



FINANCIAL CONDITION REPORT ON EXAMINATION

OF

THE STANDARD LIFE INSURANCE COMPANY

OF

NEW YORK

AS OF DECEMBER 31, 2020

EXAMINER:

ROSHANAK FEKRAT, CFE

DATE OF REPORT:

OCTOBER 3, 2022

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

October 25, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32313, dated October 1, 2021, 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". The Company's home office is located at 333 Westchester Avenue, West Building, Suite 300, White Plains, NY 10604. Due to the COVID-19 pandemic, the examination was conducted remotely.

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

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

1. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC") *Financial Condition Examiner's Handbook, 2021 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2016, through December 31, 2020. 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, 2020, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the 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 called by the Oregon Division of the Financial Regulation ("Oregon") in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted in conjunction with the examination of the affiliated, 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 2016 to 2020. It was audited by the accounting firm of Deloitte & Touche, LLP ("Deloitte") for the year 2016, and by the accounting firm of KPMG LLP ("KPMG") for the years 2017 through 2020. The Company received an unqualified opinion in all years. Certain audit workpapers of KPMG were reviewed and relied upon in conjunction with this examination. StanCorp Financial Group, Inc. ("SFG"), the Company's direct parent, has an internal audit department and is subject to the Model Audit Rule. SFG shares, on an enterprise-wide basis, the services of its internal audit department with its subsidiaries. To support management's assertion related to effectiveness of internal control over financial reporting ("ICFR"), the Company has identified processes and controls that are key to financial reporting. Management maintains process narratives related to these ICFR processes and reviews and certifies to key controls quarterly through a formalized process. The internal audit department tests key controls on an annual basis. Where applicable, internal audit and ICFR 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 financial condition 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.

2. 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

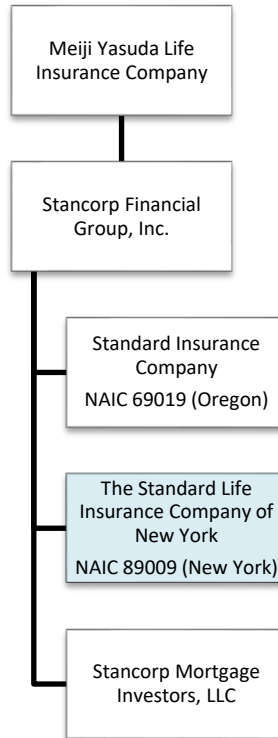
The Company is a wholly owned subsidiary of SFG, an Oregon holding company. SFG was incorporated under the laws of Oregon in 1998 as a holding company resulting from the demutualization of SIC. SFG completed its initial public offering of common stock on April 21, 1999. Through its subsidiaries, it is a provider of selected insurance and retirement plan products. It is the sole shareholder of the Company. 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 portfolio 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, 2020, 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 Amendment File No. 55184	08/24/2000 08/01/2015 11/01/2017	SIC	The Company	Distribution, Producer Management and Marketing Support; Product Development and Administration; Actuarial and Financial; and Policyholder Services; Reinsurance; Underwriting; Claims Processing and Payment Services and Administration of Family Leave, Absence Management and Retirement Plan Products	2016 \$(1,564,968) 2017 \$(1,559,859) 2018 \$(1,960,978) 2019 \$(2,739,328) 2020 \$(2,130,046)
Administrative Services Agreement Amendment File No. 50900	08/24/2000 08/01/2015	The Company	SIC	Claims processing, payment services, and absence management services	2016 \$9,324,116 2017 \$8,770,963 2018 \$7,798,448 2019 \$7,101,090 2020 \$6,497,847
Investment Services Agreement File No. 27445H	08/24/2000	SIC	The Company	Investment services	2016 \$(167,796) 2017 \$(165,368) 2018 \$(161,286) 2019 \$(180,584) 2020 \$(183,615)
Non-Recourse Master Participation and Servicing Agreement File No. 31874	12/01/2004	SMI	The Company	Mortgage loan services	2016 \$(307,036) 2017 \$(336,822) 2018 \$(339,853) 2019 \$(341,412) 2020 \$(327,611)

* 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, 2020, the board of directors consisted of 13 members. Meetings of the board are held quarterly. The authorized number of directors of the Company shall be increased to not less than 13 within one year following the end of the calendar year in which the Company exceeds \$1.5 billion in admitted assets.

The 13 board members and their principal business affiliation as of December 31, 2020, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Frederick W. Buckman* Portland, Oregon	President Frederick Buckman, Inc.	2000
Ranjana B. Clark* San Francisco, California	Chief Transformation Officer and Head of Global Transaction Banking Group Americas MUFG Union Bank, National Association	2014
Karen A. Ferguson Yorktown Height, New York	Manager, Disability Benefits The Standard Life Insurance Company of New York	2015
Elizabeth E. Flynn* New York, New York	Director Webster Financial Corporation	2017
Debora D. Horvath* Shoreline, Washington	Principal and Founder Horvath Consulting, LLC	2013

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Akira Kumabe Tokyo, Japan	General Manager, International Business Development Department Meiji Yasuda Life Insurance Company	2018
James F. Lobdell* Sherwood, Oregon	Retired Senior Vice President, Chief Financial Officer, and Treasurer Portland General Electric Co., Inc.	2020
Yoshiaki Maebayashi Tokyo, Japan	Resident Director StanCorp Financial Group, Inc.	2019
Duane C. McDougall* Lake Oswego, Oregon	Director The Greenbrier Companies	2009
Helen E. Mitchell* New York, New York	Director Selective Insurance Group	2017
John Gregory Ness Lake Oswego, Oregon	Executive Chairman StanCorp Financial Group, Inc., Standard Insurance Company and The Standard Insurance Company of New York	2004
Mary F. Sammons* Scottsdale, Arizona	Retired Chairman and Chief Executive Officer Rite Aid Corporation	2009
Masaharu Shiraishi Eastchester, New York	President and Director Meiji Yasuda Life Insurance Company	2018

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

In April 2021, Akira Kumabe and Yoshiaki Maebayashi resigned from the board and was replaced by, Masaru Nakamura and Shinya Uematsu.

On May 9, 2021, Frederick W. Buckman retired from the Board.

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, 2020:

<u>Name</u>	<u>Title</u>
John Gregory Ness	Chairman, President and Chief Executive Officer
Allison T. Stumbo*	Secretary
Robert M. Erickson	Vice President, Chief Accounting Officer and Treasurer
Sally A. Manafi	Vice President, Corporate Actuary and Chief Risk Officer
Scott A. Hibbs	Vice President and Chief Investment Officer
Daniel J. McMillan	Executive Vice President
Gregory A. Chandler	Vice President, Information Technology

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

Effective July 1, 2021, Daniel McMillan replaced John Gregory Ness as President and Chief Executive Officer of the Company.

3. 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 2020, 95.0% was of life premiums and 94.7% 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, 2020, the Company had \$450,000 (par value) of United States Treasury Bonds 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 markets group life, accidental death and dismemberment insurance, group and individual disability insurance, group dental vision insurance, group accident only and specified disease insurance, and family leave and absence management products in New York through brokers and its own representatives.

C. Reinsurance

As of December 31, 2020, the Company had reinsurance treaties in effect with seven companies, of which five were authorized or accredited. The Company's group life and group 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, 2020, was \$119,379,500, which represents 0.98% of the total face amount of life insurance in force. There was no reserve credit taken for reinsurance ceded to unauthorized companies.

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2020, as contained in the Company's 2020 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, 2020, filed annual statement.

A. Independent Accountants

The firm of KPMG was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31, for the years 2017 through 2020, in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended. Deloitte was retained to conduct the audit in 2016.

KPMG and Deloitte 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	\$134,350,672
Mortgage loans on real estate:	
First liens	133,001,565
Cash, cash equivalents and short-term investments	31,750,902
Contract loans	55,461
Investment income due and accrued	1,623,310
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection deferred and not yet due	10,192,435 73,453
Reinsurance:	
Amounts recoverable from reinsurers	99,507
Other amounts receivable under reinsurance contracts	48,537
Amounts receivable relating to uninsured plans	465,638
Net deferred tax asset	3,323,571
Guaranty funds receivable or on deposit	2,400
Receivables from parent, subsidiaries and affiliates	1,527,527
Other assets	<u>79,908</u>
Total admitted assets	<u>\$316,594,886</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 20,967,302
Aggregate reserve for accident and health contracts	131,579,002
Liability for deposit-type contracts	1,795,903
Contract claims:	
Life	6,464,613
Accident and health	3,245,269
Premiums and annuity considerations for life and accident and health contracts received in advance	1,091,790
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	193,749
Other amounts payable on reinsurance	312,548
Interest maintenance reserve	1,500
Commissions to agents due or accrued	1,432,016
General expenses due or accrued	8,626,892
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,096,164
Current federal and foreign income taxes	809,678
Unearned investment income	9,219
Amounts withheld or retained by company as agent or trustee	947,574
Remittances and items not allocated	7,124,418
Miscellaneous liabilities:	
Asset valuation reserve	2,024,509
Accrued interest and other liabilities	82,895
Funds held for escheatment	<u>62,683</u>
 Total liabilities	 <u>\$187,867,724</u>
 Common capital stock	 2,000,000
Gross paid in and contributed surplus	55,450,000
Unassigned funds (surplus)	<u>71,277,162</u>
Surplus	<u>\$126,727,162</u>
Total capital and surplus	<u>\$128,727,163</u>
 Total liabilities, capital and surplus	 <u>\$316,594,886</u>

D. Condensed Summary of Operations

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Premiums and considerations	\$ 89,129,730	\$ 89,967,951	\$103,977,170	\$103,867,192	\$113,715,776
Investment income	11,391,727	11,464,711	11,323,398	11,741,088	11,784,927
Commissions and reserve adjustments on reinsurance ceded	460,857	581,901	791,562	758,492	576,696
Miscellaneous income	<u>89,473</u>	<u>453,692</u>	<u>516,999</u>	<u>553,426</u>	<u>581,160</u>
Total income	<u>\$101,071,787</u>	<u>\$102,468,255</u>	<u>\$116,609,129</u>	<u>\$116,920,198</u>	<u>\$126,658,559</u>
Benefit payments	\$ 67,853,857	\$ 62,406,823	\$ 80,517,012	\$ 78,167,468	\$ 79,659,906
Increase in reserves	4,060,268	(2,464,748)	6,049,535	(16,356,466)	(5,390,902)
Commissions	9,397,548	9,714,406	10,244,551	10,551,594	11,178,820
General expenses and taxes	13,202,140	14,963,783	16,564,532	15,317,727	16,479,483
Increase in loading on deferred and uncollected premiums	5,567	17,182	(4,271)	(14,293)	41,723
Miscellaneous deductions	<u>(85)</u>	<u>10</u>	<u>752,943</u>	<u>722</u>	<u>(1,352)</u>
Total deductions	<u>\$ 94,519,295</u>	<u>\$ 84,637,456</u>	<u>\$114,124,302</u>	<u>\$ 87,666,752</u>	<u>\$101,967,678</u>
Net gain (loss)	\$ 6,552,492	\$ 17,830,799	\$ 2,484,827	\$ 29,253,446	\$ 24,690,881
Federal and foreign income taxes incurred	<u>2,903,204</u>	<u>5,908,759</u>	<u>1,212,658</u>	<u>5,787,241</u>	<u>5,734,586</u>
Net gain (loss) from operations before net realized capital gains	\$ 3,649,288	\$ 11,922,040	\$ 1,272,169	\$ 23,466,205	\$ 18,956,295
Net realized capital gains (losses)	<u>(43,394)</u>	<u>(56,434)</u>	<u>(91,312)</u>	<u>(13,572)</u>	<u>(67,778)</u>
Net income	<u>\$ 3,605,894</u>	<u>\$ 11,865,606</u>	<u>\$ 1,180,858</u>	<u>\$ 23,452,633</u>	<u>\$ 18,888,518</u>

E. Capital and Surplus Account

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, December 31, prior year	<u>\$80,898,276</u>	<u>\$85,895,922</u>	<u>\$96,169,074</u>	<u>\$ 99,031,676</u>	<u>\$123,178,666</u>
Net income	\$ 3,605,894	\$11,865,606	\$ 1,180,858	\$ 23,452,633	\$ 18,888,518
Change in net unrealized capital gains (losses)	85,196	0	0	0	(135,992)
Change in net deferred income tax	(114,077)	(3,141,385)	120,773	(512,649)	1,519,625
Change in non-admitted assets and related items	1,419,057	1,629,996	1,522,640	(2,051,455)	(4,662,879)
Change in reserve valuation basis	0	0	0	3,462,476	0
Change in asset valuation reserve	1,576	(81,066)	38,331	(204,015)	(60,776)
Dividends to stockholders	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,000,000)</u>
Net change in capital and surplus for the year	<u>\$ 4,997,646</u>	<u>\$10,273,152</u>	<u>\$ 2,862,601</u>	<u>\$ 24,146,991</u>	<u>\$ 5,548,496</u>
Capital and surplus, December 31, current year	<u>\$85,895,922</u>	<u>\$96,169,074</u>	<u>\$99,031,676</u>	<u>\$123,178,666</u>	<u>\$128,727,163</u>

Respectfully submitted,

Roshanak Fekrat
Roshanak Fekrat, CFE
Global Insurance Enterprises, Inc.

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

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

Roshanak Fekrat
Roshanak Fekrat

Subscribed and sworn to before me

this 25th day of October, 2022

Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA8274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

_____/s/
Courtney Williams
Principal Insurance Examiner

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

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

_____/s/
Courtney Williams

Subscribed and sworn to before me
this _____ day of _____

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ADRIENNE A. HARRIS, Acting 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:

ROSHANAK FEKRAT
(GLOBAL INSURANCE ENTERPRISES, INC.)

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 she 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 1st day of October, 2021

ADRIENNE A. HARRIS
Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

