STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

CANADA LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2000

DATE OF REPORT: MARCH 1, 2002

EXAMINER: JO'CATENA HARGROVE

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

March 1, 2002

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

Sir:

In accordance with instructions contained in Appointment No. 21772 dated September 10, 2001 and annexed hereto, an examination has been made into the condition and affairs of Canada Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 410 Saw Mill River Road, Ardsley, New York 10502.

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

In 1999, Canada Life Financial Corporation ("CLFC") acquired control of Canada Life Assurance Company ("CLACO") and its subsidiaries. CLFC was established to convert CLACO from a mutual life insurance company to a stock life insurance company. (See item 3A of this report)

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, 2000 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)

The examiner recommends that the derivatives documentation and management reports be improved. The examiner also recommends that the Company take steps to ensure that regulatory limitations are understood and made known to appropriate personnel and that the Company establish adequate controls to monitor regulatory limits.

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. This examination covers the period from January 1, 1998 through December 31, 2000. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2000 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, 2000 to determine whether the Company's 2000 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
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations contained in the prior report on examination. The results of the examiner's review are contained in item 8 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

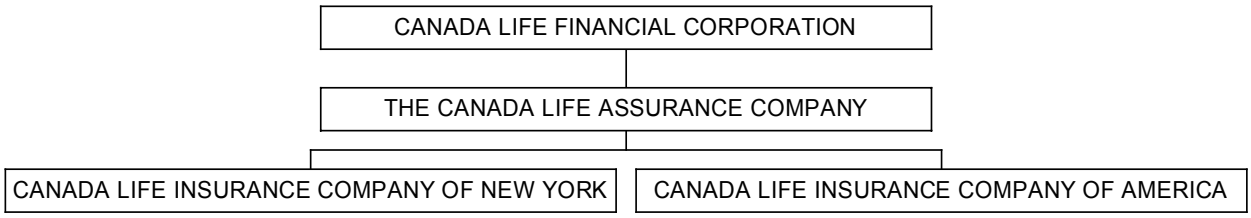
The Company was incorporated as a stock life insurance company under the laws of New York on June 7, 1971, was licensed on December 14, 1971 and commenced business on January 1, 1972. Initial resources of $3,000,000, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $2,000,000, were provided through the sale of 100,000 shares of common stock (with a par value of $10 each) for $30 per share by CLACO, a Canadian mutual insurance company. In 1972, CLACO made an additional investment in the Company through a cash contribution in the amount of $850,000.

In 1999, CLFC acquired control of CLACO and its subsidiaries. CLFC was established to convert CLACO from a mutual life insurance company to a stock life insurance company.

B. Holding Company

The Company is a wholly owned subsidiary of CLACO, a Canadian insurance company. CLACO is in turn a wholly owned subsidiary of CLFC, a holding company domiciled in Toronto, Ontario, Canada, which is also the Company's ultimate parent.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2000 follows:



The Company had 3 service agreements in effect as of December 31, 2000.

Under one agreement, the Company receives investment advisory services from CLACO. Under the second agreement the Company is provided administrative, marketing, policy issue, actuarial, and policyholder service functions from Canada Life Insurance Company of America (CLICA). Under the third agreement, the Company services a closed block of CLACO policies issued prior to the formation of 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 one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2000, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2000, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Ronald E. Beettam Atlanta, GA	Chairman Canada Life Insurance Company of America	1998
Christopher T. Greene, Esq.* Buffalo, NY	Partner Damon & Morey	1989
Alfred F. Kelly, CLU* Tuckahoe, NY	Retired	1971
Kenneth T. Ledwos Marietta, GA	Chief Actuary Canada Life Insurance Company of New York	2000
D. Allen Loney* Toronto, Canada	Retired	1987
Paul R. McCadam Mahwah, NJ	President & Chief Operating Officer Canada Life Insurance Company of New York	1999

Name and Residence	Principal Business Affiliation	Year First Elected
William B. Morris* New York, NY	Retired	1976
Harry Van Benschoten* Naples, FL	Retired	1986
Alan R. Wentzel* Bronxville, NY	Partner Windels, Marx, Lane & Mittendorf, LLP	1997

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

In March, 2001, D. Allen Loney resigned from the board and was replaced by Henry A. Rachfalowski.

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, 2000:

Name	Title
Paul R. McCadam	President & Chief Operating Officer
Thomas C. Scott	Financial Vice President
Henry A. Rachfalowski	Treasurer
Craig R. Edwards	Secretary
Kenneth T. Ledwos	Chief Actuary
Cheryl McGinness*	Administrative Officer

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

D. Territory and Plan of Operation

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

The Company is licensed to transact business in New York State exclusively. Policies are written on both a participating and non-participating basis.

The Company markets whole life, universal and term life as well as annuities.

The Company's agency operations are conducted on a general agency basis.

E. Reinsurance

As of December 31, 2000, the Company had two reinsurance treaties in effect with CLACO. All individual life insurance (excluding flexible premium adjustable life) underwritten by the Company in excess of its retention limit is ceded under a coinsurance treaty. The flexible premium adjustable life policies are ceded under a YRT treaty. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $150,000. The total face amount of life insurance ceded as of December 31, 2000, was $860,838,049, which represents 64% of the total face amount of life insurance in force.

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 during the period under review:

	December 31, 1997	December 31, 2000	Increase (Decrease)
Admitted assets	$282,472,227	$298,487,286	$16,015,059
Liabilities	$267,123,255	$277,676,424	$10,553,169
Common capital stock	$ 1,000,000	$ 1,000,000	$ 0
Gross paid in and contributed surplus	2,850,000	2,850,000	0
Group contingency reserve	11,068	0	(11,068)
Unassigned funds (surplus)	11,487,904	16,960,862	5,472,958
Total capital and surplus	$ 15,348,972	$ 20,810,862	$ 5,461,890
Total liabilities, capital and surplus	$282,472,227	$298,487,286	$16,015,059

The Company's invested assets as of December 31, 2000, exclusive of separate accounts, were mainly comprised of bonds (54%) and mortgage loans (33%).

The majority (95.7%) of the Company's bond portfolio, as of December 31, 2000, was comprised of investment grade obligations.

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:

	1998	1999	2000
Ordinary:			
Life insurance	$ 207,970	$(1,968,088)	$(841,587)
Individual annuities	474,146	786,691	666,216
Supplementary contracts	4,854	1,431	278,311
Total ordinary	$ 686,970	$(1,179,966)	$ 102,940
Group:			
Life	$ 5,301	$ (23,676)	$ (36,635)
Annuities	326,630	294,838	145,671
Total group	$ 331,931	$ 271,162	$ 109,036
Accident and health:			
Group	$ (6,740)	$ 32,714	$ (12,737)
Other	7,840	(1,770)	(114,912)
Total accident and health	$ 1,100	$ 30,944	$(127,649)
All other lines	$ 435,207	$ 1,114,814	$ 649,884
Total	$1,455,208	$ 236,954	$ 734,211

The losses on the ordinary life line of business in 2000 are due to the first year commissions and expenses associated with new product introductions. In 1999, the individual life line was negatively impacted by a $1.7 million pre-tax adjustment related to the replacement of the reinsurance administration system and an increase in general expenses. Group life and accident and health are very small lines of business and any change in reserves or a few large claims can cause a loss in a given year.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2000, as contained in the Company's 2000 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, 2000 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2000

Admitted Assets

Bonds	$149,734,281
Common stocks	12,509,368
Mortgage loans	
First liens	93,165,326
Policy loans	12,284,389
Cash and short term investments	5,248,175
Receivable for securities	971,115
Margin deposits and deferred future gains	260,115
Investment settlement pending	944
Life insurance premiums and annuity considerations deferred and uncollected on in force business	2,321,823
Accident and health premiums due and unpaid	1,414
Investment income due and accrued	3,529,849
From Separate Accounts statement	18,460,487
Total admitted assets	$298,487,286

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$242,427,453
Aggregate reserve for accident and health policies	218,980
Supplementary contracts without life contingencies	440,135
Policy and contract claims:	
Life	824,977
Accident and health	519
Policyholders' dividend and coupon accumulations	2,417,933
Policyholders' dividends and coupons due and unpaid	76,785
Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:	
Dividends apportioned for payment	2,400,000
Liability for premium and other deposit funds	
Policyholder premiums	179,943
Policy and contract liabilities:	
Surrender values on canceled policies	179,270
Other amounts payable on reinsurance assumed	2,140
Interest maintenance reserve	1,087,255
Commissions to agents due or accrued	89,022
General expenses due or accrued	663,827
Transfers to Separate Accounts due or accrued	(308,000)
Taxes, licenses and fees due or accrued	231,239
Federal income taxes due or accrued	507,160
Unearned investment income	54,861
Amounts withheld or retained by company as agent or trustee	29,673
Remittances and items not allocated	23,444
Liability for benefits for employees and agents	205,310
Miscellaneous liabilities:	
Asset valuation reserve	4,792,240
Payable to parent, subsidiaries and affiliates	1,737,148
Drafts outstanding	934,623
From Separate Accounts statement	18,460,487
Total liabilities	$277,676,424
Common capital stock	$ 1,000,000
Gross paid in and contributed surplus	2,850,000
Unassigned funds (surplus)	16,960,862
Total capital, surplus and other funds)	$ 20,810,862
Total liabilities, capital, surplus and other funds	$298,487,286

B. CONDENSED SUMMARY OF OPERATIONS

	1998	1999	2000
Premiums and considerations	$21,164,006	$25,690,433	$22,749,718
Investment income	20,853,815	20,559,151	20,674,772
Commissions and reserve adjustments on reinsurance ceded	3,801,085	2,160,420	2,123,088
Miscellaneous income	434,680	1,028,856	833,906
Total income	$46,253,586	$49,438,860	$46,381,484
Benefit payments	$30,150,163	$31,672,963	$33,583,808
Increase in reserves	(2,426,842)	3,416,944	(469,048)
Commissions	2,636,753	2,504,369	3,296,270
General expenses and taxes	5,592,357	6,730,801	7,022,477
Increase in loading and cost of collection	106,235	50,622	(331,539)
Net transfers to (from) Separate Accounts	4,315,860	2,471,852	(445,707)
Miscellaneous deductions	167,389	88,668	250,022
Total deductions	$40,541,915	$46,936,219	$42,906,283
Net gain (loss)	$ 5,711,671	$ 2,502,641	$ 3,475,201
Dividends	3,352,008	2,234,494	1,818,007
Federal income taxes	904,459	31,194	922,988
Net gain (loss) from operations before net realized capital gains	$ 1,455,204	$ 236,953	$ 734,206
Net realized capital gains (losses)	(153,791)	394,675	770,059
Net income	$ 1,301,413	$ 631,628	$ 1,504,265

C. CAPITAL AND SURPLUS ACCOUNT

	1998	1999	2000
Capital and surplus, December 31, prior year	$15,348,972	$16,135,920	$19,631,912
Net income	$ 1,301,413	$ 631,628	$ 1,504,265
Change in net unrealized capital gains (losses)	2,623,907	1,891,232	(820,898)
Change in nonadmitted assets and related items	42,015	(189,705)	139,568
Change in asset valuation reserve	(1,971,460)	491,283	325,017
Prior year tax adjustment	(1,091,623	671,351	(44,154)
Gain (loss) due to foreign exchange	(117,304)	203	75,153
Net change in capital and surplus	$ 786,948	$ 3,495,992	$ 1,178,951
Capital and surplus, December 31, current year	$16,135,920	$19,631,912	$20,810,862

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.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the "Supplement"), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company reported that it performed a number of tests to determine whether or not it has any business on the books for which race was used as a basis for premium rates, underwriting ratings, or dividends. In summary, the Company's findings were that there were no results from any of the testing that would indicate any degree of race-based rating.

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

7. DERIVATIVES

The examiner reviewed a sample of derivative transactions to determine compliance with applicable statutes and regulations and the operating rules of the Company. The examiner also reviewed sample management reports for accuracy, timeliness and substance to determine whether management had sufficient information to provide appropriate oversight of the Company's use of derivatives.

The examiner's review revealed the following:

- The derivative transaction tickets did not provide sufficient information to determine the risk being hedged or the impact that the hedge had on the risk;
- The management reports did not contain an evaluation of the risk and reward for each transaction nor did they contain a performance review of such transactions;
- Not all opened/closed positions were included in the management reports (e.g., three opened futures positions were not included in the reports);
- The "CLNY Futures Hedge Management Report" contained only new transactions, a cumulative evaluation of continuing hedge effectiveness of all open transactions was not included; and
- Company personnel misinterpreted the investment limitation in Section 1410 of the New York Insurance Law causing them to unnecessarily reduce the Company's outstanding derivative contracts which could have led to a larger than desired risk exposure.

The examiner recommends that the derivatives documentation and management reports be improved to address the examiner's findings. The examiner also recommends that the Company take steps to ensure that regulatory limitations are understood and made known to appropriate personnel and that the Company establish adequate controls to monitor regulatory limits.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 3201 of the New York Insurance Law by using a questionnaire that had not been filed with the Department. The Company filed the questionnaire with the Department and received approval.
B	The Company violated Section 3203(a)(2) of the New York Insurance Law by not refunding, on older policies, any premium paid for any period beyond the policy month in which such death occurred. The Company has implemented procedures to assure that premiums are refunded for any period paid for beyond the end of the policy month in which death occurs.
C	The Company violated Section 4233(b)(6) of the New York Insurance Law by not allocating assets in Schedule NP to each line of business. The Company now allocates assets between its participating and non-participating lines of business in Schedule NP.

9. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the derivatives documentation and management reports be improved to address the examiner's findings. The examiner also recommends that the Company take steps to ensure that regulatory limitations are understood and made known to appropriate personnel and that the Company establish adequate controls to monitor regulatory limits.	16

Respectfully submitted,

/s/
JoCatena Hargrove
Senior Insurance Examiner

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

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

/s/
JoCatena Hargrove

Subscribed and sworn to before me

this_____ day of _____2002.

APPOINTMENT NO. 21772

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:*

JO'CATENA HARGROVE

as a proper person to examine into the affairs of the

CANADA LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as she shall deem requisite.

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

this 10th day of September ,2001

GREGORY V. SERIO
Superintendent of Insurance

Superintendent