STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF

THE MANUFACTURERS LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2001

DATE OF REPORT:	NOVEMBER 29, 2002
EXAMINER:	LATI SMITH

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

November 29, 2002

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

Sir:

In accordance with instructions contained in Appointment No. 21913, dated July 3, 2002 and annexed hereto, an examination has been made into the condition and affairs of The Manufacturers Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 100 Summit Lake Drive, Valhalla, New York.

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

On October 1, 1998, the Company received a 10% interest in Manufacturers Securities Services, LLC ("MSS") from its then parent The Manufacturers Life Insurance Company of North America ("MNA"). On October 1, 2002 the Company received an additional 30% interest in MSS in the form of a capital contribution from The Manufacturers Life Insurance Company (U.S.A.) ("ManUSA") the Company's immediate parent as of January 1, 2002. The Company currently has a 40% interest in MSS.

On July 31, 2002, ManUSA made a cash contribution of $40,000,000 to the 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, 2001 filed annual statement. (See item 5 of this report)

The Company violated Section 2112(a) of the New York Insurance Law when it failed to appoint agents who sold group annuity contracts. This is a repeat violation from the prior report on examination. (See item 6A of this report)

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, 2001. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2001 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, 2001 to determine whether the Company's 2001 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
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations and the comment contained in the prior report on examination. The results of the examiner's review are contained in item 7 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

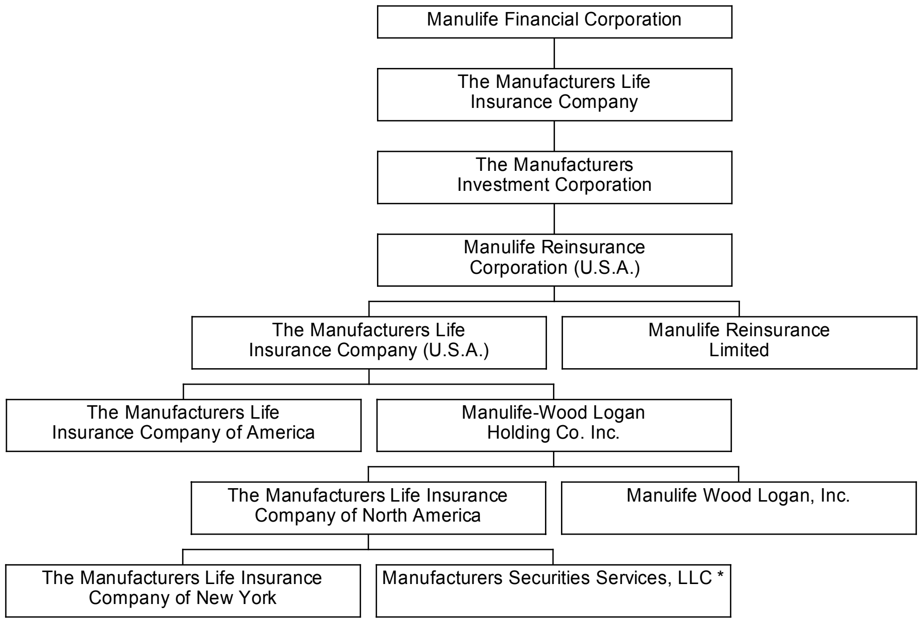
A. History

The Company was incorporated as a stock life insurance company under the laws of New York on February 10, 1992 under the name of First North American Life Assurance Company. It was licensed and commenced business on July 22, 1992. Initial resources of $7,500,000, consisting of common capital stock of $2,000,000 and paid-in and contributed surplus of $5,500,000, were provided through the sale of 2,000,000 shares of common stock (with a par value of $1 each) for $3.75 per share. The Company changed its name to The Manufacturers Life Insurance Company of New York on October 2, 1997. On October 31, 1998, the Company received a contribution to paid-in surplus from its then parent, MNA in the form of a 10% equity interest in MSS. MSS is an affiliate of the Company and was the principal underwriter for the Company's variable contracts prior to January 1, 2002. The Company's capital and paid-in surplus as of December 31, 2001 were $2,000,000 and $72,705,624 respectively. On July 31, 2002, ManUSA, the Company's new parent, made a cash contribution of $40,000,000 to the Company. On October 1, 2002 the Company received an additional 30% interest in MSS in the form of a capital contribution from ManUSA. The Company currently has a 40% interest in MSS.

B. Holding Company

Prior to September 23, 1999, the Company's then ultimate parent, The Manufacturers Life Insurance Company ("Manulife") was a Canadian mutual life insurer. On September 23, 1999, Manulife demutualized. Following its demutualization, Manulife became a wholly owned subsidiary of Manulife Financial Corporation, a Canadian stock company incorporated on April 26, 1999. At December 31, 2001, the Company was a wholly owned subsidiary of MNA, a Delaware life insurance company. MNA was in turn a wholly owned subsidiary of Manulife–Wood Logan Holding Company, Inc. ("MWLH"), a Delaware holding company. MWLH is a wholly owned subsidiary of ManUSA, a Michigan life insurance company, which in turn is an indirect wholly owned subsidiary of Manulife. On January 1, 2002, MNA merged into ManUSA. The pre-merger operations of MNA will be continued by the surviving company, ManUSA.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2001 follows:



*MSS is 90% owned by MNA and 10% owned by the Company

The Company had the following service agreements in effect as of December 31, 2001:

1. An Investment Service agreement with Manulife, effective October 1, 1997, whereby Manulife acts as investment advisor and provides asset management services for the investments held in the Company's general account. Manulife may arrange to furnish services through one or more of its affiliates with written confirmation of the Company indicating the nature and extent of the services to be provided by the affiliate, as well as the location at which such services will be performed to the Company.
2. An Administrative Service Agreement with ManUSA, effective January 1, 2001, whereby ManUSA performs underwriting, policyholder, claims, marketing, accounting and functional support services for the Company. ManUSA may designate one or more of its affiliates as the service provider with the Company's confirmation.
3. An Underwriting and Distribution Agreement with MSS effective October 7, 1997, whereby MSS acts as principal underwriter of the Company's registered insurance contracts and principal distributor of all of the Company's insurance products. Effective January 1, 2002, these services are provided through a comparable agreement with Manulife Financial Securities LLC, a wholly owned subsidiary of ManUSA.

At December 31, 2001, the Company had a tax allocation agreement, dated January 1, 1996, providing for the Company's participation in a consolidated federal corporate income tax return with its parent, North American Security Life Insurance Company (currently MNA), and certain affiliates. As a result of the merger of MNA with ManUSA, effective January 1, 2002, the consolidated tax agreement terminated. The Company will file a separate federal income tax return for the year 2002.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 18 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. As of December 31, 2001, the board of directors consisted of ten members. Meetings of the board are held quarterly in February, May, August and November.

The ten board members and their principal business affiliation, as of December 31, 2001, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Bruce Avedon* Cincinnati, OH	Consultant Avedon Consulting	1992
Thomas Borshoff* Pittsford, NY	Self employed Real Estate Owner/Manager	1999
James Boyle Boston, MA	Senior Vice President Manulife Financial Corporation	1999

Name and Residence	Principal Business Affiliation	Year First Elected
Robert Cook Boston, MA	Senior Vice President Manulife Financial Corporation	1999
John D. DesPrez III Boston, MA	Chairman and President The Manufacturers Life Insurance Company (U.S.A.) Chairman The Manufacturers Life Insurance Company of New York	1992
Ruth Ann Fleming* Short Hills, NJ	Attorney (Homemaker)	1992
James D. Gallagher Boston, MA	Executive Vice President, Secretary and General Counsel The Manufacturers Life Insurance Company (U.S.A.) President The Manufacturers Life Insurance Company of New York	1999
Neil Merkl* Flushing, NY	Attorney	1995
James O'Malley Toronto, Canada	Senior Vice President Manulife Financial Corporation	1998
James Robinson* Rochester, NY	Retired Attorney	1992

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

In February 2002 James Robinson retired from the board and was replaced by Bradford J. Race Jr. and in August 2002, Jim O'Malley resigned from the board and was replaced by Joseph Scott.

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, 2001:

Name	Title
James D. Gallagher	President
Kimberly Ciccarelli	Secretary
David Libbey	Treasurer
John Ostler	Actuary
Nicole Humblias*	Chief 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 writes life insurance and annuity business.

The Company is licensed to transact business only in the state of New York. In 2001, 95.98% of life premiums and 97.10% of annuity considerations were received from New York. The Company's premiums and annuity considerations were made up of 2% life premiums and 98% annuity considerations. Policies are written on a non-participating basis.

The Company sells term life, universal life and variable life insurance products, fixed and variable individual annuities and a group annuity product. The Company offers three term plans with level premiums for 10, 15 and 20 years with premiums increasing annually thereafter. These products were re-priced and offered for sale with new premium scales in 2000.

In 1998, the Company introduced a Dollar Cost Averaging program, which allows considerations received on variable annuity contracts to be transferred from the Company's general account to the Separate Account over a six or 12 month period; the considerations earn interest while they are in the general account.

In 2000, the Company introduced survivorship versions of its universal life and variable universal life plans. In 2001, the Company introduced a single-premium variable life insurance product.

The Company's agency operations were conducted through MSS during the examination period. The agents who sold the Company's products were sub-agents of MSS. During the period under examination the agents listed below produced more than 20% of a particular line of the Company's business.

Year	Agent	Production %
Individual Annuities		
1999	Chase	21.2%
Life Insurance		
1999	Kleiner-Muskatt Agency	23.2%
2000	Prime Capital	37.3%
Group Annuities		
1998	SII Investment Inc.	100%
1999	Wall Street Financial Group	25.0%
1999	Planning Corporation of America	40.0%

E. Reinsurance

As of December 31, 2001, the Company had reinsurance treaties in effect with 17 companies, of which 14 were authorized or accredited. The Company's life business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $100,000. The total face amount of life insurance ceded as of December 31, 2001, was $1,257,238,115, which represents 91.6% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverable from unauthorized companies, totaling $372,000, was supported by letters of credit.

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 statement. 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, 2001	Increase (Decrease)
Admitted assets	$738,195,177	$1,473,332,686	$735,137,509
Liabilities	$669,858,939	$1,438,979,050	$769,120,111
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	72,530,624	72,705,624	175,000
Variable payout mortality fluctuation reserve	100,000	100,000	0
Unassigned funds (surplus)	(6,294,386)	(40,451,988)	(34,157,602)
Total capital and surplus	$ 68,336,238	$ 34,353,636	$ (33,982,602)
Total liabilities, capital and surplus	$738,195,177	$1,473,332,686	$735,137,509

The majority, 82.56%, of the Company's admitted assets, as of December 31, 2001, are derived from Separate Accounts.

The Company's invested assets as of December 31, 2001, exclusive of Separate Accounts, were mainly comprised of cash and short-term investments (53.9%) and bonds (44.4%). The Company's asset mix is determined by its liability and surplus requirements. The large percentage of short-term investments during the examination period is directly related to the increase in short-term liabilities resulting from the Company's Dollar Cost Averaging program.

The Company's entire bond portfolio, as of December 31, 2001, 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	
Year	Issued	In Force	Issued	In Force
1998	$ 0	$ 0	$ 64,955	$ 67,955
1999	$ 10,092	$ 10,092	$ 97,200	$167,955
2000	$ 98,292	$108,381	$150,147	$326,402
2001	$275,465	$382,474	$551,307	$990,147

The Company's life insurance business is new and has been growing since late 1997 when the Company received approval from the Department to start selling term insurance. There was a significant increase in the amount of term insurance issued and in-force in 2000 and 2001.

The Department approved the Company's universal life and variable universal life products in late 1998 and sales started in 1999. Sales of these products increased significantly in 2000 and 2001.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for the period under examination:

Group Annuities

	2001
Outstanding, end of previous year	6,819
Issued during the year	8,744
Other net changes during the year	(973)
Outstanding, end of current year	14,590

The Company started selling group annuities in 1998 and reported the annuity considerations received as deposit-type funds prior to 2001. Prior to 2001, deposit type funds were not reported in the Exhibit of Annuities. With the adoption of codification, the Company reclassified the considerations as group annuities and they are now reported in the Exhibit of Annuities.

	Ordinary Annuities			
	1998	1999	2000	2001
Outstanding, end of previous year	12,886	15,782	17,642	18,948
Issued during the year	3,698	2,833	2,763	4,149
Other net changes during the year	(802)	(973)	(1,457)	(1,629)
Outstanding, end of current year	15,782	17,642	18,948	21,468

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	2001
Ordinary:				
Life insurance	$(1,560,567)	$ (703,136)	$(3,525,725)	$ (5,821,841)
Individual annuities	(3,806,309)	3,732,061	4,597,408	(15,154,460)
Supplementary contracts	50,270	10,108	(458,736)	370,398
Total ordinary	$(5,316,606)	$ 3,039,033	$ 612,947	$(20,605,903)
Group annuities	$ (361,416)	$(2,107,238)	$(3,623,292)	$ (4,996,392)
Total	$(5,678,022)	$ 931,795	$(3,010,345)	$(25,602,295)

During the period under examination, the Company had a gain from operations only in 1999. The Company is relatively new to the life insurance (introduced in 1997) and group annuities/pension (introduced in 1998) lines of business. The losses are due mainly to the start-up costs involved with these new lines of business. In 2001, individual variable annuity sales increased by more than 50% over the prior year causing a significant increase in new business costs. In addition, in 2001 the Company introduced a new sales incentive, a payment enhancement rider.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2001, as contained in the Company's 2001 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, 2001 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2001

Admitted Assets

Bonds	$ 110,293,490
Policy loans	4,218,872
Cash and short term investments	133,906,767
Other invested assets	200,000
Reinsurance ceded:	
Amounts recoverable from reinsurers	2,900,000
Federal and foreign income tax recoverable and interest thereon	1,274,894
Life insurance premiums and annuity considerations deferred and uncollected on in force business	184,730
Investment income due and accrued	3,836,243
Miscellaneous accounts receivable	137,679
From Separate Accounts statement	1,216,380,011
Total admitted assets	$1,473,332,686

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 232,594,924
Liability for deposit-type contracts	345,565
Policy and contract claims:	
Life	3,001,835
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	18,723
Policy and contract liabilities:	
Surrender values on canceled policies	564,567
Other amounts payable on reinsurance assumed	5,549
Interest maintenance reserve	513,232
Commissions to agents due or accrued	76,417
General expenses due or accrued	423,010
Transfers to Separate Accounts due or accrued	(27,585,088)
Taxes, licenses and fees due or accrued	151,403
Amounts withheld or retained by company as agent or trustee	13,119
Remittances and items not allocated	6,132,873
Miscellaneous liabilities:	
Asset valuation reserve	432,538
Reinsurance in unauthorized companies	628,938
Payable to parent, subsidiaries and affiliates	5,200,334
Payable to reinsurer	81,100
From Separate Accounts statement	1,216,380,011
Total liabilities	$1,438,979,050
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	72,705,624
Variable payout mortality fluctuation reserve	100,000
Unassigned funds (surplus)	(40,451,988)
Total capital, surplus and other funds	$ 34,353,636
Total liabilities, capital, surplus and other funds	$1,473,332,686

B. CONDENSED SUMMARY OF OPERATIONS

	1998	1999	2000	2001
Premiums and considerations	$196,966,171	$224,087,049	$286,454,981	$471,127,140
Investment income	9,917,438	17,085,823	21,135,973	20,561,697
Commissions and reserve adjustments on reinsurance ceded	88,844	245,473	249,389	1,396,996
Miscellaneous income	10,081,589	13,405,306	16,816,750	17,629,839
Total income	$217,054,042	$254,823,651	$324,657,093	$510,715,672
Benefit payments	$ 38,639,150	$ 69,464,357	$144,817,279	$163,261,347
Increase in reserves	11,570,842	34,536,164	(2,278,750)	102,707,315
Commissions	12,430,443	15,427,039	18,766,400	33,228,087
General expenses and taxes	12,297,477	11,824,228	13,131,984	18,854,577
Increase in loading on deferred and uncollected premiums	0	21,695	(5,012)	0
Net transfers to (from) Separate Accounts	148,622,048	121,302,330	154,450,890	218,806,322
Total deductions	$223,559,960	$252,575,813	$328,882,791	$536,857,648
Net gain (loss)	$ (6,505,918)	$ 2,247,838	$ (4,225,698)	$ (26,141,976)
Federal and foreign income taxes incurred	(827,896)	1,316,042	(1,215,353)	(539,681)
Net income	$ (5,678,022)	$ 931,796	$ (3,010,345)	$ (25,602,295)

C. CAPITAL AND SURPLUS ACCOUNT

	1998	1999	2000	2001
Capital and surplus, December 31, prior year	$68,336,238	$62,880,569	$63,470,222	$ 60,484,754
Net income	$(5,678,022)	$931,796	$ (3,010,345)	$(25,602,295)
Change in net unrealized capital gains (losses)	0	0	0	(1,080)
Change in non-admitted assets and related items	100,332	(306,337)	30,218	32,351
Change in liability for reinsurance in unauthorized companies	0	0	(94,666)	(534,272)
Change in asset valuation reserve	(52,979)	(35,806)	89,325	(42,505)
Cumulative effect of changes in accounting principles	0	0		16,683
Surplus changes:				
Paid in	175,000	0	0	0
Net change in capital and surplus	$(5,455,669)	$ 589,653	$(2,985,468)	$(26,131,118)
Capital and surplus, December 31, current year	$62,880,569	$63,470,222	$ 60,484,754	$ 34,353,636

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.

Section 2112(a) of the New York Insurance Law states, in part:

> "Every insurer . . . doing business in this state shall file a certificate of appointment in such form as the superintendent may prescribe in order to appointment insurance agents to represent such insurer . . . "

The examiner noted that out of a sample of 18 agents who sold group annuities, 11 were not properly appointed.

The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint agents who sold group annuities for the Company. This is a repeat violation from the prior report on examination.

B. Underwriting and Policy Forms

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

The Company's Venture Annuity product requires an initial minimum deposit of $5,000 for non-qualified plans and $2,000 for qualified plans. The examiner noted that the Company issued several policies even though these minimums were not met.

The examiner recommends that the Company follow its minimum deposit underwriting guidelines for annuities.

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 reviewed its underwriting practices including rate charts, mortality tables, agent and broker contracts, compensation schedules, underwriting and agent manuals, board of directors' minutes and any applicable internal memoranda. In summary, the Company's findings were that it has not engaged in race-based underwriting practices since it commenced marketing and sales of life insurance.

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. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner commented that two directors missed a majority of the board meetings. A review of the board minutes indicated that all of the directors attended a majority of the board meetings during the current examination period.
B	The Company violated Section 2112(a) of the New York Insurance Law when it failed to appoint agents who sold life insurance. This violation is repeated in the current report on examination.
C	The Company violated Section 2114(a) of the New York Insurance Law when it paid commissions to agents who were not appointed by the Company. During the examination period the Company had a licensed affiliate, MSS, through which all commissions were paid.

8. SUMMARY AND CONCLUSIONS

Following are the violation and the recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint agents who sold group annuities for the Company.	17
B	The examiner recommends that the Company follow its minimum deposit underwriting guidelines for annuities.	17

Respectfully submitted,

/s/

Lati Smith
Senior Insurance Examiner

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

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

/s/

Lati Smith

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. *21913*

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:*

LATI SMITH

as a proper person to examine into the affairs of the

MANUFACTURERS 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 *3rd* *day of* *July* *, 2002*

GREGORY V. SERIO
Superintendent of Insurance

Superintendent