



**FINANCIAL CONDITION REPORT ON EXAMINATION**

**OF THE**

**LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK**

**AS OF DECEMBER 31, 2022**

**EXAMINER:**

**SAUHUNG YOU**

**DATE OF REPORT:**

**JUNE 21, 2024**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 26, 2024

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. 32539, dated May 16, 2023, and annexed hereto, an examination has been made into the condition and affairs of Lincoln Life & Annuity Company of New York, hereinafter referred to as “the Company.” The Company’s statutory home office is located at 120 Madison Street, Suite 1310, Syracuse, NY 13202. The Company’s administrative office is located at 100 North Greene Street, Greensboro, NC 27401.

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 comment and violation contained in this report are summarized below.

- During the review of the financial statements as of December 31, 2022, concerns were raised regarding the amount reported on page 3, line 13 (Transfers to Separate Accounts due or accrued) of the General Account Annual Statement. The amount reported on line 13 did not appropriately account for amounts ceded to Lincoln National Life Insurance Company in accordance with the Company's 1/1/2018 reinsurance agreement. The Company agreed with this finding and corrected the amount reported in the first quarter of 2024 resulting in a \$69 million increase to liabilities, and thus a corresponding decrease to surplus. (See item 5C of this report.)
- The Company violated Section 1410(b)(3)(B) of New York Insurance Law by failing to timely submit the amendment to its derivative use plan to the superintendent for approval prior to implementing the amendment. The Company took corrective action in May 2022 by submitting the amendment to its derivative use plan and the plan was approved. (See item 6 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, 2023 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2018 to December 31, 2022. 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, 2022 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 called by the State of Indiana ("Indiana") in accordance with the NAIC Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination was conducted as part of The Lincoln National Life Insurance Company ("LNL") examination. Indiana served as the lead state with participation from the State of New York. Since the lead and participating states are both accredited by the NAIC, both 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 2018 through 2022, by the accounting firm of Ernst & Young, LLP (“E&Y”). The Company received an unqualified opinion in each year of the examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company’s ultimate parent, Lincoln National Corporation (“LNC”), has an internal audit department that was given the task of assessing the internal control structure and the 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 comment 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 the State of New Jersey on October 27, 1897, under the name Colonial Life Insurance Company of America. A certificate of authority, dated December 31, 1897, authorized the Company to commence business and issue policies as a joint stock life insurance company on August 4, 1900. Effective May 18, 1978, Colonial Life Insurance Company of America was acquired by Chubb Life Insurance Company, a subsidiary of Chubb Corporation. On March 1, 1996, Colonial Life Insurance Company of America changed its name to Chubb Colonial Life Insurance Company. Effective May 13, 1997, Chubb Life Insurance Company and its subsidiaries were acquired by Jefferson Pilot Corporation (“JPC”). On May 1, 1998, Chubb Colonial Life Insurance Company changed its name to Jefferson Pilot Life America Insurance Company (“JPLA”).

The Company was incorporated as a stock life insurance company under the laws of the State of New York on June 6, 1996, was licensed on September 27, 1996, and commenced business on October 1, 1996.

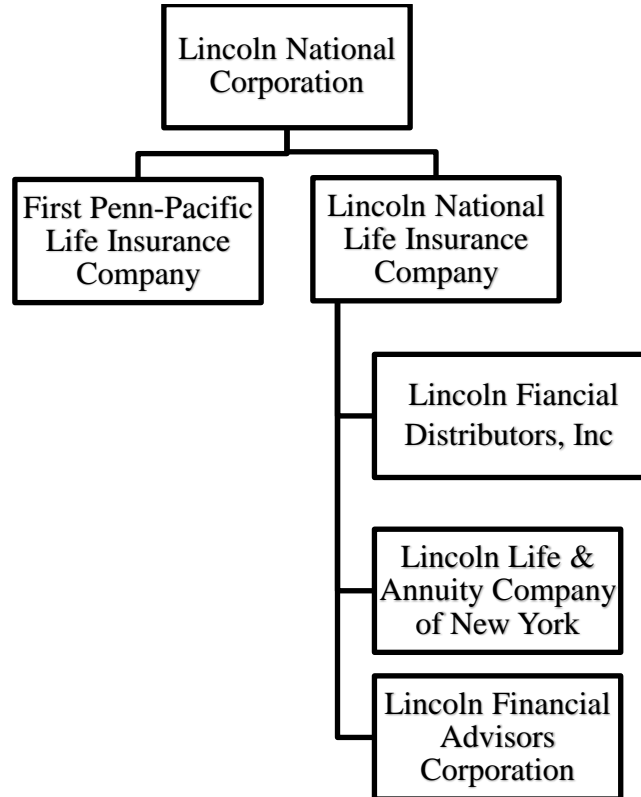
On April 3, 2006, LNC acquired 100% of the outstanding shares of JPC, and JPC then merged with and into LNC. On April 2, 2007, the Company changed its name from JPLA, which had re-domesticated from New Jersey to New York, to its present name.

#### B. Holding Company

The Company is a wholly owned subsidiary of LNL, an Indiana life insurance company. The ultimate parent of the Company is LNC, a publicly traded financial services corporation. LNC and its affiliates, including the Company, LNL, and First Penn-Pacific Life Insurance Company (FPP) are collectively known as the Lincoln Financial Group.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2022 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
Principal Underwriting Agreement  File No. 37444	05/01/2007	Lincoln Financial Distributors, Inc. ("LFD")	The Company	LFD distributes and acts as principal underwriter of the Company's separate accounts	2018 \$(14,172,112) 2019 \$(13,163,573) 2020 \$(15,080,276) 2021 \$(17,588,026) 2022 \$(15,503,834)
Wholesaling and Processing Agreement  File No. 37443	05/01/2007	The Company	LFD	Recordkeeping services for LFD in its roles as Principal Underwriter	2018 \$1,886,521 2019 \$1,603,653 2020 \$1,666,023 2021 \$1,619,774 2022 \$ 774,991
Master Service Agreement  File No. 46889  Amendment 1 File No. 38111  Amendment 2 and Exhibits File No. 46889	05/01/2007 Amendment 1 and 2 and Exhibits  10/01/2007  03/14/2013	All LNC affiliated companies listed in Exhibit A to the Agreement	The Company	Actuarial, risk management, tax accounting and administration, internal auditing, separate account operations, accounting and financial reporting, treasury operations, corporate management, customer service, human resources, information technology services, legal, compliance, underwriting, sales and marketing, printing and mailing, wholesale distribution and facilities management.	2018 \$(67,713,211) 2019 \$(76,673,392) 2020 \$(61,546,207) 2021 \$(62,747,720) 2022 \$(72,499,028)

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

The Company participates in a consolidated 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 7 and not more than 11 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2022, the board of directors consisted of seven members. Meetings of the board are held immediately or within 30 days thereafter the annual shareholders meeting in May and at such intervals and on such dates as the board may designate by resolution.

The seven board members and their principal business affiliation, as of December 31, 2022, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Jayson R. Bronchetti Swarthmore, Pennsylvania	Executive Vice President and Chief Investment Officer Lincoln Life & Annuity Company of New York	2021
Ellen G. Cooper Gladwyne, Pennsylvania	President Lincoln Life & Annuity Company of New York	2012
Randal J. Freitag Devon, Pennsylvania	Executive Vice President and Chief Financial Officer Lincoln Life & Annuity Company of New York	2011
Mark E. Konen* Austin, Texas	Retired Executive Vice President Lincoln Life & Annuity Company of New York	2006
M. Leanne Lachman* New York, New York	President Lachman Associates, LLC	1996
Louis G. Marcoccia* Manlius, New York	Retired Executive Vice President & Chief Financial Officer Syracuse University	1996
Patrick S. Pittard* Ball Ground, Georgia	Chief Executive Officer BDI DataLynk, LLC	2007

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

Effective February 17, 2023, Randal J. Freitag resigned as director and was replaced by Christopher M. Neczypor.

Effective December 6, 2023, Patrick S. Pittard resigned as a member of the Board of Directors.

Effective February 28, 2024, Dale LeFebvre was elected a member of the Board of Directors.

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, 2022:

<u>Name</u>	<u>Title</u>
Ellen Gail Cooper	President
Robert O. Sheppard	Secretary
Shantanu Mishra	Treasurer
Elizabeth Ann Braswell	Appointed Actuary
Jayson R. Bronchetti	Chief Investment Officer and Executive Vice President
Randal J. Freitag	Chief Financial Officer and Executive Vice President
Christopher M. Neczypor	Chief Strategy Officer and Executive Vice President
Kenneth S. Solon	Chief Information Officer and Executive Vice President
Matthew Grove	President Retail Solutions and Executive Vice President
John Christopher Kennedy	Chief Distribution and Brand Officer and Executive Vice President
James Waltman Reid	President Workplace Solutions and Executive Vice President
Joseph D. Spada*	Vice President and Chief Compliance Officer

\*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

Effective February 17, 2023, Randal J. Freitag resigned as Executive Vice President and Chief Financial officer and was replaced by Christopher M. Neczypor.

Effective January 5, 2024, Robert O. Shepard resigned as Secretary and was replaced by Nancy Smith.

Effective February 8, 2024, Shantanu Mishra resigned as Treasurer and was replaced by Adam M. Cohen, Chief Accounting Officer and Treasurer.

Effective May 16, 2024, Matthew Grove resigned as President Retail Solutions and Executive Vice President and was replaced by Brian Kroll, Head of Retail Life and Annuity Solutions and Executive Vice President.

#### 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 all states, the District of Columbia, and the territory of the U.S. Virgin Islands. In 2022, 73.1% of life premiums, 90.7% of annuity considerations, and 93.8% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

##### A. Statutory and Special Deposits

As of December 31, 2022, the Company had \$5,500,000 (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. The Company reported in its 2022 filed annual statement, an additional \$6,923,945 was being held by the states of Arkansas, Georgia, New Jersey, New Mexico, North Carolina, and South Carolina, and the territory of the U.S. Virgin Islands.

##### B. Direct Operations

The Company currently offers life insurance, annuity products, disability products and qualified pension products and services to individuals and groups. The Company's portfolio includes term life, universal life, variable universal life, individual and group variable and fixed annuities, accidental death and dismemberment, as well as short-term and long-term disability products. The Company writes both general account and separate account business.

During the examination period, the Company's principal lines of business sold were ordinary fixed and variable annuities and universal life with a lapse protection rider. In 2022, 56.4% of total premiums and considerations were from annuity business, 23.1% were from accident and health and 20.5% were from life insurance. The Company's life insurance segment focuses on the creation and protection of wealth, targets the affluent to high net worth markets and focuses primarily on product design and customer service.

Between April 2021 and June 2022, the Company ceased issuing various retail individual life insurance products in New York. As of June 2022, the Company no longer issues retail individual life insurance in New York.

The Company's agency operations are conducted on a general agency basis. The Company also uses other distribution channels such as broker-dealers, independent financial planners, wire/regional firms, financial institutions, and managing general agents.

### C. Reinsurance

As of December 31, 2022, the Company had reinsurance treaties in effect with 49 companies, of which 20 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 \$20,000,000. The total face amount of life insurance ceded as of December 31, 2022, was \$27,927,619,636, which represents 44.6% of the total face amount of life insurance in force.

Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverable from unauthorized companies, totaling \$3,110,704,666, was supported by letters of credit, trust agreements, funds withheld, and other miscellaneous balances.

The total face amount of life insurance assumed, as of December 31, 2022, was \$7,579,291,530, which represents 12.1% of the total face amount of life insurance in force. The bulk of assumed life insurance (93.5%) is from the 1998 acquisition of the individual life insurance policies and annuities block of business from Aetna Life Insurance Company and Aetna Life Insurance and Annuity Company. The Company acquired the New York portion of the block of business while LNL acquired the non-New York portion. During 2007, LNL, as indemnity reinsurer and administrator, transferred its obligations of the non-New York portion of the block to the Company.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2022, as contained in the Company's 2022 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, 2022 filed annual statement.

### A. Independent Accountants

The firm of E&Y was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31 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.

E&Y 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	\$7,365,083,256
Stocks:	
Preferred stocks	8,017,957
Common stocks	1,915,238
Mortgage loans on real estate:	
First liens	915,452,539
Cash, cash equivalents and short-term investments	14,620,064
Contract loans	168,255,047
Derivatives	11,418,544
Other invested assets	21,025,665
Receivable for securities	5,577,519
Collateral receivable – derivatives	8,364
Investment income due and accrued	88,983,735
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	19,874,915
Deferred premiums, agents' balances and installments booked but deferred and not yet due	17,566,955
Reinsurance:	
Amounts recoverable from reinsurers	10,549,527
Other amounts receivable under reinsurance contracts	37,090,416
Net deferred tax asset	47,244,889
Guaranty funds receivable or on deposit	185,105
Receivables from parent, subsidiaries, and affiliates	555,212
Health care and other amounts receivable	2,548,069
Debit suspense	11,959,101
Miscellaneous receivables & prepaid items	2,998,454
From separate accounts, segregated accounts, and protected cell accounts	<u>6,825,781,480</u>
Total admitted assets	<u>\$15,576,712,051</u>



C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$5,691,827,557
Aggregate reserve for accident and health contracts	123,199,730
Liability for deposit-type contracts	133,231,992
Contract claims:	
Life	44,347,451
Accident and health	9,948,963
Policyholders' dividends and coupons due and unpaid	21,996
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	19,134,017
Premiums and annuity considerations for life and accident and health contracts received in advance	814,657
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	142,105
Interest maintenance reserve	68,483,088
Commissions to agents due or accrued	7,094,022
Commissions and expense allowances payable on reinsurance assumed	1,394
General expenses due or accrued	12,215,812
Transfers to separate accounts due or accrued	(114,942,681)
Current federal and foreign income taxes	15,458,132
Unearned investment income	381,947
Amounts withheld or retained by company as agent or trustee	13,858,194
Remittances and items not allocated	26,740,326
Borrowed money and interest thereon	720,741
Miscellaneous liabilities:	
Asset valuation reserve	62,999,234
Reinsurance in unauthorized companies	2,622,304
Funds held under reinsurance treaties with unauthorized reinsurers	1,632,953,746
Payable to parent, subsidiaries, and affiliates	7,467,628
Derivatives	8,064
Payable for securities	126,209
Collateral payable – derivatives	21,510,000
Miscellaneous withholding	3,188,547
From Separate Accounts statement	<u>6,825,780,093</u>
 Total liabilities	 <u>\$14,609,335,268</u>
 Common capital stock	 \$ 2,640,000
Gross paid in and contributed surplus	1,136,679,656
Unassigned funds (surplus)	<u>(171,942,873)</u>
Surplus	<u>\$ 964,736,783</u>
Total capital and surplus	<u>\$ 967,376,783</u>
Total liabilities, capital and surplus	<u>\$15,576,712,051</u>

During the review of the financial statements as of December 31, 2022, concerns were raised regarding the amount reported on page 3, line 13 (Transfers to Separate Accounts due or accrued) of the General Account Annual Statement. The amount reported on line 13 did not appropriately account for amounts ceded to Lincoln National Life Insurance Company in accordance with the Company's 1/1/2018 reinsurance agreement. The Company agreed with this finding and corrected the amount reported in the first quarter of 2024 resulting in a \$69 million increase to liabilities, and thus a corresponding decrease to surplus.

#### D. Condensed Summary of Operations

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Premiums and considerations	\$739,593,088	\$742,296,267	\$696,742,203	\$824,985,991	\$1,015,881,997
Investment income	327,936,634	321,645,381	306,298,525	317,728,224	296,178,273
Commissions and reserve adjustments on reinsurance ceded	342,974,435	343,055,422	212,511,341	217,773,568	176,892,714
Miscellaneous income	<u>189,272,177</u>	<u>173,139,264</u>	<u>163,312,035</u>	<u>177,789,836</u>	<u>154,981,386</u>
Total income	<u>\$1,599,776,334</u>	<u>\$1,580,136,334</u>	<u>\$1,378,864,104</u>	<u>\$1,538,277,619</u>	<u>\$1,643,934,370</u>
Benefit payments	\$1,149,690,863	\$1,209,113,658	\$1,233,885,996	\$1,408,486,351	\$1,497,749,018
Increase in reserves	26,047,484	29,861,222	125,408,277	(12,224,497)	(826,315)
Commissions	79,081,963	83,162,955	68,243,295	78,660,134	69,496,574
General expenses and taxes	104,375,878	111,318,638	92,494,856	189,038,167	114,353,621
Increase in loading on deferred and uncollected premiums	(363,597)	(4,430,592)	177,461	(421,167)	900,062
Net transfers to (from) separate accounts	118,705,428	2,837,383	(188,433,455)	(218,092,827)	(112,559,396)
Miscellaneous deductions	<u>0</u>	<u>0</u>	<u>248,173</u>	<u>(2,159)</u>	<u>15,027</u>
Total deductions	<u>\$1,477,538,019</u>	<u>\$1,431,863,264</u>	<u>\$1,332,024,603</u>	<u>\$1,445,444,002</u>	<u>\$1,569,128,591</u>
Net gain (loss) from operations	\$ 122,238,315	\$ 148,273,070	\$ 46,839,501	\$ 92,833,617	\$ 74,805,779
Dividends	20,766,591	19,783,208	19,860,587	19,115,433	18,955,162
Federal and foreign income taxes incurred	<u>16,147,156</u>	<u>26,443,184</u>	<u>1,775,960</u>	<u>35,191,032</u>	<u>(12,604,478)</u>
Net gain (loss) from operations before net realized capital gains	\$ 85,324,568	\$ 102,046,678	\$ 25,202,954	\$ 38,527,152	\$ 68,455,095
Net realized capital gains (losses)	<u>(5,164,128)</u>	<u>(3,099,640)</u>	<u>(1,832,094)</u>	<u>2,525,607</u>	<u>(3,610,111)</u>
Net income	<u>\$ 80,160,440</u>	<u>\$ 98,947,038</u>	<u>\$ 23,370,860</u>	<u>\$ 41,052,759</u>	<u>\$ 64,844,984</u>

E. Capital and Surplus Account

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, December 31, prior year	\$ <u>1,187,344,706</u>	\$ <u>1,117,567,550</u>	\$ <u>1,105,559,938</u>	\$ <u>996,516,544</u>	\$ <u>991,265,627</u>
Net income	\$ 80,160,440	\$ 98,947,038	\$ 23,370,860	\$ 41,052,759	\$ 64,844,984
Change in net unrealized capital gains (losses)	438,927	(15,450,409)	19,078,711	(17,794,903)	(1,999,810)
Change in net unrealized foreign exchange capital gain (loss)	0	(411,551)	54,795	642,802	(334,544)
Change in net deferred income tax	9,321,341	24,485,700	19,699,013	25,476,947	(11,015,524)
Change in non-admitted assets and related items	(12,147,319)	(8,926,782)	(2,622,310)	(10,975,807)	(10,510,943)
Change in liability for reinsurance in unauthorized companies	0	(522,318)	1,122,211	2,700,983	(48,298)
Change in reserve valuation basis	0	0	(45,299,000)	0	0
Change in asset valuation reserve	4,474,972	(3,692,286)	(1,035,128)	10,888	(4,641,378)
Other changes in surplus in Separate Accounts statement	(225)	0	0	0	(224)
Surplus adjustments:					
Paid in	90,921	121,315	92,056	140,017	240,007
Change in surplus as a result of reinsurance	(21,567,689)	(21,558,319)	(21,504,602)	(21,504,603)	(22,423,114)
Dividends to stockholders	(118,000,000)	(85,000,000)	(102,000,000)	(25,000,000)	(38,000,000)
Correction of error (net of tax)	<u>(12,548,524)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>(69,777,156)</u>	\$ <u>(12,007,612)</u>	\$ <u>(109,043,394)</u>	\$ <u>(5,250,917)</u>	\$ <u>(23,888,844)</u>
Capital and surplus, December 31, current year	\$ <u>1,117,567,550</u>	\$ <u>1,105,559,938</u>	\$ <u>996,516,544</u>	\$ <u>991,265,627</u>	\$ <u>967,376,783</u>

## 6. DERIVATIVE USE PLAN

Section 1410(b)(3) of the New York Insurance Law states, in part:

“Prior to entering into any derivative transaction authorized pursuant to this section: . . .

(B) the insurer shall submit a written derivative use plan or amendment thereto to the superintendent for approval . . .”

A review of the Company’s records indicated that the Company did not submit the March 2021 amendment to its derivative use plan to the superintendent for approval prior to implementing the amendment.

The Company violated Section 1410(b)(3)(B) of New York Insurance Law by failing to timely submit the amendment to its derivative use plan to the superintendent for approval prior to implementing the amendment.

The Company took corrective action in May 2022 by submitting the amendment to its derivative use plan and the plan was approved.

## 7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

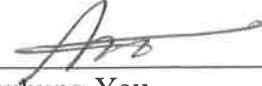
<u>Item</u>	<u>Description</u>
A	<p>At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until the Department's concerns are resolved. During this process, the Company reserves its rights to contest any potential findings by the Department with respect to these reserve issues, notwithstanding the Company's acceptance of this report.</p> <p>The examination revealed that the certificate of reserve valuation was issued on February 17, 2022.</p>

8. SUMMARY AND CONCLUSIONS

Following are the comment and violation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	During the review of the financial statements as of December 31, 2022, concerns were raised regarding the amount reported on page 3, line 13 (Transfers to Separate Accounts due or accrued) of the General Account Annual Statement. The amount reported on line 13 did not appropriately account for amounts ceded to Lincoln National Life Insurance Company in accordance with the Company's 1/1/2018 reinsurance agreement. The Company agreed with this finding and corrected the amount reported in the first quarter of 2024 resulting in a \$69 million increase to liabilities, and thus a corresponding decrease to surplus.	16
B	The Company violated Section 1410(b)(3)(B) of New York Insurance Law by failing to timely submit the amendment to its derivative use plan to the superintendent for approval prior to implementing the amendment. The Company took corrective action in May 2022 by submitting the amendment to its derivative use plan and the plan was approved.	19

Respectfully submitted,



Sauhung You  
Associate Insurance Examiner

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

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



Sauhung You

Subscribed and sworn to before me  
this 26<sup>th</sup> day of June, 2024  
Audrey Hall

**Audrey Hall**  
Notary Public, State of New York  
Reg. No. 01HA0010698  
Qualified in Kings County  
Commission Expires 07/07/2027



*APPOINTMENT NO. 32539*

*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:*

*SAUHUNG YOU*

*as a proper person to examine the affairs of the*

***LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK***

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

*COMPANY*

*with such other information as she shall deem requisite.*

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

*this 16th day of May, 2023*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*

*Mark McLeod*

\_\_\_\_\_  
*MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU*

