NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2012

DATE OF REPORT: MAY 9, 2014

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EXAMINER: COURTNEY WILLIAMS

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May 22, 2014

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

Sir:

In accordance with instructions contained in Appointment No. 30988, dated September 3, 2013 and annexed hereto, an examination has been made into the condition and affairs of Sun Life Insurance and Annuity Company of New York, hereinafter referred to as “the Company,” at its administrative office located at One Sun Life Executive Park, Wellesley Hills, Massachusetts 02481. The Company’s home office is located at 1115 Broadway, 12th Floor, New York, New York 10010.

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 comments contained in this report are summarized below.

- On December 17, 2012, Sun Life Financial Inc. announced the execution of a definitive agreement to sell its domestic U.S. annuity business and certain individual life insurance business to Delaware Life Holdings, LLC. The sale transaction closed on August 2, 2013 and as a result, the Company's entire board of directors and principal officers resigned and were replaced. (See item 3 of this report)

- On December 12, 2011, Sun Life Financial Inc. announced that it would discontinue new sales of its domestic U.S. annuity and individual life products effective December 30, 2011. (See item 3 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, 2013 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2010 to December 31, 2012. 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, 2012**,** but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

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

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes, 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 2010 through 2012, by the accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion in all applicable years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. During the examination period, the Company shared an internal audit department with its parent (and affiliates). The Company's ultimate parent, Sun Life Financial Inc. ("SLF"), had 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"). The Company followed the same control processes as the parent and, where applicable, the shared internal audit and SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violation and 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 May 25, 1983. It was licensed on April 11, 1985 and commenced business on August 15, 1985. Initial resources of $7,000,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $5,000,000, were provided through the sale of 2,000 shares of common stock (with a par value of $1,000 each) for $3,500 per share.

On December 31, 2002, Keyport Benefit Life Insurance Company ("KBL"), a New York domiciled life insurer, merged with and into the Company; the Company was the surviving entity. Prior to the merger, Keyport Life Insurance Company ("KLIC") owned KBL, and Sun Life Assurance Company of Canada (U.S.) ("SLUS"), a Delaware life insurer, owned the Company. To execute the merger, the Company issued 4,001 additional shares of common stock to KLIC in exchange for the assets and liabilities of KBL. As a result of the additional common stock issuance, the Company became a subsidiary of both KLIC and SLUS, with KLIC owning 67% of the Company's common stock and SLUS owning 33%. On December 31, 2003, KLIC merged with and into SLUS; SLUS was the surviving company. As a result, the Company, once again, became a wholly-owned subsidiary of SLUS.

KBL received a surplus contribution of $71,000,000 from KLIC in 2001. The Company received additional surplus contributions of $45,000,000 and $150,000,000 from its parent in 2002 and 2008, respectively. As of December 31, 2012, the common capital stock of the Company totaled $2,100,350 and the paid-in and contributed surplus totaled $357,399,650.

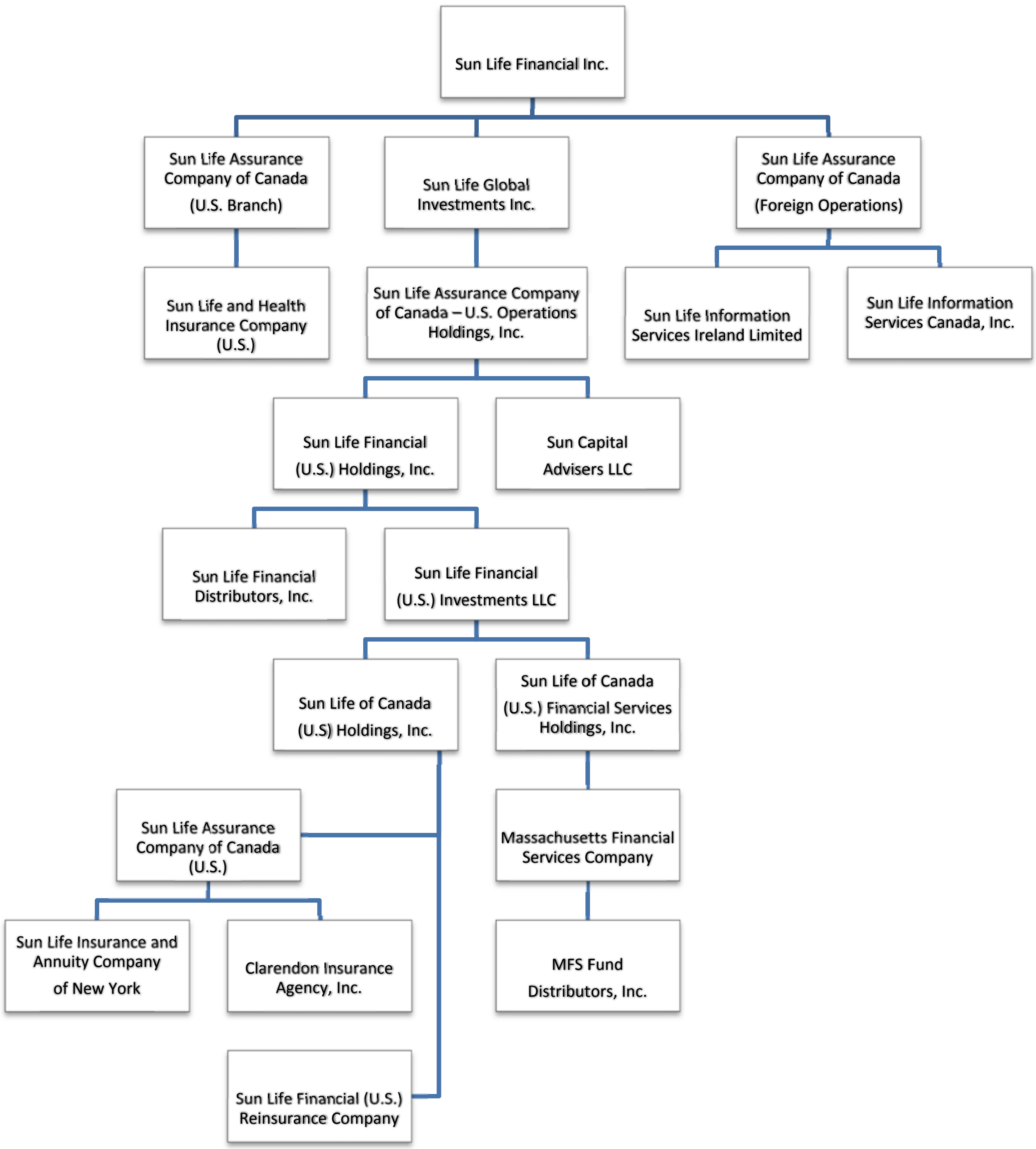
On December 12, 2011, SLF announced that it would discontinue new sales of its domestic U.S. annuity and individual life products effective December 30, 2011, as a result of a strategic review of its business. SLF's decision to discontinue sales in these lines of business was based on unfavorable product economics due to ongoing shifts in capital markets and regulatory requirements. On December 17, 2012, SLF announced the execution of a definitive agreement to sell its domestic U.S. annuity business and certain life insurance business to Delaware Life Holdings, LLC ("Delaware Life"). Delaware Life, a newly formed limited liability company organized under the laws of Delaware, is ultimately owned by Messrs. Mark R. Walter and Todd L. Boehly. Mr. Walter and Mr. Boehly are principal officers of and hold non-controlling ownership interests in Guggenheim Partners LLC, a privately held investment firm. Delaware Life was formed as an acquisition vehicle for the transaction with SLF. The sale was approved by the Department on July 30, 2013. After receiving all regulatory approvals, the sale transaction closed on August 2, 2013 with an effective date of July 31, 2013 for accounting purposes. Included in the sale, was the transfer of all the issued and outstanding shares of capital stock of SLUS, the holder of 100% of the issued and outstanding shares of the Company's capital stock.

B. Holding Company

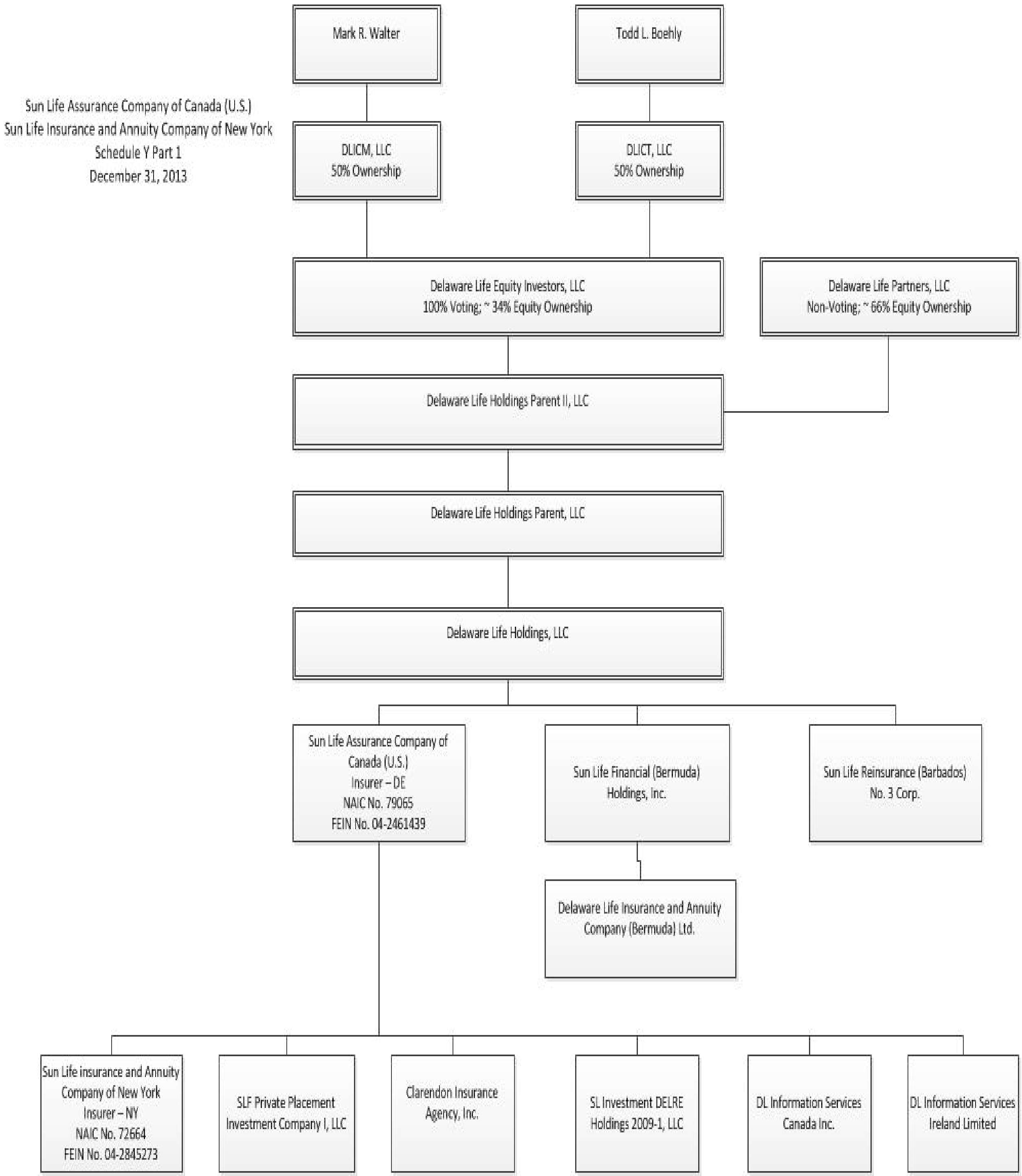
The Company is a wholly-owned subsidiary of SLUS, a Delaware life insurer. As of December 31, 2012, SLUS was a wholly-owned subsidiary of Sun Life of Canada (U.S.) Holdings, Inc., a Delaware holding company. The ultimate parent of the Company was SLF. Effective August 2, 2013, SLUS along with the Company was sold to Delaware Life.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2012 follows:



There was a change in control of the Company effective August 2, 2013. Following is an organization chart reflecting the relationship between the Company and significant entities in its holding company system after the sale and as of the date of this report:



D. Service Agreements

The Company had 13 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
General Services Agreement Department File No. 26444	Effective 07/01/99 Amended 12/01/06	The Company	Sun Life Assurance Company of Canada (“SLOC”) and SLUS	Marketing and other services related to the individual life and annuity and group life and disability products of SLOC and SLUS.	2010 $34,117,531 2011 $26,845,833 2012 $36,021,218
Administrative Services Agreement Department File No. 29891	Effective 11/21/00 Amended 12/31/01 12/01/06	SLUS	The Company	Personnel, investment, actuarial, and administrative services.	2010 $(26,130,118) 2011 $(28,552,213) 2012 $(27,330,381)
Administrative Services Agreement Department File No. 30785A	Effective 01/01/03 Amended 02/01/04 12/01/06 10/01/09 12/31/09 Terminated 12/07/12	The Company	Sun Capital Advisers LLC (“SCA”)	Administrative services with respect to the Sun Capital Advisers Trust (Variable Account C).	2010 $ 829,295 2011 $1,109,281 2012 $1,120,833
Administrative Services Agreement Department File No. 33326	Effective 12/06/04 Amended 12/01/06 10/01/11	Sun Life Information Services Canada, Inc. (“SLISC”)	The Company	Administrative and support services in connection with the Company’s insurance and annuity businesses.	2010 $(1,004,320) 2011 $(1,048,700) 2012 $(1,100,662)
Servicing Agreement Department File No. 34075	Effective 02/15/05 Amended 12/01/06 Terminated 12/07/12	The Company	Clarendon Insurance Agency, Inc. (“Clarendon”)	Services in connection with Clarendon’s role as principal underwriter for variable contracts issued by the Company.	2010 $ 396,381 2011 $ 430,571 2012 $ 448,977

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. 37566	Effective 05/31/07	The Company	Sun Life and Health Insurance Company (U.S.) ("SLHIC")	Various administrative services on behalf of SLHIC in connection with policies covered under a related reinsurance agreement.	2010 $1,493,539 2011 $ 753,611 2012 $ 90,412
Administrative Services Agreement Department File No. 41257	Effective 03/01/09	Sun Life Information Services Ireland Limited	The Company	Administrative and support services in connection with the Company's insurance and annuity businesses.	2010 $(1,408,997) 2011 $(1,330,038) 2012 $(1,012,611)
Administrative Services Agreement Department File No. 42559	12/31/09 Terminated 01/01/12	The Company	MFS Fund Distributors, Inc. ("MFD")	Administrative services with respect to the MFS Variable Insurance Trust II, for which MFS Fund Distributors, Inc. is the distributor.	2010 $ 513,477 2011 $ 600,327 2012 $ 0
Administrative Services and Distribution Services Agreement Department File No. 46009	Effective 01/01/12	The Company	Massachusetts Financial Services Company ("MFS") and MFD	Administrative and distribution services performed with respect to the MFS Variable Insurance Trust and the MFS Variable Insurance Trust II, for which MFS serves as the investment adviser and MFD serves as the distributor.	2010 $ 0 2011 $ 0 2012 $ 2,332,430
Investment Advisory Agreement Department File No. 29889	Effective 01/01/02 Amended 12/01/06 12/20/07	SCA	The Company	Investment manager for the Company's general account investment portfolio.	2010 $(1,552,349) 2011 $(1,511,393) 2012 $(1,420,258)
Principal Underwriter's Agreement Department File No. 30978A **	Effective 02/01/03 Amended 12/01/06	Clarendon	The Company	Principal underwriter and general distributor for variable and fixed annuity products issued by the Company.	2010 $0 2011 $0 2012 $0

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
Wholesaling Agreement Department File No. 30978A	Effective 02/01/03 Amended 12/01/06 Amended 10/01/10	Sun Life Financial Distributors, Inc. ("SLFD")	The Company	Assisting in the distribution of variable and fixed annuity products issued by the Company.	2010 $(3,143,012) 2011 $(2,771,046) 2012 $ (602,817)
Wholesaling Agreement Department File No. 42810	Effective 10/01/10	SLFD	The Company	Assisting in the distribution of universal life insurance contracts issued by the Company.	2010 $(4,601) 2011 $ (312) 2012 $ 0

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

** There was no activity under this agreement during the examination period. Also, there was no activity during the prior examination period. It is the Company's decision to keep the agreement active in case there is activity in the future.

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 25 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2012, the board of directors consisted of seven members. Meetings of the board are held quarterly.

The seven board members and their principal business affiliation, as of December 31, 2012, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Scott M. Davis Winchester, MA	Senior Vice President and General Counsel Sun Life Insurance and Annuity Company of New York	2004
Larry R. Madge Lexington, MA	Senior Vice President, Chief Financial Officer and Treasurer Sun Life Insurance and Annuity Company of New York	2011
Peter R. O'Flinn* Bonita Springs, FL	Retired Co-chair LeBoeuf, Lamb, Greene and MacRae, LLP	1999
Barbara Z. Shattuck* New York, NY	Managing Director Hammond Hanlon Camp, LLC	2003
Michael E. Shunney Westborough, MA	Senior Vice President and General Manager, Employee Benefits Group Sun Life Insurance and Annuity Company of New York	2008
David K. Stevenson* Naples, FL	Retired Partner Arthur Anderson LLP	2002
Westley V. Thompson West Hartford, CT	President Sun Life Insurance and Annuity Company of New York	2008

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

As a result of the Company being sold, the entire board of directors resigned effective August 2, 2013.

Following are the seven board members and their principal business affiliation, as of the date of this report:

Name and Residence	Principal Business Affiliation	Year First Elected
Todd L. Boehly Darien, CT	President Guggenheim Partners, LLC	2013
Donald C. Cacciapaglia Rye, NY	President and COO, Investment Management Guggenheim Capital, LLC	2013
Dennis A. Cullen* Northbrook, IL	Retired Managing Partner Chicago Asset Funding, LLC	2013
Homer J. Holland* Scottsdale, AZ	President and Chairman Holland Partners, Inc.	2013
Richard E. Kipper* Snowmass, CO	Retired President and CEO Major Legal Services, Inc	2013
David E. Sams, Jr. Vero Beach, FL	Chief Executive Officer Sun Life Insurance and Annuity Company of New York	2013
Mark R. Walter Chicago, IL	Chief Executive Officer Guggenheim Capital, LLC	2013

* 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, 2012:

Name	Title
Westley V. Thompson	President
Kerri R. Ansello	Senior Counsel and Secretary
Larry R. Madge	Senior Vice President and Chief Financial Officer and Treasurer
Fred M. Tavan	Vice President and Chief Actuary
Scott M. Davis	Senior Vice President and General Counsel
David J. Healy	Senior Vice President, Sun Life Financial U.S. Operations
Robert E. Klein, Jr	Vice President, Voluntary Benefits
Kenneth A. McCullum	Senior Vice President and General Manager, Life and Annuities Inforce Management
Stephen C. Peacher	Executive Vice President and Chief Investment Officer
Michael E. Shunney	Senior Vice President and General Manager, Employee Benefits Group
Sean N. Woodroffe	Vice President, Human Resources

George E. Maden, Vice President and Chief Compliance Officer, is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

As a result of the Company being sold, new principal officers were appointed effective August 2, 2013.

The following is the listing of principal officers as of the date of the report:

Name	Title
Daniel J. Towriss	President, Chief Actuary and Chief Risk Officer
David E. Sams	Chief Executive Officer
Michael S. Bloom	Vice President and General Counsel and Secretary
Kenneth A. McCullum	Executive Vice President, Business Development and Inforce Management
Andrew F. Kenney	Chief Investment Officer
James D. Purvis	Chief Operating Officer
Robert Sabatino	Vice President, Information Technology and Operations
Michele B. Wilcon	Vice President, Human Resources and Internal Communications
Michael K. Moran	Treasurer

Kathleen T. Baron, Assistant Vice President and Chief Compliance Officer, is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

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 two states, namely New York and Rhode Island. In 2012, 93.9% of life premiums, 93.1% of annuity considerations and all accident and health premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2012, the Company had $400,000 (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.

B. Direct Operations

Prior to December 30, 2011, the Company's business was predominately variable annuity contracts. The Company also wrote individual fixed annuities, individual life insurance and group life insurance, group disability insurance, and group stop loss insurance. The individual life business consisted of universal and variable universal life insurance, as well as corporate and bank owned life insurance. 68.1% of the Company's 2011 direct premiums were derived from individual annuity considerations. Life insurance represented 15.7% of direct premiums and group accident and health insurance represented 16.2% of direct premiums.

On December 12, 2011, SLF announced that it would discontinue new sales of its domestic U.S. annuity and individual life products. Existing legal, business and contractual requirements required the Company to continue accepting limited applications for certain private placement variable annuities until mid-2012. Subject to these and other existing obligations, the Company ceased writing all individual life and all annuity new business effective December 30, 2011. On December 17, 2012, SLF announced the execution of a definitive agreement to sell these lines of business to Delaware Life. The Company continued to offer group life, group disability, group dental and group stop-loss insurance up to December 31, 2012. The Company was sold effective August 2, 2013.

The sale of the Company did not include the Company's group products. The group policies will be transitioned to another SLF company, SLHIC.

Until 2012, the Company's agency operations were conducted on a general agency and broker basis. In 2010 and 2011, individual universal life insurance products and individual flexible premium fixed deferred annuity products were sold through independent producers; individual flexible premium combination fixed/variable deferred annuities were sold primarily through independent distributors, such as broker/dealers, and financial institutions. SLFD, a former affiliate of the Company, provided wholesaling and related support services to the Company with respect to marketing of the annuity products.

The Company's group insurance products were marketed and sold through independent licensed brokers, agencies, and third party administrators. Group sales representatives, who are SLUS employees, provided wholesaling and related support services with respect to marketing of the group products.

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with 17 companies, of which 12 were authorized or accredited. The Company's life and accident business is primarily reinsured on a yearly renewable term basis. A small percentage of life insurance products are reinsured on a coinsurance or modified-coinsurance basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for an individual life contract is $1,500,000. The total face amount of life insurance ceded as of December 31, 2012 was $7,220,431,060, which represents approximately 32% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $1,752,592, was supported by letters of credit.

The total face amount of life insurance assumed as December 31, 2012 was $2,490,729,918.

Effective May 31, 2007, the Company received regulatory approval to enter into a 100% coinsurance agreement, with related renewal rights and administrative services agreements with its then affiliate, SLHIC. Under the agreement, the Company assumed 100% of all risks written in the state of New York that has not been reinsured to external parties. Under the corresponding administrative services agreement, the Company provided all administrative services for the covered policies. In addition, the renewal rights agreement allowed the Company, on renewal of the SLHIC policies, the right to offer each policyholder a policy issued by the Company.

As a result of the sale of the Company to Delaware Life, the Company entered into a recapture and termination agreement with SLHIC, effective July 31, 2013, under which SLHIC recaptured the business that was ceded to the Company; the 2007 reinsurance agreement, and the related renewal rights and administrative services agreements were then terminated.

Effective July 31, 2013, the Company entered into new reinsurance, administrative services, and renewal rights agreements with SLHIC. Pursuant to these agreements, the Company ceded 100% of the liabilities related to its group insurance policies to SLHIC on an indemnity coinsurance basis. SLHIC now provides administrative services in connection with the reinsured policies, and has the right, on the first anniversary of a policy following a transition period of no later than 12 months from the effective date of the renewal rights agreement, to offer to each policyholder a replacement policy issued by SLHIC. The agreements were approved by the Department on July 30, 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, 2012	Increase (Decrease)
Admitted assets	$3,071,402,975	$3,509,720,368	$438,317,393
Liabilities	$2,839,010,963	$3,161,154,392	$322,143,429
Common capital stock	$ 2,100,350	$ 2,100,350	$ 0
Gross paid in and contributed surplus	357,399,650	357,399,650	0
Surplus from SSAP 10R	10,124,418	0	(10,124,418)
Unassigned funds (surplus)	(137,232,406)	(10,934,024)	126,298,382
Total capital and surplus	$ 232,392,012	$ 348,565,976	$116,173,964
Total liabilities, capital and surplus	$3,071,402,975	$3,509,720,368	$438,317,393

The majority (57.0%) of the Company's admitted assets, as of December 31, 2012, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2012, exclusive of Separate Accounts, were mainly comprised of bonds (90.6%) and mortgage loans (6.8%).

The majority (97.4%) of the Company's bond portfolio, as of December 31, 2012, 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	$204,294	$2,082,827	$14,158	$31,466	$1,225,211	$16,586,497
2011	$ 74,943	$2,103,811	$ 4,601	$38,781	$2,601,890	$17,550,265
2012	$ 9,736	$2,041,209	$ 404	$37,126	$5,002,577	$20,341,882

The decreases in sales of individual whole life and individual term life insurance in 2011 and 2012 reflect the Company's decision to stop writing universal life insurance with secondary (no lapse) guarantees followed by the decision to stop selling all individual life products in 2011.

As a result of discontinuing the sale of UL and individual life products, more focus was given to the sale of the Company's group products causing the increases in group life in 2011 and 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
Outstanding, end of previous year	43,361	42,106	40,390
Issued during the year	2,098	1,759	163
Other net changes during the year	(3,353)	(3,475)	(3,271)
Outstanding, end of current year	42,106	40,390	37,282

The decrease in annuity sales in 2012 resulted from the Company discontinuing new sales of this product effective December 30, 2011.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

Group

	2010	2011	2012
Outstanding, end of previous year	238,143	210,798	276,710
Issued during the year	69,094	56,344	135,469
Other net changes during the year	(96,439)	9,568	(78,133)
Outstanding, end of current year	210,798	276,710	334,046

The significant increase in group accident and health sales in 2012 is in line with the Company's decision to discontinue writing individual life and annuities in 2011 resulting in more focus being placed on the group business.

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
Ordinary:			
Life insurance	$ (1,908,577)	$(1,868,214)	$ (574,644)
Individual annuities	31,715,331	(6,685,417)	25,420,652
Supplementary contracts	(115,316)	(47,988)	139,955
Total ordinary	$29,691,438	$(8,601,619)	$24,985,963
Group:			
Life	$ 5,260,246	$ 2,751,232	$ (1,770,343)
Total group	$ 5,260,246	$ 2,751,232	$ (1,770,343)
Accident and health:			
Group	$ 7,864,977	$ 5,787,731	$ 6,345,529
Total accident and health	$ 7,864,977	$ 5,787,731	$ 6,345,529
All other lines	$ 7,627,821	$ 2,175,691	$ 6,341,499
Total	$50,444,483	$ 2,113,035	$35,902,647

The decrease in net loss from operations for ordinary life from 2011 to 2012 was primarily attributed to a decrease in policyholder benefits and expenses of $7.1 million offset by a decrease of $4.7 million in revenue and an increase in federal income taxes of $1.1 million.

The significant decrease in net gain from operations for ordinary individual annuities from 2010 to 2011 was due primarily to a decrease in revenue of $32.9 million and an increase in policyholder benefits and expenses of $13.1 million offset by a decrease in federal income taxes of $7.6 million.

The significant increase in net gains from operations for ordinary individual annuities in 2012 as compared to 2011 resulted primarily from decreases in policyholder benefits and expenses of $283.1 million. This was offset by a decrease in revenue of $234.7 million and an increase in federal income tax of $16.1 million. The significant decreases in revenue and expenses in 2012 are consistent with the Company's decision to discontinue the sales of its annuity products at the end of 2011.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2012, as contained in the Company's 2012 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, 2012 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 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	$1,297,803,174
Stocks:	
Preferred stocks	16,000,000
Mortgage loans on real estate:	
First liens	97,327,503
Cash, cash equivalents and short term investments	19,006,091
Contract loans	1,715,686
Receivable for securities	252,411
Investment income due and accrued	14,329,770
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	8,995,721
Deferred premiums, agents' balances and installments booked but deferred and not yet due	64,725
Accrued retrospective premiums	91,401
Reinsurance:	
Amounts recoverable from reinsurers	5,280,620
Other amounts receivable under reinsurance contracts	477,982
Net deferred tax asset	45,465,128
Receivables from parent, subsidiaries and affiliates	2,064,322
Miscellaneous receivable	1,073,998
From separate accounts, segregated accounts and protected cell accounts	1,999,771,836
Total admitted assets	$3,509,720,368

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 897,765,695
Aggregate reserve for accident and health contracts	65,603,354
Liability for deposit-type contracts	12,837,030
Contract claims:	
Life	5,489,235
Accident and health	8,170,875
Premiums and annuity considerations for life and accident and health contracts received in advance	122,671
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	6,261,969
Interest maintenance reserve	16,141,148
Commissions to agents due or accrued	5,651,874
General expenses due or accrued	1,508,328
Transfers to separate accounts due or accrued	(109,551,853)
Taxes, licenses and fees due or accrued, excluding federal income taxes	6,677,120
Current federal and foreign income taxes	9,542,638
Amounts withheld or retained by company as agent or trustee	25,924
Remittances and items not allocated	264,893
Miscellaneous liabilities:	
Asset valuation reserve	18,378,665
Reinsurance in unauthorized companies	526,212
Payable to parent, subsidiaries and affiliates	2,119,852
Liability for amounts held under uninsured accident and health plans	54,000
Funds held under coinsurance	211,036,681
Stale checks	419,098
Accrued interest on policy claims	142,925
Amounts payable miscellaneous	150,756
Escheatment liabilities	2,107,392
From Separate Accounts statement	1,999,707,910
Total liabilities	$3,161,154,392
Common capital stock	$ 2,100,350
Gross paid in and contributed surplus	357,399,650
Unassigned funds (surplus)	(10,934,024)
Surplus	$ 346,465,626
Total capital and surplus	$ 348,565,976
Total liabilities, capital and surplus	$3,509,720,368

D. Condensed Summary of Operations

	2010	2011	2012
Premiums and considerations	$433,496,212	$389,312,215	$146,613,587
Investment income	55,486,259	61,771,511	61,366,298
Commissions and reserve adjustments on reinsurance ceded	10,318,509	4,858,851	2,851,007
Miscellaneous income	30,327,549	37,984,709	40,791,880
Total income	$529,628,529	$493,927,286	$251,622,772
Benefit payments	$309,533,556	$338,572,911	$347,462,111
Increase in reserves	(47,768,777)	(13,712,058)	(66,844,124)
Commissions	33,350,956	29,929,641	18,940,577
General expenses and taxes	37,833,141	43,403,256	36,518,804
Net transfers to (from) Separate Accounts	132,263,632	81,995,524	(147,576,827)
Fines and penalties of regulatory authorities	6,229	0	0
Miscellaneous deductions	9,443,572	10,115,809	10,933,051
Total deductions	$474,662,309	$490,305,083	$199,433,592
Net gain (loss)	$ 54,966,220	$ 3,622,203	$ 52,189,180
Federal and foreign income taxes incurred	4,521,737	1,509,168	16,286,533
Net gain (loss) from operations before net realized capital gains	$ 50,444,483	$ 2,113,035	$ 35,902,647
Net realized capital gains (losses)	5,091,508	3,163,628	1,746,008
Net income	$ 55,535,991	$ 5,276,663	$ 37,648,655

Premiums and considerations decreased significantly in 2012 as a result of the Company discontinuing new sales of its individual life and annuity business at the end of 2011.

The steady decrease in commissions and reserve adjustments on reinsurance ceded is due to lower ceding commissions as a result of the decreased sales activities in the Company’s life and annuity business.

The significant fluctuation in “increase in reserves” reported in 2011 as compared to 2010 was mainly attributable to an increase in Guaranteed Minimum Benefits on variable annuities reserves of $19.0 million in 2011 compared to a decrease of $7.1 million in 2010.

Reserves decreased significantly in 2012 compared to 2011 primarily because of the SLF strategic decision to discontinue new sales of its domestic U.S. variable annuity and individual life products effective December 30, 2011.

Federal and foreign income taxes incurred increased significantly in 2012 compared to 2011 due in the increase of taxable income from $7.7 million in 2011 to $38.5 million in 2012.

E. Capital and Surplus Account

	2010	2011	2012
Capital and surplus, December 31, prior year	$232,392,012	$295,718,368	$304,854,243
Net income	$ 55,535,991	$ 5,276,663	$ 37,648,655
Change in net unrealized capital gains (losses)	(203,424)	(279,781)	1,095,564
Change in net unrealized foreign exchange capital gain (loss)	33,764	42,629	(63,593)
Change in net deferred income tax	(17,614,480)	(1,636,928)	(2,722,557)
Change in non-admitted assets and related items	19,382,427	3,657,829	9,524,066
Change in liability for reinsurance in unauthorized companies	672,053	64,798	(81,815)
Change in asset valuation reserve	(5,090,562)	1,609,876	(4,775)
Surplus (contributed to), withdrawn from Separate Accounts during period	0	(1,200)	0
Other changes in surplus in Separate Accounts statement	6,668	(926)	6,699
Cumulative effect of changes in accounting principles	0	0	15,063,971
Surplus changes from SSAP 10R	1,677,263	402,915	(12,204,596)
Prior Period Adjustment	8,926,656	0	(4,549,887)
Net change in capital and surplus for the year	63,326,356	9,135,875	43,711,733
Capital and surplus, December 31, current year	$295,718,368	$304,854,243	$348,565,976

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. 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 403(d) of the New York Insurance Law (NYIL) states, in part:

> "(d) All applications…and all claim forms,…shall contain a notice in a form approved by the superintendent that clearly states in substance the following:
>
> 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."

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

> "Location of warning statements and type size. The warning statements required by subdivisions (a), (b) and (e) 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. On claim forms which require execution by a person other than the claimant, or in addition to the claimant, the warning statements required by subdivisions (a), (b) and (e) of this section shall be placed at the top of the first page of the claim form or in the page containing instructions, either in print, by stamp or by attachment and shall be in type size which will produce a warning statement of conspicuous size."

The examiner reviewed 25 individual life death claims. The claim form used by the Company to process these claims did not contain a fraud warning statement as required by Section 403(d) of the New York Insurance Law.

The Company violated Section 403(d) of the New York Insurance Law by using a claim form to process individual life death claims that did not contain the required fraud warning statement.

The examiner reviewed 40 annuity death claims. In processing annuity death claims, the Company provides a claim packet to claimants. The claim packet includes a claim form and a separate document that lists the fraud warning statements that are required by several states, including New York. The New York fraud warning statement meets the requirement of Section 86.4(a) of Department Regulation 95; however, the fraud warning statement is not located above the signature of the person executing the claim as required by Section 86.4(d) of Department Regulation No. 95. Instead, the Company has the following statement above the signature:

> "By signing below, I hereby acknowledge that I have read and understood the Fraud Warnings included in this package, with this form."

The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim.

During the review of individual life death claims, 31 out of 41 (76%) beneficiaries were provided with a claim form that contained the letterhead of SLF. Additionally, 6 out of 11 (55%) short term disability claimants were provided with a claim form that contained the letterhead of SLOC. The Company was not identified as the insurer anywhere on these forms.

The examiner recommends that the Company be clearly identified as the insurer on the ordinary life and short term disability claim forms pertaining to New York policies, where such is the case.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation and recommendation 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's audit committee periodically (at least annually) review the allocation of such compensation to the Company under the service agreements and report its findings to the board of directors of the Company.
	A review of the minutes of the Company's audit/nominating committee indicated that, as of December 1, 2011, a Report on Allocation of Principal Officer Salary is presented to the audit/nominating committee annually for review. The report provides an overview of the principal officers' compensation expenses that are allocated to the Company during the prior year, including the process for allocating such expenses.
B	The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with and approved by the Superintendent.
	The Company discontinued all new sales of life insurance and annuity products as of December 30, 2011. Subsequently, on August 2, 2013, the Company was acquired by Delaware Life. In the event the Company resumes new sales in the future, the Company has indicated that all policy forms will be filed with the Superintendent for approval prior to being used.

9. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 403(d) of the New York Insurance Law by using a claim form to process individual life death claims that did not contain the required fraud warning statement.	28
B	The Company violated Section 86.4(d) of Department Regulation No. 95 by failing to place the required fraud warning statement immediately above the space provided for the signature of the person executing the claim.	28
C	The examiner recommends that the Company be clearly identified as the insurer on the ordinary life and short term disability claim forms pertaining to New York policies, where such is the case.	28

Respectfully submitted,

/s/
Courtney Williams
Associate Insurance Examiner

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

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

/s/
Courtney Williams

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30988

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:

COURTNEY WILLIAMS

as a proper person to examine the affairs of the

SUN LIFE INSURANCE AND ANNUITY 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 3rd day of September, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU