



# BEST'S COMPANY REPORT

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## 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

**Phone:** +1-212-355-4141

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**Best's Credit Rating Effective Date**

November 15, 2023

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**Information**

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[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)**

<b>A</b>
<b>Excellent</b>
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

**Issuer Credit Rating (ICR)**

<b>a</b>
<b>Excellent</b>
Outlook: <b>Stable</b>
Action: <b>Affirmed</b>

**Assessment Descriptors**

Balance Sheet Strength	<b>Strongest</b>
Operating Performance	<b>Adequate</b>
Business Profile	<b>Limited</b>
Enterprise Risk Management	<b>Appropriate</b>

**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 and surplus grew sharply driven by strong underwriting and investment gains despite paying above-average dividends back to the parent.
- The company's investment portfolio, while still conservative, produced its best investment income in the last five years driven by interest rate tailwinds.
- The organization has a moderate dependence on reinsurance and places its external reinsurance primarily with highly rated carriers.

**Operating Performance: Adequate**

- SSL has experienced positive operating gains and net underwriting income in each of the last five years.
- The sharp increase in operating profitability, due to a large rate increase in the NY Paid Family Leave (PFL) product, continued in 2022.
- Investment income, which had steadily declined in recent years, rebounded to its highest amount in the last five years due to the elevated interest rate environment.

**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 short-term statutory disability benefit products (DBL) and PFL in New York State through general agents and brokers.
- SSL's premium base is almost entirely concentrated in the state of New York.

**Enterprise Risk Management: Appropriate**

- SSL's enterprise risk management (ERM) is integrated with its ultimate parent, Tokio Marine Holdings, Inc. (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.
- SSL models risks separately by risk category using a 99% TVaR measure according to the Standard Capital Modeling manual that is used throughout Tokio Marine's operations.

**Rating Lift/Drag**

- The company has completed its integration with Tokio Marine including ERM, personnel and management with synergies developing across insurance affiliates, including investment management.

**Outlook**

- The stable outlooks are supported by the company's strongest level risk-adjusted capitalization, consistent operating results, market expertise, and appropriate ERM capabilities.

**Rating Drivers**

- Negative rating actions could occur if Standard Security Life Insurance Company of New York's consistent operating profitability reverses course for a continued period of time.
- Negative rating action could occur if there is an unfavorable change in AM Best's view of the strategic importance of the company to Tokio Marine Holdings, Inc.
- Positive rating action could be taken if further integration with the parent, Tokio Marine, is achieved throughout the organization.

## Credit Analysis

### Balance Sheet Strength

Standard Security Life Insurance Company of New York (SSL) balance sheet assessment is assessed at the strongest level, supported by a 2022 BCAR score of 42.6 at the 99.6% VaR confidence level. Capital and surplus levels have remained relatively stable over the past five years supported by consistent operating earnings that have offset annual dividends of \$83.8M that were paid to the ultimate holding company over the years.

Overall, surplus levels increased by 39% in 2022 to \$101.9M compared to \$73.6M in 2021. Higher levels of net underwriting income and smaller dividends in 2022 led to the overall increase in surplus. For the six-month 2023 period, surplus levels increased by over 18% to \$120.7M. In 2020 the New York State Department of Financial Services (NYSDFS) 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 2021 were driven by statutorily set premium rate increases. Following the significant increase in rates, the announced rates for 2022 for NY were flat, the announced rates for 2023 were an 11% decrease and the announced rates for 2024 were an 18% decrease. The company projections do not assume any further increases or decreases 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 2022, the company restructured their investment portfolio from 55% in fixed income securities to over 92%. With this restructuring, the bonds went from 100% investment grade to 46% NAIC 1, 40% NAIC 2, and 14% NAIC 3. The remainder of their investments, 7.4% of the portfolio, is kept in cash and short-term investments. Finally, there is no exposure to stocks, mortgage, or real estate.

The company maintains a favorable level of liquidity due to most of its holdings being in publicly traded securities. Despite the fluctuating percentage of cash and short-term investments, the liquidity position has remained strong in recent years and continues to be favorable through 2022. 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 all five years posting positive net underwriting income. Net income in 2022 improved to \$47.1M compared to \$44.8M in 2021 and \$12.9M in 2020. The large increase since 2020 is due to a significant increase in rates. In 2020 the NYSDFS 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 2021 were driven by statutorily set premium rate increases. Following the significant increase in rates, the announced rates for 2022 for NY were flat, for 2023 were an 11% decrease and for 2024 were an 18% decrease.

The most recent results dipped slightly through 2Q23 with net income of \$17.5M compared to \$20.2M for the same period last year. The historical results have been positive, except for 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 divinding two affiliates to IHC, in addition to lower income related to the running off stop-loss business.

Net premium written have exhibited strong growth since 2021 due to a before mentioned premium rate increases for PFL writers. The net premiums written in 2022 increased to \$214.4M compared to \$173.7M in 2021. Through 2Q23 the net written premiums increased to \$142.3M compared to \$137.4M for the same period in the prior year. Investment income, which had steadily declined in recent years due to lower net investment yields, course corrected in 2022. Year-end 2022 investment income came in at \$5.5M, more than double the \$2.3M seen in 2021.

### 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 company in all 50 states, as well as 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

**Business Profile (Continued...)**

run-off. Historically, the Company wrote medical stop-loss but 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 the membership interests of Risk Solutions. In addition, under the Purchase and Sale Agreement, all 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. SSL no longer has any remaining risk for the stop-loss business on its balance sheet.

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 because 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 parents to bond with a newborn or an adopted child, care for a seriously ill family members and to help military families during times of need. Beginning January 1, 2018, the benefit was phased in, to and the maximum benefit starting January 1, 2023 was for 12 weeks at 67% of an employee's weekly wage up to a maximum of \$1,151 per week. The PFL premium rate 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.

In addition, the Company has existing business in-force in the following lines of business which are in run-off: dental, vision, critical illness, hospital indemnity, 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 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 its risks separately, by risk category, using the 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.

**Environmental, Social & Governance**

AM Best considers the company's exposure to material environmental, social, and corporate governance (ESG) risks to be low. The company operates in an environment where its underwriting activities have low or no exposure to climate risk, and its profile on underwriting and investment are not exposed to so-called toxic assets and industries. The company operates in line with market peers

## Enterprise Risk Management (Continued...)

and at present ESG factors are unlikely to impact the credit quality of the company in the short term. There are no regulatory requirements relating to ESG, although the company regularly monitors developments to ensure its practices are compliant

## Rating Lift/Drag

The company has completed its integration 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			
	2023		2022		2021	
<b>Balance Sheet</b>	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	2,328	1.2	11,903	6.1	54,413	35.6
Bonds	148,279	76.8	149,485	76.4	67,186	44.0
Other Invested Assets	20	...	35	...	394	0.3
<b>Total Cash and Invested Assets</b>	150,627	78.0	161,422	82.5	121,993	79.8
Premium Balances	31,645	16.4	26,013	13.3	27,381	17.9
Net Deferred Tax Asset	5,098	2.6	4,201	2.1	493	0.3
Other Assets	5,694	2.9	4,097	2.1	2,956	1.9
<b>Total General Account Assets</b>	193,064	100.0	195,733	100.0	152,823	100.0
<b>Total Assets</b>	193,064	100.0	195,733	100.0	152,823	100.0
Net Life Reserves	11,371	5.9	11,820	6.0	14,919	9.8
Net Accident & Health Reserves	48,607	25.2	31,319	16.0	26,559	17.4
Liability for Deposit Contracts	2	...	4	...	21	...
Asset Valuation Reserve	1,149	0.6	739	0.4	3	...
Other Liabilities	44,553	23.1	49,903	25.5	37,745	24.7
<b>Total General Account Liabilities</b>	105,682	54.7	93,784	47.9	79,246	51.9
<b>Total Liabilities</b>	105,682	54.7	93,784	47.9	79,246	51.9
Capital Stock	2,587	1.3	2,587	1.3	2,587	1.7
Paid-In and Contributed Surplus	24,775	12.8	24,775	12.7	24,775	16.2
Unassigned Surplus	59,523	30.8	74,051	37.8	45,326	29.7
Other Surplus	498	0.3	537	0.3	890	0.6
<b>Total Capital and Surplus</b>	87,382	45.3	101,949	52.1	73,577	48.1
<b>Total Liabilities, Capital and Surplus</b>	193,064	100.0	195,733	100.0	152,823	100.0

Source: BestLink® - Best's Financial Suite

**Last Update**

November 15, 2023

**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

**Best's Financial Size Category:** VIII (USD 100 Million to Less than 250 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:

Effective Date	Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
	Rating	Affiliation	Outlook	Action	Rating	Outlook	Action
<b>Current -</b>							
<b>Nov 15, 2023</b>	<b>A</b>		<b>Stable</b>	<b>Affirmed</b>	<b>a</b>	<b>Stable</b>	<b>Affirmed</b>
Nov 17, 2022	A		Stable	Affirmed	a	Stable	Affirmed
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

## Management

**Officers**

**Chairman of the Board:** Donald A. Sherman

**CEO:** Christopher A. Fazzini

**President:** Gary J. Balzofiore

## Officers (Continued...)

**SVP:** Nita Savage

**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)

**Controller:** Dan Keeseey

## 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.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

In arriving at a rating decision, AM Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, AM Best does not independently verify the accuracy or reliability of the information. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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