NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

CONDITION:	DECEMBER 31, 2019
DATE OF REPORT:	JUNE 22, 2021

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AS OF

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EXAMINER:	MARC MOYER

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NEW YORK STATE OF OPPORTUNITY. | Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

June 22, 2021

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

Linda A. Lacewell:

In accordance with instructions contained in Appointment No. 32095, dated May 28, 2020 and annexed hereto, an examination has been made into the condition and affairs of Transamerica Financial Life Insurance Company, hereinafter referred to as "the Company". The Company's home office is located at 440 Mamaroneck Avenue, Harrison, New York 10528. 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 material comment, violation and recommendation contained in this report are summarized below:

- The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed with the Department. (See Item 7A of this report.)
- The Company violated Section 4228(h) of the New York Insurance Law by failing to have a signed and dated demonstration prior to the date the statements of self-support were signed. (See item 7B of this report.)
- 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 8 of this Report.)

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 five-year period from January 1, 2015 through 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.

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

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the 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 of the Company was called by the Department in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System ("FEETS"). The Department participated on the coordinated examination, serving in the capacity of a participating state, of Transamerica Life Insurance Company ("TLIC") and Transamerica Premier Life Insurance Company ("TPLIC"), both Iowa domestic insurers, called by the Iowa Insurance Division ("IID") in accordance with the Handbook guidelines. The IID served as the lead state on the examination. In addition to the Department, representatives from the Vermont

Department of Financial Regulation participated on the examination, which included their domestic insurers. 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 2015 through 2019, by the accounting firm of PricewaterhouseCoopers ("PwC"). The Company received an unqualified opinion in all the years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's parent, Transamerica Corporation ("TA Corp"), has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed, and portions were relied upon for this examination.

The examiner reviewed the corrective action taken by the Company with respect to the violation contained in the prior report on examination. The results of the examiner's review are contained in Item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on October 3, 1947, under the name Zurich Life Insurance Company, was licensed on October 17, 1947 and commenced business in 1948.

On November 30, 1982, the Dreyfus Corporation acquired all the outstanding shares of the Company and adopted the name Dreyfus Life Insurance Company. In 1993, the Company was purchased by First AUSA Life Insurance Company, a Maryland domiciled insurer and an indirect subsidiary of AEGON US Holding Corporation, and the Company adopted the name AUSA Life Insurance Company, Inc.

In December 1993, the Company entered into an indemnity reinsurance agreement with the Mutual Life Insurance Company of New York ("MONY"), whereby MONY ceded on a 100% coinsurance basis $2,733,787,100 of its general account liabilities relating to fixed and variable annuities.

On December 31, 1993, MONY transferred the general account assets to the Company at market value which consisted of $1,045,010,955 of mortgage loans, $1,486,230,389 of bonds, $199,894,462 of short-term investments and $40,549,857 of accrued investment income.

In 1994, the Company assumed an additional $3.4 billion of separate account assets and liabilities from MONY.

Effective July 1, 1996, International Life Investors Insurance Company was merged into the Company. The Company was the surviving corporation.

Effective October 1, 1998, First Providian Life and Health Insurance Company was merged into the Company. The Company was the surviving corporation.

Effective April 1, 2003, Transamerica Life Insurance Company of New York was merged into the Company. Immediately following the merger, the Company adopted the name Transamerica Financial Life Insurance Company.

Effective July 1, 2014, Transamerica Advisors Life Insurance Company of New York ("TALICNY"), an affiliated New York-domiciled life insurer, merged into the Company. The Company was the surviving corporation.

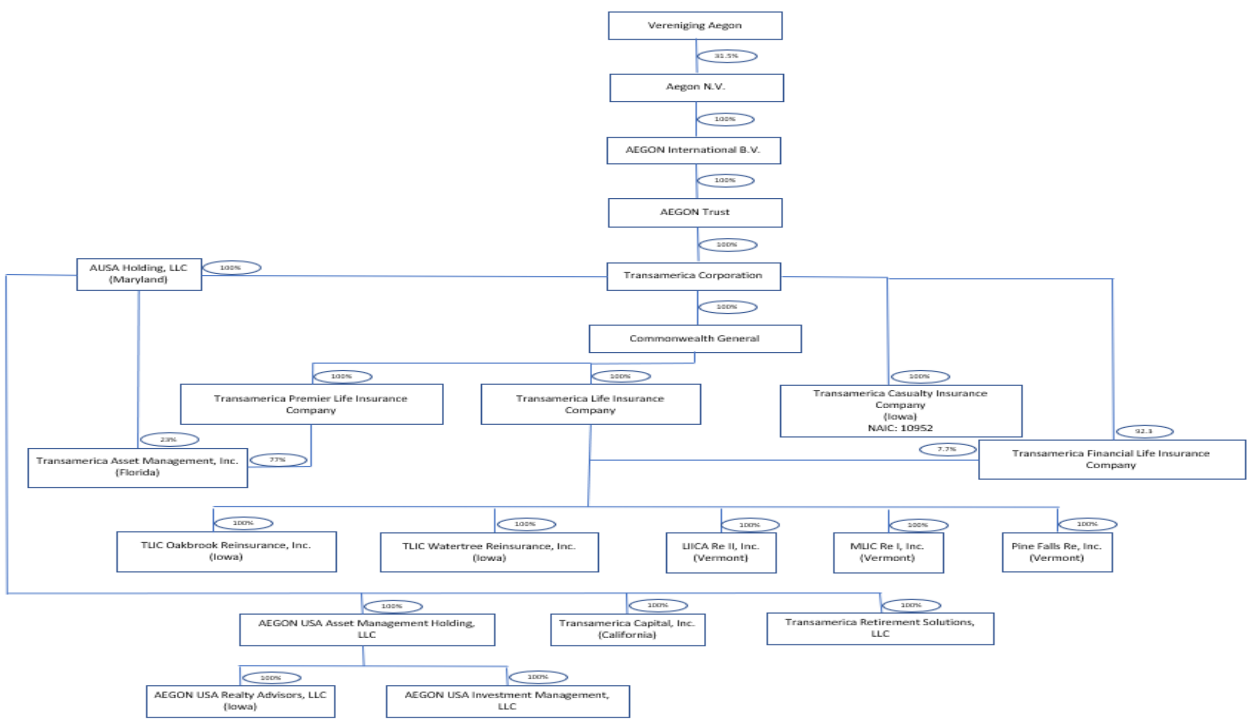
In June 2017, the Company and affiliates TLIC and TPLIC completed the divestment of their two largest US run-off businesses, the structured settlement annuity business and the bank owned life insurance/ corporate owned life insurance (BOLI / COLI) through reinsurance to Wilton Reassurance Company ("Wilton Re"). The structured settlement annuity block was placed in run-off in 2003 and the BOLI / COLI products were discontinued in 2010.

B. Holding Company

As of December 31, 2019, the Company is majority owned by Transamerica Corporation ("TA Corp") and minority owned by TLIC.[1] Prior to December 31, 2015, the Company was majority owned by AEGON USA, LLC ("AUSA"). Effective December 31, 2015, AUSA merged into TA Corp. Both TA Corp and TLIC are indirect, wholly owned subsidiaries of AEGON N.V., a holding company organized under the laws of The Netherlands. All Transamerica companies are fully integrated and share certain senior and investment management as well as support services.

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:



[1] On June 30, 2020, the Company repurchased TLIC's remaining shareholding in the Company. As a result, the Company is now wholly owned by TA Corp.

D. Service Agreements

The Company had 14 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 and Advisory (Department File No. 40305)	05/01/2008	Aegon USA Realty Advisors, Inc. (N/K/A Aegon USA Realty Advisors, LLC)	The Company	Services pertaining to real estate and mortgage loan assets	2015 $(2,296,939) 2016 $(2,907,720) 2017 $(3,985,231) 2018 $(4,201,989) 2019 $(4,802,316)
Service Agreement (Department File No. 20399C)	12/31/1993	Diversified Investment Advisors, Inc. (N/K/A Transamerica Retirement Solutions, LLC)	The Company	Retirement plan administration, plan/participant data maintenance, promotion, banking relations, separate accounts and data processing	2015 $(45,138,651) 2016 $(38,626,913) 2017 $(25,504,180) 2018 $(29,866,241) 2019 $(27,066,727)
Investment Management (Department File No. 37739) Investment Management (Amended and Restated) (Department File No. 55327)	07/01/2007 05/28/2018	AEGON USA Investment Management, LLC	The Company	Investment management of mortgage-backed securities, bonds, equities and cash.	2015 $ (9,968,763) 2016 $(10,023,934) 2017 $ (9,769,956) 2018 $ (8,601,058) 2019 $ (7,753,852)

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
Principal Underwriting Agreement (Department File No. 33199)	01/25/2005	Transamerica Capital, Inc.	The Company	Distribution and underwriting services	2015 $(5,485,330) 2016 $(5,195,470) 2017 $(3,484,079) 2018 $(4,169,479) 2019 $(4,249,297)
Amendment No. 1 (Department File No. 33199A)	04/01/2005				
Shared Services & Expense Allocation Schedule (Department File No. 34217)	10/06/2005				
Amendment No. 2 replaced ASFG with TCI (Department File No. 37420)	05/01/2007				
Amendment No. 3 (Department File No. 37420A)	11/01/2007				
Amendment No. 4 (Department File 37420B)	05/01/2008				
Amended and Restated Principal Underwriting Agreement (Department File No. 37420B)	07/01/2010				
Amended and Restated Principal Underwriting Agreement (Department File No. 46688)	01/01/2013				

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
Service Agreement (Department File No. 22369B) Addendum (Department File No. 22369C) Amendment No. 1 Department File No. 42530 Amendment No. 2 (Department File No. 45267)	08/01/2003 05/01/2004 01/01/2010 09/11/2012	Transamerica Life Insurance Company	The Company	Accounting, data processing, claims, underwriting, marketing and policyholder services.	2015 $(35,700,650) 2016 $(44,907,240) 2017 $(28,132,292) 2018 $(45,109,177) 2019 $(50,073,411)
Investment Management Agreement [2] (Department File No. 41088)	04/01/2009	AEGON USA Investment Management, LLC (“AUIM”)	The Company	Activities in connection with Transamerica International Re (Bermuda) Ltd.	2015 $(598,568) 2016 $ 0 2017 $ 0 2018 $ 0 2019 $ 0
Distribution and Shareholder Services Agreement (Department File No. 37876)	05/01/2008	The Company	Transamerica Capital, Inc.	Distribution and Shareholder services	2015 $5,880,939 2016 $6,506,619 2017 $7,391,688 2018 $7,655,838 2019 $7,387,690
Administrative Services Agreement Amendment and Novation of Administrative Services Agreement	01/01/2006 10/01/2007	The Company	Transamerica Asset Management, Inc.	Agreement covers policy-level administrative services provided by the Company that benefit the Transamerica Series Trust (formerly known as the AEGON/Transamerica Series Trust) including maintenance of books and records, and purchase order and redemption order processing.	2015 $ 8,319,194 2016 $ 9,203,269 2017 $10,367,392 2018 $ 9,820,145 2019 $ 9,453,084

[2] Transamerica International Re (Bermuda) Ltd. (“TIRe”) established trust accounts for the benefit of the Company into which TIRe transferred assets for deposit, and under the terms of the agreement, AUIM provided investment management services to TFLIC. The program these trust accounts supported ended in 2015. There have been no assets in the accounts since then, and as such, no fees have been allocated.

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
Service Agreement[3] (Department File No. 42531)	01/01/2010	AEGON Stable Value Solutions Inc. (now known as Transamerica Stable Solutions, Inc.)	The Company	Accounting Services, Data Processing Services, Maintain Computer Records, Prepare Reports, Provide software systems and programming services	2015 $0 2016 $0 2017 $0 2018 $0 2019 $0
Derivative Management and Service Agreement (Department File No. 55630)	05/28/2018	Transamerica Life Insurance Company	The Company	Derivative management services	2018 $ (907,652) 2019 $(1,064,334)
Principal Underwriting Agreement (Department File No. 40542) Amended and Restated (Department File No. 40542A) Amended and Restated (Department File No. 46688A)	08/01/2008 07/01/2010 01/01/2013	Transamerica Capital, Inc.	The Company	Serve as distributor and principal underwriter of single premium modified guaranteed annuity products, certain variable life insurance and certain variable annuity contracts	2015 $(14,296,394) 2016 $(33,628,481) 2017 $(28,767,091) 2018 $(31,253,149) 2019 $(32,307,926)
Distribution and Shareholder Services Agreement (Investor) (Re: Transamerica Series Trust) (Department File No. 40665)	08/01/2008	The Company	Transamerica Capital, Inc.	Agreement covers activities in connection with the distribution of shares of certain portfolios of Transamerica Series Trust of which TCI is the principal underwriter and the servicing of existing and prospective holders of certain variable products.	2015 $473,452 2016 $435,460 2017 $508,071 2018 $547,233 2019 $250,979

[3] The Company is keeping the agreement as it may be needed for synthetic GIC business.

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
Distribution and Shareholder Services Agreement (Retail)(Re: Transamerica Funds) (Department File No. 40666)	08/01/2008	The Company	Transamerica Capital, Inc.	Agreement covers activities in connection with the distribution of shares of certain portfolios of Transamerica Funds of which TCI is the principal underwriter and servicing of existing and prospective holders of certain variable products.	2015 $442,502 2016 $373,423 2017 $400,356 2018 $377,431 2019 $177,665
Administrative Services Agreement (10/1/08) (Retail) (Re: Transamerica Funds) (Department File No. 40422)	10/01/2008	The Company	Transamerica Asset Management, Inc.	Maintenance of Books and Records, Purchase Orders, Redemption Orders, and other administrative support	2015 $32,279 2016 $28,475 2017 $31,921 2018 $28,806 2019 $26,766

*Amount of Income or (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 seven and not more than twenty-one 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, 2019, the board of directors consisted of seven members. Meetings of the board are held quarterly.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Blake S. Bostwick Denver, Colorado	President, Chairman of the Board & Chief Operating Officer Transamerica Financial Life Insurance Company	2016
Wendy Cooper* New York, New York	Retired Executive AXA Equitable Life Insurance Company	2017
C. Michiel van Katwijk Baltimore, Maryland	Executive Vice President, Chief Financial Officer Transamerica Financial Life Insurance Company	2016
Anne Kronenberg* Bedford Corners, New York	Retired Executive JP Morgan (Investment Banking)	2017
Jason Orlandi Baltimore, Maryland	Executive Vice President, Chief Legal and Administrative Officer & Secretary Transamerica Financial Life Insurance Company	2016
David Schulz Cedar Rapids, Iowa	Senior Vice President & Chief Tax Officer Transamerica Financial Life Insurance Company	2016
June Yuson* New York, New York	Executive EP 503 West, LLC	2017

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

In June 2020, Michiel van Katwijk resigned from the Board and was replaced by Fredrick J. Gingerich.

In June 2020, Blake S. Bostwick resigned from the Board and was replaced by Karyn S.W. Polak.

In September 2020, Jason Orlandi resigned from the Board and was replaced by Blake S. Bostwick who was reappointed.

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
Blake S. Bostwick	President & Chief Operating Officer
Jason Orlandi	Executive Vice President, Chief Legal and Administrative Officer & Secretary
Frederick J. Gingerich	Vice President & Controller
Donald R. Krouse	Vice President & Actuary

Carole Trostl is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64).

In September 2020, Jason Orlandi resigned as Secretary of the Company and was replaced by Karyn S.W. Polak.

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 50 states and the District of Columbia. In 2019, 88% of life premiums, 87% of accident and health premiums, 95% of annuity considerations, and 51% of deposit type funds were received from New York state. Policies are written on a participating and/or non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2019:

Life Insurance Premiums

New York	87.9%
New Jersey	2.3
Florida	1.7
Minnesota	1.1
Pennsylvania	0.9
Subtotal	93.8%
All others	6.2
Total	100.0%

Annuity Considerations

New York	95.0%
Maryland	1.2
Florida	0.7
Pennsylvania	0.5
Iowa	0.4
Subtotal	97.7%
All others	2.3
Total	100.0%

Accident and Health Insurance Premiums

New York	86.6%
New Jersey	4.7
Florida	2.8
Connecticut	1.7
California	0.8
Subtotal	96.5%
All others	3.5
Total	100.0%

Deposit Type Funds

New York	51.0%
New Jersey	29.1
Arizona	16.0
Florida	3.9
Subtotal	100%
All others	0.0
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2019, the Company had $1,604,570 (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 reported in Schedule E of the 2019 filed annual statement an additional, $1,249,837 was being held by the states of Arkansas, Massachusetts, Nevada, New Mexico, and North Carolina.

B. Direct Operations

As of December 31, 2019, the Company functions through two operating groups, Workplace Solutions and Individual Solutions. The Workplace Solutions group provides employer-sponsored retirement plans, stable value solutions and supplemental insurance benefits to U.S. organizations of all sizes. This business is accessed through financial advisors, third-party administrators, benefits consultants and agents, and other trusted intermediaries. The Individual Solutions group provides assistance to families with savings, investments, protections and retirement plan options through wholesale, institutional and retail market segments.

C. Reinsurance

As of December 31, 2019, the Company had reinsurance treaties in effect with 101 companies, of which 91 were authorized, accredited, or certified. The Company's life and accident and health businesses are reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $15,000,000. The total face amount of life insurance ceded as of December 31, 2019, was $119,674,714,764, which represents 83.5% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $2,095,147,145, was supported by letters of credit and trust agreements.

The total face amount of life insurance assumed as of December 31, 2019, was $117,273,162,642.

As of 2019, the Company and TLIC divested substantially all of their life reinsurance operations through retrocessions to SCOR.

In April 2017, under the terms of a Master Agreement, the Company entered into a 90% coinsurance reinsurance agreement with Wilton Re.

5. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2014	December 31, 2019	Increase (Decrease)
Admitted assets	$31,099,279,951	$31,907,544,546	$808,264,595
Liabilities	$30,141,583,288	$30,889,577,002	$747,993,714
Common capital stock	$ 2,142,750	$ 2,040,125	$ (102,625)
Preferred capital stock	459,810	0	(459,810)
Gross paid in and contributed surplus	933,659,304	779,275,707	(154,383,597)
Annuitant mortality fluctuation reserve	8,681,811	12,816,706	4,134,895
ACA Section 9010 estimated assessment	77,084	111,343	34,259
Surplus Notes	150,000,000	0	(150,000,000)
Unassigned funds (surplus)	(137,324,096)	223,723,663	361,047,759
Total capital and surplus	$ 957,696,663	$ 1,017,967,544	$ 60,270,881
Total liabilities, capital and surplus	$31,099,279,951	$31,907,544,546	$808,264,595

The $808.3 million increase in admitted assets was primarily due to consistent increases in separate account assets driven by favorable equity performance. This was offset by year to year decreases in general account assets, primarily a $462.6 million decrease in Bonds in 2017 brought about by the run-off of non-initiated disposals (maturities, pre-payments, and exchanges) and the divestiture of the structured settlement annuity and COLI/BOLI businesses.

The $748 million increase in liabilities was primarily driven by year to year increase in separate account liabilities to support the increase in separate account assets

The majority (74%) of the Company's admitted assets, as of December 31, 2019, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2019, exclusive of separate accounts, were mainly comprised of bonds 64.6%, mortgage loans 18.7%, cash and short-term investments 5.3% and other invested assets 4.4%.

The majority (91.3%) of the Company's bond portfolio, as of December 31, 2019, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2015	$1,903,711	$ 11,749,242	$897,216	$188,807,365
2016	$1,752,646	$ 12,831,595	$628,065	$181,532,384
2017	$1,154,365	$ 13,409,047	$440,709	$162,985,584
2018	$1,115,083	$ 13,841,549	$305,071	$151,149,050
2019	$1,130,926	$ 14,403,581	$295,382	$128,142,903

The decrease in individual whole life issued in 2016 was driven primarily by Indexed Universal Life ("IUL"), where sales decreased from 2016 to 2017. IUL sales were consistent from 2017 to 2019

The Company's individual term line of business includes certain IUL riders that are classified as term life insurance; therefore, as IUL sales fluctuate so will the number of riders issued. The decrease in individual term life in force during the examination was a result of no new business being written on this block as it continues to be in run-off.

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	2019
Outstanding, end of previous year	84,091	81,034	80,214	78,390	68,139
Issued during the year	3,846	2,210	1,397	1,442	1,400
Other net changes during the year	(6,903)	(3,030)	(3,221)	(11,693)	(5,868)
Outstanding, end of current year	81,034	80,214	78,390	68,139	63,671

The decrease in ordinary annuities issued from 2015 to 2016 was driven primarily by the Company’s low competitive position in the market. The competitive position depreciated due to actions taken in 2015 by the Company to enhance profit margin. The decrease in 2017 was driven by the uncertainty around Department of Labor regulations, which led to an industry-wide variable annuity downturn.

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	2019*
Ordinary					
Life insurance	$ 35,618,119	$44,305,479	$ 79,549,302	$ 21,238,262	$ (7,559,789)
Individual annuities	138,142,206	65,034,668	45,230,717	73,625,226	67,280,492
Supplementary contracts	67,419	(107,307)	(709,539)	(2,355,001)	0
Total ordinary	$173,827,744	$109,232,840	$124,070,480	$ 92,508,487	$ 59,720,703
Credit life	$ 1,564,977	$ 1,020,451	$ 443,015	$ 716,240	$ 0
Group:					
Life	$ 3,930,415	$ 130,530	$ 1,243,883	$ 2,411,723	$ 2,274,237
Annuities	62,931,549	81,179,256	94,634,506	63,489,644	80,968,975
Total group	$ 66,861,964	$ 81,309,786	$ 95,878,389	$ 65,901,367	$ 83,243,212
Accident and health:					
Group	$ 9,282,872	$ 1,525,138	$ (7,436,093)	$ 4,736,094	$ 0
Credit	560,005	229,918	(565,562)	(767,888)	0
Other	(12,107,990)	24,573,144	(30,109,101)	19,031,445	(29,413,890)
Total accident and health	$ (2,265,113)	$ 26,328,200	$ (38,110,756)	$ 22,999,651	$ (29,413,890)
All other lines	$ 50,369,934	$ 42,664,933	$ 47,315,489	$ 49,689,719	$ 0
YRT Mortality Risk Only	$ 0	$ 0	$ 0	$ 0	$220,404,346
Total	$290,359,507	$260,556,206	$229,596,617	$ 231,815,464	$333,954,371

*Note: The 2019 Annual Statement Analysis of Operations by Lines of Business - Summary (Page 6) was restated. Prior to 2019, net investment income and the increase in aggregate reserves lines were both allocated across lines of business using the mean reserve method, which was the method that had been used for many years. Upon further evaluation, the Company's management felt that updated methodologies would be a better representation of true product level profitability when allocating net investment income and the change in reserves down to the lower product tier(s). The impact on net income was zero.

The following changes were made:

- The business units are aligned with the Summary of Operations by Lines of Business, where net investment income reflects matching the investment income to the relevant product asset portfolios for the business unit, while allocating surplus income according to mean reserves.
- As Page 7 of the Annual Statement is now at the more detailed product line presentation (similar to page 6), the change in reserves for the life and annuity product lines shown on page 7 was used as the basis for the page 6 allocations, and Annual Statement Exhibit 6 reserve changes were used as the basis for the accident and health reserve changes reported on page 6.

The fluctuations in net gains from ordinary life operations during the exam period were driven primarily by fluctuations in ceded reinsurance commission resulting mainly from TARe reinsurance transactions and the impact of the 2017 Wilton Re reinsurance transaction. In 2016, there was an increase in ceded commissions, generated from TARe reinsurance transactions, and an increase in premiums, offset by an increase in reserves resulting from growth in the IUL business. This resulted in the increase in net gains from operations.

The significant increase in net gains from ordinary life operations in 2017 was primarily due to ceded commissions and a significant decrease in reserves resulting primarily from the Wilton Re reinsurance transaction. This was offset by an increase in ceded premiums. The impact of the Wilton Re transaction on ceded commissions was significantly less in 2018, compared with 2017, resulting in a significant decrease in ceded commissions. This was the primary factor driving the significant decrease in net gains from operations in 2018.

There was a significant decrease in net gains from ordinary life operations in 2019 compared with 2018, as ceded commissions that would normally be generated through TARe decreased significantly due to changes made to the 2019 Annual Statement blank. A separate column was added for “YRT (Yearly Renewable Term) Mortality Risk Only”. A large portion of the TARe reinsurance falls in that category. Other factors driving the decrease were increases in reserves and death benefits.

The significant decrease in net gains from individual annuities operations from 2015 to 2016 was due primarily to an increase in reserves resulting from cash flow testing required under Actuarial Guidelines (AG) 38, which in 2016 was recorded as a corporate item and allocated across multiple product lines using the mean reserves method. This was partially offset by an increase in earnings driven by an increase in fees and lower commissions and expenses . The 2017 decrease in net gains from individual annuities operations was due primarily to declining annuity considerations as the Company's competitive position in the market remained low. This was partially offset by an increase in fee income and a decrease in reserves resulting from favorable separate account returns. The increase in net gains from 2017 to 2018 was due primarily to an increase in annuity considerations of $167.7 million as the Company's market position began to improve. This was offset by an increase in reserves of $124.9 million that resulted from unfavorable market returns.

The increase in net gains from group annuities from 2015 to 2016 was primarily from an increase in considerations and net investment income. This was offset by an increase in reserves. The increase in net gains from operations from 2016 to 2017 was due primarily to a decrease in general expenses offset by decreases in considerations, net investment income and fee income. The decrease in net gains from 2017 to 2018 was primarily due to losses incurred from the Company's Book Value Fund, resulting in lower net investment income, in addition to lower fee income. The increase in net gains from operations from 2018 to 2019 was due primarily to an increase in fees and a decrease in commissions.

The zero-amount reported in net gains from group and credit accident and health operations in 2019 was the 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 in 2019 and going forward all health business is combined and reported in column 6 of page 6 (Accident and Health).

The 2015 net loss from other accident and health operations was due primarily to a new requirement under Department Regulation 56 for the establishment of additional "Sound Value" reserves for long term care policies. The significant increase in net gains from operations from 2015 to 2016 was due primarily to the regulation allowing for the Sound Value reserves being released, along with an increase in premiums.

The significant decrease in net gains from other accident and health operations from 2016 to 2017 was due primarily to a decrease in premiums and an increase in reserves due mainly to an increase in Sound Value reserves driven by assumption changes. The significant increase in net gains from operations from 2017 to 2018 was due primarily to the release of Sound Value reserves.

The net loss from operations of $29.4 million reflected as “accident and health other” represents the combined results from the accident and health business as a result of the aforementioned change made by the NAIC.

The amounts reported for “All Other Lines” are primarily comprised of net investment income not allocated to a line of business. This reporting category was removed in 2019 by the NAIC.

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 PricewaterhouseCoopers (PwC) 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 years then ended.

PwC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 5,332,758,077
Stocks:	
Preferred stocks	4,551,564
Common stocks	6,036,598
Mortgage loans on real estate:	
First liens	1,546,510,000
Cash, cash equivalents and short-term investments	439,852,059
Contract loans	130,786,874
Derivatives	113,953,676
Other invested assets	360,688,503
Securities lending reinvested collateral assets	311,367,486
Receivable for derivative cash collateral posted to counterparty, clearinghouse	8,717,658
Investment income due and accrued	69,430,911
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	7,550,229
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,270,697
Reinsurance:	
Amounts recoverable from reinsurers	412,879
Funds held by or deposited with reinsured companies	237,772
Other amounts receivable under reinsurance contracts	7,643,142
Net deferred tax asset	28,050,087
Guaranty funds receivable or on deposit	824,899
Receivables from parent, subsidiaries and affiliates	3,284,568
Accounts receivable	7,228,246
Investment receivables	348,708
Estimated premium tax offset on the provision for future GFA	50,069
Summary of remaining write-ins for Line 25 from overflow page	2,223
From separate accounts, segregated accounts and protected cell accounts	23,523,987,621
Total admitted assets	$31,907,544,546

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 6,231,674,508
Aggregate reserve for accident and health contracts	261,687,352
Liability for deposit-type contracts	29,577,235
Contract claims:	
Life	23,909,183
Accident and health	13,608,424
Premiums and annuity considerations for life and accident and health contracts received in advance	1,481,039
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	2,024,213
Interest maintenance reserve	21,139,405
Commissions to agents due or accrued	3,459,823
Commissions and expense allowances payable on reinsurance assumed	7,588,141
General expenses due or accrued	9,465,714
Transfers to separate accounts due or accrued	(194,970,916)
Taxes, licenses and fees due or accrued, excluding federal income taxes	(4,398,090)
Current federal and foreign income taxes	4,368,766
Unearned investment income	9,374,592
Amounts withheld or retained by company as agent or trustee	10,004,441
Amounts held for agents' account	864,244
Remittances and items not allocated	233,020,118
Borrowed money and interest thereon	66,347,889
Miscellaneous liabilities:	
Asset valuation reserve	133,204,625
Reinsurance in unauthorized companies	2,746,357
Funds held under coinsurance	185,000
Derivatives	102,041,136
Payable for Securities	24,773,282
Payable for Securities Lending	311,367,486
Payable for derivative cash collateral	60,037,628
Deferred gain on assumption of reinsurance transaction	1,010,326
From Separate Accounts statement	23,523,985,081
Total liabilities	$30,889,577,002
Common capital stock	$ 2,040,125
Gross paid in and contributed surplus	779,275,707
Annuitant mortality fluctuation reserve	12,816,706
ACA Section 9010 estimated assessment	111,343
Unassigned funds (surplus)	223,723,663
Surplus	$ 1,015,927,419
Total capital and surplus	$ 1,017,967,544
Total liabilities, capital and surplus	$31,907,544,546

D. Condensed Summary of Operations

	2015	2016	2017	2018	2019
Premiums and considerations	$5,812,993,375	$5,775,260,046	$5,158,585,802	$5,753,819,495	$5,712,806,248
Investment income	415,548,400	408,329,076	371,734,200	350,634,762	344,336,536
Net gain from operations from Separate Accounts	1,815	46	1	0	7
Commissions and reserve adjustments on reinsurance ceded	71,245,694	90,311,469	75,988,918	52,850,795	254,608,868
Miscellaneous income	281,030,913	277,196,160	277,448,106	260,372,191	279,807,959
Total income	$6,580,820,197	$6,551,096,797	$5,883,757,027	$6,417,677,243	$6,591,559,618
Benefit payments	$5,298,563,538	$5,915,309,452	$6,210,130,713	$8,975,354,692	$7,276,269,297
Increase in reserves	(198,811,963)	93,344,876	(371,102,694)	(127,988,438)	(139,807,217)
Commissions	185,806,010	164,667,290	150,601,026	146,318,951	132,253,330
General expenses and taxes	161,671,831	150,103,659	121,537,863	110,839,339	124,880,024
Increase in loading on deferred and uncollected premiums	(111,588)	(345,057)	(160,923)	(137,786)	(7,888)
Net transfers to (from) Separate Accounts	783,118,236	(79,281,179)	(452,272,292)	(2,925,304,240)	(1,153,023,912)
Miscellaneous deductions	5,259,333	4,353,919	(31,544,790)	(3,210,358)	(2,677,879)
Total deductions	$6,235,495,397	$6,248,152,960	$5,627,188,903	$6,175,872,160	$6,237,885,755
Net gain (loss)	$ 345,324,800	$ 302,943,837	$ 256,568,124	$ 241,805,083	$ 353,673,863
Federal and foreign income taxes Incurred	54,965,294	42,387,631	26,971,507	9,989,619	19,719,494
Net gain (loss) from operations before net realized capital gains	$ 290,359,506	$ 260,556,206	$ 229,596,617	$ 231,815,464	$ 333,954,369
Net realized capital gains (losses)	(30,483,490)	(35,578,701)	(70,939,004)	(31,376,110)	17,195,229
Net income	$ 259,876,017	$ 224,977,505	$ 158,657,613	$ 200,439,354	$ 351,149,598

The decrease in premiums and considerations from 2016 to 2017 was due primarily to the divestiture of business to Wilton Re and lower retirement plan and variable annuity deposits. The increase from 2017 to 2018 was due primarily to higher retirement plan deposits in 2018 and a decrease in ceded reinsurance premiums compared to what was paid to Wilton Re in 2017.

The increase in commissions and reserves adjustments on reinsurance ceded from 2015 to 2016 was primarily due to higher amortization of reinsurance gains in 2016 compared with 2015. The decrease from 2016 to 2017 was primarily due to consideration paid to Wilton Re, which was slightly offset by an increase in amortization of reinsurance gains. The 2018 decrease was primarily due to lower reinsurance gains amortization, which was offset partially by considerations paid to Wilton Re. The significant increase from 2018 to 2019 was due to the amortization of reinsurance gains recognized during the year as a result of the novation of two reinsurance contracts.

The significant increase in benefit payments from 2017 to 2018 was primarily due to increased surrender benefits and withdrawals due to large retirement plan withdrawals. The decrease from 2018 to 2019 was primarily due to lower contract terminations and participant level withdrawals.

The fluctuation in increase in reserves from 2015 to 2016 was primarily due to an increase in retirement plan reserves due to fixed annuity deposits exceeding withdrawals for the year and an increase in asset adequacy reserves. This was offset by a decrease in accident and health reserves resulting from the release of Sound Value reserves. The significant decrease from 2016 to 2017 was primarily due to reserves being ceded to Wilton Re due to the divestiture of the Structured Settlement Annuity and BOLI/COLI business, a decrease in general account withdrawals exceeding deposits and a decrease in AG38 reserves due to the new tax rate and higher interest rates. This was offset by an increase in accident and health reserves due to the increase in Sound Value Reserve driven by assumption changes. The change from 2017 to 2018 was primarily due to less reserves being ceded to Wilton Re in 2018 compared with 2017 as the divestiture transaction in 2017 did not repeat and an increase in life reserves due to a change in AG38 reserves. This was offset by a decrease in accident and health reserves due to the 2018 release of Sound Value reserve.

The fluctuations in net transfers to (from) Separate Accounts during the examination period were primarily due to fluctuations in surrender and withdrawal activities generated from the retirement plan business in addition to continued decreases in the Company’s variable annuity production.

E. Capital and Surplus Account

	2015	2016	2017	2018	2019
Capital and surplus, December 31, prior year	$ 957,696,663	$1,167,385,330	$1,092,304,426	$1,050,385,433	$1,090,509,819
Net income	$ 259,876,017	$ 224,977,505	$ 158,657,613	$ 200,439,354	$ 351,149,598
Change in net unrealized capital gains (losses)	2,413,144	(20,923,988)	44,049,808	13,389,546	(19,374,363)
Change in net unrealized foreign exchange capital gain (loss)	(260)	1,040	0	0	0
Change in net deferred income tax	(22,409,790)	3,540,891	(32,885,012)	(3,458,688)	18,784,875
Change in non-admitted assets and related items	13,526,495	4,751,235	13,384,988	7,341,371	(14,054,752)
Change in liability for reinsurance in unauthorized companies	(2,468,331)	(877)	(31,218)	2,100,224	(1,858,143)
Change in reserve valuation basis	(1,143,566)	0	0	0	0
Change in asset valuation reserve	(5,568,520)	(7,126,218)	4,317,141	(161,328)	(12,662,024)
Surplus (contributed to), withdrawn from Separate Accounts during period	5,000	100	(1,000)	113	0
Other changes in surplus in Separate Accounts statement	(7,133)	(68)	1,087	(126)	333
Change in surplus notes	0	(150,000,000)	0	0	0
Cumulative effect of changes in accounting principles	(281,563)	0	0	0	0
Capital changes:					
Paid in	0	0	0	(459,810)	(102,625)
Surplus adjustments:					
Paid in	0	0	1,783,686	(56,108,886)	(100,058,396)
Change in surplus as a result of Reinsurance	(34,252,826)	(61,045,670)	(71,196,086)	(20,172,138)	(225,322,994)
Dividends to stockholders	0	(70,000,000)	(160,000,000)	(103,410,446)	(75,000,000)
Correction of error	0	745,146	0	625,200	5,956,216
Net change in capital and surplus for the year	$ 209,688,667	$ (75,080,904)	$ (41,918,993)	$ 40,124,386	$ (72,542,275)
Capital and surplus, December 31, current year	$1,167,385,330	$1,092,304,426	$1,050,385,433	$1,090,509,819	$1,017,967,544

7. ACTUARIAL

A. Reserves

The Department conducted a review of reserves as of December 31, 2019. During the review the Department recommended more conservatism in the assumptions used for asset adequacy analysis pursuant to Insurance Regulation 126. In response, the Company incorporated various refinements in a manner acceptable to the Department. The changes were implemented for December 31, 2020 reserves which produced additional reserves in the amount of $42 million. The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department.

B. Self-Support

Section 4228(h) of the New York Insurance Law states, in part:

> "(h) No Company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . ."

The examiner conducted a review of the pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. This review included an examination of the required actuarial statements of self-support and the supporting demonstrations. The examiner requested statements and corresponding demonstrations for the Company's policy forms subject to Section 4228(h) of the New York Insurance Law. For three policy forms, with 2,225 policies issued, the demonstrations of self-support were not signed.

The Company violated Section 4228(h) of the New York Insurance Law by failing to have a signed and dated demonstration prior to the date the statements of self-support were signed. The prior report on examination contained a similar violation.

In response to the Department's concerns, the Company agreed that all future demonstrations will be signed, dated, and finalized prior to the date of the statement of self-support. The Company also agreed that such demonstrations will be well organized, containing detailed narrative descriptions of the methodologies and material assumptions.

8. 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 have 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.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report and the subsequent action taken by the Company in response to the citation:

Item	Description
A	The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the date these various statements of self-support were signed. Based on the actuarial review for the examination period ending December 31, 2019, the Company did not take any corrective action. Therefore, a similar violation appears in the current report (See item 7B of this report)

10. SUMMARY AND CONCLUSIONS

Following is the violation and recommendation contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department.	32
B	The Company violated Section 4228(h) of the New York Insurance Law by failing to have a signed and dated demonstration prior to the date the statements of self-support were signed.	33

Respectfully submitted,

Marc Moyer, CFE
Examination Resources, LLC

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

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

Marc Moyer

Subscribed and sworn to before me

this 25th 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/
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. <u>32095</u>

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **<u>LINDA A. LACEWELL</u>**, 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:*

MARC A. MOYER
(EXAMINATION RESOURCES, LLC)

as a proper person to examine the affairs of the

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

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 <u>28th</u> day of <u>May</u>, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU