Best's Rating Report

STANDARD SECURITY
LIFE INSURANCE COMPANY

STANDARD SECURITY LIFE INSURANCE COMPANY OF NEW YORK

Domiciliary Address: 485 Madison Avenue, 14th Floor, New York, New York 10022-5872 United States

AMB #: 007075 **NAIC #:** 69078 **FEIN #:** 13-5679267

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AM BEST
A Excellent

Best's Credit Rating Effective Date
February 02, 2022

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Information

Best's Credit Rating Methodology

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Market Segment Outlooks

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Standard Security Life Insurance Company of New York

AMB #: 007075 | **NAIC #:** 69078 | **FEIN #:** 13-5679267
Ultimate Parent: AMB # 058633 - Tokio Marine Holdings, Inc.

Best's Credit Ratings

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A	**a**
Excellent	**Excellent**
Outlook: **Stable**	Outlook: **Stable**
Action: **Upgraded**	Action: **Upgraded**

Assessment Descriptors

Balance Sheet Strength	**Strongest**
Operating Performance	**Adequate**
Business Profile	**Limited**
Enterprise Risk Management	**Appropriate**

Rating Rationale

Balance Sheet Strength: Strongest

- Standard Security Life Insurance Company of New York (SSL) maintains the strongest level of risk-adjusted capitalization as measured by its Best's Capital Adequacy Ratio (BCAR).
- Capital stability is supported by strong underwriting and investment gains despite making annual payments to its parent during previous years.
- Its investment portfolio continues to be fairly conservative, with the majority of invested assets composed of investment-grade fixed-income securities.
- The organization has a moderate dependence on reinsurance. AM Best also notes that the external reinsurance companies are primarily highly rated carriers.

Operating Performance: Adequate

- SSL has reported positive operating gains over the past five years with most years posting positive net underwriting income.
- The sharp increase in written premiums and operating profitability in 2020 and the third quarter of 2021 was due to a large rate increase in the NY Paid Family Leave (PFL) product.
- Investment income has steadily declined in recent years, primarily due to lower net investment yields.

Business Profile: Limited

- SSL is domiciled in New York and licensed as an insurance company in all 50 states, the District of Columbia, the Virgin Islands and Puerto Rico.
- It primarily sells a short-term statutory disability benefit product (DBL) and PFL in New York State through general agents, agents and brokers, and specialty health products. It is no longer actively selling specialty health products.
- SSL's premium base is heavily concentrated in the state of New York.

Enterprise Risk Management: Appropriate

- SSL's enterprise risk management (ERM) is integrated with its parent, Tokio Marine, with the objective centered on maximizing corporate value by maintaining financial soundness and improving profitability.
- Risks are formally identified and assessed at least twice annually and categorized into a risk register.
- Using the procedures specified in its Standard Capital Modeling manual used throughout Tokio Marine's international operations, SSL models risks separately by risk category using a 99% TVaR measure.

Rating Lift/Drag

- The company has started a comprehensive integration process with Tokio Marine including ERM, personnel and management with synergies developing across insurance affiliates, including investment management.

Outlook

- Factors supporting the stable outlooks include the strongest level of risk-adjusted capital, a history of consistently profitable operating results, market expertise, and appropriate ERM capabilities.

Rating Drivers

- Negative rating actions could include the following:
- - A material decline in Standard Security Life Insurance Company of New York's stand-alone operating profitability;
- - A substantial decline in risk-adjusted capitalization;
- - An unfavorable change in AM Best's view of the strategic importance of the entity to the ultimate parent.

Credit Analysis

Balance Sheet Strength

Standard Security Life Insurance Company of New York (SSL) balance sheet assessment is assessed as strongest. Capital and surplus levels have remained relatively stable over the past five years supported by consistent operating earnings that have offset annual dividends of $106.2M that were paid to the ultimate holding company over the years.

Overall, surplus levels increased by 13% in 2020 to $64.6M compared to $57.6M in 2019. Higher levels of net underwriting income coupled with relatively lower dividend payment led to increase in surplus. For the nine month 2021 period, surplus grew to $100.8M driven by net underwriting gains of $43.9M. In 2020, the New York Department of Financial Services published the set NY Paid Family Leave (PFL) product benefit and contribution rates for 2021 and they included an 89% premium rate increase for all PFL writers. Thus the underwriting gains in 3Q21 were driven by statutorily set premium rate increases. Following the significant increase in rates, the announced rates for 2022 for NY were flat and company projections do not assume any further increases for the next few years.

Following the January 2022, acquisition of SSL by Tokio Marine subsidiary Reliance Standard Life Insurance Company, management of the investment portfolio was transferred to Delphi Capital Management, a Tokio Marine subsidiary which actively manages portfolios of other Tokio Marine companies. The overall investment objective is to construct a conservative, diversified portfolio of multiple asset classes designed to match the group's liabilities duration and cash-flow requirements while maintaining a predominately investment-grade, diversified fixed income portfolio, with a high degree of liquidity.

In 2020, nearly 78% of the company's investment portfolio was comprised of fixed income securities, entirely investment-grade and with over 97% being NAIC 1 bonds. The majority of the fixed income securities were in state, municipal and special revenue sector. The company has a relatively high concentration in cash and short term investments at 17.5% in 2020.

The company maintains a favorable level of liquidity due to the majority of its holdings in publicly-traded securities in addition to its sizable amount of cash and short-term investments. Despite the fluctuating percentage of cash and short-term investments, the liquidity position has remained strong in recent years and continues to be favorable in 2020. The company also has moderate dependence on reinsurance with highly rated reinsurers.

Capitalization

Asset Liability Management - Investments

Operating Performance

SSL operating performance is adequate as the company has reported positive operating gains over the past five years with most years posting positive net underwriting income. Net income in 2020 was $12.9M, a significant increase over $5.2M reported in 2019 mostly due to better experience related to the PFL line of business. Overall, net income levels have remained positive for most of past five years, except in 2016 when outsized capital losses led to a negative net income. The company's 2016 net loss was driven by a realized capital loss (previously reflected as an unrealized capital loss) from the write-off of goodwill and gain on sale from dividending two affiliates to IHC in addition to lower income related to the running off stop-loss business.

The most recent results continued to improve through 3Q21 with net income rising to $36.3M compared to $6.7M for the same time period last year. In 2020, the New York Department of Financial Services published the set PFL product benefit and contribution rates for 2021 and they included an 89% premium rate increase for all PFL writers. Thus the underwriting gains in 3Q21 were driven by statutorily set premium rate increases. Following the significant increase in rates, the announced rates for 2022 for NY were flat and company projections do not assume any further increases for the next few years.

Net premium written have exhibited strong growth in 2020 and through 3Q21 due to before mentioned premium rate increases for PFL writers. The net premiums written in 2020 increased to $114.6M in 2020 compared to $81.2M in 2019. Through 3Q21 the net written premiums were up to $135.4M compared to $90.5M for the same time period in prior year.

Investment income has steadily declined in recent years, primarily due to lower net investment yields. Lower investment yields have been driven by company's objective of maintaining high levels of liquidity and as a result focus on shorter duration of the portfolio. The company believes that low duration of its portfolio will enhance SSL's flexibility to reinvest in much higher yielding longer-term securities, which may significantly increase investment income in the future.

Business Profile

In January, 2022 Independence Holding Company (IHC) closed its sale of SSL to Reliance Standard Life Insurance Company, a subsidiary of Tokio Marine Holdings Inc., for approximately $180 million. SSL is domiciled in New York and licensed as an insurance

Business Profile (Continued...)

company in all 50 states, the District of Columbia, the Virgin Islands and Puerto Rico. The Company primarily sells a short-term statutory disability benefit product ("DBL") and Paid Family Leave ("PFL") in New York State through general agents, agents and brokers and specialty health products. The Company is no longer actively selling specialty health products, although there will be some run-off. Historically, the Company wrote medical stop-loss, but has ceased doing so during 2016. On March 31, 2016, IHC and its subsidiary Independence American Holdings Corp. sold to a division of Swiss Re all of the membership interests of Risk Solutions. In addition, under the Purchase and Sale Agreement, all of the in-force stop-loss business of Standard Security Life and Independence American produced by Risk Solutions was co-insured, as of January 1, 2016, by Swiss Re Corporate Solutions' largest US carrier, Westport Insurance Corporation. As a result, IHC's Medical Stop-Loss line of business is in run-off.

The Company markets a short-term statutory disability benefit product in New York State. All companies with more than one employee in New York State are required to provide DBL insurance for their employees. DBL coverage provides temporary cash payments to replace wages lost as a result of disability due to non-occupational injury or illness. The DBL policy provides for (i) payment of 50% of salary to a maximum of $170 per week; (ii) a maximum of 26 weeks in a consecutive 52-week period; and (iii) benefit commencement on the eighth consecutive day of disability. Policies covering fewer than 50 employees have fixed rates approved by the New York State Insurance Department. Policies covering 50 or more employees are individually underwritten.

As of January 1, 2018, the DBL policy was amended to include PFL. The PFL benefit allows for parent bonding with a newborn or an adopted child, caring for a seriously ill family members and to help military families during times of need. Beginning January 1, 2022, the maximum benefit will be for 12 weeks at 67% of an employee's weekly wage up to a maximum benefit of $1.068 per week. The maximum benefit is adjusted annually by the NY DFS to index with earnings, and the PFL premium rate also is set by the NYSDFS. In addition to mandating this benefit, the NYSDFS established a risk adjustment program so that all carriers would share on a pro rata basis in the ultimate profit or loss of the PFL business across three group sizes for the entire industry. The goal of the PFL risk adjustment program is to protect issuers from disproportionate adverse or favorable risks that might arise because PFL premium rates are community rated and not allowed to vary by risk factors.

Specialty Health Product line of business consists of ancillary products, primarily STM as well as some dental, vision, supplemental products including fixed indemnity limited benefit, critical illness, and hospital indemnity. The Company is no longer actively selling this category of product, although there will be some run-off. These products were sold through multiple distribution strategies. STM is designed specifically for people with temporary needs for health coverage. Typically, STM products are written for a defined duration of at least 30 days and less than twelve months although in some states the Company underwrote STM policies that last up to 36 months. Among the typical purchasers of STM products are people who are in between open enrollment periods or need coverage for a limited duration until their ACA plan becomes effective, and others who need insurance for a specified period of time.

The Company sold group and individual dental products in all 50 states. The dental portfolio includes indemnity and PPO plans for employer groups of two or more lives and for individuals within affinity groups. Employer plans are offered on both employer paid and voluntary basis. As part of the distribution of group dental products, the company also offer vision benefits. Vision plans offer a flat reimbursement amount for exams and materials. The Company marketed supplemental products to individuals and families. These lines of business are generally used as either a supplement or in lieu of an ACA-compliant plan. The product lines included in this supplemental grouping are hospital indemnity plans ("HIP"), fixed indemnity limited benefit plans, critical illness and bundled packages of accident medical coverage and critical illness. These products were available through multiple distribution sources including direct-to-consumer websites, call center and career agents, general agents and on-line agencies. The Company offered medical benefit plans for employers that choose to offer non-EHB coverage to their employees. Fixed indemnity limited benefit plans are a low-cost alternative to major medical insurance that permit employees who do not otherwise have health insurance to begin to participate in the healthcare system.

In addition, the Company has existing business in-force in the following lines of business which are in run-off: individual accident and health, individual life, single premium immediate annuities, and miscellaneous insurance business.

Enterprise Risk Management

As part of the Tokio Marine Group and Delphi Financial Group (DFG), SSL adheres to TM's Enterprise Risk Management ("ERM") framework. In compliance with this framework, DFG has developed its own risk identification and management policies, procedures, limits and reports. A risk governance structure including the board of directors, chief risk officer and senior management has been put in place at DFG, its combined property-casualty insurance subsidiaries and its combined life insurance subsidiaries. Risks are formally identified and assessed at least twice a year and categorized into a risk register.

Quantifiable risks are modeled and reported to senior management and the board of directors at least twice a year. Qualitative analysis is used to monitor and minimize non-quantifiable risks. A key component of DFG's risk management process is its strategic business plan (on an entire DFG group basis including group insurance companies), which is prepared annually, with projections for the next three years. After internal discussion and approval of the plan, DFG's management communicates details to TMHD, including any

Enterprise Risk Management (Continued...)

revised capital requirements and quantitative and qualitative aspects of its risk outlook. The business plan and capital allocation are then vetted and approved by Delphi's Board of Directors and TMHD, after which they are implemented into operations.

As an insurance group, DFG accepts Property and Casualty Underwriting Risk, Life Insurance Risk and Investment Risk as Core Risks which are inherent to its business and achieving profit. DFG is willing to take Core Risks as long as the excess return compensates adequately for the capital charge based on the risk amount. DFG's risk taking is subject to its available capital and limited by the acceptable risk levels required by constituents including policyholders, rating agencies, regulators and TMHD.

Using the procedures specified in the Standard Capital Modeling manual used throughout TM's international operation, DFG models risks separately by risk category using a 99% TVaR measure. It then aggregates the individual risk category scores based on the estimated correlation among risk categories. The total risk amount of DFG and its GICs calculated in this way is labeled the Integrated Risk Amount.

Rating Lift/Drag

The company has started a comprehensive integration process with Tokio Marine including ERM, personnel and management with synergies developing across insurance affiliates, including investment management.

Financial Statements

	9-Months		Year End - December 31			
	2021		2020		2019	
Balance Sheet	**USD (000)**	**%**	**USD (000)**	**%**	**USD (000)**	**%**
Cash and Short Term Investments	73,789	39.1	20,052	14.9	13,387	11.7
Bonds	78,685	41.7	89,999	66.8	83,195	72.6
Preferred and Common Stock	1,786	0.9	3,444	2.6	1,355	1.2
Other Invested Assets	941	0.5	1,276	0.9	601	0.5
Total Cash and Invested Assets	155,201	82.2	114,771	85.2	98,539	86.0
Premium Balances	29,739	15.7	15,271	11.3	11,558	10.1
Net Deferred Tax Asset	140	0.1	140	0.1	15	...
Other Assets	3,831	2.0	4,480	3.3	4,409	3.8
Total General Account Assets	188,910	100.0	134,661	100.0	114,521	100.0
Total Assets	188,910	100.0	134,661	100.0	114,521	100.0
Net Life Reserves	14,246	7.5	14,740	10.9	15,017	13.1
Net Accident & Health Reserves	33,749	17.9	18,047	13.4	18,222	15.9
Liability for Deposit Contracts	37	...	178	0.1	751	0.7
Asset Valuation Reserve	256	0.1	548	0.4	486	0.4
Other Liabilities	39,812	21.1	36,544	27.1	22,977	20.1
Total General Account Liabilities	88,100	46.6	70,057	52.0	57,452	50.2
Total Liabilities	88,100	46.6	70,057	52.0	57,452	50.2
Capital Stock	2,587	1.4	2,587	1.9	2,587	2.3
Paid-In and Contributed Surplus	24,775	13.1	24,775	18.4	24,775	21.6
Unassigned Surplus	72,443	38.3	36,198	26.9	28,546	24.9
Other Surplus	1,005	0.5	1,044	0.8	1,161	1.0
Total Capital and Surplus	100,810	53.4	64,604	48.0	57,069	49.8
Total Liabilities, Capital and Surplus	188,910	100.0	134,661	100.0	114,521	100.0

Source: BestLink® - Best's Financial Suite

Last Update
March 01, 2022

Identifiers
AMB #: 007075
NAIC #: 69078
FEIN #: 13-5679267

Contact Information

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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Standard Security Life Insurance Company of New York

Operations

Date Incorporated: June 28, 1957 | **Date Commenced:** December 22, 1958

Domiciled: New York, United States

Licensed: (Current since 12/07/2001). The company is licensed in the District of Columbia, Puerto Rico, U.S. Virgin Islands and all states.

Business Type: Life, Annuity, and Accident
Organization Type: Stock
Marketing Type: General Agent
Financial Size: IX ($250 Million to $500 Million)

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: 007075 - Standard Security Life Ins Co of NY

Refer to the Best's Credit Report for AMB# 007075 - Standard Security Life Insurance Company of New York for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 1974. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to Rating History in BestLink:

	Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	**Rating**	**Affiliation**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
Current - Feb 2, 2022	**A**		**Stable**	**Upgraded**	**a**	**Stable**	**Upgraded**
Apr 19, 2021	A- u	g (Group Rating)	Positive	Under Review	a- u	Positive	Under Review
Dec 16, 2020	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed
Dec 17, 2019	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed
Dec 19, 2018	A-	g (Group Rating)	Stable	Affirmed	a-	Stable	Affirmed

Management

Officers

Chairman of the Board: Donald A. Sherman
CEO: Christopher A. Fazzini
President: Gary J. Balzofiore

Officers (Continued...)

Vice President, Secretary, General Counsel and Chief Compliance Officer: Charles T. Denaro
Vice President, Treasurer and CFO: Thomas A. Lutter
Vice President: John M. Albanese (Information Services)
Vice President: Robin D. Harris (Human Resources)
Vice President: Christine Newfrock (DBL/PFL Claims)
Vice President: Valmaria Strobel (DBL/PFL Underwriting & Policy Services)

Directors

Jumpei Amano
Gary J. Balzofiore
Christopher A. Fazzini
Steven A. Hirsch
Stephan A. Kiratsous
James Litvack
James N. Meehan
Nita Savage
Donald A. Sherman

History

Originally incorporated as American Security Life Insurance Company of New York, the present title was adopted in 1958.

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