NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

ZURICH AMERICAN LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2015
DATE OF REPORT:	OCTOBER 28, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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AS OF

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EXAMINER:	KINGS ANKRAH

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

August 21, 2019

The Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31515, dated July 26, 2016, and annexed hereto, an examination has been made into the condition and affairs of Zurich American Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 165 Broadway, New York, NY 10006.

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

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

1. EXECUTIVE SUMMARY

The material violations and recommendation contained in this report are summarized below.

- The Company violated Insurance Regulation No. 33, 11 NYCRR Section 91.4(a)(1), by failing to allocate any expenses by line of business in 2012 and 2013. (See item 3 of this report.)
- The examiner recommends that the Company annually evaluate the appropriateness of allocating expenses based on the policies in force and be able to demonstrate that there was no more appropriate basis for allocation than the policies in force. (See item 3 of this report.)
- The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules of agent compensation that were not filed with the Department until after the end of the examination period. (See item 8 of this report.)
- The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the dates the statements of self-support were signed. (See item 9 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, 2016 Edition* (the "Handbook"). This is the first examination of the Company since it was licensed to commence business on January 1, 2012, and covers the 4-year period from January 1, 2012, to December 31, 2015. 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, 2015, 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 and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

This examination was led by the State of Illinois, with participation from the states of Kansas and New York. Since the lead and participating states are all accredited by the NAIC, all states 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 through 2015, by the accounting firm of PricewaterhouseCoopers LLP ("PwC"). The Company received an unqualified opinion in all years. Certain audit workpapers of PwC were reviewed and relied upon in conjunction with this examination. The Company's shares an internal audit department and a separate internal control department with its parent, Zurich American Life Insurance Company ("ZALICO"), which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Beginning in 2016, the Company was subject to the Model Audit Rule ("MAR"). Where applicable, SOX/MAR workpapers and reports were reviewed and portions were relied upon for this examination.

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

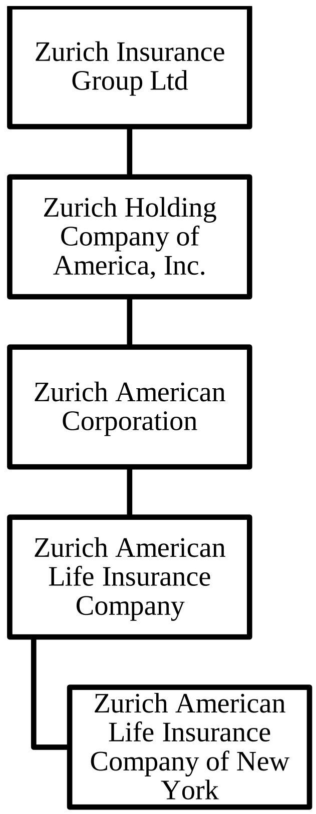
The Company was incorporated as a stock life insurance company under the laws of New York on September 2, 2010, was licensed and commenced business on January 1, 2012. Initial resources of $2,000,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $19,090,000, were provided through the sale of 20,000 shares of common stock (with a par value of $100 each) for $1,054.50 per share.

B. Holding Company

The Company is a wholly owned subsidiary of ZALICO, an Illinois domiciled life insurance company, which is in turn wholly owned by Zurich American Corporation ("ZAC"), a Delaware domiciled non-operating holding company. ZAC is an indirect wholly owned subsidiary of Zurich Holding Company of America Inc. ("ZHCA"), an Illinois domiciled insurance holding company. ZHCA is a wholly owned subsidiary of Zurich Insurance Group Ltd ("ZIG"), a Switzerland domiciled publicly traded holding company.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2015, follows:



D. Service Agreements

The Company had two service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
Service Agreement File No. 44023	02/01/2012	ZALICO	The Company	Provides accounting, actuarial, administrative, human resources, legal, claims, risk management, tax, underwriting, management information services (IT)	2012 $ 0 2013 $ 0 2014 $(222,000) 2015 $(263,000)
Claims Management Services File No. 46701	05/01/2013	Disability Management Services	The Company	Provides claims management services in support of certain group disability insurance products and certain features of the Company's group life insurance products	2013 $ 0 2014 $ 0 2015 $(2,995)

*Amount of Expense Incurred by the Company

The Company is a party to a tax sharing agreement with its parent and affiliates.

Insurance Regulation No. 33, 11 NYCRR Section 91.4(a) states, in part:

> "(1) It is the responsibility of each life insurer to use only such methods of allocation as will produce a suitable and equitable distribution of income and expenses by lines of business. . . .
> (5) Allocations of income and expenses between companies shall be treated in the same manner as if made for major annual statement lines of business."

Insurance Regulation No. 33, 11 NYCRR Section 91.4(f)(5) states, in part:

> "General indexes such as premium volume, number of policies, and insurance in force shall not be used as basis for distributing costs among major annual statement lines of business, except where the incidence of cost is closely related to such general indexes, or except where there is no more appropriate basis for measurement. . . ."

During the years 2012 and 2013, the Company did not allocate any intercompany expenses as required by the administrative service agreement with ZALICO. Schedule three of the filed and approved service agreement states, “The methods for allocating expenses to the Service Receiver shall be determined in accordance with the requirements prescribed in the New York Insurance Department Regulation No. 33.” The Company allocated expenses in 2014 and 2015 based on the number of policies in force, which were sold to in New York policyholders.

The Company violated Insurance Regulation No. 33, 11 NYCRR Section 91.4(a)(1), by failing to allocate any expenses by line of business in 2012 and 2013.

The examiner recommends that the Company annually evaluate the appropriateness of allocating expenses based on the policies in force and be able to demonstrate that there was no more appropriate basis for allocation than the policies in force.

E. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 13 directors. Directors are elected annually at the meeting of the shareholders held in June of each year. As of December 31, 2015, the board of directors consisted of eight members. Meetings of the board are held following the annual meeting of the shareholder and as designated by the board.

The eight board members and their principal business affiliation, as of December 31, 2015, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Debra K. Broek* Rock Valley, IA	Instructor GAAP Seminars	2014
Kenneth L. Carroll * Santa Clarita, CA	Retired Farmers Group, Inc.	2014
Patrick J. Carty Rye Brook, NY	Vice President and General Counsel Zurich American Life Insurance Company of New York	2011
David J. Dietz Chappaqua, NY	Chairman, President and Chief Executive Officer Zurich American Life Insurance Company of New York	2010
Ira J. Kleinman* Livingston, NJ	Retired, Senior Vice President Prudential Financial, Inc.	2010

Name and Residence	Principal Business Affiliation	Year First Elected
Audrey M. Martin New York, NY	Vice President, Human Resources Zurich American Life Insurance Company of New York	2013
Elizabeth T. McInerney Scarsdale, NY	Vice President & Chief Operating Officer Zurich American Life Insurance Company of New York	2012
Louis W. Pietrouongo* West Nyack, NY	Senior Vice President The Goldwater Taplin Group	2010

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

In May 2016, Kenneth L. Carroll passed away and has not been replaced. On December 30, 2016, Elizabeth T. McInerney resigned from the board and from the position of the Vice President and Chief Operating Officer. On February 14, 2017, Patrick J. Carty stepped down from the board as part of a series of changes directed at making him the Secretary as of March 8, 2017. On February 15, 2017, Dave Dampman and Simon Lodge were elected to the board by consent of the shareholders of the Company.

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, 2015:

Name	Title
David J. Dietz	Chairman, President and Chief Executive Officer
Simon J. Lodge	Vice President and Chief Financial Officer
Cathy E. Ehrlich	Vice President and Chief Actuary
Juanita M. Thomas	Corporate Secretary
Jeffery S. Horton	Vice President and Treasurer
Patrick J. Carty	Vice President and General Counsel
Elizabeth T. McInerney	Vice President & Chief Operating Officer
Audrey M. Martin	Vice President, Human Resources
Leeann G. Badgett	Assistant Vice President and Controller
Dave Dampman*	Assistant Vice President

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

In June 2016, Debra K. Broek was appointed chairperson of the audit committee. On March 8, 2017, Dave Dampman’s position changed from Assistant Vice President to Vice President, Operations. On November 18, 2016, Jeffery Horton resigned as Vice President and Treasurer. On March 8, 2017, Patrick J. Carty replaced Juanita M. Thomas as Corporate Secretary. Subsequently, Juanita M. Thomas was elected Vice President and Chief Compliance Officer and Patrick J. Carty became Senior Vice President, General Counsel and Corporate Secretary.

4. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities, accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law and is licensed to transact business only in New York. In 2015, the Company received a total of $10,236,202 in direct premiums which was comprised of annuity considerations (68.8%), life insurance (28.4%), and accident and health insurance (2.8%); of which $10,227,116 (99.9%) of the total direct premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2015, the Company had $401,654 (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

Individual products offered by the Company include individual term, universal life, and private placement variable annuity. Group products offered by the Company include term life, long term and short term disability. The Company had 317 appointed brokers in 2015.

The Company sells its products through two primary distribution channels that are defined by the type of products that each channel distributes: (1) the Independent Financial Advisor/Broker (IFA) channel; and (2) the Corporate Life & Pensions ("CLP") channel.

The IFA channel sells traditional individual universal life and term life policies through its brokerage general agencies ("BGAs"). The BGAs distribute the Company's products to affluent customers to address their wealth transfer/estate planning, their business insurance needs, or to address their need for supplemental income while in retirement.

The CLP channel distributes Group Life and Disability policies for sale to New York-based employers to address employee benefit needs. The CLP distribution channel of the Company also sells its products through BGAs.

The Zurich Private Placement Variable Annuity ("PPVA") is sold exclusively by independent life insurance sales professionals and by financial advisors of private banks. All

PPVA sales representatives are New York State licensed life insurance brokers that are registered representatives affiliated with broker-dealers that have a Selling Group Agreement in place with the Company.

C. Reinsurance

As of December 31, 2015, the Company had one reinsurance treaty in effect with one unauthorized company. The Company's life, accident and health business is reinsured on a coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $100,000. The total face amount of life insurance ceded as of December 31, 2015, was $449,450,000 which represents 92.6% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $4,125,074, was supported by letters of credit.

Pursuant to the reinsurance agreement filed with and approved by the Department, the Company will cede to ZIC on a yearly renewable term basis, for sums up to the Company's retention limit, 90% of the insured amount, and cede 100% of the excess over the Company's retention limit.

The Company does not assume any life insurance business.

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, 2012	December 31, 2015	Increase
Admitted assets	$21,152,501	$53,866,963	$32,714,462
Liabilities	$ 213,262	$32,835,302	$32,622,040
Common capital stock	$ 2,000,000	$ 2,000,000	0
Gross paid in and contributed surplus	19,090,000	19,090,000	0
Unassigned funds (surplus)	(150,761)	(58,339)	92,422
Total capital and surplus	$20,939,239	$21,031,661	$ 92,422
Total liabilities, capital and surplus	$21,152,501	$53,866,963	$32,714,462

The majority (58%) of the Company's admitted assets, as of December 31, 2015, were derived from separate accounts.

The Company's invested assets as of December 31, 2015, exclusive of separate accounts, were mainly comprised of bonds (94.0%), and cash and short-term investments (5.9%).

The majority (98.3%) of the Company's bond portfolio, as of December 31, 2015, was comprised of investment grade obligations.

The increase in admitted assets was attributable to new business premiums received in 2014 and 2015. PPVA contracts were sold in 2014 and 2015 resulting in the collection of $20.7 and $7 million in premiums, respectively.

The increase in liabilities was due primarily to a corresponding increase in reserves from increased variable annuity sales.

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
2012	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
2013	$ 500	$ 500	$ 0	$ 0	$123,094	$123,094
2014	$31,318	$31,818	$162,920	$162,920	$ 13,236	$134,495
2015	$25,286	$57,124	$ 95,000	$257,900	$ 35,834	$170,329

The decrease in individual term insurance issued in 2015, when compared with 2014, was due to fewer new policies sold in 2015. In 2015, only 15 new policies were sold, compared with 27 new policies in 2014.

The decrease in group life issued from 2013 to 2015 was due to fewer group term policies sold in 2014 and in 2015, when compared with the number of polices issued in 2013. In 2014 and 2015, only two new policies were sold in each year, compared with four new policies in 2013.

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:

	2012	2013	2014	2015
Ordinary:				
Life insurance	$ 0	$ 858	$10,842	$ (94,230)
Individual annuities	0	0	7,344	178,800
Total ordinary	$ 0	$ 858	$18,186	$ 84,570
Group life insurance	$(172,691)	$ 35,652	$ (3,070)	$ (93,605)
Group accident and health	$ 0	$ 82,034	$30,881	$ (89,930)
Total	$(172,691)	$118,544	$45,997	$ (98,965)

The fluctuations in the net gain from ordinary life insurance in 2012 to 2014 was primarily due to the effect of the reinsurance transaction entered into in 2014. To reduce new business strain on surplus, the Company entered into a reinsurance treaty with its affiliate, ZIC, whereby the Company cedes the excess of retention on its universal and term life business. The net loss in 2015 was due to fewer individual life sales.

The increase in the net gain from individual annuities in 2015 was primarily due to the large PPVA deposits in 2014 and 2015.

The net loss from group life insurance in 2012 was primarily due to start-up expenses, offset by investment earning, as the result of the Company commencing business in the same year. Subsequent fluctuations were the result of increases in death benefits and commissions as the business continued to grow.

The fluctuations in the net gain (loss) from group accident and health resulted from the increases in the accident and health incurred but not reported claim reserves which tend to increase as the business grows.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2015, as contained in the Company's 2015 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, 2015 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 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 years then ended.

PwC 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	$20,964,920
Cash, cash equivalents and short term investments	1,309,096
Receivable for securities	37,594
Investment income due and accrued	107,612
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	23,770
Reinsurance:	
Amounts recoverable from reinsurers	3,108
Other amounts receivable under reinsurance contracts	48,543
Net deferred tax asset	120,896
Management fee receivable	47
From separate accounts, segregated accounts and protected cell accounts	$31,251,377
Total admitted assets	$53,866,963

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 474,099
Aggregate reserve for accident and health contracts	23,933
Contract claims:	
Life	7,389
Accident and health	14,931
Premiums and annuity considerations for life and accident and health contracts received in advance	61,059
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	54,895
Interest maintenance reserve	6,471
General expenses due or accrued	106,889
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,178
Current federal and foreign income taxes	568,538
Remittances and items not allocated	42,948
Miscellaneous liabilities:	
Asset valuation reserve	778
Payable to parent, subsidiaries and affiliates	214,816
From Separate Accounts statement	31,251,377
Total liabilities	$32,835,302
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	19,090,000
Unassigned funds (surplus)	(58,339)
Surplus	19,031,661
Total capital and surplus	$21,031,661
Total liabilities, capital and surplus	$53,866,963

D. Condensed Summary of Operations

	2012	2013	2014	2015
Premiums and considerations	$ 0	$343,608	$20,988,676	$7,860,305
Investment income	239,384	263,724	300,227	334,008
Commissions and reserve adjustments on reinsurance ceded	0	0	1,866,250	1,429,700
Miscellaneous income	0	0	354,727	236,327
Total income	$ 239,384	$607,332	$23,509,880	$9,860,340
Benefit payments	$ 0	$ 85,994	$ 81,935	$ 9,268
Increase in reserves	0	356	141,331	356,346
Commissions	0	50,203	2,037,025	1,385,533
General expenses and taxes	347,747	272,851	464,536	929,757
Increase in loading on deferred and uncollected premiums	0	0	(157,202)	14,569
Net transfers to (from) Separate Accounts	0	0	20,700,000	7,040,851
Total deductions	$ 347,747	$409,404	$23,267,625	$9,736,324
Net gain (loss)	$(108,363)	$197,928	$ 242,255	$ 124,016
Federal and foreign income taxes incurred	64,328	79,384	196,258	222,981
Net gain (loss) from operations before net realized capital gains	$(172,691)	$118,544	$ 45,997	$ (98,965)
Net realized capital gains (losses)	(9)	4	(31)	(40)
Net income	$(172,700)	$118,548	$ 45,966	$ (99,005)

Premium fluctuations were mainly due to new business premiums received in 2014 and 2015 from the sale of high net worth PPVA contracts. Two PPVA contracts were sold in 2014 and four were sold in 2015 resulting in the collection of $20.7 and $7 million in premiums, respectively.

The increase in general expenses and taxes in 2014 and 2015 was primarily due to an increase in insurance taxes, licenses and fees resulting from additional assessments on the Company.

The Company commenced business in 2012 and the net loss reported in the same year was primarily driven by start-up expenses. In 2013, the Company produced a small but sufficient amount of business written to enable it to off-set expenses and report a net gain. Net Gains continued in 2014 and 2015, as the Company expanded its PPVA business while benefiting from its reinsurance treaty with ZIC.

E. Capital and Surplus Account

	2012	2013	2014	2015
Capital and surplus, December 31, prior year	$21,118,350	$20,939,239	$21,042,764	$17,967,941
Net income	$ (172,700)	$ 118,548	$ 45,966	$ (99,005)
Change in net deferred income tax	2,856	(1,733)	4,877	412,239
Change in non-admitted assets and related items	(8,940)	(13,105)	(108,391)	(237,273)
Change in liability for reinsurance in unauthorized companies	0	0	(2,987,924)	2,987,924
Change in asset valuation reserve	(326)	(186)	(102)	(165)
Prior year audit adjustment	0	0	(29,250)	0
Net change in capital and surplus for the year	(179,110)	103,524	(3,074,823)	3,063,720
Capital and surplus, December 31, current year	$20,939,239	$21,042,764	$17,967,941	$21,031,661

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.

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

C. Treatment of Policyholders

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

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

8. AGENCY COMPENSATION

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

> "A company shall make annual information filings with respect to any newly-introduced plans or changes under which the company makes payments to agents or brokers if such plans are commission plans for which the commission percentages are, in all policy or contract years, no greater than the commission percentages set forth in paragraphs one, two, three and four of subsection (d) of this section, expense allowance plans other than those meeting the definition of a compensation arrangement, plans subject to the provisions of paragraph one of subsection (e) of this section under which compensation is not in excess of two percent of the fund annually in any of the first four policy or contract years, or plans subject to the provisions of paragraph four of subsection (e) of this section . . . "

A review of the Company's filing history revealed individual life policies and annuity contracts in force during the examination period on which agent compensation is paid. However, the Company did not have any plan of agent compensation filed with the Department. This requirement was communicated to the Company, which has since submitted the required filings, dated November 18, 2016, to demonstrate compliance with Section 4228(f)(1)(A) of the New York Insurance Law.

The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules of agent compensation that were not filed with the Department until after the end of the examination period.

9. POLICY PRICING AND SELF-SUPPORT

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 reviewed pricing adequacy of various products subject to Section 4228(h) of the New York Insurance Law. The review included examining the required actuarial statements of self-support and supporting demonstrations. The examiner requested the statements and corresponding demonstrations for the Company's policy forms subject to Section 4228(h). For two policy forms, with 50 policies issued, the demonstrations of self-support were not signed or dated.

The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the dates the statements of self-support were signed.

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

10. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Insurance Regulation No. 33, 11 NYCRR Section 91.4(a)(1), by failing to allocate any expenses by line of business in 2012 and 2013.	8
B	The examiner recommends that the Company annually evaluate the appropriateness of allocating expenses based on the policies in force and be able to demonstrate that there was no more appropriate basis for allocation than the policies in force.	8
C	The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules of agent compensation that were not filed with the Department until after the end of the examination period.	22
D	The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the dates the statements of self-support were signed.	23

Respectfully submitted,

_____________/s/___________
Kings Ankrah
Senior Insurance Examiner

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

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

_____________/s/___________
Kings Ankrah

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 31515

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

KINGS ANKRAH

as a proper person to examine the affairs of the

ZURICH AMERICAN LIFE INSURANCE 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 26th day of July, 2016

MARIA T. VULLO
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU