NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

AMERICAN FAMILY LIFE ASSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2019
DATE OF REPORT:	APRIL 13, 2021

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EXAMINER:	JUNJIE PAN, CFE, CPA

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NEW YORK STATE OF OPPORTUNITY. | Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

May 20, 2021

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

Linda A. Lacewell:

In accordance with instructions contained in Appointment No. 32085, dated May 5, 2020 and annexed hereto, an examination has been made into the condition and affairs of American Family Life Assurance Company of New York, hereinafter referred to as "the Company," at its home office located at 22 Corporate Woods Boulevard Suite Two, Albany, NY 12211. Due to the COVID-19 pandemic, the examination was conducted remotely.

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 full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. (See item 7 of this report.)

The Company violated Section 325(a) of the New York Insurance Law by failing to keep and maintain at its principal office in New York its books of account, specifically its trial balances and general ledgers in a format that would allow for reconstruction of the Company's financial records that is independent of Aflac Columbus. (See item 3F of the report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the National Association of Insurance Commissioners' *Financial Condition Examiners* "NAIC's" *Handbook, 2020 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2016, to December 31, 2019. 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, 2019, 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 as a group examination in conjunction with the examinations of American Family Life Assurance Company of Columbus (Aflac Columbus), a Nebraska domestic insurer. The examination was called by the Nebraska Department of Insurance ("NEDOI") in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System ("FEETS"). NEDOI served as the lead with New York participating. Since the lead and participating states are all accredited by the NAIC, the 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 2016 through 2019, by the accounting firm of KPMG, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. Aflac Columbus has an internal audit department, which was given the task of assessing the internal control structure and compliance with the NAIC's Model Audit Rule ("MAR"). Where applicable, 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 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 March 31, 1964, and was licensed and commenced business on December 18, 1964 as the American Health and Life Insurance Company of New York, a wholly-owned subsidiary of American Health and Life Insurance Company, which in turn was owned by Commercial Credit Company.

On April 2, 1984, the Company, then known as, American Health and Life Insurance Company of New York was acquired and became a wholly owned subsidiary of Aflac Columbus. On December 11, 1984, the Company changed its name to its present name, American Family Life Assurance Company of New York.

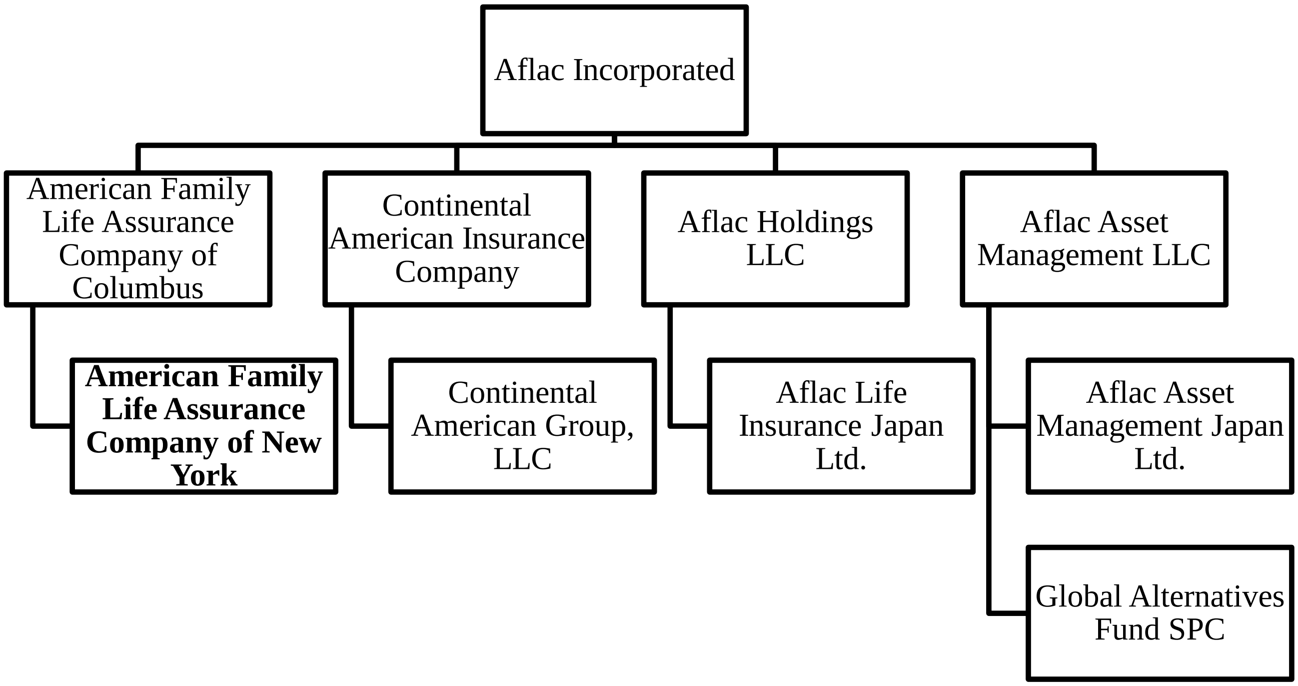
As of December 31, 2019, the Company reported paid-in capital in the amount of $2,000,000, consisting of 10,000 shares common stock (with a par value of $200 each), and paid in and contributed surplus of $33,331,688.

B. Holding Company

The Company is a wholly owned subsidiary of Aflac Columbus, a Nebraska insurance company**.** Aflac Columbus is in turn a wholly owned subsidiary of Aflac Incorporated ("Aflac, Inc."), a Georgia financial service organization. The ultimate parent of the Company is Aflac Inc.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2019 follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement Department File No. 16125	06/01/1989	Aflac Columbus	The Company	IT services to include conversions, technical support, running of cycles, software support, programming services	2016 $(806,616) 2017 $(887,280) 2018 $(1,089,459) 2019 $(930,001)
Sales and Marketing Agreement Department File No. 25285	09/03/1993 Amended 01/07/1998 01/01/2000 11/01/2004	The Company	Aflac Columbus	Sales & marketing planning, recruiting, training, and supervision of sales force for specific states	2016 $ 761,715 2017 $ 822,795 2018 $1,225,258 2019 $1,546,254
Administrative Services Agreement Department File No. 25398	11/01/2002	Aflac Columbus	The Company	Accounting, auditing, tax, claims, actuarial, Legal, compliance, governmental relations, personnel services, travel & meeting services, outbound services, agents licensing and compensation, marketing, investments, call center, remittance processing services	2016 $(4,614,213) 2017 $(5,234,558) 2018 $(6,761,132) 2019 $(11,562,135)
Administrative Services Agreement	11/01/2004	The Company	Aflac Columbus	Underwriting, Policyholder and Payroll Account Services, Marketing	2016 $197,052 2017 $206,228 2018 $301,761 2019 $377,130
Administrative Services Agreement Department File No. 42704 Agreement Amended Department File No. 54972	08/01/2010 Amended 12/07/2016	Continental American Insurance Company	The Company	Underwriting, Policyholder and Payroll Account Services, Claims Services, Policyholder Services, Premium Remittance Processing, Actuarial Services, Outbound Services, Agent Compensation Services, Marketing Services, Call Center Services	2016 $(990,120) 2017 $(896,097) 2018 $(1,057,047) 2019 $(965,984)
Investment Advisory Agreement Department File No. 55264	01/01/2018	Aflac Asset Management LLC	The Company	Investment management services	2018 $(777,203) 2019 $(839,247)

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

The significant increase in expenses allocated by the Company in 2018 and 2019 as compared to 2017 under the September 3, 1993 AFLAC Columbus Sales and Marketing Agreement was primarily attributable to a change in the method of allocating expenses. Prior to April 1, 2018, expenses were allocated based solely on producer's salaries and benefits. Subsequent to April 1, 2018, the allocation method changed to include all expenses in the production cost center. The increase in allocated expenses in 2019 as compared to 2018 was a result of the change in allocated expenses only encompassed 9 months in 2018 and a full year in 2019.

The significant increase in expenses allocated to the Company in 2019 as compared to 2018 under the November 1, 2002 AFLAC Columbus Administrative Services Agreement was primarily attributable to a change in the method of allocating expenses. Prior to April 1, 2018, expenses were allocated to the Company based on its percentage of statutory premiums rather than actual time spent. For the costs that were actual time, only salaries and benefits were charged. Subsequent to April 1, 2018, the allocation method changed to actual time spent applied to all expenses in the cost center and not just salaries. The increase in allocated expenses in 2019 as compared to 2018 was a result of the change in allocated expenses only encompassed 9 months in 2018 and full year in 2019, combined with significant increases in expenses related to the call and claims cost centers.

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 seventeen directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2019, the board of directors consisted of seven members. Meetings of the board are held annually in June of each year.

The seven board members and their principal business affiliation, as of December 31, 2019, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Daniel P. Amos Columbus, Georgia	Chairman of the Board and Chief Executive Officer Aflac Incorporated	1984
June P. Howard Cataula, Georgia	Senior Vice President, Chief Accounting Officer Aflac Incorporated	2012

Name and Residence	Principal Business Affiliation	Year First Elected
Thomas J. Kenny* Santa Barbara, California	Former Partner Goldman Sachs Asset Management	2019
Karole F. Lloyd* Atlanta, Georgia	CPA, Retired Audit Partner Ernst & Young LLP	2018
Kenneth C. Meier Forest Hills, New York	Territory Vice President, NE American Family Life Assurance Company of New York	2017
Melvin T. Stith* Jamesville, New York	Interim President, Norfolk State University Dean Emeritus Martin J. Whitman School of Management at Syracuse University	2012
Teresa L. White Columbus, Georgia	President American Family Life Assurance Company of New York	2013

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

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2019:

Name	Title
Daniel P. Amos	Chairman of the Board, Chief Executive Officer
Teresa L. White	President
Frederick J. Crawford	Executive Vice President, Chief Financial Officer
June P. Howard	Senior Vice President, Chief Accounting Officer
Joseph M. Loudermilk	Vice President, Corporate Secretary
Audrey B. Tillman	Executive Vice President, General Counsel
Eric M. Kirsch	Executive Vice President, Global Chief Investment Officer
Max K. Brodén	Senior Vice President, Treasurer
James B. Angel	Vice President, Government Affairs
Mark C. Massey	Vice President, Appointed Actuary
Thomas L. McDaniel, Jr.*	Senior Vice President, Chief Compliance Officer

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

F. Books and Records

Section 325(a) of the New York Insurance Law states, in part:

> "(a) Every domestic insurer and every licensed United States branch of an alien insurer entered through this state shall, except as hereinafter provided, keep and maintain at its principal office in this state its … its books of account … and if a domestic corporation the minutes of any meetings of its shareholders, policyholders, board of directors and committees thereof . . ."

Due to the Covid-19 pandemic, an onsite examination of the Company's charter and bylaws, books of account, and minutes of any meetings of its shareholders, policyholders, board of directors and committees thereof that are maintained at the Company's principal office in New York State could not be undertaken. As a result, the examiner requested via electronic correspondence the Company's procedures regarding the maintenance of these documents at its principal office in New York State.

The Company responded that its charter, bylaws, board of director and committee minutes are maintained at its principal office in Albany, New York in hard copy format and stored within fireproof cabinets. The charter and bylaws are updated as needed, while the board of director and committee minutes are updated at least annually.

The trial balances and general ledger records are updated and saved by the Company's financial reporting team on a quarterly basis, maintained in electronic format, and saved within the Aflac Columbus SharePoint directory. The Aflac Columbus SharePoint application currently runs and is maintained by a third-party vendor. The Company's access to SharePoint is exclusively available electronically only via computers connected to the Aflac Columbus server.

The Company violated Section 325(a) of the New York Insurance Law by failing to keep and maintain at its principal office in New York its books of account, specifically its trial balances and general ledgers in a format that would allow for reconstruction of the Company's financial records that is independent of Aflac Columbus.

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 six states, namely Connecticut, Massachusetts, New Jersey, New York, North Dakota and Vermont. In 2019, all life premiums and annuity considerations, and 98.8% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2019, the Company had $300,000 (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. As per the confirmation received from the following state which were reported in Schedule E of the 2019 filed annual statement, an additional $99,523 was being held by the state of Massachusetts.

B. Direct Operations

The Company's primary business is supplemental health insurance. The majority of the Company’s policies are individually underwritten and marketed through independent agents and brokers. The Company markets its products principally in New York. The majority of policies sold during the examination period under review were accident/short-term disability and specific disease insurance plans.

The Company also issues individual whole life and individual term life products primarily marketed through worksites on a simplified issue basis.

Effective April 1, 2019, the Company made the decision to cease actively marketing its group hospital indemnity product. However, enrolled groups remain inforce and on the Company’s books.

The Company also has run off blocks of annuity and Medicare Supplement business.

The Company's agency operations are conducted on a general agency/branch office basis.

C. Reinsurance

As of December 31, 2019, the Company had an automatic reinsurance agreement effective July 1, 2006, with Swiss Re Life & Health America, Inc. ("SRLHA"), an authorized reinsurer. Under the terms of the agreement, SRLHA assumes 100% of the in-force accidental death benefit and group accidental death, injury and/or dismemberment issued or administered as supplementary benefits or riders of individual life contracts. The maximum reinsured amount is $500,000 per insured individual.

The reinsurance agreement with SRLHA provides for 100% reinsurance of the Company's run-off common carrier accidental death benefits, in excess of $100,000. The maximum reinsured amount is $100,000 per insured individual. The common carrier accidental death benefits belong to an old block of accident policies that the Company stopped writing in May 2001.

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, 2015	December 31, 2019	Increase
Admitted assets	$817,948,518	$982,924,327	$164,975,809
Liabilities	$519,492,579	$663,387,757	$143,895,178
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	33,331,688	33,331,688	0
Affordable Care Act fee special surplus	204,612	238,893	34,281
Unassigned funds (surplus)	262,919,639	283,965,990	21,046,351
Total capital and surplus	$298,455,939	$319,536,571	$21,080,632
Total liabilities, capital and surplus	$817,948,518	$982,924,327	$164,975,809

The Company's invested assets as of December 31, 2019, exclusive of separate accounts, were mainly comprised of bonds (95.1%) and cash and short-term investments (4.5%).

The majority (99.3%) of the Company's bond portfolio, as of December 31, 2019, was comprised of investment grade obligations.

The increase in admitted assets of $165 million during the period under review was primarily a result of a $152 million increase in invested assets and $13 million increase in cash and cash equivalents. The invested assets increased because of positive cash flow during the examination period.

The increase in liabilities of $143.9 million during the examination period was primarily the result of a $19 million increase in life reserves, and a $124.9 million increase in health reserves.

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
2016	$143,735	$501,432	$187,718	$1,080,483
2017	$141,700	$541,016	$157,615	$1,070,022
2018	$137,800	$580,313	$140,020	$1,048,430
2019	$123,425	$661,563	$115,386	$ 959,674

The reason for the steady decrease in individual whole life and individual term life policies issued during the examination period is primarily due to the Company emphasizing its supplemental health insurance business over its life insurance business.

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

	Group			
	2016	2017	2018	2019
Outstanding, end of previous year	14,010	17,811	19,370	25,057
Issued during the year	9,306	7,953	12,300	12,904
Other net changes during the year	(5,505)	(6,394)	(6,613)	(12,436)
Outstanding, end of current year	17,811	19,370	25,057	25,525

The decrease in accident and health group issued during 2017 as compared to 2016 was primarily a result of lower sales in 2017. In 2016, there were ten new groups issued with 4,160 members compared to 2017 when there were ten new groups issued with only 2,906 members.

The increase in accident and health group policies issued in 2018 as compared to 2017 was primarily a result of ten new groups issued with 5,773 new members.

The significant increase in accident and health group other net changes during the year in 2019 as compared to all other years under examination was primarily a result of a decrease in total groups and certificates reported. Two groups were completely lost for a total of 2,259 certificates. The additional reduction in certificates is primarily due to attrition where the remaining group members held multiple certificates.

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:

	2016	2017	2018	2019
Ordinary:				
Life insurance	$ 1,923,965	$ 1,742,335	$16,447,646	$ 2,234,922
Individual annuities	22,451	12,819	(11,524)	44,187
Total ordinary	$ 1,946,416	$ 1,755,154	$16,436,122	$ 2,279,109
Accident and health:				
Group	$ 983,832	$ 1,444,674	$ 1,791,705	$ 0
Other	44,033,325	51,174,098	51,396,310	72,457,257
Total accident and health	$45,017,157	$52,618,772	$53,188,015	$72,457,257
All other lines	$ 4,634,675	$ 4,723,330	$ 0	$ 0
Total	$51,598,249	$59,097,256	$69,624,137	$74,736,367

The significant fluctuation in ordinary life insurance net gain from operations in 2018 as compared to all other years under examination, as well as the significant fluctuation in accident and health other net gain from operations in 2019 as compared to all other years under examination is primarily a result of a report formula error that resulted in approximately $19 million of net investment income being incorrectly allocated to the ordinary life insurance line of business in 2018 rather than the accident and health other line of business that year. The error was corrected in 2019, resulting in approximately a $18 million decrease in net investment income allocated to the ordinary life insurance line of business and an $18 million increase in net investment income allocated to the accident and health other line of business during that year.

The significant increase in accident and health group net gain from operations in 2017 as compared to 2016 is primarily a result of lower claim ratio in 2017, which led to lower claims even though revenue grew.

The significant increase in accident and health group net gain from operations in 2018 as compared to 2017 was primarily driven by a lower corporate tax rate due to the Tax Cut and Jobs Act of 2017.

The zero-amount reported for accident and health group net gain from operations in 2019 was a result of changes made to the 2019 Annual Statement blank. In 2018, group health was reported on column 9 of page 6 (Accident and Health - Group). This column was removed by the NAIC. For 2019 and going forward, all health business is combined and reported in column 6 of page 6 (Accident and Health).

The zero amount reported for accident and health all other lines net gain from operations in both 2018 and 2019 was primarily a result of the Company erroneously allocating net investment income and federal income taxes incurred to this line in both 2016 and 2017, rather than the "Accident and Health Other" line of business, as the Company did not have any reportable business that qualified as accident and health all other lines in any year under examination.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2019, as contained in the Company's 2019 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, 2019 filed annual statement.

A. Independent Accountants

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

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	$875,636,312
Cash, cash equivalents and short term investments	41,197,908
Contract loans	1,509,549
Other invested assets	2,046,641
Receivable for securities	4,287
Investment income due and accrued	10,356,794
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	30,372,854
Deferred premiums, agents' balances and installments booked but deferred not yet due	354,686
Current federal and foreign income tax recoverable and interest thereon	762,943
Net deferred tax asset	18,624,724
Guaranty funds receivable or on deposit	58,230
Electronic data processing equipment and software	53,534
Receivables from parent, subsidiaries and affiliates	1,945,866
Total admitted assets	$982,924,327

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 47,909,063
Aggregate reserve for accident and health contracts	468,313,635
Contract claims:	
Life	970,000
Accident and health	102,730,892
Premiums and annuity considerations for life and accident and health contracts received in advance	2,564,126
Interest maintenance reserve	2,369,865
Commissions to agents due or accrued	3,265,505
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,628,054
Amounts withheld or retained by company as agent or trustee	1,187
Amounts held for agents' account	(232,424)
Remittances and items not allocated	14,478,140
Miscellaneous liabilities:	
Asset valuation reserve	3,799,066
Payable to parent, subsidiaries and affiliates	4,055,067
Payable for securities	38,327
Funds held for escheatment	1,637,772
Other liabilities	313,975
Total liabilities	$663,387,757
Common capital stock	2,000,000
Gross paid in and contributed surplus	33,331,688
Affordable care act fee special surplus	238,893
Unassigned funds (surplus)	283,965,990
Surplus	$317,536,571
Total capital and surplus	$319,536,571
Total liabilities, capital and surplus	$982,924,327

D. Condensed Summary of Operations

	2016	2017	2018	2019
Premiums and consideration	$315,904,335	$326,793,793	$335,430,070	$342,546,567
Investment income	37,819,595	39,328,446	41,183,325	42,537,418
Miscellaneous income	28,067	53,827	36,625	36,905
Total income	$353,751,997	$366,176,066	$376,650,020	$385,120,890
Benefit payments	$145,907,185	$148,528,798	$150,985,395	$159,081,311
Increase in reserves	38,939,947	40,189,677	36,815,545	28,934,073
Commissions	52,981,379	52,360,326	54,830,014	55,632,467
General expenses and taxes	34,862,506	35,411,742	41,696,305	42,790,019
Increase in loading on deferred and uncollected premiums	(39,349)	(18,016)	3,222	77,497
Total deductions	$272,651,668	$276,472,527	$284,330,481	$286,515,367
Net gain (loss) from operations	$ 81,100,329	$ 89,703,539	$ 92,319,539	$ 98,605,523
Federal and foreign income taxes incurred	29,502,080	30,606,283	22,695,402	23,869,153
Net gain (loss) from operations before net realized capital gains	$ 51,598,249	$ 59,097,256	$ 69,624,137	$ 74,736,370
Net realized capital gains (losses)	21,128	(222,731)	(3,025,812)	336,856
Net income	$ 51,619,377	$ 58,874,525	$ 66,598,325	$ 75,073,223

The significant decrease in the "increase in reserves" in 2019 as compared to 2018 is primarily a result of the Company experiencing higher than normal accident and health lapses in 2019. The reserves released on 2019 lapsed policies was approximately $8.4 million higher than the reserves released on 2018 lapsed policies.

The significant increase in “general expenses and taxes” in 2018 as compared to 2017 is primarily a result of a $4.9 million increase in service and administration fees charged by the Parent company under service agreements, as well as a $1.4 million increase in insurance taxes, licenses & fees.

E. Capital and Surplus Account

	2016	2017	2018	2019
Capital and surplus, December 31, prior year	$298,455,939	$304,339,944	$300,640,114	$310,148,521
Net income	$ 51,619,377	$ 58,874,525	$ 66,598,325	$ 75,073,223
Change in net deferred income tax	1,033,410	(24,291,365)	3,878,151	2,757,782
Change in non-admitted assets and related items	1,042,875	13,294,331	(4,139,392)	(1,851,755)
Change in asset valuation reserve	(821,820)	(459,063)	1,137,042	(588,290)
Dividends to stockholders	(47,000,000)	(51,000,000)	(58,000,000)	(66,000,000)
Minimum Pension Liability	10,163	(118,258)	34,281	(2,910)
Net change in capital and surplus for the year	5,884,005	(3,699,830)	9,508,407	9,388,050
Capital and surplus, December 31, current year	$304,339,944	$300,640,114	$310,148,521	$319,536,571

7. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

8. SUMMARY AND CONCLUSIONS

Following is the violation and comment included in this report:

Item	Description	Page No(s).
A	The Company violated Section 325(a) of the New York Insurance Law by failing to keep and maintain at its principal office in New York its books of account, specifically its trial balances and general ledgers in a format that would allow for reconstruction of the Company's financial records that is independent of Aflac Columbus.	10
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Respectfully submitted,

Junjie Pan, CFE, CPA
Baker Tilly US, LLP

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

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

Junjie Pan

Subscribed and sworn to before me
this 8th day of June, 2021
Audrey Hall

AUDREY HALL
Notary Public, State of New York
No. 01HA6274900
Qualified in Kings County
Commission Expires January 28, 2025

Respectfully submitted,

____________/s/____________
Vincent Targia
Principal Insurance Examiner

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

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

____________/s/____________
Vincent Targia

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 32085

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

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

JUNJIE PAN
(BAKER TILLY VIRCHOW KRAUSE, LLP)

as a proper person to examine the affairs of the

AMERICAN FAMILY LIFE ASSURANCE 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 5th day of May, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU