



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
INTRAMERICA LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

JUNE 5, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

DONALD W SIROIS, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 5, 2015

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

Sir:

In accordance with instructions contained in Appointment No. 31101, dated January 21, 2015 and annexed hereto, an examination has been made into the condition and affairs of Intramerica Life Insurance Company, hereinafter referred to as “the Company,” at the administrative office of the Company’s parent, Allstate Life Insurance Company (“ALIC”), located at 2775 Sanders Road, Northbrook, Illinois 60062. The Company’s home office is located at 100 Motor Parkway, Hauppauge, New York 11788.

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

The report indicating the results of this examination is respectfully submitted.

1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2014 Edition* (“Handbook”). The examination covers the five-year period from January 1, 2009 to 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.

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 Deloitte & Touché, LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Allstate Corporation (“Allcorp”), the Company’s ultimate parent, 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 prior report on examination which did not contain any violations, recommendations or comments.

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

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York in 1965, and was licensed in March 1966. Initial resources of \$2,800,000, consisting of common capital stock of \$600,000 and paid in and contributed surplus of \$2,200,000, were provided through the sale of 300,000 shares of common stock (with a par value of \$2 each) for \$9.33 per share. In 1982, the par value was increased to \$5 per share; thereby increasing capital to \$1,500,000 with \$900,000 transferred from paid in surplus. In 1984, par value was increased to \$7 per share; increasing capital to \$2,100,000 with \$600,000 transferred from paid in surplus.

At inception, the Company was a wholly owned subsidiary of Intramerica Life Corporation of New York. On June 30, 1968, Intramerica Life Corporation of New York was merged into Colonial Penn Group, Inc. (“Colonial”).

On December 31, 1985, the Department approved the acquisition of Colonial and the Company by FPL Group Capital, Inc. (“FPL”).

In April 1991, FPL and Leucadia National Corporation (“Leucadia”) entered into a stock purchase agreement in which Leucadia purchased all of the outstanding stock of Colonial. Pursuant to the terms of the agreement, Leucadia assigned to its wholly owned subsidiary, Charter National Life Insurance Company (“Charter”), its rights and obligations under the purchase agreement. In August 1991, Charter acquired all the outstanding stock of Colonial.

As part of the Department approval of Charter’s acquisition of Colonial and the Company, Charter agreed to merge or sell its wholly owned New York subsidiary, First Charter Life Insurance Company (“First Charter”). The Company and First Charter were merged as of November 1, 1992, and retained the name Intramerica Life Insurance Company.

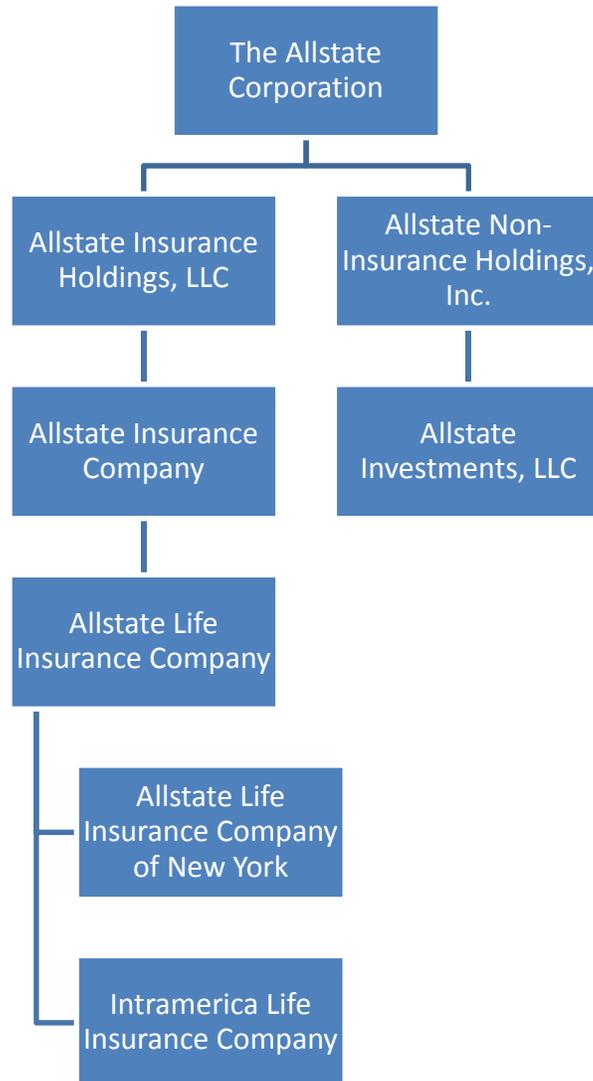
On July 1, 1999, ALIC acquired all of the outstanding shares of the Company at \$7 per share.

B. Holding Company

The Company is a wholly owned subsidiary of ALIC, an Illinois insurance company. ALIC is in turn a wholly owned subsidiary of Allstate Insurance Company (“AIC”), an Illinois insurance company. The ultimate parent of the Company is “Allcorp”, a Delaware domiciled corporation.

C. Organizational Chart

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 2 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
Investment Advisory Agreement (Department File No. 26567)	07/01/1999	AIC	The Company	Investment advisory and management services.	2009 \$(14,795) 2010 \$(13,834) 2011 \$(9,578) 2012 \$(18,363) 2013 \$(18,484)
Assignment & Assumption Agreement	01/01/2002	Allstate Investments, LLC ("AI")		AI will assume all of AIC's rights, title and interest in the Investment Advisory Agreement.	
Amended and Restated Service and Expense Agreement (Department File No. 32569)	03/01/2005	AIC, Allcorp and certain affiliates	The Company	A variety of services including marketing, claims, underwriting, policyholder services, cost sharing and allocation of operating expenses among the parties.	2009 \$(32,435) 2010 \$(27,133) 2011 \$(26,453) 2012 \$(41,045) 2013 \$(41,483)
New York Insurer Supplement to Amended and Restated Service and Expense Agreement	03/05/2005	AIC and Allcorp	The Company and Allstate Life Insurance Company of New York	Agreement is applicable solely as to services and facilities provided to the New York Insurers hereunder in order to conform to requirements and restrictions of the New York Insurance Law that are applicable to the New York Insurers and not to the other Affiliates.	
Amendment #1 (Department File No. 43412)	01/02/2009			The amendment reflects certain operational changes and other matters.	

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

E. Management

The Company filed an amendment with the Department for the purpose of reducing the required number of directors in its by-laws. The amendment was approved on July 2, 2010. The Company's amended by-laws provide that the board of directors shall be comprised of not less than seven and not more than 13 directors. Directors are elected at each annual meeting of the shareholders and each director holds office until the next annual meeting of shareholders. As of December 31, 2013, the board of directors consisted of eight members. Meetings of the board are held quarterly.

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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Marcia D. Alazraki * Albany, NY	Attorney Manatt, Phelps & Philips, LLP	1999
Dogan Civgin Northfield, IL	Chairman, President and Chief Executive Officer Intramerica Life Insurance Company	2012
Angela K. Fontana Lake Forest, IL	Vice President, General Counsel and Secretary Intramerica Life Insurance Company	2012
Cleveland Johnson, Jr.* Bay Shore, NY	Retired Mariga Communication Corporation	1999
Wilford J. Kavanaugh Hawthorn Woods, IL	Senior Vice President Allstate Life Insurance Company	2012
Jesse E. Merten Highland Park, IL	Chief Financial Officer Intramerica Life Insurance Company	2012
John R. Raben, Jr.* Greenwich, CT	Retired JP Morgan Chase	1999
Phyllis Hill Slater* Mt. Sinai, NY	Chief Executive Officer Hill Slater, Inc.	2002

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

Cleveland Johnson, Jr. resigned from the board in April 2014 and was not replaced, lowering the number of directors to seven.

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:

<u>Name</u>	<u>Title</u>
Dogan Civgin	President and Chief Executive Officer
Jesse E. Merten	Chief Financial Officer
Angela K. Fontana	Vice President, General Counsel and Secretary
Theresa M. Resnick	Appointed Actuary
Judith P. Greffin	Executive Vice President
Samuel H. Pilch	Senior Group Vice President and Controller
Mario Rizzo	Treasurer and Senior Vice President
Fred Amos	Chief Administrative Officer *

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

In March 2014, Robert W. Birman replaced Fred Amos as Chief Administrative Officer and designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

3. TERRITORY AND PLAN OF OPERATIONS

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 25 states. In 2013, 98.5% of premiums were from life business, 1.1% of premiums were from annuity business and 0.4% of premiums were from accident and health business. Premiums were mainly received from New York (72.1%), New Jersey (8.9%), Florida (6.4%) and North Carolina (1.5%).

A. Statutory and Special Deposits

As of December 31, 2013, the Company had \$1,750,000 (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. As reported in Schedule E of the 2013 filed annual statement, additional deposits of \$750,000 (par value) are being held by the States of Arkansas (\$100,000 par value), Massachusetts (\$100,000 par value), New Mexico (\$150,000 par value) and North Carolina (\$400,000 par value).

B. Direct Operations

The Company was a direct writer of life and health insurance and fixed annuities which have been 100% ceded to Colonial Penn Life Insurance Company and Bankers Consec Life Insurance Company. The Company also wrote variable annuities through Scudder Kemper Investments, Inc. Since May 2000, the Company has not issued any new policies and is currently in run-off.

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with one authorized company. The Company cedes 100% of its life, accident and health, and fixed annuity business on a coinsurance basis. Reinsurance is provided on an indemnity basis. The total face amount of life insurance ceded as of December 31, 2013, was \$15,107,934 which represents 100% of the total face amount of life insurance in force.

The Company did not assume any insurance business during the period under examination.

4. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, <u>2008</u>	December 31, <u>2013</u>	Increase (Decrease)
Admitted assets	<u>\$28,639,560</u>	<u>\$35,185,328</u>	<u>\$6,545,768</u>
Liabilities	<u>\$19,829,740</u>	<u>\$25,564,570</u>	<u>\$5,734,830</u>
Common capital stock	\$ 2,100,000	\$ 2,100,000	\$ 0
Gross paid in and contributed surplus	700,000	700,000	0
Unassigned funds (surplus)	<u>6,009,820</u>	<u>6,820,758</u>	<u>810,938</u>
Total capital and surplus	<u>\$ 8,809,820</u>	<u>\$ 9,620,758</u>	<u>\$ 810,938</u>
Total liabilities, capital and surplus	<u>\$28,639,560</u>	<u>\$35,185,328</u>	<u>\$6,545,768</u>

The majority (63.4%) of the Company's admitted assets, as of December 31, 2013, were derived from Separate Accounts.

The Company's invested assets as of December 31, 2013, exclusive of Separate Accounts, were comprised of bonds (73.7%) and cash and short-term investment (26.3%). The Company's entire bond portfolio, as of December 31, 2013, was comprised of NAIC Class 1 obligations.

For the Separate Accounts, the Company reported total assets of \$22.3 million which consisted of individual variable annuity business.

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:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Ordinary:					
Individual annuities	\$ <u>202,981</u>	\$ <u>225,884</u>	\$ <u>144,696</u>	\$ <u>106,446</u>	\$ <u>79,590</u>
Total	\$ <u>202,981</u>	\$ <u>225,884</u>	\$ <u>144,696</u>	\$ <u>106,446</u>	\$ <u>79,590</u>

5. 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 Deloitte & Touché, LLP was retained by the Company to audit the Company's statutory basis statements of financial position 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.

Deloitte & Touché, 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	\$ 9,297,766
Cash, cash equivalents and short term investments	3,323,030
Investment income due and accrued	140,119
Reinsurance:	
Other amounts receivable under reinsurance contracts	10,555
Net deferred tax asset	83,630
Guaranty funds receivable or on deposit	14,573
Advanced benefits	85
From Separate Accounts, segregated accounts and protected cell accounts	<u>22,315,571</u>
Total admitted assets	<u>\$35,185,328</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 3,078,412
Contract claims:	
Life	6,438
Contract liabilities not included elsewhere:	
Interest maintenance reserve	3,095
General expenses due or accrued	11,000
Transfers to Separate Accounts due or accrued	(14)
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,614
Current federal and foreign income taxes	72,639
Amounts withheld or retained by company as agent or trustee	30
Remittances and items not allocated	17,210
Miscellaneous liabilities:	
Asset valuation reserve	1,317
Payable to parent, subsidiaries and affiliates	47,079
Reserve for uncashed checks	4,181
From Separate Accounts statement	<u>22,315,571</u>
Total liabilities	<u>\$25,564,570</u>
Common capital stock	\$ <u>2,100,000</u>
Gross paid in and contributed surplus	700,000
Unassigned funds (surplus)	<u>\$ 6,820,758</u>
Total Surplus	<u>\$ 7,520,758</u>
Total capital and surplus	<u>\$ 9,620,758</u>
Total liabilities, capital and surplus	<u>\$35,185,328</u>

D. Condensed Summary of Operations

	<u> </u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Premiums and considerations	\$ 24,600	\$ 40,400	\$ 12,900	\$ 146,400	\$ 12,725
Investment income					
Miscellaneous income	<u>342,956</u>	<u>280,178</u>	<u>347,858</u>	<u>336,356</u>	<u>308,792</u>
	126,929	138,427	139,844	134,666	145,376
Total income	<u>\$ 494,485</u>	<u>\$ 459,005</u>	<u>\$ 500,602</u>	<u>\$ 617,422</u>	<u>\$ 466,893</u>
Benefit payments	\$1,617,946	\$1,175,336	\$1,472,501	\$2,032,350	\$1,044,043
Increase in reserves					
General expenses and taxes	109,384	93,090	11,636	181,725	469,813
Net transfers to (from) Separate Accounts	<u>(1,590,732)</u>	<u>(1,234,978)</u>	<u>(1,636,791)</u>	<u>(1,992,018)</u>	<u>(2,431,921)</u>
Miscellaneous deductions	<u> </u>				
Total deductions	<u>\$ 316,780</u>	<u>\$ 189,831</u>	<u>\$ 285,088</u>	<u>\$ 410,779</u>	<u>\$ 289,831</u>
Net gain (loss)	\$ 177,705	\$ 269,174	\$ 215,514	\$ 206,643	\$ 177,062
Federal and foreign income taxes incurred	<u> </u>				
Net gain (loss) from operations	(25,277)	43,289	70,818	100,197	97,472
Net gain (loss) from operations	<u>\$ 202,981</u>	<u>\$ 225,884</u>	<u>\$ 144,696</u>	<u>\$ 106,446</u>	<u>\$ 79,589</u>
before net realized capital gains					
Net income	<u>\$ 202,981</u>	<u>\$ 225,884</u>	<u>\$ 144,696</u>	<u>\$ 106,446</u>	<u>\$ 79,589</u>

The 2012 premium increase was primarily due to four additional deposits made on variable annuity policies totaling approximately \$135,000. The 2012 benefit payments included three large surrenders of variable annuity policies totaling approximately \$600,000.

E. Capital and Surplus Account

	<u> </u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital and surplus, December 31, prior year	\$8,809,820	\$8,992,083	\$9,215,728	\$9,365,849	\$9,525,321
Net income	\$ 202,981	\$ 225,884	\$ 144,696	\$ 106,446	\$ 79,589
Change in net deferred income tax					
Change in non-admitted assets and related items	(40,426)	(20,636)	35,053	47,969	61,436
Change in asset valuation reserve	22,105 ^(2,397)	19,911	(29,197)	(42,755)	(50,383)
Cumulative effect of changes in accounting principles	<u> </u>	<u>(1,514)</u>	<u>(431)</u>	<u>6,331</u>	<u>4,795</u>
Net change in capital and surplus for the year	<u> </u>	<u> </u>	<u> </u>	<u>41,481</u>	<u> </u>
Capital and surplus, December 31, current year	182,264 \$8,992,083	223,645 \$9,215,728	150,121 \$9,365,849	159,472 \$9,525,321	95,438 \$9,620,758

The Company's cumulative effect of changes in accounting principles resulted from the adoption of SSAP No. 101, Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10, as required by paragraph 37 of SSAP No. 101.

2009

Respectfully submitted,

_____/s/
Donald W. Sirosis
Certified Financial Examiner

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

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

_____/s/
Donald W. Sirosis

Subscribed and sworn to before me
this _____ day of _____