



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
USAA LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

DECEMBER 31, 2010

DATE OF REPORT:

JUNE 29, 2012

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

JULIUS ASUBONTENG

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

July 29, 2014

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30699, dated March 17, 2011, and annexed hereto, an examination has been made into the condition and affairs of USAA Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 529 Main Street, Highland Falls, New York 10928.

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

On October 3, 2011, the Insurance Department merged with the Banking Department to create the New York State Department of Financial Services.

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

1. EXECUTIVE SUMMARY

The material violation and recommendation contained in this report are summarized below:

- The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors with face values in excess of the limits allowed. (See item 7B of this report)
- The examiner recommends that the Company provide the beneficiaries of death benefits the option, on the claim form, to request and/or receive such benefits by lump sum check.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2011 Edition* (the “Handbook”). The examination covers the 4-year period from January 1, 2007, through December 31, 2010. 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, 2010, 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.

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 annually, for the years 2007 through 2010, by the accounting firm of Ernst & Young, LLP. The Company received an unqualified opinion in all the years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. USAA Life Insurance Company ("USAA Life"), the Company's parent has an internal audit department and a separate risk management department which was given the task of assessing the internal control structure and voluntary compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). The Company and its parent were not subject to SOX. USAA Life was subject to the NAIC Model Audit Rule ("MAR"). However, the Company was under the \$500 million premium threshold for MAR. USAA Life utilizes Governance, Risk and Compliance ("GRC") software to document and manage risk and control information relating to the information technology, statutory reserving, accounting and reporting processes. Where applicable, GRC control testing 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 violation and recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 9 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

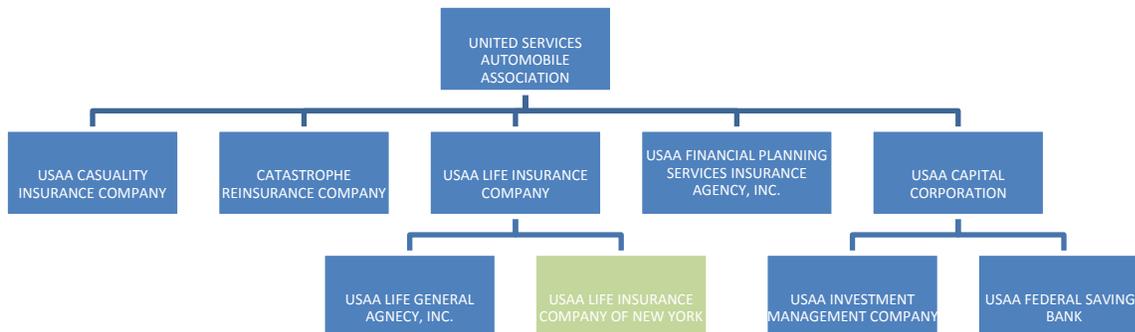
The Company was incorporated as a stock life insurance company under the laws of New York on October 1, 1997, was licensed and commenced business on November 14, 1997. Initial resources of \$6,661,425, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$4,661,425, were provided through the sale of 20,000 shares of common stock (with a par value of \$100 each) for \$333.07 per share. As of December 31, 2010, the Company reported total common capital stock and paid in and contributed surplus in the amounts of \$2,000,000 and \$21,482,647, respectively.

B. Holding Company

The Company is a wholly owned subsidiary of USAA Life, a Texas life insurance company. USAA Life is in turn a wholly owned subsidiary of United Services Automobile Association (“USAA”), a Texas reciprocal inter-insurance exchange.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2010, follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	(Expense)* For Each Year of the Examination
Financial Management and Advisory Agreement	11/14/1997	USAA Investment Management Company	The Company	Investment management and advisory services	2007- \$ (132,088.14) 2008- \$ (101,824.55) 2009- \$ (97,599.73) 2010- \$ (113,852.64)
Administrative Services Agreement File No. 33399	09/01/2005	USAA; USAA Life; USAA Financial Planning Services Insurance Agency, Inc.	The Company	Policyholder Services; Accounting, Data Processing, Tax and Auditing; Underwriting and Policy Issues; Claims; Sales; Marketing and Promotional Services; Functional Support Services; Reinsurance Services	2007- \$(4,826,199.27) 2008- \$(4,358,430.74) 2009- \$(5,670,792.82) 2010- \$(7,042,882.57)
Amendment No. 1 File No. 37240	04/01/2007 [#]				
Amendment No. 2 File No. 40328	05/01/2008				
Restated/Amended File No. 43823	12/19/2010				

* Amount of Expense incurred by the Company

[#] On 04/01/2007, USAA Financial Planning Services Insurance Agency, Inc. became a party to the agreement.

On December 16, 2010, the Department approved an Administrative Services Agreement between the Company, USAA, USAA Life, and USAA Financial Planning Services Insurance Agency, Inc. (Department file number 43823). The agreement consolidated and replaced an original agreement and two subsequent amendments between the Company, USAA, USAA Life, and USAA Financial Planning Services Insurance Agency, Inc. (Department file numbers 33399,

37240 and 40328, respectively). The three prior agreements terminated as of December 19, 2010, which was the effective date of the new agreement.

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 seven and not more than 18 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in September of each year. As of December 31, 2010, the board of directors consisted of nine members. Meetings of the board are held in April and September of each year.

In July 2011, the Department approved an amendment to the Company's charter for the purpose of reducing the minimum number of directors and reducing the number of directors required to be New York residents. The Charter was amended to reduce the number of directors from "not less than nine and not more than 18" to "not less than seven and not more than 18." In addition, the amended Charter reduced the number of New York resident directors from "not less than two" to "not less than one."

The nine board members and their principal business affiliation, as of December 31, 2010, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Brandon Carter San Antonio, TX	Vice President USAA Financial Planning Services Insurance Agency, Inc.	2007
Russell A. Evenson San Antonio, TX	Senior Vice President; Chief Actuary USAA Life Insurance Company of New York	2001
Kevin W. Farrell* West Point, NY	Colonel United States Army	2008
Cole C. Kingseed* Cornwall on Hudson, NY	Consultant The Breccourt Leadership Experience, Inc.	2007
Shawn T. Loftus San Antonio, TX	Vice President USAA Life Insurance Company of New York	2007

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Jeffrey G. Nordstrom San Antonio, TX	Vice President USAA Life Insurance Company of New York	2005
John E. Smith San Antonio, TX	President USAA Life Insurance Company of New York	2010
Ronald D. Tocci* New Rochelle, NY	Retired Commissioner of Veteran Affairs New York State Department of Labor	1997
Darryl C. Towns* Brooklyn, NY	Assemblyman New York State Assembly	2006

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

In April 2011, Russel A. Evenson retired from the board and was replaced by William A. Smith. In June 2011, John E. Smith, President, resigned from the board and was not replaced because the number of directors was reduced from nine to seven. In August 2011, Darryl C. Towns resigned from the board and was replaced by Mathew R. Blunt in September 2011. In September 2011, Brandon Carter resigned from the board and was replaced by Gregory J. Marion. In September 2011, Ronald C. Tocci resigned from the board and was not replaced because the number of directors was reduced from nine to seven.

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, 2010:

<u>Name</u>	<u>Title</u>
John E. Smith	President
Russell A. Evenson	Senior Vice President and Chief Actuary
Christine J. Warren	Assistant Vice President and Secretary
Kirsten M. Register	Controller
William A. Smith	Treasurer
Jeffrey G. Nordstrom	Vice President
Shawn T. Loftus	Vice President
Brandon Carter*	Vice President

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

In June 2011, Jeffrey G. Nordstrom replaced John E. Smith as President and Shawn T. Loftus was elected Senior Vice President.

In September 2011, Brandon D. Carter resigned and was replaced by Jim D. Sandell as the Consumer Services Officer.

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 only in the state of New York. In 2010, 82.8% of life premiums, 91.5% of annuity considerations and all deposit type funds were received from New York. Policies are written on a participating and non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2010, the Company had \$450,000 (par value) of United States of America Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

B. Direct Operations

The Company issues individual life insurance (whole, term and universal) and fixed annuity products. The Company's target market is the military, spouses and dependents of members ages 21 to 60. The Company's products and services are available to the general public. However, it does not actively solicit sales to the general public.

The Company's agency operations are conducted on a direct response basis. All life and annuity products are exclusively distributed by the Company's affiliate, USAA Financial Planning Services Insurance Agency, Inc. ("FPS"), pursuant to an administrative services agreement. All the agents are salaried employees of FPS.

C. Reinsurance

As of December 31, 2010, the Company had 43 reinsurance treaties in effect with 12 companies, of which nine were authorized or accredited. The Company's whole life, universal life and term life business is ceded 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 \$200,000. The total face amount of life insurance ceded as of December 31, 2010, was \$7,135,886,798, which represents 79% of the total face amount of life insurance in force. Reserve credit taken for reinsurance

ceded to unauthorized companies, totaling \$4,179,642, was supported by letters of credit and trust agreements.

The Company did not assume any reinsurance business.

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, <u>2006</u>	December 31, <u>2010</u>	<u>(Increase)</u>
Admitted assets	<u>\$306,801,643</u>	<u>\$489,523,706</u>	<u>\$182,722,063</u>
Liabilities	<u>\$263,387,642</u>	<u>\$443,993,165</u>	<u>\$180,605,523</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	21,482,647	21,482,647	0
Special surplus for expanded deferred tax asset	0	824,194	824,194
Unassigned funds (surplus)	<u>19,931,355</u>	<u>21,223,701</u>	<u>1,292,346</u>
Total capital and surplus	<u>\$ 43,414,001</u>	<u>\$ 45,530,541</u>	<u>\$ 2,116,540</u>
Total liabilities, capital and surplus	<u>\$306,801,643</u>	<u>\$489,523,706</u>	<u>\$182,722,063</u>

The Company's invested assets as of December 31, 2010, were mainly comprised of bonds (96.5%).

The majority (96.7%) of the Company's bond portfolio, as of December 31, 2010, 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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Life insurance	\$1,100,870	\$1,562,490	\$1,201,245	\$2,583,140
Individual annuities	1,462,287	1,866,297	2,245,691	2,903,181
Supplementary contracts	<u>72,649</u>	<u>31,167</u>	<u>58,707</u>	<u>92,268</u>
Total ordinary	<u>\$2,635,806</u>	<u>\$3,459,954</u>	<u>\$3,505,643</u>	<u>\$5,578,589</u>

The \$1.4 million increase in ordinary life insurance net gain from operations between 2009 and 2010 was primarily due to the creation of prepaid ceded premiums.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2010, as contained in the Company's 2010 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, 2010, filed annual statement.

A. Independent Accountants

The firm of Ernst & Young, LLP 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 each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Ernst & Young, LLP 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	\$459,202,627
Preferred stocks	6,555,950
Cash, cash equivalents and short term investments	5,299,847
Contract loans	4,937,795
Investment income due and accrued	6,441,542
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	116,940
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,651,882
Reinsurance:	
Other amounts receivable under reinsurance contracts	300,102
Net deferred tax asset	1,586,522
Prepaid ceded premiums	<u>3,430,499</u>
 Total admitted assets	 <u>\$489,523,706</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$429,847,125
Liability for deposit-type contracts	4,584,509
Contract claims:	
Life	2,601,840
Policyholders' dividends and coupons due and unpaid	61,010
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	1,605,835
Premiums and annuity considerations for life and accident and health contracts received in advance	68,542
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	1,019,625
Interest maintenance reserve	308,922
General expenses due or accrued	10,000
Current federal and foreign income taxes	144,114
Unearned investment income	141,466
Amounts withheld or retained by company as agent or trustee	25,143
Remittances and items not allocated	147,070
Miscellaneous liabilities:	
Asset valuation reserve	1,580,187
Payable to parent, subsidiaries and affiliates	1,824,887
Accrued interest payable on policy funds	<u>22,890</u>
 Total liabilities	 <u>\$443,993,165</u>
 Common capital stock	 \$ 2,000,000
 Gross paid in and contributed surplus	 \$ 21,482,647
Special surplus for expanded deferred tax asset	824,194
Unassigned funds (surplus)	<u>21,223,701</u>
 Surplus	 <u>\$ 43,530,541</u>
 Total capital and surplus	 <u>\$ 45,530,541</u>
 Total liabilities, capital and surplus	 <u>\$489,523,706</u>

D. Condensed Summary of Operations

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Premiums and considerations	\$23,471,215	\$59,374,675	\$60,943,902	\$65,173,689
Investment income	17,736,375	20,665,014	25,079,409	27,298,262
Commissions and reserve adjustments on reinsurance ceded	3,024,518	3,176,439	3,258,922	3,689,596
Miscellaneous income	<u>(3,593)</u>	<u>(458)</u>	<u>426</u>	<u>(124)</u>
Total income	<u>\$44,228,515</u>	<u>\$83,215,670</u>	<u>\$89,282,659</u>	<u>\$96,161,423</u>
Benefit payments	\$15,002,914	\$20,022,498	\$14,244,155	\$22,461,473
Increase in reserves	17,160,187	49,383,343	58,808,808	53,838,026
General expenses and taxes	5,361,484	5,421,621	7,480,685	9,240,073
Increase in loading on deferred and uncollected premiums	(18,713)	(8,046)	124,652	32,034
Miscellaneous deductions	<u>0</u>	<u>123</u>	<u>24,150</u>	<u>41</u>
Total deductions	<u>\$37,505,872</u>	<u>\$74,819,539</u>	<u>\$80,682,450</u>	<u>\$85,571,647</u>
Net gain (loss)	\$ 6,722,643	\$ 8,396,131	\$ 8,600,209	\$10,589,776
Dividends	1,592,861	1,602,998	1,636,354	1,652,355
Federal and foreign income taxes incurred	<u>2,493,975</u>	<u>3,333,180</u>	<u>3,458,210</u>	<u>3,358,832</u>
Net gain (loss) from operations				
before net realized capital gains	\$ 2,635,807	\$ 3,459,953	\$ 3,505,645	\$ 5,578,589
Net realized capital gains (losses)	<u>79</u>	<u>(1,869,970)</u>	<u>(2,682,627)</u>	<u>(1,026,113)</u>
Net Income	<u>\$ 2,635,886</u>	<u>\$ 1,589,983</u>	<u>\$ 823,018</u>	<u>\$ 4,552,476</u>

E. Capital and Surplus Account

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and surplus, December 31, prior year	\$ <u>43,414,001</u>	\$ <u>40,341,902</u>	\$ <u>40,097,168</u>	\$ <u>42,024,310</u>
Net income	\$ 2,635,885	\$ 1,589,983	\$ 823,017	\$ 4,552,476
Change in net unrealized capital gains (losses)	0	(54,000)	(519,750)	137,070
Change in net deferred income tax	686,496	2,529,985	1,615,310	957,671
Change in non-admitted assets and related items	(710,354)	(2,427,431)	(882,320)	(1,053,003)
Change in reserve valuation basis	(2,391,246)	0	0	0
Change in asset valuation reserve	(292,881)	616,729	890,885	(1,087,983)
Dividends to stockholders	<u>(3,000,000)</u>	<u>(2,500,000)</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(3,072,099)</u>	\$ <u>(244,734)</u>	\$ <u>1,927,142</u>	\$ <u>3,506,231</u>
Capital and surplus, December 31, current year	\$ <u>40,341,902</u>	\$ <u>40,097,168</u>	\$ <u>42,024,310</u>	\$ <u>45,530,541</u>

7. 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.

Section 3207(b) of the New York Insurance Law states, in part:

“(b) An insurer may deliver or issue for delivery in this state a policy or policies of life insurance upon the life of a minor under the age of fourteen years and six months, provided that such policy or policies are effectuated by a person or persons having an insurable interest in the life of such minor or by a person or persons upon whom such minor is dependent for support and maintenance and provided further that an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under any other policy or policies then in force upon the life of such minor, is in excess of the limit of twenty-five thousand dollars or the limit of fifty per centum or the limit of twenty-five per centum in the case of a minor under the age of four years and six months of the amount of life insurance in force upon the life of the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is the greater . . . ”

The examiner's review of a sample of juvenile policies, that the Company issued during the examination period, revealed that seven out of the 15 (46.7%) policies reviewed were issued in excess of the amounts allowed by Section 3207(b) of the New York Insurance Law.

The Company violated Section 3207(b) of the New York Insurance Law by issuing policies, on the lives of minors, with face values in excess of the limits allowed.

Section 35-3.5 of Department Regulation No. 74 states, in part:

“(a) If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this Subpart, shall be submitted to the insurer at the time of policy application. A copy also shall be provided to the applicant. If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be sent with the policy... and shall be signed and dated by the applicant or policyowner and producer or other authorized representative of the insurer no later than the time the policy is delivered. A copy shall be provided to the insurer and the policyowner...

(e) A copy of the basic illustration and a revised basic illustration, if any, signed as applicable, along with any certification that either no illustration was used or that the policy was applied for other than as illustrated, shall be retained by the insurer until the later of six years after the policy is no longer in force or the next scheduled examination by the Department. A copy need not be retained if no policy is issued ...”

The examiner’s review of a sample of 20 life insurance underwriting files revealed that the Company failed to retain copies of the illustrations of 14 out of the 20 (70%) policies.

The Company violated Section 35-3.5(e) of Department Regulation No. 74 by issuing life insurance policies with basic illustrations and failing to retain copies of such illustrations, until the later of six years after the policy is no longer in force or the next scheduled examination by the Department.

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.

The examiner's review of a sample of death claim files revealed that the claimant/beneficiary was given four options on the claim form regarding payment of the death benefit. The examiner noted that none of the four options allowed the beneficiary to request and/or receive the death claim lump sum payment by check.

The examiner recommends that the Company provide the claimant/beneficiary of death benefits the option, on the claim form, to request and/or receive death benefits by lump sum check.

The examiner noted that one of the death benefit options allowed the beneficiary to request that the proceeds be wired into the beneficiary's bank account, and that a wire fee (\$20 at the time of this Report) would be deducted from the death benefit. However, the amount of the wire fee was not disclosed on the claim form.

The examiner recommends that the Company disclose, on the claim form, the wire fee that would be charged should the beneficiary choose the death claim payment option requesting that the proceeds be wired into the beneficiary's bank account.

8. AGENT TERMINATION

Section 2112(d) of New York Insurance Law states, in part,

“Every insurer . . . or insurance producer or the authorized representative of the insurer . . . or insurance producer doing business in this state shall, upon termination of the certificate of appointment as set forth in subsection (a) of this section of any insurance agent licensed in this state, or upon termination for cause for activities as set forth in subsection (a) of section two thousand one hundred ten of this article, of the certificate of appointment, of employment, of a contract or other insurance business relationship with any insurance producer, file with the superintendent within thirty days a statement, in such form as the superintendent may prescribe . . .”

The examiner's review of a sample of 12 producer licensing and termination records revealed that the Company failed to notify the Superintendent of the termination of the certificate of appointment of four of its producers within 30 days of termination as stipulated by Section 2112 (d) of the New York Insurance Law.

The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the Superintendent upon termination of the certificate of appointment of its producers within 30 days of such termination.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommended that non-independent persons recuse themselves from the Audit, Nominating and Evaluation Committee's deliberations or actions. In addition, the Committee minutes should reflect the portion of the meetings that such non-independent persons are present, and clearly identify when such persons withdraw from the meetings.</p> <p>Non-independent persons recused themselves from the Audit, Nominating and Evaluation Committee's deliberations or actions during the current period. The minutes of such meetings clearly reflected when the non-independent persons were present during the meetings and when they withdrew from the meetings of the Audit, Nominating and Evaluation Committee.</p>
B	<p>The Company violated Section 127.3(b) of Department Regulation No. 102 by taking reserve credits under treaties that were not executed within 90 days from the execution of the letter of intent.</p> <p>The Company identifies, semi-annually, reinsurance treaties for which reserve credit cannot be recognized in its financial statements. The Company did not take reserve credits under treaties that were not executed within 90 days from the execution of the letter of intent during the examination period.</p>

10. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 3207(b) of the New York Insurance Law by issuing policies, on the lives of minors, with face values in excess of the limits allowed.	17
B	The Company violated Section 35-3.5(e) of Department Regulation No. 74 by issuing life insurance policies with basic illustrations and failing to retain copies of such illustrations, until the later of six years after the policy is no longer in force or the next scheduled examination by the Department.	18
C	The examiner recommends that the Company provide the claimant/beneficiary of death benefits the option, on the claim form, to request and/or receive such benefits by lump sum check.	19
D	The examiner recommends that the Company disclose, on the claim form, the wire fee that would be charged should the beneficiary choose the death claim payment option requesting that the proceeds be wired into the beneficiary's bank account.	19
E	The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the Superintendent upon termination of the certificate of appointment of its producers within 30 days of such termination.	19

Respectfully submitted,

_____/s/
Julius Asubonteng
Senior Insurance Examiner

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

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

_____/s/
Julius Asubonteng

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 30699

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

JULIUS ASUBONTENG

as a proper person to examine into the affairs of the

USAA 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 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 17th day of March, 2011

JAMES J. WRYNN
Superintendent of Insurance


Superintendent

