



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY  
OF NEW YORK

CONDITION:

DECEMBER 31, 2015

DATE OF REPORT:

July 7, 2017

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

CHACKO THOMAS

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

June 20, 2017

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

Madam:

In accordance with instructions contained in Appointment No. 31442, dated March 21, 2016, and annexed hereto, an examination has been made into the condition and affairs of Great-West Life & Annuity Insurance Company of New York, hereinafter referred to as “the Company,” at its home office located at 489 Fifth Avenue, 28<sup>th</sup> Floor, 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 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, 2015, filed annual statement. (See item 6 of this report)

The examiner's review of the Company's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, insurance regulations and circular letter and the operating rules of the Company. (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, 2016 Edition* (the “Handbook”). The examination covers the four-year period from January 1, 2012 to December 31, 2015. 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, 2015 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.

The examination was conducted in conjunction with the examination of the Company’s parent, Great-West Life and Annuity Insurance Company (“GWLA”), a Colorado domestic insurance company. The examination was led by the State of Colorado with participation from the states of New York, Pennsylvania, Michigan, and South Carolina. Since the lead and participating states are all accredited by the NAIC, all states deemed it appropriate to rely on each other’s work.

Information about the Company’s organizational structure, business approach and control environment were utilized to develop the examination approach. The Company’s risks and

management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2012 through 2015, by the accounting firm of Deloitte & Touche 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 Company shares an internal audit department with its parent 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 and recommendation 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, under the name of Canada Life Insurance Company of New York (“CLINY”), was incorporated as a stock life insurance company under the laws of New York on June 7, 1971, was licensed on December 14, 1971, and commenced business on January 1, 1972. Initial resources of \$3,000,000, consisting of common capital stock of \$1,000,000 and paid in and contributed surplus of \$2,000,000, were provided through the sale of 100,000 shares of common stock (with a par value of \$10 each) for \$30 per share by Canada Life Assurance Company (“CLACO”), a Canadian mutual insurance company.

In 1999, Canada Life Financial Corporation (“CLFC”) acquired control of CLACO and its subsidiaries. CLFC was established to convert CLACO from a mutual life insurance company to a stock life insurance company.

On July 10, 2003, Great-West Lifeco Inc. (“Lifeco”), a Canadian holding company, completed its acquisition of CLFC and then transferred all of the common shares of CLFC to its Canadian subsidiary, The Great-West Life Assurance Company (“GWL”). On December 31, 2003, all of the outstanding common shares of CLINY were transferred to GWLA.

Effective December 31, 2005, CLINY merged with First Great-West Life & Annuity Insurance Company (“FGWLA”). Prior to the merger both insurers were wholly-owned U.S. subsidiaries of GWLA. Upon completion of the merger, CLINY, the surviving company, adopted the First Great-West Life & Annuity Insurance Company name.

On August 12, 2012, the Company’s name was changed to Great-West Life & Annuity Insurance Company of New York

As of December 31, 2015, the Company had capital stock in the amount of \$2,500,000, which consisted of 2,500 shares of common stock with a par value of \$1,000 each, and paid in and contributed surplus amounted to \$32,450,000.

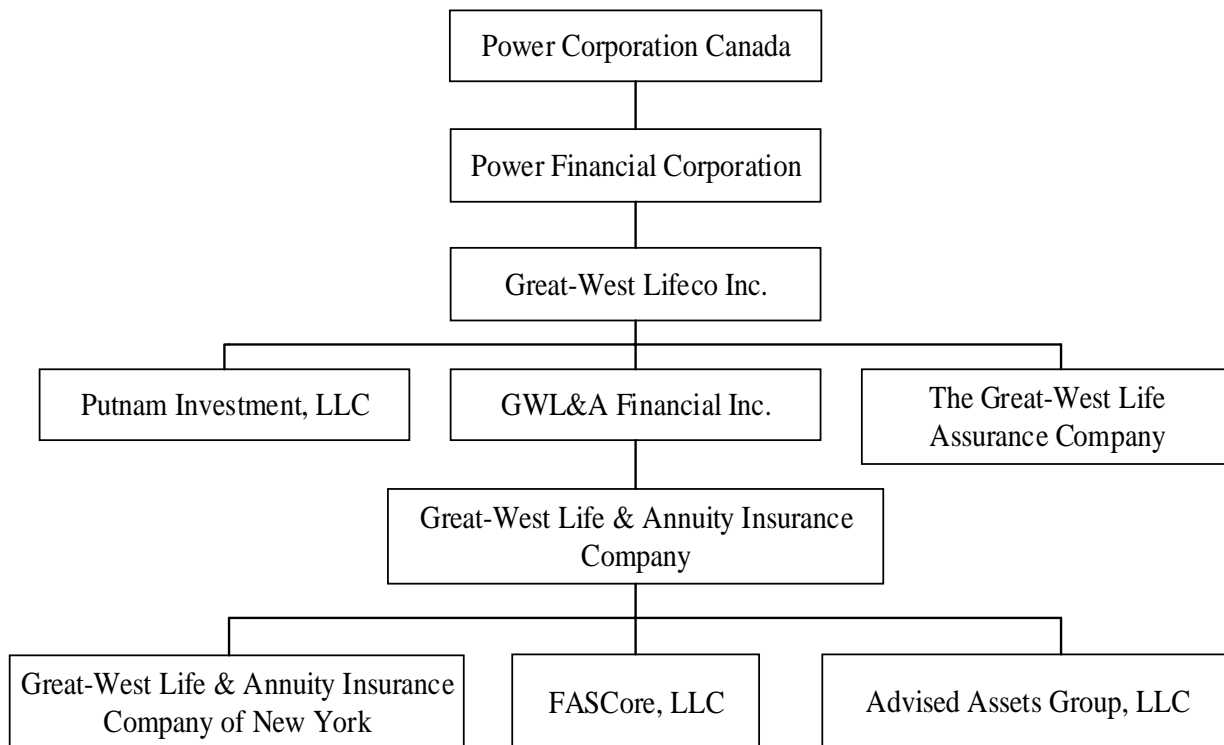


## B. Holding Company

The Company is a wholly owned subsidiary of GWLA, a Colorado stock life insurer. GWLA is a wholly owned subsidiary of GWL&A Financial Inc., a Delaware holding company, which in turn is an indirect wholly owned subsidiary of Lifeco, a Canadian holding company. Lifeco is a member of the Power Financial Corporation group of companies, a diversified management and holding company based in Montreal, Canada, which currently holds 67.4% of Lifeco. The ultimate controlling company is Power Corporation of Canada.

## C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2015 follows:



#### D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider(s) of Services	Recipient of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement  File No. 30772	08/1/2003  Amended 10/05/2005	GWLA (and certain affiliates)	The Company	Underwriting, policy owner services, claims, marketing, accounting, corporate support, functional support, and investment services	2012 \$(8,199,924) 2013 \$(10,031,937) 2014 \$(7,428,922) 2015 \$(7,555,957)
Administrative Services Agreement  File No. 47399	10/01/2013	The Company	GWLA	Administrative and record keeping service for certain separate account plans	2012 \$0 2013 \$0 2014 \$1,981,467 2015 \$2,145,073
Service Agreement  File No. 48128	01/01/2014	Advised Assets Group, LLC	The Company	Marketing, preparation of investment options data, recommendation of investment options, and delivery of investment performance reports	2012 \$0 2013 \$0 2014 \$(3,141,590) 2015 \$(3,527,283)

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

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2015, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2015, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Marcia D. Alazraki* New York, NY	Attorney Manatt, Phelps & Philips, LLP	1997
John L. Bernbach* New York, NY	President and Founder Not Traditional Media, Inc.	2007
André R. Desmarais Montréal, Québec	President and Co-Chief Executive Officer Power Corporation of Canada	2004
Paul G. Desmarais, Jr. Montréal, Québec	Chairman and Co-Chief Executive Officer Power Corporation of Canada	1997
Stuart Z. Katz* New York, NY	Attorney Fried, Frank, Harris, Shriver & Jacobson	1997
Robert J. Orr Westmount, Québec	President and Chief Executive Officer Power Financial Corporation	2008
T. Timothy Ryan, Jr.* New York, NY	President and Chief Executive Officer Securities Industry & Financial Markets Association	2009
Jerome J. Selitto* Philadelphia, PA	Former President and Chief Executive Officer PHH Corporation	2012
Brian E. Walsh* Rye, NY	Managing Partner Saguenay Capital, LLC	1997

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

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, 2015:

<u>Name</u>	<u>Title</u>
Andra S. Bolotin	President and Chief Executive Officer
Richard G. Schultz	General Counsel, Chief Legal Officer and Secretary
Kenneth T. Ledwos	Vice President and Actuary
Ronald J. Laeyendecker	Vice President
Robert K. Shaw	Vice President

Susan Gile, Vice President—Individual Markets, is the designated consumer services officer per Insurance Regulation No. 64, 11 NYCRR Section 216.4(c).

#### 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 New York only. In 2015, 94.2% of life premiums and 99.2% of annuity considerations were received from New York. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2015, the Company had \$270,441 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 principal lines of business during the examination period were group variable annuity, individual variable annuity, variable universal life, universal life and term life.

Currently, the Company does not sell group accident and health insurance, although it has a closed block of business with fewer than 10 dental insurance policies and fewer than 10 long term disability insurance policies in force. There is also a small block of medical conversion policies. Excess loss policies are sold to employers who sponsor self-funded accident and health plans.

The Company's agency operations are conducted on a general agency basis.

The group variable annuity products are sold through broker-dealers and registered brokers. The individual annuity products are sold through The Charles Schwab Corporation, a bank and a brokerage firm. The individual term life products are sold by agents through branch offices.

Pursuant to an indemnity reinsurance agreement effective March 31, 2008, the Company ceded, on a 100% quota share basis, its issued and assumed liabilities under health, life, disability and stop-loss insurance policies to Connecticut General Life Insurance Company ("CGLIC"). The indemnity reinsurance agreement applied to all of the Company's existing policies and to new

policies issued by CGLIC on behalf of the Company during a limited transitional period that ended in the fourth quarter of 2010. The Company entered into an Administrative Services Agreement with CGLIC, whereby CGLIC administers both the existing healthcare business and new policies issued on behalf of the Company during the transition period. The Company retained the ultimate authority to direct the administration of its healthcare business.

### C. Reinsurance

As of December 31, 2015, the Company had reinsurance treaties in effect with 10 companies, of which 9 were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, and/or yearly renewable term ("YRT") basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is \$250,000. The total face amount of life insurance ceded as of December 31, 2015, was \$1,647,270,021, which represents 51% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$410,629, was supported by letters of credit.

Effective January 1, 2013, the Company recaptured risks reinsured under an agreement with its affiliate, The Canada Life Assurance Company ("CLAC") that became effective July 10, 1995, wherein the Company had ceded certain participating life policies on a coinsurance basis. The Company subsequently ceded the recaptured block of business to CLAC on a yearly renewable term basis. The recapture and termination amendment and subsequent YRT agreement was approved by the Department with an effective date of January 1, 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, <u>2011</u>	December 31, <u>2015</u>	Increase (Decrease)
Admitted assets	\$ <u>1,010,566,024</u>	\$ <u>1,718,576,317</u>	\$ <u>708,010,293</u>
Liabilities	\$ <u>933,193,934</u>	\$ <u>1,628,872,153</u>	\$ <u>695,678,219</u>
Common capital stock	\$ 2,500,000	\$ 2,500,000	\$ 0
Gross paid in and contributed surplus	32,450,000	32,450,000	0
Change in surplus resulting from application of SSAP10R paragraph 10e	2,951,981	0	(2,951,981)
Unassigned funds (surplus)	<u>39,470,109</u>	<u>54,754,164</u>	<u>15,284,055</u>
Total capital and surplus	\$ <u>77,372,090</u>	\$ <u>89,704,164</u>	\$ <u>12,332,074</u>
Total liabilities, capital and surplus	\$ <u>1,010,566,024</u>	\$ <u>1,718,576,317</u>	\$ <u>708,010,293</u>

The increase in assets and liabilities during the period under review was due primarily to the year to year increases in general account assets, mainly bonds, and increases in policy liabilities. Policy liabilities increased due to increases in first year premiums for individual insurance. Additionally, separate accounts assets increased year to year due to increases in the net deposits and in the equities market resulting in increases in separate accounts liabilities.

The Company's invested assets as of December 31, 2015, exclusive of separate accounts, were mainly comprised of bonds (85.4%), and mortgage loans (9.8%).

The majority (99.7%) of the Company's bond portfolio, as of December 31, 2015, 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):

<u>Year</u>	<u>Individual Whole Life</u>		<u>Individual Term</u>		<u>Group Life Issued &amp; Increases</u>		<u>In Force</u>
	<u>Issued</u>	<u>In Force</u>	<u>Issued</u>	<u>In Force</u>			
2012	\$155,451	\$1,217,440	\$11,975	\$2,508,459	\$ 0	\$ 30	
2013	\$ 28,932	\$1,206,683	\$15,344	\$2,206,881	\$ 0	\$ 30	
2014	\$153,615	\$1,333,355	\$ 5,832	\$2,001,267	\$ 0	\$ 30	
2015	\$111,872	\$1,393,895	\$ 1,747	\$1,834,259	\$ 0	\$ 0	

The Company's individual whole life policies are largely bank-owned life insurance ("BOLI") and company-owned life insurance ("COLI") sold through banks. The Company's distribution is mainly aimed at larger banks, and as such these products can fluctuate significantly year over year from the normal course of business. BOLI and COLI sales were significantly lower in 2013, as compared with the other years under review, due primarily to lower sales to banks with assets over \$2.5 billion.

The individual term issued policies are largely sold through banks. During 2014, one of the Company's largest bank distributors stopped selling the Company's products resulting in decreased sales in 2014 and 2015.



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

	<u>Ordinary Annuities</u>			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Outstanding, end of previous year	1,549	1,510	1,368	1,365
Issued during the year	0	0	52	23
Other net changes during the year	<u>(39)</u>	<u>(142)</u>	<u>(55)</u>	<u>(53)</u>
Outstanding, end of current year	<u>1,510</u>	<u>1,368</u>	<u>1,365</u>	<u>1,335</u>
	<u>Group Annuities</u>			
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Outstanding, end of previous year	496	704	851	958
Issued during the year	220	171	125	130
Other net changes during the year	<u>(12)</u>	<u>(24)</u>	<u>(18)</u>	<u>(61)</u>
Outstanding, end of current year	<u>704</u>	<u>851</u>	<u>958</u>	<u>1,027</u>

The Company did not sell ordinary annuities from 2012 to 2013. In 2014, the Company started selling a new variable annuity product.

The year to year fluctuations in group annuities new issues resulted from the normal course of 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Ordinary:				
Life insurance	\$2,804,247	\$(2,919,778)	\$ 707,519	\$2,329,137
Individual annuities	(402,652)	(1,131,265)	(332,697)	(967,636)
Supplementary contracts	<u>52,801</u>	<u>(92,464)</u>	<u>74,890</u>	<u>56,846</u>
Total ordinary	<u>\$2,454,396</u>	<u>\$(4,143,507)</u>	<u>\$ 449,712</u>	<u>\$1,418,347</u>
Group Annuities	<u>\$ 583,830</u>	<u>\$ 162,791</u>	<u>\$1,054,574</u>	<u>\$4,893,529</u>
Accident and health Other	<u>\$ (35,424)</u>	<u>\$ (348,358)</u>	<u>\$ 5,948</u>	<u>\$ (2,041)</u>
Total	<u>\$3,002,802</u>	<u>\$(4,329,074)</u>	<u>\$1,510,234</u>	<u>\$6,309,835</u>

The 2013 net loss from ordinary life insurance resulted primarily from a one-time loss associated with the termination of the coinsurance reinsurance agreement with CLAC. The 2015 increase in gains compared to 2014 was due primarily to a decrease in commission resulted from the decrease of single premium universal life premiums.

The increase in loss from individual annuities in 2013 was primarily due to tax expenses of \$1.5 million against a pre-tax gain of \$371,123 that resulted from temporary tax differences in policyholder reserves and deferred acquisition costs offset in deferred taxes. The decrease in loss in 2014 resulted primarily from an increase in premium and a decrease in federal income tax and the increase in loss in 2015 was primarily due to lower release of reserves in 2015 compared to 2014 as well as an increase in surrender benefits.

The decrease in gain from group annuities in 2013 was primarily due to the increase in general expenses related to the recordkeeping of 401(k) qualified products as well as an increase in taxes, licenses, and fees. The increases in net gain in 2014 and 2015 were primarily due to the respective increases in separate account fees and miscellaneous income generated from higher account balances.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2015, as contained in the Company's 2015 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, 2015 filed annual statement.

### A. Independent Accountants

The firm of Deloitte & Touche LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31<sup>st</sup> 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 & Touche 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	\$ 915,427,441
Mortgage loans on real estate:	
First liens	105,257,075
Cash, cash equivalents and short term investments	21,786,350
Contract loans	24,398,309
Other invested assets	5,481,064
Receivable for securities	135,276
Investment income due and accrued	8,728,462
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	223,412
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,143,647
Net deferred tax asset	6,515,086
Guaranty funds receivable or on deposit	803,141
Receivables from parent, subsidiaries and affiliates	2,798,034
Other assets	5,213,044
Premium tax refund	2,087,860
From separate accounts, segregated accounts and protected cell accounts	<u>617,578,116</u>
 Total admitted assets	 <u>\$1,718,576,317</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 981,180,104
Aggregate reserve for accident and health contracts	169,046
Liability for deposit-type contracts	2,798,309
Contract claims:	
Life	1,836,176
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	3,100,000
Premiums and annuity considerations for life and accident and health contracts received in advance	111,144
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	102,380
Interest maintenance reserve	10,457,207
Commissions to agents due or accrued	947,168
General expenses due or accrued	1,096,811
Transfers to separate accounts due or accrued	(28,215)
Taxes, licenses and fees due or accrued, excluding federal income taxes	768,236
Current federal and foreign income taxes	2,281,113
Amounts withheld or retained by company as agent or trustee	302,327
Remittances and items not allocated	28,567
Miscellaneous liabilities:	
Asset valuation reserve	5,261,830
Payable to parent, subsidiaries and affiliates	479,978
Accrued interest on outstanding claims	361
Miscellaneous liabilities	291,909
Annuity surrenders in process	244,824
From Separate Accounts statement	<u>617,442,878</u>
 Total liabilities	 <u>\$1,628,872,153</u>
 Common capital stock	 \$ 2,500,000
Gross paid in and contributed surplus	32,450,000
Unassigned funds (surplus)	54,754,164
Surplus	<u>87,204,164</u>
Total capital and surplus	<u>\$ 89,704,164</u>
 Total liabilities, capital and surplus	 <u>\$1,718,576,317</u>

D. Condensed Summary of Operations

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Premiums and considerations	\$237,288,918	\$248,102,957	\$272,790,974	\$301,578,787
Investment income				
Commissions and reserve adjustments on reinsurance ceded	33,556,144	37,841,204	38,482,966	41,818,135
Miscellaneous income	<u>4,365,321</u>	<u>7,473,063</u>	<u>11,370,664</u>	<u>16,584,260</u>
Total income	<u>\$277,051,794</u>	<u>\$293,534,035</u>	<u>\$322,523,370</u>	<u>\$360,093,366</u>
Benefit payments	\$ 94,480,255	\$141,063,145	\$195,751,895	\$174,712,779
Increase in reserves				
Commissions	98,843,455	59,279,806	81,838,445	115,125,590
General expenses and taxes	7,998,243	8,089,618	11,870,008	11,261,295
Increase in loading on deferred and uncollected premiums	10,045,758	14,281,466	13,383,752	14,182,908
Net transfers to (from) Separate Accounts				(639)
Miscellaneous deductions	<u>6,614,043</u>	<u>65,783,735</u>	<u>43,408,378</u>	<u>32,882,379</u>
Total deductions	<u>\$271,696,067</u>	<u>\$289,437,935</u>	<u>\$316,380,661</u>	<u>\$347,927,312</u>
Net gain (loss)	59 \$ 5,355,727	\$ 4,096,100	\$ 6,142,709	\$ 12,166,054
Dividends				
Federal and foreign income taxes incurred	1,847,024	4,006,388	3,301,055	2,975,750
Net gain (loss) from operations	505,901	4,418,786	1,331,420	2,880,469
before net realized capital gains	\$ 3,002,802	\$ (4,329,074)	\$ 1,510,234	\$ 6,309,835
Net realized capital gains (losses)	<u>1,502,570</u>	<u>(148,012)</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 4,505,372</u>	<u>\$ (4,477,086)</u>	<u>\$ 1,510,234</u>	<u>\$ 6,309,835</u>
			0	0

Premiums and annuity considerations increased by \$24.7 million, or 10.0%, in 2014, as compared to 2013. This increase was primarily due to a \$15.3 million increase in separate account premiums and a \$9.2 million increase in ordinary life premiums. The increase of \$28.8 million, or 10.6%, as compared to 2014, was primarily due to a \$49.3 million increase in group annuity considerations offset by a decrease of \$23.9 in ordinary life premiums.

Miscellaneous income is derived primarily from fee income from investment accounts. The year over year increases from 2013 to 2015 were due primarily to increases in variable asset fees.

Benefit payments increased in 2013 by \$46.6 million, as compared to 2012. The majority of this increase was driven by a \$43.1 million increase in separate account surrenders. The increase of \$54.7 million in 2014 was primarily due to a \$68.0 million increase in separate account surrenders partially offset by a decrease of \$16.1 million in surrenders of 401(k) qualified products. Benefit payments decreased by \$21.1 million in 2015 primarily due a decrease in separate account surrenders.

The decrease in reserves in 2013, as compared to 2012, was primarily due to the increase in the separate account surrenders as well as a decrease in premiums of 401(k) qualified products. The increase in reserves in 2014 resulted from the decrease in surrenders of 401(k) qualified products as well as an increase in premiums relating to products sold through financial institutions and partnerships. The increase in reserves in 2015 was primarily due to an increase in group annuity general account premiums.

E. Capital and Surplus Account

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Capital and surplus, December 31, prior year	<del>\$77,372,090</del>	<del>\$83,008,280</del>	<del>\$79,530,383</del>	<del>\$82,864,451</del>
Net income	\$ 4,505,372	\$ (4,477,086)	\$ 1,510,234	\$ 6,309,835
Change in net unrealized capital gains (losses)				
Change in net deferred income tax	733,755	278,528		(94,852)
Change in non-admitted assets and related items	(474,867)	3,941,063	1,293,324	697,205
Change in liability for reinsurance in unauthorized companies		(3,355,126)		
Change in asset valuation reserve			(89,455)	31,838
Surplus (contributed to), withdrawn from	189,119	34,763	561,018	(103,033)
Separate Accounts during period		0	0	0
Other changes in surplus in Separate Accounts statement	(622,811)	494,960	111,641	11,736
Prior year adjustment to surplus	645,947	(394,999)	(102,694)	(13,016)
	<u>1,091,487</u>			
Net change in capital and surplus for the year	<u>5,636,190</u>	<u>(3,477,897)</u>	<u>3,334,068</u>	<u>6,839,713</u>
Capital and surplus, December 31, current year	<del>\$83,008,280</del>	<del>\$79,530,383</del>	<del>\$82,864,451</del>	<del>\$89,704,164</del>



## 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.

### 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

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to submit the agreement between the Company and affiliate, FASCore, LLC, to the superintendent for his prior review and approval, before receiving services from FASCore.</p> <p>The Company filed the agreement in 2013. The agreement was approved by the Department effective April 1, 2016.</p>
B	<p>The Company violated Section 1313(f) of the New York Insurance Law by using advertisements containing statements of the separate financial condition of the holding company system but failing to include statements of the separate financial condition of the Company.</p> <p>The examiner's review of a sample of advertisements revealed that the Company has amended the statement of the separate financial condition to reflect the financial condition of the Company as well as the holding company.</p>
C	<p>The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to indicate the extent of distribution of each advertisement disseminated in New York during the examination period.</p> <p>The examiner's review revealed that the Company's advertisements disseminated in New York during the examination period contained a notation indicating the manner and extent of distribution.</p>
D	<p>The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to examine the Disclosure Statements completed by its agent and submitted with applications during the examination period, and ascertain that they were accurate and met the requirements of the Insurance Law and this Regulation.</p>

<u>Item</u>	<u>Description</u>
	<p>The Company has established procedures to ensure that the Disclosure Statement is completed entirely and reviewed to ensure full disclosure as required. The procedures provides that if additional information is not provided within 10 days, the Company will reject the application and Disclosure Statement. Also, the examiner's review did not reveal any instance where the Company failed to examine a Disclosure Statement completed by an agent and ascertain that it was accurate and met the requirements of Section 51.6(b)(3) of Department Regulation No. 60.</p>
E	<p>The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to correct the deficiencies or reject the application when the replacement forms did not meet the requirements of this Regulation.</p>
	<p>The Company implemented new procedures to address this issue and provided training to the applicable team members. The examiner's review did not reveal any instance where the Company failed to correct the deficiencies or reject the application when the replacement forms did not meet the requirements of Section 51.6(b)(7) of Department Regulation No. 60.</p>
F	<p>The Company violated Section 53-2.2(a)(2) of Department Regulation No. 74 by failing to include the agent's business address on the illustrated policies.</p>
	<p>The examiner's review indicated that the agent address is now reflected on the policy illustration.</p>
G	<p>The Company violated Section 53-3.5(a) of Department Regulation No. 74 when the agents failed to submit a copy of the signed illustration to the Company at the time of policy application.</p>
	<p>The examiner's review did not reveal any instance where an agent failed to submit a copy of the signed illustration to the Company at the time of policy.</p>
H	<p>The Company violated Section 2112(a) of the New York Insurance Law when it permitted an agent to write business on its behalf prior to appointing such agent with the superintendent.</p>
	<p>The examiner's review of agent files did not reveal any instance where the Company permitted an agent to write business on its behalf prior to appointing such agent with the superintendent.</p>
I	<p>The examiner recommends that the Company implement procedures to ensure the integrity of its agent data file.</p>
	<p>The Company has implemented procedures to ensure timely agent appointment.</p>

<u>Item</u>	<u>Description</u>
J	<p>The Company violated Section 3204(a) of the New York Insurance Law by applying the APL provision, instead of the non-forfeiture provision stated in the contract, for policyholders who did not affirmatively select the APL option on the application.</p> <p>The Company reviewed all 432 policies where an APL was processed during the prior exam period and noted that 17 policies required remediation. The Company contacted the policyholders for all 17 policies and offered the APL option or a non-forfeiture option that they were initially entitled to. The remediation was completed on May 15, 2013. The Company stated that it would not apply the APL option unless affirmatively selected on the application by the policyholder.</p>

Respectfully submitted,

\_\_\_\_\_  
/s/

Chacko Thomas  
Senior Insurance Examiner

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

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

\_\_\_\_\_  
/s/

Chacko Thomas

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

APPOINTMENT NO. 31442

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, MARIA T. VULLO, Acting 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:

**CHACKO THOMAS**

as a proper person to examine the affairs of the

**GREAT-WEST LIFE & ANNUITY 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 he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name  
and affixed the official Seal of the Department  
at the City of New York

this 21st day of March, 2016

MARIA T. VULLO

Acting Superintendent of Financial Services

By:



MARK MCLEOD

ASSISTANT CHIEF - LIFE BUREAU

