STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

ALLSTATE LIFE INSURANCE COMPANY

OF NEW YORK

CONDITION: DECEMBER 31, 2009

DATE OF REPORT: APRIL 25, 2011

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EXAMINER:	ROBERT H. MOORE

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

Andrew M. Cuomo
Governor

James J. Wrynn
Superintendent

March 29, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30513, dated April 21, 2010 and annexed hereto, an examination has been made into the condition and affairs of Allstate Life Insurance Company of New York, hereinafter referred to as "the Company," or "ALNY", at its home office located at 100 Motor Parkway, Hauppauge, NY 11788.

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

1. EXECUTIVE SUMMARY

The material violation contained in this report is summarized below.

- The Company violated Section 4228(h) of the New York Insurance Law by failing to have a qualified actuary sign the demonstrations. (See item 6(F) 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, 2010 Edition* (the "Handbook")**.** The examination covers the three-year period from January 1, 2007 to December 31, 2009. 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, 2009 but prior to the date of this report were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

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

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic

- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2007 through 2009, by the accounting firm of Deloitte & Touche, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Allstate Corporation ("Allcorp"), the Company's ultimate parent, has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective action taken by the Company with respect to the recommendation contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on January 25, 1967 under the name Financial Life Insurance Company and was licensed and commenced business on December 15, 1967. Initial resources of $3,000,000, consisting of $1,000,000 of paid in capital and $2,000,000 of paid in surplus, were provided through the sale of 40,000 shares of common stock, with a par value of $25 each, for $75 per share.

In March 1978, Pacific Mutual Life Insurance of Newport Beach, California, purchased the Company from Minnesota Mutual Life Insurance Company and changed the name to PM Life Insurance Company.

Allstate Insurance Company ("AIC") purchased the Company on December 16, 1983 and at that time the name of the Company was changed to Allstate Life Insurance Company of New York, its present name. Effective January 1, 1984, ownership of the Company was transferred from AIC to Allstate Life Insurance Company ("ALIC") through a transfer of all of the Company's capital stock shares.

Changes in the common capital stock and surplus of the Company prior to January 1, 2007, resulted in capital and paid in and contributed surplus of $2,500,000 and $130,724,704, respectively, as of December 31, 2006. Capital and paid in and contributed surplus were $2,500,000 and $131,253,445, respectively, as of December 31, 2009.

B. Holding Company

The Company is a wholly owned subsidiary of ALIC, an Illinois domiciled insurance company. ALIC is a wholly owned subsidiary of AIC, an Illinois domiciled property/casualty insurance company. The ultimate parent of the Company is Allcorp, a publicly traded Delaware domiciled corporation.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2009 follows:

D. Service Agreements

The Company had eight service agreements in effect with affiliates during the examination period as follows:

Type of Agreement	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	6/1/1993	ALIC & ALFS, Inc. ("ALFS")	The Company	Personnel services and assumption of financial and administrative responsibility.	2007 - $(1,397) 2008 - $ (862) 2009 - $ (940)

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Underwriting Agreement	10/1/1996	ALFS	The Company	ALFS provides marketing and distribution of designated variable annuity insurance products.	2007 - $(167) 2008 - $(103) 2009 - $(84)
Principal Underwriting Agreement Amendment #1	5/1/2000 10/1/2002	Allstate Distributors, LLC (“ADLLC”)	The Company	ADLLC serves as a principal underwriter for the sale of variable insurance products and other insurance and investment products. The commission payment structure for the sale of certain variable insurance contracts was revised.	2007 - $(347,296) 2008 - $ (72,205) 2009 - $ (19,663)
Administrative Services Agreement	1/1/2002	ALFS	The Company	ALFS serves as an underwriter and distributor of variable insurance contracts issued by ALNY. ALNY assumes financial and administrative responsibility for the expenses and services incurred by ALFS.	2007 - $(5,587) 2008 - $(3,448) 2009 - $(3,758)
Investment Advisory Agreement & Amendment to Service Agreement	1/1/2002	AIC & Allstate Investments LLC (“Allstate Investments”)	The Company	Investment management services are provided to ALNY.	2007 $(8,401,921) 2008 $(7,455,400) 2009 $(8,902,079)
Depository Agreement	11/1/2002	Allstate Bank	The Company	The Bank acts as a depository for ALNY and will establish accounts as part of its normal banking services.	2007 - $(6,000) 2008 - $(6,000) 2009 - $(6,000)

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Amended and Restated Service and Expense Agreement	3/5/2005	AIC, Allcorp and certain affiliates	The Company	Prior Service and Expense Agreements were amended with both insurance and non-insurance affiliates to allow for the provision by AIC and certain affiliates to furnish a variety of services including marketing, claims, underwriting, policyholder services, cost sharing and allocation of operating expenses among the parties.	2007 $(43,170,550) 2008 $(43,293,637) 2009 $(37,990,425)
New York Insurer Supplement to Amended and Restated Service and Expense Agreement	3/5/2005	AIC and Allcorp	The Company and Intramerica Life Insurance Company (“Intramerica”)	Amendment is applicable solely as to services and facilities provided to the New York Insurers hereunder, in order to conform to requirements and restrictions of the New York Insurance Law that are applicable to the New York Insurers and not to other affiliates.	
Amendment #1 to the Amended and Restated Service and Expense Agreement	1/1/2009	AIC, Allcorp and certain affiliates	The Company and Intramerica	The amendment reflects certain operational changes and other matters.	
Selling Agreement	5/1/2005	ALFS & Allstate Financial Services, LLC (“AFS”)	The Company	ALFS, as appointed by ALNY, underwrites certain insurance products and group and individual insurance contracts/policies and certificates participating therein (the contracts) and AFS will solicit sales of the contracts on behalf of ALFS.	2007 - $(866,231) 2008 - $(742,537) 2009 - $(325,071)

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

The Company and its affiliates participate in a federal income tax allocation agreement with its ultimate parent, Allcorp.

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 15 directors. Directors are elected each year at the annual meeting of the stockholders held in February of each year. As of December 31, 2009, the board of directors consisted of 13 members. Meetings of the board are held immediately after the annual meeting of stockholders and at such times as the board may determine or when called by the Chairman of the board.

The 13 board members and their principal business affiliation, as of December 31, 2009, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Marcia D. Alazraki* Slingerlands, NY	Attorney Manatt, Phelps & Phillips, LLP	1993
Michael B. Boyle Winnetka, IL	Vice President Allstate Life Insurance Company of New York	2007
Frederick F. Cripe North Barrington, IL	Chairman, President and Chief Executive Officer Allstate Life Insurance Company of New York	2008
Matthew S. Easley Arlington Heights, IL	Vice President Allstate Life Insurance Company of New York	2009
Robert J. Holden Phoenixville, PA	Vice President and Chief Operations Officer Allstate Life Insurance Company of New York	2008
Cleveland Johnson, Jr.* Bay Shore, NY	Retired Mariga Communications Corporation	1983
Susan L. Lees Deerfield, IL	Vice President, General Counsel & Secretary Allstate Life Insurance Company of New York	2008
Kenneth R. O'Brien* Merrick, NY	Chief Executive Officer O'Brien Asset Management, Inc.	1998

Name and Residence	Principal Business Affiliation	Year First Elected
John C. Pintozzi Chicago, IL	Vice President and Chief Financial Officer Allstate Life Insurance Company of New York	2004
John R. Raben, Jr.* Greenwich, CT	Retired JP Morgan Chase	1988
Phyllis H. Slater * Mt. Sinai, NY	Chief Executive Officer Hill Slater, Inc.	2002
John E. Smith Lake Forest, IL	Vice President Allstate Life Insurance Company of New York	2008
Matthew E. Winter Houston, TX	President and Chief Executive Officer Allstate Life Insurance Company	2009

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

John E. Smith resigned in January 2010 and was replaced by Robert K. Becker. Fredrick F. Cripe resigned from the board in March, 2010 and was replaced by Matt Winter, who had been elected to the board in December, 2009. Mark Green was added to the board in March, 2010.

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, 2009:

Name	Title
Frederick F. Cripe	Chairman, President and Chief Executive Officer
John C. Pintozzi	Vice President and Chief Financial Officer
Susan L. Lees	Vice President, General Counsel & Secretary
Robert J. Holden	Vice President and Chief Operations Officer
Theresa M. Resnick	Actuary
Samuel H. Pilch	Group Vice President
Steven C. Verney	Treasurer

Kevin Tiernan, Chief Administrator Officer, is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

In March of 2010, Matthew E. Winter replaced Frederick F. Cripe as President and Chief Executive Officer and was also named as a Chairman of the Board and Mark A. Green was added as a Vice President.

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 10 states, namely, California, Delaware Illinois, Missouri, Nebraska, New Jersey, New York, North Carolina, Pennsylvania, Texas and the District of Columbia. In 2009, 91.51% of the Company’s total premiums were received from the states of New York (81.1%) and Nebraska (10.4%). Policies are written on a participating and non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2009, the Company had $1,560,000 (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 2009 filed annual statement, an additional, $400,000 (par value) of United States Treasury Bonds was being held by the state of North Carolina.

B. Direct Operations

The Company provides life insurance, retirement and investment products to individuals and institutional customers. Principal products sold during the examination period consisted of interest-sensitive and traditional life insurance and deferred and immediate fixed annuities. This business included Universal and Term life insurance and Fixed, Variable, and Equity Indexed annuities. The Company’s products are distributed across a wide range of issue ages and household incomes. Life products are focused on the middle market customers that are associated with the Property/Casualty business of the Company’s affiliates. The Company also offers structured settlement annuities (single premium immediate annuity and funding agreements) through specialized brokers. The Company has shifted its product mix by decreasing sales of its spread-based products, principally fixed annuities, and by growing sales of underwritten products having mortality or morbidity risk, principally life insurance.

The Company distributes its products to individuals through multiple distribution channels, including Allstate exclusive agencies, which include exclusive financial specialists, independent agents (including master brokerage agencies and workplace enrolling agents) and specialized structured settlement brokers. Effective March 31, 2010, the Company no longer wholesales or provides distribution support to banks and broker-dealers.

C. Reinsurance

As of December 31, 2009, the Company had reinsurance treaties in effect with 16 companies, all of which were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2009, was $12,115,820,120, which represents 35% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2009, was $695,123,573.

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, 2006	December 31, 2009	Increase (Decrease)
Admitted assets	$7,547,190,519	$7,875,950,189	$328,759,670
Liabilities	$7,102,575,533	$7,369,664,549	$267,089,016
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	130,724,704	131,253,445	528,741
Deferred gains on reinsurance	33,411,000	20,529,659	(12,881,341)
Annuity mortality fluctuation reserve	65,000	0	(65,000)
Incremental deferred tax asset	0	16,147,406	16,147,406
Unassigned funds (surplus)	277,914,283	335,855,130	57,940,847
Total capital and surplus	$ 444,614,987	$ 506,285,640	$ 61,670,653
Total liabilities, capital and surplus	$7,547,190,520	$7,875,950,189	$328,759,670

The Company's invested assets as of December 31, 2009, exclusive of separate accounts, were mainly comprised of bonds (84.5%), mortgage loans (7.7%), cash and short-term investments (5.1%) and other assets (2.7%).

The majority (95.8%) of the Company's bond portfolio, as of December 31, 2009, was comprised of investment grade obligations.

The decrease of $12.8 million for deferred gains on reinsurance primarily represents the amortization of the deferred gains on reinsurance in connection with the disposal of variable annuity business to Prudential Financial Inc. and its subsidiary, The Prudential Insurance Company of America (collectively, "Prudential") in 2006.

The increase of $16.1 million for deferred tax assets was based upon the Company's preparation of its financial statement pursuant to SSAP No. 10R, Income Taxes. The Company elected to admit a higher amount of adjusted gross deferred tax assets. This impact was reported in the Aggregate write-ins for special surplus funds.

The increase of $57.9 million for unassigned funds (surplus) was primarily due to the change in non-admitted assets of $63,911,208, net income of $10,738,806, and the change in net deferred income tax of $(19,749,453). The change in non-admitted assets was mainly due to the change in negative IMR balance to a positive position caused by the interest related net realized capital gains in 2009. The net income impact of $10,738,806 was mostly due to the 2007 net income of approximately $38 million outweighing the net losses incurred in 2008 and 2009 in the approximate amounts of $19 million and $8 million, respectively. The net loss in 2008 was in large part due to the impact of the overall economic market conditions experienced during the year, while the 2009 net loss was due to other than temporary impairment write-downs of invested assets, primarily fixed-income securities. The change in net deferred income tax was comprised of the approximate $30 million decrease in 2009, offset by a $12 million increase in 2008, with a $2 million decrease in 2007.

The following has been extracted from the Exhibit of Deposit Funds in the filed annual statements for each of the years under review with the key fluctuation between years in the number of policies in force and the amount of the account balance:

Deposit Funds

	2007	2008	2009
Outstanding, end of previous year	27	18	81
Issued during the year	0	0	17
Other net changes during the year	(9)	63	10
Outstanding, end of current year	18	81	108
Amount of account balance	$80,592	$16,198,879	$18,106,829

The account balance for deposit fund policies, consisting of structured settlements, increased from $80,592 to $16,198,899 between the years 2007 to 2008. The increase was a result of an adjustment/reclassification made to meet the requirements of Internal Revenue Code regulation 72(u), whereby the “without life” structured settlements and period certain reserves were split from the "with life" reserves. The "without life" reserves were reclassified in 2008 to deposit funds.

The increase in the account balance for deposit fund policies from $16,198,899 in 2008 to $18,106,829 in 2009 was driven by higher sales of structured settlements without life contingencies.

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:

	2007	2008	2009
Ordinary:			
Life insurance	$15,398,051	$ 3,794,536	$ 2,483,553
Individual annuities	(825,412)	(35,111,091)	8,910,725
Supplementary contracts	1,079	768	(33,166)
Total ordinary	$14,573,718	$(31,315,787)	$11,361,112
Group:			
Life	$ (8)	$ (6)	$ (10)
Annuities	17,032,304	8,253,112	12,975,985
Total group	$17,032,296	$ 8,253,106	$12,975,975
Accident and health:			
Group	$ (5,419)	$ (3,809)	$ (6,354)
Other	(956,876)	(14,924)	683,845
Total accident and health	$ (962,295)	$ (18,733)	$ 677,491
Total	$30,643,719	$(23,081,414)	$25,014,578

Net operating income for ordinary life insurance decreased in 2008 from the prior year by $11.6 million, primarily due to the Company's recapture of a yearly renewable term (YRT) excess loss reinsurance treaty with ALIC.

The $34.3 million decrease in net operating income for individual annuities in 2008 from the prior year, was mostly the result of structured settlement reserve strengthening.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2009, as contained in the Company's 2009 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, 2009 filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche, LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte & Touche, LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$5,779,683,841
Stocks:	
Preferred stocks	9,245,022
Common stocks	123,322,000
Mortgage loans on real estate:	
First liens	527,709,829
Cash, cash equivalents and short term investments	348,059,846
Contract loans	40,520,662
Other invested assets	8,255,000
Receivable for securities	1,102,707
Investment income due and accrued	66,426,142
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(1,878,678)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	33,626,848
Reinsurance:	
Amounts recoverable from reinsurers	1,894,411
Other amounts receivable under reinsurance contracts	402,109
Current federal and foreign income tax recoverable and interest thereon	14,514,156
Net deferred tax asset	41,937,852
Guaranty funds receivable or on deposit	2,550
Receivables from parent, subsidiaries and affiliates	343,683
Derivative contracts	2,038,254
Advanced benefits	6,112,490
Accounts receivable	1,203,623
From separate accounts, segregated accounts and protected cell accounts	$ 871,427,842
Total admitted assets	$7,875,950,189

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$5,593,613,627
Aggregate reserve for accident and health contracts	2,384,485
Liability for deposit-type contracts	594,307,367
Contract claims:	
Life	7,924,192
Accident and health	2,548,628
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	86,144
Premiums and annuity considerations for life and accident and health contracts received in advance	370,418
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	2,678,342
Interest maintenance reserve	30,307,191
Commissions to agents due or accrued	1,033,419
Commissions and expense allowances payable on reinsurance assumed	27,520
General expenses due or accrued	494,803
Transfers to separate accounts due or accrued	52,097,223
Taxes, licenses and fees due or accrued, excluding federal income taxes	951,838
Amounts withheld or retained by company as agent or trustee	2,946
Amounts held for agents' account	93,051
Remittances and items not allocated	4,244,199
Miscellaneous liabilities:	
Asset valuation reserve	39,272,638
Payable to parent, subsidiaries and affiliates	5,847,906
Securities lending collateral	149,419,093
Deferred basis adjustments	6,312,377
Reserve for uncashed checks	2,568,197
Deposit type fund suspense	1,344,953
Accounts payable	223,271
Discontinued operations liability	82,877
From Separate Accounts statement	871,427,842
Total liabilities	$7,369,664,549
Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	131,253,445
Deferred gains on reinsurance	20,529,659
Incremental deferred tax asset	16,147,406
Unassigned funds (surplus)	335,855,130
Surplus	$ 503,785,640
Total capital and surplus	$ 506,285,640
Total liabilities, capital and surplus	$7,875,950,189

D. Condensed Summary of Operations

	2007	2008	2009
Premiums and considerations	$569,615,864	$642,329,576	$305,168,557
Investment income	392,554,175	393,300,622	386,813,128
Commissions and reserve adjustments on reinsurance ceded	(79,511,161)	(95,148,301)	(70,757,784)
Miscellaneous income	2,566,932	2,305,813	2,138,181
Total income	$885,225,810	$942,787,710	$623,362,082
Benefit payments	$583,938,789	$617,419,595	$552,290,884
Increase in reserves	225,452,051	192,365,834	12,411,622
Commissions	45,322,218	45,575,556	26,404,184
General expenses and taxes	52,857,742	55,820,558	55,596,184
Increase (decrease) in loading on deferred and uncollected premium	(3,827,708)	(380,380)	(2,003,131)
Net transfers to (from) Separate Accounts	(58,618,332)	71,971,918	(21,500,817)
Miscellaneous deductions	(169)	1,308	3,640
Total deductions	$845,124,591	$982,774,389	$623,202,566
Net gain	$ 40,101,219	$(39,986,679)	$ 159,516
Dividends	129,607	243,110	113,364
Federal and foreign income taxes incurred	9,327,893	(17,148,376)	(24,968,425)
Net gain (loss) from operations before net realized capital gains	$ 30,643,719	$(23,081,413)	$ 25,014,577
Net realized capital gains (losses)	7,590,955	4,203,689	(33,632,721)
Net income	$ 38,234,674	$(18,877,724)	$ (8,618,144)

The decrease of $337.1 million or 52.5% in premiums and considerations between 2008 and 2009 was primarily due to the Company's $222 million reduction in sales of fixed annuities per its strategic objective to reduce exposure to spread-based products and a $106 million decline which was the result of the change in market value adjusted annuities (MVAA). The change of $131 million in the net transfers to (from) Separate Accounts between 2007 and 2008 was mostly due to the fluctuation in transfer activities in MVAA and variable annuity business and the $93 million decrease between 2008 and 2009 was primarily due to a significant decrease in MVAA sales. The decrease of $80 million in the net gain before dividends to policyholders and federal income taxes between 2007 and 2008, was in large part due to the impact of the overall economic market conditions that were experienced during the year. The increase of $40 million in the net gain between 2008 and 2009 was mostly due to the previously explained changes with the positive impacts being offset, primarily by the decrease in premiums of $337 million. The change of $38 million in net realized capital losses between 2008 and 2009 was attributable to other than temporary impairment write-downs of invested assets in 2009, primarily fixed income securities.

E. Capital and Surplus Account

	2007	2008	2009
Capital and surplus, December 31, prior year	$444,614,989	$462,439,651	$410,472,063
Net income	$ 38,234,674	$(18,877,725)	$ (8,618,143)
Change in net unrealized capital gains (losses)	(3,590,620)	(16,974,990)	26,437,534
Change in net unrealized foreign exchange Capital gain (loss)	0	0	(327,642)
Change in net deferred income tax	(1,937,863)	12,189,973	(30,001,563)
Change in non-admitted assets and related items	(7,653,351)	(25,701,978)	97,266,537
Change in asset valuation reserve	(2,205,075)	5,255,369	(5,423,164)
Cumulative effect of changes in accounting Principles	0	0	(196,132)
Surplus adjustments:			
Paid in	0	0	528,741
Change in surplus as a result of reinsurance	(5,023,103)	(7,858,238)	0
Incremental tax deferred asset	0	0	16,147,406
Net change in capital and surplus for the year	$ 17,824,662	$(51,967,588)	$ 95,813,575
Capital and surplus, December 31, current year	$462,439,651	$410,472,063	$506,285,639

F. Reserves

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). Concerns were raised with respect to the unavailability of some of these materials. For two policy forms, no original report demonstrating self-support was found. For another three policy forms, the report demonstrating self-support was done more than one year after the original statement of self-support was signed. For another five policy forms the reports were clearly lacking with regard to narrative descriptions of the methodologies and material assumptions used in the analyses. In addition, most of the reports provided for the forms were not signed as required. As a result, the Company violated Section 4228(h) of the New York Insurance Law by failing to have a qualified actuary sign the 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 be well organized, containing detailed narrative descriptions of the methodologies and material assumptions used such that another actuary can make a reasonable assessment of the analyses 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.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

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

Section 86.4 of Department Regulation No. 95 states, in part:

> "(a) . . . all claim forms for insurance, and all applications for commercial insurance and accident and health insurance, provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:
>
> 'Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.' . . .
>
> (d) . . . The warning statements required by subdivisions (a) . . . of this section shall be placed immediately above the space provided for the signature of the person executing the application or claim form and shall be printed in type which will produce a warning statement of conspicuous size. . . .
>
> (e) Notwithstanding the provisions . . . of this section, insurers may use substantially similar warning statements provided such warning statements are submitted to the Insurance Frauds Bureau for prior approval."

A review of the Company's accident and health, annuity and life claim forms revealed that the required fraud warning statement is being utilized and there is an area for the claimant's signature near the warning. However, the signature line is not immediately below the statement and does not exclusively relate to the statement. In response to the Department's recommendations, the Company agreed to amend its claim forms to change the location of the fraud warning statement and/or signature line. One form, on which the proposed signature line placement did not immediately follow the fraud warning statement, was submitted to the Department's Insurance Frauds Bureau and was approved for use on April 19, 2011.

The examiner recommends that the Company amend its claim forms so that the signature line related to the fraud warning statement appears directly beneath the fraud warning statement or submit such forms to the Department's Insurance Frauds Bureau for prior approval.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent action taken by the Company in response to the citation:

Item	Description
A	The Company should continue to calculate its structured settlement reserves using the methodology as agreed upon with the Department. The Company revised its mortality assumptions and strengthened its reserves in a manner acceptable to the Department. The examination revealed that in 2008 the Company strengthened its structured settlement annuity reserves by $46,686,000. During 2009, the Company further revised its reserving processes and strengthened its structured settlement annuity reserves by an additional $17 million.

9. SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 4228(h) of the New York Insurance Law by failing to have a qualified actuary sign the demonstrations.	22
B	The examiner recommends that the Company amend its claim forms so that the signature line related to the fraud warning statement appears directly beneath the fraud warning or submit such forms to the Department’s Insurance Frauds Bureau for prior approval.	25

Respectfully submitted,

/s/
Robert Moore
Insurance Examiner

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

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

/s/
Robert Moore

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 30513

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:

ROBERT H. MOORE

as a proper person to examine into the affairs of the

ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 21st day of April, 2010

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

JAMES J. WRYNN
Superintendent of Insurance

Superintendent