NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON MARKET CONDUCT EXAMINATION

OF THE

USAA LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2016

DATE OF REPORT: OCTOBER 13, 2017

EXAMINER: MESKEREM BELAY
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Scope of examination</td>
<td>2</td>
</tr>
<tr>
<td>2. Description of Company</td>
<td>3</td>
</tr>
<tr>
<td>A. History</td>
<td>3</td>
</tr>
<tr>
<td>B. Territory and plan of operation</td>
<td>3</td>
</tr>
<tr>
<td>3. Market conduct activities</td>
<td>4</td>
</tr>
<tr>
<td>A. Advertising and sales activities</td>
<td>4</td>
</tr>
<tr>
<td>B. Underwriting and policy forms</td>
<td>4</td>
</tr>
<tr>
<td>C. Treatment of policyholders</td>
<td>4</td>
</tr>
<tr>
<td>4. Prior report summary and conclusions</td>
<td>5</td>
</tr>
</tbody>
</table>
November 17, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31579, dated March 2, 2017, and annexed hereto, an examination has been made into the condition and affairs of USAA Life Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 529 Main Street, Highland Falls, NY 10928.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.
1. SCOPE OF EXAMINATION

This examination covers the period from January 1, 2014, through December 31, 2016. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2016, but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners’ Market Regulations Handbook or such other examination procedures, as deemed appropriate, in such review.

The examiner reviewed the corrective actions taken by the Company with respect to the market conduct violation contained in the prior report on examination. The result of the examiner’s review is contained in item 4 of this report.

This report on examination is confined to comments on matters which involve departure from laws, regulations or rules, or which require explanation or description.
2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on October 1, 1997, was licensed and commenced business on November 14, 1997. Initial resources of $6,661,425, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $4,661,425, were provided through the sale of 20,000 shares of common stock (with a par value of $100 each) for $333.07 per share. As of December 31, 2016, the Company reported total common capital stock and paid in and contributed surplus in the amounts of $2,000,000 and $21,482,647, respectively.

B. Territory and Plan of Operation

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 only in New York. In 2016, 80.6% of life premiums, 93.7% of annuity considerations and all deposit type funds were received from New York. Policies are written on a participating and non-participating basis.

The Company issues individual life insurance (whole, term and universal) and fixed annuity products. The Company’s target market is the military, and spouses and dependents of military members ages 21 to 60. The Company’s products and services are available to the general public. However, it does not actively solicit sales to the general public.

The Company’s agency operations are conducted on a direct response basis. All life and annuity products are exclusively distributed by the Company’s affiliate, USAA Financial Planning Services Insurance Agency, Inc. (“FPS”), pursuant to an administrative services agreement. All agents are salaried employees of FPS.
3. 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.

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.

Based upon the sample reviewed, no significant findings were noted.
4. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The Company violated Section 4228(h) of the New York Insurance Law by failing to demonstrate that pricing was performed prior to the date the statements of self-support were signed for 196 immediate annuity Contracts sold between 2000 - 2011. The Company enhanced its self-support documentation, self-support testing, and its electronic storage procedures to ensure that pricing demonstrations supporting the statements of self-support will be available and will include the required information. The Company also established a dedicated network shared drive folder to store electronic self-support documentation.</td>
</tr>
</tbody>
</table>
Respectfully submitted,

/s/
Meskerem Belay
Senior Insurance Examiner

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

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

/s/
Meskerem Belay

Subscribed and sworn to before me

this________ day of ____________________
APPOINTMENT NO. 31579

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

MESKEREM BELAY

as a proper person to examine the affairs of the

USAA LIFE INSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of said COMPANY

with such other information as she 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 2nd day of March, 2017

MARIA T. VULLO
Superintendent of Financial Services

By: MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU