



**FINANCIAL CONDITION REPORT ON EXAMINATION**

**OF THE**

**AAA LIFE INSURANCE COMPANY OF NEW YORK**

**AS OF DECEMBER 31, 2021**

**EXAMINER:**

**KINGS ANKRAH**

**DATE OF REPORT:**

**JUNE 26, 2023**

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Company	5
	A. History	5
	B. Holding company	5
	C. Organizational chart	6
	D. Service agreements	8
	E. Management	9
4.	Territory and plan of operations	11
	A. Statutory and special deposits	11
	B. Direct operations	11
	C. Reinsurance	11
5.	Financial statements	12
	A. Independent accountants	12
	B. Net admitted assets	12
	C. Liabilities, capital and surplus	13
	D. Condensed summary of operations	14
	E. Capital and surplus account	15
6.	Subsequent events	16
7.	Summary and conclusions	17

---

KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 29, 2023

Honorable Adrienne A. Harris  
Superintendent of Financial Services  
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32395, dated March 23, 2022, and annexed hereto, an examination has been made into the condition and affairs of AAA Life Insurance Company of New York, hereinafter referred to as "the Company". The Company's home office is located at 500 Mamaroneck Avenue, Suite 320, Harrison, NY 10528. The Company's administrative office is located at 17900 N. Laurel Park Drive, Livonia, MI 48152. Due to the COVID-19 pandemic, the examination was conducted remotely.

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

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

1. EXECUTIVE SUMMARY

The material violation contained in this report is summarized below.

The Company violated Section 1506(e) of the New York Insurance Law by failing to notify the superintendent in writing of the identity of any person whom the insurer then knows or has reason to believe controls, or has taken any actions, other than preliminary negotiations or discussions, to acquire control of the insurer. (See item 3D of this report.)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2022 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2019, to December 31, 2021. 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, 2021, 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 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 coordinated examination of the Company's parent, AAA Life Insurance Company ("AAA Life"). The examination was led by the State of Michigan with participation from the states of California and New York. 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 2019 through 2021, by the accounting firm of Ernst & Young, LLP (“EY”). 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 immediate parent, AAA Life, which was given the task of assessing the internal control structure and compliance with the Model Audit Rule (“MAR”). Where applicable, MAR 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.

### 3. DESCRIPTION OF COMPANY

#### A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on March 10, 2011, was licensed and commenced business on July 25, 2013. Initial resources of \$9,000,000, consisting of capital stock of \$2,000,000 and paid in and contributed surplus of \$7,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$45 per share.

#### B. Holding Company

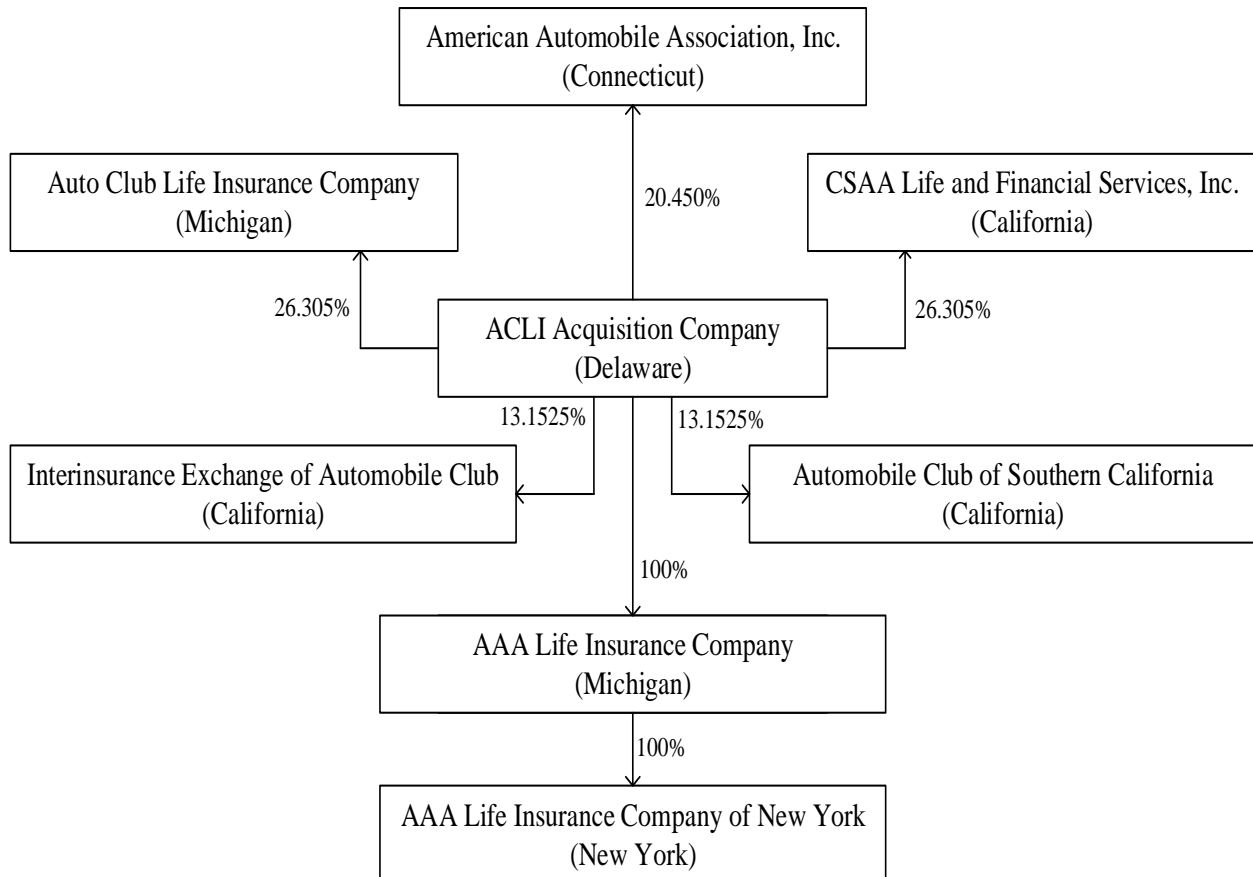
The Company is a wholly owned subsidiary of AAA Life, a Michigan domestic life insurer. AAA Life is in turn a wholly owned subsidiary of ACLI Acquisition Company (“ACLI Acquisition”), a Delaware corporation.

The following five companies collectively own more than 99.00% shares of ACLI Acquisition: CSAA Life and Financial Services, Inc., a California corporation, owns 26.305%; Auto Club Life Insurance Company, a Michigan corporation, owns 26.305%; American Automobile Association, Inc. (“AAA”), a Connecticut corporation, owns 20.450%; Automobile Club of Southern California, a California corporation, owns 13.1525%; and Interinsurance Exchange of the Automobile Club, a California corporation, owns 13.1525%. The remaining less than 1.00% is owned by eight independent AAA clubs.

Effective March 11, 2022, AAA Northeast Holding, Inc, a Rhode Island Corporation, closed the acquisition of the 20.450% ownership interest in ACLI Acquisition from AAA pursuant to a Stock Purchase Agreement. The purchase price was equal to 100% of the book value of the shares of AAA Life, as of December 31, 2021, as reflected in its financial statements. The remaining ownership interest in ACLI Acquisition was unchanged by this transaction.

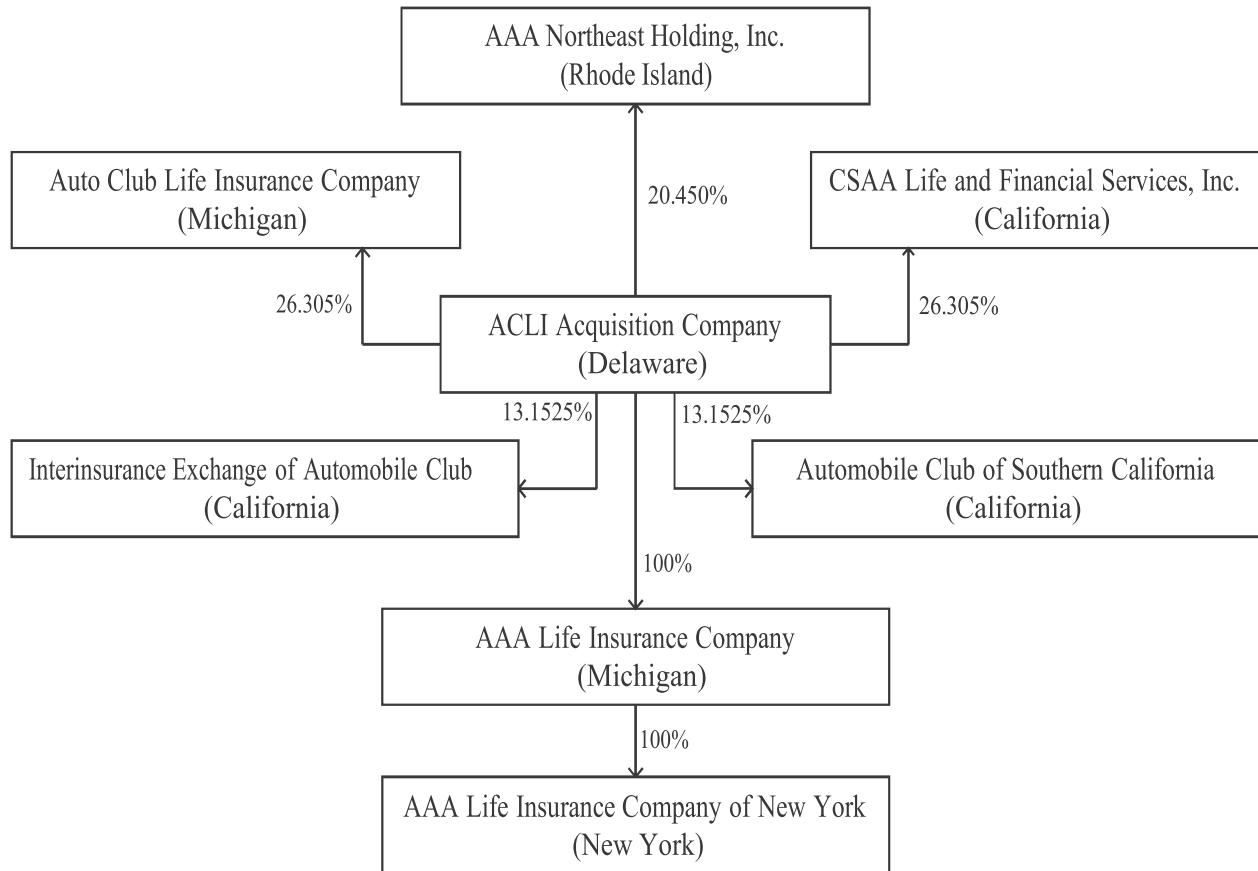
### C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2021, follows:





An organization chart reflecting the relationship between the Company and significant entities in its holding company system effective March 11, 2022, follows:



#### D. Service Agreements

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

Type of Agreement	Effective Date	Provider of Services	Recipient of Services	Specific Service(s) Covered	Expense* For Each Year of the Examination
Administrative Service Agreement File No. 44450	08/09/2013	AAA Life Insurance Company	The Company	Policy Administrative Services	2019 \$ (891,898) 2020 \$(1,173,973) 2021 \$(1,481,416)
Investment Service Agreement File No.44451	08/09/2013	AAA Life Insurance Company	The Company	Investment Management Services	2019 \$(1,735) 2020 \$(1,465) 2021 \$(2,144)

\* Amount of Expense Incurred by the Company

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

Section 1506 of the New York Insurance Law states, in part:

“(e) Unless subject to registration under section one thousand five hundred three of this article, or unless acquisition of its control is subject to subsections (a) and (b) hereof, every authorized insurer shall, within thirty days after any event requiring notice hereunder, notify the superintendent in writing of the identity of any person whom the insurer then knows or has reason to believe controls, or has taken any actions, other than preliminary negotiations or discussions, to acquire control of the insurer.”

On January 4, 2022, the acquisition of control of the Company was entered into through a stock purchase agreement between AAA Northeast Holding, Inc. (“the Applicant”), and AAA, for 20.45% ownership interest in ACLI. On March 11, 2022, the transaction was finalized and the Applicant became the indirect parent and controlling person of the Company.

The Company failed to notify the Superintendent in writing within 30 days of the planned acquisition of control of the Company after the stock purchase agreement was entered between the Applicant and AAA.

The Company violated Section 1506(e) of the New York Insurance Law by failing to notify the superintendent in writing of the identity of any person whom the insurer then knows or has

reason to believe controls, or has taken any actions, other than preliminary negotiations or discussions, to acquire control of the insurer.

#### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 7 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2021, the board of directors consisted of eight members. Meetings of the board are held at such times as may from time to time be fixed by the resolution of the board of directors. During the examination period, the board meetings were held bi-annually.

The eight board members and their principal business affiliation, as of December 31, 2021, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Ankur Chaturvedi Jackson Heights, NY	Vice President AAA Life Insurance Company of New York	2021
Latrina M. Edwards West Bloomfield, MI	Vice President and Secretary AAA Life Insurance Company of New York	2018
Mary R. Hennessy* Moorestown, NJ	Retired Independent Consultant	2020
Christopher W. Lane Plymouth, MI	Vice President and Treasurer AAA Life Insurance Company of New York	2014
James T. Lucas Milford, MI	Vice President and Chief Actuary AAA Life Insurance Company of New York	2013
James C. Phelps* Amsterdam, NY	President and Chief Executive Officer AAA Northway	2013
Betty Schick Saline, MI	Vice President AAA Life Insurance Company of New York	2014
Anthony B. Spada Jr. * Williamsville, NY	President and Chief Executive Officer AAA Western and Central New York	2015

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

In April 2022, Mary R. Hennessy resigned from the board and was replaced by Cathleen M. Paugh. In July 2022, Philip G. Walker was appointed to the board.

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 the meetings.

The following is a listing of the principal officers of the Company as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Latrina M. Edwards	Vice President and Secretary
Christopher W. Lane	Vice President and Treasurer
James T. Lucas	Vice President and Chief Actuary

In December 2021, John W. DuBose, President and Chief Executive Officer of the Company, resigned and was not replaced. In January 2022, Ankur Chaturvedi was appointed as Interim President and Chief Operating Officer. In July 2022, Philip G. Walker was appointed as President and Chief Executive Officer and replaced Ankur Chaturvedi as President. Ankur Chaturvedi retained the office of Chief Operating Officer after the appointment of Philip G. Walker. In October 2022, Kevin M. Heil was appointed as Interim Vice President and Treasurer and replaced Christopher W. Lane.

Tamieka Porter, Director of Compliance, is the designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 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 only licensed to transact business in the State of New York. In 2021, 96.8% of life premiums were received from the State of New York. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2021, the Company had \$400,000 (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.

##### B. Direct Operations

The Company markets simplified issue term insurance and guaranteed issue graded benefit whole life insurance through direct mail distribution.

The Company has no agency operations.

##### C. Reinsurance

As of December 31, 2021, the Company had reinsurance treaties in effect with six companies, of which five were authorized, accredited, or certified. The Company's life business is reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is \$250,000. The total face amount of life insurance ceded as of December 31, 2021, was \$1,404,757,285 which represents 64.5% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$40,563 was supported by letters of credit.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2021, as contained in the Company's 2021 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, 2021, filed annual statement.

### A. Independent Accountants

The firm of EY was retained by the Company to audit the Company's combined statutory-basis statements of financial position of the Company 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.

EY 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	\$ 7,451,342
Cash, cash equivalents and short-term investments	2,128,365
Contract loans	51,792
Investment income due and accrued	47,433
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	28,931
Deferred premiums, agents' balances and installments booked but deferred and not yet due	964,736
Reinsurance:	
Amounts recoverable from reinsurers	608,000
Other amounts receivable under reinsurance contracts	1,164,456
Current federal and foreign income tax recoverable and interest thereon	<u>512,547</u>
 Total admitted assets	 <u>\$12,957,603</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 6,310,639
Contract claims:	
Life	978,935
Premiums and annuity considerations for life and accident and health contracts received in advance	31,089
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	258,899
General expenses due or accrued	648,529
Taxes, licenses and fees due or accrued, excluding federal income taxes	55,799
Amounts withheld or retained by company as agent or trustee	4,332
Remittances and items not allocated	62,038
Miscellaneous liabilities:	
Payable to parent, subsidiaries and affiliates	161,933
Unclaimed property	<u>18,572</u>
 Total liabilities	 <u>\$ 8,530,764</u>
 Common capital stock	 2,000,000
Gross paid in and contributed surplus	12,000,000
Unassigned funds (surplus)	<u>(9,573,162)</u>
Surplus	<u>\$ 2,426,838</u>
Total capital and surplus	<u>\$ 4,426,838</u>
 Total liabilities, capital and surplus	 <u>\$12,957,603</u>

D. Condensed Summary of Operations

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Premiums and considerations	\$5,260,884	\$7,093,699	\$10,009,788
Investment income	160,724	133,507	137,733
Miscellaneous income	<u>0</u>	<u>150</u>	<u>2,970</u>
Total income	<u>\$5,421,608</u>	<u>\$7,227,356</u>	<u>\$10,150,491</u>
Benefit payments	\$ 901,230	\$1,926,350	\$ 2,617,837
Increase in reserves	886,353	761,813	1,246,315
General expenses and taxes	4,798,794	6,305,517	9,648,836
Increase in loading on deferred and uncollected premiums	102,660	116,257	31,334
Miscellaneous loss	<u>30</u>	<u>0</u>	<u>0</u>
Total deductions	<u>\$6,689,067</u>	<u>\$9,109,937</u>	<u>\$13,544,322</u>
Net gain (loss)	\$(1,267,459)	\$(1,882,581)	\$(3,393,831)
Federal and foreign income taxes incurred	<u>(163,474)</u>	<u>(249,462)</u>	<u>(512,207)</u>
Net gain (loss) from operations before net realized capital gains	<u>\$(1,103,984)</u>	<u>\$(1,633,119)</u>	<u>\$(2,881,624)</u>
Net income	<u>\$(1,103,984)</u>	<u>\$(1,633,119)</u>	<u>\$(2,881,624)</u>



E. Capital and Surplus Account

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ <u>4,970,251</u>	\$ <u>3,955,003</u>	\$ <u>7,344,053</u>
Net income	\$(1,103,984)	\$(1,633,119)	\$(2,881,624)
Change in net unrealized capital gains (losses)	72,259	42,626	(27,924)
Change in net deferred income tax	102,262	144,713	195,044
Change in non-admitted assets and related items	(80,104)	(158,332)	(215,229)
Change in asset valuation reserve	(5,681)	(6,838)	12,519
Surplus adjustments:			
Paid in	<u>0</u>	<u>5,000,000</u>	<u>0</u>
Net change in capital and surplus for the year	\$( <u>1,015,248</u> )	\$ <u>3,389,050</u>	\$( <u>2,917,214</u> )
Capital and surplus, December 31, current year	\$ <u>3,955,003</u>	\$ <u>7,344,053</u>	\$ <u>4,426,838</u>

6. SUBSEQUENT EVENTS

On December 8, 2022, AAA Life infused capital of \$6 million into the Company.

7. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1506(e) of the New York Insurance Law by failing to notify the superintendent in writing of the identity of any person whom the insurer then knows or has reason to believe controls, or has taken any actions, other than preliminary negotiations or discussions, to acquire control of the insurer.	8

Respectfully submitted,



Kings Ankrach  
Senior Insurance Examiner

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

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



Kings Ankrach

Subscribed and sworn to before me

this 26<sup>th</sup> day of June, 2023



**AUDREY HALL**  
Notary Public, State of New York  
No. 01HA8274900  
Qualified in Kings County  
Commission Expires January 28, 2025

Respectfully submitted,

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

Rory Cummings  
Associate Insurance Examiner

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

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

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

Rory Cummings

Subscribed and sworn to before me

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

APPOINTMENT NO. 32395

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, ADRIENNE A. HARRIS, 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:

**KINGS ANKRAH**

as a proper person to examine the affairs of the  
**AAA LIFE INSURANCE COMPANY OF NEW YORK**  
and to make a report to me in writing of the condition of said  
**COMPANY**

with such other information as 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 23rd day of March, 2022

ADRIENNE A. HARRIS  
Superintendent of Financial Services

By: *Mark McLeod*

MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

