STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 1999

DATE OF REPORT:	AUGUST 4, 2000
EXAMINER:	EUGENE THUMMEL

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

August 4, 2000

Honorable Neil D. Levin
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21499, dated February 1, 2000 and annexed hereto, an examination has been made into the condition and affairs of ReliaStar Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 1000 Woodbury Road, Suite 102, Woodbury, New York 11797.

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

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

1. EXECUTIVE SUMMARY

On July 1, 1997, through an exchange of securities, Security-Connecticut Corporation merged into ReliaStar Financial Corporation (“RFC”), the ultimate parent of the Company. Security-Connecticut Corporation wholly owned Security-Connecticut Life Insurance Company (“SCL”), which in turn wholly owned Lincoln Security Life Insurance Company (“Lincoln Security”), a domestic stock life insurer. On January 1, 1998, the Company changed its name to Reliastar Life Insurance Company of New York and Lincoln Security was merged into the Company. SCL became the immediate parent of the Company. On May 1, 2000, RFC announced it had signed a definitive agreement to become part of ING Groep N. V., a stock company incorporated in the Netherlands. (See item 3 of this report)

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, 1999 filed statement; however, the Department has not certified, as to accuracy or adequacy, the Company’s reserves as of December 31, 1999. (see item 5D of this report)

The Company entered into two reinsurance agreements with affiliates during the period under examination. The Company violated Section 1505(d)(2) of the New York Insurance Law by not notifying the Superintendent in writing of its intention to enter into reinsurance agreements with affiliates at least 30 days before their effective dates. (See item 3 of this report)

The Company violated Section 3207(c) of the New York Insurance Law by issuing policies which exceeded the limit of life insurance in force on minors. (See item 6 of this report)

The Company violated Section 4230(c) of the New York Insurance Law by granting stock options to officers without such stock options being submitted to and approved by its board of directors. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1996. This examination covers the period from January 1, 1997 through December 31, 1999. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 1999 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 1999 to determine whether the Company's filed 1999 annual statement fairly presents its financial condition. With respect to the verification of liabilities, it is noted that the Department has not certified, as to accuracy or adequacy, the Company's reserves as of December 31, 1999. (See item 5D of this report) The examiner reviewed the Company's income and disbursements necessary to accomplish the verification of assets and liabilities and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations, recommendations and comments 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 on June 11, 1917 under the name The Morris Plan Insurance Society and commenced business on September 18, 1917. The name was changed to Bankers Security Life Insurance Society in July 1946. In 1962, through an exchange of securities, the Company merged with Postal Life Insurance Company of New York. In 1971, also by an exchange of securities, the Congressional Life Insurance Company merged into the Company.

On January 17, 1995, RFC, the parent of ReliaStar Life Insurance Company ("ReliaStar Life"), acquired USLICO Corporation, the then ultimate parent of the Company, through an exchange of stock. As a condition to approval by the Department of the acquisition, ReliaStar Life agreed to merge another of its New York subsidiaries, North Atlantic Life Insurance Company of America, with and into the Company. The merger became effective on December 28, 1995. On August 19, 1996, the Company was renamed ReliaStar Bankers Security Life Insurance Company.

On July 1, 1997, through an exchange of securities, Security-Connecticut Corporation merged into RFC, the ultimate parent of the Company. Security-Connecticut Corporation wholly owned SCL, which in turn wholly owned Lincoln Security, a domestic stock life insurer. On January 1, 1998, the Company changed its name to Reliastar Life Insurance Company of New York and Lincoln Security was merged into the Company. SCL became the immediate parent of the Company.

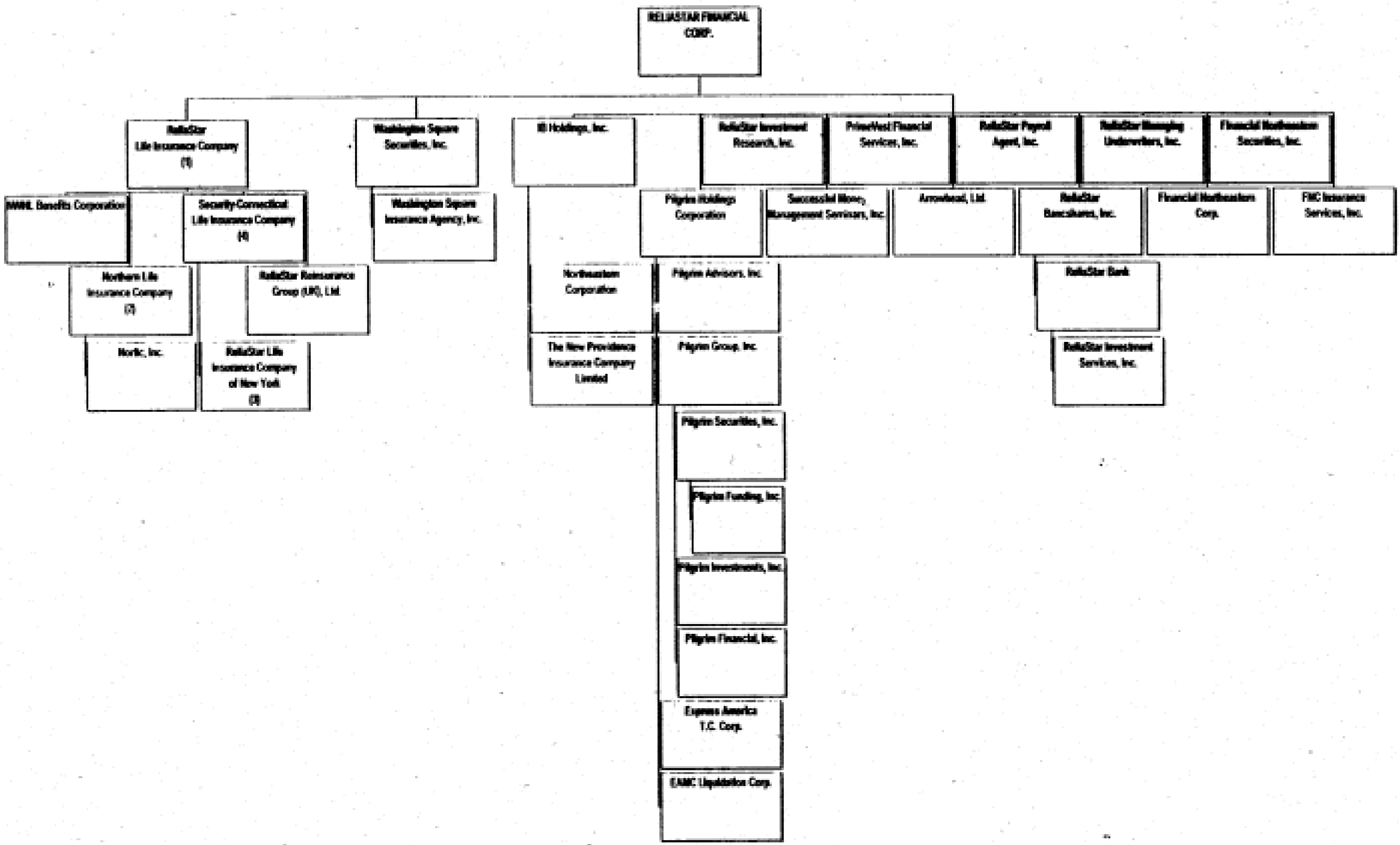
As of December 31, 1999, the Company reported capital stock in the amount of $2,755,726 consisting of 1,377,863 shares of common stock, with a par value of $2 each and paid in and contributed surplus of $111,768,164.

On May 1, 2000, RFC announced it had signed a definitive agreement to become part of ING Groep N. V. ("ING"), a stock company incorporated in the Netherlands.

B. Holding Company

The Company is a wholly owned subsidiary of SCL, a Connecticut insurer. SCL is in turn a wholly owned subsidiary of ReliaStar Life, a Minnesota insurance corporation. The ultimate parent of the Company is RFC, a Delaware holding company whose subsidiaries specialize in life insurance and related financial services businesses.

An organizational chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 1999 follows:



(1) Federal Employers Identification Number 41-0451140
NAIC Company Code 67105
Domicile MN
(2) Federal Employers Identification Number 41-1295933
NAIC Company Code [illegible]
Domicile WA
(3) Federal Employers Identification Number 53-0242530
NAIC Company Code 61360
Domicile NY
(4) Federal Employers Identification Number [illegible]
NAIC Company Code [illegible]
Domicile CT

The Company had five service agreements in effect as of December 31, 1999, with its parent and affiliates. The Company entered into a management service agreement with ReliaStar Life effective June 1, 1999, wherein ReliaStar Life provides the following services:

Underwriting and new business processing
Licensing and contracting of producers
Policyowner and claims processing
Financial management
Reinsurance management and administration
Actuarial
Information
Legal, risk management and compliance
Printing, record, file, mail and supply
Human resources
Sales promotion and marketing
Taxes
General corporate services

The agreement also provides that the Company perform certain services related to payroll deduction products issued and marketed by ReliaStar Life. These include the following:

Underwriting and new business processing
Licensing and contracting
Policyowner and claims processing
Information
Sales promotion and marketing

A management services agreement between the Company and RFC effective January 27, 1998, provides for the following services to be rendered by RFC:

Accounting and tax
Actuarial
Computer sharing
Internal and external audit
General corporate services

A management services agreement between the Company and SCL effective June 1, 1999, provides for the following services to be rendered by SCL with regard to general account individual life products:

Underwriting
Medical advice
Licensing, contracting and commission
Policyowner
Premium accounting
Billing and collection
Reinsurance management and administration
Actuarial and product development
Information
Systems programming
Record
Sales promotion marketing

A management services agreement between the Company and Northern Life Insurance Company, effective June 1, 1999, provides for the following services to be rendered by Northern Life Insurance Company with regard to group and individual annuities:

Underwriting
Policyowner and claims processing
Financial management
Actuarial
Information
Sales promotion and marketing

The Company entered into an investment advisory agreement with Washington Square Capital, Inc. ("WSC"), whereby WSC would provide investment advisory services with respect to the investment, purchase, sale, exchange or trade of real estate, mortgages, stocks, bonds, and other investments. On January 17, 1995, WSC changed its name to Washington Square Advisers, Inc. and on January 1, 1996, assigned the investment advisory agreement with all its responsibilities and interests to ReliaStar Investment Research, Inc. ("RIRI"), another affiliate in the holding company system. Effective February 1, 1999, the agreement was amended to provide for RIRI's investment advice with respect to separate account assets.

On September 21, 1999, the Company entered into an inter-company credit agreement with nine affiliated companies. The agreement provides for a revolving line of credit wherein the affiliated companies can make advances to one another and borrow from one another. The agreement is renewed annually.

The Company entered into a tax allocation agreement with SCL, effective January 1, 1999.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 22 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 1999, the board of directors consisted of 14 members. Meetings of the board are held quarterly.

The 14 board members and their principal business affiliation, as of December 31, 1999, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Stephen A. Carb* New York, NY	Partner Carb, Luria, Glassner, Cook & Kufeld	1970
R. Michael Conley* Plymouth, MN	Retired Former Senior Vice President ReliaStar Life Insurance Company	1997
Richard R. Crowl Minneapolis, MN	Senior Vice President, General Counsel and Secretary ReliaStar Financial Corporation	1994
James R. Gelder West Hartford, CT	President and Chief Executive Officer ReliaStar Life Insurance Company of New York	1999
Ulric Haynes, Jr.* Melville, NY	Executive Dean University International Relations	1998
Wayne R. Huneke Edina, MN	Senior Executive Vice President ReliaStar Financial Corporation	1994
Mark S. Jordahl Edina, MN	Senior Vice President ReliaStar Financial Corporation	1998
Kenneth U. Kuk Excelsior, MN	Executive Vice President ReliaStar Financial Corporation	1996
James R. Miller Eden Prairie, MN	Senior Vice President, Chief Financial Officer & Treasurer ReliaStar Financial Corporation	1998
Fioravante G. Perrotta* Naples, FL	Retired, former Senior Partner Rogers & Wells	1976

Name and Residence	Principal Business Affiliation	Year First Elected
Robert C. Salipante Minnetonka, MN	President and Chief Operating Officer ReliaStar Financial Corporation	1992
John G. Turner Minneapolis, MN	Chairman and Chief Executive Officer ReliaStar Financial Corporation	1975
Charles B. Updike* Westport, NY	Partner Schoeman, Marsh & Updike	1990
Ross M. Weale* South Salem, NY	President Waccabuc Enterprises, Inc.	1984

* 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 indicate 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, 1999:

Name	Title
John G. Turner	Chairman
Robert C. Salipante	Vice Chairman
James R. Gelder	President and Chief Executive Officer
Roger Roenfeldt	Executive Vice President and Chief Operating Officer
James G. Cochran	Executive Vice President
William D. Bonneville	Senior Vice President and Chief Administrative Officer
Richard R. Crowl	Senior Vice President and General Counsel

Fritz Riemenschneider, Assistant Vice President and Compliance Officer, is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all fifty states, the District of Columbia, and the Dominican Republic. However, in 1999, 55.9% of life insurance premium, 47.6% of annuity considerations, and all deposit type funds were received from New York State. Policies are written on a participating and non-participating basis.

The Company's principal line of business during the examination period was ordinary life insurance. The product lines include group retirement products, 401k contracts, universal life and term life insurance. The Company also markets group life insurance, whole life insurance, variable life insurance, group accident and health insurance, single premium and flexible premium deferred annuity contracts, and deposit type funds. The Company discontinued writing individual variable annuities effective May 1, 1999. There was a substantial decrease in fixed annuity business during the period under examination. The deposit type funds consist almost entirely of 401k contracts.

The Company's agency operations are conducted on a general agency basis. During 1999, one general agency produced 60.4% of first year premiums for the Company's 401k (group pension) business and 81.8 % of 401k renewal business. During that year, the top three producers in the 401k line of business produced 87.1% of first year premiums and 86.5% of renewal premiums. The Company's agency force increased from 343 general agents and 4,229 soliciting agents as of December 31, 1996 to 775 general agents and 6,143 soliciting agents as of December 31, 1999.

E. Reinsurance

As of December 31, 1999, the Company had reinsurance treaties in effect with 40 companies, of which 24 were authorized or accredited. Reinsurance of the Company's ordinary life insurance is ceded on a coinsurance, modified-coinsurance**,** and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit on an individual life is $300,000. The total face amount of ordinary life insurance ceded as of December 31, 1999 was $7,822,662,000, which represents 28.9% of the total face amount of ordinary life insurance in force.

The Company also had 42 reinsurers under contract to reinsure its excess accident and health insurance as of December 31, 1999. The Company reinsured $2,062,718, or approximately 73%, of its individual accident and health premiums, and $4,052,491, or approximately 71%, of its group accident and health premiums as of December 31, 1999. Reserve credit taken for reinsurance ceded to unauthorized companies, and reinsurance receivables from unauthorized companies, for both individual and group accident and health insurance, totaling $1,529,082, were largely supported by a letter of credit, a trust agreement, and funds withheld.

Section 1505(d) of the 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: …(2) reinsurance treaties or agreements … "

The Company entered into two reinsurance agreements with affiliates during the period under examination. An agreement with ReliaStar Life, applicable to group accidental death and dismemberment policies, was filed with the Superintendent on April 7, 2000; however, it became effective on March 1, 1997. The other agreement, with ReliaStar Reinsurance Group (UK), Ltd., was applicable to group annual term life insurance. It was filed with the Superintendent on May 11, 2000; however, it became effective on April 1, 1998.

The Company violated Section 1505(d)(2) of the New York Insurance Law by not notifying the Superintendent in writing of its intention to enter into reinsurance agreements with affiliates at least 30 days before their effective dates. The Department non-disapproved the reinsurance agreement between the Company and ReliaStar Life, as well as the reinsurance agreement between the Company and ReliaStar Reinsurance Group (UK), Ltd., on June 1, 2000.

4. 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, 1996	December 31, 1999	Increase
Admitted assets	$2,160,412,777	$2,677,971,973	$517,559,196
Liabilities	$2,010,539,124	$2,456,192,643	$445,653,519
Common capital stock	$ 2,755,726	$ 2,755,726	$ 0
Gross paid in and contributed surplus	86,768,164	111,768,164	25,000,000*
Group contingency reserve	4,716,850	6,142,792	1,425,942
Unassigned funds (surplus)	55,632,913	101,112,648	45,479,735
Total capital and surplus	$ 149,873,653	$ 221,779,330	$ 71,905,677
Total liabilities, capital and surplus	$2,160,412,777	$2,677,971,973	$517,559,196

*The increase in gross paid in and contributed surplus is due to the merger with Lincoln Security.

The Company's invested assets as of December 31, 1999, exclusive of separate accounts, were mainly comprised of bonds (77.4%), mortgage loans (16.5%), and policy loans (4.3%). The percentage of invested assets in mortgage loans increased during the period under examination from 10.4% as of December 31, 1996 to 16.5% as of December 31, 1999. The majority (91.6%) of the Company's bond portfolio as of December 31, 1999 was comprised of investment grade obligations.

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:

	1997	1998	1999
Ordinary:			
Life insurance	$10,409,796	$17,023,175	$25,294,441
Individual annuities	7,342,583	1,793,469	5,669,711
Supplementary contracts	1,233,442	1,448,018	1,960,131
Total ordinary	$18,985,821	$20,264,662	$32,924,283
Group:			
Life	$ 475,795	$ 298,526	$ 32,911
Annuities	397,237	1,427,734	601,130
Total group	$ 873,032	$ 1,726,260	$ 634,041
Accident and health:			
Group	$ (297,646)	$ (1,643,721)	$ (385,776)
Other	(1,183,907)	(1,319,985)	(366,981)
Total accident and health	$ (1,481,553)	$ (2,963,706)	$ (752,757)
Total	$18,377,300	$19,027,216	$32,805,567

The 1999 gain in operations is attributable to a decrease in pension plan contributions for employees, savings related to the merger with Lincoln Security, and a lower federal income tax rate.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 1999, as contained in the Company's filed 1999 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, 1999 filed statement; however, the Department has not certified, as to accuracy or adequacy, the Company's reserves as of December 31, 1999. (see item 5D below)

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 1999

Admitted Assets

Bonds	$1,500,823,579
Stocks:	
Preferred stocks	5,842,397
Common stocks	529,540
Mortgage loans, first liens	320,000,241
Real estate properties acquired in satisfaction of debt	1,078,384
Policy loans	84,284,337
Cash and short term investments	21,008,317
Other invested assets	5,722,042
Receivable for securities	64,835
Interest rate caps	218,500
Reinsurance ceded:	
Amounts recoverable from reinsurers	2,174,953
Commissions and expense allowances due	1,758,707
Experience rating and other refunds due	1,512,606
Electronic data processing equipment	52,492
Guaranty funds receivable or on deposit	280,483
Life insurance premiums and annuity considerations deferred and uncollected on in force business	17,889,631
Accident and health premiums due and unpaid	(624,756)
Investment income due and accrued	26,809,052
Amounts receivable relating to uninsured accident and health plans	432,258
Miscellaneous	651,019
From Separate Accounts Statement	687,463,356
Total admitted assets	$2,677,971,973

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$1,603,566,457
Aggregate reserve for accident and health policies	5,460,505
Supplementary contracts without life contingencies	35,599,473
Policy and contract claims:	
Life	11,415,549
Accident and health	1,998,038
Policyholders' dividend and coupon accumulations	2,987,097
Policyholders' dividends and coupons due and unpaid	37,987
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	164,086
Dividends not yet apportioned	328,171
Premiums and annuity considerations received in advance	169,494
Liability for premium and other deposit funds:	
Policyholder premiums	478,991
Other contract deposit funds	14,253,557
Policy and contract liabilities:	
Provision for experience rating refunds	3,901,685
Interest maintenance reserve	6,686,413
Commissions to agents due or accrued	2,197,467
General expenses due or accrued	8,183,224
Transfers to Separate Accounts due or accrued	(3,330,755)
Taxes, licenses and fees due or accrued	2,672,906
Federal income taxes due or accrued	5,554,642
Cost of collection on premiums and annuity considerations deferred and uncollected in excess of total loading thereon	1,723,655
Unearned investment income	2,862,321
Amounts withheld or retained by company as agent or trustee	1,142,119
Amounts held for agents' account	912,721
Remittances and items not allocated	15,276,000
Net adjustment in assets and liabilities due to foreign exchange rates	3,551,158
Liability for benefits for employees and agents	1,654,489
Miscellaneous liabilities:	
Asset valuation reserve	18,391,095
Reinsurance in unauthorized companies	1,177,830
Payable to parent, subsidiaries and affiliates	2,686,644
Drafts outstanding	18,099,593
Miscellaneous amounts due	3,966,864
Reinsurance balances	(178,484)
From Separate Accounts Statement	682,601,651
Total liabilities	$2,456,192,643

Common capital stock	$ 2,755,726
Gross paid in and contributed surplus	111,768,164
Group contingency reserve	6,142,792
Unassigned funds (surplus)	101,112,648
Total capital, surplus and other funds	$ 221,779,330
Total liabilities, capital, surplus and other funds	$2,677,971,973

B. CONDENSED SUMMARY OF OPERATIONS

	1997	1998	1999
Premiums and considerations	$343,152,765	$280,551,454	$387,993,306
Investment income	155,290,460	153,747,614	148,278,556
Net gain from operations from Separate Accounts	1,305,869	(294,789)	(647,151)
Commissions and reserve adjustments on reinsurance ceded	(2,523,368)	6,424,551	5,308,814
Miscellaneous income	5,942,083	6,724,986	8,704,688
Total income	$503,167,809	$447,153,816	$549,638,213
Benefit payments	$411,946,979	$413,779,862	$424,847,220
Increase in reserves	(59,475,128)	(63,783,388)	(30,267,157)
Commissions	25,015,907	28,676,029	31,344,309
General expenses and taxes	59,803,004	54,291,062	42,043,498
Increase in loading and cost of collection	15,607	(406,494)	3,487,905
Net transfers to (from) Separate Accounts	28,130,948	(22,243,435)	27,651,237
Miscellaneous deductions	1,944,621	3,333,012	18,370
Total deductions	$467,381,938	$413,646,648	$499,125,382
Net gain	$ 35,785,871	$ 33,507,168	$ 50,512,831
Dividends	473,516	470,856	502,610
Federal income taxes	15,107,801	14,009,096	17,204,654
Net gain from operations before net realized capital gains	$ 20,204,554	$ 19,027,216	$ 32,805,567
Net realized capital gains (losses)	160,149	526,935	(1,876,732)
Net income	$ 20,364,703	$ 19,554,151	$ 30,928,835

C. CAPITAL AND SURPLUS ACCOUNT

	1997	1998	1999
Capital and surplus, December 31, prior year	$165,984,080	$186,752,875	$202,446,060
Net income	$ 20,364,703	$ 19,554,151	$ 30,928,835
Change in net unrealized capital gains (losses)	52,423	(1,899,615)	(4,900,125)
Change in nonadmitted assets and related items	(1,219,967)	(533,646)	(1,446,993)
Change in liability for reinsurance in unauthorized companies	(268,092)	311,481	(515,710)
Change in reserve valuation basis	(368,810)	(461,489)	0
Change in asset valuation reserve	2,208,538	(1,277,697)	3,267,263
Dividends to stockholders	0	0	(8,000,000)
Net change in capital and surplus	$ 20,768,795	$ 15,693,185	$ 19,333,270
Capital and surplus, December 31, current year	$186,752,875	$202,446,060	$221,779,330

D. RESERVES

The Department has not certified, as to accuracy or adequacy, the Company’s reserves as of December 31, 1999. The Department has concerns regarding the underlying policy-level valuation detail. The Company has indicated that there are unusual and extenuating circumstances that make it desirable to delay continuation of detail valuation testing until next year. The Company has requested that the Department consider postponing further detail valuation testing until the second quarter of 2001. The aforementioned circumstances include the acquisition of the Company’s parent by ING and the unavailability of valuation personnel. The Department’s concerns will be addressed as part of the review of the Company’s 2000 reserves.

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

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

Section 3207(c) of the New York Insurance Law states, in part:

> "…an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under any policy or policies then in force upon the life of such minor, is in excess of the limit of ten thousand dollars or the limit of fifty per centum (five thousand dollars or the limit or the limit of twenty-five per centum in the case of a minor under the age of four years and six months) of the amount of life insurance in force upon the life of the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is the greater…"

Eighty-one policies, representing all policies insuring the lives of minors, were reviewed. The review indicated that the amount of life insurance issued exceeded the aforementioned limits in twenty-four instances, or 30% of the policies reviewed.

The Company violated Section 3207(c) of the New York Insurance Law by issuing policies which exceeded the limit of life insurance in force on minors.

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.

Since 1975, the Company has, by resolutions of its board of directors, declared interest on policyholder dividends left on deposit prior to November 1, 1975 at a rate of 4.5%. By resolutions of its board of directors, interest on policyholder dividends left on deposit after October 31, 1975 was declared at the following rates:

Period Covered	Interest Rate
May 1, 1975 to April 30, 1978	6.66%
May 1, 1978 to April 30, 1993	6.00%
May 1, 1993 to December 31, 1999	5.00%

A review of the Company's dividend accumulations left on deposit as of December 31, 1999 indicated that interest was not being credited on dividend accumulations at interest rates in accordance with the rates promulgated by the board of directors. The following table illustrates, in approximate number of policies, the various interest rates used to credit dividend accumulations left on deposit, broken down by the period of policy issue:

Policy Issue Date	Interest Rate	Number of Policies
Prior to 11/1/75	5%	371
After 10/31/75	5%	185
Prior to 11/1/75	4.5% and 6%	899
Prior to 11/1/75	6%	605
After 10/31/75	6%	510
Prior to 11/1/75	4.5%	63
After 10/31/75	4.5%	1
After 10/31/75	5.6%	4

The Company has effectively liberalized benefits to certain individuals of the same class by providing higher interest rates on their dividend accumulations than it was contractually required. This liberalization has resulted in the inequitable treatment of policyholders. In order to remedy this inequity, the Company has proposed to credit in force dividend deposits as of December 31, 1999 with the difference between 6.00% and the rate credited, for the lesser of seven years or the number of years the policy has been in force. The examiner recommends that the Company grant the liberalized benefit to all policyholders of the same class by retroactively applying the higher interest rates to the dividend accumulations of those policyholders who did not receive a liberalized benefit.

7. OFFICERS' AND EMPLOYEES' COMPENSATION

Section 4230(c) of the New York Insurance Law states, in part:

> "No principal officer or employee of the class described in subsection (a) hereof who is paid a salary for his services shall receive any other compensation, bonus or emolument from such company, directly or indirectly, except in accordance with a plan recommended by a committee of the board … and approved by the board of directors."

Stock options of RFC were awarded to four principal officers of the Company in 1997 and to three principal officers in 1998 and 1999. An independent committee of the Company's board of directors recommended, and the board of directors approved, the awarding of stock options in 1999, but not in 1997 and 1998.

The Company violated Section 4230(c) of the New York Insurance Law by granting stock options to officers without such stock options being submitted to and approved by its board of directors in 1997 and 1998.

8. ABANDONED PROPERTY

Section 701 of the New York Abandoned Property Law states, in part:

> "1. On or before the first day of April in each year every life insurance corporation shall make a verified written report to the state comptroller … of all abandoned property specified in section seven hundred, held or owing by it … "

In addition, Article VII, Section 700.1 of the New York Abandoned Property Law states, in part:

> "If no address of the person or persons appearing to be entitled to the unclaimed funds … is known to such corporation, or if it is not definite and certain from the records of such corporation what person is entitled to such funds, it shall be presumed that the last-known address of the person entitled to such funds is the same as the last-known address of the insured or annuitant according to the records of such corporation. *Where no address can be ascertained, pursuant to this paragraph, for the insured, annuitant or person or persons entitled to the unclaimed funds, such person's last-known address shall be presumed to be within this state if the unclaimed funds are held or owing by life insurance corporations organized under the laws of this state."* (examiner's italics)

A review of the Company's "Drafts outstanding" liability as of December 31, 1999 revealed approximately 185 outstanding checks issued between 1989 and 1995 inclusive, for which the addresses of persons entitled to the unclaimed funds could not be ascertained. The outstanding checks were not reported to the New York State Comptroller, Office of Unclaimed Funds. The Company violated Section 701 of the New York Abandoned Property Law by not reporting outstanding checks with no ascertainable addresses to the New York State Comptroller.

The Company advised the examiner that it will report the outstanding checks in the 1999 abandoned property report.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments 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 1505(d) of the New York Insurance Law by failing to notify the Superintendent of its intention to receive regular and systematic services from its parent for the solicitation and servicing of group insurance business sold in New York.
	The Company has modified its employee sales representative compensation arrangements to allow for clear identification of any compensation arising from its sales activity. The Company notified the Superintendent in writing of the modified compensation arrangements.
B	The Company violated Section 1505(a)(3) of the New York Insurance Law by failing to equitably allocate expenses incurred for services provided by its parent regarding group business sold in New York.
	The Company has entered into a management service agreement with ReliaStar Life with provisions that pertain to sales promotion and marketing services, with equitable monthly payments made for such services accordingly.
C	The Company violated Section 1505(b) of the New York Insurance Law by failing to maintain its accounting records in such a manner as to clearly and accurately disclose the nature and details of the transactions engaged in with its parent regarding the solicitation and servicing of group business sold in New York.
	Accounting procedures have been established to regularly track the portion of any payments made to sales representatives that arise from business sold in New York.
D	The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain a complete advertising file at its home office.
	The Company maintains complete files of all advertising materials at its home office. Each product division in the Company forwards copies of advertising material used to the home office.

Item	Description
E	The Company violated Section 3201(b)(1) of the New York Insurance Law by using post issue questionnaire forms in New York that were not filed with or approved by the Superintendent. The Company has discontinued the use of post issue questionnaire forms. No instances of the use of such forms were encountered during the period under examination.
F	The Company violated Section 310(a)(2) of the New York Insurance Law by failing to provide convenient access to the books, records, files, and other documents relevant to the examination. Books, records, files, and other documents relevant to the examination were provided to the examiners in a reasonable amount of time.
G	The Company violated Section 310(a)(3) of the New York Insurance Law when its officers and officers of its parent and affiliates failed to facilitate the examination. In April 1998, the Company appointed a Chief Administrative Officer, whose duties, among others, were to coordinate and oversee the Company's responses to all examinations. The Chief Administrative Officer facilitated the examination.
H	The examiner recommended that all securities, mortgages and all other evidences of ownership of Company assets currently in the possession of any affiliate be delivered to and thereafter, be maintained by the Company or its custodian. In addition, the examiner recommended and the Company agreed to have certain Company assets recorded in the Company's name. With the exception of a few securities in the possession of an affiliate due to restructuring and re-registration, the Company or its custodian maintains all securities. The examination revealed that the Company implemented the examiner's recommendation that the assignment s of certain mortgages be recorded in the Company's name.
I	The Company violated Section 4216(e) of the New York Insurance Law by failing to file its group compensation plans, as well as the changes to those plans, for all its agents that solicited and serviced group life business sold in New York during the examination period.

Item	Description
	The Company filed group compensation plans allowing for clear identification of compensation for all its agents that solicited and serviced group life business sold in New York. The plans were filed with the Department in April 1999.
J	The Company violated Section 91.4(f) of Department Regulation No. 33, by employing allocation methods which did not result in the distribution of costs between the participating and non-participating lines of business which reasonably reflected the actual incidence of costs during the examination period. The Company also violated Section 91.4(a)(4) of Department Regulation No. 33 by failing to periodically review its bases of allocation to ascertain their suitability for continued use. The Company has revised its cost allocation process. Costs are allocated to annual statement lines of business based on time studies. Within annual statement lines of business costs are allocated to the product lines of business using either the number of policies issued, if acquisition costs are involved, or the number of policies inforce, if the costs are maintenance related.
K	The Company violated Section 91.5(b) of Department Regulation No. 33 by deviating from its filed investment year method plan without the approval of the Superintendent. In January 1999, the Company received Department approval to use the mean fund method to distribute net investment income to major lines of business, beginning with the 1998 annual statement.

10. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No.
A	The Company violated Section 1505(d)(2) of the New York Insurance Law by not notifying the Superintendent in writing of its intention to enter into reinsurance agreements with affiliates at least 30 days before their effective dates.	11
B	The Department has not certified, as to accuracy or adequacy, the Company's reserves as of December 31, 1999, due to concerns regarding the underlying policy-level valuation detail.	17
C	The Company violated Section 3207(c) of the New York Insurance Law by issuing policies which exceeded the limit of life insurance in force on minors.	18
D	The examiner recommends that the Company retroactively grant higher interest rates on the dividend accumulations of those policyholders of the same class who did not receive a liberalized benefit.	19
E	The Company violated Section 4230(c) of the New York Insurance Law by granting stock options to officers without such stock options being submitted to and approved by its board of directors.	20
F	The Company violated Section 701 of the New York Abandoned Property Law by not reporting outstanding checks with no ascertainable addresses to the New York State Comptroller.	21

Respectfully submitted,

_____________/s/___________
Eugene Thummel
Associate Insurance Examiner

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

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

_____________/s/___________
Eugene Thummel

Subscribed and sworn to before me

this__________ day of ___________________2000.

APPOINTMENT NO. **21499**

STATE OF NEW YORK

INSURANCE DEPARTMENT

I **NEIL D. LEVIN**, *Superintendent of Insurance of the*

State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Eugene Thummel

as proper person to examine into the affairs of the

ReliaStar Life Insurance Company of New York

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

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 1st day of February ,2000

NEIL D. LEVIN
Superintendent of Insurance

Superintendent