

**REPORT ON EXAMINATION**  
**OF THE**  
**NEW YORK LIFE INSURANCE AND**  
**ANNUITY CORPORATION**  
**AS OF**  
**DECEMBER 31, 2007**

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April 29, 2009

**SALUTATION**

Honorable Alfred W. Gross  
Chairman Financial Condition, (E)  
Subcommittee, NAIC  
State Corporation Commission  
Bureau of Insurance  
P.O. Box 1157  
Richmond, Virginia 23218

Honorable Merle D. Scheiber  
Secretary, Midwestern Zone (III), NAIC  
South Dakota Division of Insurance  
Department of Revenue and Regulation  
445 East Capitol Avenue  
Pierre, South Dakota 57501-3185

Honorable James J. Donelson  
Secretary, Southeastern Zone (II), NAIC  
Louisiana Department of Insurance  
1702 North Third Street  
Baton Rouge, Louisiana 70802

Honorable Joel Ario Commissioner  
Secretary Northeastern Zone (I), NAIC  
Pennsylvania Insurance Department  
1326 Strawberry Square  
Harrisburg, Pennsylvania 17120

Honorable Morris J. Chavez  
Secretary, Western Zone (IV), NAIC  
Department of Insurance  
State of New Mexico  
Post Office Box 1269  
Santa Fe, New Mexico 87504-1269

Honorable Karen Weldin Stewart, CIR-ML  
Commissioner  
Delaware Department of Insurance  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 08-023, dated May 6, 2008, an examination has been made of the affairs, financial condition and management of

**NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION**

hereinafter referred to as “Company” or “NYLIAC”, which was incorporated under the laws of the State of Delaware. The Company’s Statutory Home Office is located at 200 Continental

Drive, Newark, Delaware. The examination was conducted at its main administrative office located at 51 Madison Avenue, New York, New York.

The report of examination thereon is respectfully submitted.

### **SCOPE OF EXAMINATION**

The last examination was as of December 31, 2004. This examination covered the period of January 1, 2005 through December 31, 2007, and consisted of a general survey of the Company's business policies and practices, management and any corporate matters incident thereto. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("NAIC Handbook"). The NAIC Handbook requires that the examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company. In order to meet these objectives, the examiners obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated its system of internal controls and procedures used to mitigate those risks identified. The examination also included assessing the principles used and significant estimates made by management.

In addition, the examiners evaluated the Company's overall financial statement presentation and management's compliance with NAIC statutory accounting principles and annual statement instructions when applicable to domestic state regulations.

The general procedures of the examination followed rules established by the NAIC Financial Condition (E) Committee and as set forth in the NAIC Handbook which included such other examination procedures as were deemed necessary.

All material accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Corporate Audit Department (CAD) and by the Company's external accounting firm, PricewaterhouseCoopers, LLP (PWC). Pertinent auditors' workpapers (both internal and external) have been incorporated into the workpapers of the examiners and have been utilized in determining the scope of this examination.

### **HISTORY**

The Company was incorporated on November 3, 1980, under the laws of the State of Delaware. A Certificate of Authority, issued by the Insurance Commissioner on December 26, 1980, and amended on September 12, 1983, authorized the Company to transact the business of life, including annuities, variable annuities, credit life, health, credit health and variable life.

### **CAPITALIZATION**

At December 31, 2007, the Company's authorized capital was \$25,000,000 consisting of 2,500 issued and outstanding shares of common stock at a par value of \$1,000 per share. The following changes occurred in the capital and surplus accounts since the prior examination.

	<u>Common Capital Stock</u>	<u>Gross Paid-in and Contributed</u>	<u>Unassigned Surplus</u>	<u>Total</u>
December 31, 2004	\$ 25,000,000	\$ 1,410,000,000	\$ 573,845,401	\$ 2,008,845,401
2005 Operations (1)			148,534,009	148,534,009
2006 Operations (1)			178,099,394	178,099,394
2007 Operations (1)			326,065,078	326,065,078
2006 Dividend			(11,611,052)	(11,611,052)
December 31, 2007	<u>\$ 25,000,000</u>	<u>\$ 1,410,000,000</u>	<u>\$ 1,214,932,830</u>	<u>\$ 2,649,932,830</u>

(1) Operations are defined as: Net income, net realized and unrealized capital gains or losses, change in non-admitted assets, change in asset valuation reserve, surplus withdrawn from Separate Accounts, other changes in Separate Accounts aggregate write-ins for gains and losses in surplus, and dividends.

The Company received a \$1.218 billion paid in capital contribution from its parent, New York Life Insurance Company (NYL) in 2008. Please refer to the SUBSEQUENT EVENTS section of this report for more information.

### **DIVIDENDS TO STOCKHOLDER**

According to Company records for the years under review, and as reflected in minutes to the Board of Directors' meetings, one dividend to stockholders was declared and paid in 2006 in the amount of \$11,611,052. The Board approved this dividend.

### **INSURANCE HOLDING COMPANY SYSTEM**

The Company is a member of an insurance holding company system as defined under Title 18, Chapter 50, "Insurance Holding Companies" of the Delaware Insurance Code. The Company operates under the immediate and ultimate controlling parent, NYL, which is domiciled in the State of New York. NYL, a Fortune 100 company founded in 1845, is the

largest mutual life insurance company in the United States and one of the largest life insurers in the world.

Pursuant to Title 18, Section 5005 of the Delaware Insurance Code and Regulation 1801, in seeking authorization to enter into certain transactions, the Company submitted Form D notices of transactions that were filed with the Delaware Insurance Department. In addition, NYLIAC is exempt from filing annual holding company registration statements on the premise that NYL has filed substantially similar documents in its domiciliary state for its subsidiaries. Information Reports (IR) are filed by NYL with the New York State Insurance Department in satisfaction of that jurisdiction's holding company requirements and NYLIAC also submitted the IRs to the Delaware Insurance Department.

The following organizational chart of NYL's Holding Company System as of December 31, 2007 reflects voting security ownership that is 100% unless otherwise indicated with subsidiaries of subsidiaries indented accordingly:

- Biris Holdings LLC (Delaware)
- Haier New York Life Insurance Company Limited (China) (50%)
- New York Life Short Term Fund<sup>1</sup>
- NYL Wind Investments LLC (Delaware)
- NYLIFE Insurance Company of Arizona (Arizona)
- Tribeca Holdings I LLC (Delaware)
- Bluewater Holdings I LLC (Delaware)
- Gramercy Holdings I LLC (Delaware)
- Huntsville NYL LLC
- Union Investments I LP (Delaware)
  - 29 Park Investments No. 1 Limited (Cayman Islands)
  
- New York Life Insurance and Annuity Corporation (Delaware)**
  - Tribeca Holdings II LLC (Delaware)
  - Bluewater Holdings II LLC (Delaware)
  - Gramercy Holdings II LLC (Delaware)
  - Pacific Square Investments LLC (Delaware)
  - Union Investments II LP (Delaware)
    - 29 Park Investments No. 2 Limited (Cayman Islands)

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<sup>1</sup> Control of this partnership is by virtue of New York Life (and other subsidiaries of New York Life) being general partners.

New York Life Insurance and Annuity Corporation

New York Life International, LLC (Delaware)

- HSBC New York Life Seguros de Retiro (Argentina) S.A. (Argentina) (40%)
- HSBC New York Life Seguros de Vida (Argentina) S.A. (Argentina) (40%)
- Maxima S.A. AFJP (Argentina) (40%)
- New York Life Insurance Taiwan Corporation (Taiwan)
- New York Life Insurance Limited (South Korea)
- New York Life Insurance Worldwide Limited (Bermuda)
- New York Life International Holdings Limited (Mauritius) (75%)<sup>2</sup>
- New York Life International India Fund (Mauritius) LLC (Mauritius) (90%)
- New York Life Securities Investment Consulting Co., Ltd. (Taiwan)
- New York Life Worldwide Capital, Inc. (Delaware)
  - Fianzas Monterrey, S.A. (Mexico) (99.95%)
  - Operadora FMA, S.A. de C.V. (Mexico) (99%)
- NYLIFE Thailand, Inc. (Delaware)
  - PMCC Ltd. (Thailand) (49%)
    - Siam Commercial New York Life Insurance Public Company Limited (Thailand) (47.33%)
    - NYL Data Center Limited (Thailand) (99.97%)
- NYLI-VB Asset Management Co. (Mauritius) LLC (Mauritius) (90%)
- Seguros Monterrey New York Life, S.A. de C.V. (Mexico) (99.996%)
  - Centro de Capacitacion Monterrey, A.C. (Mexico) (99.791%)
  - Servicios Corporativos SMNYL, S.A. de C.V. (Mexico) (99%)

New York Life Investment Management Holdings LLC (Delaware)

- Institutional Capital LLC (Delaware)
- MacKay Shields LLC (Delaware)
  - MacKay Shields General Partner (L/S) LLC (Delaware)
    - MacKay Shields Long/Short Fund LP (Delaware)
    - MacKay Shields Long/Short Fund (Master) LP (Delaware)
    - MacKay Shields Long/Short Fund (QP) LP (Delaware)
    - MacKay Shields Long/Short Fund (Offshore) LP (Cayman Islands)
  - MacKay Shields Credit Strategy Partners LP (Delaware)
- Madison Capital Funding LLC (Delaware)
- McMorgan & Company LLC (Delaware)
- NYLCAP Manager LLC (Delaware)
  - New York Life Capital Partners, L.L.C. (Delaware)
    - New York Life Capital Partners, L.P. (Delaware)
  - New York Life Capital Partners II, L.L.C. (Delaware)
    - New York Life Capital Partners II, L.P. (Delaware)
  - New York Life Capital Partners III GenPar GP, LLC (Delaware)
    - New York Life Capital Partners III GenPar, LP (Delaware)
      - New York Life Capital Partners III, LP (Delaware)
      - New York Life Capital Partners III-A, LP (Delaware)
  - New York Life Capital Partners IV GenPar GP, LLC (Delaware)

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<sup>2</sup> In addition to the 75% interest held by New York Life International, LLC ("NYLI"), a 25% interest in this entity is held by Seguros Monterrey New York Life, S.A. de C.V., a subsidiary of NYLI.

New York Life Capital Partners IV GenPar, LP (Delaware)  
New York Life Capital Partners IV, LP (Delaware)  
New York Life Capital Partners IV-A, LP (Delaware)  
NYLIM Mezzanine GenPar GP, LLC (Delaware)  
NYLIM Mezzanine GenPar, LP (Delaware)  
New York Life Investment Management Mezzanine Partners, LP  
(Delaware)  
NYLIM Mezzanine Luxco S.a.r.l. (Luxembourg)  
NYLIM Mezzanine Partners Parallel Fund, LP (Delaware)  
NYLIM Mezzanine Partners II GenPar GP, LLC (Delaware)  
NYLIM Mezzanine Offshore Partners II, LP (Delaware)  
NYLIM Mezzanine Partners II GenPar, LP (Delaware)  
New York Life Investment Management Mezzanine  
Partners II, LP (Delaware)  
NYLIM Mezzanine II Luxco S.a.r.l. (Luxembourg)  
NYLIM Mezzanine Partners II Parallel Fund, LP (Delaware)  
NYLCAP India Funding LLC (Delaware)  
NYLCAP India Funding III LLC (Delaware)  
NYLIM-JB Asset Management Co. III (Mauritius) LLC (24.66%)  
NYLIM Jacob Ballas India Funding III LLC (Mauritius) (24%)  
NYLCAP Holdings (Mauritius)  
NYLIM Service Company LLC (Delaware)  
New York Life Investment Management LLC (Delaware)  
New York Life Investment Management (U.K.) Limited (United Kingdom)  
NYLIM GP, LLC (Delaware)  
NYLIM Large-Cap Enhanced Index Fund LP (Delaware)  
NYLIM Institutional Floating Rate Fund, LP (Delaware)  
NYLIM Fund II GP, LLC (Delaware)  
NYLIM Real Estate Mezzanine Fund II, LP (Delaware)  
NYLIM-TND, LLC (Delaware)  
NYLIM-CN, LLC (Delaware)  
NYLIM-DCM, LLC (Delaware)  
NYLIM-MM, LLC (Delaware)  
NYLIM Re Mezzanine Fund II Investment Corporation (Delaware)  
NYLIM European Equity Market Neutral Fund GP, LLC (Delaware)  
NYLIM European Equity Market Neutral Fund LP (Delaware)  
NYLIM European Equity Market Neutral Master Fund Ltd. (Cayman Is.)<sup>3</sup>  
NYLIM European Equity Market Neutral Fund Ltd. (Cayman Is.)<sup>3</sup>  
NYLIM Asian Equity Market Neutral Fund GP, LLC (Delaware)  
NYLIM Asian Equity Market Neutral Fund LP (Delaware)  
NYLIM Asian Equity Market Neutral Master Fund Ltd. (Cayman Is.)<sup>3</sup>  
NYLIM Asian Equity Market Neutral Fund Ltd. (Cayman Is.)<sup>3</sup>

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<sup>3</sup> Control exists because the sole directors are employees of New York Life Investment Management LLC, an indirect wholly owned subsidiary of New York Life.

NYLIM U.S. Large-Cap Core 130/30 Fund GP, LLC (Delaware)  
NYLIM U.S. Large-Cap Core 130/30 Fund LP (Delaware)  
NYLIM U.S. Core Equity Market Neutral Fund GP, LLC (Delaware)  
NYLIM U.S. Core Equity Market Neutral Fund LP (Delaware)  
NYLIM U.S. Core Equity Market Neutral Fund Ltd. (Cayman Is.)<sup>3</sup>  
NYLIM International 170/70 Fund Ltd. (Cayman Is.)<sup>3</sup>  
NYLIM-GCR Fund I LLC (Delaware)  
NYLIM-GCR Fund I 2002 LP (Delaware)

NYLIFE Distributors LLC (Delaware)

NYLIM Real Estate Inc. (Delaware)

NYLIFE LLC (Delaware)

Eagle Strategies LLC. (Delaware)

New York Life Capital Corporation (Delaware)

Monetary Research Limited (Bermuda)

NYL Management Limited (United Kingdom)

New York Life Trust Company (New York)

NYL Executive Benefits LLC (Delaware)

NYLIFE Securities LLC (Delaware)

NYLINK Insurance Agency Incorporated (Delaware)

NYLUK I Company (United Kingdom)

NYLUK II Company (United Kingdom)

Gresham Mortgage (United Kingdom)

W Construction Company (United Kingdom)

WUT (United Kingdom)

WIM (AIM) (United Kingdom)

Silver Spring, LLC (Delaware)

Silver Spring Associates, L.P. (Pennsylvania)

SCP 2005-C21-002 LLC (Delaware)

SCP 2005-C21-003 LLC (Delaware)

SCP 2005-C21-006 LLC (Delaware)

SCP 2005-C21-007 LLC (Delaware)

SCP 2005-C21-008 LLC (Delaware)

SCP 2005-C21-009 LLC (Delaware)

SCP 2005-C21-017 LLC (Delaware)

SCP 2005-C21-018 LLC (Delaware)

SCP 2005-C21-021 LLC (Delaware)

SCP 2005-C21-025 LLC (Delaware)

SCP 2005-C21-031 LLC (Delaware)

SCP 2005-C21-036 LLC (Delaware)

SCP 2005-C21-041 LLC (Delaware)

SCP 2005-C21-043 LLC (Delaware)

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<sup>3</sup> Control exists because the sole directors are employees of New York Life Investment Management LLC, an indirect wholly owned subsidiary of New York Life.

New York Life Insurance and Annuity Corporation

SCP 2005-C21-044 LLC (Delaware)  
SCP 2005-C21-048 LLC (Delaware)  
SCP 2005-C21-061 LLC (Delaware)  
SCP 2005-C21-063 LLC (Delaware)  
SCP 2005-C21-067 LLC (Delaware)  
SCP 2005-C21-069 LLC (Delaware)  
SCP 2005-C21-070 LLC (Delaware)  
NYMH-Ennis GP, LLC (Delaware)  
    NYMH-Ennis, L.P. (Texas)  
NYMH-Freeport GP, LLC (Delaware)  
    NYMH-Freeport, L.P. (Texas)  
NYMH-Houston GP, LLC (Delaware)  
    NYMH-Houston, L.P. (Texas)  
NYMH-Plano GP, LLC (Delaware)  
    NYMH-Plano, L.P. (Texas)  
NYMH-San Antonio GP, LLC (Delaware)  
    NYMH-San Antonio, L.P. (Texas)  
NYMH-Stephenville GP, LLC (Delaware)  
    NYMH-Stephenville, L.P. (Texas)  
NYMH-Taylor GP, LLC (Delaware)  
    NYMH-Taylor, L.P. (Texas)  
NYMH-Attleboro MA, LLC (Delaware)  
NYMH-Farmingdale New York, NY LLC (Delaware)  
NYLMDC-King of Prussia, LLC (Delaware)  
NYLIFE Real Estate Holdings LLC (Delaware)  
    Huntsville NYL LLC (Delaware)

**MANAGEMENT AND CONTROL**

Management

Pursuant to the General Corporation Law of the State of Delaware as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business, property and affairs are managed by or under the direction of its Board of Directors.

Shareholders

In accordance with Article II, Section 2 of its bylaws, the annual shareholder's meeting shall be held on the first Wednesday of April in each year, if not a legal holiday and if a legal

holiday, then on the next business day at 2:00 pm., or on such other day and hour as the Board of Directors may determine.

Board of Directors

In accordance with Article III, Section 2 of its bylaws, the initial number of directors shall be three (3). The number of directors shall consist of such number of Directors as may be determined from time to time by the Board but such number shall not be less than one.

The members of the Board of Directors serving as of December 31, 2007, were as follows:

<u>Name of Director</u>	<u>Date Elected</u>	<u>Principal Occupation</u>
Seymour Sternberg*	11/95	Chairman of the Board, CEO – NYL
Theodore A Mathas**	08/01	President and Chairman of the BOD - NYLIAC
Scott L. Berlin	04/05	SVP NYLIC- Individual Life
Frank M. Boccio	12/98	EVP, CAO - NYL – Life and Annuity
Christopher O. Blunt	07/07	SVP, COO – NYL/NYLIAC
Solomon Goldfinger	05/98	SVP, Sr. Advisor to COO – NYL/NYLIAC
John R. Meyer	10/03	SVP – Individual Annuity
Arthur H. Seter	06/06	SVP, Deputy CIO – NYL
Michael E. Sproule	06/02	EVP, CFO – NYL
Joel M. Steinberg	12/05	SVP, Finance Manager and CFO – Life and Annuity – NYL/NYLIAC

\*Retired in 2008

\*\* Appointed Chairman in 2008

Committees

Article IV, Section 1 of its bylaws provided for the Board to designate one or more committees, each such committee to have and exercise the powers and authority of the Board. As of December 31, 2007 the Board of Directors had appointed the following four (4) committees.

<u>Executive Committee</u>	<u>Product Committee</u>	<u>Rate Committee</u>	<u>Investment Committee</u>
Solomon Goldfinger	Scott L. Berlin	Scott L. Berlin	Christopher O. Blunt
Theodore A. Mathas	Joel M. Steinberg	Melvin J. Feinberg***	Arthur H. Seter
Michael E. Sproule	Christopher O. Blunt	Robert Hebron	Joel M. Steinberg
Seymour Sternberg*	John R. Meyer	Gary W. Scofield**	
		Nicholas Pasyanos	
		Joel M. Steinberg	

Life

Joel M. Steinberg  
 Gary W. Scofield\*\*  
 Irwin Silber  
 John R. Meyer  
 Corey Multer

- \* Retired in 2008
- \*\* Resigned in 2008
- \*\*\* Retired in 2009

Officers

Article V, Section 1 of its bylaws provided that the officers of the Company to be a President, Secretary, Treasurer, and one or more Vice-Presidents. The Board may also appoint such other officers and agents, having such titles as it deems appropriate. Any two or more offices may be held by the same person, except the offices of President and Secretary.

As of December 31, 2007 the Company's principal officers and their respective titles are as follows:

<u>Officer</u>	<u>Title</u>
Theodore A. Mathas	Chairman of the Board & President
Gary E. Wendlandt	Senior Executive Vice President
John A. Cullen	Senior Vice President
Solomon Goldfinger	Senior Vice President and Senior Advisor
Barbara J. McInerney	Senior Vice President in charge of Corporate Compliance
Joel M. Steinberg***	Senior Vice President and Chief Financial Officer
Catherine A. Marrion	Vice President and Secretary
Thomas F. English	Senior Vice President and General Counsel
Robert D. Rock	Senior Vice President and Chief Investment Officer
Christopher O. Blunt	Senior Vice President and Chief Operating Officer for Life and Annuity
Gary W. Scofield **	Senior Vice President and Chief Actuary

Angelo J. Scialabba	First Vice President and Controller
Eileen T. Slevin	Senior Vice President and Chief Information Officer
Richard Joseph Witterschein	First Vice President and Treasurer

\*\* Resigned in 2008

\*\*\* Appointed Chief Actuary in 2008

### Corporate Governance

NYLIAC is not a public company and not subject to the Sarbanes-Oxley Act (SOX); therefore, it does not obtain an attestation as to the effectiveness of the internal control environment and the integrity of the financial statements from its external CPA firm. However, the Company will be subject to the new Model Audit Rule effective January 1, 2010.

The Company does have a corporate governance framework. The framework is in writing and is memorialized in the Board's Certificate of Incorporation, bylaws, Board of Directors and committee meeting minutes as well as its unanimous consents in lieu of meetings. On a consolidated basis, which includes NYLIAC, NYL has implemented what it calls Section 302 "Heavy" of SOX for controls documentation. Section 302 "Heavy" includes a requirement that NYL's CEO and CFO submit a certification as to the effectiveness of the internal control environment and the integrity of the financial statements to NYL's Audit Committee. It has also developed a due diligence process to support the CEO/CFO certifications, which includes business unit and corporate area evaluations, business unit certifications and accountability letters, analysis and review by NYL's Financial Reporting Review Committee, General Auditor, and Controller. The business unit and corporate control evaluation is done by evaluation of the financial reporting processes, documentation of the internal controls, validations and test of controls to measure design effectiveness and identify exceptions. Business unit CEOs and CFOs sign Sub-Certification Letters that parallel the CEO/CFO certifications to the Audit Committee.

The NYL's Office of Risk Management (ORM) provides an annual Enterprise Risk Assessment which identifies the key inherent risks and assessments of those risks.

The Company also has an active internal audit program that rotates throughout the NYL major processes. The Corporate Audit Department (CAD) reports directly to the NYL Audit Committee. The Company does not have a separate Audit Committee. During the examination review of the Company's corporate governance framework, the Audit Committee meeting minutes of NYL were requested but not received.

The members of the NYL Board of Directors who served on the Audit Committee are independent of NYL.

## **MANAGEMENT AND SERVICE AGREEMENTS**

### **Management Service Agreement - NYL**

The Company has no employees. Pursuant to a management service agreement dated December 11, 1980, last amended April 27, 2009, with NYL, the Company utilizes the services of NYL and employees to conduct all operations, except investment management. Under this administrative, underwriting and distribution agreement NYL rendered at cost; audit, accounting, actuarial, data processing, legal and related services. The fees charged are determined by applying the percentage of personnel salaries devoted to the Company to the general expenses of NYL and any other expenses directly applicable to the Company.

### **Credit Agreements - NYL**

Effective September 30, 1993, the Company entered into a credit agreement to borrow from NYL up to \$200 million and effective April 1, 1999, NYL entered into a credit agreement to borrow from the Company up to \$200 million. Effective May 24, 2004, both agreements were

New York Life Insurance and Annuity Corporation

amended to increase the maximum loan amounts to \$490 million. There was no loan activity between the parties during the examination period or during subsequent periods.

Credit Agreement - New York Life Capital Corporation (NYLCC)

The Company entered into a credit agreement, effective December 23, 2004, with NYLCC. NYLCC agrees to lend in aggregate principal to the Company up to, but not to exceed, \$490 million, known as the "Commitment Amount". As of December 31, 2007, the Company's loan balance associated with this agreement was zero. The average daily loan balance in 2007 was \$15.3 million compared to \$95.3 million daily average in 2006, and \$74.6 million daily average in 2005. The largest single daily loan balance in 2007 was \$198 million. The loan was evidenced by a single promissory note from the Company as borrower.

Investment Advisory Agreement - New York Life Investment Management LLC (NYLIM)

The Company has an Investment Advisory Agreement with NYLIM dated April 1, 2000, as amended, whereby NYLIM provides investment management and related services. The fees are dependent on the types of investments made and investment transactions are to be in accordance with investment objectives of the Company and subject to any other restrictions established by the Company. Under the terms of the agreement, total fees incurred for 2007 were \$41 million. Amendments 5 and 6 to the Agreement, dated September 19, 2008 and June 9, 2009, respectively, were approved by the Department on September 11, 2008 and April 28, 2009 respectively.

In addition, NYLIM has an Investment Advisory Agreement with the Mainstay VP Series Fund, Inc. (the Fund), a registered investment company whose shares are sold to various separate accounts of the Company. NYLIM, the administrator of the Fund and the Company entered into an agreement effective June 29, 2001, regarding administrative services to be provided by the

Company. Under the terms of the agreement, NYLIM pays the Company administrative fees for providing services to the Fund.

Joinder Agreement - NYL

Pursuant to a Joinder agreement, dated November 11, 2000, the Company became a party to the Partnership Agreement between Mainstay Management LLC, NYL and certain of NYL's other subsidiaries, dated August 1, 2000. The Partnership Agreement designates NYL as the manager for the Partnership and appoints NYLIM to perform its management duties. The Partnership Agreement provides for the creation of the New York Life Short Term Fund, a New York general partnership. The purpose of the partnership is to pool, invest and reinvest the cash and liquid assets of the Partners to achieve liquidity, safety of principal and commensurate yield by investing solely in money market instruments and other short-term investments.

Tax Sharing Agreement - NYL

The Company participates in a federal income tax allocation agreement dated August 6, 2001, which was filed with the Delaware Insurance Department. Other NYL affiliates are also parties to this agreement. NYL and affiliates constitute an affiliated group within section 1504(a) of the Internal Revenue Code of 1986 of which NYL is the common parent and, therefore, are eligible to file a consolidated United States federal income tax return and pay federal income taxes on a consolidated basis if necessary. Federal income tax expense and benefits are allocated in the ratio that the Company's separate tax return liability or benefit bears to the sum of the separate return tax liabilities and benefits of the New York Life Group. Estimated payments are made between members during the year.

Investment Management Agreement - NYLCAP Manager, LLC

The Company has an investment management agreement with NYLCAP Manager, LLC dated June 27, 2005, whereby NYLCAP Manager, LLC acts as manager for a portfolio of mezzanine fund investments. An amendment filed by the Company was approved by the Department on February 27, 2009.

Distribution Agreement - NYLIFE Distributors LLC (Distributors)

Effective April 27, 2006, the Company entered into a distribution agreement with NYLIFE Distributors, LLC who assumed the role of principal underwriter and distributor of variable universal life policies sold by the Company and funded through separate accounts.

General Agent Agreement - NYLINK Insurance Agency Incorporated (NYLINK)

On September 24, 2001, the Company entered into an agreement with NYLINK, an indirect wholly owned subsidiary of NYL, granting NYLINK the right to solicit applications for the Company's products through NYLINK's subagents.

Service Agreement - NYLIFE Securities, LLC (NYLSEC)

Effective June 30, 2008, the Company entered into a service agreement with NYLSEC to provide management and supervisory services in connection with the Company's variable life and variable annuity sales and in-force business. Additional comments are made under the report section "SUBSEQUENT EVENTS".

All applicable agreements were filed by the Company and approved by the Department in accordance with Title 18, Chapter 50 Section 5005 (a) (2) a. of the Delaware Insurance Code.

**TERRITORY AND PLAN OF OPERATION**

Territory

The Company utilizes NYL's agency force of over 10,000 agents and is licensed to transact the business of life insurance in all fifty states, the District of Columbia, Taiwan and Guam.

Plan of Operation

The Company's two principal lines of business are individual life and individual annuity which offer fixed and variable life insurance and annuity products marketed to middle and upper income level individuals, small to medium size businesses and their owners and professionals. The Company's sales are predominantly single and flexible premium annuities, fixed and variable deferred annuities, universal and variable universal life insurance, single premium fixed and variable universal life, individual annuity, Corporate Owned Life Insurance (COLI) and Bank-Owned Life Insurance (BOLI). The COLI/BOLI business, written as individual life coverages, generates over sixty percent of direct life premium volume and over eighty percent of life insurance reserves for the Company. COLI/BOLI sales are mostly through brokers. Individual life and annuities comprise one-third and two-thirds of the Company's direct premiums and deposits, -respectively. Distribution of direct premiums were split twenty-three percent for life insurance and seventy-seven percent for annuities.

The Company offers a wide variety of interest sensitive insurance and annuity products in the insurance market. In addition the Company markets COLI to targeted corporate customers and BOLI primarily to banks, through independent brokers. Sales of this product generated \$916.8 million of gross life premium in 2006 and \$927.0 million in 2007, which represented approximately forty-five percent of total gross life premium in 2006 and forty-four percent in 2007. Also, annuity sales are being marketed through bank and broker market channels.

NYLIAC began broadening its distribution of Guaranteed Lifetime Income (“GLI”) annuities in September 2005 with the goal of becoming a major provider of financial stability to retirees. At December 31, 2007 GLI sales reached \$758 million, representing ten percent of total NYLIAC sales. The GLI portfolio of products consists of annuities that provide policyholders with guaranteed monthly retirement paychecks for life.

The Company also offers GLI annuities through an exclusive arrangement to the 39 million members of the American Association of Retired Persons (“AARP”). In 2007, the first full year of operation, the AARP Lifetime Income Program had sales of \$98 million, an increase of \$88 million from December 31, 2006.

Since the prior examination, the Company has continued to concentrate on marketing COLI, which is typically a fixed universal life product, offered in the non-qualified corporate sponsored life insurance market to insure employees of a common employer. The policy is designed for a corporation, or a trust established by a corporation, for the purpose of providing a means of funding the cost of benefit plan liabilities. BOLI policies are most often sold through specialty brokers.

The Company is the obligor for certain structured settlement agreements with unaffiliated insurance companies, beneficiaries and other non-affiliated entities. To satisfy its obligations under these agreements, the Company owns all rights, title and interest in certain single premium annuity contracts issued by NYL. The obligations are based upon the actuarially determined present value of expected future payments. The Company carrying value of the annuity contracts and the corresponding obligations amounted to \$5,103 million in 2007, \$4,862 million in 2006 and \$4,609 million in 2005.

In addition, the Company has sold certain annuity contracts to NYL in order that NYL may satisfy its third party obligations under certain structured settlement agreements. The Company has been directed by NYL to make payments under the annuity contracts directly to the beneficiaries under these structured settlement agreements. The policyholder reserves related to these contracts amounted to \$159 million in 2007, \$157 million in 2006 and \$155 million in 2005.

### **REINSURANCE**

The Company enters into reinsurance agreements in the normal course of business to reduce overall risk and evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company reinsures the mortality risk on new life insurance policies on a quota-share yearly renewable basis for almost all products. The Company typically had retained 10% of each risk until 2005 when it began retaining larger shares on many products. Currently, the quota-share retained ranges from 10% up to 63% and most products are fully retained if the policy size is less than \$1 million. The majority of the business reinsured is on an automatic basis. Cases in excess of the Company's retention and certain substandard cases are reinsured facultatively. The Company does not have any individual life reinsurance agreements that do not transfer risk or contain risk limiting features.

Life insurance reinsured was 76% of total life insurance in-force at December 31, 2007. The reserve reduction taken for life insurance reinsured at December 31, 2007 was \$5,239 million. Please refer to NOTES to FINANCIAL STATEMENTS, Note 3 for additional actuarial reserve credit review.

Below is a summary of all significant reinsurance agreements in effect at December 31, 2007.

Assumed

The only significant active assumed reinsurance agreement is with New York Life Agents Reinsurance Company (NYLARC), which was effective January 1, 2000. NYLARC is a life insurance company wholly owned by NYLARC Holding Company, Inc., whose shareholders consist of New York Life agents who meet certain criteria. NYLARC reinsures a portion of certain life insurance products sold by its shareholders. The agreement is written on a yearly renewable term basis for various life products in excess of \$250,000.

Ceded

The Company cedes risks on an automatic basis to its parent, on policies in excess of its maximum retention of \$5 million per insured life for issues ages 0 to 75 and \$3 million for issues ages 76 and over.

Coinsurance and Modified Coinsurance Quota Share

Effective December 31, 2004, the Company entered into a coinsurance/modified coinsurance agreement with NYL whereby the Company ceded 90 % of the retained portion of a block of inforce life insurance business. The policies reinsured are primarily Universal Life (UL), Variable Universal Life (VUL), Target Life (TL) and Asset Preserver (AP). A total reserve of \$5.6 billion (\$4.6 billion of reserves in the General Account and \$1 billion in the Separate Accounts) was ceded using a combination of coinsurance with funds withheld for the fixed policies maintained in the general account and modified coinsurance for the VUL policies in the separate accounts. Under both the MODCO (modified coinsurance) and funds withheld treaties, the Company retains the assets held in relation to the reserves.

The Company received a \$25 million ceding commission at the inception of the treaty, and an experience refund will be paid to the Company at the end of each accounting period for 100 % of the profits in excess of \$5 million.

Reserve credits taken on business ceded under this treaty of approximately \$4.8 billion represented over 92% of total reserve credits reported by the Company in Schedule S, Part 3 of the 2007 Annual Statement. See additional comments regarding reserve credits taken in NOTES to FINANCIAL STATEMENTS, Note 4.

This treaty was filed by the Company with the Delaware Department of Insurance as an exhibit to the Form D filed on December 1, 2004, pursuant to the Delaware Insurance Code.

During the review of the Company's reinsurance treaties and amendments, it was noted that a few amendments and agreements were signed after the "as of" date of the financial statement in which reserve credit was taken, which is not in compliance with Regulation 1001, Section 5.1 and 5.2 of the Delaware Administrative Code, therefore;

**It is recommended that the Company ascertain that all agreements and amendments are executed in compliance with Regulation 1001, Section 5.1 and 5.2 of the Delaware Administrative Code.**

### **GROWTH OF COMPANY**

The following information was obtained from the Company's filed Annual Statements and covers the period from the prior examination to December 31, 2007:

<u>Year</u>	<u>Annuity Considerations</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>and Surplus</u>	<u>Net Income</u>
2004	\$7,396,677,037	\$56,282,521,849	\$54,273,676,448	\$2,008,845,401	\$224,439,710
2005	6,445,826,873	60,315,888,862	58,158,509,452	2,157,379,410	230,983,122
2006	7,287,280,321	66,967,144,959	64,643,277,207	2,323,867,752	251,606,151
2007	7,319,583,456	72,685,505,779	70,035,572,949	2,649,932,830	289,028,343

The growth over the examination period has taken the form of the following:

- 1% decrease in Premium & Annuity Considerations
- 29% increase in Net Admitted Assets
- 29% increase in Liabilities
- 32% increase in Capital & Surplus
- 29% increase in Net Income

The decrease in Premiums and Annuity Considerations in 2005 was due to a decrease in Life premiums of \$1.04 billion as the result of the reinsurance agreement with NYL and a reduction in inter-company purchases of corporate owned life insurance by NYL. In addition, lower Universal Life, COLI, and BOLI sales contributed to the decrease.

The increase in Premiums and Annuity Considerations in 2006 was due to Life premiums increasing as a result of higher single premium sales of COLI and PPVUL partially offset by lower BOLI and UL sales.

The Company's net premiums increased almost 46% in 2008 to \$10.7 billion, primarily due to an increase in single premiums annuity considerations and GLI products sales.

### **ACCOUNTS AND RECORDS**

Pursuant to the Management Service Agreement between the Company and NYL, financial accounting and reinsurance accounting records are processed and maintained in conjunction with NYL's computer systems. Pursuant to the Management Service Agreement, NYL is to provide the Company with services and facilities in connection with the sale of insurance and other activities which relate to the business of insurance. The Company utilizes NYL's mainframe located in Clinton, New Jersey and Alpharetta, Georgia for processing, updating, and storing the primary records of the Company. In general, it has been determined that the Company has a sufficient level of controls in place for all of the above areas. The Company performs full system backups and rotates copies of programs weekly and copies of data

files daily to its offsite storage facility. The Company has a disaster recovery plan that covers the mainframe operations that is periodically tested.

The Company's investment transactions are administered through NYL's subsidiary, NYLIM, in accordance with an investment advisory agreement between the Company and NYLIM. Investment transactions are processed using several software packages.

The independent certified public accounting firm, PricewaterhouseCoopers, LLP, audited the Company's records for the years ended 2004, 2005, 2006 and 2007. Audit reports and applicable workpapers were made available for the examiners' use.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The internal control structure for NYLIAC/NYL's accounting systems was discussed with management and reviewed after completion of questionnaires developed by the NAIC and the Delaware Department of Insurance. The statutory-basis financial statements of the Company are audited annually by PwC, an independent certified accounting firm. The Company's accounts and records are also subject to review by the internal audit department of NYL.

The IS portion of the examination was performed by INS Services and the financially significant applications were evaluated. The review was performed in accordance with the NAIC Handbook. The review of IS controls included IS management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation; logical and physical security controls; contingency

planning; local and wide area networks, personal computers, and mainframe controls. INS Services evaluated the control testing performed by the Company's Risk Management function, CAD and PWC, and performed testing of end user computing and IS outsourcing controls. As a result of the procedures performed, the IT Examination Team obtained reasonable assurance that IT general controls and general application controls were functioning as management intended and that an effective system of controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company. There are no reportable items related to our review of IS controls.

### **FINANCIAL STATEMENTS**

The following financial statements as determined by this examination are presented herein:

- Analysis of Assets
- Liabilities, Surplus and Other Funds
- Summary of Operations
- Capital and Surplus Account
- Analysis of Examination Changes to Financial Statement

**Assets**  
**As of December 31, 2007**

	<u>General Account</u>	<u>Note</u>	<u>Separate Account</u>	<u>Note</u>	<u>Consolidated</u>
Bonds	\$ 38,211,488,423	1	\$ 1,315,997,338		\$ 39,527,485,761
Preferred stocks	97,340,127		3,967,913		101,308,040
Common stocks	10,240,543		18,753,055,589		18,763,296,132
Mortgage loans on real estate:					
First liens	5,030,788,921	2	98,496,720		5,129,285,641
Other than first liens	87,162,466				87,162,466
Real estate:					
Held for production of income	9,970,030				9,970,030
Held for sale	827,200				827,200
Cash & Short-term investments	1,521,441,890		30,532,973		1,551,974,863
Contract loans	712,114,910				712,114,910
Other invested assets	557,912,214		336,326,076		894,238,290
Receivable for securities	21,891		112,253		134,144
Derivatives	28,049,353		1,798,000		29,847,353
Investment income due & accr.	454,071,612		17,855,849		471,927,461
Premium and considerations:					
Uncollected premiums & agents' balances in the course of collection	474,753				474,753
Deferred premiums agents' balances & installments booked but deferred & not yet due	538,464				538,464
Reinsurance:					
Amounts recoverable	20,475,469				20,475,469
Other amounts receivable	138,256,367				138,256,367
Current federal & foreign income taxes recoverable	5,273,536				5,273,536
Net deferred tax asset	68,650,371				68,650,371
Guaranty funds receivable or on deposit	1,913,417				1,913,417
Receivable from parent, subsidiaries and affiliates	55,462,794				55,462,794
Interest in annuity contracts	5,103,394,403				5,103,394,403
Amount due for undelivered securities	11,493,914				11,493,914
	<hr/>		<hr/>		<hr/>
Total Assets	<u>\$ 52,127,363,068</u>		<u>\$ 20,558,142,711</u>	3	<u>\$ 72,685,505,779</u>

**Liabilities, Surplus and Other Funds**  
**As of December 31, 2007**

	<u>General Account</u>	<u>Separate Account</u>	Note	<u>Consolidated</u>
Aggregate reserve for life contracts	\$ 36,809,020,061	\$ 19,916,108,569	4	\$ 56,725,128,630
Liability for deposit-type contracts	320,617,645			320,617,645
Contract claims: Life	100,582,375			100,582,375
Premium and annuity considerations	1,260			1,260
Contract liabilities not included elsewhere:				
Other amounts payable on reinsurance	139,240,680			139,240,680
Interest maintenance reserve	28,250,966	1,448,943		29,699,909
Commissions to agents due or accrued	2,301,253			2,301,253
General expenses due or accrued	3,420,905			3,420,905
Transfers to Separate Accounts due or accrued	(516,907,439)			(516,907,439)
Investment expenses due or accrued		49,618		49,618
Other transfers to general account due and accrued		608,462,350		608,462,350
Taxes, licenses and fees	18,776,429			18,776,429
Unearned investment income	8,925,072			8,925,072
Amounts withheld or retained	328,451			328,451
Remittances and items not allocated	94,485,224	14,991,793		109,477,017
Payable for securities		7,010,938		7,010,938
Liability for benefits for employees and agents	121,675,000			121,675,000
Borrowed money	7,266,584			7,266,584
Miscellaneous liabilities:				
Asset Valuation Reserve	463,585,189			463,585,189
Payable to parent, subsidiaries and affiliates	207,634,574			207,634,574
Funds held under coinsurance	4,839,240,894			4,839,240,894
Payable for securities	54,083,562			54,083,562
Obligations under structured settlement agreements	5,103,394,403			5,103,394,403
Liability for security lending	1,657,243,921			1,657,243,921
General contingency reserve	10,973,910			10,973,910
Derivatives	5,790,000			5,790,000
Liability for interest on claims	4,132,403			4,132,403
Reserve repurchase agreements		2,295,861		2,295,861
Derivatives		1,141,556		1,141,556
Total Liabilities	<u>\$49,484,063,322</u>	<u>\$20,551,509,628</u>		<u>\$70,035,572,950</u>
Capital stock	\$25,000,000			\$25,000,000
Gross paid in and contributed surplus	1,410,000,000			1,410,000,000
Unassigned funds (surplus)	<u>1,208,299,747</u>	<u>6,633,083</u>		<u>1,214,932,830</u>
Surplus	<u>\$2,643,299,747</u>	<u>\$6,633,083</u>		<u>\$2,649,932,830</u>
Totals	<u>\$52,127,363,069</u>	<u>\$20,558,142,711</u>		<u>\$72,685,505,780</u>

**Summary of Operations**  
**As of December 31, 2007**

Note

Premium & annuity considerations	\$ 7,312,206,112
Considerations for supplementary contracts	7,377,344
Net investment income	2,489,888,648
Amortization of Interest Maintenance Reserve	691,166
Separate Accounts net gain from operations excluding unrealized gains or losses	7,921,792
Commissions and expense allowances on reinsurance ceded	121,303,402
Reserve adjustments on reinsurance ceded	108,353,943
Miscellaneous Income:	
Income from fees associated with investment management, administration and contract guarantees from separate accounts	260,148,985
Sundries	149,069,861
Total	<u>\$10,456,961,253</u>
Death benefits	\$171,821,780
Matured endowments	683,614
Annuity benefits	873,294,826
Disability benefits	130,529
Surrender benefits	4,298,200,875
Interest & adjustments on contracts on deposit-type funds	12,436,090
Payments on supplementary contracts with life contingencies	6,408,472
Increase in aggregate reserves for life and accident and health contracts	1,694,490,087
Total	<u>\$7,057,466,273</u>
Commissions on premiums, annuity considerations, & deposit-type contract funds	\$397,025,745
General insurance expenses	611,231,676
Insurance taxes, licenses & fees, excluding federal income taxes	81,862,596
Increase in loading on deferred and uncollected premiums	(13,191)
Net transfers to or (from) Separate Accounts net of reinsurance	1,545,829,251
Aggregate write-ins for deductions	275,124,662
Total	<u>\$9,968,527,012</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$488,434,241
Dividends to policyholders	-0-
Net gain from operations after dividends to policyholders and before federal taxes	<u>\$488,434,241</u>
Federal income taxes incurred	140,111,684
Net gain from operations after dividends to policyholders and federal taxes and before realized capital gains ( or losses)	<u>\$348,322,557</u>
Net realized capital gains or (losses)	<u>(59,294,214)</u>
Net Income	<u><u>\$ 289,028,343</u></u>

**Capital and Surplus Account**  
**As of December 31, 2007**

Capital and surplus, December 31, 2006	\$ 2,323,867,752
Net Income	\$ 289,028,343
Change in net unrealized capital gains or (losses)	(11,313,253)
Change in net unrealized foreign exchange capital gain (loss)	15,006,060
Change in net deferred income tax	10,290,030
Change in non-admitted assets and related items	19,550,356
Change in liability for reinsurance in unauthorized companies	497,480
Change in asset valuation reserve	7,886,750
Surplus (contributed to ) withdrawn from Separate Accounts during	62,703,402
Other changes in surplus in Separate Accounts Statement	(64,334,090)
Ceding commission	(3,250,000)
Net change in capital and surplus for the year	<u>\$ 326,065,078</u>
Surplus as regards policyholders, December 31, 2007	<u>\$ 2,649,932,830</u>

**Analysis of Examination Changes to Financial Statement**

No examination financial statement changes are proposed.

**NOTES TO FINANCIAL STATEMENTS**

Note 1 - Bonds \$ 38,211,488,423

Bonds comprised 83% of the Company's invested assets at year-end 2007. Bonds were primarily corporate holdings, U.S. treasury and agency obligations, municipals, and public utilities of which 92% were class 1 or 2 grade.

Bonds not backed by loans are stated at amortized cost using the interest method. Bonds in default are stated at the lower of amortized cost or fair value. Fair value is determined using unit prices published by the NAIC Securities Valuation Office (SVO).

The Company has exposure to subprime residential mortgage lending through its fixed maturity investments that are collateralized by mortgages that have characteristics of subprime

lending. Subprime residential mortgage lending is the origination of residential mortgage loans to customers with weak credit profiles, including using relaxed mortgage underwriting standards that provide for affordable mortgage products. The Company categorized mortgage securities with an average FICO score of 625 or less (credit score) as a subprime mortgage security. The Company's investments of this type were primarily in the form of asset-backed securities (ABS) supported by subprime mortgage loans or collateralized debt securities that contain a subprime loan component. The Company's 2007 collective carrying value of these investments was \$141.1 million representing 0.37% of total fixed maturity investments with Other than Temporary Impairment (OTTI) losses of \$22 million. Of this amount, 97.8% had "AAA" or "AA" credit quality ratings.

In 2008, the Company's collective carrying value of these investments was \$209.9 million representing 0.4% of total fixed maturity investments with OTTI losses of only \$2 million. The 2008 annual statement "Notes to Financial Statements" further split out midprime-type mortgage backed securities with a carrying value of \$832 million with OTTI losses of \$34.8 million.

The Company had no common stock subprime exposure.

Note 2 - Mortgage Loans on Real Estate

\$ 5,117,951,387

Mortgage loans comprised 11% of the Company's invested assets at year-end 2007. Mortgage loans were diversified geographically and by building type (commercial or residential). The Company's 2007 percentages for mortgage loans on real estate were 72.8% commercial, 25.8% residential, and 1.4% mezzanine. The Company did not engage in subprime residential or commercial mortgage lending and therefore had no direct exposure through investments in subprime mortgage lending.

The Company did not write down any mortgage loans in 2007. The Company did not have any mortgages with interest more than over 180 days past due as of December 31, 2007.

In 2008, the Company recorded an allowance for credit losses on mortgage loans in the amount of \$120,191. Also, the Company had impaired loans of only \$1.3 million on a mortgage loan portfolio of \$5,534.2 million.

Note 3 - Separate Account Assets

\$20,558,142,711

NYLIAC has established separate accounts with varying investment objectives, which are segregated from the Company's general account and are maintained for the benefit of separate account contract holders. Separate account assets are stated at market value for registered separate accounts and at amortized cost for guaranteed separate accounts. The liability for separate accounts represents contract holders' interest in the separate account assets.

The Company maintains three guaranteed separate accounts for universal life insurance policies with assets of \$1,465 million. These accounts provide a guarantee of principal and interest with a market value adjustment imposed upon certain surrenders. Interest rates on these contracts may be adjusted periodically. The assets of these separate accounts are carried at amortized cost.

The Company maintains non-guaranteed separate accounts for its variable deferred annuity and variable life products. Assets in non-guaranteed separate accounts were \$19,093 million at December 31, 2007. Of that amount, accounts with assets of \$18,340 million were registered with the Securities and Exchange Commission.

The registered products in the separate accounts are divided into 8 categories with each category offering between one and nine different types of policies. The major categories of registered separate accounts are as follows:

1. Multi-Funded Annuity Separate Account I with assets of \$179 million as of December 31, 2007- Established on May 27, 1983 to receive and invest net premium payments under Tax Qualified Multi-Funded Retirement Annuity Policies and Non-Qualified Multi-Funded Retirement Annuity Policies. Sales of all such policies were discontinued effective December 19, 1994.
2. Multi-Funded Annuity Separate Account II with assets of \$87 million as of December 31, 2007- Established on May 27, 1983 to receive and invest net premium payments under Tax Qualified Multi-Funded Retirement Annuity Policies and Non-Qualified Multi-Funded Retirement Annuity Policies. Sales of all such policies were discontinued effective December 19, 1994. VLI Separate Account was established on May 27, 1983 to receive and invest premium payments under variable life insurance policies. Effective July 1, 1988 the sale of such policies were discontinued.
3. Variable Annuity Separate Account I with assets of \$853 million as of December 31, 2007- Non-Qualified Flexible Premium Multi-Funded Variable Retirement Annuity Policies designed to establish retirement benefits to provide individuals with supplemental retirement income. This account was established on October 5, 1992 and sales of these policies were discontinued effective May 10, 2000.
4. Variable Annuity Separate Account II with assets of \$1,124 million as of December 31, 2007 - Qualified Flexible Premium Multi-Funded Variable Retirement Annuity Policies designed to establish retirement benefits for individuals who participate in qualified pension, profit sharing or annuity plans. This account was established on October 5, 1992 and sales of these policies were discontinued effective May 10, 2000.

5. Variable Annuity Separate Account III with assets of \$10,462 million as of December 31, 2007 - Non-Qualified Deferred and Tax-Qualified Deferred Flexible Premium Variable Retirement Annuity Policies. The Non-Qualified policies are designed to establish retirement benefits to provide individuals with supplemental retirement income. The qualified policies are designed to establish retirement benefits for individuals who participate in qualified pension, profit sharing or annuity plans. This account was established on November 30, 1994. This Separate Account offers 9 different products.
6. Variable Annuity Separate Account IV with assets of \$2,182 million as of December 31, 2007 – Policies designed to receive and invest premium payments under Non-Qualified Deferred and Tax-Qualified Deferred Flexible Premium Variable Retirement Annuity Policies. This account was established on June 10, 2003. The Non-Qualified policies are designed to establish retirement benefits to provide individuals with supplemental retirement income. The Tax-Qualified policies are designed to establish retirement benefits for individuals who participate in qualified pension, profit sharing or annuity plans. This Separate Account offers 3 different products.
7. Variable Universal Life Separate Account I with assets of \$2,214 million as of December 31, 2007 – Policies designed for individuals who seek lifetime insurance protection and flexibility with respect to premium payments and death benefits. This account was established on June 4, 1993. This Separate Account offers 7 different products.
8. Corporate Sponsored Variable Universal Life Separate Account 1 with assets of \$1,195 million as of December 31, 2007 - Designed for Group or Sponsored arrangements that seek lifetime insurance protection and flexibility with respect to premium payments and

death benefits. This account was established on May 24, 1996, with investments commencing on March 27, 1998. This Separate Account offers 5 different products.

Note 4 – L.1 Aggregate Reserve for Life Policies and Contracts \$36,809,020,061

GENERAL ACCOUNTS (GA)

The aggregate reserve for life contracts is reported on Page 3, Line 1 and in Exhibit 5 of NYLIAC’s December 31, 2007 Annual Statement. The reserve breakdown in Exhibit 5 by type of benefit is as follows:

	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>
Life insurance	\$16,839,374,175	\$5,149,921,077	\$11,689,453,098
Annuities	24,964,496,703	0	24,964,496,703
Supplementary contracts	49,989,000	0	49,989,000
Accidental death benefits	91,229	40,684	50,545
Disability - active lives	1,242,345	786,751	455,594
Disability - disabled lives	43,621,386	38,512,041	5,109,345
Miscellaneous reserves	<u>149,138,058</u>	<u>49,672,282</u>	<u>99,465,776</u>
Totals	<u>\$42,047,952,896</u>	<u>\$5,238,932,835</u>	<u>\$36,809,020,061</u>

The Department’s consulting actuary, INS Consultants, Inc. (INS) prepared the 2007 Certificate of Reserve Valuation for the Company as well as performing the reserve analysis for this examination.

As part of the annual certificate of reserve valuation procedure, INS reviewed the December 31, 2007 General Account Exhibit 5 and the Separate Accounts Exhibit 3 reserves.

Reinsurance ceded

As noted in the above Aggregate Reserve for Life Policies and Contracts detail, a reinsurance reserve credit was taken. The following table shows a breakdown of the reinsurance ceded reserve credits taken by section within Exhibit 5, as of December 31, 2007:

New York Life Insurance and Annuity Corporation

Life insurance	\$5,149,921,077
Accidental death benefits	40,684
Disability - active lives	786,751
Disability - disabled lives	38,512,041
Miscellaneous reserves	<u>49,672,282</u>
Totals	<u>\$5,238,932,835</u>

NYLIAC had reinsurance ceded treaties with 14 reinsurance companies as of December 31, 2007. During the course of the examination, INS reconciled reinsurance ceded reserve credits from Exhibit 5 to Schedule S, Part 3, Section 1 of NYLIAC's December 31, 2007 Annual Statement. INS reviewed the trend for the reinsurance credit from 2005 to 2007 and the trend appears reasonable recognizing a large increase due to a treaty introduced in 2007.

The largest amount of reinsurance reserve credits (93%) is attributable to a reinsurance agreement with NYL, whereby 90% of certain portions of its UL and VUL business are ceded to NYLIC on a coinsurance / modified coinsurance basis.

Asset Adequacy Testing (AAT)

INS reviewed the AAT analysis completed as part of the Actuarial Opinion Memorandum Regulation for 2007. Based on INS' review of this analysis, INS has accepted NYLIAC's conclusion that additional actuarial reserves were not required as of December 31, 2007.

Data Validity/Inclusion Testing

INS has relied on the extensive work of the financial examiners who reviewed the control environment in regard to NYLIAC's overall operations including the accuracy and completeness of the NYLIAC's underlying policy and reserve data.

Reserves were reviewed for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. Reserve trend analyses were also performed and

generally produced reasonable results. Minimal substantive reserve testing was performed for this examination as a direct result of the conclusions reached in the examination.

INS' examination procedures called for sample reserve calculations based on statistical sampling or judgmental procedures for product groups. The reserves for sampled contracts were calculated by INS in accordance with standard actuarial practice and the results appear reasonable.

L.1 - Aggregate reserve for Life, Annuity and  
Accident And Health Policies and Contracts

\$ 19,916,108,569

SEPARATE ACCOUNTS (SA)

This reserve is reported on Page 3, Line 1 and in Exhibit 3 of the December 31, 2007 Separate Accounts Annual Statement. The reserve breakdown in Exhibit 3 by type of benefit is as follows:

	<u>Gross and Net</u>
Life insurance	\$ 5,490,982,356
Annuities	<u>14,425,126,213</u>
Total	<u>\$19,916,108,569</u>

Reserves for life and annuity contracts in the Separate Accounts (SA) statement represent contract owner funds held in various investments such as mutual funds, which are made available to contract owners. Reserves are generally calculated based on CRVM for life contracts and CARVM for annuity contracts. The actual reserve held is the greater of the CRVM or CARVM reserve and the cash value.

During the certificate of reserve valuation process, NYLIAC's valuation files and work papers supporting the above amounts were reviewed and found to be in order. INS' reconciliation work from that procedure has been relied upon for the current examination.

Cash flow risks associated with the Exhibit 3 business are that contractual fees such as mortality and expense charges may be inadequate and/or that surrender charges may not be sufficient to permit recovery of the CRVM/CARVM expense allowance. The investment risk is borne by the contract owners. The ability of reserves to cover such risks was evaluated by asset adequacy testing analysis. Therefore, an important examination focus was the review of the 2005 through 2007 AOMs (Actuarial Opinion Memoranda).

### Overall Conclusion

The balance sheet reserve items enumerated in the examination scope appear fairly stated and are calculated using valuation parameters which appear to be free of any material error that would affect reserve calculations. Based on the above discussion and analysis, INS has concluded that the December 31, 2007 balance sheet items covered in this footnote appear fairly stated. They have been accepted for the purpose of this report.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### Reinsurance

1. It is recommended that the Company ascertain that all agreements and amendments are executed in compliance with Regulation 1001, Section 5.1 and 5.2 of the Delaware Administrative Code.

## **SUBSEQUENT EVENTS**

In 2008, the Company received a \$1,217,759,918 capital contribution in the form of securities and cash transfers from NYL. The securities consisted of unaffiliated common stocks having a fair value of \$901,418,178, and long-term bonds having a fair value of \$301,379,318. Cash and receivables transferred amounted to \$14,962,422.

Effective June 30, 2008, the Company entered into a service agreement with NYLIFE Securities, LLC to provide management and supervisory services in connection with the Company's variable life and variable annuity sales and in-force business.

**CONCLUSION**

As a result of this examination, the change in the financial condition of the New York Life Insurance and Annuity Corporation, as of December 31, 2007, was determined as follows:

Description	12/31/2007 Current Examination	12/31/2004 Prior Examination	Changes Increase (Decrease)
Assets	<u>\$ 72,685,505,779</u>	<u>\$ 56,282,521,849</u>	<u>\$ 16,402,983,930</u>
Liabilities	\$ 70,035,572,949	\$ 54,273,676,448	\$ 15,761,896,501
Common capital stock	25,000,000	25,000,000	-
Gross paid in and contributed capital	1,410,000,000	1,410,000,000	-
Unassigned funds (surplus)	<u>1,214,932,830</u>	<u>573,845,401</u>	<u>641,087,429</u>
Total surplus as regards policyholders	<u>\$ 2,649,932,830</u>	<u>\$ 2,008,845,401</u>	<u>\$ 641,087,429</u>
Totals	<u>\$ 72,685,505,779</u>	<u>\$ 56,282,521,849</u>	<u>\$ 16,402,983,930</u>

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. is acknowledged.

Respectfully submitted,



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Darryl Reese, CFE  
Examiner-in-Charge  
State of Delaware