NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2012

DATE OF REPORT: MARCH 24, 2014

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 20, 2014

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

Sir:

In accordance with instructions contained in Appointment No. 30987, dated February 28**,** 2013 and annexed hereto, an examination has been made into the condition and affairs of Standard Security Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 485 Madison Avenue, New York, New York 10022.

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

The material violation contained in this report is summarized below.

- The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy application forms that were not filed with and approved by the Superintendent. (See item 7B 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 three-year period from January 1, 2010, 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 New York statutes and Department 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 2010 through 2012, 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 Company utilizes the internal audit department of its parent, Independence Holding Company, ("IHC"), which test controls, to assess the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX") The internal audit department also relies on the assessment and testing of controls by the external auditors. Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 9 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 June 28, 1957, under the name American Security Life Insurance Company of New York. It was licensed and commenced business on December 22, 1958. The present name was adopted in 1958. Initial resources of $500,000, consisting of common capital stock of $500,000, were provided through the sale of 250,000 shares of common stock (with a par value of $2.00 each).

As of December 31, 2012, the Company had 1,034,738 shares of common stock authorized and outstanding with a par value of $2.50 per share. As of the same date, capital and paid-in and contributed surplus were $2,586,845 and $24,774,503, respectively.

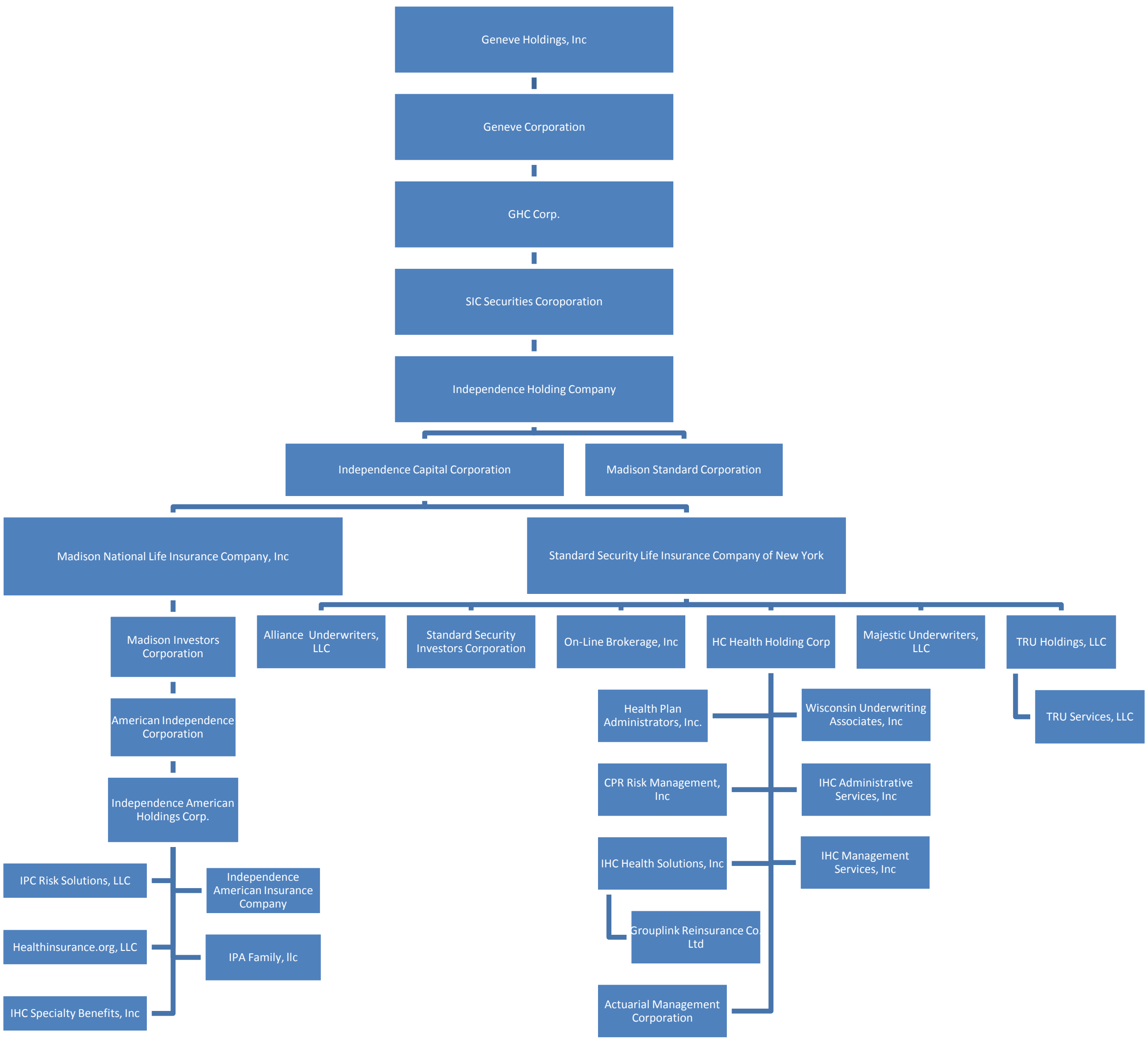
B. Holding Company

The Company is a wholly owned subsidiary of Independence Capital Corporation ("ICC"), an investment company, which is a wholly owned subsidiary of IHC, a holding company engaged principally in the life and health insurance business. The ultimate parent of the Company is Geneve Holdings, Inc., a Delaware holding company.

The Company was a wholly owned subsidiary of Madison National Life Insurance Company ("MNL"), a Wisconsin life insurance company, until September 2011. In an effort to simplify the organizational structure within IHC, MNL paid a dividend of 100% of its common stock in the Company to its parent, ICC, effective September 30, 2011. As a result, the Company became a wholly owned subsidiary of ICC.

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:



*the Company owns 42% of TRU Holdings, LLC

D. Service Agreements

The Company had nine 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
Service Agreement File No. 27266	11/01/99	Madison Standard Corporation	The Company	Underwriting, premium collection, agent administration and claims payment	2010 - $(70,596) 2011 - $(51,855) 2012 - $(36,122)
Service Agreement File No. 38358(a)	03/01/08	MNL	The Company	Data processing, actuarial, policy servicing, accounting	2010 - $0 2011 - $0 2012 - $0
Service Agreement**	04/23/07	IHC Health Solutions, Inc.	The Company	Sales training, marketing development	2010 - $0 2011 - $(133,127) 2012 - $(251,171)
Service Agreement File No. 35491B	06/01/98 Amended & Restated 07/01/07	The Company	Independence American Insurance Company American Independence Corporation	Legal, tax, financial statement preparation, accounting and actuarial, Marketing, policy issuance, premium, and audit services	2010 - $577,333 2011 - $483,952 2012 - $435,300 2010 - $292,617 2011 - $346,403 2012 - $360,341
Amended and restated Service Agreement File No. 31939	11/25/03	Madison Standard Corporation	The Company	Data processing, actuarial, policy administrative services and accounting services	2010 - $(109,883) 2011 - $(95,699) 2012 - $(113,774)

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
Service Agreement File No. 41464	09/01/09	Actuarial Management Corporation	The Company	Actuarial Services	2010 - $(644,202) 2011 - $(789,641) 2012 - $(1,305,919)
Amended and restated Investment Counsel Agreement File No. 30348	01/01/02	IHC	The Company	Investment counsel	2010 - $(958,780) 2011 - $(921,803) 2012 - $(513,108)
Management Agreement File No. 46195	01/01/12	IHC Risk Solutions, LLC	The Company	Administrative Services	2012 - $(3,355,770)

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

**The agreement for which there is no Department file number involves a subsidiary of the Company and is therefore entered into under, and governed by, Article 17 of the Insurance Law. Such agreement is exempt from Section 1505 filing pursuant to Section 1505(f) and notice of the agreement is provided in the Company's annual subsidiary report.

(a)The agreement was not active during the examination period. However, the parties do not intend to terminate the agreement solely due to the inactivity as they may desire the provided services under the agreement going forward.

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

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

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

The Company has an Investment Counsel Agreement with IHC. The agreement provides for IHC to make recommendations to the Company with respect to the investment of all investable assets of the Company. During interviews with senior management and the review of CPA workpapers, the examiner discovered that IHC was also making purchases and sales of securities. The Company further acknowledged that its investment counsel agreement does not reflect all the services provided by IHC.

The Company violated Section 1505(d)(3) of the New York Insurance Law by accepting investing services on a regular basis from its affiliate that were not agreed to in its filed and approved investment counsel agreement.

The examiner recommends that the Company amend its agreement with IHC to include all services being provided and submit the revised agreement to the Department for approval.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 13 directors provided that if the admitted assets of the Company should exceed one and one-half billion dollars during any calendar year, then the number of directors shall be increased to not less than thirteen within one year following the end of such calendar year. Directors are elected for a period of one year at the annual meeting of the stockholders to be held at such time and place as the board of directors shall by resolution prescribe. As of December 31, 2012, the board of directors consisted of 10 members. Meetings of the board are held quarterly.

The 10 board members and their principal business affiliation, as of December 31, 2012, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Gary J. Balzofiore Staten Island, NY	Executive Vice President and Chief Financial Officer Standard Security Life Insurance Company of NY	2007
Bernard Eichwald* Rye, NY	Self-Employed	1960
Larry R. Graber Austin, TX	President Madison National Life Insurance Company	1996
David T. Kettig New York, NY	President Standard Security Life Insurance Company of NY	2012
John L. Lahey* Cheshire, CT	President Quinnipiac University	2006
Steven B. Lapin Stamford, CT	Vice Chairman Independence Holding Company	1992
Robert M. Leopold* Larchmont, NY	Retired	1975
Rachel Lipari New York, NY	Vice Chairperson Standard Security Life Insurance Company of NY	1989
James G. Tatum* Birmingham, AL	Principal J. Tatum Capital, LLC	2006
Roy T. K. Thung White Plains, NY	Chairman of the Board and Chief Executive Officer Standard Security Life Insurance Company of NY	1990

* 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, 2012:

Name	Title
David T. Kettig	President
Roy T. K. Thung	Chief Executive Officer
Gary J. Balzofiore	Executive Vice President and Chief Financial Officer
Adam C. Vandervoort	Senior Vice President, General Counsel and Secretary
Richard DeMarco	Vice President -Taxation
David B. Getz	Vice President and Controller
Vincent Furfaro	Vice President, Director of Information Technology
Thomas A. Gibbons*	Vice President and Chief Compliance Officer

* 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 all states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. In 2012, 51.8% of life premiums, 95% of the annuity considerations and 27.6% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received by state, and by major lines of business for the year 2012:

Life Insurance Premiums	
New York	51.8%
New Jersey	5.5%
Texas	5.1%
Pennsylvania	3.7%
Indiana	2.5%
Subtotal	68.6%
All others	31.4%
Total	100.0%

Accident and Health Insurance Premiums	
New York	27.6%
Texas	9.0%
Illinois	7.9%
Pennsylvania	5.4%
Indiana	4.8%
Subtotal	54.7%
All others	45.3%
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2012, the Company had $1,500,000 (par value) 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 $892,193 was being held by the states of Arkansas, Georgia, New Mexico, North Carolina, and South Carolina.

B. Direct Operations

The Company is not currently issuing participating policies. The Company has participating policies on its books, which represent 3.2% of the life insurance in-force. This amount represents life business assumed from Monitor Life Insurance Company of New York, which was effective on December 22, 2003, and the Company's "keeps" business. "Keeps" are life policies that were issued by the Company and remained after the Company sold that block of business to American General in 1986.

The Company's principal lines of business sold during the examination period were employer medical stop-loss, group major medical, individual major medical, short-term major medical, dental and vision, and New York State statutory short-term disability ("DBL"). The Company also writes group life, managed health care, limited medical, and student medical insurance. The Company began writing limited medical and student medical insurance in 2007. The Company also has existing insurance in-force in the following lines of business: individual accident and health; individual life; and single premium immediate annuities that are all currently in run-off.

Effective January 26, 2012, the Company ceded 100% of a closed block of group annuity contracts to First Security Benefit Life Insurance Company ("FSBL"), which were issued to various volunteer fire departments in several states to assist in funding participant benefits under retirement plans maintained by fire departments. As a result, the Company received a $5 million benefit, released $150 million in reserves, and transferred $145 million in cash to FSBL.

The Company's agency operations are conducted on a general agency and brokerage basis.

Group term life and stop loss are primarily marketed through Managing General Underwriters ("MGUs"). MGUs are responsible for: underwriting accounts in accordance with the Company's guidelines; billing and collecting premiums; paying commissions to agents, third party administrators and brokers; and processing claims. MGUs are non-salaried contractors who receive administrative fees.

During 2012, the Company wrote approximately 75% of its medical stop-loss business through affiliated MGUs, including IHC Risk Solutions, LLC, and TRU Services, LLC.

In the second quarter of 2011, IHC Risk Solutions, Inc., Risk Assessment Strategies (affiliated MGUs), and IHC Risk Solutions–IIG (formed in 2010), merged into Voorhees Risk Management under the name IHC Risk Solutions, LLC.

The Company owned two MGUs, Majestic Underwriters, LLC and Alliance Underwriters, LLC, which transferred their stop-loss blocks of business and the employees to IHC Risk Solutions, LLC as of January 1, 2012, in exchange for fee income based on the business transferred.

Group Accident and Health products are sold in the majority of states through various distribution strategies. The majority of the premium is derived from small group major medical policies. The majority of the business is written through general agents, agents and brokers. The Company's group accident and health business was administered and managed by the following subsidiary TPAs in 2012: IHC Health Solutions, Inc. ("IHC-HS") and IHC Administrative Services, Inc. ("IHC-AS").

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with 50 companies, of which 18 were authorized or accredited. The Company's 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 net retention limits for the Company are: $210,000 per life on individual life and the corresponding disability waiver of premium; no retention on accidental death benefits provided by rider to individual life policies; up to $1,250,000 on any one Medical Excess Loss claim; and up to $1,250,000 per calendar year for fully-insured medical claims. The Company also maintains catastrophe reinsurance in order to protect against particularly adverse mortality which might occur with respect to its overall life business.

The total face amount of life insurance ceded as of December 31, 2012, was $27,232,257, which represents 13.95% of the total face amount of life insurance in force.

The Company ceded premiums for its group accident and health insurance business to 27 reinsurers. As of December 31, 2012, the Company ceded $127,350,593 of premiums under these reinsurance contracts, representing 44.41% of the accident and health direct premiums.

Reserve credit taken for reinsurance ceded to unauthorized companies totaling $9,689,258 was supported by letters of credit, trust agreements and funds withheld. The Company also set up a liability of $1,173,159 for reinsurance ceded to unauthorized companies that was not supported by letters of credit, trust agreements or funds withheld.

The total face amount of life insurance assumed as of December 31, 2012, was $11,390,468. The total amount of group accident and health insurance premiums assumed as of December 31, 2012, was $46,105,516.

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, 2009	December 31, 2012	Increase (Decrease)
Admitted assets	$370,830,886	$239,503,850	$(131,327,036)
Liabilities	$255,775,393	$123,222,124	$(132,553,269)
Common capital stock	$ 2,586,845	$ 2,586,845	$ 0
Gross paid in and contributed surplus	$ 24,774,503	$ 24,774,503	$ 0
Group contingency life reserve	4,067,345	658,000	(3,409,345)
Unassigned funds (surplus)	83,626,800	88,262,378	4,635,578
Total capital and surplus	$115,055,493	$116,281,726	$ 1,226,233
Total liabilities, capital and surplus	$370,830,886	$239,503,850	$(131,327,036)

The decrease in the admitted assets is due to the sale of the Voluntary Fire Department ("VFD") annuity block and transfer of $143 million to FSBL. The decrease in the liability is due to the release of $150 million in reserve in connection with the sale of the annuity block.

The Company's invested assets as of December 31, 2012, were mainly comprised of bonds (66.7%), stocks (17.8%), cash and short-term investments (7.5%) and other invested assets (4.7%).

The Company's entire bond portfolio, as of December 31, 2012, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

Group Life

Year	Issued & Increases	In Force
2010	$66,023	$298,113
2011	$33,804	$215,780
2012	$19,251	$143,838

The decreases in group life insurance issued and in force during the examination period are reflective of the Company's plan to limit growth in this line of business, which was associated with the VFD annuity block of business that was sold in 2012.

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

	Group Annuities		
	2010	2011	2012
Outstanding, end of previous year	233	231	228
Issued during the year	0	76	0
Other net changes during the year	(2)	(79)	228
Outstanding, end of current year	231	228	0

In 2010, 233 Deposit Funds were moved to group annuities since it was inadvertently reported as Deposit Funds in previous years.

The decrease in 2012 is due to the sale of the VFD annuity business to FSBL.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	Group		
	2010	2011	2012
Outstanding, end of previous year	1,350,263	1,046,675	985,686
Issued during the year	741,899	664,820	772,521
Other net changes during the year	(1,045,487)	(725,809)	(642,268)
Outstanding, end of current year	1,046,675	985,686	1,115,939

The 2010 decrease in other net changes resulted from the termination of a block of student accident business. The Company terminates all renewable polices at the end of the policy term and reports all renewals as new issues.

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:

	2010	2011	2012
Ordinary:			
Life insurance	$ 186,697	$ 106,200	$ 376,038
Individual annuities	34,318	118,642	188,188
Supplementary contracts	(402,962)	(303,189)	874,181
Total ordinary	$ (181,947)	$ (78,347)	$ 1,438,407
Group:			
Life	$ 644,897	$ 50,575	$ 332,199
Annuities	465,210	447,561	524,312
Total group	$1,110,107	$ 498,136	$ 856,511
Accident and health:			
Group	$3,965,210	$7,686,648	$13,250,745
Other	97,960	(125,731)	(116,582)
Total accident and health	$4,063,170	$7,560,917	$13,134,163
Total	$4,991,330	$7,980,706	$15,429,081

The improvement in the entire ordinary line of business during 2012 is due to higher allocation of investment income since the sale of VFD annuities, and an IMR release.

The decrease in the group life in 2011 was the result of high losses. The group life income increase in 2012 was due to an improvement in loss ratio due to the shrinking size of the block of business to ensure more profitable business.

The increase in gains in group accident and health during 2011 and 2012 was due to an improvement in expense loads coupled with increased allocation of investment income and IMR released. The decreases in group accident and health other for 2011 and 2012 are due to increase in expense loads.

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 KPMG, LLP was retained by the Company to audit the combined statutory basis statements of financial position of the Company as of December 31st 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	$122,871,529
Stocks:	
Preferred stocks	16,179,413
Common stocks	16,633,635
Cash, cash equivalents and short term investments	13,788,464
Contract loans	723,922
Other invested assets	8,673,474
Receivable for securities	5,299,796
Investment income due and accrued	1,414,562
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	16,933,322
Deferred premiums, agents' balances and installments booked but deferred and not yet due	443,492
Reinsurance:	
Amounts recoverable from reinsurers	95,619
Funds held by or deposited with reinsured companies	5,402,578
Other amounts receivable under reinsurance contracts	2,986,883
Net deferred tax asset	1,834,093
Electronic data processing equipment and software	176,652
Receivables from parent, subsidiaries and affiliates	12,998,482
Claim funds	13,047,934
Total admitted assets	$239,503,850

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 26,378,064
Aggregate reserve for accident and health contracts	44,517,285
Liability for deposit-type contracts	13,847,242
Contract claims:	
Life	245,703
Accident and health	456,001
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	8,752
Premiums and annuity considerations for life and accident and health contracts received in advance	21,575
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	1,126,000
Commissions and expense allowances payable on reinsurance assumed	2,292,494
General expenses due or accrued	2,537,659
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,746,848
Current federal and foreign income taxes	3,077,435
Amounts withheld or retained by company as agent or trustee	(8,287)
Remittances and items not allocated	1,078,180
Miscellaneous liabilities:	
Asset valuation reserve	902,286
Reinsurance in unauthorized companies	1,173,159
Funds held under reinsurance treaties with unauthorized reinsurers	5,592,020
Payable to parent, subsidiaries and affiliates	34,089
Funds held under coinsurance	10,253,593
Payable for securities	291,250
Reserve for un-presented checks	204,206
Premium deposit funds	17,922
Total liabilities	$123,322,124
Common capital stock	$ 2,586,845
Gross paid in and contributed surplus	$ 24,774,503
Group contingency life reserve	658,000
Unassigned funds (surplus)	88,262,378
Surplus	$113,694,881
Total capital and surplus	$116,281,726
Total liabilities, capital and surplus	$239,503,850

D. Condensed Summary of Operations

	2010	2011	2012
Premiums and considerations	$144,234,499	$152,630,057	$148,429,092
Investment income	12,412,164	12,701,143	8,457,682
Commissions and reserve adjustments on reinsurance ceded	15,928,915	13,354,268	17,425,747
Miscellaneous income	172,324	519,941	20,793
Total income	$172,747,902	$179,205,409	$174,333,314
Benefit payments	$ (10,588,448)	$100,145,386	$ 91,907,940
Increase in reserves	122,189,605	9,421,918	(140,865,862)
Commissions	32,379,116	33,623,451	37,085,432
General expenses and taxes	24,047,366	26,469,884	26,621,504
Increase in loading on deferred and uncollected premium	(4,600)	(50,224)	41,319
Adjustment for current year liability released from IMR	0	0	$ (2,886,215)
Amount paid on reinsurance transaction	0	0	143,421,232
Total deductions	$168,023,039	$169,610,415	$155,325,350
Net gain (loss)	$ 4,724,863	$ 9,594,994	$ 19,007,964
Dividends	14,455	9,237	8,678
Federal and foreign income taxes incurred	(280,922)	1,605,051	3,570,205
Net gain (loss) from operations before net realized capital gains	$ 4,991,330	$ 7,780,706	$ 15,429,081
Net realized capital gains (losses)	(1,724,797)	(271,317)	376,098
Net income	$ 3,266,533	$ 7,709,389	$ 15,805,179

The negative amount reported for benefits payments in 2010 is mainly attributable to the Company reclassifying the funds on deposit to deferred annuities reserves.

The negative amount reported for Increase in reserve in 2012 is mainly attributable to the sale of the VFD annuity business to FSBL.

E. Capital and Surplus Account

	2010	2011	2012
Capital and surplus, December 31, prior year	$115,055,493	$109,264,436	$106,481,427
Net income	$ 3,266,533	$ 7,709,389	$ 15,805,179
Change in net unrealized capital gains (losses)	(1,655,637)	(2,630,750)	(3,529,038)
Change in net deferred income tax	(1,044,924)	(2,708,109)	(2,313,568)
Change in non-admitted assets and related items	1,964,221	4,661,755	4,105,836
Change in liability for reinsurance in unauthorized companies	(175,070)	(142,226)	(329,419)
Change in reserve valuation basis	0	(3,800,000)	3,900,000
Change in asset valuation reserve	353,819	(923,068)	141,309
Dividends to stockholders	(8,500,000)	(4,950,000)	(7,980,000)
Net change in capital and surplus for the year	$ 5,791,058	$ 2,783,009	$ 9,800,299
Capital and surplus, December 31, current year	$109,264,436	$106,481,427	$116,281,726

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.

Section 215.17(a) of Department Regulation No. 34 states:

> "*Advertising file.* Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement of its individual policies and typical printed, published or prepared advertisements of its blanket, franchise and group policies hereafter disseminated in this or any other state whether or not licensed in such other state, with a notation attached to each such advertisement which shall indicate the manner and extent of distribution and the form number of any policy advertised. Such file shall be subject to regular and periodical inspection by the department. All such advertisements shall be maintained in said file for a period of either four years or until the filing of the next regular report on examination of the insurer, whichever is the longer period of time."

A review of the Company's advertising file for the examination period revealed that the Company's advertising file did not include a notation indicating the manner and extent of distribution.

The Company violated Section 215.17(a) of Department Regulation No. 34 by failing to maintain an advertising file with a notation indicating the manner and extent of distribution.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

1. Section 3201(b)(1) of the New York Insurance Law states, in part:

> "No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law. A group life, group accident, group health, group accident and health or blanket accident and health insurance certificate evidencing insurance coverage on a resident of this state shall be deemed to have been delivered in this state, regardless of the place of actual delivery, unless the insured group is of the type described in . . ."

a) A review of the Company's policy application form used by EyeMed Vision Care revealed that the application form either did not indicate the policy form number and/or the application was altered from the approved application, Form Number SSLV06APP-EM, which was approved by the Department on March 5, 2007. Any changes or modification made to an approved form is considered a new form and should be submitted to the Department for approval.

In all 37 (100%) EyeMed Vision Care application forms reviewed, the application form was altered from the Department approved form. Text was inserted and/or omitted on the application used.

In 4 of 37 (11%) EyeMed Vision Care application forms reviewed, the approved application Form Number SSLV06APP-EM was not indicated on the application used.

b). The examiner reviewed a sample of 80 GroupLink Employer and Association dental and vision application policy forms for policies that were issued in New York during the examination period. The examiner noted that the application and schedule of benefits forms used either did not include the form number and/or the forms were altered from the Department approved forms under base policy Form Number GDEN-POL 0505 NY and base policy Form Number SSL ADEN-POL 0905 NY.

In seven of the 80 (9%) application forms reviewed, the application and form number did not match the approved application forms.

In 16 of the 80 (20%) employee and member dental and vision application forms reviewed where the applications indicate the approved form numbers, the application forms were altered from the Department approved application forms. Text was inserted and/or omitted on the used applications.

In five of the 80 (6%) Schedule of Benefits forms reviewed, the Schedule of Benefits forms did not indicate the Department approved form number.

In 19 of the 80 (24%) Schedule of Benefits policy forms reviewed, the schedule of benefits form numbers was incomplete and did not match the Department approved form numbers.

In 23 of the 80 (29%) Employer Group Dental and Vision Application forms reviewed, the application form was altered from the Department approved application.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy application forms that were not filed with and approved by the Superintendent.

The examiner recommends that the Company submit all altered application forms to the Department for review and approval.

The examiner also recommends that the Company include complete form numbers, on all policy forms used by the Company.

2. The examiner reviewed 14 applications for stop loss policies and found that seven of the 14 (50%) applications were incomplete. The applications were not signed and/or dated by the applicant or agent, and did not indicate the city and state where the application was completed.

The examiner recommends that the Company ensure that its stop loss applications are properly completed, signed and dated by both the applicant and the agent, and indicate the city and state where the applications are completed.

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. DATA FILES

Prior to the commencement on the on-site field examination, the examiner made requests for various data files. Among the data files requested were the “in force” policy/certificate listings and claims listings. The requests required that the data include certain fields such as resident state and contract state to help the examiner choose policies under New York jurisdiction. In addition, the claims lists were requested to include the dates that the Company was notified of the claim, the date the claim was received, and the date that the claim was paid. The data files were also required to be reconciled to the appropriate line and exhibit in the annual statement.

The Company was unable to provide the contract state and resident state for any of its policy and certificate level data. The Company took over six months to provide the reconciliation of its claim data to the appropriate Exhibit in the annual statement

The examiner recommends that the Company maintain its data files in a manner that includes the various fields requested by the examiner along with reconciliations to the Annual Statement Exhibits to better facilitate future examinations. A similar recommendation was made in the prior report on examination.

9. 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:

Item	Description
A	The Company violated Section 1308(a)(2)(A) of the New York Insurance Law by taking reserve credit for reinsurance ceded in its filed annual statements for reinsurance contracts that did not contain an insolvency clause that states reinsurance shall be payable by the assuming insurer on the basis of liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer without any conditions. The Company has amended the referenced agreements and modified procedures to address use of the insolvency clause.
B	The examiner recommended that the Company amend its reinsurance agreements to comply with Section 1308(a)(2)(A)(i) of the New York Insurance Law. A similar recommendation appears in the prior report on examination. The examiner also recommends that the Company modify its procedures to ensure that the proper insolvency clause is used in all new reinsurance contracts. The Company has amended the referenced agreements to comply with the examiner's recommendation, and modified procedures to address use of the insolvency clause.
C	The examiner recommended that the Company compute reserves based upon appropriate assumptions and methodology as per the guidance from the Department. The Company now computes its reserves based upon appropriate assumptions and methodology as per the guidance from the Department.
D	The Company violated Section 403(d) of the New York Insurance Law, by utilizing application forms that do not contain the prescribed fraud language as stated in the Law. The examiners review of the sample claim forms did not reveal any forms that were not compliant with Section 403(d) of the New York Insurance Law.

Item	Description
E	The examiner recommended that the Company review all its application forms for compliance with Section 403(d) of the New York Insurance Law. The Company reviewed all of its application forms to ensure compliance with Section 403(d) of the New York Insurance Law.
F	The Company violated Section 403(d) of the New York Insurance Law; by utilizing claim forms that do not contain the prescribed fraud language as stated in the Law. A similar violation was identified in the prior report on examination. The examiner's review of the sample claim forms did not reveal any forms that were not compliant with Section 403(d) of the New York Insurance Law.
G	The examiner recommended that the Company review all its claim forms for compliance with Section 403(d) of the New York Insurance Law. The Company reviewed its claim forms for compliance with Section 403(d) of the New York Insurance Law.
H	The examiner recommended that the Company maintain data in a manner to include the various fields requested by the examiner along with reconciliations to the annual statement Exhibits to better facilitate future examinations. The Company failed to take corrective action in response to this prior report recommendation. See item 8 of this report.

10. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by accepting investing services on a regular basis from its affiliate that were not agreed to in its filed and approved investment counsel agreement.	9
B	The examiner recommends that the Company amends its agreement with ICH to include all the services being provided and submit the revised agreement to the Department for approval.	9
C	The Company violated Section 215.17(a) of Department Regulation No. 34 by failing to maintain an advertising file with a notation indicating the manner and extent of distribution.	25
D	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy application forms that were not filed with and approved by the Superintendent.	27
E	The examiner recommends that the Company submit all altered application forms to the Department for review and approval.	27
F	The examiner recommends that the Company include complete form numbers, on all policy forms used by the Company.	
G	The examiner recommends that the Company ensure that its stop loss applications are properly completed, signed and dated by both applicant and agent, and indicate the city and state where the applications are completed.	27
H	The examiner recommends that the Company maintain its data files in a manner that includes the various fields requested by the examiner along with reconciliations to the Annual Statement Exhibits to better facilitate future examinations. A similar recommendation was made in the prior report on examination.	28

Respectfully submitted,

/s/
Chacko Thomas
Senior Insurance Examiner

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

Chacko Thomas, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Chacko Thomas

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30987

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:*

CHACKO THOMAS

as a proper person to examine the affairs of the

STANDARD SECURITY 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 28th day of February, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR