STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

NEW YORK LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 1999

DATE OF REPORT: FEBRUARY 16, 2001

EXAMINER: HENRY M. FREANEY

REPORT ON ASSOCIATION EXAMINATION

OF THE

NEW YORK LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 1999

BY THE INSURANCE DEPARTMENTS OF

NEW YORK

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

February 16, 2001

Honorable Alfred W. Gross
Commissioner of Insurance
State of Virginia
Secretary, Southeastern Zone

Honorable Robert Lohr
Commissioner of Insurance
State of Alaska
Secretary, Western Zone

Honorable Gregory V. Serio
Acting Superintendent of Insurance
State of New York
Albany, New York

Dear Sirs:

In accordance with instructions and pursuant to the provisions of statute, we have made a limited scope examination of the affairs and condition of New York Life Insurance Company, hereinafter referred to as "the Company" or "NYLIC," at its home office located at 51 Madison Avenue, New York, New York 10010.

The examination was conducted by the State of New York Insurance Department, hereinafter referred to as the "Department", with participation from the states of Nevada representing the Western Zone and Mississippi representing the Southeastern Zone of the National Association of Insurance Commissioners (NAIC).

The report on examination is herewith respectfully submitted.

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

February 16, 2001

Honorable Gregory V. Serio
Acting Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21469, dated November 12, 1999 and annexed hereto, a limited scope examination has been made into the condition and affairs of New York Life Insurance Company, hereinafter referred to as "the Company" or "NYLIC," at its home office located 51 Madison Avenue, New York, New York 10010.

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

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

1. EXECUTIVE SUMMARY

This was a limited scope examination of the Company as of December 31, 1999 that included: (i) a review or audit of certain targeted balance sheet items and (ii) a review or audit of certain market conduct activities of the Company. The examiner's review of a sample of transactions did not reveal any differences that materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 1999 filed annual statement. (See item 2 of this report)

In July 1998, the Company reinsured 100% of its group life and group accident and health business with Aetna Life Insurance Company ("Aetna") and ceased writing those lines of business, except for group membership association policies.

On January 1, 2000, the Company entered into a 100% modified coinsurance reinsurance agreement with Paul Revere Life Insurance Company ("Paul Revere"), whereby the Company reinsured 100% of a closed block of its in-force disability income policies. The Company also entered into an administrative agreement with Paul Revere, whereby Paul Revere performs all the administrative functions for the above block of business on behalf of the Company.

On January 1, 2000, the Company reorganized its asset management operations under New York Life Asset Management LLC ("NYLAM"), a downstream holding company.

The Company obtained a charter from the Office of Thrift Supervision, a bureau of the U.S. Treasury, to form a federal thrift, known as New York Life Trust Company, FSB. This charter will enable the Company's 9,900 agents to market the services of the Thrift on a national level.

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1994. This examination covers the period from January 1, 1995 through December 31, 1999. This was a limited scope examination which included: (i) a review or audit of certain targeted balance sheet items considered by this Department to require analysis, verification or description, (ii) a review or audit of the market conduct of the Company and (iii) a review or audit of the items noted in the following paragraph. The balance sheet items targeted for review were bonds, stocks, short-term investments, mortgages, other invested assets, reserves, dividend liabilities and other deposit funds. The market conduct activities targeted for review were advertising, underwriting, and treatment of policyholders. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 1999 but prior to the date of this report (i.e., the completion date of the examination).

The examiner utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations, recommendations and comments contained in the previous report on examination. The results of the examiner's review are contained in item 7 of this report.

This report on examination is confined to comments on those matters which involve departure from laws, regulations or rules, or which are deemed to require explanation or description.

3. DESCRIPTION OF COMPANY

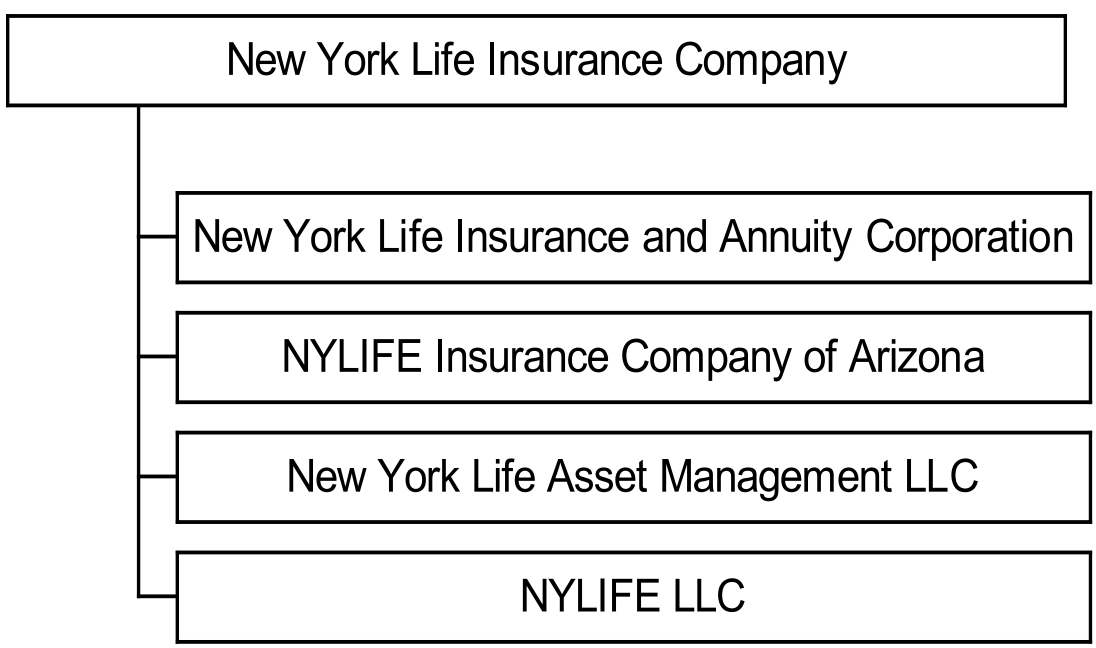
A. History

The Company was originally chartered in May 1841 as Nautilus Insurance Company and was authorized to write fire and marine insurance, inland navigation and transportation risks. The charter was amended in April 1843 to permit Nautilus Insurance Company to organize as a mutual company and write life insurance. The by-laws were amended in June 1845 to restrict the Company's business to "insurance on life and all and every insurance pertaining to life." The Company's name was officially changed to New York Life Insurance Company on April 5, 1849.

On July 15, 1998, the Company entered into an agreement with Aetna, Inc. to sell the Company's wholly owned health care subsidiary, NYLCare Health Plans, Inc. ("NYLCare"), and to reinsure the group life and health indemnity business which was under NYLCare's management.

B. Subsidiaries

The following is a chart of NYLIC's wholly owned direct subsidiaries and a brief description of each as of December 31, 1999.



New York Life Insurance and Annuity Corporation

New York Life Insurance and Annuity Corporation ("NYLIAC") was incorporated in Delaware in 1980. It is engaged in the life insurance, accident and health insurance and annuity businesses. It is licensed in all 50 states and the District of Columbia, and primarily writes non-participating annuity and universal life products.

NYLIFE Insurance Company of Arizona

NYLIFE Insurance Company of Arizona ("NYLAZ") was incorporated in Arizona in 1987. It was formed to engage in the non-participating life and health insurance and annuity business. It is licensed in 44 states and the District of Columbia. The company is not licensed in New York. It currently only writes a 10 year term product, "Term to Age 90."

New York Life Asset Management LLC

New York Life Asset Management LLC was incorporated in 1999. It is a holding company for the Company's asset management operations.

NYLIFE LLC

NYLIFE LLC is a wholly owned direct subsidiary of NYLIC and was incorporated in New York in 1984 as NYLIFE, Inc. During 1999, it changed its name and became a Delaware limited liability corporation. It is a holding company subsidiary formed to hold NYLIC's foreign insurance subsidiaries and its non-insurance subsidiaries (excluding asset management companies).

The Company obtained a charter from the Office of Thrift Supervision, a bureau of the U.S. Treasury, to form a federal thrift, known as New York Life Trust Company, FSB.

As of December 31, 1999, the Company provides its direct and indirect subsidiaries with services and facilities including but not limited to the following: accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations, communications operations and investment services.

MacKay Shields LLC, Monitor Capital Advisors LLC, Madison Square Advisors LLC, MainStay Management, Inc., and MainStay Shareholder Services, Inc., have investment advisory agreements with the Company, in which they provide investment services for the Company's separate account assets. NYLIFE Securities, Inc., NYLIFE Distributors, Inc. and Eagle Strategies Corporation have distribution agreements with the Company for the sale of the Company's separate account products.

The Company has a federal tax allocation agreement with all of its domestic affiliates.

C. Management

The Company's charter provides that the board of directors shall be comprised of not less than 13 nor more than 27 directors as may be determined from time to time by the board. The directors are divided into three classes, as nearly equal in number as may be. Each class is elected on the second Wednesday of April for a term of three years. As of December 31, 1999, the board of directors consisted of 15 members. In accordance with the Company's by-laws, the board shall meet on the third Wednesday of such months as may be determined from time to time by the board, provided that at least four such meetings shall be held in each calendar year.

The 15 board members and their principal business affiliation, as of December 31, 1999, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Betty C. Alewine * Vienna, VA	President and Chief Executive Officer COMSAT Corporation	1998
Robert Montague Baylis * Darien, CT	Retired Vice Chairman of the Board CS First Boston	1996
Gary Gideon Benanav West Hartford, CT	Vice Chairman of the Board New York Life Insurance Company	1999
James Lowell Broadhead * North Palm Beach, FL	Chairman of the Board, President and Chief Executive Officer FPL Group, Inc.	1997
William Gilbert Burns * Melvin Village, NH	Retired Vice Chairman of the Board NYNEX Corporation	1986

Name and Residence	Principal Business Affiliation	Year First Elected
Patricia Theresa Carbine * New York, NY	President Ms. Foundation for Education and Communication	1976
Kent Benard Foster * Irving, TX	President GTE Corporation	1995
Conrad Kenneth Harper * Irvington, NY	Partner Simpson, Thacher & Barlett	1992
Harry George Hohn * Cutchogue, NY	Retired Chairman of the Board and Chief Executive Officer New York Life Insurance Company	1985
Richard Michael Kernan, Jr. Holmdel, NJ	Executive Vice President and Chief Investment Officer New York Life Insurance Company	1996
Leslie Gladstone McCraw, Jr.* Greenville, SC	Retired Chairman of the Board and Chief Executive Officer Fluor Corporation	1995
David Windsor Mitchell * Riverside, CA	Retired Chairman of the Board and Chief Executive Officer Avon Products	1973
Richard Roy Pivirotto * Greenwich, CT	Retired Chairman of the Board Associated Dry Goods Corporation	1974
Frederick James Sievert Stamford, CT	Vice Chairman of the Board New York Life Insurance Company	1996
Seymour Sternberg Purchase, NY	Chairman of the Board, President and Chief Executive Officer New York Life Insurance Company	1995

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

In April 2000, Harry Hohn retired from the board. As of the date of this report he has not been replaced.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 1999:

Name	Title
Seymour Sternberg	Chairman of the Board, President, and Chief Executive Officer
Gary G. Benanav	Vice Chairman of the Board
Frederick J. Sievert	Vice Chairman of the Board
Howard I. Atkins	Executive Vice President and Chief Financial Officer
Richard M. Kernan, Jr.	Executive Vice President and Chief Investment Officer
Phillip J. Hildebrand	Executive Vice President
George J. Trapp	Executive Vice President and Secretary
Gary E. Wendlandt	Executive Vice President
Jay S. Calhoun, III	Senior Vice President and Treasurer
Judith E. Campbell	Senior Vice President and Chief Information Officer
Jessie M. Colgate	Senior Vice President
Solomon Goldfinger	Senior Vice President, Chief of Staff and Chief Financial Officer-Individual Operations
Richard D. Levy	Senior Vice President and Controller
Michael J. McLaughlin	Senior Vice President and General Counsel
Stephen N. Steinig	Senior Vice President and Chief Actuary
Thomas J. Warga	Senior Vice President and General Auditor
Marc Schindelheim*	Corporate Vice President

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

In May 2000, Sheila Davidson replaced Michael J. McLaughlin as Senior Vice President and General Counsel.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in all 50 states, the District of Columbia, Canada and Puerto Rico. In 1999, 46.5% of annuity considerations were received from Delaware; no other state accounted for 10% or more of the total annuity considerations. The consideration received from Delaware represents structured settlements whereby NYLIAC is the owner of the contract.

In 1999, 41.5% and 14.9% of deposit type funds were received from New York and Massachusetts, respectively; no other state accounted for 10% or more of deposit type funds. The deposit type funds represent the Company's separate account premiums. No state accounted for 10% or more of life insurance premiums. All policies are written on a participating basis.

The Company writes whole life and term life insurance, single premium immediate annuities, group life and group accident and health membership association policies, and individual and group long-term care. The individual life and long-term care policies are marketed through the Company's agency force. The group products are primarily marketed through independent agents/agencies. The Company's separate account business is sold by its employees.

Section 2112(a) of the New York Insurance Law states, in part:

> "Every insurer . . . doing business in this state shall file a certificate of appointment in such form as the superintendent may prescribe in order to appoint insurance agents to represent such insurer . . . "

The Company violated Section 2112(a) of the New York Insurance Law when it allowed agents that were not appointed with the Company to sell policies for the Company. A review of the New York State licensing records revealed that 20 agents that sold policies through the general agency and received commissions were not appointed by the Company to sell its products. On September 6, 2000, the Company sent appointment letters for these agents to the Department.

In 1967, the Company established its first separate account for the purpose of entering the group equity products market. At present, there are 36 separate accounts available, offering a variety of funding options for the Company's portfolio of group annuity contracts.

In 1951, the Company entered into the group insurance and individual accident and health insurance business. In 1987, the Company ceased writing individual medical expense insurance products in all fifty states. In the same year, the Company entered into an administrative agreement with Mutual of Omaha ("MOO") which requires MOO to service the individual medical expense products that remain in force. MOO mails premium notices, collects premiums, pays claims and provides whatever other services are needed to administer this block of business.

In July 1998, the Company reinsured 100% of its group life and group accident and health business with Aetna and ceased writing those lines of business, except for group membership association policies.

On January 1, 2000, the Company entered into a 100% modified coinsurance reinsurance agreement with Paul Revere Life Insurance Company ("Paul Revere"), whereby the Company reinsured 100% of a closed block of its in-force disability income policies. The Company also entered into an administrative agreement with Paul Revere, whereby Paul Revere will perform all the administrative functions for the above block of business on behalf of the Company.

The following are marketing agreements that the Company has in place with non-affiliated companies, which allow the Company's agents to sell a full line of insurance products:

Golden Rule Insurance Company ("GRIC")

The Company entered into a marketing agreement with GRIC whereby the Company made its field force available to market certain of GRIC's group and individual major medical products in all jurisdictions in which GRIC is licensed to sell insurance.

Trustmark Insurance Company

a) In 1990, the Company entered into a marketing agreement with Benefit Trust Life Insurance Company, now known as Trustmark Insurance Company ("Trustmark"), whereby the Company made its field force available to market certain of Trustmark's individual major medical products in all jurisdictions in which Trustmark is licensed to sell insurance.
b) In 1998, the Company entered into a marketing agreement among Trustmark and Star Marketing and Administration, Inc., hereinafter referred to as Starmark, a subsidiary of Trustmark. The Company made its field force available to market certain of Trustmark's group life and health products in all jurisdictions in which Trustmark is licensed to sell insurance. Starmark is responsible for administering this block of business.

BISYS Insurance Services ("BISYS")

In August 1999, the Company entered into a marketing and service agreement whereby the Company made its field force available to market certain fixed annuities and life insurance policies that are available through various insurance companies that have agreements with BISYS. The life insurance policies are generally rated class C or greater; or they are policies that the Company or its subsidiaries would have declined. The annuities are types that the Company or its subsidiaries do not sell.

UnumProvident Corporation

In 1995, the Company entered into two marketing agreements with Paul Revere Life Insurance Company ("Paul Revere"), whereby the Company made its field force available to market certain of Paul Revere's group and individual disability products in all jurisdictions in which Paul Revere is licensed to sell insurance.

In 1997, the Company entered into two marketing agreements with Provident Companies, Inc., ("Provident"), whereby the Company made its field force available to market certain of Provident's group and individual disability products in all jurisdictions in which Provident is licensed to sell insurance.

In March 1997, Paul Revere was purchased by Provident and on June 30, 1999, Provident and Unum Corporation ("Unum") merged and the new entity was renamed UnumProvident Corporation. In August 1999, both of the above group marketing agreements were amended, changing the group product offered to an Unum product.

E. Reinsurance

As of the December 31, 1999, the Company had reinsurance treaties in effect with 34 companies, of which 32 were authorized or accredited. The Company's individual life policies are ceded either on a coinsurance, modified coinsurance, yearly renewable term, or catastrophic basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual whole life policies is as follows:

Single Life Maximum Retention Limit

Issue Age	Maximum Retention Limit (Overall Maximums in Parentheses)
0 - 65	$15,000,000 plus up to an additional $5,000,000 subject to the approval of the Company's chief underwriter ($20,000,000)
66 - 75	$7,500,000 plus up to an additional $2,500,000 subject to the approval of the Company's chief underwriter ($10,000,000)
76 and over	$3,000,000 plus up to an additional $2,000,000 subject to the approval of the Company's chief underwriter ($5,000,000)

Joint Life Second-To-Die Maximum Retention Limit

Issue Age	Maximum Retention Limit (Overall Maximums in Parentheses)
0 - 65	$30,000,000 plus up to an additional $5,000,000 subject to the approval of the Company's chief underwriter ($35,000,000)
66 - 75	$15,000,000 plus up to an additional $5,000,000 subject to the approval of the Company's chief underwriter ($20,000,000)
76 and Over	$6,000,000 plus up to an additional $2,000,000 subject to the approval of the Company's chief underwriter ($8,000,000)

The Company cedes its standard term policies to five reinsurers. The Company retains 10% of the total face amount and cedes 18% to each of the five reinsurers for a total cession of 90%.

The total face amount of life insurance ceded at December 31, 1999 was $114,026,554,000, which represents 28.76% of the total life insurance in force. Reserve credits taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling $2,005,879, were offset by miscellaneous credit balances.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. The failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 1995	December 31, 1999	Increase (Decrease)
Admitted assets	$59,414,522,691	$68,811,663,923	$9,397,141,232
Liabilities	$55,658,124,448	$62,413,791,849	$6,755,667,401
Surplus notes	$ 449,182,108	$ 449,307,708	$ 125,600
Special surplus funds	77,142,080	58,447,776	(18,694,304)
Unassigned funds (surplus)	3,230,074,055	5,890,116,590	2,660,042,535
Total surplus	$ 3,756,398,243	$ 6,397,872,074	$2,641,473,831
Total liabilities and surplus	$59,414,522,691	$68,811,663,923	$9,397,141,232

The Company's invested assets as of December 31, 1999, exclusive of separate accounts, were mainly comprised of bonds (62.8%), mortgage loans (10.9%), stocks (9.1%), policy loans (8.0%), and cash and short-term investments (6.3%). The majority (93.1%) of the Company's bond portfolio, as of December 31, 1999, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	1995	1996	1997	1998	1999
Ordinary:					
Life insurance	$170,614,037	$118,218,413	$176,903,303	$650,345,067	$382,766,241
Individual annuities	13,483,161	19,222,955	17,676,342	20,813,819	8,249,069
Supplementary contracts	6,478,425	1,618,522	5,791,959	10,260,200	8,745,074
Total ordinary	$190,575,623	$139,059,890	$200,371,604	$681,419,086	$399,760,384
Credit life	$ 58,758	$ 60,088	$ 88,709	$ (39,250)	$ 0
Group:					
Life	$ (4,889,102)	$ (4,388,100)	$ 10,964,525	$ 18,312,215	$ 5,960,199
Annuities	82,121,264	71,125,628	120,580,720	97,334,790	82,883,069
Total group	$ 77,232,162	$ 66,737,528	$ 131,545,245	$115,647,005	$ 88,843,268
Accident and health:					
Group	$ 14,030,861	$ 6,661,252	$ (2,713,593)	$ 23,250,911	$ 12,593,250
Credit	(1,725)	255	0	0	0
Other	(3,534,809)	(905,182)	(11,333,384)	(9,982,577)	(15,137,080)
Total accident and health	$ 10,494,327	$ 5,756,325	$ (14,046,977)	$ 13,268,334	$ (2,543,830)
All other lines	$ 162,230	$ 120,466	$ 1,621,048	$ 1,246,981	$ 821,460
Total	$278,523,100	$211,734,297	$319,579,629	$811,542,156	$486,881,282

The increase in net income for ordinary insurance in 1998 was primarily due to an increase in net investment income and a decrease in both general insurance expenses and federal income taxes.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds as of December 31, 1999, as contained in the Company's 1999 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years under review. These financial statements have been subjected to a limited audit or review as indicated in the Scope of Examination (item 2 of this report).

A. ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 1999

Admitted Assets

Bonds	$40,568,238,539
Stocks:	
Preferred stocks	736,683,511
Common stocks	5,121,839,246
Mortgage loans:	
First liens	7,000,279,765
Other than first liens	20,374,768
Real estate:	
Properties occupied by company	129,094,459
Properties acquired in satisfaction of debt	52,725,000
Investment real estate	419,767,143
Policy loans	5,198,990,413
Premium notes	4,724,925
Cash and short term investments	4,080,226,892
Other invested assets	1,258,606,809
Receivable for securities	7,480,118
Amount due for undelivered securities	2,148,725
Forward exchange contracts	236,064
Financial options	192,153
Reinsurance ceded:	
Amounts recoverable from reinsurers	10,057,536
Commissions and expense allowances due	8,326,900
Other amounts receivable under reinsurance contracts	37,715
Federal income tax recoverable and interest thereon	51,648,450
Guaranty funds receivable or on deposit	14,329,107
Life insurance premiums and annuity considerations deferred and uncollected on in force business	858,801,505
Accident and health premiums due and unpaid	44,239,903
Investment income due and accrued	795,094,468
Receivable from parent, subsidiaries and affiliates	128,059,285

Cash value on corporate owned life insurance	895,305,169
Collateral assignments	79,000,330
Receivable for benefit plans' cost stabilization reserve	8,624,848
Receivable from Wellpath	6,906,484
Federal employees' group life conversion pool fund	1,904,940
Prepaid real estate taxes	1,277,520
Administrative and other fees due and unpaid	272,429
From Separate Accounts Statement	1,306,168,804
Total admitted assets	$68,811,663,923

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$36,790,613,798
Aggregate reserve for accident and health policies	999,371,761
Supplementary contracts without life contingencies	537,801,957
Policy and contract claims:	
Life	206,869,533
Accident and health	42,502,053
Policyholders' dividend and coupon accumulations	1,578,488,792
Policyholders' dividends due and unpaid	7,949,707
Provision for policyholders' dividends and coupons payable in the following calendar year-estimated amounts:	1,389,625,633
Premiums and annuity considerations received in advance	65,008,136
Liability for premium and other deposit funds:	
Policyholder premiums	9,289,047
Guaranteed interest contracts	11,710,125,561
Other contract deposit funds	1,858,062,925
Policy and contract liabilities:	
Provision for experience rating refunds	6,014
Other amounts payable on reinsurance	8,758,747
Interest maintenance reserve	498,587,036
Commissions to agents due or accrued	7,664,470
Commissions and expense allowances payable on reinsurance assumed	5,853
General expenses due or accrued	156,314,931
Transfers to Separate Accounts due or accrued	12,266,674
Taxes, licenses and fees due or accrued	5,558,141
Federal income taxes due or accrued	360,123,213
"Cost of collection" on premiums and annuity considerations deferred and uncollected in excess of total loading thereon	942,716
Unearned investment income	2,501,429
Amounts withheld or retained by company as agent or trustee	126,547,979
Amounts held for agents' account	11,864,900
Remittances and items not allocated	135,737,877
Net adjustment in assets and liabilities due to foreign exchange rates	39,376,849
Liability for benefits for employees and agents if not included above	474,268,652

Borrowed money	1,192,403,097
Miscellaneous liabilities:	
Asset valuation reserve	2,056,843,024
Reinsurance in unauthorized companies	1,316
Payable to parent, subsidiaries and affiliates	33,331,507
Payable for securities	239,271,749
Deferred commissions	144,468,618
Special reserves on certain group policies and franchise plans	115,949,000
General contingency reserve	90,634,198
Unsettled trades- mortgage backed securities	58,493,002
General investment reserves	45,000,000
Adjustment to agents' progress sharing plan liability	29,144,799
Claims contingency reserve	28,600,000
Interest payable on surplus notes	10,312,500
Liability for interest on claims	8,516,161
Provision for state insurance guaranty association assessments	5,765,905
Reserves required on certain group annuity separate account contracts	5,625,334
Post-retirement healthcare benefit liability	4,850,000
Provision for policyholders' excess credits	2,643,748
Reinsurance conversion costs	7,332
From Separate Accounts Statement	1,305,696,175
Total liabilities	$62,413,791,849
Surplus notes	$ 449,307,708
Group life contingency reserve	58,447,776
Unassigned funds (surplus)	5,890,116,590
Total surplus and other funds	$ 6,397,872,074
Total liabilities, surplus and other funds	$68,811,663,923

B. CONDENSED SUMMARY OF OPERATIONS

	1995	1996	1997	1998	1999
Premiums and considerations	$10,180,850,575	$10,755,610,049	$9,174,020,266	$9,390,166,048	$10,313,977,105
Investment income	3,850,012,299	3,923,756,291	4,102,254,400	4,506,490,857	4,348,812,717
Net gain from operations From Separate Accounts	0	166,783	95,901	(209,581)	387,773
Commissions and reserve Adjustments on reinsurance ceded	56,957,623	666,823,239	240,839,729	(457,402,207)	71,599,273
Miscellaneous income	189,258,807	61,420,710	73,546,797	95,603,267	132,391,147
Total income	$14,277,079,304	$15,407,777,072	$13,590,757,093	$13,534,648,384	$14,867,168,015
Benefit payments	$ 8,204,760,428	$ 9,492,395,021	$ 9,898,976,905	$ 9,612,662,268	$10,674,807,400
Increase in reserves	3,182,073,232	3,014,842,270	754,192,239	573,053,638	927,424,769
Commissions	279,083,111	258,667,228	267,257,025	234,435,290	219,765,643
General expenses and taxes	1,084,618,217	1,172,601,378	1,164,585,159	1,006,099,170	970,520,309
Increase in loading and cost of collection	13,170,630	(12,611,934)	(6,291,494)	(1,532,382)	(3,857,120)
Net transfers to (from) Separate Accounts	(244,332,546)	(693,611,274)	(312,825,771)	(363,257,987)	(139,354,327)
Miscellaneous deductions	9,664,903	478,346,140	(3,394,584)	98,266,859	3,602,887
Total deductions	$12,529,037,975	$13,710,628,829	$11,762,499,479	$11,159,726,856	$12,652,909,561
Net gain	$ 1,748,041,329	$ 1,697,148,243	$ 1,828,257,614	$ 2,374,921,528	$ 2,214,258,454
Dividends	1,218,979,043	1,192,002,441	1,271,460,651	1,353,851,376	1,442,074,356
Federal income taxes	250,539,187	293,411,505	237,217,334	209,527,996	285,302,816
Net gain from operations before net Realized capital gains	$ 278,523,099	$ 211,734,297	$ 319,579,629	$ 811,542,156	$ 486,881,282
Net realized capital gains (losses)	251,729,718	227,729,181	212,359,893	(59,470,319)	12,331,528
Net income	$ 530,252,817	$ 439,463,478	$ 531,939,522	$ 752,071,837	$ 499,212,810

C. SURPLUS ACCOUNT

	1995	1996	1997	1998	1999
Capital and surplus, December 31, prior year	$3,723,231,888	$3,756,398,242	$4,007,505,396	$4,621,689,357	$5,575,520,151
Net income	$ 530,252,817	$ 439,463,478	$ 531,939,522	$ 752,071,837	$ 499,212,810
Change in net unrealized Capital gains (losses)	200,295,961	(35,316,203)	469,197,715	752,453,993	563,251,382
Change in non-admitted assets and related items	(74,770,920)	(10,605,950)	(91,353,440)	(62,037,011)	(34,003,667)
Change in liability for reinsurance in unauthorized companies	207	14	257	1,410	(1,316)
Change in reserve valuation basis	(69,954,587)	0	(131,028,858)	(95,302,140)	(16,631,369)
Change in asset valuation reserve	(345,318,354)	(130,594,761)	(138,787,279)	(385,024,898)	(133,941,539)
Other changes in surplus in Separate Accounts statement	(137,820)	0	(660,206)	0	(75,793)
Change in liability for prior years' Federal income taxes	2,852,719	0	0	0	0
Discount on surplus notes	31,400	31,400	31,400	31,400	31,400
Decrease in reserve for surplus notes	0	5,000,000	5,000,000	5,000,000	30,000,000
Provision for state insurance Guaranty association assessments	(320,947)	5,876,456	2,084,802	2,561,416	87,368
Funding of New York Life Foundation	(1,000,000)	(1,000,000)	(1,000,000)	(4,420,313)	(4,540,561)
Increase in reserve on group annuity Separate account contracts	(3,737,276)	(7,565,702)	2,683,048	7,957,158	3,511,133
Prior year adjustment in claim Liability	(7,775,571)	0	0	0	0
Change in actuarial reserves	(50,000,000)	0	50,000,000	(34,000,000)	0
Prior year reserve adjustments	(67,336,809)	8,070,500	9,983,747	0	0

	1995	1996	1997	1998	1999
Change in general contingency Reserve	0	0	9,120,000	(25,000,000)	0
Cumulative effect of change in Accounting to equity tax base tax	(79,914,466)	0	0	0	0
Change in accounting for agents' Expense allowance program	0	(22,252,078)	0	0	0
Mortality and expense fund Transferred from separate accounts	0	0	660,206	47,880	0
Adjustment in senior plan	0	0	(23,687,425)	0	0
Prior period premium adjustment	0	0	(1,300,000)	0	0
Change in accounting for Management performance awards	0	0	(28,699,528)	0	0
Change in investment reserves	0	0	(50,000,000)	8,000,000	(3,000,000)
Change in ceding commission	0	0	0	46,250,000	(30,000,000)
Change in accounting practice	0	0	0	0	(7,179,200)
Receivable for benefit plans cost Stabilization reserve	0	0	0	8,471,000	0
Adjustment net deferred and Uncollected premiums	0	0	0	(23,230,938)	0
Facilitation costs for pension and Other post retirement benefits	0	0	0	0	(44,368,725)
Net change in capital and surplus	$ 33,166,354	$ 251,107,154	$ 614,183,961	$ 953,830,794	$ 822,351,923
Capital and surplus, December 31, current year	$3,756,398,242	$4,007,505,396	$4,621,689,357	$5,575,520,151	$6,397,872,074

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

1) Section 219.5(a) of Department Regulation No. 34-A states, in part:

> "Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this State, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. . . . "

The Company violated Section 219.5(a) of Department Regulation No. 34-A in the following instances:

a) It failed to maintain in its advertising file the manner and extent of distribution for its non-AARP advertising.

b) It failed to maintain in the advertising file a final specimen copy of each advertisement. The Company allows its agents to prepare their own advertisements. In 1994, the Company created the Sales Material Review Unit ("SMRU"). The SMRU assigns identification numbers to all advertisements and tracks advertising by producer, product type and state of usage. The SMRU reviews each advertisement submitted and recommends changes for those advertisements that do not comply with Company rules or Department Regulations. However, copies of the amended advertisements are not resent to the SMRU. There is no indication in the file that the changes were made to the affected advertisements. It is recommended that the Company institute changes in the above procedures and require that all agents submit the final copy of the advertisement to the SMRU.

2) Section 219.4(e) of Department Regulation No. 34-A states:

> "The words free, no cost, without cost, no additional cost, at no extra cost, without additional cost, or words of similar import, may not be used with respect to any benefit or service being made available with the policy. An advertisement may specify the charge for a benefit or a service, or may state that a charge is included in the premium, or use other appropriate language."

The Company violated Section 219.4(e) of Department Regulation No. 34-A when it used the above phrases, or phrases of similar import, to advertise that some of its life insurance riders were without cost to the owner. These advertisements were widely used during the examination period.

3) Section 2122(a)(2) of the New York Insurance Law states:

> "No insurance agent, insurance broker or other person, shall, by any advertisement or public announcement in this state, call attention to any unauthorized insurer or insurers."

The Company violated Section 2122(a)(2) of the New York Insurance Law when it allowed Company agents and agencies located in New York to use advertisements that called attention to NYLAZ and Provident Life and Accident Insurance Company, both of which are unauthorized insurers.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Policy application form GPA L-38 is used in conjunction with the Company's group association business. The form has been used in New York since 1992. The examiner recommends that this form be re-filed with the Department under a new policy form number, due to changes in the requirements, under New York Insurance Law, for variable language and health questions, i.e. HIV.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 216.11 of Department Regulation No. 64 states, in part:

> " . . . To enable department personnel to reconstruct an insurer's activities, all insurers subject to the provisions of this Part must maintain within each claim file all communications, transactions, notes and work papers relating to the claim. All communications and transactions, whether written or oral, emanating from or received by the insurer shall be dated by the insurer. Claim files must be so maintained that all events relating to a claim can be reconstructed by the Insurance Department examiners. Insurers shall either make a notation in the file or retain a copy of all forms mailed to claimants."

The Company violated Section 216.11 of Department Regulation No. 64, when it failed to include the surrender request forms in 12 of the 154 life surrender files (7.8%) reviewed.

Section 3214(c) of the New York Insurance Law states, in part:

> " . . . interest upon the principal sum paid to the beneficiary or policyholder shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of the death of an insured or annuitant . . . to the date of payment and shall be added to and be a part of the total sum paid."

The lowest interest settlement option rate the Company's board of directors approved for the examination period was 4%, however for the same time period the board also approved a death claim rate of interest of 3.5%. Since the interest rate approved by the board is contrary to the rate required by Law (i.e., the interest settlement option rate), the Company is in violation of Section 3214(c) of the New York Insurance Law. The Company paid 83 group death claims in the years 1995 through 1997 using the 3.5% rate to calculate the interest from date of death to date of payment. The Company is in the process of determining the additional interest owed and making payment of such, for the policies involved.

The Company violated Section 3214(c) of the New York Insurance Law when it failed to pay interest on its New York group death claims at the interest settlement option rate.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 4230(b)(1) of the New York Insurance Law relating to the Executive Officers' Deferred Compensation Plan and the Field Sales Employees' Deferred Compensation Plan. The Company distributed all amounts that were made in excess of the limits prescribed in Section 4230(b)(1) of the New York Insurance Law.
B	The examiner recommends that the stop-loss agreement with NYLARC be shown on Schedule S in future annual statements. The agreement currently appears on the annual statement.
C	The examiner recommends that NYLARC be shown as an unauthorized reinsurer on Schedule S in future annual statements. The reinsurer is being shown as an unauthorized reinsurer on the annual statement.
D	The examiner recommends that the Company implement procedures to correct discrepancies, as noted in this report, and exercise greater care in the preparation of future annual statements. The examiner found no discrepancies in the items reviewed during the examination.
E	The Company violated Section 51.5 (a)(5)(iii), (iv) and (v) of Department Regulation No. 60, as enumerated in this report regarding the replacement of life insurance policies. The Regulation has changed since the last examination and the Company is complying with the current Department Regulation No. 60.
F	The examiner recommends that surrender files and the filing system pertaining thereto be reviewed for better maintenance and control. A review of the Company's surrender files revealed that the Company has improved its surrender files.

Item	Description
G	The Company violated Sections 219.2(b), 219.5(a), 219.4(a)(1), 219.4(a)(3), 219.4(c), 219.4(i), and 219.4(p) of Department Regulation No. 34-A – Rules Governing Advertisements Of Life Insurance And Annuity Contracts, as enumerated in this report. Comments concerning the Company's advertising file are included in this report on examination.
H	The Company violated Sections 219.5(a) and 219.4(p) of Department Regulation No. 34-A, regarding the advertising of group annuity and separate account operations. The examiners did not find any group annuity advertisements that were not included in the Company's advertising file.
I	The examiner commented on the Company's reexamination of policyholders' complaints, the revised decisions on a number of cases and the reasons therefor as enumerated in the report. A review of the Company's complaint file revealed no similar problems.
J	The examiner recommends that the Company's filing procedures involving terminated agents' files be revised for better maintenance and control and that a detailed log be kept for all terminations involving cause, detailing the reasons for termination. The Company instituted new procedures and the examiners found no problems.
K	The examiner commented on several consequences of advertising violations and a description of the consolidated class action law suit. The examiners found no instances where the Company was continuing the advertising practices that were responsible for the class action lawsuit.
L	The Company violated Section 4228(g)(1) of the New York Insurance Law by awarding prizes based upon the volume of new business written. The section of law changed effective January 1, 1998, and it is no longer a violation to award prizes based upon the volume of new business, up to 1% of total premiums on the business in force. The Company makes a maximum payment of $500 per agent.

Item	Description
M	The Company violated Section 4228(m)(1) of the New York Insurance Law by paying training allowances on policies produced on the lives of the agents' family members in disagreement with the approved Training Allowance Subsidy Plan Agreement. A review of the Company's training allowance plan revealed no instances where the Company paid training allowances on policies on agents' family members.
N	The Company violated Section 4228(f)(1) of the New York Insurance Law by paying annualized commissions on policies produced on the lives of the agents' family members greater than that determined by the compensation agreement made in advance. The Company pays commissions based upon the agreement made in advance.
O	The Company violated Section 4231(a)(3) of the New York Insurance Law by failing to provide documentation which demonstrated that the various dividend accumulation crediting rates used resulted in the required equitable distribution of earnings. The Company has reduced the number of interest crediting rates and the current examination found no instances where it was determined that the earnings were unfairly distributed.

8. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 2112(a) of the New York Insurance Law when it allowed 20 agents to sell the Company's policies without having the agents appointed with the Company.	9
B	The Company violated Section 219.5(a) of Department Regulation No. 34-A when it failed to include the manner and extent of distribution, and a specimen copy of each advertisement in its advertising file.	21
C	The Company violated Section 219.4(e) of Department Regulation No. 34-A when it included the words free, no cost or words of similar import in its advertising for some of its life insurance riders.	22
D	The Company violated Section 2122(a)(2) of the New York Insurance Law when its agents located in New York, called attention to NYLAZ and Provident Life and Accident Insurance Company both of which are unauthorized insurers.	22
E	The examiner recommends that the Company refile policy form GPA L-38 due to changes in the requirements of the New York Insurance Law for variable language and health questions.	22
F	The Company violated Section 216.11 of Department Regulation No. 64 when it failed to include surrender request forms in 7.8% of surrender files reviewed.	23
G	The Company violated Section 3214(c) of the New York Insurance Law when it failed to pay interest on 83 New York group death claims at the Company's interest settlement option rate.	23

Respectfully submitted,

/s/
Henry M. Freaney
Principal Insurance Examiner

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

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

/s/
Henry M. Freaney

Subscribed and sworn to before me

this_________ day of __________________2001.

Appointment No. 21469

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, **NEIL D. LEVIN**, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Henry Freaney

as proper person to examine into the affairs of the

New York Life Insurance Company

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

Company

with such other information as he shall deem requisite.

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

This 12th day of November, 1999

NEIL D. LEVIN

Superintendent of Insurance

Superintendent