NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2014

DATE OF REPORT: JUNE 27, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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AS OF

DECEMBER 31, 2014

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EXAMINER: JERRY EHLERS, CFE
COURTNEY WILLIAMS

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Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

June 27, 2016

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31483, dated May 20, 2016, and Appointment No. 31291, dated May 18, 2015 and annexed hereto, an examination has been made into the condition and affairs of Transamerica Financial Life Insurance Company, hereinafter referred to as "the Company" or "TFLIC."

The financial examination took place at the home office of the Company's affiliate, Transamerica Life Insurance Company, located at 4333 Edgewood Road, NE, Cedar Rapids, Iowa 52499.

The market conduct examination took place at the Company's home office located at 440 Mamaroneck Avenue, Harrison, New York 10528.

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

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

1. EXECUTIVE SUMMARY

The significant events which occurred during the examination period include:

- Effective July 1, 2014, Transamerica Advisors Life Insurance Company of New York, an affiliated New York-domiciled life insurer, merged into the Company. (See item 3A of this report)

- On April 26, 2011, AEGON N.V., the Company's indirect parent, announced the disposition of its life reinsurance operations, Transamerica Reinsurance, to SCOR SE a Societas Europaea organized under the laws of France. As a result of the transaction, the Company, in years 2011, 2012, and 2013, recaptured, ceded, and/or novated business associated with the divested operations that were previously retroceded on a coinsurance basis to some affiliates and non-affiliates. (See Item 4C of this report)

The material violations contained in this report are summarized below:

- The Company violated Section 3203(a)(1) of the New York Insurance Law by failing to provide individual universal life policyholders the required 61-day grace period within which to pay sufficient premium to keep the policy in force for three months. (See item 8C of this report)

- The Company violated 3211(b)(2) of the New York Insurance Law by mailing lapse notices that did not contain the required information of such Section. A similar violation appeared in the prior report. (See item 8C of this report)

- The Company violated several sections of Department Regulation 60 regarding the replacement of life policies, including the Company's failure to examine and ascertain that the information included in the Disclosure Statement was accurate. (See item 8A of this report)

- The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form that had not been filed with and approved by the Department. (See item 8B of this report)

- The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the date these various statements of self-support were signed. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2015 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2010 through December 31, 2014. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2014 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination of the Company was called by the Department in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System ("FEETS"). The Department participated on the coordinated examination, serving in the capacity of a participating state, of Transamerica Life Insurance Company ("TLIC") and Transamerica Premier Life Insurance Company ("TPLIC"), both Iowa domestic insurers, called by the Iowa Insurance Division ("IID") in accordance with the Handbook guidelines. The IID served as the lead state on the examination. In addition to the Department, representatives from the Arkansas Insurance Department ("AID"), the Ohio Department of Insurance ("ODI") and the Vermont

Department of Financial Regulation ("VDFR") participated on the examination which included their domestic insurers.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited for 2014, by the accounting firm of PricewaterhouseCoopers ("PwC"). The Company was audited annually, for the years 2010 through 2013, by the accounting firm of Ernst & Young, LLP ("EY"). The Company received an unqualified opinion in all of the years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's parent, AEGON USA, LLC ("AUSA") has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and/or comments contained in the prior report on examination. The results of the examiners 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 on October 3, 1947, under the name Zurich Life Insurance Company, was licensed on October 17, 1947, and commenced business in 1948.

On November 30, 1982, the Dreyfus Corporation acquired all of the outstanding shares of the Company and adopted the name Dreyfus Life Insurance Company. In 1993, the Company was purchased by AUSA Life Insurance Company, a Maryland domiciled insurer and an indirect subsidiary of AEGON US Holding Corporation, and the Company adopted the name AUSA Life Insurance Company, Inc.

In December 1993, the Company entered into an indemnity reinsurance agreement with the Mutual Life Insurance Company of New York ("MONY"), whereby MONY ceded on a 100% coinsurance basis $2,733,787,100 of its general account liabilities relating to fixed and variable annuities. On December 31, 1993, MONY transferred the general account assets to the Company at market value which consisted of $1,045,010,955 of mortgage loans, $1,486,230,389 of bonds, $199,894,462 of short-term investments and $40,549,857 of accrued investment income. In 1994, the Company assumed an additional $3.4 billion of separate account assets and liabilities from MONY.

In July 1996, International Life Investors Insurance Company, an affiliated domestic insurer, was merged into the Company.

On October 1, 1998, pursuant to an Agreement and Plan of Merger, First Providian Life and Health Insurance Company ("First Providian") was merged into the Company.

Effective April 1, 2003, Transamerica Life Insurance Company of New York was merged into the Company. Immediately following the merger, the Company adopted the name Transamerica Financial Life Insurance Company.

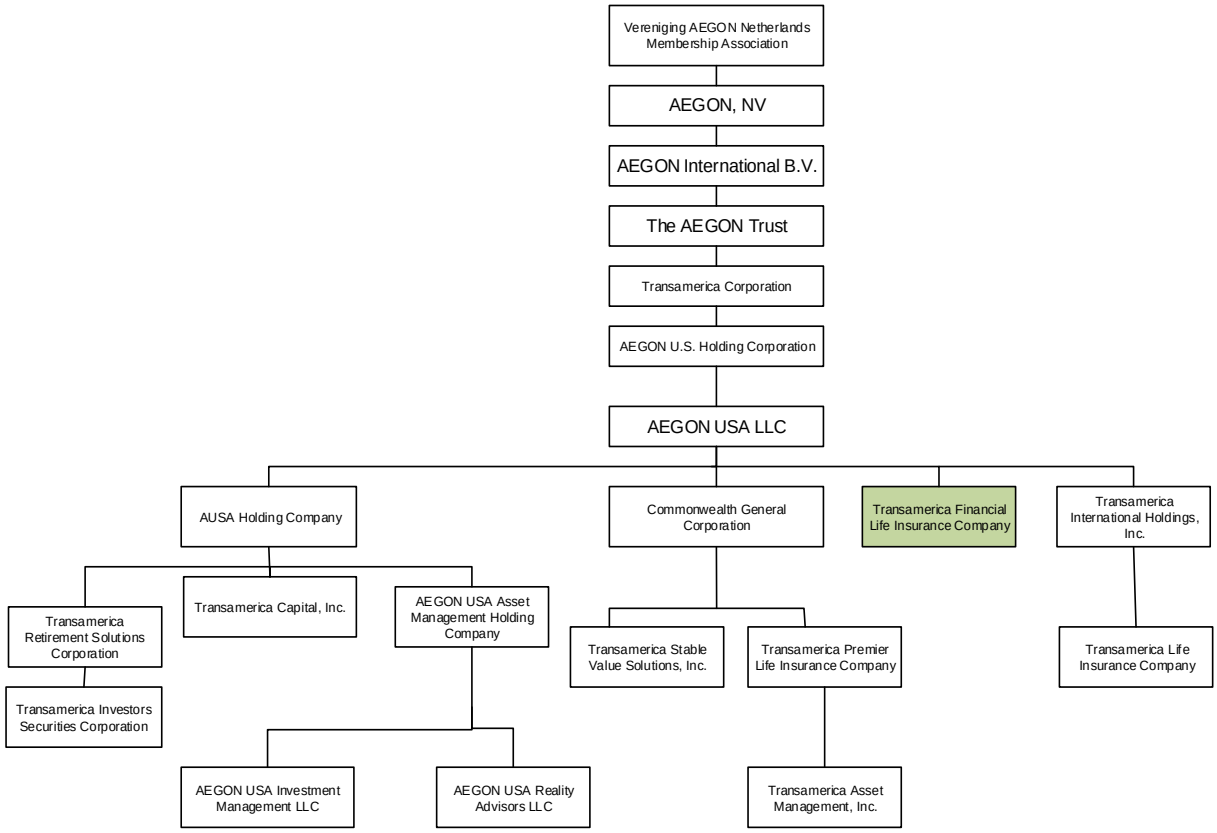
Effective July 1, 2014, Transamerica Advisors Life Insurance Company of New York ("TALICNY"), an affiliated New York-domiciled life insurer, merged into the Company. The Company is the surviving corporation.

B. Holding Company

As of December 31, 2014, the Company was majority owned by AEGON USA, LLC and minority owned by Transamerica Life Insurance Company ("TLIC"). Effective December 31, 2015, AEGON USA, LLC merged into Transamerica Corporation. Both Transamerica Corporation and TLIC are indirect, wholly-owned subsidiaries of Aegon N.V., a holding company organized under the laws of the Netherlands.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2014 follows:



Notes:

- Transamerica Financial Life Insurance Company is owned by AEGON, USA, LLC (88%) and Transamerica Life Insurance Company (12%)
- Transamerica Life Insurance Company is owned by Transamerica International Holdings, Inc. (85%), Transamerica Corporation (12%), and AEGON USA, LLC (3%)
- Transamerica Asset Management Inc. is owned by Transamerica Premier Life Insurance Company (77%) and AUSA Holding Company (23%)

D. Service Agreements

The Company had 18 service agreements in effect with affiliates during the examination period.

TFLIC

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/(Expense)* For Each Year of the Examination
Administrative and Advisory File #40305	5/1/08	AEGON USA Realty Advisors, Inc.	The Company	Services pertaining to real estate and mortgage loan assets	2010 $(2,107,714) 2011 $(1,653,901) 2012 $(1,620,799) 2013 $(1,661,598) 2014 $(2,201,913)
Service Agreement File # 20399C	12/31/93	Diversified Investment Advisors, Inc. (A/K/A Transamerica Retirement Solutions)	The Company	Retirement plan administration, plan/participant data maintenance, promotion, banking relations, separate accounts and data processing	2010 $(41,795,944) 2011 $(39,666,126) 2012 $(28,761,899) 2013 $(26,471,505) 2014 $(32,479,689)
Investment Management File #37739	7/1/07	AEGON USA Investment Management, LLC	The Company	Investment management of mortgage backed securities, bonds, equities and cash.	2010 $(10,055,711) 2011 $ (9,949,473) 2012 $ (9,656,270) 2013 $ (9,751,335) 2014 $ (9,839,693)
Service Agreement File # 28886	09/01/00	Transamerica Life Insurance and Annuity Company (merged into TLIC)	The Company	General advisory, accounting, data processing, policy related advisory, legal, benefit underwriting, marketing, policyholder, claims, printing and administrative	2010 $(33,437,889) 2011 $(35,741,870) 2012 $(38,844,295) 2013 $(40,628,076) 2014 $(43,396,836)
Service and Administration Agreement File # 29014	09/30/00	Transamerica Occidental Life Insurance Company (merged into TLIC)	The Company	Management and administration of reinsurance contracts.	2010 $(6,125,913) 2011 $(3,931,779) 2012 0 2013 0 2014 0 (The Company intends to withdraw this agreement)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/(Expense)* For Each Year of the Examination
Principal Underwriting Agreement File # 33199 Amendment No. 1 File # 33199A Shared Services & Expense Allocation Schedule File #34217 Amendment No. 2 replaced ASFG with TCI File #37420 Amendment No. 3 File # 37420A . Amendment No. 4 File# 37420B Amended and Restated Principal Underwriting Agreement File #37420B Amended and Restated Principal Underwriting Agreement File #46688	01/25/05 04/01/05 10/6/05 5/1/07 11/1/07 5/1/08 7/1/2010 1/1/13	Transamerica Capital, Inc.	The Company	Distribution and underwriting services	2010 $ (3,395,138) 2011 $ (4,410,556) 2012 $ (5,633,261) 2013 $ (9,335,806) 2014 $(11,760,337)
Service Agreement File # 22369B Addendum File # 22369C Amendment No. 1 File #42530 Amendment No. 2 File #45267	08/01/03 05/01/04 1/01/10 9/11/12	Transamerica Life Insurance Company	The Company	Accounting, data processing, claims, underwriting, marketing and policyholder services.	2010 $(27,660,010) 2011 $(29,066,995) 2012 $(30,064,532) 2013 $(31,680,939) 2014 $(35,656,270)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/(Expense)* For Each Year of the Examination
Investment Management Agreement File #41088	4/1/09	AEGON USA Investment Management, LLC	The Company	Activities in connection with Transamerica International Re (Bermuda) Ltd.	2010 $(174,134) 2011 $(183,704) 2012 $(245,250) 2013 $(259,963) 2014 $(566,584)
Distribution and Shareholder Services Agreement File #37876	5/1/08	The Company	Transamerica Capital, Inc.	Distribution and Shareholder services	2010 $ 573,050 2011 $1,031,933 2012 $1,720,193 2013 $2,876,192 2014 $4,562,867
Administrative Services Agreement Amendment and Novation of Administrative Services Agreement	1/1/2006 10/1/2007	The Company	Transamerica Asset Management, Inc.	Administrative Services Agreement	2010 $1,128,747 2011 $1,704,686 2012 $2,715,864 2013 $4,390,421 2014 $6,847,995
Service Agreement #42531	01/01/10	AEGON Stable Value Solutions Inc.	The Company	Accounting Services, Data Processing Services, Maintain Computer Records, Prepare Reports, Provide software systems and programming services	2010 $(42,055) 2011 $(70,130) 2012 0 2013 0 2014 0 (The Company is keeping open as it may be needed for synthetic GIC business)

TALCNY**

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Investment Management Agreement File #38277	12/31/07	AEGON USA Investment Mgmt., LLC	TALICNY	Investment management for the investment and reinvestment of assets and funds	2010 $(146,150) 2011 $(160,664) 2012 $(147,125) 2013 $(160,787) 2014 $ (90,200)
Service Agreement File #38276 Amendment File #38276A	12/28/07 7/23/09	Transamerica Life Insurance Company	TALICNY	General services including accounting and data processing services. Furnish professional services including legal and actuarial advisory services, claims, underwriting, marketing and policyholder services and printing services.	2010 $(914,084) 2011 $(750,026) 2012 $(733,741) 2013 $(814,535) 2014 $(244,716)
Principal Underwriting Agreement File #40542 Amended and Restated File #40542A Amended and Restated File #46688A	8/1/08 7/1/10 1/1/13	Transamerica Capital, Inc.	TALICNY	Serve as distributor and principal underwriter of single premium modified guaranteed annuity products, certain variable life insurance and certain variable annuity contracts	2010 $ (13,603) 2011 $ (7,602) 2012 $ (11,186) 2013 $ (4,786) 2014 $(118,687)
Distribution and Shareholder Services Agreement (Investor)(Re: Transamerica Series Trust) File #40665	8/1/08	TALICNY	Transamerica Capital, Inc.	Agreement covers activities in connection with the distribution of shares of certain portfolios of Transamerica Series Trust of which TCI is the principal underwriter and the servicing of existing and prospective holders of certain variable products.	2010 $ 504 2011 $15,526 2012 $14,114 2013 $15,973 2014 $10,207

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Distribution and Shareholder Services Agreement (Retail)(Re: Transamerica Funds) File #40666	8/1/08	TALICNY	Transamerica Capital, Inc.	Agreement covers activities in connection with the distribution of shares of certain portfolios of Transamerica Funds of which TCI is the principal underwriter and servicing of existing and prospective holders of certain variable products.	2010 $ 65 2011 $13,711 2012 $13,362 2013 $14,882 2014 $20,382
Administrative Services Agreement (10/1/08) (Retail) (Re: Transamerica Funds) File #40422	10/1/08	TALICNY	Transamerica Asset Management, Inc.	Maintenance of Books and Records, Purchase Orders, Redemption Orders, and other administrative support	2010 $ 91 2011 $22,788 2012 $21,731 2013 $24,520 2014 $34,863
Administrative Services Agreement (10/1/08) (Investor) (Re: Transamerica Series Trust) File #40423	10/1/08	TALICNY	Transamerica Asset Management, Inc.	Maintenance of Books and Records, Purchase Orders, Redemption Orders, and other administrative support.	2010 $ 844 2011 $26,856 2012 $24,112 2013 $27,490 2014 $17,882

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

**Service agreements relating to TALICNY are included due to the merger of TALICNY into the Company during 2014.

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2014, the board of directors consisted of 7 members. Meetings of the board are held quarterly.

The 7 board members and their principal business affiliation, as of December 31, 2014, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Elizabeth Belanger Sleepy Hollow, NY	Vice President Diversified Investment Advisors	2006
William Brown, Jr.* White Plains, NY	Executive Director Property Development & Management Co.	1995
Marc H. Cahn Wellesley Hills, MA	Senior Vice President, Assistant Secretary and Division General Counsel Transamerica Financial Life Insurance Company	2010
Steven E. Frushtick* Mamaroneck, NY	Partner Wiener, Frushtick & Straub	1993
Peter G. Kunkel Rockville Center, NY	Chairman of the Board, President Transamerica Financial Life Insurance Company	2002
John T. Mallett Cedar Rapids, IA	Vice-President Transamerica Financial Life Insurance Company	2008
Peter P. Post* Armonk, NY	President 3P Consulting LLC	1993

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

On December 31, 2014, Peter G. Kunkel resigned from the board. Alice Hocking replaced Mr. Kunkel on the Board of Directors and was appointed President and Chairman of the Board on January 1, 2015. On April 17, 2015, Kent Callahan was appointed President and on April 24, 2015 he was appointed Chairman of the Board.

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, 2014:

Name	Title
Peter G. Kunkel	President and Chairman of the Board
Jason Orlandi	Secretary and Corporate Counsel
Eric J. Martin	Controller
Donald R. Krouse	Vice President and Actuary

Carole Trostle is designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

4. TERRITORY AND PLAN OF OPERATIONS

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

The Company is licensed to transact business in all 50 states, and the District of Columbia. In 2014, 89% of life premiums, 93% of accident and health premiums, 87% of annuity considerations, and 99% of deposit type funds were received from New York State. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2014, the Company had $1,618,972 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As reported in Schedule E of the 2014 filed annual statement an additional, $1,889,032 (par value) was being held by the states of Arkansas, Georgia, Massachusetts, Missouri, New Mexico, North Carolina, and Virginia.

B. Direct Operations

As of December 31, 2014, the Company functions through two operating divisions, the Life and Protection (L&P) division and the Investment & Retirement (I&R) division.

Life & Protection Division

Affinity Markets – This business unit markets directly to consumers through either the broad market or through affinity relationships and include associations, employers, financial institutions, retailers and other sponsor groups. Life, supplemental health and specialty accident and membership products are offered to consumers through direct channels such as telemarketing, direct mail, televisions advertising and the Internet.

Transamerica Agency Group – This business unit markets individual life and supplemental health products to the middle income market.

Transamerica Brokerage Group – This business unit markets life insurance in the retail high net worth market through independent general agents.

Transamerica Long-term Care – This business unit offers products and services aimed at meeting the long-term care insurance needs of its customers. Policies are sold through independent brokerage and the worksite to individuals and groups.

Transamerica Employee Benefits – This business unit offers voluntary payroll deduction life and supplemental health insurance to employees at their place of work which are designed to supplement employees' existing benefit plans.

Investment & Retirement Division

Transamerica Capital Management ("TCM") – This business unit is the underwriting and wholesaling broker/dealer for variable annuities and mutual funds. TCM builds relationships with independent financial professionals, agents affiliated with regional broker/dealers or major wire house firms and representatives through a large bank network.

Transamerica Retirement Solutions offers a full range of full-service retirement plan investments and services to small, mid-sized and large corporations, non-profit and government sponsored plans. Products offered include defined contribution plans, defined benefit plans and nonqualified deferred compensation plans.

C. Reinsurance

As of December 31, 2014, the Company had reinsurance treaties in effect with 99 companies, of which 76 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $15,000,000. The total face amount of life insurance ceded as of December 31, 2014, was $193,135,172,229, which represents 90.7% of the total face amount of life insurance in force. Reserve credit taken for reinsurance

ceded to unauthorized companies, totaling $1,569,275,019, was supported by letters of credit and trust agreements.

The total face amount of life insurance assumed as of December 31, 2014, was $190,242,263,387.

On April 26, 2011, AEGON N.V., the Company's indirect parent, announced the disposition of its life reinsurance operations, Transamerica Reinsurance ("TARe") to SCOR SE ("SCOR"), a Societas Europaea organized under the laws of France. The life reinsurance business conducted by TARe was written through several of AEGON N.V.'s U.S. and international affiliates, all of which remained AEGON N.V. affiliates after the effective closing date of August 9, 2011, with the exception of Transamerica International Reinsurance Ireland, Limited, an Irish reinsurance company.

As a result of the disposition of TARe, the Company entered into a series of recapture and reinsurance agreements during the second and third quarters of 2011. Also in support of the disposition of the reinsurance operations, in 2012 and 2013, the Company recaptured, ceded, and/or novated business associated with the divesture of TARe operations which was previously retroceded on a coinsurance basis to some affiliates and non-affiliates.

5. 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, 2009	December 31, 2014	Increase (Decrease)
Admitted assets	$20,937,072,430	$31,099,279,951	$10,162,207,321
Liabilities	$20,025,445,776	$30,141,583,288	$10,116,137,512
Common capital stock	$ 2,058,250	$ 2,142,750	$ 84,500
Preferred capital stock	441,750	459,810	18,060
Increase in admitted deferred tax assets pursuant to SSAP No. 10R	27,585,319	0	(27,585,319)
Surplus notes	150,000,000	150,000,000	0
Gross paid in and contributed surplus	849,459,578	933,659,304	84,199,726
Annuitant mortality fluctuation reserve	3,753,499	8,681,811	4,928,312
ACA Section 9010 estimated assessment	0	77,084	77,084
Unassigned funds (surplus)	(121,671,742)	(137,324,096)	(15,652,354)
Total capital and surplus	$ 911,626,654	$ 957,696,663	$ 46,070,009
Total liabilities, capital and surplus	$20,937,072,430	$31,099,279,951	$10,162,207,521

The majority (70.2%) of the Company's admitted assets as of December 31, 2014, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2014, exclusive of separate accounts, were mainly comprised of bonds 81.1%, mortgage loans 8.1% and securities lending reinvested collateral assets 5.2%.

The majority (93.5%) of the Company's bond portfolio as of December 31, 2014, 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		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2010	$ 794,538	$ 7,584,871	$2,586,850	$266,785,842	$100,713	$1,027,368
2011	$1,077,965	$ 8,208,191	$1,672,394	$266,112,947	$103,406	$1,135,416
2012	$ 876,990	$ 8,658,202	$ 651,561	$253,486,792	$114,330	$1,102,831
2013	$1,190,088	$10,228,356	$ 771,796	$210,867,662	$101,517	$1,129,913
2014	$1,412,359	$10,397,347	$1,086,434	$200,836,306	$ 84,912	$1,126,556

The fluctuations in individual whole life insurance were primarily attributed to changes in the economic environment and the resulting change in sales. The increase in new issues from 2012 to 2013 was due primarily to growth in sales in the Company's individual universal life block of business.

The decrease in individual term insurance in force was primarily due to the divestiture of the Transamerica Reinsurance business in 2011. The Company's term life products were re-priced in 2011, with rates increasing by approximately 10%. This led to a general decline in term product sales in New York from 2010 to 2012. New issues increased in 2013 and 2014 due to growth in the individual universal life business. Certain individual universal life riders are classified as term life insurance, and as individual universal life insurance sales increased, the number of riders issued also increased. No new individual term life insurance business has been written, and this block of business has been in runoff during the last several years.

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

	Ordinary Annuities				
	2010	2011	2012	2013	2014
Outstanding, end of previous year	117,065	106,365	96,878	90,736	84,707
Issued during the year	9,404	2,385	4,166	4,805	5,065
Other net changes during the year			(10,308)	(10,834)	(5,681)
	(20,104)	(11,872)			
Outstanding, end of current year	106,365	96,878	90,736	84,707	84,091

The fluctuations in Ordinary annuities from 2010 to 2012 were due primarily to the Company focusing more on its variable annuity business. The ordinary individual annuity block continues to decline as the Company strategically concentrates on the growth and sale of fee-based variable annuities rather than fixed annuities.

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:

	2010	2011	2012	2013*	2014
Ordinary:					
Life insurance	$ 18,541,463	$(261,656,820)	$ (8,547,737)	$ 7,570,711	$(94,165,219)
Individual annuities	58,159,082	(102,253,711)	(43,796,810)	127,639,796	81,937,967
Supplementary contracts	239,468	363,163	379,559	297,467	460,448
Total ordinary	$ 76,940,013	$(363,547,368)	$ (51,964,988)	$135,507,974	$(11,766,804)
Credit life	$ 3,352,826	$ 3,177,409	$ 1,426,273	$ 2,382,078	$ 1,040,242
Group:					
Life	$ 2,419,084	$ 3,674,302	$ 2,468,684	$ 1,359,909	$ 2,700,899
Annuities	46,012,394	131,133,593	227,449,839	144,037,575	59,619,644
Total group	$ 48,431,478	$ 134,807,895	$229,918,523	$145,397,484	$ 62,320,543
Accident and health:					
Group	$ 9,577,338	$ 4,427,617	$ 6,168,359	$ 9,062,682	$ 4,817,264
Credit	867,625	436,606	66,228	(204,245)	23,175
Other	(3,321,917)	(3,078,054)	3,545,308	1,889,075	1,068,969
Total accident and health	$ 7,123,046	$ 1,786,169	$ 9,779,895	$ 10,747,512	$ 5,909,408
Total	$135,847,363	$(223,775,895)	$189,159,702	$294,035,049	$ 57,503,389

*Note: The 2013 amounts were restated in 2014 to reflect the merger of Transamerica Advisors Life Insurance Company of New York into the Company. The merger was effective July 1, 2014.

The fluctuations in ordinary life net gain from operations from 2010 to 2013 were primarily due to the recapture, cession, and/or novation of business associated with the disposition of the life reinsurance operations. The decrease in net gain from operations in 2014 compared to 2013 was due primarily to increase in reserves of $301.6 million in 2014 compared to $66.6 million in 2013. The additional reserves that are required for variable annuity products and their associated guarantees decreased earnings from 2013 to 2014 as a result of the declining interest rate environment and lower equity returns in 2014 compared to 2013.

The decrease in individual annuities net gain from operations from 2010 to 2011 was primarily driven by higher surrender benefits and withdrawals and an increase in transfers to separate accounts in 2011. 2012's decrease in net loss from operations compared to 2011 resulted primarily from an increase in annuity considerations of $105 million offset by an increase in transfers to separate accounts of $262.1 million. The year-over-year increase in net gain from operations from 2012 to 2013 resulted primarily from an increase in annuity consideration of $275 million due to the Company increasing its variable annuity production. This was offset by a $66.9 million increase in net transfers to separate accounts, primarily due to the higher variable annuity production, and an increase of $41.1 million in surrender benefits and withdrawals during 2013. Net gains from operations decreased from 2013 to 2014 primarily because of increased surrender benefits and withdrawals.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2014, as contained in the Company's 2014 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, 2014 filed annual statement.

A. Independent Accountants

The firm of PwC was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31, 2014, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended. The firm of Ernst & Young, LLP ("EY") was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of 2010, 2011, 2012 and 2013, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended. PwC is the Company's current auditor.

PwC and EY each concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 7,325,730,930
Stocks:	
Preferred stocks	3,730,464
Common stocks	4,220,148
Mortgage loans on real estate:	
First liens	730,305,378
Cash, cash equivalents and short term investments	261,996,385
Contract loans	116,392,911
Derivatives	49,056,106
Other invested assets	71,856,592
Securities lending reinvested collateral assets	471,292,105
Receivables for derivative cash collateral posted to counter party, clearing house	157,313
Investment income due and accrued	86,164,235
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	8,333,385
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,632,786
Reinsurance:	
Amounts recoverable from reinsurers	1,288,163
Funds held by or deposited with reinsured companies	1
Other amounts receivable under reinsurance contracts	11,130,737
Current federal and foreign income tax recoverable and interest thereon	4,438,903
Net deferred tax asset	49,412,927
Guaranty funds receivable or on deposit	9,169,438
Accounts receivable	54,116,808
Accrued fee income	275,066
Goodwill	176,266
Investment receivables	79,886
Estimated premium tax offset on the provision for future GFA	19,881
From separate accounts, segregated accounts and protected cell accounts	21,835,303,137
Total admitted assets	$31,099,279,951

C. Liabilities, Capital and Surplus

Aggregate reserve for life contracts	$ 7,108,430,201
Aggregate reserve for accident and health contracts	134,558,149
Liability for deposit-type contracts	62,204,146
Contract claims:	
Life	15,024,271
Accident and health	20,504,471
Premiums and annuity considerations for life and accident and health contracts received in advance	1,259,735
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	1,757,203
Interest maintenance reserve	80,297,376
Commissions to agents due or accrued	2,917,889
Commissions and expense allowances payable on reinsurance assumed	9,760,196
General expenses due or accrued	5,248,149
Transfers to Separate Accounts due or accrued	(171,852,183)
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,028,131
Unearned investment income	2,392,755
Amounts withheld or retained by company as agent or trustee	9,360,998
Amounts held for agents' account	1,762,598
Remittances and items not allocated	278,068,232
Borrowed money and interest thereon	75,038,437
Miscellaneous liabilities:	
Asset valuation reserve	112,003,676
Reinsurance in unauthorized companies	488,012
Payable to parent, subsidiaries and affiliates	20,647,129
Funds held under coinsurance	185,000
Derivatives	39,649,220
Payable for securities	1,227
Payable for securities lending	471,292,105
Deferred gain on assumption of reinsurance transaction	13,134,166
Payable for derivative cash collateral	9,127,195
From Separate Accounts statement	21,835,294,804
Total liabilities	$30,141,583,288
Common capital stock	$ 2,142,750
Preferred capital stock	$ 459,810
Surplus notes	150,000,000
Gross paid in and contributed surplus	933,659,304
Annuitant mortality fluctuation reserve	8,681,811
ACA Section 9010 estimated assessment	77,084
Unassigned funds (surplus)	(137,324,096)
Surplus	$ 955,094,103
Total capital and surplus	$ 957,696,663
Total liabilities, capital and surplus	$31,099,279,951

D. Condensed Summary of Operations

	2010	2011	2012	2013*	2014
Premiums and considerations	$5,145,278,374	$4,426,469,682	$4,940,348,217	$5,246,669,793	$5,439,646,381
Investment income	516,386,930	479,945,573	444,192,524	424,581,046	426,691,439
Net gain from operations from Separate Accounts	0	0	564	0	0
Commissions and reserve adjustments on reinsurance ceded	60,476,456	(53,472,695)	53,548,248	57,802,932	46,461,567
Miscellaneous income	161,105,113	263,809,241	181,879,223	210,220,183	246,500,433
Total income	$5,883,246,873	$5,116,751,801	$5,619,968,776	$5,939,273,954	$6,159,299,820
Benefit payments	$3,462,065,385	$3,930,728,740	$4,249,776,395	$4,482,446,548	$5,723,205,419
Increase in reserves	(144,794,615)	(184,490,009)	(181,895,683)	(345,302,451)	(148,511,151)
Commissions	144,196,449	152,964,066	161,079,107	160,837,501	183,812,879
General expenses and taxes	131,570,048	161,606,503	130,407,973	133,361,475	162,575,979
Increase in loading on deferred and uncollected premiums	129,958	(190,462)	(115,954)	(195,148)	(112,715)
Net transfers to (from) separate accounts	2,077,696,441	1,143,898,034	942,929,786	1,194,030,792	101,562,856
Miscellaneous deductions	17,964,741	91,221,866	17,697,821	5,903,527	6,235,814
Total deductions	$5,688,828,407	$5,295,738,738	$5,319,879,445	$5,631,082,244	$6,028,769,081
Net gain (loss) from operations	$ 194,418,466	$ (178,986,937)	$ 300,089,331	$ 308,191,710	$ 130,530,739
Federal and foreign income taxes incurred	58,571,103	44,788,958	110,929,629	14,156,661	73,027,350

	2010	2011	2012	2013*	2014
Net gain (loss) from operations before net realized capital gains	$ 135,847,363	$ (223,775,895)	$ 189,159,702	$ 294,035,049	$ 57,503,389
Net realized capital gains (losses)	(65,498,822)	(43,004,487)	8,817,119	(67,891,828)	(33,574,164)
Net income	$ 70,348,541	$ (266,780,382)	$ 197,976,821	$ 226,143,221	$ 23,929,225

*Note: The amounts reported in the 2013 annual statement are different from the prior year amounts reported in the 2014 annual statement. The 2013 amounts were restated to reflect the merger of Transamerica Advisors Life Insurance Company of New York into the Company. The merger was effective July 1, 2014.

The fluctuations in commissions and reserve adjustments on reinsurance ceded of $113.9 million from 2010 to 2011, was primarily attributed to divestiture of the TARe operations in 2011. The Company, in years 2011, 2012, and 2013, recaptured, ceded, and/or novated business associated with the divested operations. The TARe divestiture was also the primary driver of the decrease in miscellaneous income of $102.7 million between 2010 and 2011. General expenses increased by $30 million in 2011 due to the closing costs involved in the TARe divestiture. Net transfers to Separate Accounts decreased by $933.8 million between 2010 and 2011 primarily because of an increase in transfers from Separate Accounts from the retirement plans block of business due to higher surrenders and lower deposits. The changes in miscellaneous deductions from 2010 to 2011, was primarily attributed to the TARe divestiture, as it resulted in fluctuations in experience refunds between those years.

Between 2011 and 2012, net transfers to (from) Separate Accounts decreased by $201.0 million due, primarily, to a decline in transfers to Separate Accounts from the retirement plans block of business. Miscellaneous deductions decreased $73.5 million due to the decrease in experience refunds, which resulted from the disposition of TARe.

Between 2012 and 2013, reserves decreased by $163.4 million due to lower deposits and an increase in surrenders on retirement plans from the prior year. Net transfers to separate accounts changed $251.1 million. This change was due to an increase in separate account variable annuity production over the previous year.

Between 2013 and 2014, the change in "increase in reserves" of ($196.8) million was due to less reserves being released in 2014 than in 2013 as a result of the lower interest rate environment and lower equity market returns. Also, an additional asset adequacy reserve was established on annuities in 2014. General expenses increased by $29.2 million from 2013 to 2014 as a result of restructuring costs due to location closure, higher third-party agreement revenue sharing, and employee costs that were carried by TLIC in 2013 being transferred to TFLIC from the retirement plans business unit.

E. Capital and Surplus Account

	2010	2011	2012	2013*	2014
Capital and surplus, December 31, prior year	$ 911,626,654	$ 794,667,488	$692,140,717	$836,015,198	$ 1,027,626,231*
Net income	$ 70,348,541	$(266,780,382)	$197,976,821	$226,143,221	$ 23,929,225
Change in net unrealized capital gains (losses)	4,775,440	48,800,722	(47,416,527)	(44,446,686)	41,843,572
Change in net unrealized foreign exchange capital gain (loss)	(2,106)	(792,779)	770,666	527	35,549
Change in net deferred income tax	24,065,213	(7,754,129)	(12,127,822)	(40,501,343)	42,825,276
Change in non-admitted assets and related items	6,558,824	19,987,947	4,231,915	(10,951,040)	(44,909,951)
Change in liability for reinsurance in unauthorized companies	2,310,992	600,700	288,463	29,990	1
Change in reserve valuation basis	(3,000,691)	519,569	0	0	581,949
Change in asset valuation reserve	(21,128,645)	1,913,672	(16,152,175)	(11,971,247)	24,044,674
Surplus (contributed to), withdrawn from Separate Accounts during period	(7,843,973)	965,256	(152,270)	(1,000)	0
Other changes in surplus in Separate Accounts statement	(484,055)	(859,846)	(55,123)	1,786	381
Cumulative effect of changes in accounting principles	600,956	0	0	0	0
Surplus adjustments:					
Change in surplus as a result of reinsurance	(995,322)	400,760,217	36,456,085	(14,663,855)	(8,280,765)
Dividends to stockholders	(200,000,000)	(300,000,000)	0	0	(150,000,000)
Aggregate write ins for gains and losses in surplus	7,835,660	112,282	(19,945,552)	(5,079,320)	0

	2010	2011	2012	2013*	2014
Net change in capital and surplus for the year	$(116,959,166)	$(102,526,771)	$143,874,481	$ 98,561,033	$ (69,930,089)
Capital and surplus, December 31, current year	$ 794,667,488	$ 692,140,717	$836,015,198	$934,576,231	$ 957,696,663

*Note: The beginning balance shown reflects the merger of Transamerica Advisors Life Insurance Company of New York into the Company. The merger was effective July 1, 2014.

The fluctuations in the change in net unrealized capital gains (losses) from 2011 to 2014, was primarily driven by either gains or losses on derivatives. In 2011, variable annuity hedges gained due to falling rates (the 30 year swap rate fell 150 basis points). In 2012, the increase in interest rates during the year resulted in large unrealized losses on the variable annuity Rho hedge. In 2013, the change in net unrealized loss of $44.4 million was due primarily to low interest rate hedges generating a pretax unrealized loss of $67.6 million due to rising interest rates in 2013. The $41.8 million change in net unrealized capital gains was due primarily to low interest rate hedges generating pretax unrealized gains due to falling interest rates in 2014. The fluctuations in the change in net deferred income tax from 2011 to 2014 was largely attributed to timing differences related to the unrealized gains/losses on derivatives and reserving differences.

The fluctuations in the change in non-admitted assets from 2011 to 2014, was due largely to changes in non-admitted deferred tax assets. The change in surplus as a result of reinsurance of $400.8 million in 2011 was primarily due to the divesture of the TARe operations. The fluctuations in the changes in surplus from 2012 to 2014 resulted primarily from the amortization of deferred gains from the TARe divestiture.

7. ACTUARIAL STATEMENT OF SELF-SUPPORT AND SUPPORTING DEMONSTRATIONS

Section 4228(h) of the New York Insurance Law states, in part:

> "(h) No Company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . ."

The examiner conducted a review of the pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. This review included an examination of the required actuarial statements of self-support and the supporting demonstrations. The examiner requested statements and corresponding demonstrations for the Company's policy forms subject to Section 4228(h) of the New York Insurance Law. For two policy forms, with 246 policies issued, no signed and dated demonstrations of self-support could be located.

The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the date these various statements of self-support were signed.

In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated and finalized prior to the date of the statement of self-support. The Company also agreed that such demonstrations will be well organized, containing detailed narrative descriptions of the methodologies and material assumptions used such that another actuary can make a reasonable assessment of the analyses performed.

8. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

Section 51.5(c) of Department Regulation No. 60 states, in part:

> "Each agent shall. . .
> Where a replacement has occurred or likely to occur. . .
> (2) Notify the insurer whose policy or contract is being replaced and the insurer replacing the life insurance policy or annuity contract of the proposed replacement. Submit to the insurer whose policy or contract is being replaced a list of all life insurance policies or annuity contracts proposed to be replaced, as well as the policy or contract number for such policies or contracts, together with the proper authorization from the applicant, and request the information necessary to complete the "Disclosure Statement" with respect to the life insurance policy or annuity contract proposed to be replaced. . ."

Section 51.6(b) of Department Regulation No. 60 states, in part:

> "Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall. . .
>
> (2) Require with or as part of each application a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and proof of receipt by the applicant of the *"IMPORTANT* Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" and the completed "Disclosure Statement;"
>
> (3) Examine any proposal used, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the "Disclosure Statement", and ascertain that they are accurate and meet the requirements of the Insurance Law and this Part;

(4) Within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed 'Disclosure Statement' . . .

(7) Where the required forms are not received with the application, or if the forms do not meet the requirements of this Part or are not accurate, within ten days from the date of receipt of the application either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefor. In such cases, the insurer shall maintain any material used in the proposed sale, in accordance with the guidelines of Section 51.6(b)(6) herein . . .

(9) In the event the life insurance policy or annuity contract issued differs from the life insurance policy or annuity contract applied for, ensure that the requirements of this Part are met with respect to the information relating to the life insurance policy or annuity contract as issued, including but not limited to the revised "Disclosure Statement," any revised or additional sales material used and acknowledgement by the applicant of receipt of such revised material. . . ."

Section 51.7(b) of Department Regulation No. 60 states:

"No insurer, agent, broker, representative, officer, or employee of an insurer or any other licensee of this Department shall fail to comply with or engage in other practices that would prevent the orderly working of this Part in accomplishing its intended purpose in the protection of policyholders and contractholders. Any person failing to comply with this Part, or engaging in other practices that would prevent the orderly working of this Part, shall be subject to penalties under the Insurance Law of the State of New York, which may include, but shall not be limited to, monetary restitution, restoration of policies or contracts, removal of directors or officers, suspension or revocation of agent's, broker's or company's licenses and monetary fines. "

Section 243.2(b) of Department Regulation No. 152 states, in part:

"Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this part. A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to section 243.3(a) of this Part. A policy record shall include . . .

(iv) other information necessary for reconstructing the solicitation, rating, and underwriting of the contract or policy. . . .

> (8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review."

1. The examiner reviewed a sample of 40 life replacement transactions (20 external and 20 internal) of the 2,321 New York replacements that were processed during the examination period.

(a) In 5 out of 20 (25%) external replacements reviewed, the Disclosure Statement indicated that the values for the existing policies were completed by the insurer whose coverage was being replaced; however, a copy of the information obtained from the existing insurer(s), necessary to complete the Disclosure Statement, was not maintained in the policy record. This information is necessary in order for the Company to examine and ascertain that Disclosure Statements completed by its agents and submitted with applications during the examination period were accurate. The examiner was unable to determine the accuracy of the information for the existing insurance contained in the Disclosure Statement. Without a copy of the information provided by the existing insurer, it is unlikely that the Company was able to determine the accuracy of the information reported on the Disclosure Statement for the existing policy(ies) or contract(s). Also, the examiner was unable to determine when the information was requested and received from the replaced insurer.

In 4 additional external replacements reviewed, the agent used approximations to complete the Disclosure Statement for the values shown for the existing policy. However, there was no documentation in the file supporting the approximations used by the agent neither was there any evidence that the insurer whose coverage was being replaced failed to provide the required information in the prescribed time. The Company failed to determine that the agent waited the mandatory waiting period allowing the replaced insurer sufficient time to provide the information necessary to complete the Disclosure Statement for the existing insurance or contract in these 4 instances. The Company failed to collect, and review documentation from the agent that supported the values shown in the Disclosure Statement for the existing policy. Without a copy of the agent authorization form and documentation used to approximate the values shown in the Disclosure Statement for the existing insurance, neither the examiner nor the Company would be able to determine that the information provided to the applicant is accurate or ascertain a timeline as to the initiation of the replacement process.

The appropriate timing of the events and the receipt of replacement documentation, which occur prior to the ultimate replacement of a policy, are crucial to the assurance that an applicant was able to make an informed decision prior to their signing an application. The instances noted in the preceding paragraphs indicate that the Company did not conform to the proper sequence of events.

The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine and ascertain that the Disclosure Statement used in the sale of the proposed Company policy or annuity contract was accurate and met the requirements of the Insurance Law and Department Regulation No. 60.

The Company violated Section 51.6(b)(7) of Department Regulation No. 60, because in the cases the forms did not meet the requirements of the Regulation or were not accurate, the Company failed to, within ten days from the date of receipt of the application, either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefore.

The Company violated Section 51.7(b) of Department Regulation No. 60 when it failed to comply with the orderly working of this Part in accomplishing its intended purpose in the protection of policyholders and contractholders.

The Company violated Section 243.2(b)(1)and 243.2(b)(1)(iv) of Department Regulation No. 152 by failing to maintain a copy of the information used to complete the Disclosure Statement for the replaced policy and in its policy record, evidence to support the date the Authorization was sent to the replaced company so that the examiner could reconstruct the solicitation, rating, and underwriting of the contract or policy.

The examiner recommends that the Company require its agents to have the applicants date the Authorization so the examiner can ascertain the initiation of the replacement process.

(b) In 4 out of 20 (20%) internal replacements reviewed, the examiner was unable to locate the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" ("Important Notice") and the completed Disclosure Statement in the policy files.

The Company violated Section 51.6(b)(2) of Department Regulation No. 60 by not requiring and maintaining proof of receipt by the applicant of the Important Notice and the completed Disclosure Statement.

The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to reject the application when the required forms were not received with the application.

(c) In 8 out of 40 (20%) replacements (3 external and 5 internal), the Company did not provide a revised disclosure statement in instances when the life insurance policy was issued other than as applied for.

The Company violated Section 51.6(b)(9) of Regulation No. 60 by failing to provide a revised Disclosure Statement to the applicant in instances where the life insurance policy issued differed from the life insurance policy applied for.

(d) In 4 out of 20 (20%) external replacements reviewed and in 3 out of 20 (15%) internal replacements reviewed, a copy of the agent authorization form was not maintained in the policy record.

The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain the agent authorization form as part of the policy record.

2. The examiner reviewed 20 external annuity replacement transactions of the 2,111 New York external replacements processed during the examination period. In 18 of the 20 (90%) external replacements reviewed, the examiner was unable to determine, based on the information contained in the policy files, that within 10 days of receipt of the application, a copy of any proposal, including sales material used in the replacement transactions, were furnished to the insurer whose coverage is being replaced. For each transaction, the examiner found a letter requesting a 1035 exchange, which did not indicate that the aforementioned information was enclosed.

The examiner recommends that the Company indicate in the 1035 exchange letter mailed to the replaced company for annuity replacement transactions that a copy of the proposal, including sales material used in the sale, and the completed Disclosure Statement are enclosed, in accordance with Section 51.6(b)(4) of Department Regulation No. 60.

B. Underwriting and Policy Forms

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

Section 3201of the New York Insurance Law states, in part:

> "(a). . .policy form" means any policy, contract, certificate, or evidence of insurance and any application thereof, or rider or endorsement thereto. . .
>
> (b)(1) No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law…"

In 6 out of 60 (10%) ordinary life insurance underwriting files reviewed, the Company utilized two accelerated death benefit disclosure forms that were not approved by the Superintendent prior to being used. Form ACC-DISCP-NY was used in the issuance of four policies in lieu of having the disclosures required by Section 3230(a) of the New York Insurance Law on the application for the life insurance policy or policy rider providing for accelerated payment of death benefits or a special surrender value. Form ACC-DISC NY 0312 was used in the issuance of two policies. The application form used in the issuance of these two policies indicates that the disclosure form is attached to and made part of the application. An accelerated death benefit disclosure form has to be filed with the Superintendent for review and approval in situations where it is being used in lieu of having the required disclosures on the application form and in situations where the application form states it is to be attached and therefore become a part of the application. During the examination period, the Company used policy form ACC-DISCP-NY to issue 9,747 policies and policy form ACC-DISC NY 0312 to issue 3,594 policies containing provisions for accelerated payment of death benefits.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with and approved by the Superintendent.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

1. Section 3203 of the New York Insurance Law states, in part:

> "(a) All life insurance policies, except as otherwise stated herein, delivered or issued for delivery in this state, shall contain in substance the following provisions which the superintendent deems to be more favorable to policyholders:
> (1) that, for policies in which the amount and frequency of premiums may vary, after payment of the first premium, the policyholder is entitled to a sixty-one day grace period, beginning on the day when the insurer determines that the policy's net cash surrender value is insufficient to pay the total charges necessary to keep the policy in force for one month from that day, within which to pay sufficient premium to keep the policy in force for three months from the date the insufficiency was determined. . ."

Department Circular Letter No. 21 (2008) advises, in part:

> "…Chapter 264 amended Insurance Law § 3203(a)(1) to require an individual flexible premium policy issued by an insurer to include a provision that entitles a policyholder to a 61-day grace period within which to pay sufficient premium to keep the policy in force for three months. The 61-day grace period begins on the day that the insurer determines that the policy's net cash surrender value is insufficient to keep the policy in force for one month from that date…
>
> A flexible premium policy or certificate form must provide for a 61-day grace period to satisfy the new law. . .
>
> Every insurer or fraternal benefit society must revise its policy or certificate forms accordingly, and file new policy or certificate forms with, and seek approval from, the Department. . ."

Section III.D.2(a) of the Group Universal Life Insurance Policies and Certificates Product Outline published on the Department's website states, in part:

> "Grace Period
> (a) For group policies and certificates in which the amount and frequency of premiums may vary, after payment of the first premium, the group policyholder is entitled to a sixty-one day grace period, beginning on the day when the insurer determines that the certificate's net cash surrender value is insufficient to pay the

> total charges necessary to keep the certificate in force for one month from that day, within which to pay sufficient premium to keep the certificate in force for three months from the date the insufficiency was determined. Section 3203(a)(1)."

The examiner reviewed a sample of 40 policies that had lapsed for non-payment of premiums during the examination period. The sample was selected from policies administered by four of the Company's business units, Direct Marketing Services (DMS), AEGON Financial Partners (AFP), Transamerica Employee Benefits (TEB), and Monumental Life (ML). The sample included 10 universal life policies (five individual policies and five group certificates) that were administered by TEB on its CyberLife 10.01 administrative system ("Cyberlife").

In four of the five (80%) individual universal life transactions reviewed that were administered on Cyberlife, the policy lapsed between 31 and 32 days after the notice regarding insufficient cash value was mailed to the policyholder.

The examiner reviewed policy forms FPILDUNY and FCWRAPUL used to issue the individual and group universal life policies administered on Cyberlife, respectively. Both policy forms contain a 31-day grace period provision and not a 61-day grace period provision as required by Section 3203(a)(1) of the New York Insurance Law. The Company did not revise the aforementioned individual universal life and group universal life certificate policy forms to provide for a 61-day grace period when the new law was promulgated as advised by Department Circular Letter No. 21 (2008).

The Company violated Section 3203(a)(1) of the New York Insurance Law by failing to provide universal life policyholders the required 61-day grace period within which to pay sufficient premium to keep the policy in force for three months.

The Company failed to follow the advice published in Department Circular Letter No. 21 (2008) as well as follow the instructions outlined in the Department's group universal life insurance product outline.

The examiner recommends that the Company revise all of its individual universal life insurance policies and group universal life insurance certificates to provide a 61-day grace period and file the revised policy and certificate forms with the Department.

2. Section 3211 of the New York Insurance Law states, in part:

> "(a)(1) No policy of life insurance or non-cancellable disability insurance delivered or issued for delivery in this state, and no life insurance certificate delivered or issued for delivery in this state by a fraternal benefit society, shall terminate or lapse by reason of default in payment of any premium, installment, or interest on any policy loan in less than one year after such default, unless, for scheduled premium policies, a notice shall have been duly mailed at least fifteen and not more than forty-five days prior to the day when such payment becomes due, or for life insurance policies in which the amount and frequency of premiums may vary, no earlier than and within thirty days after the day when the insurer determines that the net cash surrender value under the policy is insufficient to pay the total charges that are necessary to keep the policy in force. . .
> (b) The notice required by paragraph one of subsection (a) hereof shall:
> (1) be duly mailed to the last known address of the person insured, or if any other person shall have been designated in writing to receive such notice, then to such other person;
> (2) state the amount of such payment, the date when due, the place where and the person to whom it is payable; and shall also state that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit. . . ."

The examiner reviewed copies of the billing notices that were mailed to individual life policyholders during the examination period. The review revealed that lapse notices generated by three of the Company's administrative systems did not comply with Section 3211(b)(2) of the New York Insurance Law. Specifically, the lapse notices generated from the Company's CyberLife administrative system did not state the place where and the person to whom the payment is payable and that unless the payment is made on or before the date when due or within the specified grace period, thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit. The notices generated from the other two systems (LifePro 1.09 and TEB) did not state the place where and the person to whom the payment is payable. Research indicated that 14,213 policies lapsed during the examination period due to non-payment of premium and none of those policies were reinstated.

The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to send policyholders lapse notices that state the amount and date the payment is due, the place where and the person to whom it is payable, and that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.

The prior report on examination contained a similar violation. The notices reviewed in connection with the prior examination were generated from the Company's Future First administrative system. The examiner verified that the Company corrected the deficiencies in the notices generated from the impacted system; however, the Company did not review all of its administrative systems for possible deficiencies.

The examiner recommends that the Company review the lapse notices generated from all of its administrative systems and revise, where necessary, the notices to comply with Section 3211(b)(2) of the New York Insurance Law.

3. Section 403(d) of the New York Insurance Law states, in part:

> "(d) All applications . . . and all claim forms . . . shall contain a notice in a form approved by the superintendent that clearly states in substance the following:
>
> Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each violation."
>
> Section 86.4(d) of Department Regulation No. 95 states, in part:
>
> "Location of warning statements and type size. The warning statements required by subdivision (a), (b), and (e) of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form. . ."

The examiner reviewed a sample of 89 life and annuity death claims processed during the examination period.

(a) In 56 (63%) of the death claims reviewed, the Company failed to include the required fraud warning statement in the claim form used to processed the claims.

The Company violated Section 403(d) of the New York Insurance by failing to include the fraud warning statement as prescribed by such section.

(b) In 19 (21%) of the death claims reviewed, the claim form used to process the claims contained the required fraud warning statement; however, the fraud warning statement was not

placed above the signature of the person executing the claim form. pursuant to Section 86.4(d) of Department No. 95.

The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in the prior report and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 3207(b) of the New York Insurance Law when it issued policies on the life of minors that were in excess of the amounts allowed by law. The Company added programming to the administrative system involved that results in a "pending requirement" for insureds 15 years or younger. The policy cannot be issued until the requirement is removed by a Senior Underwriting who reviews the case for compliance with Section 3207(b) of the New York Insurance Law. The examiner's review did not reveal instances where the Company issued policies on the life of minors that were in excess of the amounts allowed by law.
B	The examiner recommended that the Company establish and communicate appropriate procedures to its underwriting staff, and implement controls to ensure that policies are not issued in excess of the amounts allowed by the New York Insurance Law. The Company added programming to the administrative system involved that results in a "pending requirement" for insureds 15 years or younger. The policy cannot be issued until the requirement is removed by a Senior Underwriting who reviews the case for compliance with Section 3207(b) of the New York Insurance Law.
C	The Company violated Sections 58.1(d)(6) and (8) of Department Regulation No. 193 by failing to obtain a copy of the application or supplemental form, signed by the applicant and acknowledged by the issuer, when it took applications for Medicare Supplement insurance on a direct response basis over the phone. The Company adhered to the Department's directive to cease pursuing and accepting telephonic applications for Medicare Supplement insurance until its application process was in compliance with the New York Insurance Law. Subsequently, the Company made the required filing with the Department.

Item	Description
D	The Company violated Section 3201(b)(1) of the New York Insurance Law by using a policy form that had not been filed with and approved by the Department. The Company adhered to the Department's directive to cease pursuing and accepting telephonic applications for Medicare Supplement insurance until its application process was in compliance with the New York Insurance Law. Subsequently, the Company made the required filing with the Department.
E	Comment: The Department directed the Company to cease pursuing and accepting telephonic applications for Medicare Supplement insurance until its application process is in compliance with New York Insurance Law. The Company adhered to the Department's directive to cease pursuing and accepting telephonic applications for Medicare Supplement insurance until its application process was in compliance with the New York Insurance Law. Subsequently, the Company made the required filing with the Department.
F	The Company violated Section 3230(a)(1) and (2) of the New York Insurance Law by using a disclosure form that did not contain the notice that receipt of accelerated death benefits may affect eligibility for public assistance programs and may be taxable nor disclosure of the amount of any additional premium associated with the accelerated payment or, if there is no separately identifiable premium, whether a discount is associated with acceleration. The Company revised the disclosure form to include the information required by Section 3230(a)(1) and (2). The examiner's review did not reveal any instances of the Company not including the required disclosure language in its disclosure forms.

Item	Description
G	The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to send to policyholders lapse notices that state the amount and date the payment is due, the place where and the person to whom it is payable, and that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit. The Company implemented system programming changes so that lapse notices generated by the Future First administrative system contain the required disclosure language and comply with Section 3211(b)(2) of the New York Insurance Law. The examiner's review verified that the Company corrected the deficiencies in the notices generated from the impacted system; however, the Company did not review lapse notices generated from its other administrative systems for compliance with Section 3211(b)(2) of the New York Insurance Law. Therefore, a similar violation appears in the current report. (See item 8C of this report)
H	The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner. The Company completed a project to mail notices to existing customers on April 15, 2011. The impacted business units implemented changes to administrative systems in 2011 to include the annual notices going forward. The examiners review indicated that the notices were mailed to policyowners as required.
I	The Company violated Section 420.5(a)(1) of Department Regulation No. 169 by not providing privacy notices to the policy/certificate holders of a closed block of business at least annually since 2001. The Company completed a project to mail notices to all impacted policy/certificate holders on July 14, 2010, and has implemented system changes to produce the annual privacy notices on the policy/certificate anniversary going forward. The examiner's review of the Company's privacy practices did not reveal any instances where the Company failed to mail privacy notices as required by Department Regulation No. 169.

10. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	Effective July 1, 2014, Transamerica Advisors Life Insurance Company of New York, an affiliated New York-domiciled life insurer, merged into the Company.	5
B	On April 26, 2011, AEGON N.V., the Company's indirect parent, announced the disposition of its life reinsurance operations, Transamerica Reinsurance to SCOR SE. As a result of the transaction the Company, in years 2011, 2012, and 2013, recaptured, ceded, and/or novated business associated with the divested operations that were previously retroceded on a coinsurance basis to some affiliates and non-affiliates	16
C	The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the date these various statements of self-support were signed.	29
D	The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine and ascertain that the information included in the Disclosure Statement was accurate.	33
E	The Company violated Section 51.6(b)(7) of Department Regulation No. 60, because in the cases the forms did not meet the requirements of the Regulation or were not accurate, the Company failed to, within ten days from the date of receipt of the application, either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefore.	33
F	The Company violated Section 51.7(b) of Department Regulation No. 60 when it failed to comply with the orderly working of this Part in accomplishing its intended purpose in the protection of policyholders and contractholders.	33

Item	Description	Page No(s).
G	The Company violated Section 243.2(b)(1)and 243.2(b)(1)(iv) of Department Regulation No. 152 by failing to maintain a copy of the information used to complete the Disclosure Statement for the replaced policy and in its policy record, evidence to support the date the Authorization was sent to the replaced company so that the examiner could reconstruct the solicitation, rating, and underwriting of the contract or policy.	33
H	The examiner recommends that the Company require its agents to have the applicants date the Authorization so the examiner can ascertain the initiation of the replacement process.	33
I	The Company violated Section 51.6(b)(2) of Department Regulation No. 60 by not requiring and maintaining proof of receipt by the applicant of the Important Notice and the completed Disclosure Statement.	33
J	The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to reject the application when the required forms were not received with the application.	34
K	The Company violated Section 51.6(b)(9) of Regulation No. 60 by failing to provide a revised Disclosure Statement to the applicant in instances where the life insurance policy issued differed from the life insurance policy applied for.	34
L	The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain the agent authorization form as part of the policy record.	34
M	The examiner recommends that the Company indicate in the letter to the replaced company for its annuity replacements that a copy of any proposal, including sales material used in the sale, and the completed Disclosure Statement are enclosed, in accordance with Section 51.6(b)(4) of Department Regulation No. 60.	34
N	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with and approved by the Superintendent.	35

Item	Description	Page No(s).
O	The Company violated Section 3203(a)(1) of the New York Insurance Law by failing to provide individual universal life policyholders the required 61-day grace period within which to pay sufficient premium to the keep policy in force for three months.	37
P	The Company failed to follow the advice published in Department Circular Letter No. 21 (2008) as well as follow the instructions outlined in the Department's group universal life insurance product outline.	37
Q	The examiner recommends that the Company revise all of its individual universal life insurance policies and group universal life insurance certificates to provide a 61-day grace period and file the revised policy and certificate forms with the Department.	37
R	The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to send policyholders lapse notices that state the amount and date the payment is due, the place where and the person to whom it is payable, and that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.. A similar violation was contained in the prior report.	38
S	The examiner recommends that the Company review the lapse notices generated from all of its administrative systems and revise, where necessary, the notices to comply with Section 3211(b)(2) of the New York Insurance Law.	39
T	The Company violated Section 403(d) of the New York Insurance by failing to include the fraud warning statement as prescribed by such section.	39
U	The Company violated Section 86.4(d) of Regulation No. 95 by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim form.	40

Respectfully submitted,

/s/

Jerry Ehlers, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.

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

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

/s/

Jerry Ehlers

Subscribed and sworn to before me

this_____ day of _____

Respectfully submitted,

/s/
Courtney Williams
Principal Insurance Examiner

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

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

/s/
Courtney Williams

Subscribed and sworn to before me

this_____ day of _____

APPOINTMENT NO. 31483

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **MARIA T. VULLO**, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

JERRY EHLERS
(NOBLE CONSULTING SERVICES, INC.)

as a proper person to examine the affairs of the

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

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

this 20th day of May, 2016

MARIA T. VULLO
Acting Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

APPOINTMENT NO. 31291

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

COURTNEY WILLIAMS

as a proper person to examine the affairs of the

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

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

this 18th day of May, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU