STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

STANDARD INSURANCE COMPANY
PORTLAND, OREGON

AS OF

DECEMBER 31, 2015

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NAIC COMPANY CODE 69019

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February 15, 2017
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SALUTATION

February 14, 2017

Honorable Laura Cali Robison, Commissioner
Department of Consumer and Business Services
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

STANDARD INSURANCE COMPANY
1100 SW 6th Avenue
Portland, Oregon 97204

NAIC Company Code 69019

hereinafter referred to as the "Company" or "SIC." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our examination of Standard Insurance Company, conducted as a coordinated examination with the New York State Department of Financial Services. The examination was performed in conjunction with the examination of a subsidiary life and health insurer, Standard Life Insurance Company of New York. A separate report of examination will be prepared for each entity. The last examination of this life and health insurer was completed as of December 31, 2012. The current examination covers the period of January 1, 2013 to December 31, 2015.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

COMPANY HISTORY

The Company was incorporated in Oregon on February 24, 1906, and commenced business on April 12, 1906. The Company became a mutual insurer under the name of Oregon Mutual Life Insurance Company in 1929. In 1946, the Company changed its name to Standard Insurance Company. On September 28, 1998, the Company's Board of Directors approved a Plan of Reorganization providing for the reorganization of the Company from a mutual life insurance company into a stock life insurance company in accordance with the requirements of ORS 732.600 through 732.630. The Plan of Reorganization was approved by the director of the Oregon Department of Consumer and Business Services (DCBS) on April 21, 1999.

Capitalization

The Company has 1,000 shares of common stock authorized, issued and outstanding. All shares are owned by its parent company, StanCorp Financial Group, Inc. (StanCorp). The Board of Directors determined the stated value of the shares at $423,838,694, representing the "replaced" surplus value of the mutual insurer, converted into common shares, as a result of the demutualization described above.

Dividends and Other Distributions

During the period under examination, the Company declared and paid cash distributions to its sole shareholder as follows:

Declared Date	Paid Date	Amount	Description
2/12/2013	3/25/2013	$ 30,000,000	Extraordinary
	6/19/2013	30,000,000	Extraordinary
	9/30/2013	30,000,000	Ordinary
11/12/2013	12/30/2013	40,000,000	Ordinary
	3/31/2014	40,000,000	Ordinary
	6/30/2014	40,000,000	Ordinary
	11/18/2014	40,000,000	Extraordinary
8/12/2014	9/18/2014	240,000,000	Extraordinary
	12/29/2014	30,000,000	Extraordinary
11/11/2014	3/31/2015	50,000,000	Extraordinary
	6/30/2015	50,000,000	Extraordinary
	9/30/2015	50,000,000	Extraordinary
11/10/2015	12/31/2015	50,000,000	Ordinary

The Company made the proper disclosure of the distributions to the director of DCBS in accordance with the reporting requirements established by ORS 732.554 and 732.576.

The extraordinary dividend paid to StanCorp Financial Group approved on August 12, 2014, was used to facilitate the capitalization of StanCap Insurance Company, a wholly owned subsidiary of StanCorp.

Surplus Note

In September 2014, the maturity date of a previously approved subordinated surplus note in the amount of $250 million issued on August 15, 2012 to StanCorp was extended 15 years from 2027 to 2042.

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes of the Company indicated the minutes support the transactions of the Company and clearly describe the actions taken by its directors. A quorum, as defined by the Company's bylaws, met at all of the meetings held during the period under review.

The Company's Bylaws, in Article 3, section 3.1, authorize the Board to create one or more committees. The Board has authorized an Audit Committee, a Nominating and Corporate Governance Committee, and an Organization and Compensation Committee, each with a formal charter. The actions of the committees are summarized and reported to the Board of Directors during their regular meetings.

The Organization and Compensation Committee is responsible for monitoring, reviewing and evaluating the performance of the CEO in conjunction with the full Board, as well as setting the CEO's annual compensation. The CEO evaluates the performance of the senior executive officers and the committee considers the recommendation and approves their annual compensation. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Articles of Incorporation were last amended on April 14, 1999. No changes were made to the Articles during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The Company's Bylaws were last amended on May 7, 2001, and restated as of May 16, 2011. No changes were made during the period under examination. The Company's Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws in Article 2, Section 2.1 state all corporate powers of the corporation shall be exercised by or under the authority of its Board of Directors; the business and affairs of the corporation shall be managed under the direction of its Board of Directors. The Bylaws, in

Article 2, Section 2.2, state the number of directors shall be not less than nine and no more than twenty one. No fewer than five directors or one-quarter of the directors, whichever is fewer, shall be residents of Oregon. A majority of directors shall be persons who are not salaried officers of the corporation. As of December 31, 2015, the Company was governed by an eleven member Board of Directors as follows:

Name and Address	Principal Affiliation	Member Since
Virginia L. Anderson Seattle, Washington	Former President SAFECO Insurance Foundation	1989
Frederick W. Buckman Vancouver, Washington	Chairman & CEO Powerlink Transmission Company	1996
Ranjana B. Clark San Francisco, California	Head of Transaction Banking MUFG Americas Holdings Corp.	2014
Debora D. Horvath Shoreline, Washington	Former Executive Vice President JP Morgan Chase & Company	2012
Duane C. McDougall Lake Oswego, Oregon	Former CEO and Chairman Boise Cascade LLC	2009
J. Gregory Ness* Lake Oswego, Oregon	President and CEO StanCorp Financial Group, Inc. and Standard Insurance Company	2009
Eric E. Parsons Friday Harbor, Washington	Former President and CEO StanCorp Financial Group, Inc. and Standard Insurance Company	2002
Timothy A. Holt Glastonbury, Connecticut	Retired Chief Investment Officer Aetna, Inc.	2014
Mary F. Sammons** Scottsdale, Arizona	Retired CEO and Chair Rite Aid Corporation	2008
E. Kay Stepp Manzanita, Oregon	Former Chair of the Corporate Board Providence Health and Services	1997
Kevin Murai San Mateo, California	President & Chief Executive Officer SYNNEX Corporation	2013

* Chairman
** Lead independent director

Virginia Anderson resigned from the Board in April, 2016.

The Company's Board of Directors is in compliance with ORS 732.305, which require a majority of the directors be non-salaried officers and at least five or one-quarter of the directors, whichever is fewer, to be residents of Oregon.

Officers

Principal officers serving at December 31, 2015, were as follows:

Officer	**Office**
J. Gregory Ness	President & Chief Executive Officer
Floyd H. Chadee	Sr. VP and Chief Financial Officer
Holley Y. Franklin	Vice President, Corporate Secretary and Associate Counsel
Sally A. Manafi	Vice President, Corporate Actuary
Katherine Durham	Vice President Individual Disability Insurance, and Corporate Marketing & Communications
Scott A. Hibbs	Vice President Asset Management Group and Chief Investment Officer
Daniel J. McMillan	Vice President, Employee Benefits
David M. O'Brien	Sr. Vice President Information Technology
John Hooper	Vice President, Human Resources
Justin Delaney	Vice President External Affairs and Associate Counsel
Deborah D. Ferguson	Vice President Internal Auditing

During the period under examination, John Hooper was hired as VP of Human Resources and Jim Harbolt, former Vice-President of Asset Management Group, left the Company.

Conflict Of Interest

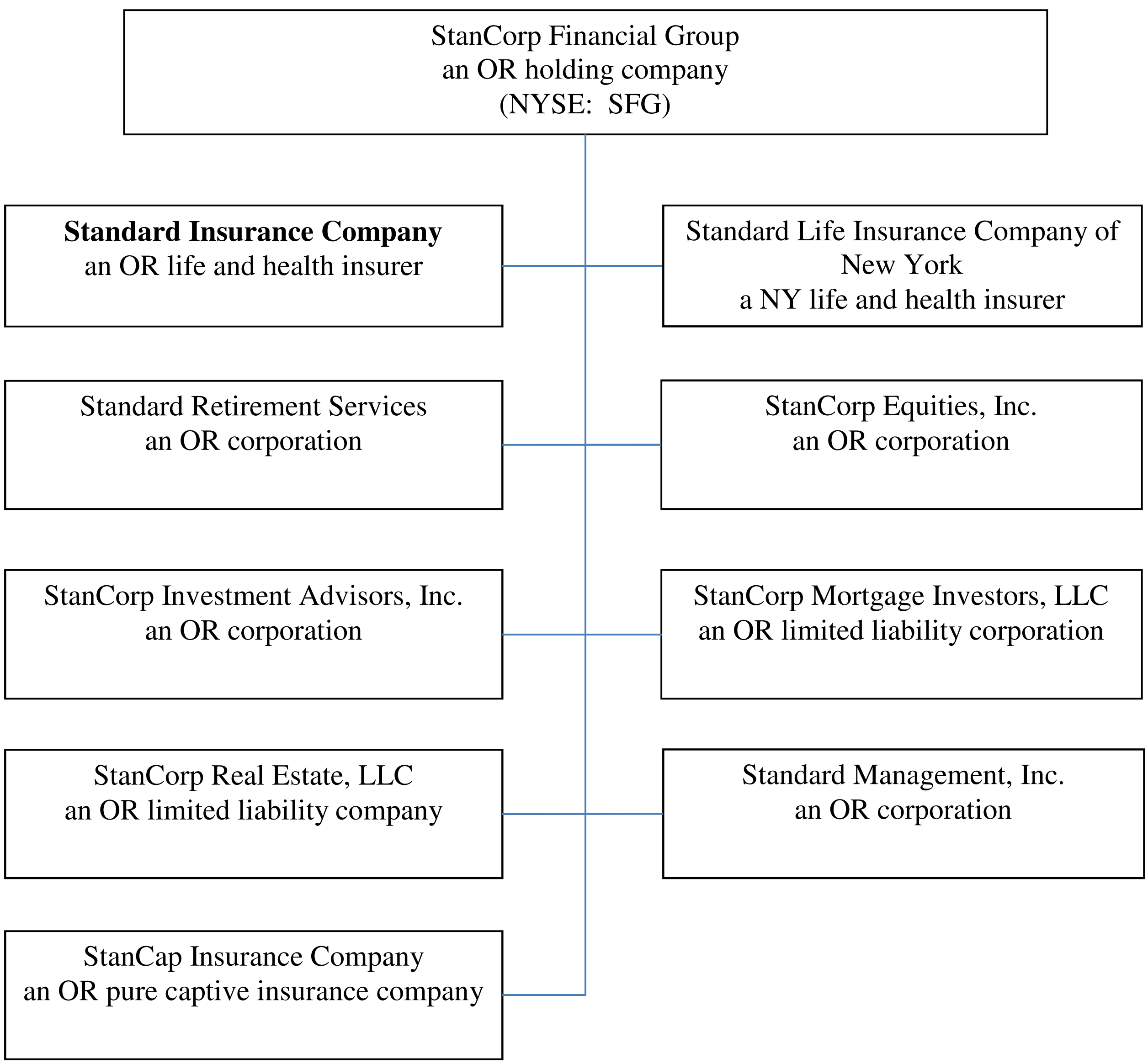
The Company's Board adopted a Guide to Business Conduct as a resource to support the mission, values and ethics of the Company. The guide requires all employees to notify the Company if a conflict of interest arises. In addition, the Company has a process in place requiring all Board members, senior officers and key employees to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the

Company's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

<u>Insurance Company Holding System</u>

StanCorp is a holding company formed on September 23, 1998, as a result of the demutualization, and owns 100% of Standard Insurance Company's 1,000 authorized and outstanding common shares.

An organization chart of StanCorp and its subsidiaries includes the following (all subsidiaries of SFG are 100% owned or controlled):



A description of the entities within the holding company is as follows:

The Standard Life Insurance Company of New York (SNY) is a stock life insurer formed in 2000 and is licensed to write group and individual disability insurance, group life, and AD&D insurance, group dental insurance, and vision insurance in the State of New York.

Standard Retirement Services, Inc. (SRS) is an Oregon corporation formed December 12, 2006 to hold assets of SIC's Retirement Plans Division. The corporation administers and services retirement plans group annuity contract and trust products. Retirement plans are offered in all 50 states through SIC or SRS.

StanCorp Equities, Inc. (SEI) is an Oregon corporation incorporated on December 2, 1986 to be a licensed broker-dealer of registered group annuity contracts for 403(b) plans, 457 tax-exempt plans and non-qualified deferred compensation plans of private employers, and is the principal underwriter and distributor of these contracts for the Company. As a wholesaler, SEI is limited to soliciting and supporting third-party broker-dealers and investment advisors that offer or advise their retirement plan clients on using an unregistered group annuity contract or a mutual fund trust platform.

StanCorp Investment Advisers, Inc. (SIA) is an Oregon corporation incorporated on May 22, 2000. This company provides performance analysis, fund selection support, model portfolios and other investment advisory and management services to the Company, as well as other non-affiliated clients. It is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940. In January 2015, StanCorp reached an agreement to sell the assets of its private client wealth management business within StanCorp Investment Advisors to a third party. The sale was completed during the second quarter of 2015. The Company remains a wholly owned subsidiary of StanCorp.

StanCorp Mortgage Investors, LLC (SMI) is an Oregon Limited Liability Company formed on January 2, 1996. This company originates, manages and services fixed-rate commercial mortgage loans for the investment portfolios of StanCorp's insurance subsidiaries. It also provides origination and servicing of commercial mortgage loans for non-affiliated institutional investors, which generates additional fee income.

StanCorp Real Estate, LLC (SRE) is an Oregon limited liability property management company formed on January 2, 1996. SRE owns and manages the Hillsboro, OR, home office properties and other properties held for investment and held for sale. SRE also manages the Portland, OR, home office properties.

Standard Management, Inc. (SM, Inc.) is an Oregon corporation incorporated on August 11, 1986 as a downstream holding company. SM, Inc. was formed for the purpose of owning non-insurance subsidiaries. SM, Inc. also manages certain real estate properties held for sale from time-to-time in conjunction with the real estate business.

StanCap Insurance Company is a pure captive insurance company that was created by StanCorp on June 4, 2014. Effective September 30, 2014, StanCap entered into a reinsurance agreement with SIC to reinsure SIC's group life and AD&D insurance business, eliminating the need for a third party reinsurer for these products.

INTERCOMPANY AGREEMENTS

Agreements or contracts between the insurance companies and its affiliates within the insurance holding company system are as follows:

Administrative Services Agreement between The Standard Life Insurance Company of New York and Standard Insurance Company, effective August 24, 2000 and last amended August

1, 2015. Under the agreement SIC agrees to provide SNY with services including distribution/producer management, marketing support/product development and administration, reinsurance, underwriting, policyholder and absence management services, claims processing and payment, actuarial/financial services, information technology, legal services and government relations, general services, human resources, administrative services only, and management services. SNY agrees to reimburse SIC at cost, consistent with GAAP. Costs will be allocated consistent with the requirement of New York State Insurance Department Regulation 33 entitled "Reporting of Income and Expenses" and "Allocation of Income (Receipts) and Expenses." Within thirty days after the end of each calendar month, SIC shall submit a written statement of charges due. All amounts due shall be paid within thirty (30) days following receipt of such statement

Administrative Services Agreement between The Standard Life Insurance Company of New York and Standard Insurance Company, effective August 24, 2000 and last amended August 1, 2015 (Amendment No.7). Under the agreement SIC agrees to send to SNY certain new and on-going group long and short term disability claims to be adjudicated by SNY on behalf of SIC related to claims processing and payment. These are primarily related to claims incurred in the eastern region of the United States in order to attain synergies, economies of scale and expense savings. SIC will continue to provide consulting services and other services to SNY in connection with these claims, as detailed in the agreement. SNY will utilize systems of SIC to pay all claims and all checks will be drawn on SIC's bank accounts. SIC remains fully liable for all claims administered by SNY and SNY agrees to use claims administration guidelines and procedures of SIC in administering these claims. At all times that SNY is providing claims processing and payment services, they will be identified under dba name of Standard Benefit Administrators. SIC agrees to reimburse SNY for all services provided by SNY at cost consistent with GAAP. Costs will be allocated consistent with the requirement of New York State Insurance Department Regulation 33 entitled "Reporting of Income and Expenses" and "Allocation of Income (Receipts) and Expenses." Within thirty days after the end of each calendar month, SNY shall submit to SIC a written statement of charges due from SIC to SNY for services rendered during the preceding calendar month, including charges not included in the previous statements. All amounts due shall be paid within thirty (30) days following receipt of such statement. Amounts transferred by SIC to SNY may be netted against amounts owed by SNY to SIC during the same calendar month.

Investment Services Agreement between the Company and Standard Life Insurance Company of New York dated August 24, 2000. In the agreement, SNY appoints SIC to act as investment advisor to SNY's invested assets. SIC shall provide investment advice and services by providing a continuous investment program by monitoring portfolio performance against investment guidelines, policies and objectives. SIC shall also advise SNY as to suitable investments or disposition of assets. SIC is authorized to place orders pursuant to such investment advice. SNY agrees to reimburse SIC for all services provided at costs, consistent with GAAP. All amounts due shall be paid within thirty days following receipt of a written statement.

Asset Management, Loan Purchase and Servicing Agreement between the Company and StanCorp Mortgage Investors, LLC effective January 1, 2002 and last amended on April 21, 2014. The agreement provides for the management of SIC's real estate loan assets, a master purchase agreement, and the servicing of real estate loans by SMI. For assets managed, the Company shall pay to SMI a fee equal to 14.5 basis points multiplied by the principal balance of assets managed. SMI records a loan origination fee which, at the consolidated level, is deferred and held as deferred revenue until amortized into income over the life of the loan. Regarding purchases of loans, SMI will offer loans to the Company for purchase and the Company will accept or reject an Offer of Participation; if accepted, SMI will issue a Certificate of Purchase/Participation, unless SMI decides not to sell the Loan/Participation in which case it shall pay the Company a termination fee of $100. SMI shall service each of the loans, charging the Company a servicing fee expressed as a particular amount or as basis points per annum. Said fee shall be deducted from payments received in respect to Borrower's Note. SMI shall be entitled to receive all surcharges, costs and late charges and other fees paid by Borrower under the loans. The latest amendment includes StanCap Insurance Company as a party to the agreement.

<u>Intercompany Administrative Services Agreement</u> between SFG, SIC, SIA, SM Inc., Adaptu, LLC, SMI, SRE and SRS effective January 1, 2012, and last amended on April 21, 2014. Under terms of the agreement, each entity shall provide to any other entity the following services: a) Financial and Actuarial Services; b) Information Technology; c) Legal Services and Government Relations; d) General Services; e) Human Resources; f) Auditing; g) Recordkeeping and TPA Services, and; h) Miscellaneous Services. Each company that receives services shall reimburse the provider of the services at the provider's cost or at arms-length transaction value consistent with GAAP. Payment is due within 30 days after receipt of a written statement of the charges due for services rendered. Late payments shall be charged interest at a rate equal to SIC's short-term borrowing rate on existing lines of credit. The latest amendment includes StanCap Insurance Company, Inc. as a party to the Agreement that may provide to and receive services from the other Companies. Adaptu, LLC ceased operations in February, 2013.

<u>Administrative Services and Treasury Agreement</u> between StanCorp Equities, Inc., and the Company effective January 1, 2012, replacing an agreement made December 1, 2004. SIC agrees to provide financial services, information technology, legal services and government

relations, general services, human resources, commission administration, auditing, and miscellaneous services to StanCorp Equities. SEI agrees to provide compliance and licensing services, sales and service offices, oversight of sales operations, and miscellaneous services to the Company. Charges shall be reimbursed at cost, consistent with GAAP, after chargeback methodologies are applied as described in the agreement. Payment of net amounts shall be paid within 30 days following receipt of a statement. Late payments shall be charged interest at a rate equal to SIC's short-term borrowing rate on existing lines of credit.

Underwriting and Service Agreement between StanCorp Equities, Inc., and the Company effective January 1, 2012, replacing an agreement effective January 1, 2005. The agreement allows SEI to act as principal underwriter of the Separate Account established by SIC on August 2, 1999, to set aside and invest assets attributable to certain variable annuity contracts issued by SIC. SEI agrees to provide certain sales, administrative and supervisory services relative to the contracts as required under applicable federal and state securities laws and FINRA regulations. In addition, SEI will license, register and otherwise qualify representatives to sell contracts, and to train and supervise the registered representatives to comply with securities laws. Compensation by SEI for services provided to SIC will be remitted separately, at cost or at arms-length transaction value, as determined by the provider of the services, and consistent with GAAP.

Agreement Concerning the Filing of Consolidated Federal Income Tax Returns between StanCorp Financial Group and all its taxable subsidiaries, for the tax year ending December 31, 2000 and all subsequent taxable periods. An amended and restated agreement was entered into on February 1, 2012 and last amended on September 17, 2014. SFG will file a US consolidated tax return and allocate the tax liability among the subsidiaries. The allocation will be based on the ratio of a member's tax on a separate return basis to the total taxes of all members on a separate return basis. An additional amount is allocated to each member equal to 100% of the excess of the member's separate return tax liability for the year over the consolidated tax liability allocated to the member. Any credits which were not utilizable by a member on a separate return bases, but were available to the members with taxable income, shall be allocated in a manner that reasonably reflects the absorption of the member's net operating losses or tax credits. Subsidiaries shall pay SFG its allocated amount no later than 90 days after the date of filing of the consolidated return. Payment of estimated tax installments shall be paid within 90 days of receiving notice for such payment, but in no event later than the due date for each such payment. The amendment includes StanCap Insurance Company, Inc. as a party to the agreement.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The Company's insurance coverages are provided through insurance policies covering SFG, with the Company protected as a wholly owned subsidiary. The group as a whole is insured up to an aggregate $30,000,000 limit of liability, with a single loss limit of $15,000,000 per individual loss, after a $250,000 deductible, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage met the coverage limits recommended by the NAIC.

Other insurance coverages in force at December 31, 2015, were found to be adequate, and included:

Commercial general liability	Business auto liability
Umbrella liability	Employment practices liability
Directors and officers liability	Property
Professional liability	Workers' compensation
Privacy	Mortgage impairment

TERRITORY AND PLAN OF OPERATION

As of December 31, 2015, the Company was authorized to write life, health and annuity business in all 50 states with the exception of New York. The Company is also licensed in the District of Columbia, Guam, Puerto Rico and the US Virgin Islands.

Historically, the Company has written much of its business in group Short- and Long-Term Disability products for employer groups; it does offer individual disability marketed to physicians, lawyers, executives, other professionals and small business owners. The Company also offers group life products, as well as accidental death and dismemberment, group dental and group vision plans.

The Company has placed its focus on growing its group and individual annuity products, which currently brings in over 50% of its total revenues. This line has proven to be a valuable complement to the asset management services offered by its StanCorp affiliates.

GROWTH OF THE COMPANY

Growth of the Company over the past five years is reflected in the following table. Amounts were derived from Company's filed annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2011	$11,420,540,484	$10,281,307,180	$1,139,233,304	$127,158,067
2012*	12,095,982,359	10,905,716,780	1,190,265,579	125,373,207
2013	12,725,427,342	11,438,077,949	1,287,349,393	195,768,987
2014	13,181,285,398	12,029,500,817	1,151,784,581	209,362,337
2015*	13,750,153,730	12,665,125,810	1,085,027,920	160,094,273

*Per examination

MORTALITY AND LOSS EXPERIENCE

The following exhibit reflects the annual mortality and loss experience of the Company over the last five years. The amounts were compiled from copies of the Company's filed annual statements and, where indicated, from examination reports.

Year	(A) Death Benefits Incurred	(B) Reserves Released	(A) - (B) Net Benefits (Actual)	Tabular Cost (Expected)	Ratio of Actual to Expected Mortality
2011	$613,167,630	$31,109,711	$582,057,919	$698,617,929	83.3%
2012*	481,852,798	32,176,822	449,675,976	683,720,223	65.8%
2013	367,113,719	30,627,866	336,485,853	656,942,500	51.2%
2014	299,807,816	33,092,084	266,715,732	625,042,602	42.7%
2015*	97,349,336	28,742,378	68,606,958	663,355,117	10.3%

*Per examination

The decline in death benefits incurred from 2013 to 2014 and the sharp decrease from 2014 to 2015 was the result of the Company’s reinsurance agreement with StanCap. Effective September 30, 2014, StanCap entered into a reinsurance agreement with the Company to reinsure the majority of their group life and AD&D insurance business.

The following exhibit reflects the annual accident and health underwriting results of the Company over the last five years. The amounts were compiled from Schedule H of the Company’s annual statements.

Year	(1) Premium Earned	(2) Incurred Claims	(2)/(1) Claims Ratio	(3) Incurred Expenses	(2)+(3)/(1) Ratio
2011	$1,287,090,322	$1,079,340,882	83.9%	$389,229,001	114.1%
2012*	1,279,779,459	1,064,004,182	83.1%	380,691,523	112.9%
2013	1,278,713,372	959,805,987	75.1%	379,402,093	104.7%
2014	1,230,832,301	913,550,167	74.2%	380,193,865	105.1%
2015*	1,250,391,984	948,745,622	75.9%	419,008,555	109.4%

*Per examination

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss, which the Company reported in each of the last five years.

REINSURANCE

Assumed

No significant changes occurred in the Company's assumed business since the last examination. The Company assumes business under indemnity agreements with the following insurers:

Northwestern Mutual Life Insurance Company

Effective January 1, 1988, the Company participates in a reinsurance and third party administration arrangement with Northwestern Mutual Life Insurance Company (NMLIC – NAIC #67091) under which NMLIC group long- and short-term products are sold using NMLIC's agency distribution system. Generally, the Company assumes 60% of the risk and receives 60% of the premiums for the policies issued. If the Company were not able to meet its obligations, Northwestern Mutual would retain the reinsured liabilities. As a result, in accordance with an agreement, the Company established a trust for the benefit of NMLIC with the market value of the assets in the trust equal to NMLIC's reinsurance receivable from the Company. The market value of assets required to be maintained in the trust at December 31, 2015, was $231.8 million.

Minnesota Life Insurance Company

Effective October 1, 2000, the Company assumed the individual disability insurance business of Minnesota Life Insurance Company (NAIC #66168) by paying a ceding commission of approximately $55 million; thereupon it received approximately $500 million in assets and corresponding statutory liabilities. If the Company is unable to meet its obligations under the agreement, Minnesota Life would retain the reinsured liabilities. As a result, the Company established a trust for the benefit of Minnesota Life with the market value of assets in the trust equal to Minnesota Life's reinsurance receivable from the Company. The market value of assets required to be maintained in the trust is determined quarterly. At December 31, 2015, it was $530.4 million. Accompanying the transaction was a national marketing agreement that provides access to Minnesota Life agents, some of whom now market the Company's individual A&H insurance products. The national marketing agreement remained in effect through 2015.

TIAA-CREF Life Insurance Company

Effective October 1, 2002, the Company entered into a reinsurance agreement with TIAA-CREF Life Insurance Company (TIAA – NAIC #69345) to assume their group disability and group life insurance business. This business included approximately 1,800 group contracts, representing 650,000 insured individuals. The Company paid a ceding commission of approximately $75 million and received approximately $705 million in assets and corresponding statutory liabilities. If the Company were not able to meet its obligations, TIAA would retain the reinsured liabilities. As a result, per the agreement, the Company established a trust for the benefit of TIAA with the market value of assets equal to TIAA's reinsurance receivable. The market value of assets to be maintained in the trust is determined quarterly. The market value of assets required to be maintained in the trust at December 31, 2015, was approximately $180.7 million.

Ceded

The Company cedes risks to a number of carriers under agreements or treaties for both its life and disability business.

Group Life

On June 4, 2014, StanCorp Financial Group created StanCap Insurance Company. Effective September 30, 2014, StanCap Insurance Company entered into a reinsurance agreement with the Company to reinsure the majority of their group life and AD&D business. The reinsurance agreement replaced the YRT group life reinsurance agreement with Canada Life Assurance Company, which was terminated effective September 30, 2014. StanCap is considered a pure captive of SIC and is 100% owned by StanCorp Financial Group, Inc. The business is coinsured on a claims paid basis, thus eliminating the need for reserve credits. StanCap is not expected to reinsure any business written by Standard Life Insurance Company of New York.

Individual Life

Effective January 1, 2001, the Company ceded its individual life insurance business to Protective Life Insurance Company (Protective Life – NAIC #68136, authorized in Oregon November 15, 1972), through a 100% coinsurance agreement. The Company received a ceding commission of approximately $90 million and transferred approximately $790 million in assets and corresponding liabilities. Associated with this agreement is an administrative services agreement, whereby Protective Life will perform all services related to the 100% coinsured policies, including accounting conversions, claims, billing, and preparation of quarterly and annual financial statements. If Protective Life cannot meet it obligations, the

Company would retain the reinsured liabilities. As a result, the liabilities remain on the Company's balance sheet with an equal amount recorded as a reinsurance receivable. Per the agreement, Protective Life established a trust for the benefit of the Company with assets in the trust required to be equal to the Company's reinsurance receivable from Protective Life. The required amount of assets to be maintained is determined quarterly.

Individual Disability

All new business on individual guaranteed renewable and non-cancelable disability income and business overhead expense policies are covered by reinsurance agreements with Munich American Reassurance Company (MARC – NAIC #66346, authorized in Oregon October 3, 1986).

Group Disability

The Company cedes, under several Yearly Renewable Term (YRT) agreements, its group A&H business, including group long-term disability, pension contribution benefits and employee income protection (EIP). Under the terms of the agreements, the Company retains the first $15,000 of gross monthly risks per person.

A&H Involving Short-Term Disability and Long-Term Disability

A&H involving STD and LTD are ceded by the Company under various agreements, mainly to Munich American Reassurance Company. Maximum retention limits are $15,000 per risk of monthly benefits for group disability lines and $6,000 per risk of monthly benefits for individual disability.

Additionally, SIC cedes Life and AD&D risks under two other main agreements; a group YRT agreement with RGA Reinsurance Company (1997), and a group YRT agreement with SCOR Global Life USA Reinsurance Company (2014). The per person maximum retention on group life and AD&D is set at $750,000. RGA assumes 70% of the risk in excess of the Company's per person retention with SCOR assuming the remaining 30%.

Dental and Vision Risks

The Company and Ameritas Life Insurance Corporation entered into a reinsurance agreement in 2002 that was amended and restated in 2010. Under the agreement, the Company cedes 50% of voluntary and 15% of non-voluntary dental and vision risks to Ameritas on a quota share basis. In 2015, the agreement provided for 26.5 of the net dental premiums written by SIC and the risk associated with this premium to be ceded to Ameritas. The alliance with Ameritas allows SIC policyholders more flexible dental coverage options and access to their nationwide preferred provider organization panel of dentists.

Group Dental

Effective January 1, 2001, the Company entered into a strategic marketing alliance with Ameritas Life Insurance Corporation (Ameritas – NAIC #61301, authorized in Oregon January 2, 1898), to offer access to dental coverage options and access to Ameritas' nationwide preferred provider panel of dentists. The Company entered into a coinsurance agreement to cede 21% of the net dental premiums and associated risks to Ameritas.

Each of the reinsurance agreements described above contained a proper insolvency clause that specified payments would be made to a statutory successor without diminution in accordance with ORS 731.508(3) as required to take reserve credits for reinsurance ceded.

The maximum retained risk on any one person is $750,000 for life and annuity products and $15,000 per month for disability products. In view of the Company's adjusted capital and surplus of $1,085,027,920 at December 31, 2015, it does not maintain risk on any one subject in excess of 10% of its surplus to policyholders, in compliance with ORS 731.504.

Catastrophe Reinsurance

The Company maintains a traditional catastrophe reinsurance program. Some level of catastrophe reinsurance has been maintained since October 1, 2005. Effective July 1, 2015, catastrophe coverage provides cover for 50% of certain catastrophe claims in excess of $75 million and up to $300 million. Reinsurers participating in this contract include Axis Insurance Company, Lloyd's Syndicates, Markel at Lloyd's, RGA Reinsurance Company, and Zurich American Insurance Company

ACCOUNTS AND RECORDS

In general, the Company's records and source documentation supported the amounts presented in the Company's December 31, 2015, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSITS

The Company reported two US Treasury securities on deposit, a US Treasury Bond with a par value of $2,550,000 and a US Treasury Note with a par value of $450,000, placed with the Department of Consumer and Business Services, Division of Financial Regulation. These securities were confirmed with the Insurance Institutions section.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The 2012 report of examination had no adjustments to surplus or recommendations.

SUBSEQUENT EVENTS

On July 23, 2015, Meiji Yasuda Life Insurance Company (Meiji Yasuda) entered into a definitive agreement to acquire a 100% stake in StanCorp Financial Group, Inc., in an all-cash transaction. The acquisition price was $115 (USD) per share in cash totaling $5.0 billion

(USD) in transaction value. StanCorp is expected to become Meiji Yasuda's primary U.S. presence in the group marketplace. Meiji Yasuda currently has the largest share in group insurance in the Japanese market. StanCorp's management team, organizational structure and business operations are expected to remain intact. The transaction was approved by the stockholders and the Oregon Division of Financial Regulation. The transaction was completed on March 7, 2016, with no issues noted. As a result of the acquisition, on March 7, 2016, StanCorp's (and the Company's) board of directors was increased from 11 to 15 by adding four additional Japanese directors. Virginia Anderson, former board member resigned in April, 2016.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Oregon Division of Financial Regulation and present the financial condition of Standard Insurance Company as of December 31, 2015. The financial statements were prepared by management and are therefore the responsibility of management:

Statement of Assets
Statement of Liabilities, Surplus and Other funds
Summary of Operations
Reconciliation of Surplus since the Last Examination

STANDARD INSURANCE COMPANY
ASSETS
As of December 31, 2015

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 7,436,249,470	$ -	$ 7,436,249,470	1
Preferred stocks	0	-	0	
Common stocks	20,921,400		20,921,400	1
Mortgage loans	5,307,190,216	-	5,307,190,216	2
Real estate				
Properties occupied by the company	30,063,645	-	30,063,645	
Properties held for the production of income	2,115,809	-	2,115,809	
Properties held for sale	0	-	0	
Cash, cash equivalents and short-term investments	85,521,069	-	85,521,069	1
Contract loans	2,689,445	-	2,689,445	
Derivatives	19,118,394	-	19,118,394	
Other invested assets	206,485,588	-	206,485,588	
Receivable for securities	96,922,075	-	96,922,075	
Aggregate write-ins for invested assets	0	-	0	
Subtotal, cash and invested assets	$13,207,277,111	$ -	$13,207,277,111	
Investment income due and accrued	105,476,341	-	105,476,341	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	126,846,754	-	126,846,754	
Deferred premiums and agents' balances	285,383	-	285,383	
Accrued retrospective premiums	8,955,399	-	8,955,399	
Reinsurance				
Amounts recoverable from reinsurers	124,962,967	-	124,962,967	
Other amounts receivable	34,604,176	-	34,604,176	
Amounts receivable related to uninsured plans	4,096,502	-	4,096,502	
Current FIT recoverable	20,499,785		2,499,785	
Net deferred tax assets	102,387,791		102,387,791	
Guaranty funds receivable or on deposit	1,660,028	-	1,660,028	
EDP Equipment and software	2,945,737	-	2,945,737	
Receivable from parent, affiliates and subsidiaries	7,128,448	-	7,128,448	
Aggregate write-ins for other than invested assets	3,027,308	-	3,027,308	
Total assets excluding separate accounts	$13,750,153,730	-	$13,750,153,730	
From Separate Accounts	7,031,434,212	-	7,031,434,212	
Total Assets	$20,781,587,942	$ -	$20,781,587,942	

STANDARD INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
As of December 31, 2015

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Aggregate reserve for life contracts	$ 6,855,077,208	$ -	$ 6,855,077,208	3
Aggregate reserve for A&H contracts	3,928,838,845	-	3,928,838,845	3
Liability for deposit-type contracts	865,845,379	-	865,845,379	3
Contract claims: life	101,659,812	-	101,659,812	3
Contract claims: A&H	61,021,735	-	61,021,735	
Policyholder dividends	7,910	-	7,910	
Dividends apportioned for payment	94,086	-	94,086	
Premium and annuity considerations received in advance	13,245,293	-	13,245,293	
Provision for experience rating refunds	26,603,023	-	26,603,023	
Other amounts payable on reinsurance	182,668,592	-	182,668,592	
Interest maintenance reserve	17,351,552	-	17,351,552	
Commissions to agents due or accrued	21,169,517	-	21,169,517	
General expenses due or accrued	241,856,510	-	241,856,510	
Transfers to separate accounts due or accrued	0	-	0	
Taxes, licenses and fees due or accrued	5,922,804	-	5,922,804	
Current FIT due	0	-	0	
Net deferred tax liability	0	-	0	
Unearned investment income	129,251	-	129,251	
Amounts withheld or retained by company	8,462,070	-	8,462,070	
Amounts held for agents' accounts	18,926	-	18,926	
Remittances and items not allocated	177,874,537	-	177,874,537	
Asset valuation reserve	104,109,647	-	104,109,647	
Reinsurance in unauthorized insurers	66	-	66	
Payable to parent, subsidiaries and affiliates	680,635	-	680,635	
Liability for amounts held under uninsured plans	62,036	-	62,036	
Derivatives	11,224,669	-	11,224,669	
Aggregate write-ins for liabilities	41,201,707	-	41,201,707	
Total liabilities excluding Separate Accounts	12,665,125,810	-	12,665,125,810	
From Separate Accounts statement	7,031,434,212	-	7,031,434,212	
Total Liabilities	19,696,560,022	$ -	19,696,560,022	
Common capital stock	423,838,694	$ -	423,838,694	
Aggregate write-ins for other than special surplus funds	(1,147,638)	-	(1,147,638)	
Surplus notes	250,000,000	-	250,000,000	
Gross paid in and contributed surplus	42,237,694	-	42,237,694	
Aggregate write-ins for special surplus notes	1,625,663	-	1,625,663	
Unassigned funds (surplus)	368,473,507	-	368,473,507	
Surplus as regards policyholders	661,189,226	-	661,189,226	
Total Liabilities, Surplus and other Funds	$20,781,587,942	$ -	$20,781,587,942	

STANDARD INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the Year Ended December 31, 2015

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Premium and annuity considerations	$3,528,373,985	$ -	$3,528,373,985	
Considerations for supplementary contracts with life contingencies	4,733,937	-	4,733,937	
Net investment income	523,746,266	-	523,746,266	
Amortization of interest maintenance reserve	9,513,999	-	9,513,999	
Commissions and expense allowances on reinsurance ceded	152,363,021	-	152,363,021	
Income from fees	38,588,174	-	38,588,174	
Charges & fees for deposit-type contracts	15		15	
Aggregate write-ins for miscellaneous income	7,462,937	-	7,462,937	
Total revenues	4,264,782,334	-	4,264,782,334	
Death benefits	97,349,336	-	97,349,336	
Annuity benefits	906,430,435	-	906,430,435	
Disability and a&h benefits	933,238,529	-	933,238,529	
Surrender benefits and withdrawals for life contracts	1,187,779,508	-	1,187,779,508	
Interest and adjustments on contract or deposit-type contract funds	9,064,564	-	9,064,564	
Payments on supplementary contracts with life contingencies	4,586,044	-	4,586,044	
Increase in aggregate reserves for life and A&H contracts	353,605,886	-	353,605,886	
Total benefits	3,492,054,302	-	3,492,054,302	
Commissions on premiums, annuity considerations and deposit-type funds	183,043,211	-	183,043,211	
Commissions and expense allowances on reinsurance assumed	3,306,219	-	3,306,219	
General insurance expenses	456,626,425	-	456,626,425	
Insurance taxes, licenses and fees	54,668,251	-	54,668,251	
Increase in loading on deferred and uncollected premiums	409,951	-	409,951	
Net transfers to or (from) Separate Accounts	(129,466,715)	-	(129,466,715)	
Aggregate write-ins for deductions	50,040	-	50,040	
Total administrative and deductions		-		
Total benefits and expenses	4,060,691,685	-	4,060,691,685	
Net underwriting gain or (loss)	204,090,649	-	204,090,649	
Dividends to policyholders	96,292	-	96,292	
Federal income taxes incurred	24,084,605	-	24,084,605	
Add: Net realized capital gains	(19,815,480)	-	(19,815,480)	
Net income	$ 160,094,273	$ -	$ 160,094,273	

STANDARD INSURANCE COMPANY
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2015	2014	2013
Capital and Surplus, December 31, previous year	$1,151,784,581	$1,287,349,393	$1,190,265,579
Net income	160,094,273	209,362,337	195,768,987
Change in net unrealized capital gains or (losses)	(8,812,049)	(1,796,419)	322,980
Change in net unrealized foreign exchange capital gain or (loss)	-		
Change in net deferred income tax	13,469,747	(13,337,305)	10,636,891
Change in nonadmitted assets	(36,503,032)	12,577,873	13,126,325
Change in liability for reinsurance	540	75,810	(76,416)
Change in reserve on account of change in valuation basis	-	21,363,275	6,964,236
Change in asset valuation reserve	214,404	21,120,052	(9,546,921)
Change in surplus notes	250,000,000	3,598,107	
Cumulative effects of changes in accounting principles		3,598,107	3,620,855
Capital changes:			
Paid in	-		
Transferred from surplus (Stock Dividend)	-		
Transferred to surplus	-		
Surplus adjustments:			
Paid in	9,502,457	2,089,000	5,304,136
Transferred to capital (Stock Dividend)	-		
Transferred from capital	-		
Change in surplus as a result of reinsurance	(963,272)	(1,003,402)	(1,046,653)
Distributions to parent (cash)	(200,000,000)	(390,000,000)	(130,000,000)
Change in treasury stock	-		
Examination adjustment			
Aggregate write-ins for gains and losses in surplus	(3,759,729)	385,860	2,009,394
Change in surplus as regards policyholders for the year	(66,756,661)	(135,564,812)	97,083,814
Capital and Surplus, December 31, current year	$1,085,027,920	$1,151,784,581	$1,287,349,393

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2015, the Company's long-term bond investments were in a diversified portfolio of US obligations, US federal agency bonds, municipal obligations and corporate issues. The Company did not report any commercial mortgage backed securities and around $25 million in residential mortgage backed securities representing less than 1% of total bonds and .18% of total invested assets.

The Company reported a short-term money market fund held at Dreyfus, which accounted for the majority of holdings. Other amounts were held at TIAA Trust and First American Prime. Cash on deposit was held in various accounts at US Bank, Wells Fargo, JP Morgan Chase, Northern Trust, Regions Bank and the Bank of Guam.

A comparison of the major investments over the past five years shows the following (Note: 2011 and 2012 exclude separate accounts; 2013, 2014 and 2015 include separate accounts):

	A	B	Ratio	Ratio
Year	**Bonds**	**Cash and Short-term**	**A/ Total Assets**	**B/ Total Assets**
2011	6,091,137,180	40,698,366	53.3%	0.3%
2012*	6,379,290,864	48,391,589	52.7%	0.4%
2013	6,668,851,907	169,642,783	34.9%	0.9%
2014	7,074,820,609	94,189,773	34.8%	0.5%
2015*	7,436,249,470	85,521,069	35.8%	0.4%

* Per examination

As of December 31, 2015, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Company was in compliance with ORS 733.580.

The Board approved the investment transactions in each of the years under review, as required by ORS 733.740. The Company uses two third-party investment managers to manage certain investments. PineBridge Investments, LLC is used to manage its high yield portfolio and Pacific Investment Management Company, LLC is used to manage its structured securities.

Effective January 10, 2002, and amended March 21, 2011, the Company entered into a custodial agreement with The Bank of New York Mellon Corporation. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Mortgage Loans

The Company's mortgage loan investment is the second largest asset on the balance sheet, representing 26% of total admitted assets and 40% of invested assets at December 31, 2015. The portfolio is primarily made up of mortgage notes on commercial properties leased or rented out to third-party tenants. The mortgage loan process, including origination, approval, funding and post-closing management, is performed by StanCorp Mortgage Investors, LLC, (SMI), an affiliate, under a management agreement described earlier. All loans reported on Schedule B of the 2015 Annual Statement were in compliance with ORS 733.600.

Note 3 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense reserves for the Company was performed by Joseph C. Higgins, FSA, MAAA, and Frank Edwards, ASA, MAAA, consulting actuaries with the firm INS Consultants. Additionally, the actuaries reviewed the aggregate reserves for life, annuity, and accident and health contracts indicated on the Company's separate accounts statement and reviewed the Company's 2015 Asset Adequacy Analysis.

Mr. Higgins reviewed reserves for compliance with standard valuation laws and applicable NAIC Actuarial Guidelines and Model Regulations. He reviewed the reconciliation of the life and annuity data used in the Company's actuarial report to the data in the actuarial workpapers and found them to be consistent. He relied on information provided by the Company, its actuaries and its auditors, as well as work performed by the examiners who reviewed the underlying data used to create the annual statement filing. Mr. Higgins' analysis of the following indicated that they were properly stated and that adequate provisions were made for all related life and annuity contract reserves and claim liabilities:

	Annual Statement
Aggregate Reserves for Life Contracts	$6,855,077,208
Liability for Deposit-type Contracts	865,845,379
Contract Claims: Life	101,659,812
Policyholder Dividends Unpaid	7,910
Policyholder Dividends Payable in 2016	94,086
Advanced Premiums	13,245,293
Provision for Experience Rating Refunds(1)	17,070,935
Total Actuarial Liabilities	$7,853,000,623

Mr. Higgins reviewed the reconciliation of the disability and other accident and health data used in the Company's actuarial report to the data in the actuarial workpapers and found them to be consistent. He relied on information provided by the Company, its actuaries and its auditors, as well as work performed by the examiners who reviewed the underlying data used to create the annual statement filing. Mr. Higgins' analysis of the following indicated that they were properly stated and that adequate provisions were made for all related accident and health contract reserves and claim liabilities:

	Annual Statement
Aggregate Reserves for A&H Contracts	$3,928,838,845
Contract Claims: A&H	61,021,735
Provision for Experience Rating Refunds(1)	9,532,088
Write-ins for Reserves	-
Total Actuarial Liabilities	$3,999,392,668

1) Provision for Experience Rating Refunds divided between life and accident and health per INS Actuarial Report – total was $26,603,023 per YE 2015 A/S (Pg. 3 line 9.2)

In the opinion of the actuaries, the aggregate net amounts above, which were reported by the Company, met or exceeded the statutory minimums of the State of Oregon. The claims reserves, including IBNR claims, reported by the Company were deemed to be reasonable in light of the liabilities they support, and were in compliance with the Oregon Statutes. The actuarial portion of the examination did not result in any recommended changes to amounts reported by the Company in the 2015 annual statement, and there were no recommended adjustments which would affect the Company's surplus.

Asset Adequacy Analysis

Mr. Higgins reviewed the Company's 2015 Asset Adequacy Analysis. The Company's appointed actuary, Sally Manafi, FSA, concluded that additional reserves of $25 million were required as of December 31, 2015. Based on Mr. Higgins' review, this conclusion was accepted.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adjustments to surplus as a result of this examination, and the examiners made no recommendations in this report of examination.

CONCLUSION

During the three year period covered by this examination, the capital and surplus of the Company has decreased from $1,190,265,579, as presented in the December 31, 2012, report of examination to $1,085,027,290, as shown in this report. The comparative assets and liabilities are:

	December 31, 2015	December 31, 2012	Change
Assets	$13,750,153,730	$12,095,982,359	$1,654,171,371
Liabilities	12,665,125,810	10,905,716,780	1,759,409,030
Surplus	$ 1,085,027,920	$ 1,190,265,579	$(105,237,659)

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Company during the examination process are gratefully acknowledged.

In addition to the undersigned, Michael P. Phillips, CPA, CFE, AES, and Keilei N. Yambaw, AFE, insurance examiners for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated on this examination. Additionally, Aaron Phillips, CFE, CISA, Clarissa Crisp, CFE, MSA, and Wayne J. Weber, CFE, CPA, insurance examiners from The Thomas Consulting Group, Inc., participated on the examination. Joseph C. Higgins, FSA, MAAA, and Frank Edwards, ASA, MAAA, consulting actuaries with the firm INS Consultants, Inc., participated in the review of the reserving activity.

Respectfully submitted,

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Mark A. Giffin, CFE
Lead Insurance Financial Examiner
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Mark A. Giffin, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Standard Insurance Company, Portland, Oregon.

2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination workpapers and examination report. The examination of Standard Insurance Company was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

____

Mark A. Giffin, CFE
Lead Insurance Financial Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this _______ day of ______________________, 2017.

____

Notary Public for the State of Oregon

My Commission Expires: ___________________