

REPORT ON EXAMINATION

OF THE

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

AS OF

DECEMBER 31, 2012

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2012 of the

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

is a true and correct copy of the document filed with this Department.

Attest By: Brandi Biddle

Date: June 23, 2014



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 23rd day of June, 2014.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION
AS OF
DECEMBER 31, 2012

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 23rd day of June, 2014

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SALUTATION

May 15, 2014

Honorable Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner,

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 13.003, dated March 25, 2013, an examination has been made of the affairs, financial condition and management of the

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

hereinafter referred to as “the Company” or “NYLIAC” and incorporated under the laws of the State of Delaware. The Company’s registered agent in Delaware is The Corporation Trust Company located at 200 Continental Drive, Suite 306, Newark, Delaware 19713. The examination was conducted at the Company’s administrative office located at 51 Madison Avenue, New York, New York 10010.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was completed as of December 31, 2007, by the Delaware Insurance Department. This examination covered the period of January 1, 2008, through December 31, 2012, and encompasses a general review of transactions during the period, the Company’s business policies and practices, as well as management and relevant corporate

matters, with a determination of the financial condition of the Company at December 31, 2012. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report addresses regulatory issues reviewed during the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work papers of their 2012 audit have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

In addition to items noted in this report, the topics below were reviewed without material exception and are included in the work papers of this examination:

Fidelity Bonds and Other Insurance
Pensions, Stock Ownership and Insurance Plans
Statutory Deposits
Subsequent Events

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

COMPANY 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 insurance, including annuities, variable annuities, credit life insurance, health insurance, credit health insurance and variable life insurance.

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 1 of the Company's bylaws, the annual shareholder's meeting shall be held at such date and time and at such place as the Board of Directors may determine.

Directors

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 (Board). In accordance with Article III, Section 1 of the Company's bylaws, the Board shall consist of at least one member. Each Director shall hold office for one year until his successor is elected and qualified, or until earlier resignation or removal. The sole shareholder fixed the number of Directors at thirteen on July 1, 2010.

The twelve members of the Board, who are all officers of the parent New York Life Insurance Company (NYL), serving as of December 31, 2012, each elected or appointed in accordance with Company bylaws, were as follows:

<u>Director</u>	<u>New York Life Insurance Company Title</u>
Theodore Alexander Mathas	Chairman of the Board, President & Chief Executive Officer
Christopher Thomas Ashe	Senior Vice President & Chief Financial Officer - Investments Group
Christopher Owsley Blunt	Executive Vice President & President - Insurance Group
Frank Michael Boccio	Executive Vice President & Chief Administrative Officer
Michael Edward Sproule	Executive Vice President & Chief Financial Officer
Stephen Paul Fisher	Senior Vice President – Mainstay Funds & Chief Marketing Officer
John Thomas Fleurant	Senior Vice President – Finance, Deputy Chief Financial Officer & Controller
Steven Daniel Lash	Senior Vice President & Chief Financial Officer – Insurance Group
Mark William Pfaff	Executive Vice President & Head of Agency
Arthur Harutyun Seter	Senior Vice President & Deputy Chief Investment Officer
Joel Martin Steinberg	Senior Vice President, Chief Risk Officer & Chief Actuary
Susan Ann Thrope	Senior Vice President, Deputy General Counsel & Secretary

There was a vacancy on the Board at December 31, 2012, due to the retirement of Solomon Goldfinger effective November 30, 2012. The sole shareholder fixed the number of Directors at twelve on January 31, 2013, and at thirteen on February 25, 2014.

Committees

Article IV, Section 1 of the Company's bylaws provide 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, 2012, the Board appointed the following committees:

<u>Executive</u>	<u>Audit</u>	<u>Investment</u>
Theodore A. Mathas*	Joel M. Steinberg*	Arthur H. Seter*
Michael E. Sproule	John T. Fleurant	Christopher T. Ashe
	Susan A. Thrope	Steven D. Lash
<u>Product</u>	<u>Annuity Rate</u>	<u>Life Rate</u>
Stephen P. Fisher*	Christopher T. Ashe*	Steven D. Lash*
Steven D. Lash	Matthew M. Grove	Scott L. Berlin
Joel M. Steinberg	Joel M. Steinberg	Craig L. DeSanto
	Matthew D. Wion	Irwin Silber
		Joel M. Steinberg

* Committee Chairman

Officers

Article V, Section 1 of the Company's bylaws provide that the officers of the Company shall 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, 2012, the Company's principal officers and their respective titles are as follows:

<u>Officer</u>	<u>NYLIAC Title</u>
Theodore Alexander Mathas	Chairman of the Board and President
Christopher Owsley Blunt	Executive Vice President and President Insurance Group
Michael Edward Sproule	Executive Vice President and Chief Financial Officer
Thomas Francis English	Senior Vice President and Chief Legal Officer
Thomas Alexander Hendry	Senior Vice President and Treasurer
Barbara Joan McInerney	Senior Vice President and Chief Compliance Officer
Arthur Harutyun Seter	Senior Vice President and Chief Investment Officer
Joel Martin Steinberg	Senior Vice President, Chief Risk Officer and Chief Actuary
Angelo Joseph Scialabba	Vice President and Controller
Anna Louise Bidwell	Associate Legal Officer and Secretary

Corporate Records

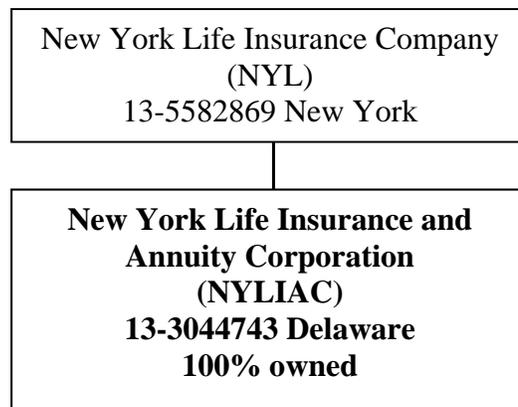
The minutes of the meetings of the Stockholder and Board of Directors, which were held during the period of examination, were read and noted. Attendance at meetings, election of directors and officers and approval of investment transactions were also noted.

Inspection of Company files indicated that an ethics statement/conflict of interest statement was completed by all employees for the examination period. A review of the Company's bylaws revealed that no changes were made during the examination period.

Holding Company System

The Company is a member of an Insurance Holding Company System as defined under Chapter 50 of the Delaware Insurance Code. The Company's immediate and ultimate parent at December 31, 2012, was NYL. NYL, domiciled in the State of New York and founded in 1845, is a Fortune 100 company as well as the largest mutual life insurance company in the United States and one of the largest life insurers in the world.

The following holding company system, as of December 31, 2012, reflects only identities and interrelationships between the Company and its direct parent, its intermediate parent, and its ultimate parent and affiliates concurrently examined:



Pursuant to Title 18, Section 5004 of the Delaware Insurance Code and Regulation 13, in seeking authorization to enter into certain transactions, the Company submitted Form D holding company registration statements 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 Department of Financial Services in satisfaction of that jurisdiction's holding company requirements and NYLIAC also submitted the IRs to the Delaware Insurance Department.

Affiliated Agreements

Federal Income Tax Allocation Agreement

The Company participates in a federal income tax allocation agreement dated August 6, 2001, which was filed with the Delaware Insurance Department along with other members of the NYL Group. NYL and affiliates constitutes 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 NYL Group. Estimated payments are made between members during the year.

Management and Service Agreements

The Company has no employees. Originally effective December 11, 1980, and last amended and restated effective May 29, 2009, the Company entered into a management service agreement with NYL, whereby NYL provides the Company with staffing to conduct all

operations with the exception of investment management. NYL provides the following services to the Company at cost: audit, accounting, actuarial, data processing, legal and related services. Fees charged are determined by applying the percentage of personnel salaries devoted to subsidiaries to the general expenses of NYL and any other expenses directly applicable to the Company. For the years under examination, the Company incurred fees in association with the services and facilities provided by NYL pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2008	\$656,342,452
2009	\$684,053,599
2010	\$722,742,000
2011	\$731,469,969
2012	\$749,616,615

Effective July 1, 2008, and last amended effective July 1, 2009, the Company entered into a service fee agreement with NYLIFE Securities LLC (NYLSEC), a broker-dealer that is an indirect wholly-owned subsidiary of NYL, whereby NYLSEC will provide management and supervisory services to NYLIAC in connection with the Company's variable life and variable annuity sales and in-force business. For the years under examination, the Company incurred fees in association with the services provided by NYLSEC under this agreement as follows:

<u>Year</u>	<u>Amount</u>
2008	\$14,100,419
2009	\$27,870,100
2010	\$29,170,537
2011	\$33,470,317
2012	\$37,287,390

Investment Management and Advisory Agreements

Effective April 1, 2000, and last amended and restated effective February 27, 2012, the Company entered into an investment advisory and administrative services agreement with New York Life Investments Management LLC (NYLIM), an indirect wholly-owned subsidiary of

NYL whereby NYLIM provides investment management and related services to the Company. The fees are dependant 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. For the years under examination, the Company incurred fees in association with the services provided by NYLIM pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2008	\$45,884,685
2009	\$52,863,064
2010	\$68,943,772
2011	\$75,963,510
2012	\$83,618,955

In addition, NYLIM entered into an investment advisory agreement with the Mainstay VP Funds Trust (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. The original agreement was amended and restated effective June 30, 2010, and last amended effective April 29, 2011. Under the terms of the agreement, NYLIM pays the Company administrative fees for providing services to the Fund. For the years under examination, the Company recorded fee income from NYLIM pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2008	\$15,183,432
2009	\$13,268,616
2010	\$15,538,245
2011	\$17,344,067
2012	\$25,669,221

Credit Agreements

Effective September 30, 1993, the Company entered into a credit agreement with NYL allowing NYLIAC to borrow up to \$200 million from NYL. Effective May 24, 2004, this agreement was amended to increase the maximum loan amount to \$490 million. There was no loan activity between the parties during the examination period or in subsequent periods.

Effective April 1, 1999, the Company entered into a credit agreement with NYL allowing NYL to borrow up to \$200 million from NYLIAC. Effective May 24, 2004, this agreement was amended to increase the maximum loan amount to \$490 million. There was no loan activity between the parties during the examination period or in subsequent periods.

Effective December 23, 2004, the Company entered into a credit agreement with New York Life Capital Corporation (NYLCC), whereby NYLCC agrees to lend in aggregate principal to the Company up to, but not to exceed, \$490 million, known as the “Commitment Amount”. The loan is evidenced by a single promissory note from the borrower NYLIAC. For the years under examination, the Company’s loan activity associated with this agreement was as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Activity During Year</u>
2008	\$0	\$0	No
2009	\$0	\$50,993,000	Yes
2010	\$50,993,000	\$10,300,692	Yes
2011	\$10,300,692	\$0	Yes
2012	\$0	\$0	No

Policy Conversion Agreement

Effective January 1, 2011, the Company entered into a policy conversion agreement with NYL and NYLIFE Insurance Company of Arizona (NYLAZ), a wholly-owned subsidiary of NYL, under which the Company is compensated by NYL and NYLAZ for product conversions. For the years under examination, the Company received compensation / (paid to NYL), the following amounts pursuant to this agreement:

<u>Year</u>	<u>NYL (1)</u>	<u>NYL (2)</u>	<u>NYLAZ (3)</u>
2011	\$16,703,926	\$(977,537)	\$6,041,658
2012	\$15,330,759	\$(614,253)	\$5,668,324

- (1) for each NYL term policy or term rider that was converted to a universal life policy issued by the Company without any additional underwriting, in aggregate
- (2) for each NYLIAC individual life policy and rider that was converted to permanent cash value life insurance issued by NYL without any additional underwriting, in aggregate
- (3) for each term policy or term rider that was converted to a universal life policy issued by the Company without any additional underwriting, in aggregate

Revolving Loan Agreement

Effective April 30, 2010, the Company entered into a revolving loan agreement with Madison Capital Funding LLC (MCF), an indirect wholly-owned subsidiary of NYL, under which the Company may provide funding to MCF for lending and equity investment commitments entered into by MCF on or after January 1, 2010. The aggregate amount advanced by the Company to MCF under the revolving loan agreement, when aggregated with all other funding provided to or on behalf of MCF by the Company, may not exceed 2.5% of the Company's cash and invested assets as stated on the Company's most recent quarterly statement. All outstanding advances made to MCF under the revolving loan agreement, together with unpaid interest or accrued return thereon, will be due in full on July 1, 2015. For the years under examination, the Company reported outstanding loan balances at year-end to MCF pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2010	\$532,573,716
2011	\$924,923,470
2012	\$1,584,227,712

For the years under examination, the Company received interest payments from MCF, which were included in net investment income, pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2010	\$8,341,257
2011	\$39,830,212
2012	\$61,989,098

The Company has purchased from MCF participations in collateralized loans to third parties underwritten by MCF. Under these participation agreements, the Company assumes the performance on these loans with no recourse against MCF. For the years under examination, the Company reported outstanding balances on loans held and commitments to fund additional amounts on these existing loans pursuant to this agreement as follows:

<u>Year</u>	<u>Loans Outstanding</u>	<u>Unfunded Commitment</u>	<u>Total Commitment</u>
2009	\$329,388,484	\$90,752,609	\$420,141,093
2010	\$249,936,866	\$57,787,608	\$307,724,474
2011	\$150,956,719	\$30,229,852	\$181,186,571
2012	\$58,308,012	\$13,026,967	\$71,334,979

Joinder Agreement

Effective November 11, 2000, the Company entered into a joinder agreement, whereby the Company became a party to the partnership agreement dated August 1, 2009, between Mainstay Management LLC, NYL and certain of NYL's other subsidiaries. The partnership agreement provides for the creation of the New York Life Short Term Fund (the Partnership), a New York general partnership. The purpose of the Partnership is to pool, invest and reinvest the cash and liquid assets of the general partners to achieve liquidity, safety of principal and commensurate yield by investing solely in money market instruments and other short-term investments. The partnership agreement designates NYL as the manager for the Partnership and appoints NYLIM to perform its management duties.

Distribution Agreement

Effective April 27, 2006, and last amended effective January 1, 2011, the Company entered into a distribution agreement with NYLIFE Distributors, LLC (Distributors), an indirect wholly-owned subsidiary, granting Distributors the exclusive right to be the wholesale distributor and principal underwriter of the Company's variable universal life policies sold by the Company and funded through separate accounts. In connection with the distribution of these products, the Company has agreements with NYLSEC whereby the Company is allowed to use the registered representatives of NYLSEC to distribute these policies. For the years under examination, the Company recorded commission expense to NYLSEC pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2008	\$82,496,050
2009	\$65,148,596
2010	\$85,206,137
2011	\$97,531,106
2012	\$109,847,981

General Agent Agreement

Effective September 24, 2001, the Company entered into an agreement with NYLINK Insurance Agency Incorporation (NYLINK), an indirect wholly-owned subsidiary of NYL, granting NYLINK the right to solicit applications for the Company's products through NYLINK's sub-agents. For the years under examination, the Company recorded commission and fee expense in association with NYLINK agents pursuant to this agreement as follows:

<u>Year</u>	<u>Amount</u>
2008	\$3,318,340
2009	\$3,671,776
2010	\$4,135,434
2011	\$2,367,826
2012	\$2,179,280

All applicable agreements were filed by the Company and approved by the Department in accordance with 18 Del. C. §5005 (a)(2).

Unaffiliated Agreements

Custodial Agreements

The Company entered into several custodial agreements, which provide for the safekeeping of the Company's invested assets. The agreements with The Northern Trust Company (TNTC) [general accounts] effective January 1, 2010, JP Morgan Chase Bank, N.A. (JPMC) [general accounts] effective January 26, 2010, JPMC [separate accounts] effective July 28, 2010, and Bank of New York Mellon (BONY-Mellon) [separate accounts] effective July 30, 2010, each contain the required protective language specified by NAIC guidelines. The most recent SSAE 16 Reports for the custodians were obtained and reviewed without exception.

TERRITORY AND PLAN OF OPERATION

Territory

The Company utilizes NYL's agency force of over 10,000 agents and is licensed to write life insurance and annuity products in all fifty states, the District of Columbia, US Virgin Islands, and Guam.

Plan of Operation

The insurance and investment products and services offered through NYL and its subsidiaries and affiliates includes life and health insurance, long-term care insurance, annuities (including Guaranteed Life Income), pension products, mutual funds and other investment products and investment advisory services. The Company's two business segments are the Insurance and Agency Group and the Investments Group. The Company's two principal lines of business are individual life and individual annuity, which offer fixed and variable life insurance

and annuity products. The Company's sales during the examination period were 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 Insurance and Agency Group

The Insurance and Agency Group provides individual life insurance and Long Term Care insurance principally through NYL's career agent sales force to middle and upper income individuals, small-to-medium-size businesses and their owners, and professionals. NYLIAC issues predominately variable and universal life insurance products. This business segment also includes group membership association operations, which underwrite group life, health and disability programs for professional and affinity organizations, and Direct Operations, which is the exclusive provider of life insurance (through NYL) and fixed immediate and deferred annuities (through NYLIAC) to members of AARP. While career agency remains the Company's core distribution channel, the Company's use of supplemental channels, such as brokers, continue to grow. Third party distributors are used in the Advanced Market Network, to capitalize on opportunities in the advanced market retail marketplaces.

The Investments Group

The Investments Group develops and markets immediate income annuities and deferred income annuities that are issued by NYL and NYLIAC, and fixed and variable deferred annuities that are issued by NYLIAC. The Investments Group is an integrated investment management enterprise with the following businesses: asset management boutiques, Repetitive Payment Systems, guaranteed products (including Guaranteed Investment Contracts and other fixed income investment products offered through New York Life), retail mutual funds and general

account investment management (the management of certain assets of New York Life and its affiliates).

There are four underwriting regional offices located in Atlanta, San Ramon, Dallas and Cleveland. Applications over \$1 million in face amount, and high risk applications, come to the home office for processing. There are approximately 30 general offices under each region. General offices process primarily life insurance new business applications. There were 118 General Offices across the United States where administrative activities are performed by Enterprise Shared Services ("ENTSS") staff to support the work of the NYL sales agents who sell life insurance products (including traditional, variable, and universal life products). Services conducted at the General Offices include all stages of application processing from submission through policy delivery (excluding underwriting), the handling of funds associated with applications and coverage commencement, and management of all documents related to applications for life insurance new business. There are six service centers which administer and process new business premiums and renewal premiums for annuity and life insurance products (excluding AARP business).

Traditional Service Centers

Dallas Service Center
Cleveland Service Center
Minneapolis Service Center

Advanced Market Network

Kansas City Services

Home Office Centers

Third Party Distribution Center
Variable Product Service Center

Annuity business (including variable annuity new business) produced by NYL agents is processed at the Cleveland and Dallas Service Centers, and new life business (including variable

life new business) is processed at the general offices located throughout the U.S. The general offices do not process payments although payments can be received on locations for initial premium payments. All AARP business is processed out of the Tampa, Florida office.

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 \$6.573 billion at December 31, 2012.

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 Company has issued \$151.5 million of single premium annuities to NYL as of December 31, 2012, in connection with NYL's obligations under these structured settlement agreements.

A.M. Best Rating

Based on A.M. Best's current opinion of the group's consolidated financial condition and operating performance, NYL and NYLIAC were each assigned the highest possible A.M. Best ratings of A++ (Superior) for the year ending 2012. A.M. Best notes that the rating reflects each of the companies' solid returns and substantial improvement in risk adjusted capitalization.

GROWTH OF COMPANY

The following information was extracted from the Company's filed Annual Statements and covers the period from the last examination (2007), and the intervening period to this examination (2012):

<u>Year</u>	<u>Premiums And Annuity Considerations</u>	<u>Net Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income</u>
2007	\$7,319,583,456	\$72,685,505,779	\$70,035,572,949	\$2,649,932,830	\$289,028,343
2008	10,678,515,196	74,943,575,014	71,347,757,567	3,595,817,447	(386,931,491)
2009	12,031,929,420	88,832,647,162	83,835,017,754	4,997,629,408	225,226,981
2010	10,161,861,846	97,717,131,064	92,292,865,888	5,424,265,176	562,226,786
2011	9,230,093,969	103,286,605,553	97,492,395,788	5,794,209,765	293,873,854
2012	8,351,183,483	109,510,240,524	103,111,603,356	6,398,637,168	638,886,526

The following comments describe the Company's growth and results of operations:

- Premiums and annuity considerations increased 14.1% from 2007: Annuity business increased from 2007 to 2009 as policyholders sought higher returns on annuity policies than were available from stocks and bonds. As the investment market improved beginning in March 2009, annuities were no longer in favor in relation to the stock market potential. As a result, annuity premiums began decreasing. Along with the continued decline in annuities from 2009, beginning in 2010, premiums declined primarily as a result from a decline in sales of BOLI and lower renewal premiums primarily on private placement variable universal life policies. Overall, the Company's mix of business has remained relatively consistent for the examination period and consists primarily of individual annuities.
- Net admitted assets increased 50.7% from 2007: General Account assets, consisting primarily of bonds, increased from \$60.11 billion in 2008 to \$83.26 billion in 2012, or 38.5%. Separate Account assets, consisting primarily of stocks and mutual funds, increased from \$14.83 billion in 2008 to \$26.25 billion in 2012, or 77.0%.
- Liabilities increased 47.2% from 2007: Life and annuity reserves increased from \$43.50 billion in 2008 to \$62.80 billion in 2012, or 44.4%. Separate Account liabilities increased from \$14.83 billion in 2008 to \$26.24 billion in 2012, or 76.9%.
- Capital and surplus increased 141.5% from 2007: Of the total increase of approximately \$3.75 billion during the examination period, \$2.52 billion is related to capital infusions from parent NYL (\$1.22 billion in 2008, \$1.00 billion in 2009, \$0.30 billion in 2011) and the remaining \$1.23 billion is primarily the cumulative net income for the period.
- Net income increased 121.0% from 2007. While overall premiums have been decreasing since 2009, so have the benefit expenses. During the examination period, there has been an increase in policy surrenders due to market conditions. Net income as a percent of

premiums, or net margin, has been on an upward trend as the Company has been writing more profitable business in the most recent years.

REINSURANCE

NYLIAC reported the following distribution of premiums and annuity considerations written and earned in 2012:

Direct	\$8,848,834,023
Assumed from non-affiliates	<u>2,644,394</u>
Gross Premiums	\$8,851,478,417
Ceded to affiliates	\$181,908,978
Ceded to non-affiliates	<u>318,385,956</u>
Total Ceded	\$500,294,934
Net Premiums	<u>\$8,351,183,483</u>

Assumed

The only significant active assumed reinsurance agreement is with non-affiliate New York Life Agents Reinsurance Company (NYLARC), an Arizona-domestic life insurer, which was effective January 1, 2000. NYLARC is a life insurance company wholly owned by NYLARC Holding Company, Inc., whose shareholders consist of NYL 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. Premiums assumed under this reinsurance agreement during 2012 totaled \$2,463,250, which represented 93.2% of the \$2,644,394 total assumed business. The remainder of the \$181,144 assumed business was from non-affiliate MLife Insurance Company, an Oregon domestic life insurer.

Ceded

The Company enters into ceded 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. For single life policies the Company typically retains 100% on products with a policy size up to \$1 million and 50% of the excess on products with a policy size over \$1 million. For joint life policies, reinsurance criteria varies by product with respect to the threshold above which reinsurance is ceded, as well as the percentage of the excess that is reinsured. 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.

The Company cedes risks on an automatic basis to its parent, on policies in excess of its maximum retention of \$5,000,000 per insured life for insureds aged 0 to 75 and \$3,000,000 for insureds aged 76 and over.

Co-insurance and Modified Co-insurance Quota Share

Effective December 31, 2004, the Company entered into a co-insurance/modified co-insurance agreement with parent NYL whereby the Company ceded 90% of the retained portion of a block of in-force life insurance business. The policies reinsured are primarily Universal Life (UL), Variable Universal Life (VUL), Target Life (TL) and Asset Preserver (AP). An initial 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 co-insurance with funds withheld for the

fixed policies maintained in the general account and modified co-insurance for the VUL policies in the separate accounts. Under both the funds withheld co-insurance and modified co-insurance treaty, 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.

Premiums ceded in 2012 under the funds withheld co-insurance portion of this agreement for the fixed policies in the general account totaled \$89.649 million, representing 17.9% of the 2012 total ceded premiums of \$500.295 million, with reserve credits taken of \$4.529 billion, representing 89.7% of 2012 total reserve credits taken of \$5.050 billion. Funds withheld under co-insurance totaled \$4.616 billion at December 31, 2012.

Premiums ceded in 2012 under the modified co-insurance portion of this agreement for the variable policies in the separate account totaled \$76.365 million, representing 15.3% of the 2012 total ceded premiums of \$500.295 million. Modified co-insurance reserves under this treaty totaled \$1.182 billion at December 31, 2012.

Yearly Renewable Term

The Company entered into ceded reinsurance agreements with parent NYL effective November 1, 1982, covering yearly renewable term group and individual life policies. Premiums ceded in 2012 under these agreements totaled \$15.895 million, representing 3.2% of 2012 total ceded premiums, with reserve credits taken of \$26.495 million, representing 0.5% of 2012 total reserve credits taken of \$5.050 billion.

The Company entered into ceded reinsurance agreements with various non-affiliates covering yearly renewable term group and individual life policies. Premiums ceded in 2012

under these agreements totaled \$318.386 million, representing 63.6% of 2012 total ceded premiums, with reserve credits taken of \$494.545 million, representing 9.8% of 2012 total reserve credits taken of \$5.050 billion.

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 New York for processing, updating, and storing the primary records of the Company. Personal computers and file servers support financial reporting and analysis. In general, it has been determined that the Company has a sufficient level of controls in place for all of the above areas. Personal computers and file servers support financial reporting and analysis. The Company performs full system backups and rotates copies of programs and data files to its off-site storage facility on a weekly basis. The Company has a disaster recovery plan that covers its mainframe operations that is periodically tested.

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

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 were audited annually by PwC, the Company's independent certified accounting firm, for the years 2008 to 2012 inclusive. The Company's accounts and records are also subject to review by the internal audit department of NYL.

INS Services, Inc. reviewed the Company's responses to the Evaluation of Controls in Information Systems Questionnaire (Exhibit C) and performed tests of the systems. INS Services analysis concluded that:

- the Company's responses to Exhibit C present fairly, in all material respects, the aspects of the Company's policies and procedures that may be relevant to their internal control structure,
- the control structure policies and procedures were suitably designed to achieve the control objectives implicit in the questionnaire, if those policies and procedures were complied with, and
- such policies and procedures have been placed in operation as of December 31, 2012.

FINANCIAL STATEMENTS

The following pages contain the Company's Financial Statements for the year ending December 31, 2012, as determined by this examination, with supporting exhibits as detailed below:

Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account
Reconciliation of Surplus since last Examination
Schedule of Examination Adjustments

Assets
As of December 31, 2012

	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 62,163,149,783	\$	\$ 62,163,149,783	1
Common stocks	208,898,464		208,898,464	
Mortgage loans - first liens	8,014,470,170		8,014,470,170	2
Mortgage loans - other than first liens	114,386,547		114,386,547	2
Real estate - properties held for the production of income	55,686,374		55,686,374	
Real estate - properties held for sale	4,714,241		4,714,241	
Cash, cash equivalents and short-term investments	533,927,288		533,927,288	
Contract loans	892,696,629	13,380,363	879,316,266	
Derivatives	138,680,015		138,680,015	
Other invested assets	3,399,170,209	1,073,393	3,398,096,816	
Receivable for securities	129,252		129,252	
Aggregate write-ins for invested assets	23,490,000		23,490,000	
Investment income due and accrued	592,728,035		592,728,035	
Uncollected premiums in course of collection	169,742	1,339	168,403	
Deferred premiums booked but deferred and not yet due	352,606		352,606	
Amounts recoverable from reinsurers	112,014,706		112,014,706	
Other amounts receivable under reinsurance contracts	67,172,408		67,172,408	
Current federal and foreign income tax recoverable and interest thereon	5,610,701		5,610,701	
Net deferred tax asset	536,768,451	290,658,146	246,110,305	
Guaranty funds receivable or on deposit	27,807,625		27,807,625	
Receivable from parent, subsidiaries and affiliates	41,578,283		41,578,283	
Health care and other amounts receivable	11,317,152	11,317,152		
Aggregate write-ins for other than invested assets	6,668,939,940	32,881,977	6,636,057,963	
From separate accounts	26,245,694,273		26,245,694,273	3
Totals	\$ 109,859,552,894	\$ 349,312,370	\$ 109,510,240,524	

Liabilities, Surplus and Other Funds
As of December 31, 2012

		<u>Note</u>
Aggregate reserve for life policies	\$ 62,801,537,650	4
Liability for deposit-type contracts	804,718,257	4
Life contract claims	160,027,223	
Premiums and annuity considerations received in advance	263	
Other amounts payable on reinsurance ceded	121,532,772	
Interest maintenance reserve	240,585,354	
Commissions to agents due or accrued	3,843,221	
General expenses due or accrued	3,760,980	
Transfers to separate accounts	(555,320,382)	
Taxes, licenses and fees due or accrued	43,862,525	
Unearned investment income	8,279,759	
Amounts withheld or retained by company	1,052,441	
Remittances and items not allocated	176,770,548	
Liability for benefit of employees and agents	164,418,000	
Borrowed money	75,772,173	
Asset valuation reserve	764,965,978	
Reinsurance in unauthorized companies	785,165	
Payable to parent, subsidiaries and affiliates	199,137,528	
Funds held under coinsurance	4,616,319,338	
Derivatives	90,445,587	
Payable for securities	24,584,276	
Payable for securities lending	461,072,214	
Aggregate write-ins for liabilities	6,659,973,096	
From separate accounts	26,243,479,390	
Total Liabilities	<u>\$ 103,111,603,356</u>	
Common capital stock	\$ 25,000,000	
Gross paid in and contributed surplus	3,927,757,314	
Unassigned funds (surplus)	2,445,879,854	
Surplus as regards policyholders	<u>\$ 6,398,637,168</u>	
Total Liabilities, Capital and Surplus	<u>\$ 109,510,240,524</u>	

Summary of Operations

As of December 31, 2012

		<u>Note</u>
Premium & annuity considerations	\$ 8,330,218,843	
Considerations for supplementary contracts	20,964,640	
Net investment income	3,353,600,246	
Amortization of Interest Maintenance Reserve	52,595,324	
Separate Accounts net gain from operations excluding unrealized gains or los	29,890,469	
Commissions and expense allowances on reinsurance ceded	82,131,031	
Reserve adjustments on reinsurance ceded	(4,721,154)	
Miscellaneous Income:		
Income from fees associated with investment management, administration and contract guarantees from separate accounts	388,863,636	
Aggregate write-ins for miscellaneous income	170,230,349	
Total	<u>12,423,773,384</u>	
Death Benefits	228,166,053	
Matured endowments	788,694	
Annuity benefits	1,952,234,517	
Disability benefits	181,467	
Surrender benefits	3,947,078,061	
Group conversions	614,253	
Interest & adjustments on contracts on deposit-type funds	29,527,859	
Payments on supplementary contracts with life contingencies	8,039,676	
Increase in aggregate reserves for life and accident and health contracts	<u>2,710,907,780</u>	
Total	8,877,538,360	
Commissions on premiums, annuity considerations, & deposit-type contract funds	367,371,850	
General insurance expenses	814,781,471	
Insurance taxes, licenses & fees, excluding federal income taxes	96,264,541	
Increase in loading on deferred and uncollected premiums	(4,144)	
Net transfers to or (from) Separate Accounts net of reinsurance	1,173,432,184	
Aggregate write-ins for deductions	<u>260,753,019</u>	
Total	<u>11,590,137,281</u>	
Net gain from operations before dividends to policyholders and federal income taxes	833,636,103	
Net gain from operations after dividends to policyholders and before federal t	833,636,103	
Federal income taxes incurred	214,990,733	
Net gain from operations after dividends to policyholders and federal taxes and before realized capital gains (or losses)	618,645,370	
Net realized capital gains or (losses)	<u>20,241,156</u>	
Net Income	<u>\$ 638,886,526</u>	

Capital and Surplus Account
As of December 31, 2012

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2011	<u>\$ 5,794,209,765</u>
GAINS AND (LOSSES) IN SURPLUS	
Net income	\$ 638,886,526
Change in net unrealized capital gains or (losses) less capital gains tax	(20,388,012)
Change in net unrealized foreign exchange capital gains (losses)	7,368,844
Change in net deferred income tax	(75,129,885)
Change in non-admitted assets	(4,453,047)
Change in liability for reinsurance in unauthorized companies	41,095
Change in reserve on account of change in valuation basis	182,212,666
Change in asset valuation reserve	(104,062,438)
Surplus (contributed to) withdrawn from separate accounts during period	44,962,110
Other changes in surplus in separate accounts statement	(44,591,690)
Cumulative effect of changes in accounting principles	(6,284,700)
Aggregate write-ins for gains and losses in surplus	<u>(14,134,066)</u>
Change in surplus as regards policyholders for the year	<u>\$ 604,427,403</u>
Surplus as regards policyholder, December 31, 2012	<u>\$ 6,398,637,168</u>

Reconciliation of Surplus since last Examination

	Aggregate Write- ins for Special Surplus Funds (3)	Common Capital Stock	Gross Paid -in & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2007	\$	\$ 25,000,000	\$ 1,410,000,000	\$ 1,214,932,830	\$ 2,649,932,830
2008 Operations (1)				(271,875,297)	(271,875,297)
2008 Capital Paid In (2)			1,217,759,914		1,217,759,914
2009 Operations (1)				253,345,905	253,345,905
2009 Surplus Paid In (2)			999,997,400		999,997,400
2009 Special Surplus (3)	148,468,656				148,468,656
2010 Operations (1)				421,313,699	421,313,699
2010 Special Surplus (3)	5,322,069				5,322,069
2011 Operations (1)				22,826,097	22,826,097
2011 Surplus Paid In (2)			300,000,000		300,000,000
2011 Special Surplus (3)	47,118,492				47,118,492
2012 Operations (1)				805,336,620	805,336,620
2012 Special Surplus (3)	(200,909,217)	-	-	-	(200,909,217)
December 31, 2012		\$ 25,000,000	\$ 3,927,757,314	\$ 2,445,879,854	\$ 6,398,637,168

(1) Operations are defined as: net income and all activity **except** capital changes, surplus adjustments, dividends to stockholders or aggregate write-ins for special surplus funds.

(2) Capital Paid In and Surplus Paid In consisted of contributions from parent NYL.

(3) The Aggregate Write-ins for Special Surplus Funds at year-end 2011 was \$200,909,217. The Company elected to apply the expanded admissibility provisions of SSAP 10R, which replaced SSAP 10. SSAP 10R provides an election to expand the deferred tax asset admissibility limitation from 10% to 15% of surplus and an increase in the reversal/realization periods from one to three years. The surplus benefit from the application of the expanded admissibility provisions of the deferred tax assets under SSAP 10R at December 31, 2012, was \$200,909,217, shown as a reduction to the Aggregate Write-ins for Special Surplus Funds down to \$0. SSAP 101 replaced SSAP 10R effective January 1, 2012, which eliminated the requirement for this aggregate write-in for special surplus fund.

Dividends

According to Company records for the years indicated, as reflected in the Board of Director meeting minutes, no dividends to stockholders have been declared or paid.

Capitalization

The Company is authorized to issue 2,500 common shares with a par value of \$1,000 per share. As of December 31, 2012, the Company has all 2,500 authorized common shares issued and outstanding, for a common capital stock balance of \$25,000,000. All of the issued and outstanding common shares are owned by New York Life Insurance Company.

SCHEDULE OF EXAMINATION ADJUSTMENTS

No financial adjustments were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

(1) Bonds \$62,163,149,783

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. Bonds, which represented 82.3% of the Company's invested assets at year-end 2012, were primarily corporate holdings, U.S. Treasury and agency obligations, municipals, and public utilities. The NAIC SVO ratings on the long-term bond portfolio are as follows:

<u>NAIC SVO Rating</u>	<u>Book Value</u>	<u>Percent</u>
1 and 2	\$57,713,766,507	92.84%
3	\$2,466,540,737	3.97%
4	\$1,671,786,042	2.69%
5 and 6	<u>\$311,056,497</u>	<u>0.05%</u>
Total	<u>\$62,163,149,783</u>	<u>100.00%</u>

The Company has exposure to sub-prime and mid-prime residential mortgage lending through its fixed maturity investments that are collateralized by mortgages that have

characteristics of sub-prime and mid-prime lending. The collective carrying value of these investments at year-end 2012 is \$1,004,679,659, representing 1.62% of total fixed maturity investments. Of this amount, 33.61% had “AAA” or “AA” credit quality ratings. The Company reported Other Than Temporary Impairment (OTTI) losses of \$87.0 million on sub-prime and mid-prime bonds in 2012.

A review of corporate records indicates that the Board of Directors has approved the Company’s investment transactions made during the examination period in accordance with 18 Del. C. §1304.

(2) Mortgage Loans on Real Estate \$8,128,856,717

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. Mortgage loans represented 10.8% of the Company’s invested assets at year-end 2012. Mortgage loans were diversified geographically and by building type (commercial or residential). The Company’s 2012 percentages for mortgage loans on real estate were 96.2% commercial, 3.01% residential, 0.72% mezzanine and 0.05% restructured mortgages.

The Company recorded an allowance for credit losses on mortgage loans of \$3,043,862 in 2012. The Company had impaired loans (where interest is more than over 180 days past due) of \$6.3 million or less than 1.0% of the principal balance of mortgages in the investment portfolio as of December 31, 2012.

(3) Separate Account Assets \$26,245,694,273

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. The Company 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 amortized cost for guaranteed separate accounts and at market value for non-guaranteed, registered separate accounts. The liability for separate accounts represents contract holders' interest in the separate account assets.

The Company maintains seven guaranteed separate accounts for universal life insurance policies with assets of \$4.607 billion at December 31, 2012, carried at amortized cost. 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 Company maintains non-guaranteed separate accounts for its variable deferred annuity variable life and private placement variable universal life products, with assets of \$21.638 billion at December 31, 2012. Of the \$21.638 billion, nine accounts with assets of \$20.197 billion were registered with the Securities and Exchange Commission and carried at market value. The remaining \$1.441 billion of the \$21.638 billion at December 31, 2012, was held in fifteen private placement variable universal life accounts.

The \$20.197 billion in non-guaranteed, registered separate accounts at December 31, 2012, are as follows:

1. VLI Separate Account with assets of \$37.577 million: Established on May 27, 1983, to receive and invest premium payments under variable life insurance policies. Sales of these policies were discontinued effective July 1, 1988.
2. Multi-Funded Annuity Separate Account I with assets of \$99.878 million: 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 these policies were discontinued effective December 19, 1994.

3. Multi-Funded Annuity Separate Account II with assets of \$46.068 million: 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 these policies were discontinued effective December 19, 1994.
4. Variable Annuity Separate Account I (formerly LifeStage Flex Premium Separate Account I) with assets of \$422.788 million: Established on October 5, 1992, for Non-Qualified Flexible Premium Multi-Funded Variable Retirement Annuity Policies designed to establish retirement benefits to provide individuals with supplemental retirement income. Sales of these policies were discontinued effective May 10, 2002.
5. Variable Annuity Separate Account II (formerly LifeStage Flex Premium Separate Account II) with assets of \$650.095 million: Established on October 5, 1992, for 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. Sales of these policies were discontinued effective May 10, 2002.
6. Variable Universal Life Separate Account I with assets of \$2.017 billion: Established on June 4, 1993, for policies designed for individuals who seek lifetime insurance protection and flexibility with respect to premium payments and death benefits.
7. Corporate Sponsored Variable Universal Life Separate Account with assets of \$1.405 billion: Established on May 24, 1996, and designed for Group and / or Sponsored arrangements that seek lifetime insurance protection and flexibility with respect to premium payments and death benefits.

8. Variable Annuity Separate Account III (formerly LifeStage Variable Annuity Separate Account) with assets of \$8.263 billion: Established on November 30, 1994, for 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 tax-qualified policies are designed to establish retirement benefits for individuals who participate in qualified pension, profit sharing or annuity plans.
9. Variable Annuity Separate Account IV with assets of \$7.256 billion: Established on June 10, 2003, for policies designed to receive and invest premium payments under 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 tax-qualified policies are designed to establish retirement benefits for individuals who participate in qualified pension, profit sharing or annuity plans.

(4) Aggregate Reserve for Life Contracts – General Account \$62,801,537,650

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. The reserve breakdown in Exhibit 5 by type of benefit is as follows:

	<u>Gross</u>	<u>Ceded</u>	<u>Net</u>
Life insurance	\$20,271,401,523	\$4,928,103,152	\$15,343,298,371
Annuities	46,937,424,283	0	46,937,424,283
Supplementary contracts	67,538,868	0	67,538,868
Accidental death benefits	74,094	28,945	45,149
Disability - active lives	1,203,118	716,521	486,597
Disability - disabled lives	67,647,831	56,219,663	11,428,168
Miscellaneous reserves	<u>496,578,863</u>	<u>65,262,649</u>	<u>431,316,214</u>
Total	<u>\$67,851,868,580</u>	<u>\$5,050,330,930</u>	<u>\$62,801,537,650</u>

The Company had reinsurance ceded treaties with 18 reinsurance companies (1 affiliate and 17 non-affiliates) as of December 31, 2012. 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, 2012, Annual Statement.

The largest amount of reinsurance reserve credits (89.7%) 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 co-insurance/modified co-insurance basis.

The Delaware Insurance Department's consulting actuary, INS Consultants, Inc. (INS) prepared the 2012 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, 2012, General Account - Exhibit 5 and the Separate Accounts - Exhibit 3 reserves.

PRIOR EXAM COMMENTS AND RECOMMENDATIONS

It was recommended that the Company ascertain that all agreements and amendments are executed in compliance with Regulation 1000, Section 5.1 and 5.2 of the Delaware Administrative Code. The Company has complied with this recommendation.

COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations during the current examination.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Assets	\$ 72,685,505,779	\$ 109,510,240,524	\$ 36,824,734,745
Liabilities	\$ 70,035,572,949	\$ 103,111,603,356	\$ 33,076,030,407
Common Capital Stock	25,000,000	25,000,000	
Gross Paid In and Contributed Surplus	1,410,000,000	3,927,757,314	2,517,757,314
Unassigned Funds (Surplus)	1,214,932,830	2,445,879,854	1,230,947,024
Total Surplus as Regards Policyholders	<u>\$ 2,649,932,830</u>	<u>\$ 6,398,637,168</u>	<u>\$ 3,748,704,338</u>
Totals	<u><u>\$ 72,685,505,779</u></u>	<u><u>\$ 109,510,240,524</u></u>	<u><u>\$ 36,824,734,745</u></u>

The assistance of the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc. and INS Services, Inc. is acknowledged.

Respectfully submitted,



Joseph Murano Jr., CFE
Examiner-In-Charge
State of Delaware