

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
CHASE LIFE & ANNUITY COMPANY OF NEW YORK
AS OF
DECEMBER 31, 2003

DATE OF REPORT:

JANUARY 5, 2005

EXAMINER:

JOHN T. RAFFA

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

January 5, 2005

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22230, dated May 19, 2004 and annexed hereto, an examination has been made into the condition and affairs of Chase Life & Annuity Company of New York, hereinafter referred to as "the Company," at its home office located at One Chase Plaza, 23rd Floor, New York, New York 10005-1489.

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 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, 2003 filed annual statement. (See item 5 of this report)

The examiner's review of the Company's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Company. (See item 6 of this report)

2. SCOPE OF EXAMINATION

This is the first regular examination of the Company. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003 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, 2003 to determine whether the Company's 2003 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
- Officers' and employees' welfare and pension plans
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- Mortality and loss experience
- Accounts and records
- Financial statements

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

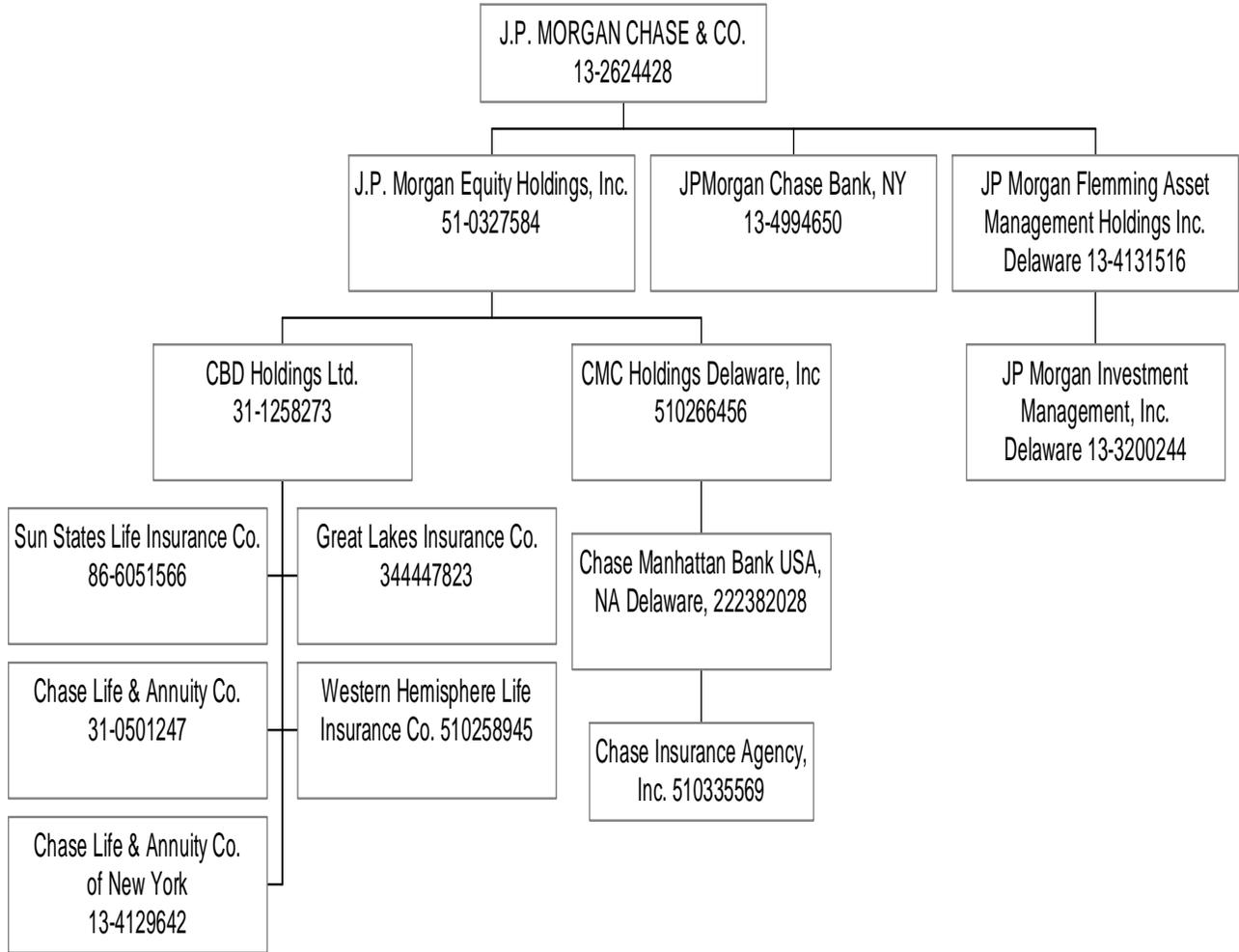
A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on May 19, 1998, as the Lenox Life Insurance Company. The Company changed its name to Chase Life & Annuity Company of New York (“CLACNY”) on April 7th, 2000. The Company was licensed on August 31, 2000, however the Company did not start writing business until 2002. 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. The Company also received surplus contributions in 2000, 2001, 2002 and 2003 of \$400,000, \$41,000,000, \$55,000,000 and \$15,000,000, respectively. Changes in capital and surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of \$2,000,000 and \$115,400,000, respectively, as of December 31, 2003.

B. Holding Company

The Company is a wholly owned subsidiary of CBD Holdings Ltd., a Delaware insurance holding company. CBD Holdings Ltd. is in turn a wholly owned subsidiary of J.P. Morgan Equity Holdings, Inc., a Delaware holding company. The ultimate parent of the Company is J.P. Morgan Chase & Company, a Delaware holding company. On July 1, 2004, subsequent to the examination period, Bank One Corporation merged into J.P. Morgan Chase & Company.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2003 follows:



The Company had 4 service agreements in effect during the examination period.

Type of Agreement and Department. File Number.	Effective Date of agreement	Providers of Services	Recipient of Services	Specific Services Covered	Income/(Expense)* For Each Year of the Examination
Investment Services 27080A	7/13/00	JP Morgan Investment Management Inc.	The Company	Investment Management Services	2001 \$ (8,226) 2002 \$ (164,518) 2003 \$ (980,676)
Management Services 27080A	7/13/00	Chase Insurance Agency, Inc.	The Company	Management & Clerical Services	2001 \$(1,033,429) 2002 \$(1,330,725) 2003 \$(1,693,564)
Banking Services 27080A	7/13/00	JPMorgan Chase Bank, NY	The Company	Custody and cash management services	2001 \$ (699) 2002 \$ (53,030) 2003 \$ (276,198)
Agency Services 29214	5/21/01	Chase Insurance Agency, Inc.	The Company	General agency services	2002 \$(24,502,207) 2003 \$(23,287,996)

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

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 21 directors. Directors are elected for a period of 1 year at the annual meeting of the stockholders held in May of each year. As of December 31, 2003, the board of directors consisted of 9 members. Meetings of the board are held quarterly.

The 9 board members and their principal business affiliation, as of December 31, 2003, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Robert B. Adams* Summit, NJ	Attorney Kelley, Drye and Warren, LLP	2000
Theodore S. Francavilla New Rochelle, NY	Senior Vice President JPMorgan Chase Bank, NY	2000
Barbara A. Osofsky* Ogden, UT	Retired	2000
Kwan Wah Lee New York, NY	Treasurer Chase Life & Annuity Company of New York	2001
Arthur T. Guja Massapequa, NY	Secretary Chase Life & Annuity Company of New York	2000
Paul G. Petrylak New York, NY	President Chase Life & Annuity Company of New York	2000
Stephen D. Foster* Little Rock, AR	Attorney Mitchell, Williams, Selig, Gates and Woodyard	2001
Stephen R. Herbert* Pound Ridge, NY	Attorney Locke and Herbert	2000
Joseph D. Picarello Lawrenceville, NJ	Vice President Chase Life & Annuity Company of New York	2000

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

In September 2004, Jamie L. Riesterer replaced Kwan Wah Lee as board member.

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, 2003:

<u>Name</u>	<u>Title</u>
Paul G. Petrylak	President
Kwan Wah Lee	Treasurer
Arthur T. Guja	Secretary
Asha Bhide Cryan	Actuary
Thomas F. Grillo *	Vice President

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

In February 2004, Bernard A. Mackara replaced Thomas F. Grillo, as Consumer Services Officer. In September 2004, Jamie L. Riesterer replaced Kwan Wah Lee as Treasurer.

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 currently writes only one fixed annuity product.

The Company is licensed to transact business in one state, namely New York. In 2003, all annuity considerations were received from New York. Policies are written on a non-participating basis.

The Company's agency operations are conducted on a general agency basis. The Company primarily markets its fixed annuity product through bank branches of JPMorgan Chase Bank, NY ("the Bank"). The Company distributes its annuity product solely through Chase Insurance Agency, Inc ("CIA"). CIA licenses and appoints personal financial advisors of its affiliates, Chase Investment Services Corporation ("CISC") and the Bank as sub-agents for the sale of the Company's fixed annuity product. There are about 290 personal financial advisors, who are physically located within the retail branches of the Bank and they accounted for approximately 80% of total sales of the Company's fixed annuity product during the examination period. The Company also distributed its annuity product through licensed bank employees at the retail branches of the Bank. These employees numbered approximately 1025 and 1360 in

2002 and 2003, respectively, and were responsible for approximately 20% of total sales of the Company's fixed annuity product during the examination period.

Effective December 5, 2001, the Company appointed Delaware Valley Financial Services, Inc., ("DVFS"), a third party administrator, as the exclusive administrator of the Company's fixed annuity product. DVFS is responsible for premium processing, underwriting, policy issue, customer services, and processing annuity benefits.

E. Reinsurance

As of December 31, 2003, the Company had no ceded or assumed reinsurance in effect with any company.

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, <u>2000</u>	December 31, <u>2003</u>	Increase (Decrease)
Admitted assets	<u>\$6,587,133</u>	<u>\$894,191,660</u>	<u>\$887,604,527</u>
Liabilities	<u>\$ 95,724</u>	<u>\$800,298,505</u>	<u>\$800,202,781</u>
Common capital stock	\$2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	4,400,000	115,400,000	111,000,000
Unassigned funds (surplus)	<u>91,409</u>	<u>(23,506,845)</u>	<u>(23,598,254)</u>
Total capital and surplus	<u>\$6,491,409</u>	<u>\$ 93,893,155</u>	<u>\$ 87,401,746</u>
Total liabilities, capital and surplus	<u>\$6,587,133</u>	<u>\$894,191,660</u>	<u>\$887,604,527</u>

The Company's access to the Bank's extensive branch office distribution network has enabled the Company to generate significant annuity considerations, fueling large asset and liability increases in a relatively short period of time.

The Company's invested assets as of December 31, 2003 were comprised of bonds (89.3%) and cash and short-term investments (10.7%). The majority (92%) of the Company's bond portfolio, as of December 31, 2003, was comprised of investment grade obligations.

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

	<u>Ordinary Annuities</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Outstanding, end of previous year	0	0	10,275
Issued during the year	0	10,620	12,898
Other net changes during the year	<u>0</u>	<u>(345)</u>	<u>(849)</u>
Outstanding, end of current year	<u>0</u>	<u>10,275</u>	<u>22,324</u>

The following is the net gain (loss) from operations for the individual annuity 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:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Individual annuities	<u>\$(371,282)</u>	<u>\$(24,195,173)</u>	<u>\$(4,215,663)</u>

The Company recorded a net loss of \$24,195,173 during the year 2002 due primarily to the impact of new business strain including start-up expenses as well as marketing and distribution costs (i.e., general agency commissions), associated with the sale of its fixed annuity product. As a new company offering a single product, the Company did not have earnings from other product lines to help offset this start-up loss. In September 2003, the Company reduced its general agency commission rate structure to one that resulted in an average commission rate of about 4%, compared with the previous rate structure which averaged around 6%. The reduction in the commission rates combined with favorable investment income, enabled the Company to reduce its 2003 net loss to \$4,215,663.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2003, as contained in the Company's 2003 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, 2003 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS

AS OF DECEMBER 31, 2003

Admitted Assets

Bonds	\$797,671,749
Cash and short term investments	85,374,213
Investment income due and accrued	9,334,504
Net deferred tax asset	<u>1,811,194</u>
 Total admitted assets	 <u>\$894,191,660</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$793,319,063
Policy and contract liabilities:	
Interest maintenance reserve	1,531,345
General expenses due or accrued	175,795
Taxes, licenses and fees due or accrued	1,255,000
Federal and foreign income taxes	15,587
Remittances and items not allocated	432,017
Miscellaneous liabilities:	
Asset valuation reserve	2,702,281
Payable to parent, subsidiaries and affiliates	839,252
Miscellaneous payable	<u>28,165</u>
 Total liabilities	 <u>\$800,298,505</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	115,400,000
Unassigned funds (surplus)	<u>(23,506,845)</u>
 Total capital and surplus	 <u>\$ 93,893,155</u>
 Total liabilities, capital and surplus	 <u>\$894,191,660</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Premiums and considerations	\$ 0	\$402,787,002	\$416,102,868
Investment income	465,364	6,935,083	32,909,589
Miscellaneous income	<u>0</u>	<u>89,241</u>	<u>710,044</u>
Total income	\$ <u>465,364</u>	\$ <u>409,811,331</u>	\$ <u>449,722,501</u>
Benefit payments	\$ 0	\$ 6,317,841	\$ 31,716,361
Increase in reserves	0	401,187,297	392,131,766
Commissions	0	24,505,207	23,287,996
General expenses and taxes	<u>1,036,565</u>	<u>3,253,767</u>	<u>6,738,618</u>
Total deductions	\$ <u>1,036,565</u>	\$ <u>435,264,112</u>	\$ <u>453,874,741</u>
Net gain (loss)	\$ (571,201)	\$ (25,452,780)	\$ (4,152,240)
Federal and foreign income taxes incurred	<u>(199,920)</u>	<u>(1,257,607)</u>	<u>63,423</u>
Net gain (loss) from operations before net realized capital gains	\$ (371,282)	\$ (24,195,173)	\$ (4,215,663)
Net realized capital gains (losses)	<u>0</u>	<u>2,843,068</u>	<u>3,231,883</u>
Net income	\$ <u>(371,282)</u>	\$ <u>(21,352,105)</u>	\$ <u>(983,780)</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Capital and surplus, December 31, prior year	\$ <u>6,491,409</u>	\$ <u>47,118,730</u>	\$ <u>82,402,705</u>
Net income	\$ (371,202)	\$(21,352,105)	\$ (983,780)
Change in net unrealized capital gains (losses)	0	2,337,186	(1,519,171)
Change in net unrealized foreign exchange capital gain (loss)	0	6,916,639	(340,383)
Change in non-admitted assets and related items	0	(6,112,776)	529,699
Change in asset valuation reserve	(1,397)	(1,504,969)	(1,195,915)
Capital changes: Paid in	<u>41,000,000</u>	<u>55,000,000</u>	<u>15,000,000</u>
Net change in capital and surplus	<u>\$40,627,321</u>	<u>\$ 35,283,975</u>	<u>\$11,490,450</u>
Capital and surplus, December 31, current year	<u>\$47,188,730</u>	<u>\$ 82,402,705</u>	<u>\$93,893,155</u>

6. 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.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

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

Based upon the sample reviewed, no significant findings were noted.

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.

Based upon the sample reviewed, no significant findings were noted.

APPOINTMENT NO. 22230

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

JOHN RAFFA

as a proper person to examine into the affairs of the

CHASE LIFE & ANNUITY COMPANY OF NEW YORK

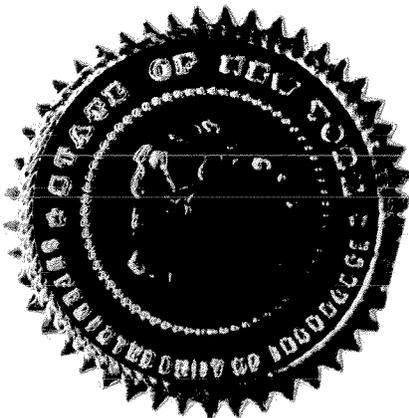
and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he 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 19th day of May, 2004



GREGORY V. SERIO

Superintendent of Insurance

[Handwritten Signature]
Superintendent