



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

CONDITION:

DECEMBER 31, 2015

DATE OF REPORT:

MAY 15, 2017

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF

THE STANDARD LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2015

DATE OF REPORT:

MAY 15, 2017

EXAMINER:

MANISH GAJIWALA

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	6
	D. Service agreements	7
	E. Management	7
4.	Territory and plan of operations	10
	A. Statutory and special deposits	10
	B. Direct operations	10
	C. Reinsurance	10
5.	Significant operating results	12
6.	Financial statements	17
	A. Independent accountants	17
	B. Net admitted assets	18
	C. Liabilities, capital and surplus	19
	D. Condensed summary of operations	20
	E. Capital and surplus account	21
7.	Market conduct activities	22
	A. Advertising and sales activities	22
	B. Underwriting and policy forms	23
	C. Treatment of policyholders	23
8.	Summary and conclusions	24



NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

February 26, 2018

Honorable Maria T. Vullo  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31497, dated June 20, 2016, and annexed hereto, an examination has been made into the condition and affairs of The Standard Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 360 Hamilton Avenue, Suite 210, White Plains, NY 10601.

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 4224(c) of the New York Insurance Law by offering inducements in the form of non-insurance services in connection with group insurance without these inducements being specified in such group policy and group certificates. (See item 7A 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, 2016 Edition* (the “Handbook”). The examination covers the three-year period from January 1, 2013, through December 31, 2015. 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, 2015, 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 8 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.

The examination was conducted in conjunction with the examination of the Company’s affiliate, Standard Insurance Company (“SIC”), an Oregon domestic insurance company. The coordinated examination was led by the State of Oregon with participation from the State of New York. Since Oregon and New York are both accredited by the NAIC, both states deemed it appropriate to rely on each other’s work.

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 2013 through 2015, by the accounting firm of Deloitte & Touche 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. StanCorp Financial Group, Inc. ("SFG"), the Company's ultimate parent, has an internal audit department and is subject to the Sarbanes-Oxley Act of 2002 ("SOX"). SFG shares, on an enterprise-wide basis, the services of its internal control department, which was given the task of assessing the internal control structure and compliance with SOX, with its subsidiaries. Where applicable, internal audit and SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

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

### 3. DESCRIPTION OF COMPANY

#### A. History

The Company was incorporated as a stock life insurance company under the laws of New York on April 24, 2000, was licensed on October 25, 2000, and commenced business on January 1, 2001. Initial resources of \$12,450,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$10,450,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$62.25 per share.

On March 7, 2016, SFG announced completion of the acquisition of SFG by Meiji Yasuda Life Insurance Company (“Meiji Yasuda”) in accordance with the previously announced Agreement and Plan of Merger dated July 23, 2015.

#### B. Holding Company

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

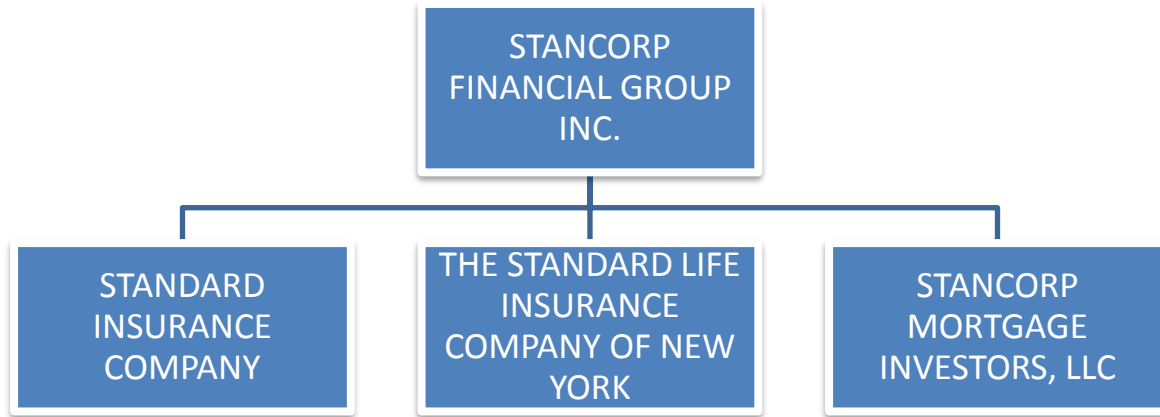
SFG’s largest subsidiary, SIC, was founded in 1906. It is domiciled in Oregon, and is licensed in 49 states, the District of Columbia, and the U.S. territories of Guam, the Virgin Islands and Puerto Rico. SIC offers insurance and investment products.

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



C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2015 follows:



#### D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider of Service(s)	Recipient of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement Amendment File No. 50901	08/24/2000  08/01/2015	SIC	The Company	Distribution, Marketing Support, Product Development, Actuarial/Financial, and Policyholder Services	2013 \$(1,469,998) 2014 \$(1,647,377) 2015 \$(1,503,232)
Administrative Services Agreement Amendment File No. 50900	08/24/2000  08/01/2015	The Company	SIC	Claims process and payment services and absence management services	2013 \$ 8,803,171 2014 \$ 9,398,000 2015 \$10,220,213
Investment Services Agreement File No. 27445H	08/24/2000	SIC	The Company	Investment services	2013 \$ (155,843) 2014 \$ (159,810) 2015 \$ (167,299)
Non-Recourse Master Participation and Servicing Agreement File No. 31874	12/01/2004	SMI	The Company	Mortgage loan services	2013 \$ (290,667) 2014 \$ (302,642) 2015 \$ (296,977)

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

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

#### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2015, the board of directors consisted of 10 members. Meetings of the board are held quarterly. The number of

directors shall be increased to no less than 13 within one year following the end of the calendar year in which the Company's admitted assets exceeds \$1.5 billion.

The 10 board members and their principal business affiliation, as of December 31, 2015, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Marian J .Barbarino College Point, NY	Director, Disability Benefits The Standard Life Insurance Company of New York	2007
Frederick W. Buckman* Vancouver, WA	Chairman and Chief Executive Officer Powerlink Transmission Company	2000
Ranjana B. Clark* San Francisco, CA	Head of Transaction Banking MUFG Americas Holdings Corporation	2014
Karen A. Ferguson Yorktown Heights, NY	Manager, Disability Benefits The Standard Life Insurance Company of New York	2015
Timothy A. Holt* Glastonbury, CT	Retired Chief Investment Officer Aetna, Inc.	2014
Debora D. Horvath* Shoreline, WA	Former Executive Vice President JP Morgan Chase & Company	2013
Duane C. McDougall* Lake Oswego, OR	Former Chief Executive Officer and Chairman Boise Cascade, LLC	2009
J. Gregory Ness Lake Oswego, OR	Chairman, President and Chief Executive Officer The Standard Life Insurance Company of New York	2004
Mary F. Sammons* Scottsdale, AZ	Retired Chairman and Chief Executive Officer Rite Aid Corporation	2009
Jeffrey D. Smith White Plains, NY	Director, Disability Benefits The Standard Life Insurance Company of New York	2013

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

As a result of Meiji Yasuda's acquisition of SFG on March 7, 2016, the board of directors increased from 10 to 14 by adding Haruo Mimori, Minoru Wakabayashi, Nobutaka Yagi and

Kazunori Yamauchi. In August 2016, Jeffrey D. Smith resigned from the board. His vacancy has not been filled.

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, 2015:

<u>Name</u>	<u>Title</u>
J. Gregory Ness	Chairman, President and Chief Executive Officer
Floyd F. Chadee	Chief Financial Officer and Senior Vice President
Allison T. Stumbo*	Secretary and Assistant Counsel
Sally A. Manafi	Vice President and Appointed Actuary
Daniel J. McMillan	Vice President
Robert M. Erickson	Vice President and Controller
Scott A. Hibbs	Vice President and Chief Investment Officer

\* Designated consumer services officer per Insurance Regulation No. 64, 11 NYCRR Section 216.4(c)

#### 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 New York only. In 2015, 97.6% of life premiums and 99.2% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2015, the Company had \$450,000 (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.

##### B. Direct Operations

The Company primarily markets group term life, group accident and health, group long and short term disability, and statutory disability benefits DBL insurance. The Company offers its products to the employee benefit marketplace, with the largest amount of its premiums from employees of higher education institutions.

The Company's group insurance products are currently sold by the Company's employee benefit sales representatives and managers through independent brokers and consultants. The Company's individual disability insurance products are sold through independent master general agents.

##### C. Reinsurance

As of December 31, 2015, the Company had reinsurance treaties in effect with eight companies, of which five were authorized or accredited. The Company's group life and accident and health business is reinsured on a yearly renewable term ("YRT") and YRT quota share basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$750,000. The total face amount of life insurance ceded as of December 31, 2015, was \$299,990,193, which represents

2.48% of the total face amount of life insurance in force. There was no reserve credit taken for reinsurance ceded to unauthorized companies.

There was no reinsurance assumed as of December 31, 2015.

## 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 during the period under review:

	December 31, <u>2012</u>	December 31, <u>2015</u>	<u>Increase</u>
Admitted assets	<u>\$251,141,892</u>	<u>\$282,656,553</u>	<u>\$31,514,661</u>
Liabilities	<u>\$181,850,546</u>	<u>\$201,758,277</u>	<u>\$19,907,731</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	55,450,000	55,450,000	0
Unassigned funds (surplus)	<u>11,841,346</u>	<u>23,448,276</u>	<u>11,606,930</u>
Total capital and surplus	<u>\$ 69,291,346</u>	<u>\$ 80,898,276</u>	<u>\$11,606,930</u>
Total liabilities, capital and surplus	<u>\$251,141,892</u>	<u>\$282,656,553</u>	<u>\$31,514,661</u>

The Company's invested assets as of December 31, 2015, were mainly comprised of bonds (51.6%) and mortgage loans (43.6%).

The majority (98.0%) of the Company's bond portfolio, as of December 31, 2015, 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):

<u>Year</u>	<u>Individual Whole Life</u>		<u>Individual Term</u>		<u>Group Life</u>	
	<u>Issued</u>	<u>In Force</u>	<u>Issued</u>	<u>In Force</u>	<u>Issued &amp; Increases</u>	<u>In Force</u>
2013	\$1,026	\$ 5,267	\$1,871	\$ 2,822	\$1,597,046	\$16,350,840
2014	\$ 526	\$ 5,640	\$1,750	\$ 2,914	\$1,041,094	\$15,322,535
2015	\$ 635	\$ 5,798	\$3,342	\$ 5,062	\$1,797,700	\$12,082,715

The Company's individual whole and term life business consists only of group conversion policies. Conversions from group life to individual life varied from year to year.

The higher Issued & Increases in group life correspond to relatively more favorable sales years.



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:

	<u>Ordinary</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Outstanding, end of previous year	0	73	495
Issued during the year	73	433	380
Other net changes during the year	<u>(0)</u>	<u>(11)</u>	<u>(32)</u>
Outstanding, end of current year	<u>73</u>	<u>495</u>	<u>843</u>

The Company began selling individual disability insurance in late 2013. Sales activities increased in 2014 and to a lesser extent in 2015, as the Company sought to expand its individual disability business.

	<u>Group</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Outstanding, end of previous year	10,354	19,838	18,834
Issued during the year	13,776	5,522	4,865
Other net changes during the year	<u>(4,292)</u>	<u>(6,526)</u>	<u>(4,318)</u>
Outstanding, end of current year	<u>19,838</u>	<u>18,834</u>	<u>19,381</u>

The large number for group issued in 2013 was driven primarily by the acquisition of a large block of statutory disability benefits insurance.

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>2013</u>	<u>2014</u>	<u>2015</u>
Ordinary Life insurance:	\$ <u>(6,752)</u>	\$ <u>48,196</u>	\$ <u>(200,589)</u>
Group Life insurance:	\$ <u>(118,384)</u>	\$ <u>880,990</u>	\$ <u>752,789</u>
Accident and health:			
Group	\$3,127,308	\$3,695,520	\$6,363,562
Other	<u>(169,511)</u>	<u>(518,158)</u>	<u>(558,281)</u>
Total accident and health	<u>\$2,957,797</u>	<u>\$3,177,362</u>	<u>\$5,805,281</u>
All other lines	\$ <u>(5,193)</u>	\$ <u>124</u>	\$ <u>(10,304)</u>
Total	<u>\$2,827,468</u>	<u>\$4,106,672</u>	<u>\$6,347,177</u>

The year over year fluctuations in net operating gain (loss) from ordinary life insurance were due primarily to changes in incurred death claims in each year resulting from the small size of the block. The 2015 result was also affected negatively by the increased volume of new business in 2015 compared with 2014.

The significant increase in net operating gain from group life insurance in 2014 compared with 2013 was due primarily to a decrease in reserves, partially offset by a decrease in premium.

The increases in net gain from operations from group accident and health were driven by increasingly favorable Long Term Disability ("LTD") claim experience over the examination period, especially in 2015. The 2014 increase in the net operating loss attributed to other accident and health was due primarily to individual disability insurance claims, which the Company started writing in New York in late 2013.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	81.1%	78.2%	68.7%
Commissions	9.1%	9.7%	11.1%
Expenses	<u>17.5%</u>	<u>17.6%</u>	<u>17.5%</u>
Underwriting results	<u>(7.7)%</u>	<u>(5.5)%</u>	<u>2.7%</u>

The reduction in incurred losses between 2013 and 2015 was driven by increasingly favorable LTD claim experience during the examination period, especially in 2015. The increase in commissions in 2015 was due to higher sales for that year, including some front-loading commissions.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2015, as contained in the Company's 2015 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, 2015 filed annual statement.

### A. Independent Accountants

The firm of Deloitte & Touche LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position 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.

Deloitte & Touche 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	\$136,355,872
Mortgage loans on real estate:	
First liens	115,092,959
Cash, cash equivalents and short-term investments	12,737,109
Contract loans	284
Investment income due and accrued	1,748,384
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	6,675,328
Deferred premiums, agents' balances and installments booked but deferred and not yet due	79,891
Accrued retrospective premiums	5,522,458
Reinsurance:	
Amounts recoverable from reinsurers	97,811
Other amounts receivable under reinsurance contracts	28,002
Amounts receivable relating to uninsured plans	15,000
Current federal and foreign income tax recoverable and interest thereon	597,624
Net deferred tax asset	2,901,543
Guaranty funds receivable or on deposit	<u>804,288</u>
 Total admitted assets	 <u><u>\$282,656,553</u></u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 34,305,904
Aggregate reserve for accident and health contracts	135,805,189
Liability for deposit-type contracts	5,681,024
Contract claims:	
Life	7,449,982
Accident and health	2,064,532
Premiums and annuity considerations for life and accident and health contracts received in advance	1,006,440
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	566,648
Other amounts payable on reinsurance	229,740
Interest maintenance reserve	57,960
Commissions to agents due or accrued	1,595,297
General expenses due or accrued	7,873,651
Taxes, licenses and fees due or accrued, excluding federal income taxes	393,775
Amounts withheld or retained by company as agent or trustee	627,622
Remittances and items not allocated	1,521,591
Miscellaneous liabilities:	
Asset valuation reserve	1,718,559
Payable to parent, subsidiaries and affiliates	34,798
Liability for amounts held under uninsured accident and health plans	1,152
Accrued interest and other liabilities	789,410
Funds held for escheatment	<u>35,003</u>
 Total liabilities	 <u>\$201,758,277</u>
 Common capital stock	 2,000,000
Gross paid in and contributed surplus	55,450,000
Unassigned funds (surplus)	<u>23,448,276</u>
Surplus	\$ <u>78,898,276</u>
Total capital and surplus	\$ <u>80,898,276</u>
 Total liabilities, capital and surplus	 <u>\$282,656,553</u>

D. Condensed Summary of Operations

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Premiums and considerations	\$ 97,964,585	\$ 95,178,796	\$ 89,388,245
Investment income	11,891,984	11,846,597	12,000,892
Commissions and reserve adjustments on reinsurance ceded	42,830	247,796	255,319
Miscellaneous income	<u>47,241</u>	<u>43,174</u>	<u>64,618</u>
 Total income	 <u>\$109,946,640</u>	 <u>\$107,316,363</u>	 <u>\$101,709,074</u>
 Benefit payments	 \$ 72,891,039	 \$ 72,464,618	 \$ 64,148,302
Increase in reserves	8,790,874	4,197,515	3,326,144
Commissions	9,617,283	9,755,763	10,531,947
General expenses and taxes	12,862,450	12,864,014	12,176,452
Increase in loading on deferred and uncollected premiums	(19,727)	(16,626)	12,355
Net transfers to (from) Separate Accounts	0	0	0
Miscellaneous deductions	<u>9,334</u>	<u>11,641</u>	<u>27,306</u>
 Total deductions	 <u>\$104,151,253</u>	 <u>\$ 99,276,925</u>	 <u>\$ 90,222,506</u>
 Net gain (loss)	 \$ 5,795,387	 \$ 8,039,438	 \$ 11,486,568
Dividends	0	0	0
Federal and foreign income taxes incurred	<u>2,967,920</u>	<u>3,932,768</u>	<u>5,139,389</u>
 Net gain (loss) from operations before net realized capital gains	 \$ 2,827,467	 \$ 4,106,670	 \$ 6,347,179
Net realized capital gains (losses)	<u>(122,098)</u>	<u>(66,007)</u>	<u>833</u>
 Net income	 <u>\$ 2,705,370</u>	 <u>\$ 4,040,664</u>	 <u>\$ 6,348,011</u>

The decrease in premiums between 2014 and 2015 was primarily due to termination of group life policies in 2015.

The decrease in benefit payments in 2015 compared with 2014 was due primarily to a decrease in group life claims. The decline in increase in reserves during the examination period

was due to a favorable general trend in claims experience. A new life waiver claims table became available in 2014 resulting in a reduction of waiver reserves as compared with 2013.

E. Capital and Surplus Account

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital and surplus, December 31, prior year	\$ <u>69,291,346</u>	\$ <u>71,565,885</u>	\$ <u>76,585,547</u>
Net income	\$ 2,705,370	\$ 4,040,664	\$ 6,348,011
Change in net unrealized capital gains (losses)	28,065	0	(85,196)
Change in net deferred income tax	1,261,796	1,314,281	1,947,108
Change in non-admitted assets and related items	(1,222,171)	(596,083)	(3,886,393)
Change in asset valuation reserve	(498,521)	260,800	110,118
Change in unassigned surplus	<u>0</u>	<u>0</u>	<u>(120,919)</u>
Net change in capital and surplus for the year	\$ <u>2,274,539</u>	\$ <u>5,019,662</u>	\$ <u>4,312,729</u>
Capital and surplus, December 31, current year	\$ <u>71,565,885</u>	\$ <u>76,585,547</u>	\$ <u>80,898,276</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.

Section 4224(c) of the New York Insurance Law states:

“Except as permitted by section three thousand two hundred thirty-nine of this chapter or subsection (f) of this section, no such life insurance company and no such savings and insurance bank and no officer, agent, solicitor or representative thereof and no such insurer doing in this state the business of accident and health insurance and no officer, agent, solicitor or representative thereof, and no licensed insurance broker and no employee or other representative of any such insurer, agent or broker, shall pay, allow or give, or offer to pay, allow or give, directly or indirectly, as an inducement to any person to insure, or shall give, sell or purchase, or offer to give, sell or purchase, as such inducement, or interdependent with any policy of life insurance or annuity contract or policy of accident and health insurance, any stocks, bonds, or other securities, or any dividends or profits accruing or to accrue thereon, or any valuable consideration or inducement whatever not specified in such policy or contract other than any valuable consideration, including but not limited to merchandise or periodical subscriptions, not exceeding twenty-five dollars in value; nor shall any person in this state knowingly receive as such inducement, any rebate of premium or policy fee or any special favor or advantage in the dividends or other benefits to accrue on any such policy or contract, or knowingly receive any paid employment or contract for services of any kind, or any valuable consideration or inducement whatever which is not specified in such policy or contract.”

Prior and during the examination period, the Company offered certain non-insurance services that were sold in conjunction with the Company's group life insurance products:

- A Life Services Toolkit was offered between October 1, 2015, and June 30, 2017, with various support services, including grief counseling, financial counseling, and legal services.
- A Travel Assistance service was offered from May 1, 2002, to June 30, 2017, and included various services to assist insureds while traveling.
- A Health Advocacy Solution service was offered from May 1, 2009, to June 30, 2017, and included services to assist insureds navigate healthcare challenges.

However, these non-insurance services and benefits are not specified in the Company's group life insurance policies and certificates.

The Company violated Section 4224(c) of the New York Insurance Law by offering inducements in the form of non-insurance services in connection with group insurance without the inducements being specified in such group policy and group certificates.

#### 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. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 4224(c) of the New York Insurance Law by offering inducements in the form of non-insurance services in connection with group insurance without the inducements being specified in such group policy and group certificates.	23

Respectfully submitted,

\_\_\_\_\_  
/s/

Manish Gajiwala  
Senior Insurance Examiner

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

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

\_\_\_\_\_  
/s/

Manish Gajiwala

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

**APPOINTMENT NO. 31497**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **MARIA T. VULLO**, 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:

**MANISH GAJIWALA**

as a proper person to examine the affairs of the  
**STANDARD 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 June, 2016

**MARIA T. VULLO**  
Superintendent of Financial Services

By:

*Mark McLeod*

\_\_\_\_\_  
**MARK MCLEOD**  
DEPUTY CHIEF - LIFE BUREAU

