NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

ALLIANZ LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2018

DATE OF REPORT: JUNE 29, 2020

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EXAMINER: DARLENE LENHART-SCHAEFFER, CFE

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Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

June 29, 2020

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

Madam:

In accordance with instructions contained in Appointment No. 31955, dated June 3, 2019, and annexed hereto, an examination has been made into the condition and affairs of Allianz Life Insurance Company of New York, hereinafter referred to as "the Company," at the home office of the Company's parent, Allianz Life Insurance Company of North America ("AZLNA"), located at 5701 Golden Hills Drive, Minneapolis, MN 55164. The Company's statutory home office is located at 28 Liberty Street, 38th Floor, New York, NY 10005.

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. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2014, 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 coordinated and conducted with the examination of the Company's parent, Allianz Life Insurance Company of North America ("AZLNA"). The examination was led by the State of Minnesota, with participation from the states of Missouri 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 2014 through 2017, by the accounting firm of KPMG, LLP. For 2018, the Company was audited by PricewaterhouseCoopers, LLP ("PwC"). The Company received an unqualified opinion for all years. Certain audit workpapers of the accounting firms were reviewed and relied upon in conjunction with this examination. The Company uses the internal audit department of parent company, AZLNA, which was given the task of assessing the internal control structure and compliance with the Model Audit Rule ("MAR"). Since Company follows the same control processes as its parent company, when applicable, shared internal audit and MAR workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations, or comments.

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.

2. 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 September 21, 1982, under the name Preferred Life Insurance Company of New York, was licensed on April 11, 1984, and commenced business on September 1, 1984. Effective January 1, 2003, the Company adopted its present name.

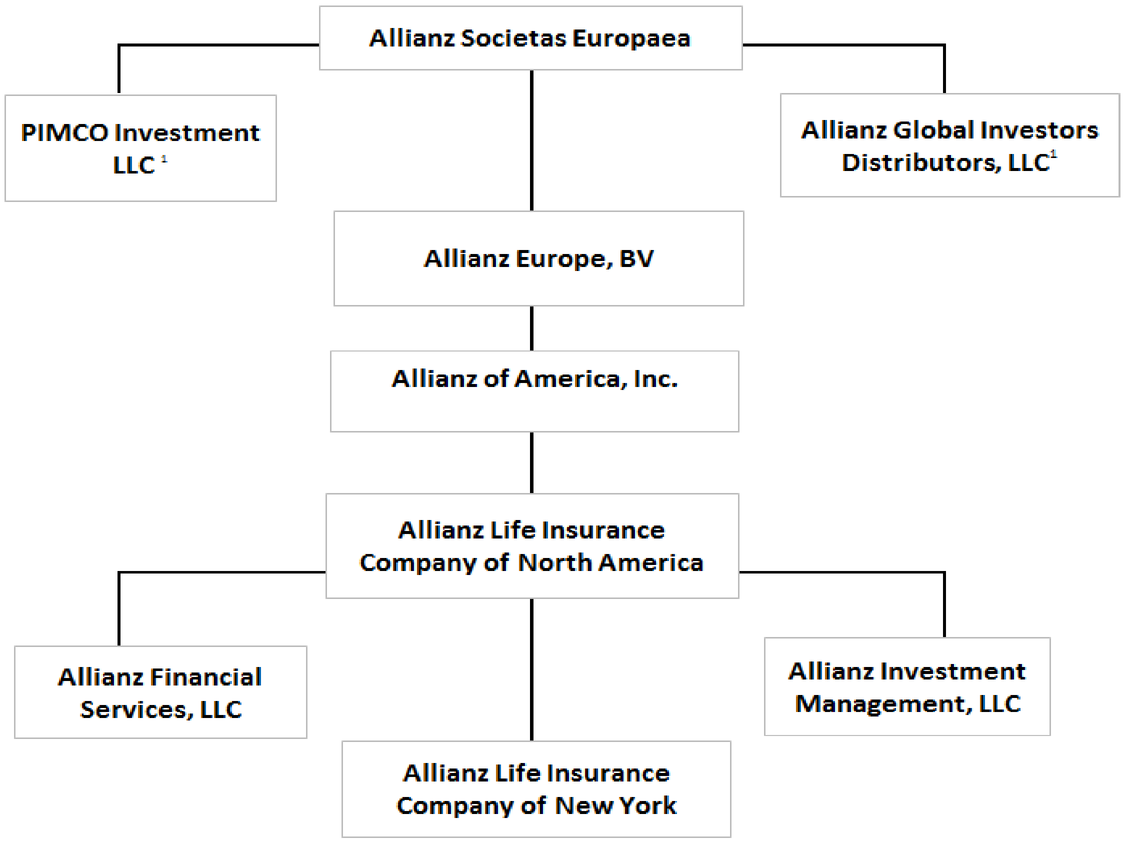
Initial resources of $6,000,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $4,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of $10 each) for $30 per share. All shares are owned by AZLNA.

B. Holding Company

The Company is a wholly-owned subsidiary of AZLNA, a Minnesota insurance company. AZLNA is, in turn, a wholly-owned subsidiary of Allianz of America, Inc., a Delaware corporation, which is wholly-owned by Allianz Europe B.V., a private limited liability company registered in the Netherlands. Allianz Europe B.V. is wholly owned by Allianz Societas Europaea, a German multinational financial services company and the ultimate controlling party of the Company.

C. Organizational Chart

An abbreviated 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 14 agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient(s) of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Amended and Restated Broker-Dealer Agreement** File No. 42314A	02/15/2013	Allianz Life Financial Services, LLC ("ALFS")	The Company	ALFS acts as sole distributor for the Company's variable contracts	2014 $2,405,995 2015 $ 133,446 2016 $ (83,777) 2017 $ 120,073 2018 $ (73,284)
Amendment to Service Agreement File No. 43425	08/20/2010	AZLNA	The Company	AZLNA provides the Company with administrative services	2014 $ (8,831,396) 2015 $ (9,736,314) 2016 $(10,619,126) 2017 $(10,415,413) 2018 $ (9,786,073)
Service Agreement for Sub-Contracted Services File No. 41484	07/01/2010	AZLNA	The Company	Tata Consultancy Services Limited ("TCS") provides the Company with information technology related services	TCS related costs included in the amounts provided for File No. 43425
Assignment and Amendment of Services Agreement File No. 42330B	04/01/2012	The Company	PIMCO Investments, LLC ("PIMCO"); PIMCO Variable Insurance Trust ("PIMCO VIT")	The Company providing services to investors of the PIMCO VIT and assigns the duties and obligations of PIMCO VIT to its affiliate PIMCO	2014 $663,256 2015 $624,533 2016 $607,411 2017 $558,792 2018 $561,567
Amendment to Investor Services Agreement File No. 46285 Amendment File No. 54157A	09/17/2012 08/01/2017	The Company	PIMCO	The Company provides services to owners of certain variable contracts that uses shares of certain portfolios of PIMCO VIT and receives an annual fee noted in Sch. A Deletes Sch. A entirely and PIMCO to pay the Company a fee at an annual rate equal to .15% of the average daily value of the shares held in separate accounts	2014 $1,108,063 2015 $1,048,054 2016 $1,015,438 2017 $ 705,173 2018 $ 328,098

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient(s) of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Services Agreement for Institutional Class Shares of PIMCO Equity Series VIT Department File No. 42887 Amendment*** File No. 42887B	07/01/2010 08/01/2017	The Company	PIMCO and PIMCO Equity Series VIT	The Company provides services to owners of certain variable annuity contracts invested in PIMCO Equity Series VIT funds Deletes Sch. A and reduces the fees paid by PIMCO from .25% to .15% of the average daily value of the shares held in separate accounts	2014 $10,429 2015 $ 9,596 2016 $ 7,809 2017 $ 6,996 2018 $ 5,010
Services Agreement for Advisor Class Shares of PIMCO Equity Series VIT File No. 42887A Amendment*** File No. 42887B	07/01/2010 08/01/2017	The Company	PIMCO and PIMCO Equity Series VIT	The Company provides services to owners of certain variable annuity contracts invested in PIMCO Equity Series VIT funds Deletes Sch A. and reduces the fee paid by PIMCO from .25% to .15% of the average daily value of the shares held in separate accounts	2014 $37,034 2015 $30,862 2016 $23,486 2017 $22,555 2018 $19,960
Administrative Services Agreement File No. 46390 Updated Schedule A File No. 46330A	09/01/2012 11/01/2015	The Company	Allianz Global Investors Fund Management LLC (“AGIFM”)	The Company provides certain administrative services to its variable contract owners investing in the Premier Multi-series VIT Adds RCM Dynamic Multi-Asset PLUS VIT Portfolio to the line-up between the Company and AGFIM	2014 $19,361 2015 $20,225 2016 $17,504 2017 $ 4,244 2018 $10,475

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient(s) of Services	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Marketing Support Agreement File No. 51324	11/01/2015	The Company	AGID	The Company provides certain marketing support services	2014 $ 0 2015 $ 29 2016 $ 849 2017 $1,386 2018 $4,101
Investment Management Agreement File No. 43913	03/28/2011	PIMCO	The Company	PIMCO provided investment services to the Company	2014 $(170,295) 2015 $(175,359) Superseded by File No. 51493
Investment Management Agreement File No. 45879	06/01/2012	Allianz Investment Management, LLC (“AIM”)	The Company	AIM provided investment management services	2014 $(92,087) 2015 $(98,805) Superseded by File No.51493
Amended and Restated Investment Management File No. 51493 Amendment File No. 51493A	01/01/2016 01/01/2017	AIM	The Company	AIM provides investment management services Updated the fees on Exhibit D	2016 $(490,953) 2017 $(559,102) 2018 $(668,491)
Marketing Support Agreement File No. 54952 Amendment File No. 54952A	08/01/2017 08/01/2017	The Company	PIMCO	The Company provides certain marketing support services Update to the fees on Appendix A	2017 $261,449 2018 $590,176
PIMCO Services Agreement File No. 52429 Amendment File No. 52429A	05/01/2016 08/01/2017	The Company	PIMCO	The Company provides services to owners of variable annuity contracts invested in PIMCO VIT Update to Section 2 Compensation	2014 $ 0 2015 $ 0 2016 $27,618 2017 $34,332 2018 $22,765

*Amount of Income or (Expense) Incurred by the Company
**ALFS remits 12b-1 fees collected on behalf of the Company, which then reimburses ALFS for distribution expenses paid by ALFS to the extent that the 12b-1 fees are not enough to cover the expenses.
***The amendments to both agreements were filed and approved by the Department concurrently under File No. 42887B

The Company participates in a federal income tax allocation agreement with Allianz of America, Inc. and affiliates.

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 ten directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2018, the board of directors consisted of ten members. Meetings of the board are held at least annually immediately following the annual meeting of the stockholders.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Thomas P. Burns Excelsior, Minnesota	President Allianz Life Insurance Company of New York	2007
Ronald M. Clark Oro Valley, Arizona	Former Chief Investment Officer Allianz of America, Inc.	2013
William E. Gaumond North Oaks, Minnesota	Chief Financial Officer and Treasurer Allianz Life Insurance Company of New York	2016
Lorraine Lods-Gonzalez Rockville Centre, New York	Regional Vice President of Retirement Consultant Allianz Life Financial Services, LLC	2018
Martha Clark Goss* Newtown, Pennsylvania	President Woodhill Enterprises, Inc. and Chase Hollow Associates LLC	2005
Stephen R. Herbert* Pound Ridge, New York	Partner Locke & Herbert LLP	1997
Gary A. Smith* Bethesda, Maryland	Senior Partner Ivy Planning Group LLC	2005
Steven J. Thiel Chanhassen, Maryland	Vice President, Appointed Actuary Allianz Life Insurance Company of New York	2012
Kevin E. Walker* Marana, Arizona	Former President and Chief Executive Officer San Francisco Reinsurance Company	2018
Walter R. White Stillwater, Minnesota	Chairman and Chief Executive Officer Allianz Life Insurance Company of New York	2012

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

Thomas P. Burns retired from the board on March 31, 2019 and was replaced by Eric J. Thomes as the president 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, 2018:

Name	Title
Thomas P. Burns	President
Walter R. White	Chairman and Chief Executive Officer
William E. Gaumond	Chief Financial Officer and Treasurer
Gretchen Cepek	Chief Legal Officer and Secretary
Catherine A. Mahone	Chief Administrative Officer
Neil H. McKay	Chief Actuary
Brent M. Hipsher	Vice President, Controller
Todd M. Hedtke	Chief Investment Officer
Steven J. Thiel	Vice President, Appointed Actuary
Stephen W. Koslow*	Vice President, Chief Ethics and Compliance Officer and Consumer Affairs Officer

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

Thomas P. Burns retired from the board on March 31, 2019 and was replaced by Eric J. Thomes as the president of the Company.

3. 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 six states, namely Connecticut, Illinois, Minnesota, Missouri, New York, and North Dakota, and the District of Columbia. In 2018, 79.4% of life premiums, 83.9% of health premiums, and 96.3% 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 $1,645,000 (par value) of United States Treasury Notes 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 principal line of business sold during the examination period was individual annuity. In 2018, annuity considerations accounted for 98.9% of total direct premiums received by the Company. The Company has been only selling variable annuity products since late 2011

The Company distributes its variable products through broker dealers. Each broker dealer receives commissions directly from the Company.

C. Reinsurance

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

The maximum retention limit for individual life contracts is $50,000. The total face amount of life insurance ceded as of December 31, 2018, was $48,195,315, which represents 91.4% of the total face amount of life insurance in force.

4. 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, 2013	December 31, 2018	Increase
Admitted assets	$2,667,983,339	$3,340,456,128	$672,472,789
Liabilities	$2,570,154,918	$3,116,709,727	$546,554,809
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	72,500,000	72,500,000	0
Unassigned funds (surplus)	23,328,421	149,246,401	125,917,980
Total capital and surplus	$ 97,828,421	$ 223,746,401	$125,917,980
Total liabilities, capital and surplus	$2,667,983,339	$3,340,456,128	$672,472,789

The majority of the Company's admitted assets (80.2%), as of December 31, 2018, were derived from separate accounts.

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, mainly comprised bonds (92.5%) and cash and short-term investments (7.3%).

The majority of the Company's bond portfolio (99.2%), as of December 31, 2018, comprised investment grade obligations.

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

	Ordinary Annuities				
	2014	2015	2016	2017	2018
Outstanding, end of previous year	22,004	23,093	23,900	24,655	25,183
Issued during the year	2,168	1,948	1,947	1,979	2,310
Other net changes during the year	(1,079)	(1,141)	(1,192)	(1,451)	(744)
Outstanding, end of current year	23,093	23,900	24,655	25,183	26,749

The decrease in the annuities issued from 2014 to 2015 was driven by fluctuations in sales stemming from the consistency in the products offered with limited product changes year-over-year. The Company began offering indexed variable annuities in December 2015. The product began to gain traction in 2017, resulting in a gradual increase in sales in 2017 and 2018.

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:

	2014	2015	2016	2017	2018
Ordinary:					
Life insurance	$ 93,380	$ (243,861)	$ 184,407	$ (169,437)	$ 56,631
Individual annuities	35,523,762	37,071,043	50,607,083	32,916,932	37,990,872
Supplementary contracts	32,757	(66,960)	217,801	(68,429)	(1,041,535)
Total ordinary	$35,649,899	$36,760,222	$51,009,291	$32,679,066	$37,005,968
Total group life	$ 136,556	$ 146,970	$ 155,074	$ 73,075	$ 112,048
Accident and health:					
Group	$ (117,874)	$ (52,767)	$ (45,112)	$ (85,001)	$ 34,945
Other	(5,955,687)	2,888,613	1,226,653	(2,849,300)	(3,324,842)
Total accident and health	$ (6,073,561)	$ 2,835,846	$ 1,181,541	$ (2,934,301)	$(3,289,897)
All other lines	$ 6,578,259	$ 6,273,456	$ 5,977,650	$ 4,616,778	$ 6,811,519
Total	$36,291,153	$46,016,494	$58,323,556	$34,434,618	$40,639,638

The Company's ordinary life line of business is a small closed block with decreasing premiums and year-over-year fluctuation in benefit payments and reserves. The fluctuations in net gains (losses) from operations during the examination period were primarily driven by such factors.

The significant increase in net gains from operations in the individual annuity business in 2016 was primarily driven by a $9.3 million decrease in federal income tax expense due to hedging results that resulted from the change in the effective tax rate. Commissions in 2016 were also $1.9 million lower than those of other years because of a decrease in premiums. The decrease in 2017 was primarily driven by a $64.8 million increase in surrenders that resulted from the variable annuity contracts that reached the end of their surrender period. The increase in surrenders was partially offset by an increase in annuity considerations between 2016 and 2017 and a small reserve release in 2017.

The Company experienced a continual increase in considerations for supplementary contracts with life contingencies and a corresponding increase in reserves and general insurance expenses from 2014 to 2017. The fluctuations in the supplementary contracts line of business were due to a mix of considerations received, benefits paid, and net reserve changes. In 2018, there was a significant decrease in considerations received combined with higher life-contingent payments to policyholders that resulted from the increases in considerations received up to 2017.

The Company's group life line of business is in run-off. The decrease in net gains in 2017 was due to higher general insurance expenses. Additionally, the method of expense allocation was changed in 2017, which resulted in higher expenses being allocated to group life in 2017 and 2018.

The Company's group accident and health line of business is in run-off. The decrease in net loss in 2015, compared with 2014, was primarily driven by a $65,000 decrease in general insurance expenses in 2015, offset by a $16,000 increase in reserves in 2015 versus a decrease of $12,000 in 2014. The increase in net loss in 2017 was primarily driven by a $49,000 increase in general insurance expenses, partially offset by a $23,000 decrease in reserve. The increase in net gain in 2018 was mainly due to a $45,000 decrease in general insurance expenses and a $82,000 decrease in insurance taxes, licenses and fees during the year.

The other accident and health line of business primarily relates to individual long-term care business, which the Company no longer writes. The year-over-year fluctuations in net gains (losses) were due to changes in reserves, depending on the claims experience. In 2015, there was a $419,000 decrease in reserves, compared with a $9,685,000 increase in 2014. In 2016, reserves increased by $2,115,000 resulting in a decrease in net gains. Increases in reserves of $5,979,000 and $6,275,000 in 2017 and 2018, respectively, also resulted in decreases in net gains during those years.

5. 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 PwC was retained by the Company to audit the Company's combined statutory-basis statements of financial position, as of December 31, 2018, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended. The firm of KPMG, LLC was retained by the Company to audit the Company's combined statutory-basis statements of financial position, as of December 31 of 2014 through 2017, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years then ended.

PwC and 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	$ 603,761,570
Cash, cash equivalents and short-term investments	47,638,778
Contract loans	359,887
Derivatives	189,515
Receivable for securities	984,610
Investment income due and accrued	5,268,700
Uncollected premiums and agents' balances in the course of collection	22,483
Reinsurance:	
Amounts recoverable from reinsurers	15,309
Other amounts receivable under reinsurance contracts	5,486
Net deferred tax asset	3,080,598
Guaranty funds receivable or on deposit	443,610
Receivables from parent, subsidiaries and affiliates	42,910
Other assets nonadmitted	678,716
From separate accounts, segregated accounts and protected cell accounts	$2,677,963,956
Total admitted assets	$3,340,456,128

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 435,987,167
Aggregate reserve for accident and health contracts	45,071,867
Liability for deposit-type contracts	2,879,128
Contract claims:	
Life	26,897
Accident and health	171,256
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	26,182
Commissions to agents due or accrued	25,603
General expenses due or accrued	381,917
Transfers to separate accounts due or accrued	(59,984,869)
Taxes, licenses and fees due or accrued, excluding federal income taxes	141,589
Current federal and foreign income taxes	588,181
Unearned investment income	5,976
Amounts withheld or retained by company as agent or trustee	475,894
Remittances and items not allocated	1,616,733
Miscellaneous liabilities:	
Asset valuation reserve	4,432,087
Reinsurance in unauthorized companies	142,563
Payable to parent, subsidiaries and affiliates	4,692,426
Derivatives	174,436
Payable for Securities	1,890,728
Other accounts payable	10
From Separate Accounts statement	2,677,963,956
Total liabilities	$3,116,709,727
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	72,500,000
Unassigned funds (surplus)	149,246,401
Surplus	$ 221,746,401
Total capital and surplus	$ 223,746,401
Total liabilities, capital and surplus	$3,340,456,128

D. Condensed Summary of Operations

	2014	2015	2016	2017	2018
Premiums and considerations	$325,927,247	$281,768,753	$250,085,951	$275,425,676	$306,831,414
Investment income	40,422,558	42,236,883	42,598,058	34,421,323	23,273,211
Commissions and reserve adjustments on reinsurance ceded	237,141	225,004	224,830	211,158	201,293
Miscellaneous income	64,467,960	71,227,222	73,611,710	74,890,156	72,602,001
Total income	$431,054,906	$395,457,862	$366,520,549	$384,948,313	$402,907,919
Benefit payments	$156,912,139	$193,477,875	$173,472,795	$240,258,440	$247,751,715
Increase in reserves	(1,642,370)	(60,444,492)	(9,646,141)	4,496,537	(36,419,068)
Commissions	25,512,802	24,200,661	22,248,062	23,374,109	24,543,470
General expenses and taxes	14,495,610	17,855,143	17,867,008	18,349,270	18,963,127
Net transfers to (from) Separate Accounts	194,648,426	162,679,168	104,150,318	60,856,743	107,721,251
Miscellaneous deductions	5,754	118	1,437	(154,365)	234
Total deductions	$389,932,361	$337,768,473	$308,093,479	$347,180,734	$362,560,729
Net gain (loss)	$ 41,122,545	$ 57,689,389	$ 58,427,070	$ 37,767,579	$ 40,347,190
Federal and foreign income taxes incurred	4,831,392	11,672,895	103,514	3,332,961	(292,448)
Net gain (loss) from operations before net realized capital gains	$ 36,291,153	$ 46,016,494	$ 58,323,556	$ 34,434,618	$ 40,639,638
Net realized capital gains (losses)	(26,789,833)	(11,733,666)	(48,007,461)	(39,731,832)	7,217,174
Net income	$ 9,501,320	$ 34,282,828	$ 10,316,095	$ (5,297,214)	$ 47,856,812

Premiums and considerations are primarily driven by new variable annuity sales. Therefore, the decreases in premiums and considerations in 2015 and 2016 were driven by a decline in variable annuity sales due to management's shift to more capital efficient products. Between 2014 and 2015 and between 2015 and 2016, the Company's sales of its traditional variable annuity product decreased, partially offset by increased sales of its more capital efficient index variable annuity product, which it began issuing in the fourth quarter of 2014. In 2017, the Company embarked on a two-month sales campaign, which along with favorable market conditions, led to increased sales of the variable-indexed annuity product, and in turn increased premiums and considerations. Premiums and considerations continued to increase in 2018 due to the continued sales growth of the variable-indexed annuity product. The increase was partially offset by lower traditional variable annuity sales.

The decrease in investment income in 2017, compared with 2016, was due to a decrease in income from interest rate swaps and a decrease in interest income from bonds. The decrease in 2018 was also driven by the decreases in income from interest rate swaps and in interest income from bonds. The decreases resulted from a decrease in average invested assets backing policyholder liabilities due to the continued run-off of the Company's fixed annuities block of business.

The increase in miscellaneous income since 2015 resulted from an increase in income and fees from separate accounts. The increase was primarily due to higher benefit rider income and higher mortality and expense fees due to higher separate accounts assets.

The increase in benefit payments in 2015 was mainly due to an increase of $6 million in death benefits on variable annuities and an increase of $30.1 million in surrender benefits and withdrawals paid to contractholders of fixed annuities with large account values. The decrease in 2016 primarily resulted from a $22.2 million decrease in surrender benefits and withdrawals, partially offset by a $2.3 million increase in death benefits payments on deferred annuities. The significant increase in 2017 resulted from a $64.8 million (or 45%) increase in surrender benefits and withdrawals during the year.

The larger decrease in reserves in 2015 compared with the decrease in 2014 was primarily due to a reduction in fixed annuity reserves, which are in run-off, as well as the large fixed annuity surrender transaction. The decrease in 2016 was significantly less because of an increase in variable annuity reserves as a result of the growing variable-indexed annuity block of business, which also drove the increase in 2017. The 2018 decrease was driven primarily by the continued run-off of the fixed annuity business.

The increase in general expenses and taxes since 2015, compared with 2014, was mainly due to a $3.8 million increase in general insurance expenses resulting from a larger expense that is being allocated to the Company.

Net transfers to and from separate accounts are driven by new premiums and policyholders' withdrawals. The decreases in 2015 and 2016 were primarily due to the year-over-year decreases in annuity considerations. The 2017 decrease was due primarily to policyholders' withdrawals. The 2018 increase was driven by an increase in annuity considerations offset by an increase in policyholders' withdrawals.

The increase in federal and foreign income taxes in 2015, compared with 2014, was primarily due to higher income and fees from separate accounts, a decrease in net transfers to separate accounts, and decreases in aggregate reserves, partially offset by a decrease in premiums and an increase in surrender benefits and withdrawals. The decrease in 2016, compared with 2015, was primarily driven by a decrease in variable annuity premiums, partially offset by a smaller decrease in aggregate reserves and policyholder benefits. The increase from 2016 to 2017 was primarily due to deferred tax revaluations as a result of the enactment of the U.S. Tax Reform. The income tax benefit recognized in 2018 was driven by hedging losses realized in 2018.

E. Capital and Surplus Account

	2014	2015	2016	2017	2018
Capital and surplus, December 31, prior year	$ 97,828,421	$165,194,949	$198,758,529	$202,129,870	$173,058,320
Net income	$ 9,501,320	$ 34,282,828	$ 10,316,095	$ (5,297,214)	$ 47,856,812
Change in net unrealized capital gains (losses)	54,021,453	5,941,604	(5,275,376)	(21,208,782)	18,409,500
Change in net unrealized foreign exchange capital gain (loss)	0	0	0	14,009	(15,720)
Change in net deferred income tax	1,604,996	(1,662,747)	(335,835)	(2,569,122)	331,699
Change in non-admitted assets and related items	6,672,111	499,255	(121,309)	(2,489,322)	(18,198,173)
Change in liability for reinsurance in unauthorized companies	(19,055)	11,304	(154,359)	69,282	11,245
Change in asset valuation reserve	(639,035)	(695,220)	(794,069)	(522,778)	(898,521)
Surplus (contributed to), withdrawn from Separate Accounts during period	0	0	0	0	360,607
Other changes in surplus in Separate Accounts statement	0	0	0	0	(360,607)
Cumulative effect of changes in accounting principles	0	(4,290,370)	0	0	3,191,239
Prior period adjustment	(3,775,261)	(523,074)	(263,806)	2,932,377	0
Net change in capital and surplus for the year	$ 67,366,529	$ 33,563,580	$ 3,371,341	$ (29,071,550)	$ 50,688,081
Capital and surplus, December 31, current year	$165,194,949	$198,758,529	$202,129,870	$173,058,320	$223,746,401

The decrease in net unrealized capital gains in 2015, compared with 2014, was due to small increases in the market value of over-the-counter interest rate swaps that resulted from a relatively stable interest rate during 2015. The decrease in net unrealized gains in 2016 was due to decreases in the market value of over-the-counter interest rate swaps that resulted from an increase in interest rates during 2016. This was partially offset by a net tax benefit. The significant increase in unrealized losses in 2017, compared with 2016, was primarily due to negative hedging results, partially offset by a net tax benefit. The unrealized gains reported in 2018 were primarily due to positive hedging results in the Company's individual annuities segment that resulted from declining equity markets during the year.

Net deferred tax assets decreased from 2014 to 2015 due to unrealized hedging gains and increased from 2015 to 2016 due to unrealized hedging losses. The 2017 decrease was primarily due to the enactment of the U.S. tax reform that required the Company to revalue deferred income taxes using the new reduced tax rate of 21% (from 35%). The increase in 2018 was due to unrealized hedging losses.

The cumulative effect of changes in accounting principles that resulted in a decrease of $4.3 million to capital and surplus in 2015 was related to a change in accounting policy, net of tax, regarding the reserve calculation for variable annuities on the standard scenario under Actuarial Guideline 43. In 2018, the Company changed the methodology it used to calculate the Basic Adjusted Reserve for variable-indexed annuities to utilize the guaranteed cap instead of the projected index option. The prior period effect of the change in methodology was recorded in 2018 in a post-tax increase to surplus of $3.2 million.

The 2014 prior period adjustment of $3.8 million was primarily due to an error identified by the Company related to its admissible deferred tax assets. The error resulted in a $3.03 million after-tax overstatement of net deferred tax assets. During 2017, the Company identified an error in its policy administrative system wherein surrender charges were not properly calculated for certain variable annuities. The error resulted in a $1.7 million pre-tax understatement of aggregate reserves for life contracts and a $6.2 million pre-tax understatement of transfers to separate accounts due or accrued. A corresponding after-tax of $2.9 million understatement of net income was reported in 2017 as a prior period adjustment to the capital and surplus account.

6. 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.

Respectfully submitted,

Darlene Lenhart-Schaeffer

Darlene Lenhart-Schaeffer, CFE
Risk & Regulatory Consulting, LLC

STATE OF VIRGINIA)
)SS:
COUNTY OF NORFOLK CITY)

Darlene Lenhart-Schaeffer, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Darlene Lenhart-Schaeffer

Darlene Lenhart-Schaeffer

Subscribed and sworn to before me

this 29th day of June 2020

MARCHAL TREVOR SCOTT
NOTARY
PUBLIC
REG. #7676123
MY COMMISSION
EXPIRES
09/30/2020
COMMONWEALTH OF VIRGINIA

06/29/2020

Respectfully submitted,

_____________/s/___________
Courtney Williams
Principal 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. 31955

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:

DARLENE LENHART-SCHAEFFER
(RISK & REGULATORY CONSULTING, LLC)

as a proper person to examine the affairs of the

ALLIANZ 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 3rd day of June, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU