NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

TIAA-CREF LIFE INSURANCE COMPANY

CONDITION:	DECEMBER 31, 2013
DATE OF REPORT:	JUNE 10, 2015

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EXAMINER:	COURTNEY WILLIAMS

.

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 10, 2015

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 31107, dated May 6, 2014 and annexed hereto, an examination has been made into the condition and affairs of TIAA-CREF Life Insurance Company, hereinafter referred to as "The Company" at its home office located at 730 Third Avenue, New York, NY 10017

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 violation and recommendation contained in this report are summarized below.

- The Company violated Section 403(d) of the New York Insurance Law by using to process annuity claims a claim form that did not contain the required fraud warning statement. (See item 7 of this report)

- The examiner recommends that The Company take the appropriate steps to strengthen its controls to ensure that claim forms that are used in the processing of annuity death claims comply with Section 403(d) of the New York Law. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The examination of The Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook*, 2013 Edition (the "Handbook"). The examination covers the five-year period from January 1, 2009 through December 31, 2013. 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, 2013, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

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

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

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 2009 through 2013, by the accounting firm of PricewaterhouseCoopers LLP. The Company received an unqualified opinion in all applicable years. Certain audit work-papers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company 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 the 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 actions taken by The Company with respect to the violations, recommendations and comments contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or 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 November 20, 1996 under the name TIAA Life Insurance Company and was licensed and commenced business on December 18, 1996. The Company is a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America ("TIAA"), an organization formed to provide pensions and insurance for teachers and employees of private educational institutions and currently providing an array of financial products and services to those in the academic, medical, cultural and research fields to assist in planning for and living in retirement. The Company was originally established by TIAA for the purpose of retaining its taxable life insurance and other non-pension business.

The Company's name was changed to its present name, TIAA-CREF Life Insurance Company, on May 1, 1998. The Company's initial surplus of $10,000,000 consisted of capital stock of $2,500,000 (2,500 shares at a $1,000 par value) and paid in and contributed surplus of $7,500,000.

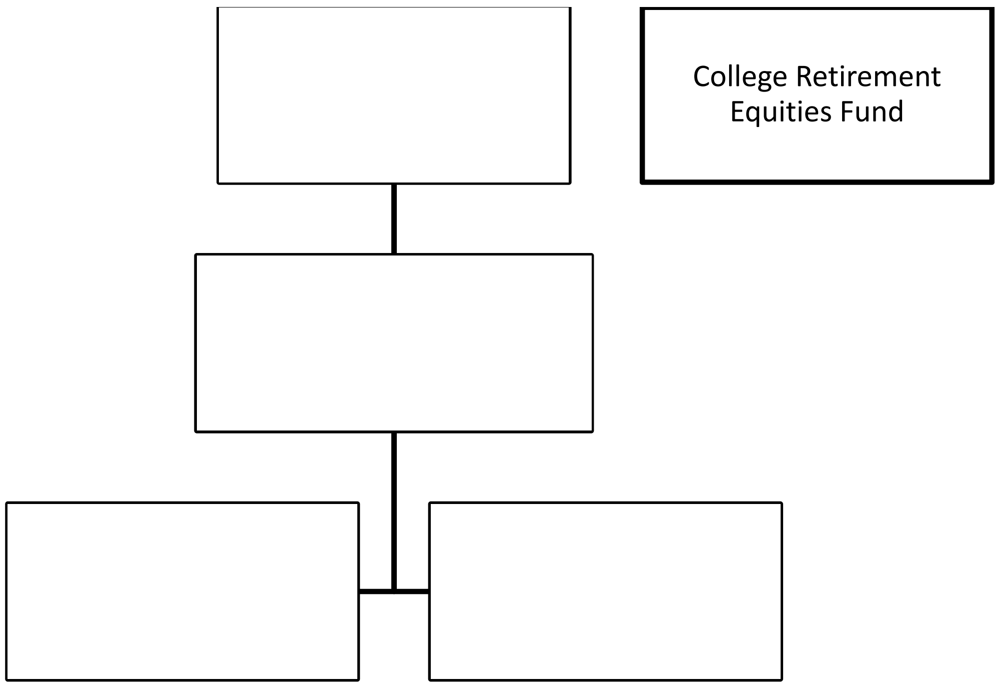
B. Holding Company

The Company is a direct wholly-owned subsidiary of TIAA. Under an at-cost service agreement, TIAA performs the majority of services for the operation of The Company. TIAA also has a financial support agreement with the Company. Under this agreement, TIAA is to provide adequate support to ensure that the Company will have the greater of (a) capital and surplus of $250 million, (b) the amount of capital and surplus necessary to maintain The Company's capital and surplus at a level not less than 150% of the NAIC Risk Based Capital Model or (c) such other amount as necessary to maintain The Company's financial strength rating at least the same as the TIAA's rating at all times. On March 17, 2009, TIAA made a $70 million capital contribution to The Company under the financial support agreement.

Additionally, TIAA provides a $100 million unsecured 364-day revolving line of credit to The Company. As of December 31, 2013, there was no outstanding principal under this line of credit. This line of credit had an expiration date of July 14, 2014.

C. <u>Organizational Chart</u>

An organization chart reflecting the relationship between The Company and significant entities in its holding company system as of December 31, 2013 follows:



D. Service Agreements

The Company had 12 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses)*For Each Year of the Examination ($000)
**Distribution Agreement 113384	11/30/98 Amendments: 2/29/00	Teachers Personal Investors Services, Inc. (“TPIS”)	The Company and TIAA-CREF Life Insurance Company Separate Account VA-1	Distribution Services.	2012 ($105,801) 2011 ($400,229) 2010 ($388,430) 2009 ($353,396)
**Participation/Distribution Agreement 320245	11/30/98 Amendment 9/15/05 38 a-1	Teachers Personal Investors Services, Inc., TIAA-CREF Life Funds	The Company and TIAA-CREF Life Insurance Company Separate Account VA-1	Underwriting and distribution services.	2012 $0 2011 $0 2010 $0 2009 $0
Amended and Restated Service Agreement 23811G	01/01/99	TIAA	The Company	Administrative and special services.	2013 ($87,641,847) 2012 ($68,815,288) 2011 ($50,784,243) 2010 ($40,590,579) 2009 ($37,790,134)
**Distribution Agreement 31448	02/20/02	Teachers Personal Investors Services, Inc.	The Company and TIAA-CREF Life Insurance Company Separate Account VLI-1	Distribution Services.	2012 ($54,193) 2011 ($82,929) 2010 ($54,909) 2009 ($51,836)

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses)*For Each Year of the Examination($000)
**Participation and Distribution Agreement 31499	02/20/02 Amendment a. 9/15/05 38 a-1	Teachers Personal Investors Services, Inc., TIAA-CREF Life Funds	The Company and TIAA-CREF Life Insurance Company Separate Account VLI-1	Underwriting and distribution services.	2012 $0 2011 $0 2010 $0 2009 $0
Service Agreement (for Tuition Plans) 27863G	12/11/01	TIAA-CREF Tuition Financing, Inc.	The Company	Administrative and special services.	2013 ($8,753,830) 2012 ($6,544,327) 2011 ($4,621,390) 2010 ($5,010,256) 2009 ($ 4,118,963)
Investment Management Agreement 145371	12/10/96	TIAA	The Company	Investment advisory services.	2013 ($3,770,308) 2012 ($2,799,973) 2011 ($2,221,547) 2010 ($1,659,234) 2009 ($2,192,358)
**Distribution Agreement for the TIAA-CREF Investment Horizon Annuity Contracts Replaced by Amended and Restated Distribution Agreement 11/12/08 40560	08/12/2008	TIAA-CREF Individual & Institutional Services, LLC	The Company	Distribution services in connection with the MVA Contracts.	2012 ($ 64,076) 2011 ($221,488) 2010 ($477,205) 2009 ($783,789)

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipients of Service(s)	Specific Service(s) Covered	Income/(Expenses)*For Each Year of the Examination($000)
Principal Underwriting, Distribution and Cash Disbursement and Reimbursement Agreement 45989	04/01/2012	TIAA-CREF Individual & Institutional Services, LLC ("TC Services")	The Company	TC Services is distributor of TC Life variable After Tax Annuities and Variable Universal Life products at cost	2013 ($11,189,948) 2012 ($ 6,627,527)
TIAA-CREF Life Stable Value Contracts Investment Management Agreement 45205	05/10/2012	Teachers Advisors, Inc. ("TAI")	The Company	TAI performs investment management for TC Life Stable Value Contracts	2013 ($2,228,657) 2012 ($ 701,884)
TIAA-CREF Life Stable Value Contracts – Administration Agreement 46214	11/07/2012	TC Life	TAI	TC Life performs administrative duties for TAI.	2013 $49,435 2012 $0
TIAA-CREF Life Stable Value Contracts – Distribution Agreement 45204A	05/10/2012	TPIS	TIAA-CREF Life Insurance Company	TPIS distributes Stable Value Contracts on behalf of TC Life	2013 ($617,253) 2012 ($210,096)

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

**Effective May 1, 2012, these agreements were replaced by the Principal Underwriting, Distribution and Cash Disbursement and Reimbursement Agreement between The Company and TC Services (Department file number 45989). Expenses incurred starting from May 1, 2012 was paid under the new agreement. There were no activities under two of the replaced agreements – Department file numbers 320245 and 314299 - for years 2009 to 2012.

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 15 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in November of each year. As of December 31, 2013, the board of directors consisted of 10 members. Meetings of the board are held quarterly.

The 10 board members and their principal business affiliation, as of December 31, 2013, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
David Mark Anderson Waxhaw, NC	President and Chief Executive Officer TIAA-CREF Life Insurance Company Senior Managing Director Teachers Insurance and Annuity Association of America	2011
Kathie Jane Andrade Barrington, RI	Executive Vice President Teachers Insurance and Annuity Association of America	2012
Elizabeth Davenport Black Rye, NY	Senior Managing Director Teachers Insurance and Annuity Association of America	2006
Matthew Craig Halperin Wayland, MA	Senior Managing Director Teachers Insurance and Annuity Company of America	2012
Nancy Freund Heller New York, NY	Senior Managing Director Teachers Insurance and Annuity Association of America	2007
Eric Thomas Jones New York, NY	Senior Managing Director Teachers Insurance and Annuity Association of America	2008
Matthew Lance Kurzweil Merrick, NY	Senior Vice President and Corporate Controller Teachers Insurance and Annuity Association of America	2008

Name and Residence	Principal Business Affiliation	Year First Elected
Russell Gordon Noles Monroe Township, NJ	Senior Managing Director Teachers Insurance and Annuity Association of America	2005
Ronald Richard Pressman New Canaan, CT	Executive Vice President and Chief Operating Officer Teachers Insurance and Annuity Association of America	2012
Martin Snow Edison, NJ	Vice President Teachers Insurance and Annuity Association of America	2012

Matthew Halperin ended his service as board member effective September 16, 2014; Matthew Kurzweil, ended his service as board member effective September 2, 2014; Martin Snow ended his service as board member effective May 27, 2014; and Ronald Pressman ended his service as board member effective October 29, 2014.

Rashmi Badwe and Sue Collins were elected to the board on August 18, 2014. Douglas Chittenden and Ajay Sawhney were elected to the board on October 30, 2014.

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, 2013:

Name	Title
David Mark Anderson	President and Chief Executive Officer
Linda Sellers Dougherty	Vice President and Chief Financial Officer
Jorge Claudio Gutierrez	Treasurer
Marjorie Pierre-Merritt	Secretary

Rashmi Badwe is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

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 all 50 states and the District of Columbia. In 2013, 12.3% of life premiums, 10.8 % of annuity considerations and 16.4% of accident and health premiums were received from New York. Policies were written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2013:

Life Insurance Premiums	
New York	12.3%
Pennsylvania	10.4%
Ohio	4.8%
Florida	4.6%
Georgia	4.6%
Subtotal	36.8%
All others	63.2%
Total	100.0%

Annuity Considerations	
New York	10.8%
Florida	6.7%
California	6.2%
Texas	5.7%
Michigan	5.3%
Subtotal	34.7%
All others	65.3%
Total	100.0%

Accident and Health Insurance Premiums	
New York	16.4%
Florida	13.4%
Massachusetts	7.4%
Pennsylvania	5.8%
Maryland	4.3%
Subtotal	47.3%
All others	52.7%
Total	100.0%

Deposit Type Funds	
Pennsylvania	35.4%
North Carolina	24.3%
Iowa	13.0%
California	9.7%
Michigan	6.5%
Subtotal	88.9%
All others	11.1%
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2013, The Company had $5,466,676 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of The Company.

B. Direct Operations

The Company’s primary products are individual annuities, including: single premium immediate annuities, flexible premium deferred variable annuities, and single premium deferred annuities; life insurance; funding agreements; and, separate account guaranteed interest contracts (“SAGIC”). Individual annuities and life insurance products are marketed directly to individuals while funding agreements are issued directly to states in support of state sponsored 529 college savings and scholarship plans. The SAGIC product is an unallocated, non-participating deposit type contract in a separate account and is designed as an investment vehicle offered to trustees and/or plan sponsors of stable value funds. TIAA’s individual products are available to the general public; however, it markets primarily to the individuals who own retirement annuities or insurance policies issued by TIAA. Policies are written on a non-participating basis.

In October 2011, The Company entered into an exclusive distribution agreement with M Financial Group (“M Financial”) to offer The Company's life insurance products to M Financial’s member firms and clients. M Financial is owned by approximately 130 member firms in 36 states and Canada, and is comprised of several entities, including the parent company, which serves as a general insurance marketing entity, two broker-dealers, an investment advisor, a reinsurance company and four proprietary mutual funds. The 130 M Financial member firms include approximately 600 individual insurance producers who have been appointed as the Company’s independent agents. This agreement marks the first time The Company will pay commissions to a third party distribution network.

The Company’s access to M Financial’s ultra-high net worth client base, significantly expands its distribution network. In 2012, The Company and M Financial introduced two new variable universal life products and one new fixed universal life product designed for high net worth clients. In 2013, they added fixed and variable survivorship products, as well as a term life insurance product. Under the agreement with M Financial, The Company continues to develop proprietary life insurance products that will be distributed exclusively through M

Financial and its affiliated licensed producers. Life insurance policies sold by agents affiliated with M Financial Group are typically 50% reinsured with M Financial Group (a description of reinsurance treaties with M Financial is provided in the Reinsurance section).

C. Reinsurance

As of December 31, 2013, The Company had reinsurance treaties in effect with 14 companies, of which nine were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance**,** modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

Effective May 1, 2012, The Company entered into a modified coinsurance reinsurance agreement with M Life Insurance Company ("M Financial Re"). Under this agreement, The Company cedes up to 50% of all M Financial single and joint life universal and variable universal life policies. Effective July 1, 2013, the agreement was amended for M Financial Re to accept 50% of each risk on The Company's 10 Year Level Term and 20 Year Level Term Plans, on a first dollar quota share basis.

The Company's maximum retention limit regarding M Financial Re business is: $1,500,000 for one insured life and $2,500,000 for two insured lives for contracts issued prior to June 27, 2006; $5,000,000 for one insured life and $9,000,000 for two insured lives for contracts issued on or after June 27, 2006; and, $15,000,000 on one insured life and $20,000,000 on two insured lives for contracts issued after May 1, 2012. Currently, only the M Financial Re business is using this retention.

The total face amount of life insurance ceded as of December 31, 2013 was $25,760,307,956, which represented approximately 73% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $203,364,024 was supported by letters of credit and trust agreements.

The Company had no assumed business as of December 31, 2013.

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, 2008	December 31, 2013	Increase (Decrease)
Admitted assets	$2,917,584,892	$7,988,639,007	$5,071,054,115
Liabilities	$2,637,254,186	$7,614,805,598	$4,977,551,412
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	287,500,000	357,500,000	70,000,000
Unassigned funds (surplus)	(9,669,294)	13,833,409	23,502,703
Total capital and surplus	$ 280,330,706	$ 373,833,409	$ 93,502,703
Total liabilities, capital and surplus	$2,917,584,892	$7,988,639,007	$5,071,054,115

The Company's total admitted assets (excluding Separate Accounts) as of December 31, 2013 were mainly comprised of bonds (95.0%) and cash and short-term investments (2.6%).

The majority (98.4%) of The Company's bond portfolio, as of December 31, 2013, 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		Group Life	
Year	Issued	In Force	Issued	In Force	Issued	In Force
2009	$ 220,440	$ 1,126,666	$1,046,734	$22,786,580	$ 0	$ 0
2010	$ 306,905	$ 1,403,239	$1,093,684	$23,250,173	$ 0	$ 0
2011	$ 281,010	$ 1,636,365	$1,856,342	$24,633,524	$ 0	$ 0
2012	$ 466,305	$ 2,048,109	$3,370,687	$27,597,765	$ 291,155	$ 292,854
2013	$1,084,354	$ 3,075,074	$3,395,722	$30,222,093	$ 1,875,434	$ 2,143,689

The increase in individual whole life policies issued from 2011 to 2012 and from 2012 to 2013 resulted primarily from the distribution relationship The Company entered into with M Financial.

The Company began proactively marketing individual term life products in 2010 and continued its efforts in 2011 and 2012, this led to an increase in term life products in 2011 and 2012.

The Company began issuing group universal single life insurance in 2012 through M Financial.

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:

	2009	2010	2011	2012	2013
Ordinary:					
Life insurance	$ (8,682,413)	$ (8,489,745)	$ (11,765,575)	$ (29,621,351)	$ (59,948,752)
Individual annuities	5,438,665	12,177,445	9,855,789	11,951,337	(18,355,242)
Supplementary contracts	(303,368)	(254,910)	(758,998)	(2,050,280)	(5,003,335)
Total ordinary	$ (3,547,116)	$ 3,432,790	$ (2,668,784)	$ (19,720,294)	$ (83,307,329)
Group:					
Life	$ 0	$ 0	$ 0	$ (742,348)	$ (544,174)
Annuities	(17,906,423)	5,634,933	8,654,720	20,573,451	29,215,135
Total group	$ (17,906,423)	$ 5,634,933	$ 8,654,720	$ 19,831,103	$ 28,670,961
Accident and health:					
Group	$ 23,527,588	$ 0	$ 0	$ 0	$ 0
Credit	0	0	0	0	0
Other	41,161	(27,530)	(9,331)	(36,057)	(37,849)
Total accident and health	$ 23,568,749	$ (27,530)	$ (9,331)	$ (36,057)	$ (37,849)
All other lines	$ 10,320,738	$ 16,753,348	$ 14,338,293	$ 20,428,190	$ 25,383,427
Total	$ 12,435,948	$ 25,793,541	$ 20,314,898	$ 20,502,942	$ (29,290,790)

In 2010, The Company initiated a strategy to grow its life and annuity insurance business. The growth initiative has resulted in higher underwriting expenses associated with new sales and higher operating expenses related to infrastructure spending to support the continued growth in the individual and group life insurance business. In addition, in 2011 The Company launched its first third party distribution relationship that pays commissions for the acquisition of life insurance business. The surplus strain associated with these growth initiatives has generated the increases in net losses from operations for The Company's individual life insurance business from 2011 to 2013. This also applies to The Company's group life insurance business, which The Company started in 2012.

The continued growth in The Company's life insurance and annuity business resulted in the fluctuations in the net gain from operations from The Company's ordinary individual annuities business from 2009 to 2013. The resulting net gains (losses) from operations were primarily due to interest rate spread, fee income, separate account's net gain from operations, which has varied from year to year as new annuities are issued, and benefits/surrenders paid on existing contracts. The $30.4 million decrease in net gain from operations from 2012 to 2013 was due primarily to an increase of approximately $68 million in net transfers to separate accounts, partially offset by a $16.8 million in individual annuity earnings.

Revenue from The Company's group annuity business is comprised primarily of net investment income. In 2009, no investment income was allocated to the group annuity business compared to investment income of $39.4 million that was allocated in 2010. This resulted in the increase in net gain from operations from The Company's group annuity business from 2009 to 2010. The increase in net gain from operations of $11.9 million from 2011 to 2012 resulted primarily from an increase in net investment income of $8.8 million and a decrease in federal income tax expense of $3.2 million. The effective tax rate for 2012 was significantly reduced as a result of an election under Section 166 of the Internal Revenue Code regarding tax treatment for credit-related impairment charge-offs of eligible securities. The $8.6 million increase in net gains from operations from the group annuity business from 2012 to 2013 was driven by approximately $5.9 million in fee income from separate accounts in 2013 as compared to approximately $1.8 million in 2012. Corresponding operating expense allocations for group annuities increased by approximately $2.3 million in 2013 compared to 2012. Additionally, federal income taxes decreased by $8.1 million from 2012 to 2013.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in The Company's 2013 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, 2013 filed annual statement.

A. Independent Accountants

The firm of PricewaterhouseCoopers 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.

PricewaterhouseCoopers LLP 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	$4,105,951,502
Stocks:	
Preferred stocks	2,470,382
Common stocks	573,173
Cash, cash equivalents and short term investments	114,882,092
Contract loans	10,466,993
Other invested assets	12,772,759
Investment income due and accrued	39,260,642
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	(30,434,099)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,040,997
Reinsurance:	
Amounts recoverable from reinsurers	1,910,200
Other amounts receivable under reinsurance contracts	35,363,183
Net deferred tax asset	11,799,000
Sundry receivable	2,913,080
From separate accounts, segregated accounts and protected cell accounts	$3,668,669,103
Total admitted asset	$7,988,639,007

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$1,896,978,038
Liability for deposit-type contracts	2,013,450,784
Contract claims:	
Life	3,848,168
Premiums and annuity considerations for life and accident and health contracts received in advance	87,949
Contract liabilities not included elsewhere:	
Interest maintenance reserve	7,769,003
Commissions to agents due or accrued	1,256,433
Transfers to separate accounts due or accrued	(2,326,894)
Current federal and foreign income taxes	2,516,001
Amounts withheld or retained by company as agent or trustee	7,927,413
Remittances and items not allocated	4,185,284
Miscellaneous liabilities:	
Asset valuation reserve	17,937,265
Reinsurance in unauthorized companies	8,026,560
Payable to parent, subsidiaries and affiliates	14,253,600
Miscellaneous liabilities	154,709
From Separate Accounts statement	3,638,741,285
Total liabilities	$7,614,805,598
Common capital stock	2,500,000
Gross paid in and contributed surplus	357,500,000
Unassigned funds (surplus)	13,833,409
Surplus	$ 371,333,409
Total Capital and surplus	$ 373,833,409
Total liabilities, capital and surplus	$7,988,639,007

D. Condensed Summary of Operations

	2009	2010	2011	2012	2013
Premiums and considerations	$232,514,296	$219,195,831	$224,423,926	$283,008,896	$480,909,847
Investment income	131,115,139	129,279,202	132,685,094	147,749,071	150,328,774
Net gain from operations from Separate Accounts	0	1,103,586	1,194,334	1,075,165	4,306,844
Commissions and reserve adjustments on reinsurance ceded	7,989,358	7,850,404	8,503,643	22,438,046	88,141,604
Miscellaneous income	3,205,113	3,570,312	4,077,210	8,421,713	12,318,154
Total income	$374,823,906	$360,999,335	$370,884,207	$462,692,891	$736,005,223
Benefit payments	$172,804,028	$151,235,515	$150,865,195	$158,115,148	$144,907,984
Increase in reserves	55,901,352	74,326,890	83,740,924	128,506,828	320,016,183
Commissions	0	0	0	5,366,287	31,784,942
General expenses and taxes	42,777,580	46,492,612	56,213,977	83,007,021	110,293,296
Increase in loading on deferred and uncollected premiums	314,463	262,293	(963,749)	(1,882,826)	(903,957)
Net transfers to (from) separate accounts	75,252,386	48,360,198	37,938,188	57,975,744	143,229,874
Miscellaneous deductions	3,416,286	6,018,971	12,229,662	9,859,048	9,018,410
Total deductions	$350,466,095	$326,696,479	$340,024,197	$440,947,250	$758,346,732
Net gain (loss)	$ 24,357,811	$34,302,856	$ 30,860,010	$ 21,745,641	$ (22,341,509)
Federal and foreign income taxes incurred	11,921,863	8,509,315	10,545,112	1,242,699	6,949,281
Net gain (loss) from operations before net realized capital gains	$ 12,435,948	$25,793,541	$ 20,314,898	$ 20,502,942	$ (29,290,790)
Net realized capital gains (losses)	(19,451,949)	(849,381)	9,189,631	(2,360,358)	(36,968)
Net income	$ (7,016,001)	$ 24,944,160	$ 29,504,529	$ 18,142,584	$ (29,327,758)

The increases in premiums and considerations of $58.6 million from 2011 to 2012 and $197.9 million from 2012 to 2013 are in line with the Company's strategy to grow its life insurance and annuity businesses.

Commissions and reserve adjustments on reinsurance ceded increased in the amounts of $13.9 million from 2011 to 2012 and $65.7 million from 2012 to 2013. These increases are driven by the Company increasing its reinsurance ceded activities as it continues to grow its life insurance business. On May 1, 2012, The Company entered into a modified coinsurance reinsurance agreement with M Financial Re to cede up to 50% of all single and joint life universal and variable universal life policies. The treaty was amended on July 1, 2013 for M Financial Re to accept 50% of each risk on the Company's 10 Year Level Term and 20 Year Level Term Plans, on a first dollar quota share basis.

The increase in net transfers to (from) separate accounts of $85.3 million from 2012 to 2013 is consistent with the underlying growth in the business.

The net loss of $29.3 million for 2013 compared to a net income of $18.1 million in 2012 was a result of the impact of surplus strain due to higher underwriting expenses associated with issuing a growing volume of new policies and higher operating expenses to sustain the continued growth.

E. Capital and Surplus Account

	2009	2010	2011	2012	2013
Capital and surplus, December 31, prior year	$280,330,706	$353,313,079	$370,581,290	$398,385,235	$412,930,927
Net income	$ (7,016,001)	$ 24,944,160	$ 29,504,529	$ 18,142,584	$ (29,327,758)
Change in net unrealized capital gains (losses)					
Change in net deferred income tax	(1,706,077)	(672,470) (2,676,000)	2,723,270 (14,040,000)		
Change in non-admitted assets and related items	9,286,000			128,753 (7,605,000)	313,695 16,015,000
Change in liability for reinsurance in unauthorized companies	(8,198,087)	1,228,105	12,928,692	6,060,965	(11,808,594)
Change in asset valuation reserve	(1,691,725)	1,691,725 (7,513,256)	(2,789,196)	(1,189,636) (3,570,315)	(6,836,924) (3,772,778)
Surplus withdrawn from Separate Accounts during period	616,073		0		24,206
Other changes in surplus in Separate Accounts statement				(24,206)	
Cumulative effect of changes in accounting principles	3,435,605 0	454,947 0	(82,350) 0	2,002,547	(3,704,365)
Surplus adjustments:	4,289,585				
Paid in Adoption of SSAP 10R	70,000,000				
Change in incremental admitted deferred tax asset		0	0	0	0
Net change in capital and surplus for the year	3,967,000 $ 72,982,373 0	0 (189,000) $ 17,268,211 0	0 (441,000) 0 $27,803,945	0 $ 14,545,692 0	0 $(39,097,518) 0
				0	0
Capital and surplus, December 31, current year	$353,313,079	$370,581,290	$398,385,235	$412,930,927	$373,833,409

7. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of The Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of The Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of The Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

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

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

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

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C. Treatment of Policyholders

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

Section 403(d) of the New York Insurance Law (NYIL) states, in part:

> "(d) All applications…and all claim forms . . . shall contain a notice in a form approved by the superintendent that clearly states in substance the following:
>
> 'Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation. '''

The examiner reviewed 30 annuity death claims. The claim form used by The Company to process 9 (30%) of the claims did not contain a fraud warning statement as required by Section 403(d) of the New York Insurance Law.

The Association utilized two claim forms to process annuity death claims during the exam period. One claim form contained several fraud warning statements as applicable by state law, including New York. This claim form was used to process the annuity death claims in the examiner's sample for years 2009 through 2012. The other claim form, used by The Company in 2013, contained three fraud notices, two of which identified Colorado, Virginia, and Washington, D.C as the applicable jurisdictions and the third which did not identify any particular state or jurisdiction but had the following heading: "This notice/warning does not apply in New York." This claim form was used by The Company to process the 9 annuity death claims identified by the examiner.

The Company violated Section 403(d) of the New York Insurance Law by using to process annuity death claims a claim form that did not contain the required fraud warning statement.

The examiner recommends that The Company take the appropriate steps to strengthen its controls to ensure that all claim forms used in the processing of annuity death claims comply with Section 403(d) of the New York Insurance Law.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by The Company in response to each citation:

Item	Description
A	The examiner recommended that The Company initiate procedures to ensure that all directors acknowledge having received and read the statutory reports on examination in a timely manner.
	The examiner's review revealed that the final examination reports from the Department and the signature pages are included on the Board agenda for review and sign-off by the Board members. The review is recorded in the minutes and the signatures are maintained with the Board materials.
B	The examiner recommends that The Company compile and update annually a list of related employees, including information as to names, job titles and relationship, and make such list available for review by Department examiners.
	The Company implemented a mandatory employee online survey, which collects information on employee family relationships. Every employee has to complete the survey once a year. Also, the survey stays open throughout the year, in the event that the employee family relationship changes.
C	The examiner recommended that The Company take greater care in the preparation of Schedule S. A similar finding was contained in the prior report on examination.
	The examiner's review indicated that The Company monitors all Schedule S treaty information closely through verification of supporting details prior to final input into Schedule S.

Item	Description
D	The Company violated Section 4233(a) of the New York Insurance Law by failing to classify its bonds on schedule D, Part 1, in accordance with the annual statement instructions published by the National Association of Insurance Commissioners.
	The Company took corrective actions by updating the process and controls around its fixed income securities accounting to ensure proper reporting in the Annual Statement. The examination did not reveal any violation of Section 4233(a) of the New York Insurance Law.
E	The examiner recommended that The Company exercise due care in grouping its bonds on Schedule D.
	The Company complied with the recommendation by updating the process and controls around its fixed income securities accounting to ensure proper reporting in the Annual Statement.
F	On March 17, 2009, The Company received a $70 million capital contribution from the Association in accordance with the financial support agreement.
	The Association did not make any capital contributions to The Company subsequent to 2009 or prior to the date of this report.
G	The Company incurred $21.3 million of investment-related losses and write-downs during 2009. The losses occurred in a variety of investment classes, including financial institution and other corporate bonds, structured securities, and mortgage loans
	These losses were triggered primarily by the effects of the financial crisis and its lingering impact on the U.S. residential and commercial real estate markets. The Company has been reducing its exposure to direct commercial mortgage loans and commercial mortgage-backed securities.

Item	Description
H	The Company violated Section 4228(h) of the New York Insurance Law by failing to provide signed self-support demonstrations for its life insurance and annuity forms subject to such Section. The Company has indicated its commitment to ensure that all future self-support demonstrations have been signed by a qualified actuary. The Company provided an inventory of documentation supporting Section 4228(h) statements of self-support for policies available for sale. Compliance with dates and signatures was indicated.
I	The examiner recommended that The Company ensure that all future self-support demonstrations are signed by a qualified actuary. The Company has indicated its commitment to ensure that all future self-support demonstrations have been signed by a qualified actuary. The Company provided an inventory of documentation supporting Section 4228(h) statements of self-support for policies available for sale. Compliance with dates and signatures was indicated.
J	The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by either failing to send to the company being replaced a copy of any proposal and sales material used in the sale of the proposed policy, and a copy of the completed Disclosure Statement or by failing to send such information to the company being replaced within ten days of receipt of the application. This was a repeat of a violation contained in the prior report on examination. The Company created a Centralized New York team that specializes in Department Regulation No. 60 activity. Per the unit's standard operating procedures manual, the associates are tasked to send the required information to the replaced company within 10 calendar days of receipt of the signed Disclosure Statement and application. The examiner's review did not reveal violations of Section 51.6(b)(4) of Department Regulation No. 60.

Item	Description
K	The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine the Disclosure Statements in order to ascertain that they are accurate and meet the requirements of the Insurance Law and Department Regulation No. 60. A similar violation was contained in the prior report on examination. The Company's Underwriting Unit implemented a centralized pre-issue review process and a dedicated group of agents in sales were trained and authorized to complete Department Regulation 60 Disclosure Statements. Standard operating procedures dictate that associates verify completion and accuracy of Disclosure Statements. The examiner's review did not reveal violations of Section 51.6(b)(3) of Department Regulation No. 60.
L	The Company violated Section 51.6(e) of Department Regulation No. 60 by failing to date all the documentation related to the replacement transaction upon receipt. The Company's incoming mail process was enhanced to affix a date and time-stamp to correspondence upon receipt. The examiner's review did not reveal any violations of Section 51.6(e) of Department Regulation No. 60.
M	The Company violated Section 53-3.3(d)(1) of Department Regulation No. 74 by issuing policies with illustrations that were not signed and dated by the applicant or policy owner. This was a repeat of a violation contained in the prior report on examination. The Company has had processes in place since 2009 for its permanent and annual renewable term life products, which require the owner/agent signature be obtained on the illustration. Current processes secure and conform to the customer and agent signature requirements for all applicable products. The examiner's review did not reveal any violations of Section 53-3(d)(1) of Department Regulation No. 74.
N	The Company violated Section 53-3.3(d)(2) of Department Regulation No. 74 by issuing policies with illustrations that were not signed and dated by the agent. This was a repeat of a violation contained in the prior report on examination. The Company has had processes in place since 2009 for its permanent and annual renewable term life products, which require the owner/agent signature be obtained on the illustration. Current processes secure and conform to the customer and agent signature requirements for all applicable products. The examiner's review did not reveal any violations of Section 53-3(d)(2) of Department Regulation No. 74.

9. SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 403(d) of the New York Insurance Law by using to process annuity death claims a claim form that did not contain the required fraud warning statement	26
B	The examiner recommends that the Company take the appropriate steps to strengthen its controls to ensure that claim forms that are used in the processing of annuity death claims comply with Section 403(d) of the New York Law.	26

Respectfully submitted,

/s/
Courtney Williams
Associate 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 ___________________