
Paid in	0	3,000,000	0
Dividends to stockholders	(640,000)	(640,000)	(500,000)
Additional admitted dererred tax assets	<u>0</u>	<u>0</u>	<u>61,667</u>
Net change in capital and surplus for the year	\$ <u>(5,554)</u>	\$ <u>2,721,679</u>	\$ <u>143,637</u>
Capital and surplus, December 31, current year	\$ <u>7,402,208</u>	\$ <u>10,123,886</u>	\$ <u>10,267,523</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.

1. Section 3209(b)(1) of the New York Insurance Law states, in part:

“No policy of life insurance shall be delivered or issued for delivery in this state after the applicable effective date, as set forth in subsection (n) of this section, unless the prospective purchaser has been provided with the following:

(A) a copy of the most recent buyer's guide and the preliminary information required by subsection (d) of this section, at or prior to the time an application is taken . . .”

Section 3209(d) of the New York Insurance Law states, in part:

“(d) The preliminary information shall be in writing and include, to the extent applicable, the following . . .

(5) the effective policy loan annual percentage interest rate, if the policy would contain this provision, and whether this rate is applied in advance or in arrears, adjustable or fixed . . .

(7) in addition, the applicant shall be advised that, when the policy is issued, a complete policy summary, including cost data, based on the benefits, premiums and dividends of the policy as issued, will be furnished; and that, following the receipt of the policy and policy summary, there will be a period of not less than ten days within which the applicant may return the policy for an unconditional refund of the premiums paid . . .”

The examiner reviewed the preliminary information documents used by the Company during the examination period. The preliminary information documents provided by the Company failed to contain the language required by Section 3209(d)(5) and (7) of the New York Insurance Law. During the examination period under review, the Company issued 103 life policies that required preliminary information documents in the form mandated by Section 3209 of the New York Insurance Law.

The Company violated Section 3209(b)(1)(A) of the New York Insurance Law by failing to provide prospective applicants with preliminary information that conformed to Section 3209(d) of the New York Insurance Law on or before the date that the application was taken.

The examiner recommends that the Company amend its preliminary information documents to include the policy loan information required by Section 3209(d)(5) of the New York Insurance Law (for products that accumulate a cash surrender value) and the language required by Section 3209(d)(7) of the New York Insurance Law indicating that a STATEMENT OF POLICY COST AND BENEFIT INFORMATION will be furnished upon delivery of the policy and further that there will be a period of not less than ten days within which the applicant may return the policy for an unconditional refund of the premium paid.

2. Section 53-1.4 of Department Regulation No. 74 states:

"(a) In addition to the requirements imposed by Section 53-3.5(e) of Subpart 53-3, each insurer shall maintain at its home or principal office, a complete file containing one specimen copy each of the preliminary information form, policy summary form, and sales illustrations authorized by the insurer for each policy form subject to this Part. Such files shall be subject to regular and periodic inspection by the Department. All such forms shall be maintained in said file for a period of either six years or until the filing of the next regular report on

examination of the insurer, whichever is the longer period of time. Nothing herein shall be construed as affecting any retention period required by a statute other than the Insurance Law or preventing any insurer from retaining records for a longer period of time.”

The Company did not maintain a complete file containing one specimen copy each of the preliminary information form, policy summary form, and sales illustrations authorized by the insurer for each policy form sold in New York during the examination period. When requested to furnish these documents, the Company was not able to readily identify and produce sample copies of preliminary information, policy summary or illustration documents provided to policyholders in 2007, 2008, and 2009.

The Company violated Section 53-1.4 of Department Regulation No. 74 by failing to maintain at its home or principal office, a complete file containing one specimen copy each of the preliminary information form, policy summary form, and sales illustrations authorized by the insurer for each policy form for use in New York.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations 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 1505(b) of the New York Insurance Law by failing to maintain records with sufficient detail to support the reasonableness of the charges or fees paid related to the overhead expense and copy charges under its Administrative Agreement with SIAMCO.</p> <p>The examiners review of the allocation process used for inter-company charges between SIAMCO and the Company during the examination period indicates that the Company maintains records in sufficient detail to support the reasonableness of the charges and fees under the Administrative Agreement with SIAMCO.</p>
B	<p>The Company violated Section 3227 of the New York Insurance Law by failing to pay interest on surrendered annuity policies.</p> <p>The Company reviewed all surrender transactions processed between 2004 and 2010 and made additional payments to policyholders for penalty interest due under Section 3227 of the New York Insurance Law in cases where it took 10 business days or longer to process the surrender transaction. The examiner's review of surrendered transactions processed during the examination period revealed that the company is paying interest on surrendered annuity policies in accordance with Section 3227 of the New York Insurance Law.</p>
C	<p>The examiner recommends that the Company review all annuity policies that were surrendered between January 1, 2004 thru present and pay interest on those policies as required by Section 3227 of the New York Insurance Law.</p> <p>The Company reviewed of all surrender transactions processed between 2004 and 2010 and made additional payments to policyholders for penalty interest due under Section 3227 of the New York Insurance Law in cases where it took 10 business days or longer to process the surrender transaction.</p>

## 9. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 3209(b)(1)(A) of the New York Insurance Law by failing to provide prospective applicants preliminary information conforming to Section 3209(d) of the New York Insurance Law.	18
B	The examiner recommends that the Company amend its preliminary information documents to include the policy loan information required by Section 3209(d)(5) of the New York Insurance Law (for products that accumulate a cash surrender value) and the language required by Section 3209(d)(7) of the New York Insurance Law indicating that a STATEMENT OF POLICY COST AND BENEFIT INFORMATION will be furnished upon delivery of the policy and further that there will be a period of not less than ten days within which the applicant may return the policy for an unconditional refund of the premium paid.	18
C	The Company violated Section 53-1.4 of Department Regulation No. 74 by failing to maintain at its home or principal office, a complete file containing one specimen copy each of the preliminary information form, policy summary form, and sales illustrations authorized by the insurer for each policy form for use in New York.	19



APPOINTMENT NO. 30534

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:

**EDEN SUNDERMAN**

as a proper person to examine into the affairs of the

**SENTRY LIFE INSURANCE COMPANY OF NEW YORK**

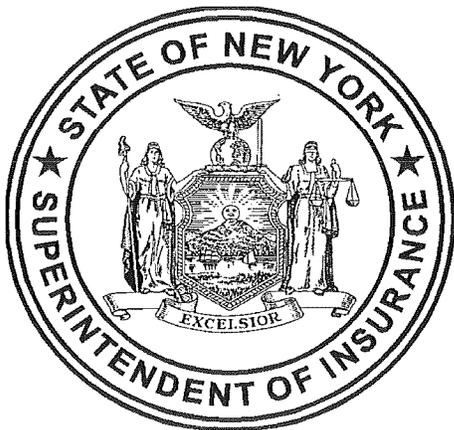
and to make a report to me in writing of the condition of the said

**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 27th day of May, 2010



JAMES J. WRYNN  
Superintendent of Insurance

*James J. Wrynn*  
Superintendent