STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

ALLIANZ LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2007

DATE OF REPORT: JANUARY 23, 2009

STATE OF NEW YORK INSURANCE DEPARTMENT

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AS OF

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EXAMINER:	BIBI S. ISHAK

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

David Paterson
Governor

Eric R. Dinallo
Superintendent

May 6, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22778, dated July 1, 2008 and annexed hereto, an examination has been made into the financial condition and affairs of Allianz Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at One Chase Manhattan Plaza, New York, NY 10005.

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

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

1. EXECUTIVE SUMMARY

The Company violated Section 325(a) of the New York Insurance Law by not keeping and maintaining its books of account at its principal office in New York. (See Section 6 of this report)

The examiner strongly recommends that the Company continue to review and monitor its product design, risk mitigation procedures, and capital needs as they relate to the variable annuities with guaranteed living benefits ("VAGLB") business. (See Section 5D of this report)

The Company violated Section 91.4(f)(5) of Department Regulation No. 33 when it used earned premiums as its basis for distributing costs among major annual statement lines of business. This is a repeat violation. (See Section 4 of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent in writing of its intention to enter into six agreements with affiliates for the rendering of services on a regular or systematic basis at least thirty days prior to rendering such services. (See Section 3B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2004. This examination covers the period from January 1, 2005 through December 31, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2007 to determine whether the Company's 2007 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and comments contained in the prior report on examination. The results of the examiner's review are contained in item 9 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

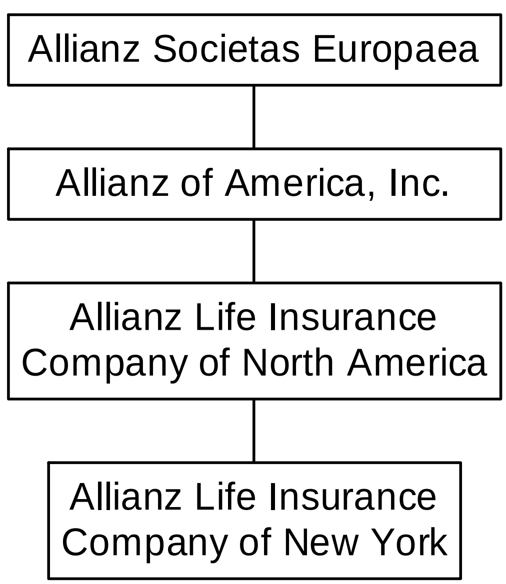
The Company was incorporated as a stock life insurance company under the laws of New York under the name Preferred Life Insurance Company of New York on September 21, 1982. The Company was licensed on April 11, 1984 and commenced business on September 1, 1984. Initial resources of $6,000,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $4,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of $10 each) for $30 per share.

In 2006, the Company ceded 100% and subsequently sold, its group accident and health line of business to Houston Casualty Company. The Department approved the transaction.

B. Holding Company

The Company is a wholly owned subsidiary of Allianz Life Insurance Company of North America ("Allianz"), a Minnesota insurance company. Allianz is in turn a wholly owned subsidiary of Allianz of America, Inc. ("AZOA"), a Delaware holding company. The ultimate parent of the Company is Allianz Societas Europaea, a German property and casualty company.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2007 follows:



The Company had one service agreement in effect with an affiliate during the examination period.

Type of Agreement and Dept. File No.	**Effective Date**	**Provider of Service(s)**	**Recipient of Service(s)**	**Specific Service(s) Covered**	**Income/ (Expense)* For Each Year of the Examination**	
Administrative Services File No. 29796	1/1/2002	Allianz	the Company	Accounting, audit, actuarial, public relations, legal, claims, billing and collection, IT, and underwriting services	2005	$(8,196,678)
					2006	$(7,761,967)
					2007	$(4,800,961)

* Amount of Income or (Expense) Incurred by the Company

Section 1505(d) of the New York Insurance Law states, in part:

> "The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . .
> (3) rendering of services on a regular or systematic basis . . . "

Subsequent to the on-site examination, and not included in the above service agreement table, the Company submitted the following six service agreements. All six of the agreements were being used prior to submission to the Department.

1. An Administrative Services Letter Agreement with OpCap Advisors LLC ("OpCap") and Allianz Global Investors Fund Management LLC ("AGIFM"), effective May 1, 2006. The agreement was for certain administrative services for separate accounts.
2. A Novation of the Administrative Services Letter Agreement described above with OpCap and AGIFM whereby OpCap was replaced with AGIFM. The novation was effective January 16, 2009.
3. A Participation Agreement with Premier VIT (the "Fund") and Allianz Global Investors Distributors LLC, ("AGID") effective May 1, 2006. The agreement was for the Company to invest in portfolios of the Fund.
4. An amendment of the Participation Agreement described above with the Fund and AGID, effective February 6, 2009. The amendment modifies the Participation Agreement by adding an Anti-Money Laundering provision.

5. A Distribution Services Agreement with AGID effective January 1, 2007, whereby AGID provides assistance in the distribution of the Company's variable insurance products and the shares of investment funds that are eligible investments of such products.
6. An amendment to the Participation agreement described in #3 above. The purpose of the amendment was for the parties to comply with Rule 22c-2 of the Investment Company Act of 1940. The amendment was effective February 28, 2007.

The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent in writing of its intention to enter into six agreements with affiliates for the rendering of services on a regular or systematic basis at least thirty days prior to rendering such services.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 23 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2007, the board of directors consisted of 13 members. Meetings of the board are held three times a year.

The 13 board members and their principal business affiliation, as of December 31, 2007, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Thomas P. Burns Shorewood, MN	Chief Marketing Officer Allianz Life Insurance Company of North America	2007
John O. Esch Chanhassen, MN	Appointed Actuary and Senior Vice President Allianz Life Insurance Company of New York	2007
Yvonne K. Franzese New York, NY	Chief Human Resources Officer Allianz of America	2007
William E. Gaumond Vadnais Heights, MN	Financial Consultant Allianz Life Insurance Company of North America	2007
Martha C. Goss* Pennington, NJ	Chief Marketing and Financial Officer Amwell Holdings	2005
Stephen R. Herbert* Pound Ridge, NY	Attorney Locke & Herbert, LLP	1997
Denis J. Marion* Wayne, NJ	President RMS Developments, Inc.	1984
Suzanne J. Pepin Minneapolis, MN	Attorney Allianz Life Insurance Company of North America	2000
Jack F. Rockett* New York, NY	Self-employed agent/broker	1997
Amy L. Shaw St. Louis Park, MN	Senior Financial Officer Allianz Life Insurance Company of North America	2007
Gary A. Smith* Potomac, MD	Owner Management Consulting Firm	2005
Vincent G. Vitiello Huntington Bay, NY	President Allianz Life Insurance Company of New York	2004
Eugene Wilkinson* Edison, NJ	Executive Vice President RMS Developments, Inc.	1984

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

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2007:

Name	Title
Vincent G. Vitiello	President
John O. Esch	Senior Vice President and Appointed Actuary
Jill E. Paterson	Chief Financial Officer
Linda E. Wright	Treasurer
J. Terry Griffith	Secretary
Linda Burm*	New York Operations Officer

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

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

The Company is licensed to transact business in six states, namely Connecticut, Illinois, Minnesota, Missouri, New York and North Dakota and the District of Columbia. In 2007, 77% of life premiums, 69% of health premiums, and 99% of annuity considerations were received from New York. Policies are written on a non-participating basis.

The Company distributes its fixed products through Field Marketing Organizations ("FMOs") and its variable products through broker dealers. FMOs are responsible for recruiting independent agents who in turn sell the Company's products. The Company pays commissions directly to the agent with an override going to the FMOs. Broker dealers have the fiduciary responsibility for agents in their organization. Each broker dealer receives commissions directly from the Company.

During the examination period, the Company's primary lines of business were individual life, individual variable annuities, individual fixed annuities, and long term care. In 2006, the Company received approval from the Department for the sale of GenDex 11 and started to sell this product in 2007. GenDex 11 is an individual fixed index universal life insurance product.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with sixteen companies, of which fourteen were authorized. The Company's life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is $50,000. The total face amount of life insurance ceded as of December 31, 2007, was $83,341,510, which represents 87.86% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $393,099, was supported by trust agreements.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2004	December 31, 2007	Increase (Decrease)
Admitted assets	$554,171,185	$874,371,399	$320,200,214
Liabilities	$500,304,570	$824,038,118	$323,729,548
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	15,500,000	15,500,000	0
Unassigned funds (surplus)	36,366,615	32,837,281	(3,529,334)
Total capital and surplus	$ 53,866,615	$ 50,337,281	$ (3,529,334)
Total liabilities, capital and surplus	$554,171,185	$874,371,399	$320,200,214

The majority (65.4%) of the Company's admitted assets, as of December 31, 2007, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2007, exclusive of separate accounts, were mainly comprised of bonds (99%).

All (100.0%) of the Company's bond portfolio, as of December 31, 2007, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Group Life	
Year	Issued	In Force	Issued & Increases	In Force
2005	$ 70	$ 2,240	$0	$137,467
2006	$ 5	$ 2,118	$0	$ 89,335
2007	$11,712	$13,681	$0	$ 81,175

The numbers shown for 2005 and 2006 individual life issued represent conversions from the closed block of group life business. In 2007, the Company started selling the GenDex 11 life insurance product.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities		
	2005	2006	2007
Outstanding, end of previous year	8,051	9,367	10,030
Issued during the year	2,053	1,431	1,344
Other net changes during the year	(737)	(768)	(1,412)
Outstanding, end of current year	9,367	10,030	9,962

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2005	2006	2007
Ordinary:			
Life insurance	$ 44,666	$ (46,305)	$ (2,658,929)
Individual annuities	2,269,481	(584,744)	(13,194,385)
Supplementary contracts	0	(11,773)	0
Total ordinary	$2,314,147	$ (642,822)	$(15,853,314)
Group			
Life	$ 221,693	$ 90,309	$ 475,227
Total group	$ 221,693	$ 90,309	$ 475,227
Accident and health:			
Group	$ 419,403	$1,098,098	$ 18,203,538
Other	36,632	(101,275)	(340,666)
Total accident and health	$ 456,035	$ 996,823	$ 17,862,872
Total	$2,991,874	$ 444,310	$ 2,484,785

The fluctuation experienced in the ordinary life insurance business was due to expenses incurred for the development and sales of the new life product. There was also an error in the tax expense spread between lines of business due to the tax treatment of the gain on the sale of the health business in 2006.

The fluctuation in the accident and health line was due to miscellaneous income recognized in 2006 from the sale of the health line of business, plus a reserve adjustment taken due to the sale. For 2007, the change was primarily due to the additional gain recognition from the sale of the health line of business. There also was an error in the tax expense spread between lines of business due to the tax treatment of the gain on sale of the health line of business.

The losses in individual annuities for 2006 and 2007 were due to increases in annuity benefits, surrender benefits and other fund withdrawals consistent with a growing and maturing block of annuity business.

Section 91.4(a)(2) of Department Regulation No. 33 states, in part:

> "Each life insurer shall maintain records with sufficient detail to show fully:
> (i) the system actually used for allocation of income and expenses;
> (ii) the actual bases of allocation;
> (iii) the actual monetary distribution of the respective items of income, salaries, wages, expenses, and taxes to . . .
> (c) annual statement lines of business,
> (d) companies . . .
> (3) Such records shall be classified and indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated, and shall be maintained in such a manner as to be readily accessible for examination. . . . "

The Company failed to maintain records for allocating expenses between companies in a manner that permits ready identification between the item allocated and the basis on which it was allocated and also failed to maintain its records in a manner that is readily accessible for examination. The Company advised the examiner that it used time studies to determine the percentages but the workpapers that were provided did not support this.

The Company violated Section 91.4(a)(2) and (3) of Department Regulation No. 33 by failing to maintain records for allocating expenses between companies in a manner that permits ready identification between the item allocated and the basis on which it was allocated and by failing to maintain its records in a manner that is readily accessible for examination.

Section 91.4(f)(5) of Department Regulation No. 33 states, in part:

> "General indexes such as premium volume, number of policies, and insurance in force shall not be used as basis for distributing costs among major annual statement lines of business, except where the incidence of cost is closely related to such general indexes, or except where there is no more appropriate basis for measurement. . . ."

A review of the Company's expense allocation methodology revealed that the Company used earned premiums as its basis to allocate expenses across the different lines of business.

The Company violated Section 91.4(f)(5) of Department Regulation No. 33 when it used earned premiums as its basis for distributing costs among major annual statement lines of business. This is a repeat violation. (See item 9E of this report)

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2007 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$288,874,396
Stocks:	
Preferred stocks	332,328
Cash, cash equivalents and short term investments	2,093,251
Contract loans	96,020
Investment income due and accrued	3,765,893
Premiums and considerations	
Uncollected premiums and agents' balances in the course of collection	30,466
Reinsurance:	
Amounts recoverable from reinsurers	1,931,418
Other amounts receivable under reinsurance contracts	11,755
Current federal and foreign income tax recoverable and interest thereon	1,870,434
Net deferred tax asset	1,986,592
Receivables from parent, subsidiaries and affiliates	623,581
Premium tax recoverable	291,917
Miscellaneous receivables	257,764
Due from administrators	19,670
From separate accounts, segregated accounts and protected cell accounts	572,185,913
Total admitted assets	$874,371,399

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$259,259,466
Aggregate reserve for accident and health contracts	949,513
Liability for deposit-type contracts	628,478
Contract claims:	
Life	65,508
Accident and health	3,000,760
Interest maintenance reserve	1,145,507
Commissions to agents due or accrued	300,014
Commissions and expense allowances payable on reinsurance assumed	124,528
General expenses due or accrued	1,033,721
Transfers to separate accounts due or accrued	(16,381,766)
Unearned investment income	2,417
Amounts withheld or retained by company as agent or trustee	256,842
Miscellaneous liabilities:	
Asset valuation reserve	1,015,043
Reinsurance in unauthorized companies	390,840
Payable for securities	53,597
Other accounts payable	3,738
From separate accounts statement	572,185,912
Total liabilities	$824,034,118
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	15,500,000
Unassigned funds (surplus)	32,837,281
Total capital and surplus	$ 50,337,281
Total liabilities, capital and surplus	$874,371,399

B. CONDENSED SUMMARY OF OPERATIONS

	2005	2006	2007
Premiums and considerations	$191,531,033	$154,584,930	$159,566,897
Investment income	10,183,385	14,693,060	16,075,593
Commissions and reserve adjustments on reinsurance ceded	1,127,816	973,456	660,240
Miscellaneous income	7,506,359	17,002,111	17,474,329
Total income	$210,348,593	$187,253,557	$193,777,059
Benefit payments	$ 59,524,133	$ 71,126,795	$141,938,852
Increase in reserves	89,748,251	39,313,243	21,199,424
Commissions	10,477,281	9,210,768	10,424,067
General expenses and taxes	9,916,512	12,648,401	12,802,810
Net transfers to separate accounts	36,138,933	43,138,582	6,185,154
Miscellaneous deductions	106,157	9,904,287	461,885
Total deductions	$205,911,267	$185,342,076	$193,012,192
Net gain	$ 4,437,326	$ 1,911,481	$ 764,867
Federal and foreign income taxes incurred	1,445,451	1,467,172	(1,719,919)
Net gain from operations before net realized capital gains	$ 2,991,875	$ 444,309	$ 2,484,786
Net realized capital gains (losses)	38,944	2,715,888	(313,193)
Net income	$ 3,030,819	$ 3,160,197	$ 2,171,592

C. CAPITAL AND SURPLUS ACCOUNT

	2005	2006	2007
Capital and surplus, December 31, prior year	$53,866,615	$53,321,085	$ 62,527,768
Net income	$ 3,030,819	$ 3,160,197	$ 2,171,592
Change in net unrealized capital gains (losses)	17,945	(244,425)	0
Change in net deferred income tax	572,271	1,659,624	2,157,840
Change in non-admitted assets and related items	(474,990)	12,068	(2,400,236)
Change in liability for reinsurance in unauthorized companies	(873)	(160,573)	(225,000)
Change in asset valuation reserve	(160,702)	(148,202)	27,114
Cumulative effect of changes in accounting Principles	0	0	(8,732,367)
Amortization of coinsurance gain	(3,530,000)	4,927,994	(5,189,431)
Net change in capital and surplus for the year	$ (545,530)	$ 9,206,684	$(12,190,488)
Capital and surplus, December 31, current year	$53,321,085	$62,527,768	$ 50,337,280

D. RESERVES

The Department conducted a review of the Company's reserves as of December 31, 2007. The Company has a significant amount of variable annuities with guaranteed living benefits ("VAGLBs"). As a general rule, when the stock market goes down, the value of the VAGLBs go up since VAGLBs provide minimum performance guarantees on underlying funds.

As a result of the fourth quarter 2008 market downturn, the value of the Company's VAGLBs increased. The Department is concerned about the magnitude of surplus strain resulting from a further increase in the value of VAGLBs if the market downturn continues.

The examiner strongly recommends that the Company continue to review and monitor its product design, risk mitigation procedures, and capital needs as they relate to the VAGLB business.

6. LOCATION OF COMPANY RECORDS

Section 325(a) of the New York Insurance Law states, in part:

> "Every domestic insurer . . . shall . . . keep and maintain at its principal office in this state . . . its books of account . . . "

The examiner requested from the Company in the first day letter dated July 8, 2008, the trial balance, general ledger, and transaction registers (i.e., the books of account). Upon arriving at the principal office to conduct the examination, it was determined that the Company did not maintain the aforementioned records at the principal office in New York.

The Company violated Section 325(a) of the New York Insurance Law by not keeping and maintaining its books of account at its principal office in New York.

7. ANNUAL STATEMENT REPORTING ERRORS

The Company's 2007 filed annual statement, as filed with the Department during the examination period, was found to contain numerous reporting errors and misclassifications of accounts. The following reporting errors were among those identified during the review:

- The Company reported $623,581 as "Receivables from parent, subsidiaries and affiliates;" this amount should have been reported as $1,763,631.
- The Company reported zero as "Taxes, licenses and fees due or accrued." This amount should be the same as the amount reported in Exhibit 3. The Company reported $291,918 in Exhibit 3.
- The Company reported zero as "Remittances and items not allocated." This amount should have been reported as $1,140,050.
- In Schedule E the Company included $4,000 for an account that belonged to its parent, thereby overstating the Company's cash asset by $4,000.

The examiner recommends that the Company exercise greater care in the compilation of its data for reporting purposes and comply with the annual statement instructions when preparing its filings with the Department. A similar recommendation appeared in the prior report. (See item 9G of this report)

8. CAPITAL MARKETS

The Department's Capital Markets Bureau performed a review of the Company's hedging activity.

The Company began hedging for its annuity products in March of 2009. The Company does not do any volatility hedging for its VAGLB products and neither does the parent. The examiner believes there is a significant amount of market risk embedded within the product guarantees that needs to be hedged.

The examiner recommends that the Company do volatility hedging for its VAGLB products.

The parent has a solver system that it uses to determine futures and options hedges using an optimization methodology. There is only one person who understands how the optimization works and can make adjustments to the source code of the system for this feature. The examiner requested system documentation from the Company to prove that if this key person left the Company's employment that it could continue using the solver system. The Company provided several documents that together explain how the system works.

The examiner recommends that the Company combine these documents into one formal document and enter the information into a case management system containing source code for the system in order to maintain adequate information so the hedging program could continue in the event of the loss of the key person.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the financial condition violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent in writing of its intention to enter into agreements with affiliates for the rendering of services on a regular or systematic basis at least thirty days prior to rendering such services. The Company filed the agreement and it was approved by the Department on March 26, 2007.
B	The examiner recommends that the Company develop, and the board adopt a streamlined version of the Allianz investment plan that is more suited to the Company's investment strategy. The Company developed, and the board adopted, an investment plan that is more suited to the Company.
C	The Company violated Section 1202(b)(2) of the New York Insurance Law when its Audit and Evaluation Committee failed to properly evaluate the performance and approve the salaries of its principal officers. The Audit Committee approves the salaries of the Company's principal officers.
D	The examiner recommends that the minutes correctly reflect the portion of the meetings that such non-independent persons are present, and clearly identify when such persons withdraw from continued participation in the meetings. The review of the minutes did not reveal the presence of non-independent persons.
E	The Company violated Section 91.4(f)(5) of Department Regulation No. 33 when it used earned premium as basis to allocate expenses by line of business and among companies. The Company continued to use earned premium as the basis to allocate expenses by lines of business. A repeat violation appears in Section 4 of this report.

Item	Description
F	The Company's reserves were found to be understated in a review conducted by the Department. The examiner recommends that the Company calculate the variable annuity reserves using appropriate assumptions for annuitization benefits. The Company corrected this error with the September 30, 2005 quarterly statement.
G	The examiner recommends that the Company exercise greater care in the compilation of its data for reporting purposes and comply with the annual statement instructions when preparing its filings with the Department. This is a repeat recommendation that the Company exercise greater care in the compilation of its data for reporting purposes and comply with the annual statement instructions when preparing its filings with the Department.

10. SUMMARY AND CONCLUSIONS

Following are the financial condition violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent in writing of its intention to enter into six agreements with affiliates for the rendering of services on a regular or systematic basis at least thirty days prior to rendering such services.	6
B	The Company violated Section 91.4(a)(2) and (3) of Department Regulation No. 33 by failing to maintain records for allocating expenses between companies in a manner that permits ready identification between the item allocated and the basis on which it was allocated and by failing to maintain its records in a manner that is readily accessible for examination.	13
C	The Company violated Section 91.4(f)(5) of Department Regulation No. 33 when it used earned premiums as its basis for distributing costs among major annual statement lines of business. This is a repeat violation.	13
D	The examiner strongly recommends that the Company continue to review and monitor its product design, risk mitigation procedures, and capital needs as they relate to the VAGLB business.	18
E	The Company violated Section 325(a) of the New York Insurance Law by not keeping and maintaining its books of account at its principal office in New York .	19
F	The examiner recommends that the Company exercise greater care in the compilation of its data for reporting purposes and comply with the annual statement instructions when preparing its filings with the Department. A similar recommendation appeared in the prior report.	20
G	The examiner recommends that the Company do volatility hedging for its VAGLB products.	21
H	The examiner recommends that the Company combine these documents into one formal document and enter the information into a case management system containing source code for the system in order to maintain adequate information so the hedging program could continue in the event of the loss of the key person.	21

Respectfully submitted,

/s/
Bibi S. Ishak
Senior Examiner

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

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

/s/
Bibi S. Ishak

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22778

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, ERIC R. DINALLO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

BIBI ISHAK

as a proper person to examine into the affairs of the

ALLIANZ LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as she shall deem requisite.

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

this 1st day of July, 2008

ERIC R. DINALLO
Superintendent of Insurance

Superintendent