NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

ATHENE ANNUITY & LIFE ASSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2013

DATE OF REPORT: JUNE 8, 2015

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EXAMINER:	WILLIAM A. O’CONNELL

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 8, 2015

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

Sir:

In accordance with instructions contained in Appointment No. 31259, dated December 19, 2014, and annexed hereto, an examination has been made into the condition and affairs of Athene Annuity & Life Assurance Company of New York, hereinafter referred to as "the Company" at its administrative office located at 7700 Mills Civic Parkway, West Des Moines, Iowa 50266. The Company's home office is located at 69 Lydecker Street, Nyack, New York 10960.

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 findings, comments, violations and recommendations contained in this report are summarized below.

- On December 28, 2012, the Company's was acquired by Athene Annuity & Life Assurance Company ("AADE"), a Delaware insurance company. On October 1, 2013, the Company's name was changed from Presidential Life Insurance Company to Athene Annuity & Life Assurance Company of New York. On October 2, 2013, AADE acquired Aviva Life & Annuity Company ("ALAC"), an Iowa insurance company and the parent of Aviva Life and Annuity Company of New York ("ALACNY"), a New York domestic insurer. Immediately following the acquisition, AADE contributed 100% of the issued and outstanding stock of the Company to ALAC. ALAC became the immediate parent of the Company. ALAC then sold 100% of the issued and outstanding capital stock of ALACNY to the Company. (See item 3A of this report)

- Athene Holding Limited has not established and implemented formal ERM processes including risk management policies, economic capital modeling, and utilization of risk metrics in business decision making. The examiner recommends that a formal Enterprise Risk Management processes, including risk management policies, economic capital modeling, and utilization of risk metrics in business decisions, be developed in a timely manner to help ensure that all Companies in the holding company system are managed consistently and within their risk appetites. (See item 3E 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, 2014 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2010, to December 31, 2013. 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, 2013, 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 the Company was conducted in conjunction with the examination of Athene Annuity and Life Assurance Company ("AADE"), a Delaware domestic insurer. The examination was led by the State of Delaware with participation from the Department. The examination was also conducted in conjunction with the examination of Aviva Life & Annuity Company, an Iowa domestic company and the parent of the Company. Since all states are accredited by the NAIC, they all deemed it appropriate to rely on each other's work.

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 2012 and 2013, by the accounting firm of Pricewaterhouse Coopers ("PwC"), and for the years 2010 and 2011, by the accounting firm of BDO USA, LLP ("BDO"). The Company received an unqualified opinion in all of the years. Certain audit workpapers of PwC were reviewed and relied upon in conjunction with this examination. The Company's parent, AADE, is subject to the requirements of the Model Audit Rule ("MAR"), and, along with the Company's audit committee, was given the task of assessing the internal control structure. Where applicable, internal audit 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 recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 7 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated on May 19, 1965, as a stock life insurer under the laws of New York, and commenced business on October 20, 1966. Initial resources of $2,850,000, consisting of common capital stock of $950,000 and paid in and contributed surplus of $1,900,000, were provided through the sale of 475,000 shares of common stock (with a par value of $2 each) for $6 per share.

On December 28, 2012, the Company's former parent, Presidential Life Corporation ("Presidential"), a Delaware Corporation, was acquired by Athene Annuity & Life Assurance Company ("AADE"), also a Delaware Corporation and a subsidiary of Athene Holding Ltd ("AHL"), for approximately $414 million. Immediately following the acquisition, Presidential converted to a Delaware Limited Liability Company, changed its name to Presidential Life LLC and distributed 100% of the issued and outstanding stock of the Company to AADE. The Company became a direct subsidiary of AADE, and AHL became the ultimate parent of the Company. On October 1, 2013, the Company's name was changed from Presidential Life Insurance Company to Athene Annuity & Life Assurance Company of New York.

On October 2, 2013, AHL acquired Aviva USA Corporation and its subsidiaries including Aviva Life & Annuity Company ("ALAC"), an Iowa insurance company, from Aviva, PLC. Immediately following the acquisition, AADE contributed the company to ALAC. ALAC became the immediate parent of the Company. ALAC then sold 100% of the issued and outstanding capital stock of its wholly owned subsidiary, Aviva Life and Annuity Company of New York ("ALACNY"), to the Company in exchange for cash of $48.2 million. Following the Company's acquisition of ALACNY, $103.4 million of ALACNY's surplus was reset under SSAP No. 72, as a reclassification from unassigned deficit to paid-in surplus. On March 3, 2014, ALACNY changed its name to Athene Life Insurance Company of New York ("ALICNY"). As a result of the transactions, all outstanding shares of ALACNY are owned by the Company which in turn is wholly owned by ALAC.

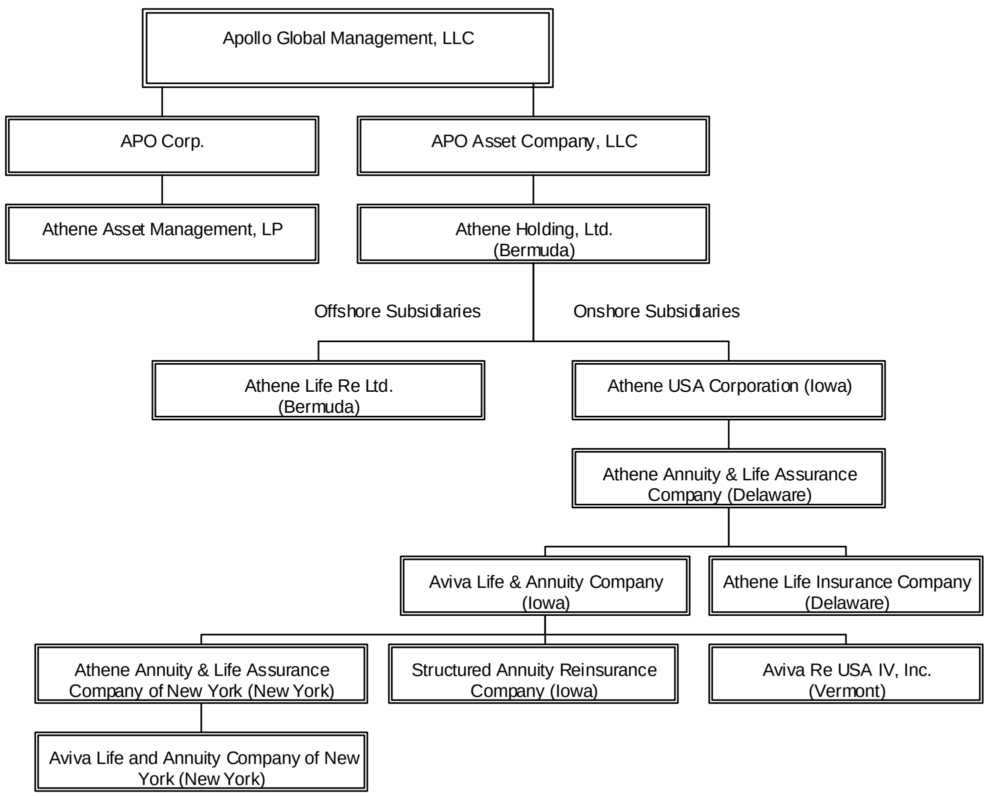
As of December 31, 2013, the Company had common capital stock of $2,500,875 and gross paid in and contributed surplus of $34,384,471.

B. Holding Company

The Company is a wholly-owned subsidiary of Aviva Life and Annuity Company, an Iowa domestic, which is wholly-owned by Athene Annuity & Life Assurance ("AADE"), a Delaware domestic. AADE is wholly owned by Athene USA Corporation ("AUSA"), which is wholly-owned by AHL.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2013 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 Service Agreement	07/01/1997	The Company	Presidential Life Insurance Corporation	Management, accounting and investing Services	2010 $18,000 2011 $18,000 2012 $18,000
Administrative Services Agreement	01/01/1991	The Company	Presidential Life Insurance Assigned Services Corporation	Management, collection & disbursement of monies, accounting	2010 $2,000 2011 $2,000 2012 $2,000
Cost Sharing Agreement; Amendment One to Shared Services and Cost Sharing Agreement	10/02/2013	AHL, AUSA, AADE, ALAC, ALACNY, Athene Asset Management, L. P. (AAM), Athene Holding Ltd. Athene Life Re Ltd. (ALRe)	The Company	To make available certain personnel and services between certain of the parties	2013 $(460,478)
Shared Services and Cost Sharing Agreement; Amended and Restated Shared Services and Cost Sharing Agreement[1]	Dec. 28, 2012; July 1, 2013	AADE	The Company	To make available certain personnel and services to the Company	2013 $(1,608,596)
Investment Management Agreement	Dec. 28, 2012	AAM	The Company	Investment management with respect to the investment and reinvestment of the Company's assets.	2013 ($7,643,094)

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

[1] This Shared Services and Cost Sharing Agreement was terminated by the Shared Services and Cost Sharing Agreement entered into on October 2, 2013 in connection with the acquisition by Athene Holding Ltd. of Athene USA Corporation (f/k/a Aviva USA Corporation) and its subsidiaries.

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 13 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2013, the board of directors consisted of nine members. Meetings of the board are held as determined by the board, but no less than annually.

The nine board members and their principal business affiliation, as of December 31, 2013, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James Belardi Manhattan Beach, CA	Chief Executive Officer Athene Asset Management, L.P.	2012
James Betts* Raleigh, NC	Self-employed Consultant Former Audit Partner with Ernst & Young	2012
Joshua Black New York, NY	Associate, Financial Services Group Apollo Global Management	2012
Grant Kvalheim Princeton, NJ	President Athene Holding Ltd.	2012
Matthew Michelini New York, NY	Principal Apollo Management Holdings, L.P.	2012
Francis Sabatini* Grandy, CT	President Sabatini Advisory Services, LLC	2012
Imran Siddiqui New York, NY	Senior Partner Apollo Global Management	2012
Guy Smith, III Simpsonville, SC	President and Chief Executive Officer Athene Annuity & Life Assurance Company of New York	2012
Hope Taitz* Armonk, NY	Self-employed Consultant	2012

* 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, 2013:

Name	Title
Guy Smith, III	President and Chief Executive Officer
David Attaway	Vice President, Chief Financial Officer and Treasurer
John Golden	Secretary
Matthew Easley	Executive Vice President and Chief Actuary
Duncan Szeto	Vice President and Appointed Actuary

The designated consumer services officer per Section 216.4(c) of Department Regulation No. 64 is Tara O'Dom, Vice President of Operations.

On March 6, 2014, the Company segregated the titles of President and Chief Executive Officer. Guy Smith, III remained as the President and James Belardi was appointed Chief Executive Officer of the Company. The following officers were also appointed on March 6, 2014:

Name	Title
Richard Cohan, Jr.	Executive Vice President, General Counsel and Secretary
Brenda Cushing	Executive Vice President, CFO and Treasurer
Gerhard Recker	Executive Vice President and Chief Information Officer
Stephen Cernich	Executive Vice President
Jeffery Boland	Executive Vice President and Chief Risk Officer
John Golden	Executive Vice President
Christopher Grady	Executive Vice President and Head of Retail Sales
Christopher Welp	Executive Vice President
James Hassett	Executive Vice President
Nancy De Liban	Executive Vice President
Robert Graham	Executive Vice President
David Attaway	Senior Vice President and Controller
Erik Askelsen	Senior Vice President and Associate General Counsel
Jay King	Senior Vice President of Internal Audit

On December 10, 2014, Matthew Easley separated from the Company; Steve Cernich is serving as Chief Actuary in the interim.

Athene Holding Limited ("AHL") has not established and implemented formal ERM processes including risk management policies, economic capital modeling, and utilization of risk metrics in business decision making. The examiner was subsequently informed that a new Chief Risk Officer was hired in October 2014, who has overseen significant development and build-up of these processes, including the retention of significant additional staff.

The examiner recommends that formal Enterprise Risk Management processes, including risk management policies, economic capital modeling, and utilization of risk metrics in business decisions, be developed in a timely manner to help ensure that all Companies in the holding company system are managed consistently and within their risk appetites.

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 all 50 states, and the District of Columbia. In 2013, 22.1% of life premiums and 82.5% of annuity premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2013, the Company had $2,310,000 (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 reported in Schedule E of the 2013 filed annual statement, an additional $3,989,340 was being held by the states of Arkansas, Florida, Georgia, Nevada, New Hampshire, New Mexico, North Carolina, South Carolina, and Wyoming as well as the Commonwealths of Massachusetts and Virginia.

B. Direct Operations

The Company issues only non-participating life insurance policies, which do not pay dividends to policyholders from the insurer’s earnings.

The Company’s principal products are deferred annuities, which are interest rate sensitive instruments. The Company ceased selling substantially all life and accident and health products in 2013. As a result, the Company’s life and accident and health business has been in runoff mode during 2013.

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

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with 14 companies, of which 11 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $50,000 per policy and $100,000 per life. The total face amount of life insurance ceded as of December 31, 2013, was $488,460,000, which represents 53% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $2,503,334,439, was supported by letters of credit, trust agreements and/or funds withheld.

Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling $2,520,289,720, was supported by letters of credit, trust agreements and/or funds withheld.

There was no assumed life insurance as of December 31, 2013.

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, 2009	December 31, 2013	Increase (Decrease)
Admitted assets	$3,613,889,672	$3,525,636,366	$ (88,253,306)
Liabilities	$3,344,113,020	$3,361,240,043	$ 17,127,023
Common capital stock	$ 2,500,875	$ 2,500,875	$ 0
Gross paid in and contributed surplus	34,349,125	34,384,471	35,346
Additional admitted deferred tax asset	14,329,801	0	(14,329,801)
Unassigned funds (surplus)	218,596,851	127,510,977	(91,085,874)
Total capital and surplus	$ 269,776,652	$ 164,396,323	$(105,380,329)
Total liabilities, capital and surplus	$3,613,889,672	$3,525,636,366	$ (88,253,306)

The primary reason for the decrease in admitted assets and capital and surplus were the upstream dividends of $184.15M provided to the Company's former parent, Presidential Life Corporation, during the years of 2010 through 2013. All dividends were submitted by the Department and found to be non-objectionable.

The Company's invested assets as of December 31, 2013, were mainly comprised of bonds (88.7%) and other invested assets (5.9%).

The majority (91%) of the Company's bond portfolio, as of December 31, 2013, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2010	$50,835	$578,976	$0	$500,839	$ 0	$2,469
2011	$55,093	$564,782	$0	$470,228	$681	$3,088
2012	$64,539	$563,692	$0	$442,712	$ 78	$2,207
2013	$ 7,405	$515,155	$0	$412,479	$ 0	$ 0

New sales of whole life insurance were terminated in 2013. Sales of term polices were terminated years ago. The remaining inforce polices are on runoff. Group life sales were terminated in 2012.

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

	Ordinary Annuities			
	2010	2011	2012	2013
Outstanding, end of previous year	55,946	53,838	50,839	47,973
Issued during the year	1,797	937	818	798
Other net changes during the year	(3,905)	(3,936)	(3,684)	(4,007)
Outstanding, end of current year	53,838	50,839	47,973	44,764

Due to the relatively low interest rate environment over the last several years, the Company has experienced a decrease in the sale of annuities, while surrenders and payout policies remain consistent over the same time frame. This combination has had a negative impact on the inforce annuities.

	Group Accident and Health			
	2010	2011	2012	2013
Outstanding, end of previous year	20,968	27,395	29,126	10,974
Issued during the year	21,589	15,363	226	0
Other net changes during the year	(15,162)	(13,632)	(18,378)	(10,974)
Outstanding, end of current year	27,395	29,126	10,974	0

The group Accident & Health represented medical stop-loss and short term disability. In 2012, the Company decided to exit this business by the end of 2013. All policies were terminated in accordance with policy provisions.

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:

	2010	2011	2012	2013
Ordinary:				
Life insurance	$ 1,387,333	$ 5,081,995	$ 8,778,335	$ (673,098)
Individual annuities	25,446,173	91,960,828	119,626,461	9,580,997
Supplementary contracts	528,650	774,103	15,683,060	(243,069)
Total ordinary	$27,362,156	$97,816,926	$144,087,856	$8,664,830
Group:				
Life	$ (444,453)	$ (788,495)	$ (499,890)	$ (105)
Annuities	233,559	818,919	(5,238,583)	(425,923)
Total group	$ (210,894)	$ 30,424	$ (5,738,473)	$ (426,028)
Accident and health:				
Group	$ (187,162)	$ 149,686	$ (340,168)	$ (608)
Other	(21,385)	(29,064)	(149,298)	(4,144)
Total accident and health	$ (208,547)	$ 120,622	$ (489,466)	$ (4,752)
Total	$26,942,713	$97,967,972	$137,859,917	$8,234,050

The increased gain in the ordinary life line of business from 2010 to 2011, of approximate $3.7 million, was largely due to an increase in investment income resulting from limited partnerships. The increase in the gain from the ordinary line of business of $3.7 million from 2011 to 2012 was largely due to an income tax benefit recognized in 2012 that resulted from the utilization of the Company's operating loss deduction generated in the coinsurance funds withheld transaction, and the carryback of the remaining operating loss deductions to prior years. The net loss in 2013, a decrease of $9.5 million, resulted from the Company utilizing the tax operating losses and the carryback of the remaining operating loss to offset taxable income under the tax sharing agreement.

The large increase in net gain in the individual annuity line of business from 2010 to 2011, of approximately $66.5 million, was helped largely by a reduction in the reserve of $38.5 million, as a result of cash-flow testing results pursuant to Department Regulation No. 126. Another factor for the increase was the increase in investment income resulting from limited partnerships. The increase in the gain from the annuity line of business from 2011 to 2012 was also largely due to the coinsurance agreement with AADE and an income tax benefit recognized in 2012 that resulted from the utilization of the Company's operating loss deduction generated in the coinsurance funds withheld transaction and the carryback of the remaining operating loss deductions to prior years. The transaction resulted in no 2012 statutory gain or loss to the Company. Reserves ceded under this agreement were $2.496 billion at December 31, 2013, and $2.609 billion at December 31, 2012, which are supported by a coinsurance funds withheld account held by the Company in the amount of $2.771 billion at December 31, 2013, and $2.683 billion at December 31, 2012. The net loss in 2013 was largely due to a $258.9 million adjustment in funds held under reinsurance, and a decrease in net investment income from limited partnerships.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Company's 2013 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, 2013, filed annual statement.

A. Independent Accountants

The firm of PwC 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 2012 and 2013, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended. The firm of BDO USA, LLP ("BDO") 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 2010 and 2011, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended. PwC is the Company's current auditor.

PwC and BDO each 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	$3,077,197,851
Stocks:	
Preferred stocks	12,961,370
Common stocks	23,292,421
Mortgage loans on real estate:	
Other than first liens	79,966,312
Real estate:	
Properties occupied by the company	414,945
Cash, cash equivalents and short term investments	49,996,244
Contract loans	20,279,063
Derivatives	479,022
Other invested assets	203,436,772
Receivable for securities	91,544
Investment income due and accrued	23,113,574
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,332
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,385,691
Reinsurance:	
Amounts recoverable from reinsurers	1,851,402
Other amounts receivable under reinsurance contracts	187,190
Current federal and foreign income tax recoverable and interest thereon	30,579,556
Guaranty funds receivable or on deposit	402,077
Total admitted assets	$3,525,636,366

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 487,050,072
Aggregate reserve for accident and health contracts	351,211
Liability for deposit-type contracts	12,804,457
Contract claims:	
Life	4,377,542
Accident and health	26,323
Premiums and annuity considerations for life and accident and health contracts received in advance	47,511
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	1,202,736
Interest maintenance reserve	26,678,710
Commissions to agents due or accrued	16,636
General expenses due or accrued	3,536,500
Taxes, licenses and fees due or accrued, excluding federal income taxes	96,634
Unearned investment income	104,038
Amounts withheld or retained by company as agent or trustee	364,451
Amounts held for agents' account	35,684
Remittances and items not allocated	1,309,063
Miscellaneous liabilities:	
Asset valuation reserve	45,638,357
Payable to parent, subsidiaries and affiliates	3,569,864
Funds held under coinsurance	2,770,612,696
Interest on policy and contract claims	1,263,195
Reserve for unclaimed property	2,152,603
Other liability	1,760
Total liabilities	$3,361,240,043
Common capital stock	$ 2,500,875
Gross paid in and contributed surplus	$ 34,384,471
Unassigned funds (surplus)	127,510,977
Surplus	$ 161,895,448
Total capital and surplus	$ 164,396,323
Total liabilities, capital and surplus	$3,525,636,366

D. Condensed Summary of Operations

	2010	2011	2012	2013
Premiums and considerations	$126,288,906	$ 65,012,735	$(2,475,430,373)	$ 17,865,692
Investment income	215,800,991	244,008,368	214,864,195	187,102,728
Commissions and reserve adjustments on reinsurance ceded	3,288,973	3,647,051	3,757,432	7,653,645
Miscellaneous income	218,045	83,027	60,430,735	396,044
Total income	$345,596,915	$ 312,751,181	$(2,196,378,011)	$ 213,018,109
Benefit payments	$285,946,358	$ 295,265,055	$ 129,184,887	$ 47,518,823
Increase in reserves	(15,801,789)	(130,117,646)	(2,411,218,562)	(12,923,504)
Commissions	6,965,362	5,653,150	5,743,285	3,485,985
General expenses and taxes	21,116,342	22,411,123	24,657,331	21,776,986
Increase in loading on deferred and uncollected premiums	295,323	137,959	106,668	(632,541)
Miscellaneous deductions	0	0	0	258,860,725
Total deductions	$298,521,596	$ 193,349,641	$(2,251,526,391)	$ 318,086,474
Net gain (loss)	$ 47,075,319	$ 119,401,540	$ 55,148,380	$(105,068,365)
Federal and foreign income taxes incurred	20,132,606	21,433,568	(82,711,537)	(113,302,415)
Net gain (loss) from operations before net realized capital gains	$ 26,942,713	$ 97,967,972	$ 137,859,917	$ 8,234,050
Net realized capital gains (losses)	7,159,232	(46,676,759)	(12,369,892)	3,729,014
Net income	$ 34,101,945	$ 51,291,213	$ 125,490,025	$ 11,963,064

The decrease in premiums from 2010 to 2011 was attributable to the lower annuity considerations due to the low interest rate environment that persisted throughout 2011. The sharp reduction in premium from 2011 to 2012 was due to the reinsurance transaction with AADE following its acquisition by AHL.

The decrease in benefit payments in 2012 and 2013 is the direct result of the coinsurance agreement with AADE whereby 90% of the deposit type funds, reserves, and the annuity IBNR is being reinsured with AADE.

E. Capital and Surplus Account

	2010	2011	2012	2013
Capital and surplus, December 31, prior year	$269,776,652	$273,031,382	$ 345,423,438	$215,525,546
Net income	$ 34,101,945	$ 51,291,213	$ 125,490,025	$ 11,963,064
Change in net unrealized capital gains (losses)*	18,479,442	22,822,272	132,667	(14,960,281)
Change in net deferred income tax	805,541	(2,533,769)	(39,754,356)	1,677,573
Change in non-admitted assets and related items	1,283,382	24,741,601	14,667,479	(6,560,634)
Change in reserve valuation basis	0	0	(100,114,993)	(26,151,930)
Change in asset valuation reserve	(28,415,580)	(361,104)	3,895,940	(10,060,016)
Capital changes:				
Paid in	0	0	35,346	0
Change in surplus as a result of reinsurance	0	0	0	(7,036,999)
Dividends to stockholders	(23,000,000)	(26,900,000)	(134,250,000)	0
Gains/losses in surplus	0	3,331,843	0	0
Net change in capital and surplus for the year	$ 3,254,730	$ 72,392,056	$(129,897,892)	$(51,129,223)
Capital and surplus, December 31, current year	$273,031,382	$345,423,438	$ 215,525,546	$164,396,323

F. Reserves

The Department conducted a review of reserves as of December 31, 2013. This review included an examination of formulaic reserves and related asset adequacy analysis. During the review, concerns were raised regarding certain Regulation No. 151 formulaic reserves, particularly mortality assumptions for Structured Settlement business. In response, the Company recomputed reserves using standard mortality assumptions instead of less conservative substandard mortality assumptions, which increased reserves in the amount of $6.5 million. For future submissions, the Company agreed to incorporate more conservative standard mortality assumptions in a manner acceptable to the Department.

The examiner recommends that the Company continue to compute Structured Settlement formulaic reserves based on standard mortality assumptions as agreed upon with the Department.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommended that the Company obtain a legal stock certificate designating ownership of a specific number of shares and the price per share. The Company obtained the stock certificate and provided it to the examiners.
B	The Examiner recommended that the Company amend its by-laws to allow for an Audit Committee with a minimum membership of three persons or increase the Audit Committee members to five. The Company amended its by-laws to allow for an Audit Committee of three persons.
C	The examiner recommended that the Company's management request its external auditor to rotate SOX staff members. The Company met with the external auditors to discuss the staff rotation, and the auditors agreed to rotate the staffing.
D	The Company violated Section 409(a) of the New York Insurance Law when it failed to file its plan for the detection, investigation and prevention of fraudulent insurance activities with the superintendent. The Company filed its plan and they are now in compliance with the aforesaid section of the New York Insurance Law.

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that a formal Enterprise Risk Management processes, including risk management policies, economic capital modeling, and utilization of risk metrics in business decisions, be developed in a timely manner to help ensure that all Companies in the holding company system are managed consistently and within their risk appetites.	10
B	The examiner recommends that the Company continue to compute Structured Settlement formulaic reserves based on standard mortality assumptions as agreed upon with the Department.	23

Respectfully submitted,

/s/
William A. O'Connell
Noble Consulting Services, Inc.
Examiner-in-charge

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.

/s/
William A. O'Connell
Noble Consulting Services, Inc.

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 31259

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
(NOBLE CONSULTING SERVICES, INC.)

as a proper person to examine the affairs of the

ATHENE ANNUITY & 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 19th day of December, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU