NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

AMERICAN FAMILY LIFE ASSURANCE COMPANY

OF NEW YORK

CONDITION:	DECEMBER 31, 2011
DATE OF REPORT:	FEBRUARY 13, 2013

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EXAMINER:	WILLIAM A. O'CONNELL, CPA, CFE, CIA

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NEW YORK STATE
DEPARTMENT of FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 1, 2013

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

Sir:

In accordance with instructions contained in Appointment No. 30913, dated January 9, 2013 and annexed hereto, an examination has been made into the condition and affairs of American Family Life Assurance Company of New York, hereinafter referred to as "the Company," at its administrative office located at 1932 Wynnton Road, Columbus, GA 31999. The Company's home office is located at 22 Corporate Woods Boulevard, Albany, NY 12211.

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

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

1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2012 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2009 through December 31, 2011. 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, 2011, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

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

The examination of American Family Life Assurance Company of Columbus ("AFLAC-Columbus"), a Nebraska domestic insurer, was called by the Nebraska Department of Insurance ("NEDOI") in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System ("FEETS"). The NEDOI served as the lead state on the examination. The Department participated on the coordinated examination of AFLAC-Columbus, serving in the capacity of a participating state.

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 2009 through 2011, by the accounting firm of KPMG. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. AFLAC-Columbus has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX") for both AFLAC-Columbus and the Company. Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 6 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.

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated under the laws of New York State on March 31, 1964. It was licensed and commenced business on December 31, 1964, as the American Health and Life Insurance Company of New York, a wholly-owned subsidiary of American Health and Life Insurance Company, which in turn was owned by Commercial Credit Company.

On April 2, 1984, American Health and Life Insurance Company of New York was acquired and became a wholly-owned subsidiary of AFLAC-Columbus. On December 11, 1984, the Company changed its name to its present name.

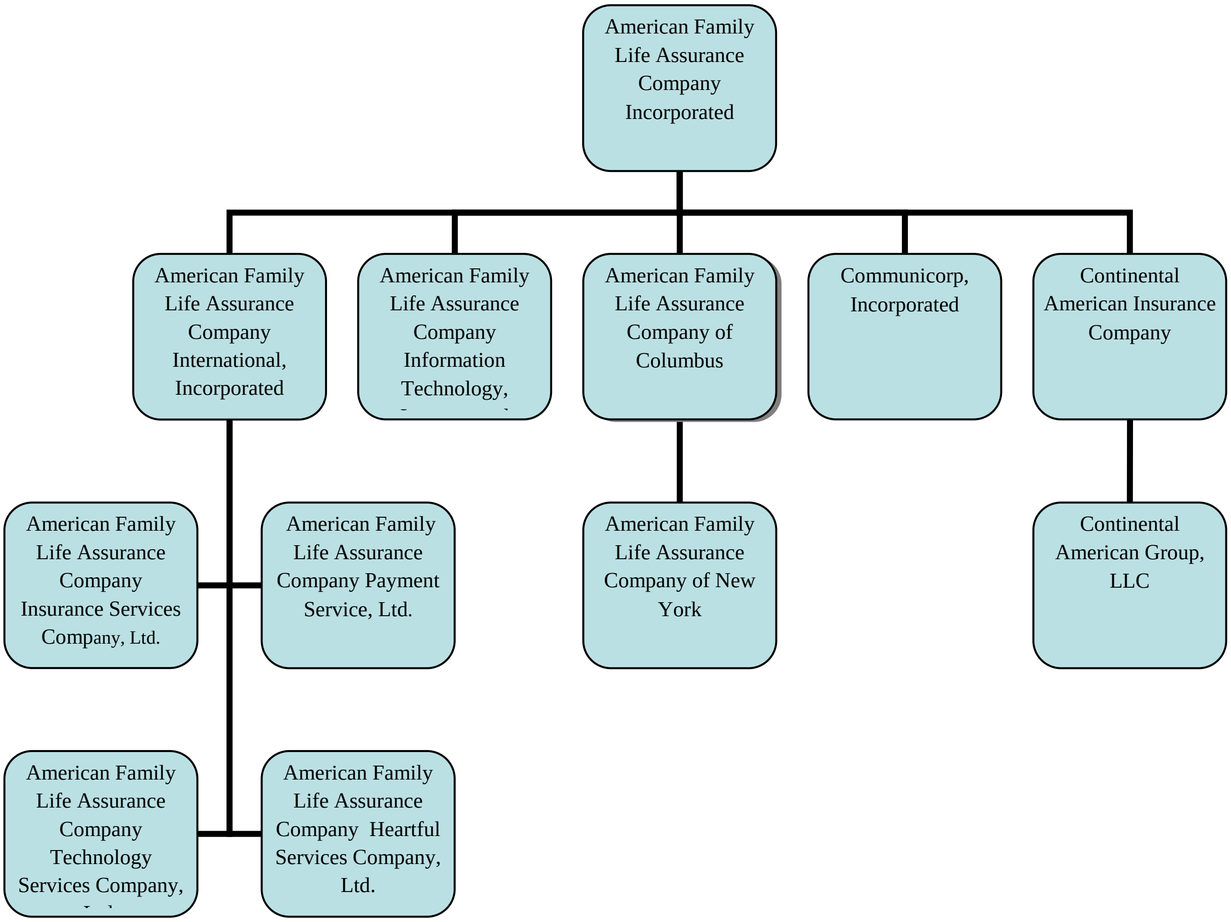
As of December 31, 2011, the Company reported paid-in capital in the amount of $2,000,000, consisting of 10,000 shares common stock (with a par value of $200 each), and paid in and contributed surplus of $121,362,630.

B. Holding Company

The Company is a wholly owned subsidiary of AFLAC-Columbus, a Nebraska domestic supplemental life and health insurance company. AFLAC-Columbus is in turn a wholly owned subsidiary of American Family Life Assurance Company Incorporated ("AFLAC Inc.”), a Georgia supplemental life and health insurance company. The ultimate parent of the Company is AFLAC Inc.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2011 follows:



D. Service Agreements

The Company had five 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	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement	11/01/2002	AFLAC-Columbus	The Company	Accounting, auditing, tax, claims, actuarial, legal, compliance, governmental relations, personnel services, travel and meeting services, outbound services, agents licensing and compensation, marketing, investments, call center and remittance processing services.	2009 - $(3,409,202) 2010 - $(3,327,198) 2011 - $(3,621,610)
Administrative Services Agreement	11/01/2004	The Company	AFLAC-Columbus	Underwriting, policyholder and payroll account services and marketing.	2009 - $ 355,723 2010 - $ 475,316 2011 - $ 515,599

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement	08/01/2010	Continental American Insurance Company	The Company	Underwriting, claims settlement, policyholder services, premium remittance processing, actuarial services, outbound services, agent compensation, marketing, and call center services	2009 - $ 0 2010 - $ 0 2011 - $ 0 **
Administrative Services Agreement	06/01/1989	AFLAC-Columbus	The Company	IT services including conversions, technical support, running of cycles, software support, and programming services.	2009 - $ (413,928) 2010 - $ (455,316) 2011 - $ (500,844)
Sales & Marketing Agreement	09/03/1993	The Company	AFLAC - Columbus	Sales and marketing planning, recruiting, training, and supervision of sales force for specific states.	2009 - $ 377,935 2010 - $ 380,851 2011 - $ 363,792

* Amount of Income or (Expense) Incurred by the Company
** The Company did not start selling group products until 2012

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 17 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2011, the board of directors consisted of 11 members. Meetings of the board are held annually in June of each year.

The 11 board members and their principal business affiliation, as of December 31, 2011, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Daniel P. Amos Columbus, GA	Chairman, Chief Executive Officer American Family Life Assurance Company Incorporated	1984
Paul S. Amos, II Columbus, GA	President, Chief Operating Officer American Family Life Assurance Company of New York	2006
Mark A. Charrette Waterford, NY	Director of Marketing Administration American Family Life Assurance Company of New York	2002
Kriss Cloninger, III Columbus, GA	Executive Vice President American Family Life Assurance Company of New York	1999
Elizabeth J. Hudson* Washington, D.C.	Executive Vice President, Communications National Geographic Society	1992
Douglas W. Johnson* Atlanta, GA	Retired, Former Audit Partner Ernst & Young	2006

Name and Residence	Principal Business Affiliation	Year First Elected
Bradley S. Jones Wilmington, DE	Vice President, Director of Sales American Family Life Assurance Company of Columbus	2002
E. Stephen Purdom* Midland, GA	Retired, Former Executive Vice President American Family Life Assurance Company Incorporated	1988
Ralph A. Rogers, Jr. Columbus, GA	Senior Advisor, Treasurer American Family Life Assurance Company of New York	2004
Debra Ann Walker Waterford, NY	Manager, Human Resources American Family Life Assurance Company of New York	2002
Robert L. Wright* Alexandria, VA	Chairman and Chief Executive Officer FE Holdings, Inc.	2000

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

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, 2011:

Name	Title
Paul S. Amos, II	President, Chief Operating Officer
Kriss Cloninger, III	Executive Vice President
June P. Howard	Senior Vice President, Chief Accounting Officer
Joey M. Loudermilk	Executive Vice President, Secretary
Daniel F. Skelley	Vice President, Actuary
Teresa L. White	Executive Vice President

3. TERRITORY AND PLAN OF OPERATIONS

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

The Company is licensed to transact business in six states, namely Connecticut, Massachusetts, New Jersey, New York, North Dakota, and Vermont. In 2011, all life premiums and annuity considerations, and 95.78% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2011, the Company had $300,000 (“par value”) of United States 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. As per confirmations received from the following state which was reported in Schedule E of the 2011 filed annual statement, an additional $553,549 was being held by the State of Massachusetts.

B. Direct Operations

The Company’s agency operations are conducted on a general agency/branch office basis. The Company’s primary business is supplemental health insurance. Most of the Company’s policies are individually underwritten and marketed through independent agents and brokers. The Company markets its products principally in New York. The majority of policies sold in 2011 and 2010 were accident/short-term disability and specified disease insurance plans. The Company also has runoff blocks of annuity and Medicare Supplement business. The Company started selling a group hospital indemnity product in 2012 that will be administered by its affiliate, Continental American Insurance Company, in an effort to broaden their product portfolio and reach a new line of customers.

C. Reinsurance

As of December 31, 2011, the Company had an automatic reinsurance agreement, effective July 1, 2006, with Swiss Re Life & Health America, Inc. (“SRLHA”), an authorized reinsurer. Under the terms of the agreement, SRLHA assumes 100% of the in-force accidental death benefit and group accidental death, injury and/or dismemberment issued or administered as supplementary benefits or riders of individual life contracts. The maximum reinsured amount is $500,000 per insured individual.

Also, the reinsurance agreement with SRLHA provides for 100% reinsurance of the Company’s run-off common carrier accidental death benefits, in excess of $100,000. The maximum reinsured amount is $100,000 per insured individual. The common carrier accidental death benefits belong to an old block of accident policies that the Company stopped writing in May, 2001.

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, 2008	December 31, 2011	Increase (Decrease)
Admitted assets	$266,524,874	$453,991,935	$187,467,061
Liabilities	$207,190,070	$330,629,305	$123,439,235
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	33,331,688	33,331,688	0
Unassigned funds (surplus)	24,003,116	88,030,942	64,027,826
Total capital and surplus	$ 59,334,804	$123,362,630	$ 64,027,826
Total liabilities, capital and surplus	$266,524,874	$453,991,935	$187,467,061

The Company's invested assets as of December 31, 2011, were mainly comprised of bonds (94.6%) and cash and short-term investments (4.9%). The Company's entire bond portfolio, as of December 31, 2011, 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:

	2009	2010	2011
Ordinary:			
Life insurance	$ 510,433	$ 563,725	$ 519,077
Individual annuities	15,835	8,738	10,668
Total ordinary	$ 526,268	$ 572,463	$ 529,745
Accident and health:			
Group	$ 1,667,471	$ 956,288	$ 883,987
Other	11,613,876	15,437,119	22,427,093
Total accident and health	$13,281,347	$16,393,407	$23,311,080
All other lines	$ 2,333,389	$ 3,222,328	$ 3,674,164
Total	$16,141,004	$20,188,198	$27,514,987

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2011, as contained in the Company's 2011 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, 2011 filed annual statement.

A. Independent Accountants

The firm of KPMG was retained by the Company to audit the Company's combined statutory basis statements of financial position 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.

KPMG 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	$392,265,577
Cash, cash equivalents and short term investments	20,195,688
Contract loans	146,033
Other invested assets	2,085,855
Investment income due and accrued	6,822,400
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	23,981,745
Deferred premiums, agents' balances and installments booked but deferred and not yet due	120,275
Net deferred tax asset	8,374,362
Total admitted assets	$453,991,935

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 13,091,218
Aggregate reserve for accident and health contracts	208,598,900
Liability for deposit-type contracts	31,593
Contract claims:	
Life	300,000
Accident and health	59,782,108
Premiums and annuity considerations for life and accident and health contracts received in advance	2,153,023
Commissions to agents due or accrued	4,918,764
General expenses due or accrued	4,952,042
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,443,779
Current federal and foreign income taxes	20,371,168
Amounts withheld or retained by company as agent or trustee	161
Amounts held for agents' account	801,791
Remittances and items not allocated	12,436,001
Asset valuation reserve	533,980
Payable to parent, subsidiaries and affiliates	214,777
Total liabilities	$330,629,305
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	33,331,688
Unassigned funds (surplus)	88,030,942
Surplus	$121,362,630
Total capital and surplus	$123,362,630
Total liabilities, capital and surplus	$453,991,935

D. Condensed Summary of Operations

	2009	2010	2011
Premiums and considerations	$211,917,151	$232,831,767	$251,783,772
Investment income	16,732,803	19,656,151	22,912,612
Miscellaneous income	64,583	56,564	44,280
Total income	$228,714,537	$252,544,482	$274,740,664
Benefit payments	$ 99,869,632	$115,321,266	$119,847,473
Increase in reserves	30,787,073	31,936,566	31,241,173
Commissions	41,797,351	45,549,066	49,475,986
General expenses and taxes	26,295,379	26,275,923	26,600,111
Increase in loading on deferred and uncollected premium	(56,741)	93,738	74,270
Total deductions	$ 198,692,694	$219,176,559	$227,239,013
Net gain (loss)	$ 30,021,843	$ 33,367,923	$ 47,501,651
Federal and foreign income taxes incurred	13,880,839	13,179,723	19,986,664
Net gain (loss) from operations before net realized capital gains	$ 16,141,004	$ 20,188,200	$ 27,514,987
Net realized capital gains (losses)	(3,272,833)	0	(995,803)
Net income	$ 12,868,171	$ 20,188,200	$ 26,519,184

E. Capital and Surplus Account

	2009	2010	2011
Capital and surplus, December 31, prior year	$59,334,804	$77,041,642	$ 95,674,048
Net income	$12,868,171	$20,188,200	$ 26,519,184
Change in net unrealized capital gains (losses)	230,131	0	0
Change in net deferred income tax	3,355,008	2,589,377	3,607,864
Change in non-admitted assets and related items	1,196,739	(3,584,666)	(2,464,991)
Change in asset valuation reserve	56,790	(560,505)	26,525
Net change in capital and surplus for the year	$17,706,839	$18,632,406	$ 27,688,582
Capital and surplus, December 31, current year	$77,041,643	$95,674,048	$123,362,630

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Item	Description
A	It was recommended that the Company update its time studies by using more recent data in order to have an accurate allocation among affiliates. The Company has complied with this recommendation. The Company updates its allocation of expenses among affiliates annually.
B	Inasmuch as the Company is aware that the forgiven premiums are not expected to be collected, it is recommended that the Company refrain from including such forgiven premiums and related amounts within its reported premiums written and its administrative expenses. The Company has complied with this recommendation. While the forgiven premium process remains intact, statutory premiums and expenses are reversed out of the totals once completed

Respectfully submitted,

______________/s/______________
William A. O'Connell, CPA, CFE, CFE, CIA

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

William A. O'Connell, being duly sworn, deposes and says that the foregoing report, subscribed by ***him***, is true to the best of ***his*** knowledge and belief.

____
William A. O'Connell

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30913

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

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

WILLIAM A. O'CONNELL

as a proper person to examine the affairs of the

AMERICAN FAMILY LIFE ASSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 9th day of January, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT AND CHIEF OF THE LIFE BUREAU