NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

ALLSTATE LIFE INSURANCE COMPANY

OF NEW YORK

CONDITION: DECEMBER 31, 2013

DATE OF REPORT: JUNE, 5, 2015

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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 4, 2015

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

Sir:

In accordance with instructions contained in Appointment No. 31090, dated January 31, 2015 and annexed hereto, an examination has been made into the condition and affairs of Allstate Life Insurance Company of New York, hereinafter referred to as "the Company," at the administrative office of the Company's parent, Allstate Life Insurance Company, 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. EXECUTIVE SUMMARY

The material recommendation contained in this report is summarized below.

- The examiner recommends that the Company automatically provide in its future submissions the needed stand-alone analysis and separate actuarial memorandum for certain universal life policies with secondary guarantees. (See item 6f 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, 2014 Edition* ("Handbook"). The examination covers the four-year period from January 1, 2010 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 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 2010 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") for the entire corporation. 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 7 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 January 25, 1967, under the name Financial Life Insurance Company and was licensed and commenced business on December 15, 1967. Initial resources of $3,000,000, consisting of $1,000,000 of paid in capital and $2,000,000 of paid in surplus, were provided through the sale of 40,000 shares of common stock, with a par value of $25 each, for $75 per share.

In March 1978, Pacific Mutual Life Insurance of Newport Beach, California, purchased the Company from Minnesota Mutual Life Insurance Company and changed the name to PM Life Insurance Company.

Allstate Insurance Company ("AIC") purchased the Company on December 16, 1983, and at that time the name of the Company was changed to Allstate Life Insurance Company of New York, its present name. Effective January 1, 1984, ownership of the Company was transferred from AIC to Allstate Life Insurance Company ("ALIC") through a transfer of all of the Company's capital stock shares.

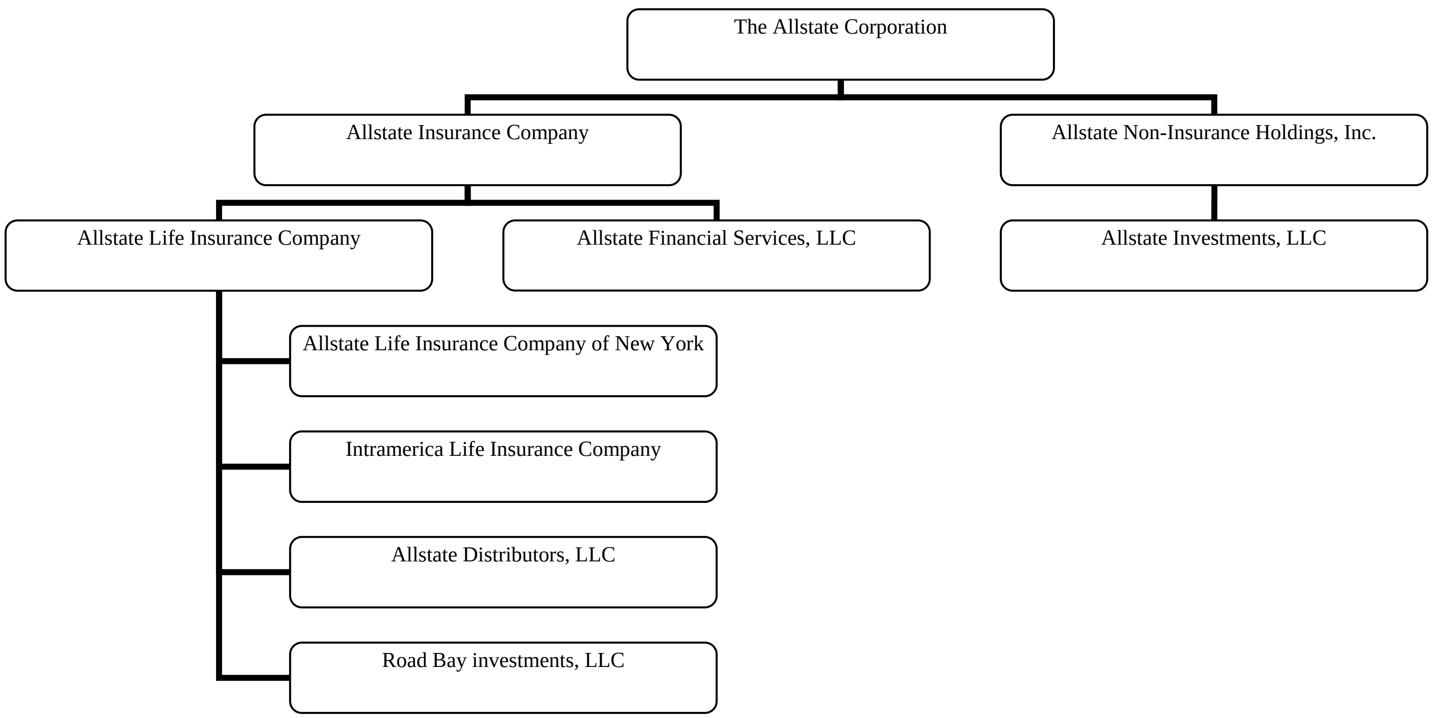
Changes in the capital and/or surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of $2,500,000 and $131,253,445, respectively, as of December 31, 2013.

B. Holding Company

The Company is a wholly owned subsidiary of ALIC, an Illinois domiciled insurance company. ALIC is a wholly owned subsidiary of AIC, an Illinois domiciled property/casualty insurance company. The ultimate parent of the Company is Allcorp, a publicly traded Delaware domiciled corporation.

C. Organizational Chart

An organizational 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 nine service agreements in effect with affiliates during the examination period.

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Amended and Restated Service and Expense Agreement	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.	2010 $(32,765,044) 2011 $(33,142,073) 2012 $(35,776,921) 2013 $(38,476,665)
New York insurer Supplement to Amended and Restated Service and Expense Agreement	03/05/2005	AIC and Allcorp	The Company and Intramerica Life Insurance Company ("Intramerica")	Amendment 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 other affiliates.	
Amendment #1 to the Amended and Restated Service and Expense Agreement	01/01/2009	AIC, Allcorp and certain affiliates	The Company and Intramerica	The amendment reflects certain operational changes and other matters.	
Selling Agreement	05/01/2005	ALFS** & Allstate Financial Services, LLC ("AFS")	The Company	ALFS, as appointed by the Company, underwrites certain insurance products and group and individual insurance contracts/policies & certificates participating therein (the contracts) and AFS will solicit sales of the contracts on behalf of ALFS.	2010 $(306,264) 2011 $(276,923) 2012 $(315,758) 2013 $(246,017)

Type of Agreement	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 & Amendment to Service Agreement	01/01/2002	AIC & Allstate Investments LLC (“Allstate Investments”)	The Company	Investment management services.	2010 $(9,670,558) 2011 $(9,850,648) 2012 $(12,095,533) 2013 $(11,939,759)
Depository Agreement	11/01/2002 Terminated 06/30/2012	Allstate Bank	The Company	The Bank acts as a depository and will establish accounts as part of its normal banking services.	2010 $(6,000) 2011 $(6,000)
Amended and Restated Principal Underwriting Agreement	06/01/2006	Allstate Distributors, LLC (“ADLLC”)	The Company	ADLLC agrees to serve as principal underwriter for the sale of variable annuity products outlined in the agreement in connection with the sale of the Company’s variable annuity business to Prudential	2010 $(26,265) 2011 $(39,453) 2012 $(21,508) 2013 $(40,742)
Amended and Restated Principal Underwriting Agreement	06/01/2006	ALFS**	The Company	ALFS agrees to serve as principal underwriter for the sale of variable annuity products outlined in the agreement in connection with the sale of the Company’s variable annuity business to Prudential	***
Administrative Services Agreement	01/01/2002	ALFS**	The Company	ALFS serves as an underwriter and distribution of variable insurance contracts issued by The Company. The Company assumes financial and administrative responsibility for the expense and services incurred by ALFS.	***

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Underwriting Agreement	10/01/1996	ALFS**	The Company	ALFS provides marketing and distribution of designated variable annuity insurance products.	***
Principal Underwriting Agreement	05/01/2000	ADLLC	The Company	ADLLC serves as a principal underwriter for the sale of variable insurance products and other insurance and investment products.	***
Amendment #1	10/01/2002			The commission payment structure for the sale of certain variable insurance contracts was revised.	

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

**Due to a merger of ALFS and ADLLC in 2012, ADLLC become the surviving entity and assumes all responsibilities under the existing agreements.

***These agreements remain active for the sole purpose of maintaining ADLLC's status as principal underwriter for certain of the Company's products, as required by applicable securities laws. There were no services actually performed by ADLLC under these agreements, and accordingly, no expenses were allocated.

E. Management

The Company filed an amendment to its by-laws to reduce the required number of directors. The amendment was approved by the Department on July 2, 2010. The Company's amended by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 13 directors. Directors are elected each year at the annual meeting of the stockholders held in February of each year. As of December 31, 2013, the board of directors consisted of 10 members. Meetings of the board are held immediately after the annual meeting of the stockholders and at such times as the board may determine or when called by the Chairman of the Board.

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
Marcia D. Alazraki * Albany, NY	Attorney Manatt, Phelps & Philips, LLP	1993
Dogan Civgin Northfield, IL	Chairman of the Board, Chief Executive Officer and President Allstate Life Insurance Company of New York	2012
Angela K. Fontana Lake Forest, IL	Vice President, General Counsel and Secretary Allstate Life Insurance Company of New York	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	Senior Vice President and Chief Financial Officer Allstate Life Insurance Company of New York	2012
Samuel H. Pilch Long Grove, IL	Senior Group Vice President and Controller Allstate Life Insurance Company of New York	2010
John R. Raben, Jr. Greenwich, CT *	Retired JP Morgan Chase	1988
Phyllis H. Slater Mt. Sinai, NY *	Chief Executive Officer Hill Slater, Inc	2002
Mary C. Springberg Gurnee, IL	Vice President Allstate Life Insurance Company	2011

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

In April, 2014, Cleveland Johnson, Jr. and Mary C. Springberg resigned from the board and were not replaced.

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
Dogan Civgin	Chairman of the Board,Chief Executive Officer and President
Jesse E. Merten	Senior Vice President and Chief Financial Officer
Angela K. Fontana	Vice President, General Counsel and Secretary
Theresa M. Resnick	Appointed Actuary
Samuel H. Pilch	Senior Group Vice President and Controller
Judith P. Greffin	Executive Vice President and Chief Investment Officer
Mario Rizzo	Senior Vice President and Treasurer
Fred Amos*	Chief Administrative Officer

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

In February, 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.

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 11 states, namely, California, Delaware Illinois, Missouri, Nebraska, New Jersey, New York, North Carolina, Pennsylvania, Texas and the District of Columbia. In 2013, 93.1% of the Company's total premiums were received from the states of New York (90.7%) and New Jersey (2.9%). Policies are written on a participating and 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	90.9%
New Jersey	2.3%
Florida	1.7%
Pennsylvania	0.7%
Connecticut	0.7%
Subtotal	96.3%
All others	3.7%
Total	100.0%

Annuity Considerations	
New York	86.1%
New Jersey	7.9%
Florida	3.0%
North Carolina	1.0%
Tennessee	0.6%
Subtotal	98.6%
All others	1.4%
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2013, the Company had $1,560,000 (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, an additional, $400,000 (par value) of United States Treasury Bonds was being held by the State of North Carolina.

B. Direct Operations

The Company provides life insurance, retirement and investment products to individuals and institutional customers. Principal products sold during the examination period consisted of interest-sensitive and traditional life insurance and deferred and immediate fixed annuities. This business included universal and term life insurance and fixed, variable, and equity indexed annuities. The Company's products are distributed across a wide range of issue ages and household incomes. Life products are focused on the middle market customers that are associated with the property/casualty business of the Company's affiliates. The Company also offers structured settlement annuities (single premium immediate annuity and funding agreements) through specialized brokers. The Company has shifted its product mix by decreasing sales of its spread-based products, principally fixed annuities, and by growing sales of underwritten products having mortality or morbidity risk, principally life insurance.

The Company distributes its products to individuals through multiple distribution channels, including Allstate exclusive agencies, which include exclusive financial specialists, independent agents, including master brokerage agencies and workplace enrolling agents, and specialized structured settlement brokers. Effective March 31, 2010, the Company no longer wholesales or provides distribution support to banks and broker-dealers.

C. Reinsurance

As of December 31, 2013, the Company had reinsurance treaties in effect with 15 companies, all of which 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/or facultative basis.

The maximum retention limit for individual life contracts is $2,000,000. The total face amount of life insurance ceded as of December 31, 2013, was $10,303,424,569, which represents 27% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2013, was $578,980,108.

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, 2009	December 31, 2013	Increase (Decrease)
Admitted assets	$7,875,950,189	$6,741,929,418	$(1,134,020,771)
Liabilities	$7,369,664,549	$6,188,003,934	$(1,181,660,615)
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	131,253,445	131,253,445	0
Deferred gains on reinsurance	20,529,659	0	(20,529,659)
Incremental deferred tax asset	16,147,406	0	(16,147,406)
Unassigned funds (surplus)	335,855,130	420,172,040	84,316,910
Total capital and surplus	$ 506,285,640	$ 553,925,484	$ 47,639,844
Total liabilities, capital and surplus	$7,875,950,189	$6,741,929,418	$(1,134,020,771)

The Company's invested assets as of December 31, 2013, exclusive of Separate Accounts, were mainly comprised of bonds (84.2%), mortgage loans (8.1%), cash and short-term investments (1.3%) and other invested assets (2.1%).

The majority (95.3%) of the Company's bond portfolio, as of December 31, 2013, was comprised of investment grade obligations.

The overall decrease in admitted assets is mainly due to a $795 million decrease in bonds, and a $153 million decrease in Separate Account assets.

The overall decrease in liabilities is primarily attributable to an $891 million decrease in life reserves, a $153 million decrease in Separate Accounts liabilities, and a $68 million decrease in deposit-type contracts. The decrease in life reserves was mainly attributed to the Company's strategic decision to reduce its exposure to spread-based products.

The increase in unassigned funds during the examination period was primarily attributable to net income which totaled $73 million.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities			
	2010	2011	2012	2013
Outstanding, end of previous year	68,519	62,964	57,350	51,472
Issued during the year	513	432	268	110
Other net changes during the year	(6,068)	(6,046)	(6,146)	(4,679)
Outstanding, end of current year	62,964	57,350	51,472	46,903

The steady decline in annuity business during the examination period is the direct result of the Company's strategic decision to reduce its exposure to spread-based products, including ordinary annuities. The Company discontinued new sales of fixed annuities through direct relationships with banks and broker-dealers in April, 2010, and new sales of book value fixed annuities were discontinued through all channels beginning in the fourth quarter of 2010.

In the fourth quarter of 2012, the Company allowed policyholders to surrender book value annuity contracts without incurring a surrender charge provided the surrender was initiated within certain date parameters.

During July of 2013, the Company announced that it would discontinue offering fixed annuities sold through the remaining distribution channels as of January 1, 2014.

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

	Group			
	2010	2011	2012	2013
Outstanding, end of previous year	0	0	0	75
Issued during the year	1	0	75	824
Other net changes during the year	(1)	(0)	(0)	(75)
Outstanding, end of current year	0	0	75	824

The increase in group accident and health business during 2013 is the result of the Company's initiative to increase sales of voluntary group accident and health products distributed through its workplace enrolling independent agents.

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:

	2010	2011	2012	2013
Ordinary:				
Life insurance	$ (26,001,787)	$ (12,178,902)	$ (20,568,981)	$ (24,416,278)
Individual annuities	14,483,121	44,639,252	65,719,330	33,759,325
Supplementary contracts	(64,228)	(329,796)	91,158	206,240
Total ordinary	$ (11,582,894)	$ 32,130,554	$ 45,241,507	$ 9,549,287
Group:				
Life	$ (10)	$ (10)	$ (10)	$ 0
Annuities	9,100,498	10,858,459	9,144,695	7,377,987
Total group	$ 9,100,488	$ 10,858,449	$ 9,144,685	$ 7,377,987
Accident and health:				
Group	$ (6,036)	$ (5,681)	$ (70,231)	$ (144,812)
Other	1,243,062	1,658,917	1,199,265	(2,950,586)
Total accident and health	$ 1,237,026	$ 1,653,236	$ 1,129,034	$ (3,095,398)
Total	$ (1,245,381)	$ 44,642,238	$ 55,515,226	$ 13,831,876

The significant fluctuation in net loss from operations in the ordinary life insurance line in 2011 as compared to 2010 and 2012 was caused by a reduction in taxes, licenses and fees expenses in 2011 of $2.9 million due to the allocation of a credit for a 2009 Section 332 refund, and a higher allocation of premium taxes to ordinary annuities versus ordinary life due to the Company's estimated accrual for Executive Life of New York guaranty fund assessments. In addition amortization of the interest maintenance reserve (IMR) increased income by $4.9 million due to amortization of losses in 2010 ($4.3 million) compared to amortization of gains in 2011 ($0.6 million).

Amortization of the Interest Maintenance Reserve increased income by $30.6 million in 2011 and $35.3 million in 2012. The increase in 2012 was also caused by additional amortization of the deferred gain on the sale of the variable annuity block of business in 2006. The increase in the net gain in individual annuities in 2011 and 2012 resulted from the evaluation and refinement of the amortization based on actual earnings of the business.

The steady losses in the Company's group accident and health line during the examination period under review were caused by increased expense allocations to the group A&H line of business in 2012 and 2013.

The significant fluctuation in net gains/losses in the accident and health – other line in 2013 as compared to 2010 through 2012 was driven by higher claims in 2013 related to voluntary accident policies.

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 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	$4,984,350,580
Stocks:	
Preferred stocks	9,025,357
Common stocks	202,621,748
Mortgage loans on real estate:	
First liens	477,692,911
Cash, cash equivalents and short term investments	77,433,361
Contract loans	40,431,973
Derivatives	1,060,002
Other invested assets	125,645,784
Receivable for securities	489,449
Investment income due and accrued	58,252,181
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	280,293
Deferred premiums, agents' balances and installments booked but deferred and not yet due	28,736,615

Reinsurance:	
Amounts recoverable from reinsurers	471,054
Other amounts receivable under reinsurance contracts	600,998
Net deferred tax asset	716,901
Guaranty funds receivable or on deposit	8,304,246
Receivables from parent, subsidiaries and affiliates	16,460
Advanced benefits	6,011,090
Reinsurance balances recoverable	1,459,930
Accounts receivable	22,717
Premium tax recoverable	144
From separate accounts, segregated accounts and protected cell accounts	718,305,622
Total admitted assets	$6,741,929,418

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$4,702,726,884
Aggregate reserve for accident and health contracts	5,426,145
Liability for deposit-type contracts	526,596,102
Contract claims:	
Life	8,568,767
Accident and health	4,511,963
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	37,786
Premiums and annuity considerations for life and accident and health contracts received in advance	501,690
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	20,975
Interest maintenance reserve	41,556,879
Commissions to agents due or accrued	1,720,685
Commissions and expense allowances payable on reinsurance assumed	34,663
General expenses due or accrued	500,394
Transfers to Separate Accounts due or accrued	21,456,912
Taxes, licenses and fees due or accrued, excluding federal income taxes	9,094,300
Current federal and foreign income taxes	2,238,731
Amounts withheld or retained by company as agent or trustee	17,674
Remittances and items not allocated	1,252,904
Miscellaneous liabilities:	
Asset valuation reserve	67,323,573
Payable to parent, subsidiaries and affiliates	6,028,619
Payable for securities	64,626
Payable for securities lending	62,609,953
Reserve for uncashed checks	6,634,950
Deposit-type fund suspense	498,092
Accounts payable	206,734
Discontinued operations liability	68,313
From Separate Accounts statement	718,305,622
Total liabilities	$6,188,003,934
Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	131,253,445
Unassigned funds (surplus)	420,172,040
Total surplus	$ 551,425,484
Total capital and surplus	$ 553,925,484
Total liabilities, capital and surplus	$6,741,929,418

D. Condensed Summary of Operations

	2010	2011	2012	2013
Premiums and considerations	$166,940,210	$123,809,311	$118,347,961	$153,183,527
Investment income	324,812,489	348,890,233	333,810,288	316,921,096
Commissions and reserve adjustments on reinsurance ceded	(63,820,354)	(82,751,452)	(67,994,148)	(69,581,350)
Miscellaneous income	1,995,318	2,027,988	1,564,738	1,044,061
Total income	$429,927,663	$391,976,080	$385,728,839	$401,567,334
Benefit payments	$658,337,601	$648,673,576	$672,589,870	$562,984,074
Increase in reserves	(215,922,635)	(248,318,541)	(293,749,101)	(129,854,807)
Commissions	20,889,544	18,784,718	18,426,075	17,604,394
General expenses and taxes	47,601,650	47,147,208	48,277,092	50,740,328
Increase in loading on deferred and uncollected premiums	779,727	1,897,883	965,964	1,494,656
Net transfers to (from) Separate Accounts	(75,528,622)	(112,750,428)	(109,950,356)	(110,880,830)
Miscellaneous deductions	(650)	5,089	(2,406)	(7,568)
Total deductions	$436,156,615	$355,439,505	$336,557,138	$392,080,247
Net gain (loss)	$ (6,228,952)	$ 36,536,575	$ 49,171,701	$ 9,487,087
Dividends	71,212	73,773	61,695	76,694
Federal and foreign income taxes incurred	(5,054,784)	(8,179,435)	(6,405,219)	(4,421,482)
Net gain (loss) from operations before net realized capital gains	$ (1,245,380)	$ 44,642,237	$ 55,515,225	$ 13,831,875
Net realized capital gains (losses)	(16,005,475)	1,310,268	(36,722,567)	12,067,824
Net income	$ (17,250,856)	$ 45,952,507	$ 18,792,659	$ 25,899,700

The decrease in premiums in 2011 and 2012 as compared to 2010 was mainly due to Company's strategy to reduce its exposure to spread-based products and to reduce long-duration business such as contingent payment streams.

The 2013 increase in premiums was primarily attributable to an increase in traditional life ($21 million) and interest-sensitive life ($15 million) business as a result of the amendment to the Company's reinsurance agreement with its parent, ALIC, which reduced the volume of life business ceded to ALIC. The amendment was effective July 1, 2013.

The significant decrease in the 2013 benefit payments was primarily due to surrender benefits of fixed annuities which were caused by higher than normal surrender activity in 2012 as a result of the Company's initiative to encourage the surrender of policies through a waiver of surrender charge incentive.

The overall change in reserves was primarily driven by fixed annuities, whose reserve decline slowed in 2013 due to lower surrenders and a decrease in withdrawals compared to 2012 and prior.

The decrease in loading was larger in 2013 than in 2012 due to terminations of 10 year level term policies issued in 2002 and 2003, resulting in an increase in the change in loading from 2012 to 2013. The 2011 loading change from 2010 was related to the decrease in deferred premium loads. The 2012 change in loading from 2011 was due to a larger number of 10 year level term policies reaching their annual renewal term premium rates in 2012 and dropping off the inforce causing loading to decline more significantly.

The fluctuation between 2010 and 2011 in net gain from operations before net realized capital was mainly due to the reduction in reserves for fixed annuities in 2011 outweighing a reduction in income, whereas, the 2010 lower premium income exceeded the reduction in reserves. The 2012 and 2013 fluctuations were due to the same reasons as the prior two years. The main driver in each of the years' results was the Company's strategy to reduce its exposure to spread-based products, with 2011 and 2012 being the peak years for this reduction activity.

The 2010 net realized capital loss of $16 million was primarily driven by other than temporary impairment adjustments in bonds ($23 million) and mortgage loans ($5 million) offset by common stock capital gains ($12 million), net of tax.

The net realized capital gain in 2011 of $1 million consisted of common stock gains of $6 million offset by bond losses of $3 million and mortgage loan losses of $2 million.

The 2012 net realized capital loss of $36 million was attributable to tax adjustments in bonds.

In 2013, net realized capital gains on common stock of $18 million was offset by net realized capital losses in bonds and mortgage loans of $5 million and $1 million, respectively, resulting in the $12 million net gain.

E. Capital and Surplus Account

		2011	2012	2013
Capital and surplus, December 31, prior year	$ 506,285,640	$ 497,018,846	$ 524,012,567	$ 539,979,984
Net income	$(17,250,856)	$ 45,952,507	$ 18,792,659	$ 25,899,700
Change in net unrealized capital gains (losses)	(401,691)	12,122,128	18,126,748	11,821,083
Change in net unrealized foreign exchange capital gain (loss)	(40,887)	(278,335)	(655,220)	1,335,782
Change in net deferred income tax	3,190,536	(5,838,550)	(4,774,444)	1,632,783
Change in non-admitted assets and related items	(5,458,743)	8,395,502	(392,086)	(20,603,418)
Change in asset valuation reserve	18,272,729	(22,723,340)	7,063,094	189,230
Change in surplus as a result of reinsurance	0	(10,336,190)	(13,900,000)	(6,329,659)
Incremental deferred tax asset	2,482,118	(300,000)	(8,293,334)	0
Net change in capital and surplus for the year	(9,266,793)	26,993,721	15,967,417	13,945,501
Capital and surplus, December 31, current year	$ 497,018,846	$ 524,012,567	$ 539,979,984	$ 553,925,484

2010

F. Reserves

The Department conducted a review of reserves as of December 31, 2013. This review included an examination of related asset adequacy analysis in accordance with Department Regulation No. 126. During the review, concerns were raised regarding the need for stand-alone asset adequacy analysis, including a separate actuarial memorandum, for certain universal life policies with secondary guarantees, as required per Department Regulation No. 147. In response to the Department's concerns, the Company agreed to provide the required stand-alone analysis, together with the stand-alone actuarial memorandum, prepared in a manner acceptable to the Department.

The examiner recommends that the Company automatically provide in its future submissions the needed stand-alone analysis and separate actuarial memorandum for certain universal life policies with secondary guarantees.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report on examination 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 have a qualified actuary sign and date the demonstrations. The examiner's review indicated that the Company had a qualified actuary sign, date and finalize, prior to the date of the statement of self-support, all demonstrations during the examination period.

8. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

Item	Description	Page No.
A	The examiner recommends that the Company automatically provide in its future submissions the needed stand-alone analysis and separate actuarial memorandum for certain universal life policies with secondary guarantees.	25

Respectfully submitted,

_____________/s/____________
Donald W. Sirois
Certified Financial Examiner

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

Donald W. Sirois, 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. Sirois

Subscribed and sworn to before me

this__________ day of ___________________