NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

JACKSON NATIONAL LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2018
DATE OF REPORT:	JUNE 15, 2020

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EXAMINER:	PHILIP SCHMOYER, CFE

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

June 19, 2020

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

Madam:

In accordance with instructions contained in Appointment No. 31948, dated April 17, 2019, and annexed hereto, an examination has been made into the condition and affairs of Jackson National Life Insurance Company of New York, hereinafter referred to as "the Company," at its administrative office located at One Corporate Way, Lansing, MI 48951. The home office is located at 2900 Westchester Avenue, Purchase, NY 10577.

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 recommendation and comment contained in this report are summarized below:

- As of December 31, 2018, 90.0% of the Company's admitted assets were derived from separate accounts. This separate account activity is mainly generated from the variable annuity guarantee block of business, which has been increasing each year, and is exposing the Company to additional risks. In light of the amount of this business in relation to the total business and the size of the Company, the examiner recommends that the Company consider limiting its exposure to variable annuity guarantees. A similar comment was included in the prior report on examination. (See item 6F of this report.)
- The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner. The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2015, to December 31, 2018. 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, 2018, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

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

The examination was conducted and coordinated in conjunction with the examination of the Company's parent, Jackson National Life Insurance Company ("JNL"), and Brooke Life Insurance Company ("Brooke"), both Michigan domestic insurers. The coordinated examination was led by the State of Michigan with participation from the State of New York. Since the lead and participating states are accredited by the NAIC, both 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 2015 through 2018, by the accounting firm of KPMG LLP ("KPMG"). The Company received an unqualified opinion in all the years. Certain audit work papers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company shares an internal audit and an internal control department with its parent, JNL, which was given the task of assessing the internal control structure. The Company follows the same control processes as its parent. Where applicable, work papers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and comments 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 matters 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 the State of New York on July 11, 1995, under the name First Jackson National Life Insurance Company, and commenced business on August 16, 1996.

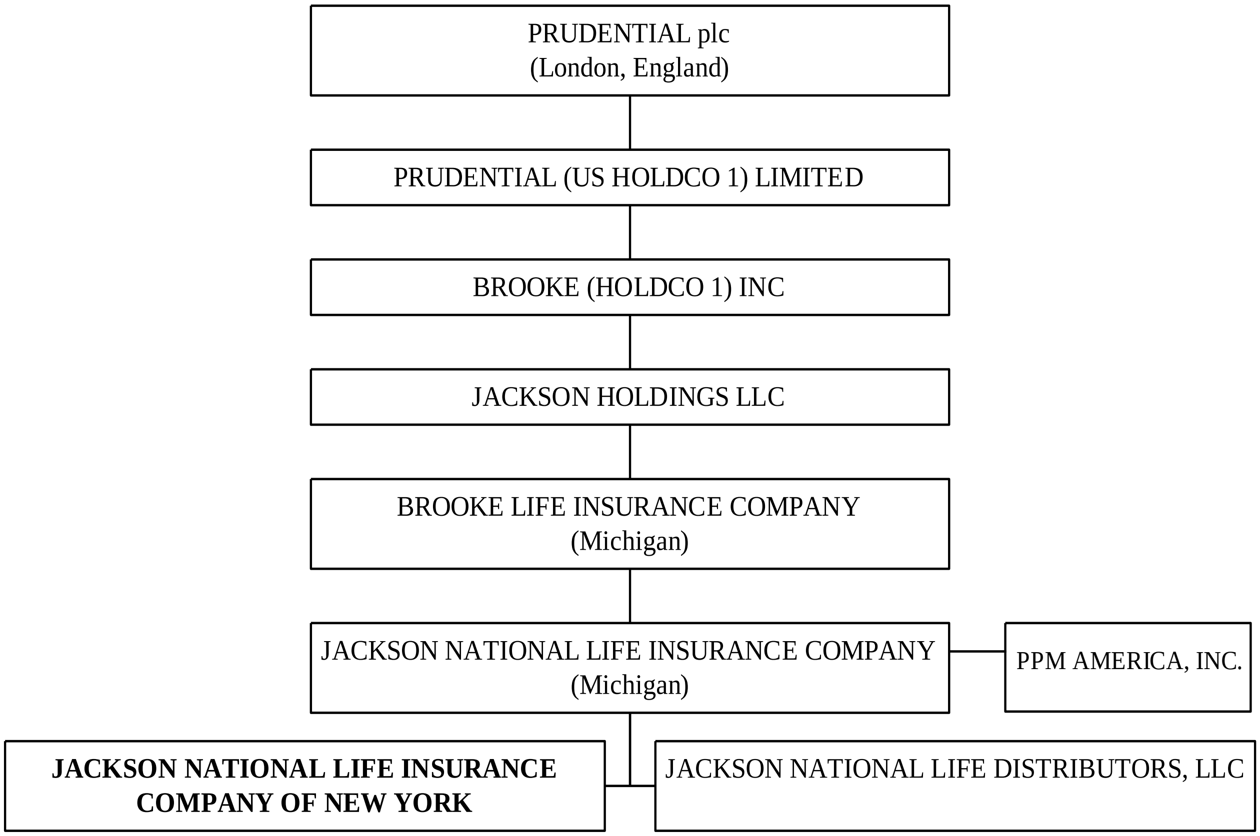
The Company formally adopted its present name effective September 26, 1997. Initial resources of $486,961,580 consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $484,961,580, were provided through the sale of 2,000 shares of common stock (with a par value of $1,000 each) for $243,480.79 per share.

B. Holding Company

The Company is a wholly owned subsidiary of JNL, a Michigan insurer. JNL, in turn, is a wholly owned subsidiary of Brooke, which was formed by Prudential plc after it acquired JNL in 1986. The ultimate parent of the Company is Prudential plc, a multi-national financial services company headquartered in London, England.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2018, follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider(s) of Services	Recipient(s) of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Administrative Services File No. 24644	11/03/1997	JNL	The Company	Accounting, tax and auditing, underwriting, claims, marketing and product development, functional support, payroll, personnel, and policyholder services	2015 $(15,088,572) 2016 $(19,131,991) 2017 $(17,002,716) 2018 $(31,591,265)
Special Compensation, Consolidation and Cost Allocation File No. 27718	12/31/1999	JNL/The Company	JNL/The Company	Special compensation for the managers employed by JNL and the Company	2015 $(6,458,976) 2016 $(4,966,390) 2017 $(4,974,628) 2018 $(4,595,741)
Administrative Services and Expense Allocation File No. 27719	12/31/1999	Jackson National Life Distributors, LLC (“JNLD”)	The Company	Product development, distribution and marketing services	2015 $(1,842,359) 2016 $(1,319,776) 2017 $(1,244,105) 2018 $(1,107,675)
Investment Advisory Agreement File Nos. 22542C and 22542D Amended and Restated File No. 38130	05/16/1996 03/25/2008	PPM America, Inc.	The Company	Investment Services	2015 $(1,426,349) 2016 $(1,545,524) 2017 $(1,009,159) 2018 $(966,352)

*Amount of Expense Incurred by the Company

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 (except for vacancies temporarily unfilled) and not more than 21 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, 2018, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2018, were as follows:

Name of Director	Principal Business Affiliation	Year First Elected
Barrett M. Bonemer Okemos, Michigan	Vice President Jackson National Life Insurance Company of New York	2016
Patrick G. Boyle* Spring Lake, New Jersey	Retired Executive Vice President New York Life Investment Management, LLC	2018
Gregory P. Cicotte Denver, Colorado	Chairperson and Executive Vice President, Chief Distribution Officer Jackson National Life Insurance Company of New York	2013
Richard K. Clinton* East Lansing, Michigan	Former President and Chief Executive Officer American Physicians Capital, Inc.	2017
Michael A. Costello East Lansing, Michigan	Senior Vice President, Treasurer and Controller Jackson National Life Insurance Company of New York	2011
Laura L. Hanson Lansing, Michigan	Vice President Jackson National Life Insurance Company of New York	2012
Nancy F. Heller* New York, New York	Former Senior Managing Director Teachers Insurance and Annuity Association of America	2018
Herbert G. May, III Waban, Massachusetts	Senior Vice President, Chief Administrative Officer Jackson National Life Insurance Company of New York	2001
Heather R. Strang Lansing, Michigan	Vice President Jackson National Life Insurance Company of New York	2016

*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.

In 2019, Gregory P. Cicotte; Michael A. Costello; Herbert G. May, III; and Heather R. Strang resigned from the board of directors; and Laura L. Prieskorn was elected as a director and the Chairperson of the Board. Scott E. Romine, President of Advisory Solutions, was also elected as a director of the board in 2019.

The following is a listing of the principal officers of the Company as of December 31, 2018:

Name	Title
Barry L. Stowe	President and Chief Executive Officer
Gregory P. Cicotte	Chairperson and Executive Vice President, Chief Distribution Officer
Paul C. Myers	Executive Vice President, Chief Financial Officer
Andrew J. Bowden	Senior Vice President, General Counsel and Secretary
Michael A. Costello	Senior Vice President, Treasurer and Controller
Marcia L. Wadsten	Senior Vice President, Chief and Appointed Actuary
Devkumar D. Ganguly	Senior Vice President, Chief Information Officer
Bradly O. Harris	Senior Vice President, Chief Risk Officer
Emilio Pardo	Senior Vice President, Chief Marketing and Communications Officer
Dana S. Rapier	Senior Vice President, Chief Human Resources Officer
Herbert G. May, III	Chief Administrative Officer
Savvas P. Binioris	Senior Vice President
Julia A. Goatley*	Senior Vice President
Thomas P. Hyatte	Senior Vice President
Laura L. Prieskorn	Senior Vice President
Kenneth H. Stewart	Senior Vice President
Richard C. White	Senior Vice President

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

Mr. Stowe retired from his position on December 28, 2018, and was replaced by Mr. Michael I. Falcon on January 7, 2019.

In 2019, Gregory P. Cicotte; Julia A. Goatley; and Herbert G. May, III resigned as officers of the Company.

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 three states, namely Delaware, Michigan, and New York. In 2018, 88.6% of life premiums and 97.2% of annuity considerations were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2018, the Company had $500,000 (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

The Company primarily writes individual variable deferred annuities and a modest amount of individual fixed deferred annuities. In 2018, 99.9% of the Company's new premiums were derived from the sale of individual annuities.

The Company distributes its products in New York through independent agents and brokers, broker-dealers, and financial institutions. The Company has an agreement with Jackson National Life Distributors, LLC ("JNLD") by which it distributes its insurance and variable annuity products through four distribution channels: Institutional Marketing Group ("IMG"), JNLD Registered, Regional Broker Dealer ("RBD"), and JNLD Guaranteed.

JNLD is a registered broker-dealer with the Securities and Exchange Commission and is a member of FINRA. JNLD does not sell any retail securities or insurance products. JNLD activities are limited to wholesaling activities, including product and marketing support for the four distribution channels.

IMG markets annuity products to financial institutions. The Company enters into selling agreements with financial institutions and broker-dealers but has no direct contractual relationship with the producers associated with these entities. JNLD Registered markets annuity products to registered representatives affiliated with independent broker-dealers. RBD markets annuity products to registered representatives affiliated with regional broker- dealers. JNLD

Guaranteed markets annuity and insurance products to independent producers. The Company enters into producer agreements with independent insurance producers to distribute its fixed annuities and insurance products.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with ten companies, of which eight were authorized or accredited. The Company's life business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative bases.

The maximum retention limit for individual life contracts is $2,000,000. The total face amount of life insurance ceded as of December 31, 2018, was $155,243,499, which represents 76% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $1,236,709,152, was supported by a trust agreement.

The Company did not have any assumed insurance business as of December 31, 2018.

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, 2014	December 31, 2018	Increase
Admitted assets	$9,608,499,059	$12,307,461,928	$2,698,692,869
Liabilities	$9,198,726,912	$11,724,235,035	$2,525,508,123
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	484,961,576	484,961,576	0
Unassigned funds (surplus)	(77,189,429)	96,265,317	173,454,746
Total capital and surplus	$ 409,772,147	$ 583,226,893	$ 173,454,746
Total liabilities, capital and surplus	$9,608,499,059	$12,307,461,928	$2,698,962,869

The majority of the Company's admitted assets (89.9%), as of December 31, 2018, was derived from separate accounts.

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, mainly comprised bonds (90.5%) and cash and short-term investments (9.4%). The majority of the Company's bond portfolio (96.9%), as of December 31, 2018, comprised 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	
Year	Issued	In Force	Issued	In Force
2015	$100	$52,588	$0	$194,555
2016	$ 0	$39,187	$0	$184,310
2017	$ 25	$37,862	$0	$175,664
2018	$ 0	$35,798	$0	$168,484

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

	Ordinary Annuities			
	2015	2016	2017	2018
Outstanding, end of previous year	71,212	78,977	83,787	87,285
Issued during the year	10,757	8,147	7,515	7,093
Other net changes during the year	(2,992)	(3,337)	(4,017)	(4,712)
Outstanding, end of current year	78,977	83,787	87,285	89,666

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:

	2015	2016	2017	2018
Ordinary:				
Life insurance	$ 45,861	$ 14,643	$ (107,444)	$(1,321,620)
Individual annuities	24,163,606	18,891,096	62,870,625	25,816,144
Total ordinary	$24,209,467	$18,905,739	$62,763,181	$24,494,524
Total group annuities	$ 7,924,146	$ 2,604,675	$ 6,122,864	$ 7,030,296
Total	$32,133,613	$21,510,414	$68,886,045	$31,524,820

The decrease in net gains in ordinary individual and group annuities in 2016 was primarily the result of the amended variable annuity reinsurance agreement with JNL and the lower variable annuity sales. The increase in net gains in ordinary individual annuities in 2017 was primarily due to a decrease in annuity and disability benefit payments, and a decrease in annuity surrenders and withdrawals as a result of the amended variable annuity reinsurance agreement with JNL. The decrease in 2018 was primarily due to an increase in variable annuity surrenders and systematic withdrawals as the business matured, and to a $15 million decrease in the asset adequacy reserve in 2017.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2018, as contained in the Company's 2018 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, 2018, filed annual statement.

A. Independent Accountants

The firm of KPMG was retained by the Company to audit the Company's combined statutory-basis statements of financial position as of December 31 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.

KPMG 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	$ 1,145,275,886
Stocks:	
Common stocks	92,575
Cash, cash equivalents and short-term investments	118,546,630
Contract loans	300,875
Receivable for securities	143,145
Securities lending reinvested collateral assets	1,036,443
Investment income due and accrued	9,376,191
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(299,853,700)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,328
Reinsurance:	
Amounts recoverable from reinsurers	27,558,057
Other amounts receivable under reinsurance contracts	218,934,895
Current federal and foreign income tax recoverable and interest thereon	959,176
Net deferred tax asset	10,474,880
Insurance department assessment on deposit	1,175,000
Other assets	534,375
From separate accounts, segregated accounts and protected cell accounts	$11,072,895,172
Total admitted assets	$12,307,461,928

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 636,985,921
Liability for deposit-type contracts	7,886,426
Contract claims:	
Life	15,182,140
Premiums and annuity considerations for life and accident and health contracts received in advance	2,762
Commissions to agents due or accrued	4,255,764
General expenses due or accrued	2,511,123
Transfers to separate accounts due or accrued	(28,931,439)
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,248,071
Amounts withheld or retained by company as agent or trustee	912,213
Miscellaneous liabilities:	
Asset valuation reserve	7,958,976
Payable to parent, subsidiaries and affiliates	594,077
Payable for Securities Lending	1,036,443
Escheat escrow liability - outstanding checks	50,257
Interest payable on contract claims	647,129
From Separate Accounts statement	11,072,895,172
Total liabilities	$11,724,235,035
Common capital stock	2,000,000
Gross paid in and contributed surplus	484,961,576
Unassigned funds (surplus)	96,265,317
Surplus	$ 581,226,893
Total capital and surplus	$ 583,226,893
Total liabilities, capital and surplus	$12,307,461,928

D. Condensed Summary of Operations

	2015	2016	2017	2018
Premiums and considerations	$1,658,143,978	$ 132,336,046	$142,593,071	$140,440,832
Investment income	79,698,173	81,079,723	48,614,801	44,130,080
Commissions and reserve adjustments on reinsurance ceded	41,274	34,976	129,015,169	143,895,573
Miscellaneous income	209,203,094	228,736,956	51,028,468	29,306,376
Total income	$1,947,086,519	$ 442,187,701	$371,251,509	$357,772,861
Benefit payments	$ 664,914,819	$ 713,867,693	$140,573,408	$170,317,648
Increase in reserves	127,553,620	(975,776,896)	(51,675,958)	(32,782,921)
Commissions	133,411,429	117,238,169	123,179,929	126,798,582
General expenses and taxes	20,569,417	23,927,125	24,866,339	35,946,899
Increase in loading on deferred and uncollected premiums	(25,436)	(29,946)	(6,280)	124
Net transfers to (from) Separate Accounts	970,131,278	547,024,755	55,723,770	32,078,162
Miscellaneous deductions	0	3,517,792	20,106,266	(6,753,762)
Total deductions	$1,916,555,127	$ 429,768,692	$312,767,474	$325,604,732
Net gain (loss)	$ 30,531,392	$ 12,419,009	$ 58,484,035	$ 32,168,129
Federal and foreign income taxes incurred	(1,602,221)	(9,091,405)	(10,402,010)	643,309
Net gain (loss) from operations before net realized capital gains	$ 32,133,613	$ 21,510,414	$ 68,886,045	$ 31,524,820
Net realized capital gains (losses)	(1,393,885)	2,068,928	899,937	(22,069)
Net income	$ 30,739,728	$ 23,579,342	$ 69,785,982	$ 31,502,751

Effective December 31, 2016, the Company amended its variable annuity reinsurance agreement with its parent, JNL, leading to significant changes in multiple line items from 2016 to 2017. Prior to the amendment, the Company ceded 90% of the guaranteed minimum withdrawal benefits liability associated with its issued variable annuity contracts to JNL. The amendment transferred 90% of the Company's total variable annuity contract risk associated with its issued variable annuity contracts to JNL, allowing for better alignment with risk mitigation strategies employed at JNL and resulting in an after-tax benefit to the Company of $3.5 million in 2016, which was contributed to surplus. A net payment of $905.9 million was also reported as a payable to JNL at December 31, 2016 and was settled through a transfer of cash and securities in February 2017. The transaction resulted in the transfer of the $25.3 million interest maintenance reserve ("IMR") related to the securities, which was reported direct to surplus as IMR transferred on reinsurance settlement.

In 2016, income from operations before income taxes decreased because an additional $30 million of asset adequacy reserve was being availed to meet the requirement of the Department with respect to cash flow testing and higher general expenses. In 2016, fee income increased by $19.5 million because higher fees were earned on higher average separate account balances, resulting from positive variable annuity flows and favorable separate account performance. In 2016, the aggregate reserves for life insurance and annuities decreased primarily due to the amended variable annuity reinsurance agreement with JNL. Death and annuity benefits, disability benefits, and surrenders and withdrawals increased in 2016 because of an increase in variable annuity surrenders. The decrease in total commissions in 2016 resulted from a decrease in premiums and annuity considerations, and the increase of general expenses was primarily due to an increase in the intercompany policy administration fee paid to JNL. The lower effective tax rate in 2016 was primarily attributed to income tax benefits driven by the separate accounts' dividends received deduction of $14.2 million, and a provision to actual benefit of $6.8 million, partially offset by the non-taxable $30 million of additional asset adequacy reserve.

In 2017, income from operations before income taxes increased because of a $15 million decrease in the asset adequacy reserve. The decrease in revenues in 2017 resulted from the amended variable annuity reinsurance agreement with JNL. In addition, the decrease in investment income resulted from the transfer of assets for the variable annuity reinsurance agreement settlement with JNL. Death and annuity benefits, disability benefits, and surrenders and withdrawals decreased to $140.6 million in 2017, compared with $713.9 million in 2016, because of the amended variable annuity reinsurance agreement with JNL. Also associated with the amended variable annuity reinsurance agreement was a decrease in miscellaneous income to $51 million in 2017, which consisted of $26.3 million in fees related to variable annuity contracts and $24.7 million in other income. The counterbalance to this reduced income was the increase in commissions and reserve adjustments on reinsurance ceded of $129 million. The variable annuity reinsurance agreement also affected the IMR account, which in turn affected the miscellaneous deductions of the company in 2017. The Company posted an IMR transfer of $24.7 million due to the reinsurance settlement in 2017, partially offset by a reduction in reinsurance on in force business, that resulted in a miscellaneous deduction of $20.1 million being recorded. In 2017, 82.9% of variable annuity sales were allocated to the separate accounts. Net variable annuity transfers to the separate accounts decreased to $55.7 million because of the amended variable annuity reinsurance agreement with JNL, which included $278.4 million of the Commissioners' Annuity Reserve Valuation Method allowance ceded in 2016, partially offset by a higher percentage of new premiums being allocated to the separate accounts. The increase in total commissions were primarily due to higher policy administration service fees paid to JNL on the growing in force block. The lower effective tax rate in 2017 was primarily attributed to income tax benefits driven by the non-taxable $15 million reduction in the asset adequacy reserve, the separate accounts’ dividends received deduction of $20 million, and a provision to actual benefit of $2.3 million. The net realized capital gain resulted from the sales of stocks, bonds, and other securities, partially offset by funds transferred to the IMR, resulting in a positive net gain in 2017 of $900 thousand.

In 2018, income from operations before income taxes decreased because of a $15 million decrease in the asset adequacy reserve in 2017 and a $11.6 million increase in general expenses. General expenses increased in 2018 because of the higher policy administration service fees paid to JNL related to the growing variable annuity in force block of business. The decrease in revenues was primarily due to the $24.7 million income from the IMR transferred on a reinsurance settlement in 2017, offset by a $14.9 million increase in commissions and expense allowances on reinsurance ceded. The Company also reported a $29.2 million in miscellaneous income derived from fees related to variable annuity contracts, which was slightly higher from prior year. The counterbalance to this reduced income was the increase in commissions and reserve adjustments on reinsurance ceded, reported at $144 million. The change in miscellaneous deduction in 2017 was attributed to the IMR settlement, which existed in 2017 and is no longer applicable, and the balance reported was related to reinsurance on in force business of negative $6.7 million. In 2018, death and annuity benefits, disability benefits, and surrenders and withdrawals increased because of an increase in variable annuity surrenders and systematic withdrawals as the business matured. Aggregate reserves for life insurance and annuities decreased $32.8 million in 2018. 87.4% of variable annuity sales were allocated to the separate accounts in 2018, compared with 82.9% in 2017. Net variable annuity transfers to the separate accounts decreased to $32.1 million in 2018 because surrenders and policyholder transfers from variable accounts to the general account fixed fund increased as a result of the stock market decline in the fourth quarter of 2018. The increase in commissions in 2018 resulted primarily from an increase in asset-based commissions, which are based on policy accumulated values rather than premiums. The lower effective tax rate in 2018 was primarily attributed to the separate accounts' dividends received deduction of $7.5 million. The net realized capital loss resulted from the sales of stocks, bonds, and other securities, offset by funds needed for the transfer to the IMR, resulting in a net loss in 2018 of $22 thousand.

E. Capital and Surplus Account

	2015	2016	2017	2018
Capital and surplus, December 31, prior year	$409,772,147	$443,511,797	$475,653,518	$557,059,478
Net income	$ 30,739,728	$ 23,579,342	$ 69,785,982	$ 31,502,751
Change in net unrealized capital gains (losses)	33,999	(114,014)	(11,028)	(277,726)
Change in net deferred income tax	5,009,984	7,219,196	(19,814,035)	2,727,043
Change in non-admitted assets and related items	(1,683,785)	(987,285)	6,171,808	(1,162,055)
Change in reserve valuation basis	0	0	0	(6,473)
Change in asset valuation reserve	(360,276)	(1,062,960)	5,166,968	137,637
Surplus adjustments:				
Change in surplus as a result of reinsurance	0	3,517,792	20,106,266	(6,753,763)
Aggregate write ins for gains and losses in surplus	0	(10,350)	0	0
Net change in capital and surplus for the year	$ 33,739,650	$ 32,141,721	$ 81,405,961	$ 26,167,414
Capital and surplus, December 31, current year	$443,511,797	$475,653,518	$557,059,478	$583,226,893

F. Reserves

As of December 31, 2018, 90.0% of the Company's admitted assets were derived from separate accounts. This separate account activity is mainly generated from the variable annuity guarantee block of business, which has been increasing each year, and is exposing the Company to additional risks. In light of the amount of this business in relation to the total business and the size of the Company, the examiner recommends that the Company consider limiting its exposure to variable annuity guarantees. A similar comment was included in the prior report on examination.

7. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus—COVID-19—was reported in Wuhan, China. The virus has subsequently spread to other parts of the world, including the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, President Donald J. Trump declared the pandemic a national emergency. The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner.

The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.

The Department, along with all insurance regulators and the NAIC, is closely monitoring the evolving situation and the insurance industry through a coordinated effort to assess the effect of the pandemic on various types of insurance, individual insurers, and the insurance industry as a whole.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, comment, 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 Company violated Section 1210 of the New York Insurance Law by reducing the number of board of directors prior to receiving approval of the revision of the by-laws from the Superintendent. The Company is compliant with Section 1210 of the New York Insurance Law as of December 31, 2018.
B	The Company's Certificate of Reserve Valuation is being held and is not expected to be issued until the Department's concerns are resolved regarding the methodology used to determine the gross reserves, the reinsurance reserve credit and associated reinsurance collateral for the variable annuity guaranteed withdrawal benefits reinsured. The Department's concerns regarding the Company's methodology used to determine the gross reserves, the reinsurance reserve credit and associated reinsurance collateral for the variable annuity guaranteed withdrawal benefits reinsured with the Jackson National Life Insurance Company, and the Company's assumption used for certain variable annuity policies with guaranteed living benefits have been resolved.
C	81.5% of the Company's admitted assets as of December 31, 2014 were derived from separate accounts. This separate account activity was mainly generated from the variable annuity guarantee block of business, which increased each year, and exposed the Company to additional risks. In light of the amount of this business in relation to the total business and the size of the Company, the examiner recommended that the Company consider limiting its exposure to these risks. The Company amended its variable annuity reinsurance agreement with its parent, Jackson National Life Insurance Company, effective December 31, 2016. However, the Company continues to expose itself to additional variable annuity guarantees. (See item 6F of this report.)
D	The Company violated Section 4228(f)(A) of the New York Insurance Law by not including commission payments made through the marketing agreements with the broker-dealers for services connected with the marketing of the Company's life and annuity products in its Section 4228 filings.

Item	Description
	The Company amended its Section 4228 filing for 2015 to include payments made through marketing agreements with broker-dealers. This change was incorporated into Section 4228 filings made by the Company for all years under examination.

9. SUMMARY AND CONCLUSIONS

Following are the recommendation and comment contained in this report:

Item	Description	Page No(s).
A	As of December 31, 2018, 90.0% of the Company's admitted assets were derived from separate accounts. This separate account activity is mainly generated from the variable annuity guarantee block of business, which has been increasing each year, and is exposing the Company to additional risks. In light of the amount of this business in relation to the total business and the size of the Company, the examiner recommends that the Company consider limiting its exposure to variable annuity guarantees. A similar comment was included in the prior report on examination.	23
B	The COVID-19 pandemic has disrupted the United States' economy and caused extreme volatility in the financial markets globally in an unprecedented manner. The extent to which COVID-19 may affect the Company's financial condition or results of operations will depend on future developments, including the duration, spread, and intensity of the pandemic. The extent of these future developments is uncertain and not readily determinable as of the date of this report, considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall effect of COVID-19 on the Company's business.	24

Respectfully submitted,

Philip Schmoyer, CFE
Baker Tilly Virchow Krause, LLP

STATE OF New Jersey ~~NEW YORK~~)
)SS:
COUNTY OF Monmouth ~~NEW YORK~~)

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

Philip Schmoyer

Subscribed and sworn to before me

this 18th day of June, 2020

ROSANNA PANAGAKOS
NOTARY PUBLIC OF NEW JERSEY
COMMISSION # 2438910
EXPIRATION DATE 9/26/2023

Respectfully submitted,

/s/
Christine Mavour
Associate Insurance Examiner

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

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

/s/
Christine Mavour

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 31948

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, Acting 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:*

PHILIP SCHMOYER
(BAKER TILLY VIRCHOW KRAUSE, LLP)

as a proper person to examine the affairs of the

JACKSON NATIONAL 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 17th day of April, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU