



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

CONDITION:

DECEMBER 31, 2010

DATE OF REPORT:

FEBRUARY 27, 2012

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

ALLIANZ LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2010

DATE OF REPORT:

FEBRUARY 27, 2012

EXAMINER:

FLORA EGBUCHULAM

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	6
	D. Service agreements	7
	E. Management	11
4.	Territory and plan of operations	16
	A. Statutory and special deposits	16
	B. Direct operations	16
	C. Reinsurance	17
5.	Significant operating results	18
6.	Financial statements	21
	A. Independent accountants	21
	B. Net admitted assets	21
	C. Liabilities, capital and surplus	22
	D. Condensed summary of operations	23
	E. Capital and surplus account	24
	F. Reserves	25
7.	Market conduct	27
	A. Advertising and sales activity	27
	B. Underwriting and policy forms	28
	C. Treatment of policyholders	29
8.	Prior report summary and conclusions – Financial Report	30
9.	Prior report summary and conclusions – Market Conduct Report	32
10.	Summary and conclusions	34



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 8, 2012

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

Sir:

In accordance with instructions contained in Appointment No. 30639, dated January 24, 2011 and annexed hereto, an examination has been made into the condition and affairs of Allianz Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at One Chase Manhattan Plaza, 38th Floor, New York, NY 10005.

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

The material violations contained in this report are summarized below.

- The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by failing to file changes to their agent and broker compensation plan. (See item 7A of this report)
- The Company violated Section 4228(h) of the New York Insurance Law by failing to maintain adequate self-support demonstrations and by failing to have a qualified actuary sign the self-support demonstrations. (See item 6F of this report)
- The Company violated Section 2114(a)(1) of the New York Insurance Law by paying commissions to 53 brokers that were not licensed as insurance brokers in this state. (See item 7A of this report)
- The Company violated Section 1505(d)(3) of the New York Insurance Law by using unapproved service agreements with eight affiliates that provide services on a regular or systematic basis and also by failing to file a service agreement with an affiliate in a timely manner. This is a repeat violation. (See item 3D of this report)
- The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the Superintendent, in a timely manner, that agents had been terminated. This is a repeat violation. (See item 7A of this report)
- The Company violated Section 3211(b)(2) of the New York Insurance Law by utilizing premium notices that did not contain the full disclosure required by such section. (See item 7C of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2008 Edition* (the “Handbook”). The examination covers the three-year period from January 1, 2008 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.

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 2008 through 2010, by the accounting firm of KPMG. The Company received an unqualified opinion in all the years under review. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company shares an internal audit department with its parent and affiliates. The Company's parent has a separate internal control department which was given the task of assessing the internal control structure and compliance with the NAIC's Model Rule Requiring Annual Audited Financial Reports ("MAR"). The Company follows the same control processes as the parent and, where applicable, the shared internal audit and MAR 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 violations and recommendations contained in the prior financial and market conduct reports on examination. The results of the examiner's review are contained in items 8 and 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 under the name Preferred Life Insurance Company of New York on September 21, 1982. The Company was licensed on April 11, 1984 and commenced business on September 1, 1984.

The Company changed its name to Allianz Life Insurance Company of New York effective January 1, 2003.

Initial resources of \$6,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$4,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$30 per share.

In 2006, the Company ceded, and subsequently sold, 100% of its group accident and health line of business to Houston Casualty Company.

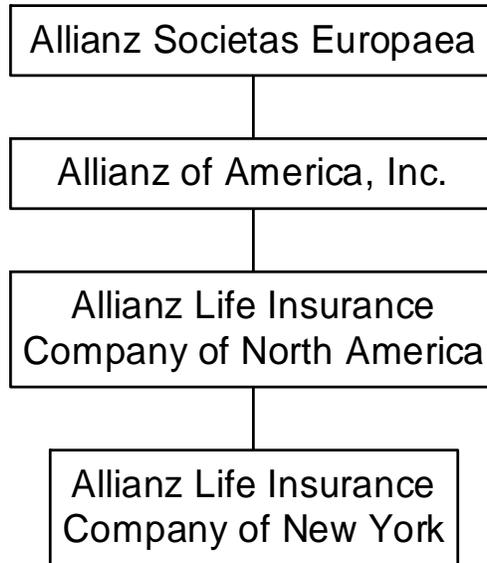
The Company received \$17 million in capital contributions from its parent during the year 2008 and \$20 million in capital contributions during the year 2010, for the purpose of maintaining a sufficient Risk Based Capital ratio.

B. Holding Company

The Company is a wholly owned subsidiary of Allianz Life Insurance Company of North America (“Allianz”), a Minnesota insurance company. Allianz is in turn a wholly owned subsidiary of Allianz of America, Inc. (“AZOA”), a Delaware holding company. The ultimate parent of the Company is Allianz Societas Europaea (“Allianz SE”), a German property and casualty company.

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 6 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
Amendment to Service Agreement Department File No. 43425 Service Agreement Department File No. 43052	8/20/2010 7/1/2010	Allianz	The Company	Allianz provides various administrative services to the Company, including but not limited to: accounting, audit, underwriting, claims, actuarial, investment management, data processing. Agreement No. 43425 amends only Schedule A of agreement No. 43052. Schedule A lists the services to be provided by Allianz.	2008 – \$(7,139,799) 2009 – \$(6,298,052) 2010 – \$(4,974,593)
Amendment to Distribution Services Agreement Department File No. 43398	8/6/2010	AGID	The Company	Agreement No. 43398 is an amendment to and revises the funds covered and service provided under Distribution Services Agreement No. 41650 (1/1/2007). AGID facilitates distribution activities related to the sale and servicing of listed PIMCO funds.	2008 - \$(57,425) 2009 - \$(84,807) 2010 - \$(82,376)
Amended and Restated Broker-Dealer Agreement Department File No. 42314	6/1/2010	Allianz Life Financial Services, LLC (“ALFS”)	The Company	Under this agreement ALFS acts as sole distributor for the Company's variable contracts. Prior to 2010 the Company did not allocate any related service fee to ALFS.	2008 - \$0 2009 - \$0 2010 - \$(629,384)

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 Department File No. 42330A	6/23/2010	The Company	PIMCO VIT	Under agreement No.42330A, the Company provides certain administrative, recordkeeping and investor services to investors of the PIMCO VIT through the separate accounts.	2008 - \$86,032 2009 - \$138,543 2010 - \$303,137
Investment Management Agreement Department File No. 43028	8/1/2010	AZOA	The Company	AZOA provides investment management services to designated Company accounts.	2008 - \$(89,573) 2009 - \$(154,277) 2010 - \$(151,750)
Administrative Service Agreement, as Novated Department File No. 41486	4/1/2010	The Company	Allianz Global Investors Fund Management LLC	The Company receives compensation for providing certain administrative services to owners of the variable contracts investing in the Premier VIT.	2008 - \$(3,676) 2009 - \$(5,648) 2010 - \$(2,709)

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

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

Section 1505(d) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . .

(3) rendering of services on a regular or systematic basis”

The Company distributes individual life and annuity contracts through various distribution channels, including field marketing organizations (“FMOs”) which recruit agents to sell business on behalf of the Company. The FMOs act as general agents and provide

recruitment, training and support services to the Company. Eight of the FMOs are affiliated with the Company and provide services on a regular and systematic basis.

In May, 2006 the Company submitted an FMO Service Agreement to the Department which was approved in October, 2006. The approval letter requested that the Company provide an executed copy of the agreement; the executed copy was not provided. The Department sent repeated requests asking the Company to provide an executed copy of the approved agreement but the Company failed to respond. On September 16, 2008 the Department sent a letter advising the Company that if the Department did not receive the executed copy of the agreement by September 24, 2008, the October, 2006 approval would be rescinded.

The Department does not have an executed copy of the agreement on file, and the Company was unable to provide a copy to the examiners or provide any evidence that it responded to the Department's September 16, 2008 request. As a result, the October, 2006 approval was deemed rescinded after the September 24, 2008 due date.

In addition, a review of Company records revealed that the Company has been using a version of the FMO agreement which does not include key provisions of the version that was approved by the Department in October, 2006. The key provisions that were not included in the version being used prohibit: 1) the assignment or otherwise transfer of the agreement without the written consent of the Company, the agent and the New York Insurance Department; and 2) the assignment or otherwise transfer of compensation due or to become due under the agreement.

Furthermore, a review of Company records also revealed that during the exam period the Company made payments to AZOA for investment services although the two entities did not have an investment services agreement in effect until August 1, 2010.

The Company violated Section 1505(d)(3) of the New York Insurance Law by using unapproved service agreements with eight affiliates that provide services on a regular or systematic basis and also by failing to file a service agreement with an affiliate in a timely manner. This is a repeat violation.

Section 91.4 of Department Regulation No. 33 states, in part:

“(a) General instructions. (1) It is the responsibility of each life insurer to use only such methods of allocation as will produce a suitable and equitable distribution of income and expenses by lines of business. Unless impractical or unfeasible, an insurer may use only such methods of allocation in its distribution

of income and expenses within annual statement lines of business as are compatible with the methods it uses for distribution between annual statement lines of business. . . .

(3) Such records shall be classified and indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated, and shall be maintained in such a manner as to be readily accessible for examination . . .

(5) Allocations of income and expenses between companies shall be treated in the same manner as if made for major annual statement lines of business . . .

(f) General expenses, taxes, licenses and fees. (1) In distributing costs to lines of business, each company shall employ those principles and methods that will reasonably reflect the actual incidence of cost by line of business. The relative time spent, the extent of usage and the varying volume of work performed for each line of business shall be considered in distributing cost to major annual statement lines of business and, to the extent practicable, to secondary annual statement lines of business . . .

(4) Estimates of time spent on activities may be used in the distribution of costs to lines of business only where such activities by their nature are not susceptible of objective measurement or where the cost of making time studies is disproportionate to the expense being distributed or where estimates of time are otherwise clearly appropriate. Where such estimates are made, they shall be made by a person or persons familiar with the nature of the activity and shall be reviewed by an executive responsible for expense allocations.”

In December, 2009, the Company implemented a revised expense allocation methodology, based on time studies conducted in the 4th Quarter of 2009, to allocate general expenses between companies; the methodology was approved by the Department on March 22, 2010. The Company failed to generate documentation to support the time studies that were used. The Company provided spreadsheets that were neither classified nor indexed in such form as to permit ready identification between the item allocated and the basis upon which it was allocated. The spreadsheets show numbers that supposedly represent actual time; however, the time could not be traced to any support documentation. Also, during a walkthrough of the allocation process the Company was unable to explain how the prescribed time studies were used to allocate expenses like salaries and wages between companies.

The Company violated Section 91.4(a)(3) of Department Regulation No. 33 by failing to classify and index allocation records in such form as to permit ready identification between the item allocated and the basis upon which it was allocated.

In addition, while the Company used the time study method to allocate expenses between companies, other methods such as percent of New York production, policies in force and in some

cases the parent company's expense ratios, were used to allocate expenses between major annual statement lines of business.

The Company violated Section 91.4(a)(5) of Department Regulation No. 33 by not allocating income and expenses between companies in the same manner as if made for major annual statement lines of business.

The Company also failed to provide any documentation to show that the time estimates used were submitted to and reviewed by an executive responsible for expense allocations.

The Company violated Section 91.4 (f)(4) of Department Regulation No. 33 by failing to have the time estimates used reviewed by an executive responsible for expense allocations.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 23 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2010, the board of directors consisted of 13 members. Meetings of the board are held at least annually, immediately following the annual meeting of the shareholders which is held in April each year.

Article IV of the Company's By-laws states, in part:

“ . . . SECTION 2 – Powers of the Finance Committee: The Finance Committee shall possess and may exercise all the powers of the Board of Directors with respect to the investments of the funds of the Company. . . .

SECTION 2 – Meetings: Meetings of the Finance Committee may be called by order of the Chairman of the Committee or by any two members of the Committee. The Committee shall prepare regular minutes of the transactions at its meetings and for that purpose may appoint a secretary to record the proceedings thereat. . . .”

Section 1 of the Company's Investment Policy states, in part:

“ . . . 2 - Asset Allocation: . . . Allianz Investment Management Minneapolis (“AIM Mpls”) is responsible for tactical positioning within min/max bands and must report to AZLNY FiCo at each regular meeting. . . .

4 - Reporting: The AZLNY FiCo shall be informed at each meeting on investment performance and the major risk components of the portfolios. All non-investment grade bonds will be reported on at each AZLNY FiCo meeting. . . .”

It was noted that the Company's Finance Committee does not hold any meetings. According to the Company, the Finance Committee does not meet because their responsibilities are performed by AZOA's Finance Committee. The examiners reviewed a sample of AZOA Finance Committee minutes from the exam period and noted that the minutes made no specific reference to the Company's investment transactions. As a result, the examiner could neither determine which investment transactions were the Company's, nor confirm that the AZOA Finance Committee performed the responsibilities outlined in the Company's investment policy.

The examiner recommends that the Company comply with their own by-laws and investment policy by having the Finance Committee meet, perform the responsibilities required of it and maintain the minutes of such meetings.

Item 4 Allianz Life NY – Finance of the Roles and Responsibilities Section of the Company's Investment Policy, states:

“Allianz Life NY shall participate as a member of the Allianz North American Assets Under Review Committee (“AUR”) and identify on a quarterly basis (1) deficiencies of market value relative to book value of individual holdings; (2) securities of companies in serious financial difficulty whose survival is in question; (3) in the case where market value deficiencies have persisted over a period of years, or recovery potential is deemed to be non-existent, write down that security to a level reflecting realizable value.”

The Company's parent, Allianz, has an Asset Under Review Committee (“AUR”) which also oversees the Company's investment activities. The Company's investment policy requires the Company to participate as a member of that committee and the securities held in its portfolio be discussed as indicated in such policy. The examiners were provided the minutes of the Allianz AUR meeting held in July, 2009 and the minutes show no evidence that the Company's investments were discussed at such meeting.

The examiner recommends that the securities held in the Company's portfolio be discussed at the Allianz AUR meetings, as indicated in the Company's investment policy, and be reported in the AUR Oversight Committee's minutes in a manner that such investments will be easily identified.

In addition, review of the board of directors' meeting materials revealed that listings of impaired securities and/or securities on the Company's watch list were not part of investment materials presented to the board at its regular meetings.

The examiner recommends that investment reports presented to the board of directors at each meeting include listings of impaired securities and securities on the Company's watch list.

The 13 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>
Michael Baney	District Director Allianz Life Financial Services, LLC	2009
Gary C. Bhojwani	Chairman of the Board and Chief Executive Officer Allianz Life Insurance Company of New York	2008
Thomas P. Burns	President Allianz Life Insurance Company of New York	2007
John O. Esch	Chief Actuary Allianz Life Insurance Company of New York	2007
Yvonne K. Franzese	Sr. Vice President-Chief Human Resources Officer Fireman's Fund Insurance Company	2008
William E. Gaumond	Vice President and Principal Analyst Allianz Life Insurance Company of North America	2008
Martha C. Goss*	Chief Operating and Financial Officer Amwell Holdings, LLC/Hopewell Holdings, LLC	2005
Stephen R. Herbert*	Partner Locke & Herbert, LLP	1997
Dennis J. Marion*	President Reinsurance Management Services	1984
Marc B. Olson	Controller Allianz Life Insurance Company of New York	2008

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Gary A. Smith*	Senior Partner Ivy Planning Group	2005
Giulio Terzariol	Chief Financial Officer and Treasurer Allianz Life Insurance Company of New York	2009
Eugene T. Wilkinson*	President Management Facilities Corp	1984

* 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 the executive and audit and compensation committees indicated that the 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>
Thomas P. Burns	President
Gary C. Bhojwani	Chairman and Chief Executive Officer
Maureen A. Philips	Chief Legal Officer and Secretary
Giulio Terzariol	Chief Financial Officer and Treasurer
Alexander Zehren	Chief Investment Officer
Marc B. Olson	Controller
Patrick L. Nelson*	Consumer Affairs Officer
John O. Esch	Chief Actuary

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

In April, 2011, Mr. Marc B. Olson was appointed Vice President Financial Consulting and Ms. Niki Scanlon replaced him as the Controller.

Section 5.7 of the Allianz corporate Conflict of Interest Policy states:

“Officers, directors, and certain senior employees are required to sign Conflict of Interest Certification on an annual basis.”

A review of Company records revealed that several of the officers, directors, and certain senior employees did not complete conflict of interest certifications during the period under review and some of the completed conflict of interest certifications could not be located for exam review. The Company did not comply with their own corporate Conflict of Interest Policy by failing to ensure that all key employees complete the certifications as required by the policy.

The examiner recommends that officers, directors and appropriate senior employees sign conflict of interest certifications annually as required by the corporate Conflict of Interest Policy and that completed conflict of interest certifications be kept in a secure location where they can be easily accessed for examination.

The examiner also noted that the Company has a Conflict of Interest Committee (“CIC”) that has no clearly defined responsibilities except that the CIC prepare a summary report and present it to the board of directors. According to the Company, the CIC does not hold any meetings because conflict of interest concerns are discussed during Allianz and AZOA CIC meetings. However, it was noted that May 6, 2008 was the only time that Allianz and AZOA held a CIC meeting during the three years under review, and minutes or notes of that meeting were not taken. The Company informed the examiner that minutes are not taken at CIC meetings.

The examiner recommends that the Conflict of Interest Committee meet at least annually to discuss and evaluate the impact of any potential conflicts that have been disclosed by directors, officers and key employees, and also prepare minutes of their meetings listing the items discussed and conclusions reached about each item. In addition, the minutes of the meetings should be maintained at the Company’s principal office with the other corporate records.

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 in six states, namely Connecticut, Illinois, Minnesota, Missouri, New York and North Dakota, and the District of Columbia. In 2010, 86.1% of life premiums, 93.2% of health premiums, and 92.6% of annuity considerations were received from New York. Policies are written on a non-participating basis.

In 2010, 98.7% of the New York premiums and considerations were received from the individual annuity line total business.

The following table shows the percentage of direct premiums received, by state, and by major lines of business for the year 2010:

<u>Life Insurance Premiums</u>		<u>Annuity Considerations</u>		<u>Accident and Health Insurance Premiums</u>	
New York	86.1%	New York	92.6%	New York	93.2%
Florida	<u>3.9</u>	Missouri	2.4	Florida	2.3
Subtotal	90.0%	All others	<u>5.0</u>	All others	<u>4.5</u>
All others	<u>10.0</u>				
Total	<u>100.0%</u>	Total	<u>100.0%</u>	Total	<u>100.0%</u>

A. Statutory and Special Deposits

As of December 31, 2010, the Company had \$1,645,000 (par value) of United States Treasury Notes 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 principal line of business sold during the examination period was individual annuity.

In 2010, annuity considerations accounted for 98.6% of total direct premiums received by the Company. Of that number, 65% came from variable annuities while 35% came from fixed deferred and indexed products. Strong sales of fixed and variable annuities contributed to a 128% increase in direct premiums in 2010.

The Company distributes its fixed products through FMOs and its variable products through broker dealers. FMOs are responsible for recruiting independent agents who, in turn, sell the Company's products. Each broker dealer receives commissions directly from the Company.

C. Reinsurance

As of December 31, 2010, the Company had nine reinsurance treaties in effect with 17 companies, of which 14 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is \$50,000. The total face amount of life insurance ceded, as of December 31, 2010, was \$97,842,177 which represents 87.24% of the total face amount of life insurance in-force.

Numerous immaterial presentation errors were noted in the Company's filed annual statements with regard to the Company's reinsurance transactions.

The examiner recommends that the Company exercise greater oversight in the preparation and reporting of reinsurance information.

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 during the period under review:

	December 31, <u>2007</u>	December 31, <u>2010</u>	Increase (Decrease)
Admitted assets	<u>\$874,371,399</u>	<u>\$1,600,642,543</u>	<u>\$726,271,114</u>
Liabilities	\$824,034,118	\$1,504,572,580	\$680,538,462
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Preferred capital stock	0	0	0
Gross paid in and contributed surplus	15,500,000	52,500,000	37,000,000
Aggregate write-ins for special surplus funds	0	0	0
Unassigned funds (surplus)	<u>32,837,281</u>	<u>41,569,963</u>	<u>8,732,682</u>
Total capital and surplus	<u>\$ 50,337,281</u>	<u>\$ 96,069,963</u>	<u>\$ 45,732,682</u>
Total liabilities, capital and surplus	<u>\$874,371,399</u>	<u>\$1,600,642,543</u>	<u>\$726,271,114</u>

The majority (60.42%) of the Company's admitted assets, as of December 31, 2010, was derived from Separate Accounts.

The Company's invested assets, as of December 31, 2010, exclusive of separate accounts, were mainly comprised of bonds (95.3%) and cash and short-term investments (4.6%).

The majority (93.0%) of the Company's bond portfolio, as of December 31, 2010, was comprised of investment grade obligations.

The Company received a \$17 million capital contribution from its parent during the year 2008, and a \$20 million capital contribution during the year 2010, for the purpose of maintaining a sufficient Risk Based Capital ratio.

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):

<u>Year</u>	<u>Individual Whole Life</u>		<u>Individual Term</u>		<u>Group Life</u>	
	<u>Issued</u>	<u>In Force</u>	<u>Issued</u>	<u>In Force</u>	<u>Issued & Increases</u>	<u>In Force</u>
2008	\$23,631	\$36,469	\$15,100	\$15,100	\$0	\$75,415
2009	\$ 641	\$34,404	\$ 3,100	\$18,200	\$0	\$67,558
2010	\$ 444	\$32,381	\$ 0	\$17,699	\$0	\$62,057

The decrease in life business is attributed to the discontinued sale of life products in 2009; mainly the NY GenDexII life insurance product. The Company did not issue group life business during the period under review.

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

	<u>Ordinary Annuities</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Outstanding, end of previous year	9,962	11,462	12,815
Issued during the year	2,262	1,981	3,933
Other net changes during the year	<u>(762)</u>	<u>(628)</u>	<u>(701)</u>
Outstanding, end of current year	<u>11,462</u>	<u>12,815</u>	<u>16,047</u>

The increase in annuity business is due to the Company shifting its primary focus to the sale of variable annuities. When compared with 2008, the decrease in annuities issued in 2009 is mainly attributed to the suspension of the sale of the living benefit rider on variable annuity products. The rider was revised and re-introduced on August 17, 2009.

Section 91.5 of Department Regulation No. 33 states, in part:

“(a) Distribution of net investment income shall be made in accordance with paragraph (2) of subdivision (c) of section 91.4 or by use of an investment year method in accordance with the following rules . . . and which are subject to subdivision (b) of this section 91.5 . . .

(b) A licensed life insurer proposing to adopt an investment year method in the distribution of net investment income, or to revise such a method already in effect, shall on or before November 1 of the first year for which such method or

revision is to be used file with the superintendent a full description of its plan, together with its certification that the plan conforms to the foregoing rules. . . .”

The Company stated that during the period under review, the investment year method was used to allocate net investment income to major annual statement lines of business; however, an investment year plan had not been filed with the superintendent. In October, 2011, the Company filed a plan with the Department.

The Company violated Section 91.5(b) of Department Regulation No. 33 by failing to file its investment year allocation plan prior to use.

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>2008</u>	<u>2009</u>	<u>2010</u>
Ordinary:			
Life insurance	\$ 38,300	\$ 125,886	\$ 147,353
Individual annuities	(44,998,670)	23,045,088	22,356,958
Supplementary contracts	<u>0</u>	<u>0</u>	<u>(551,234)</u>
Total ordinary	\$ <u>(44,960,370)</u>	\$ <u>23,170,974</u>	\$ <u>21,953,077</u>
Group:			
Life	\$ <u>149,817</u>	\$ <u>208,733</u>	\$ <u>180,219</u>
Total group	\$ <u>149,817</u>	\$ <u>208,733</u>	\$ <u>180,219</u>
Accident and health:			
Group	\$ 356,647	\$ (68,393)	\$ (1,265,099)
Other	<u>(384,556)</u>	<u>(73,775)</u>	<u>85,591</u>
Total accident and health	\$ <u>(27,909)</u>	\$ <u>(142,168)</u>	\$ <u>(1,179,508)</u>
Total	\$ <u>(44,838,462)</u>	\$ <u>23,237,539</u>	\$ <u>20,953,788</u>

The loss experienced by the Company in 2008 was primarily related to the economic downturn which caused high surrender and withdrawal activity in addition to the Company increasing its variable annuity reserves. The annuity line of business experienced less withdrawals and surrenders in 2009 and 2010, and improved sales in 2010. The decrease in the net gain from operations in the annuity line of business in 2010 when compared with 2009 is due to higher aggregate reserves needed for the increased production in annuities, particularly for the increase in fixed annuities.

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.

A. Independent Accountants

The firm of KPMG LLC, Minneapolis, Minnesota 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.

KPMG LLC 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	\$ 573,086,494
Cash, cash equivalents and short term investments	27,602,281
Contract loans	411,243
Receivable for securities	55,903
Investment income due and accrued	6,955,094
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(22,661)
Reinsurance:	
Amounts recoverable from reinsurers	9,696
Other amounts receivable under reinsurance contracts	13,821
Current federal and foreign income tax recoverable and interest thereon	1,103,714
Net deferred tax asset	764,401
Receivables from parent, subsidiaries and affiliates	20,000,000
Aggregate write-ins for other than invested assets:	
Miscellaneous receivables	448,990
CT 332 NY Assessment	474,665
NYS 2009 Franchise Tax Return receivable	2,677,656
From separate accounts, segregated accounts and protected cell accounts	<u>967,061,246</u>
Total admitted assets	<u>\$1,600,642,543</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 563,057,059
Aggregate reserve for accident and health contracts	7,544,855
Liability for deposit-type contracts	984,038
Contract claims:	
Life	51,590
Accident and health	1,891,234
Contract liabilities not included elsewhere:	
Interest maintenance reserve	1,754,756
Commissions to agents due or accrued	148,855
Commissions and expense allowances payable on reinsurance assumed	6,667
General expenses due or accrued	343,867
Transfers to separate accounts due or accrued	(48,692,319)
Taxes, licenses and fees due or accrued, excluding federal income taxes	(34,385)
Unearned investment income	8,463
Amounts withheld or retained by company as agent or trustee	274,112
Remittances and items not allocated	7,372,355
Miscellaneous liabilities:	
Reinsurance in unauthorized companies	40,354
Payable to parent, subsidiaries and affiliates	2,534,915
Payable for securities	219,776
Aggregate write-ins for liabilities	5,142
From Separate Accounts statement	<u>967,061,246</u>
 Total liabilities	 <u>\$1,504,572,580</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	52,500,000
Unassigned funds (surplus)	<u>41,569,963</u>
Surplus	<u>\$ 94,069,963</u>
Total capital and surplus	<u>\$ 96,069,963</u>
 Total liabilities, capital and surplus	 <u>\$1,600,642,543</u>

D. Condensed Summary of Operations

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Premiums and considerations	\$235,840,258	\$191,699,265	\$432,952,098
Investment income	18,697,603	24,706,009	27,501,827
Commissions and reserve adjustments on reinsurance ceded	420,576	396,894	326,086
Miscellaneous income	<u>11,451,677</u>	<u>11,841,933</u>	<u>17,376,972</u>
 Total income	 <u>\$266,410,114</u>	 <u>\$228,644,101</u>	 <u>\$478,156,983</u>
Benefit payments	\$ 69,944,540	\$ 59,543,060	\$ 69,118,847
Increase in reserves	145,282,660	46,192,646	139,524,367
Commissions	13,791,988	11,659,386	24,629,996
General expenses and taxes	8,548,954	8,619,801	8,287,873
Net transfers to (from) Separate Accounts	77,098,548	75,643,502	213,858,586
Miscellaneous deductions	<u>(253,688)</u>	<u>188,338</u>	<u>221,487</u>
 Total deductions	 <u>\$314,413,001</u>	 <u>\$201,846,733</u>	 <u>\$455,641,156</u>
Net gain (loss)	\$ (48,002,886)	\$ 26,797,368	\$ 22,515,827
Federal and foreign income taxes incurred	<u>(3,164,424)</u>	<u>3,559,829</u>	<u>1,361,967</u>
 Net gain (loss) from operations before net realized capital gains	 \$ (44,838,462)	 \$ 23,237,539	 \$ 21,153,860
Net realized capital gains (losses)	<u>(2,662,253)</u>	<u>(6,535,562)</u>	<u>(9,893,789)</u>
 Net income	 <u>\$ (47,500,715)</u>	 <u>\$ 16,701,977</u>	 <u>\$ 11,260,071</u>

E. Capital and Surplus Account

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capital and surplus, December 31, prior year	\$ <u>50,337,281</u>	\$ <u>29,200,508</u>	\$ <u>64,829,514</u>
Net income	\$(47,500,715)	\$16,701,977	\$11,260,071
Change in net unrealized capital gains (losses)	(68,250)	68,250	0
Change in net deferred income tax	12,532,414	(10,914,673)	(2,200,703)
Change in non-admitted assets and related items	(3,497,547)	9,816,965	1,876,041
Change in liability for reinsurance in unauthorized companies	(148,832)	194,278	305,040
Change in asset valuation reserve	1,015,043	0	0
Surplus adjustments:			
Paid in	17,000,000	0	20,000,000
Amortization of coinsurance gain - HCRM	(468,886)	(19,331)	0
Correction of error – expense allocation	0	(985,447)	0
Correction of error – CARVM 128 Regulation	<u>0</u>	<u>20,766,987</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(21,136,773)</u>	\$ <u>35,629,006</u>	\$ <u>31,240,449</u>
Capital and surplus, December 31, current year	\$ <u>29,200,508</u>	\$ <u>64,829,514</u>	\$ <u>96,069,963</u>

F. Reserves

The Company's reserves, as of December 31, 2007, had a significant amount of variable annuities with guaranteed living benefits ("VAGLBs"). As a result of the fourth quarter 2008 market downturn, the value of the Company's VAGLBs increased, resulting in a significant strain on the Company's surplus. The Company's parent made a \$17 million cash contribution to ease the surplus strain in 2008.

In 2008, the Company's reserves were overstated by \$20.8 due to an error in the calculation of variable reserves. The \$20.8 million represented approximately 76% of the amount reported for surplus at December 31, 2008; the error was corrected in first quarter of 2009.

Section 4228(h) of the New York Insurance Law states, in part:

"No company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . ."

The examiner conducted a review of the pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. This review included an examination of the required actuarial statements of self support and the supporting demonstrations. The examiner requested statements and corresponding demonstrations for all of the Company's policy forms subject to Section 4228(h).

For various policy forms, involving 928 policies, the required self-support demonstration was either unavailable or prepared after the policies were issued. In addition, the demonstrations

that were available were lacking with regard to narrative descriptions of the methodologies and material assumptions used in the analyses. The demonstrations were also not signed as required.

The Company violated Section 4228(h) of the New York Insurance Law by failing to maintain adequate self-support demonstrations and by failing to have a qualified actuary sign the self-support demonstrations.

In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated and finalized prior to the date of the statement of self support.

The Company also agreed that such demonstrations will contain sufficient information of the modeling and material assumptions such that another actuary can make a reasonable assessment of the analysis performed.

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.

Section 2114 of the New York Insurance Law states, in part:

“(a)(1) No insurer . . . doing business in this state shall pay any commission or other compensation to any person, firm or corporation, for any services in obtaining in this state any new contract of life insurance or any new annuity contract, except to a licensed life insurance agent of such insurer or . . . to an insurance broker . . .”

Based on information obtained from the Company during the examination, the examiner determined that the Company paid commissions to 53 brokers during the exam period whom did not possess a New York issued insurance license.

The Company violated Section 2114(a)(1) of the New York Insurance Law by paying commissions to 53 brokers that were not licensed as insurance brokers in this state.

Section 4228(f)(1) of the New York Insurance Law states, in part:

“Filing requirements for agent and broker compensation plans are as follows:
(A) A company shall make annual information filings with respect to any newly-introduced plans or changes under which the company makes payments to agents or brokers if such plans are commission plans for which the commission percentages are, in all policy or contract years, no greater than the commission percentages set forth in paragraphs one, two, three and four of subsection (d) of this section . . .”

A review of producer records revealed that the Company’s agents, general agents and brokers were paid a higher commission rate than the rate that was filed with Department. The Company’s filed commission rate is 7% for ages 0-75 and 3.5% for ages 76-80 for its variable annuity vision product. The examiners reviewed a sample of 229 producer records and found 112 instances where the Company paid the 7% commission rate on ages 76-80, rather than the filed 3.5% rate. The Company acknowledged that it did not file an updated agent compensation plan to reflect the change in commission rate for ages 76-80.

The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by failing to file changes to their agent and broker compensation plan.

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

“(d) Every insurer . . . doing business in this state shall, upon termination of the certificate of appointment . . . or upon termination for cause . . . 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 . . . of the facts relative to such termination for cause. . . .”

The examiner reviewed a sample of 98 agent termination files. The review revealed that the Company failed to file 9 of the 98 terminations in a timely manner.

The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the Superintendent, in a timely manner, that agents had been terminated. This is a repeat violation.

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.

Section 3211 of the New York Insurance Law states, in part:

“(a)(1) No policy of life insurance or non-cancellable disability insurance delivered or issued for delivery in this state, and no life insurance certificate delivered or issued for delivery in this state by a fraternal benefit society, shall terminate or lapse by reason of default in payment of any premium, installment, or interest on any policy loan in less than one year after such default, unless, for scheduled premium policies, a notice shall have been duly mailed at least fifteen and not more than forty-five days prior to the day when such payment becomes due . . .

(b) The notice required by paragraph one of subsection (a) hereof shall:

(1) be duly mailed to the last known address of the person insured, or if any other person shall have been designated in writing to receive such notice, then to such other person;

(2) state the amount of such payment, the date when due, the place where and the person to whom it is payable; and shall also state that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit. . . .”

The examiner reviewed copies of the billing notices that were mailed to individual life policyholders during the exam period. The review revealed that the initial notices did not include the full disclosures outlined in Section 3211(b)(2) of the New York Insurance Law, including, disclosure that unless the payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit.

The Company violated Section 3211(b)(2) of the New York Insurance Law by utilizing premium notices that did not contain the full disclosure required by such section.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS – FINANCIAL REPORT

Following are the violations and recommendations contained in the prior Financial 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 Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent in writing of its intention to enter into six agreements with affiliates for the rendering of services on a regular or systematic basis at least thirty days prior to rendering such services.</p> <p>The Company filed the aforementioned six service agreements with the Department; however, a similar violation appears in this report on examination. (See item 3D of this report)</p>
B	<p>The Company violated Section 91.4(a)(2) and (3) of Department Regulation No. 33 by failing to maintain records for allocating expenses between companies in a manner that permits ready identification between the item allocated and the basis on which it was allocated and by failing to maintain its records in a manner that is readily accessible for examination.</p> <p>The Company developed a system to track and validate all allocations between the companies in response to the above cited comment; however, a similar violation appears in this report on examination. (See item 3D of this report)</p>
C	<p>The Company violated Section 91.4(f)(5) of Department Regulation No. 33 when it used earned premiums as its basis for distributing costs among major annual statement lines of business.</p> <p>The Company stated that it discontinued the use of earned premiums as a basis for distributing costs among major annual statement lines of business; however, a similar violation appears in this report on examination. (See item 3D of this report)</p>
D	<p>The examiner strongly recommended that the Company continue to review and monitor its product design, risk mitigation procedures, and capital needs as they relate to the VAGLB business.</p> <p>The Company has taken several steps to increase its management and control of the risks related to its VAGLB business.</p>
E	<p>The Company violated Section 325(a) of the New York Insurance Law by not keeping and maintaining its books of account at its principal office in New York.</p> <p>The administrative office in Minneapolis now provides the New York office with the applicable books of accounts.</p>

<u>Item</u>	<u>Description</u>
F	<p>The examiner recommended that the Company exercise greater care in the compilation of its data for reporting purposes and comply with the annual statement instructions when preparing its filings with the Department. A similar recommendation appeared in the prior report.</p> <p>The Company stated that it has taken multiple corrective actions and it appears they are substantially in compliance with this recommendation.</p>
G	<p>The examiner recommended that the Company do volatility hedging for its VAGLB products.</p> <p>The Company decided not to pursue a volatility hedge.</p>
H	<p>The examiner recommended that the Company combine these documents into one formal document and enter the information into a case management system containing source code for the system in order to maintain adequate information so the hedging program could continue in the event of the loss of the key person.</p> <p>The Company has implemented system control enhancements to its hedge program.</p>

9. PRIOR REPORT SUMMARY AND CONCLUSIONS – MARKET CONDUCT REPORT

Following are the violations and recommendations contained in the prior Market Conduct 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 recommends that, going forward, the Company complete the Certificate of Compliance in a manner that conforms with Section 215.17(b) of Department Regulation No. 34 and Section 219.5(b) of Department Regulation No. 34-A and the instructions to the New York Supplement to the annual statement.</p> <p>The Company completed the Certificate of Compliance in a manner that conforms with Section 215.17(b) of Department Regulation No. 34, Section 219.5(b) of Department Regulation No. 34-A and the instructions to the New York Supplement to the annual statement.</p>
B	<p>The Company violated Section 219.4(p) of Department Regulation No. 34-A by providing 17 applicants with illustrations that did not clearly identify the name of the city, town or village in which it has its home office in the United States.</p> <p>The Company stated that it updated their system in January, 2009 to ensure illustrations reflect the address of the home office. The majority of the sample of illustrations reviewed all contained the name of the city in which the company has its home office in the United States. The Company no longer offers life insurance in the state of New York.</p>
C	<p>The Company violated Section 53-3.2(a) of Department Regulation No. 74 by using illustrations that do not identify the address of the selling agent.</p> <p>The procedures were updated and retraining took place in December 2010. The Company no longer offers life insurance in the state of New York.</p>
D	<p>The examiner recommends that the audit plan for compliance with Department Regulation No. 60 be presented to the board of directors for approval.</p> <p>A review of the minutes of the board of director and audit committee meetings indicate that the audit plan for compliance with Department Regulation No. 60 was discussed at such meetings.</p>
E	<p>The examiner recommends that the Company exercise greater care in applying the correct rate in the payment of interest to policyholders.</p> <p>The Company stated that it is taking greater care in applying the correct rate in the payment of interest to policyholders. Procedures have been updated and periodic audits will be conducted to ensure compliance with the stated procedures. No similar instances were found during this exam.</p>

<u>Item</u>	<u>Description</u>
F	<p>The Company violated Section 2112(d) of the New York Insurance Law when it failed to notify the Superintendent in a timely manner that agents had been terminated. This is a repeat violation.</p> <p>The Company stated that it has implemented new processes late in 2011 to semi-automate the once manual process; the examiner was unable to determine the effectiveness of the new process. A similar violation appears in this report on examination. (See item 8A of this report)</p>
G	<p>The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by failing to file changes to agent compensation arrangements or plans with the Department in a timely manner.</p> <p>The Company stated that procedures have been put in place to identify any needed filings; however, a similar violation appears in this report on examination. (See item 8A of this report)</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 1505(d)(3) of the New York Insurance Law by using unapproved service agreements with eight affiliates that provide services on a regular or systematic basis and also by failing to file a service agreement with an affiliate in a timely manner. This is a repeat violation.	9
B	The Company violated Section 91.4(a)(3) of Department Regulation No. 33 by failing to classify and index allocation records in such form as to permit ready identification between the item allocated and the basis upon which it was allocated.	10
C	The Company violated Section 91.4(a)(5) of Department Regulation No. 33 by not allocating income and expenses between companies in the same manner as if made for major annual statement lines of business.	11
D	The Company violated Section 91.4 (f)(4) of Department Regulation No. 33 by failing to have the time estimates used reviewed by an executive responsible for expense allocations.	11
E	The examiner recommends that the Company comply with their own by-laws and investment policy by having the Finance Committee meet, perform the responsibilities required of it, and maintain minutes of these meetings.	12
F	The examiner recommends that the securities held in the Company's portfolio be discussed at the Allianz AUR meetings as indicated in the Company's investment policy, and be reported in the AUR Oversight Committee's minutes in a manner that such investments will be easily identified.	12
G	The examiner recommends that investment reports presented to the board of directors at each meeting include listings of impaired securities and securities on the Company's watch list.	13
H	The examiner recommends that officers, directors and appropriate senior employees sign conflict of interest certifications annually as required by the corporate Conflict of Interest Policy and that completed conflict of interest certifications be kept in a secure location where they can be easily accessed for examination.	15

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
I	The examiner recommends that the Conflict of Interest Committee meet at least annually to discuss and evaluate the impact of any potential conflicts that have been disclosed by directors, officers and key employees, and also prepare minutes of their meetings listing the items discussed and conclusions reached about each item. In addition, the minutes of the meetings should be maintained at the Company's principal office with the other corporate records.	15
J	The examiner recommends that the Company exercise greater oversight in the preparation and reporting of reinsurance information.	17
K	The Company violated Section 91.5(b) of Department Regulation No. 33 by failing to file its investment year allocation plan prior to use.	20
L	The Company violated Section 4228(h) of the New York Insurance Law by failing to maintain adequate self-support demonstrations and by failing to have a qualified actuary sign the self-support demonstrations.	26
M	The Company violated Section 2114(a)(1) of the New York Insurance Law by paying commissions to 53 brokers that were not licensed as insurance brokers in this state.	27
N	The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by failing to file changes to their agent and broker compensation plan.	27
O	The Company violated Section 2112(d) of the New York Insurance Law by failing to notify the Superintendent, in a timely manner, that agents had been terminated. This is a repeat violation.	28
P	The Company violated Section 3211(b)(2) of the New York Insurance Law by utilizing premium notices that did not contain the full disclosure required by such section.	29

Respectfully submitted,

/s/

Flora Egbuchulam
Senior Insurance Examiner

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

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

/s/

Flora Egbuchulam

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 30639

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:

FLORA EGBUCHULAM

as a proper person to examine into the affairs of the

ALLIANZ 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 24th day of January, 2011



JAMES J. WRYNN
Superintendent of Insurance

James J. Wrynn
Superintendent