



**STATE OF NEW YORK INSURANCE DEPARTMENT**  
**REPORT ON EXAMINATION**  
**OF THE**  
**AMERICAN MAYFLOWER LIFE INSURANCE COMPANY**  
**OF NEW YORK**

**CONDITION:**

**DECEMBER 31, 2004**

**DATE OF REPORT:**

**MARCH 15, 2006**

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EXAMINER:

JOSHUA WEISS

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	4
3. Description of Company	5
A. History	5
B. Holding company	6
C. Management	11
D. Territory and plan of operation	13
E. Reinsurance	13
4. Significant operating results	15
5. Financial statements	18
A. Assets, liabilities, capital and surplus	18
B. Condensed summary of operations	20
C. Capital and surplus account	21
D. Reserves	22
6. Market conduct activities	24
A. Advertising and sales activities	24
B. Underwriting and policy forms	26
C. Treatment of policyholders	27
7. Accounts and records	28
8. Prior report summary and conclusions	29
9. Summary and conclusions	31



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

George E. Pataki  
Governor

Howard Mills  
Superintendent

March 15, 2006

Honorable Howard Mills  
Superintendent of Insurance  
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22378, dated June 1, 2005 and annexed hereto, an examination has been made into the condition and affairs of American Mayflower Life Insurance Company of New York, hereinafter referred to as "the Company" or "AML", at its home office located at 666 Third Avenue, New York, NY 10017.

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

In November 2003, General Electric Company (“GE”) announced its intention to pursue an initial public offering of a new company named Genworth Financial, Inc. (“Genworth”) that would comprise most of its life and mortgage insurance operations. On May 24, 2004, GE Financial Assurance Holdings, Inc. (“GEFAHI”) transferred substantially all of its assets, including two New York domestic life insurers, American Mayflower Life Insurance Company and GE Capital Life Assurance Company of New York, to Genworth. As a result, the Company became an indirect wholly-owned subsidiary of Genworth. On May 25, 2004 Genworth’s common stock began trading on the New York Stock Exchange. During 2005 GE completed secondary public offerings of Genworth common stock. In March 2006, GE disposed of its remaining ownership interest in Genworth. As a result of these transactions, Genworth and its subsidiaries, including the Company, are no longer affiliated with GE and its affiliates. Genworth is now the ultimate controlling person of the Company.

The Company took a reserve credit in an amount that exceeded the reserve liability net of the deferred premium asset on the reinsured portion of the risk. The Department decreased the deferred premium asset for the excess, which was estimated to be in the amount of \$10,400,000, as of June 30, 2006. Going forward, the Company has agreed to compute the deferred premium asset to reflect reinsurance in a manner that ensures that the reinsurance credit will not exceed the amount that would be held in the absence of such reinsurance. (See item 5D of this report)

The Company violated Section 4228(h) of the New York Insurance Law when it failed to provide the actuarial statements of self support and the related demonstrations on one of its life insurance products. In addition, it was noted that in many instances the Company’s existing actuarial statements of self support and related demonstrations were incomplete or inadequate. The examiner recommends that the Company implement changes for documenting its pricing and product development in the manner agreed upon with the Department. (See item 5D of this report)

The Company violated Section 219.2 (a) of Department Regulation No. 34-A when it failed to maintain a system of control over its advertisements. The Company violated Section 219.5 (a) of Department Regulation No. 34-A and Section 215.17 of Regulation No. 34 when it

did not maintain a complete file of all advertisements at its home office. (See item 6A of this report)

The Company violated Section 51.6(b)(4) of Department Regulation No. 60 for failing to furnish the required replacement documentation within the 10-day period. (See item 6B of this report)

The Company violated Section 2611(a) of the New York Insurance Law when it requested individuals proposed for insurance coverage to be the subject of an HIV related test without receiving the written informed consent of such individuals, as specified by Section 2611 of the New York Insurance Law. In addition, the Company violated its own underwriting guidelines when it failed to obtain the special authorization forms for HIV blood testing. (See item 6B of this report)

The Company violated Section 3207(b) of the New York Insurance Law when it issued policies in excess of the limits prescribed by Section 3207(b) of the New York Insurance Law. (See item 6B of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2001. This examination covers the period from January 1, 2002 through December 31, 2004. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2004 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2004 to determine whether the Company's 2004 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and 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
- Fidelity bond and other insurance
- Officers' and employees' welfare and pension plans
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- Mortality and loss experience
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and/or comments contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

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

### 3. DESCRIPTION OF COMPANY

#### A. History

The Company was incorporated under the laws of New York on March 8, 1957, under the name Animal Insurance Corporation of America, a livestock mortality insurer. The Company was licensed on July 1, 1957 and commenced business on August 1, 1957. Initial resources of \$285,800, consisting of common capital stock of \$142,900 and paid-in and contributed surplus of \$142,900 were provided through the sale of 14,290 shares of common stock (with a par value of \$10 each) for \$20 per share.

On April 24, 1964 the Company converted to a stock life insurance company under the laws of New York, upon disposal of its animal insurance business. At the time of licensing as a life insurer, the Company had authorized and paid-in capital of \$568,285, consisting of 227,314 shares of common stock with a par value of \$2.50 a share. The present authorized capital is \$2,000,000, comprised of 100,000 shares of common stock with a par value of \$20 a share, all of which are issued and outstanding.

In late 1972, control (93.2%) of the Company was acquired by First Colony Life Insurance Company (“First Colony”). First Colony increased its ownership of the Company to 100% as of December 31, 1975.

The Company received surplus contributions from First Colony, its immediate parent, of \$2,899,000 in 2003. Changes in the capital and/or surplus of the Company since incorporation have resulted in capital and paid-in and contributed surplus of \$2,000,000 and \$43,766,929, respectively, as of December 31, 2004.

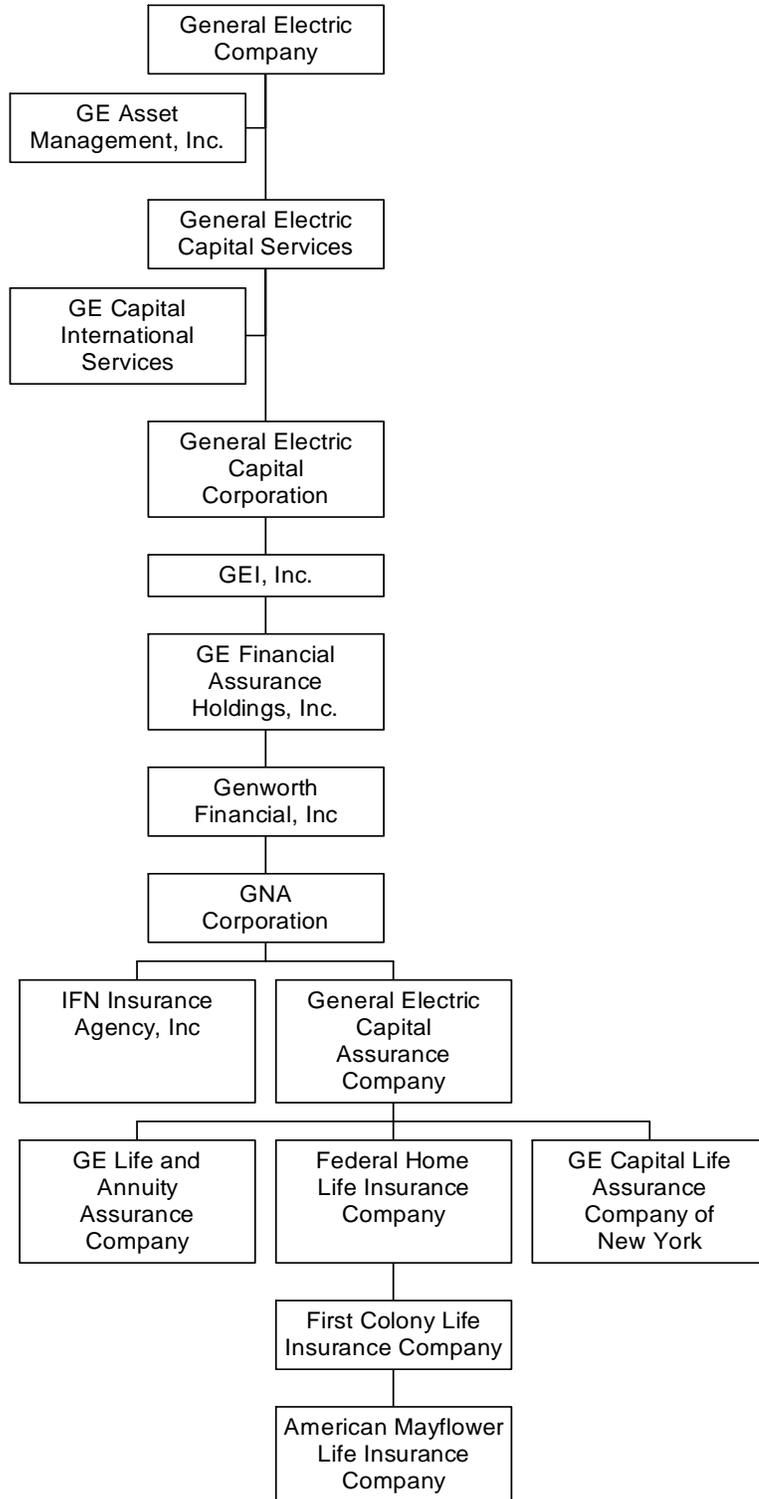
In November 2003, General Electric (“GE”) announced its intention to pursue an initial public offering of a new company named Genworth that would comprise most of its life and mortgage insurance operations. On May 24, 2004, GEFAHI transferred substantially all of its assets, including two New York domestic life insurers, American Mayflower Life Insurance Company and GE Capital Life Assurance Company of New York, to Genworth. As a result, the Company became an indirect wholly-owned subsidiary of Genworth. On May 25, 2004 Genworth’s Class A common stock began trading on the New York Stock Exchange. During 2005 GE completed secondary public offerings of 237 million shares of Genworth common

stock. As of December 31, 2005, approximately 82% of Genworth common stock was owned by public shareholders, and approximately 18% was beneficially owned by GE.

In March 2006, GE disposed of its remaining ownership interest in Genworth. As a result of these transactions, Genworth and its subsidiaries, including the Company, are no longer affiliated with GE and its affiliates. Genworth is now the ultimate controlling person of the Company.

#### B. Holding Company

The Company is a wholly owned subsidiary of First Colony, a Virginia domiciled life insurance company. First Colony is in turn a wholly owned subsidiary of Federal Home Life Insurance Company (“FHL”), a Virginia life insurance company. As of December 31, 2004, the ultimate parent of the Company was General Electric Company, a New York company. An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2004 follows:



The Company had 14 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
AML SA Administrative Services Agreement FCL (Provider) – 17902	11/9/92	First Colony Life Insurance Company	American Mayflower Life Insurance Company of NY	Legal, actuarial, accounting, data processing, advertising and sales promotion, salary savings processing, single premium immediate annuity processing, claims and medical consulting services, executive and misc consulting services, file storage	2004 - (\$4,027,125); 2003 - (\$4,983,156); 2002 - (\$3,505,265)
FCL SA Facilities and Employee Services AML (provider) – 17903	1/27/93	American Mayflower Life	First Colony Life	Secretary services, services of any other personnel, office facilities and services and space, other miscellaneous services requested by First Colony	2004 - \$1,860,160; 2003 - \$167,382; 2002 - \$247,737
AML SA Administrative Services Agreement FCL (provider) – 27688	8/1/00	First Colony Life Insurance Company	American Mayflower Life Insurance Co. of NY	Legal, actuarial, accounting, data processing, advertising and sales promotion, salary savings processing, single premium immediate annuity processing, claims and medical consulting services, executive and misc. consulting services, file storage	Combined with item 17902
AML SA Administrative Services Agreement GECA (provider) – 23980	12/1/96	General Electric Capital Assurance Co.	American Mayflower Life Insurance Co. of NY	Corporate and legal services, actuarial, accounting, claims consulting and underwriting consulting on unusual or nonroutine issues, executive and misc. consulting services, human resources and personnel consulting services, employee training services	2004 - (\$681,639); 2003 - (\$227,322); 2002 - (\$89,966)

GECLA SA Services Agreement AML (Provider) – 24392	2/1/97	American Mayflower Life	GE Capital Life Assurance Company of New York	Services of any personnel, including services as manager and/or officers for executive and management services, marketing and agency services, underwriting and new business services, accounting and cashier services, financial reporting services, policy	2004 - \$353,2221; 2003 - \$42,602; 2002 - \$22,774
AML SA Services Agreement GECLA (provider) – 24371	2/1/97	GE Capital Life Assurance Company of New York	American Mayflower Life Insurance Co. of NY	Services of any personnel, including services as manager and/or officers for executive and management services, marketing and agency services, underwriting and new business services, accounting and cashier services, financial reporting services, policy	2004 - (\$254,060); 2003 - (\$167,054); 2002 - (\$50,038)
AML SA Administrative Services Agreement FCL (provider) – 29437	3/1/01	First Colony Life Insurance Company	American Mayflower Life Insurance Company	Administrative and special services in life and annuity insurance operations. Personnel, property, equipment and facilities necessary to perform the services	Combined with item 17902
AML SA Administrative Services Agreement GELAAC (provider) – 29469	3/1/01	GE Life and Annuity Assurance Company	American Mayflower Life Insurance Co. of NY	Certain administrative and special services in fixed deferred annuity operations. Personnel, property, equipment and facilities necessary to perform the services	2004 - (\$468,723); 2003 - (\$297,286); 2002 - (\$328,445)
AML GECLA SA Consulting Agreement IFN (provider) –29534A and 29533A	5/1/01	IFN Insurance Agency, Inc.	American Mayflower Life Insurance Co. of NY and GE Life and Annuity Assurance Co.	Marketing consulting and agents' administrative services	No services were ever provided.
MAC SA Services Agreement AML (provider)- N/A	10/7/91	American Mayflower Life	Mayflower Assignment Corporation	Charts for the time of officers and employees of AML expended for service performed for MAC and direct charges incurred	None for all three years

AML FA Loan Agreement GNA (lender) – 25674	9/28/98	GNA Corporation, (lender)	American Mayflower Life (borrower)	(Loan agreement)	2004 - (\$6,572); 2003 - (\$32,387); 2002 - (\$4,284)
AML INV Investment Management and Services Agreement GNA (provider); Amended and restated Investment Management Services Agreement – 32314 and 32315	5/24/04	GE Asset Management, Inc.	American Mayflower Life Insurance Company	Investment management services in connection with publicly traded corporate bonds, asset backed and mortgage backed securities, structured real estate transactions, and private and public equity securities	2004 - (\$617,431); 2003 - (\$932,782); 2002 - (\$398,371)
FCL Guarantee Support Agreement AML – N/A	12/8/94	First Colony Life	American Mayflower Life	Support Agreement for statutory capital	None for all three years
AML, GECLA SA Sub-lease Service Agreement with Heller – 31802 and 31803	12/19/03	Heller Financial, Inc.	American Mayflower Life and GE Capital Life Assurance Co. of NY	(Sublease) This sublease started on September 1, 2003 and expires on July 15, 2005	2004 - (\$36,099); 2003 - (\$12,033); 2002 - \$0 (contract not in effect)

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

In addition, the Company participates in a federal tax allocation agreement with General Electric Capital Assurance Company wherein its federal income taxes are filed on a consolidated basis. This agreement has been reviewed by the Department.

The examiner reviewed the Company's service agreements that were in effect during the period of examination. Based on the examiner's review it appears that the services that were provided by its parent, First Colony, were intermingled among several service agreements (#17902, #27688, and #29437) with the same entity. The description of services provided in a particular service agreement was duplicated in another agreement. The Company made one payment for the combined services for all the agreements. The examiner found it difficult to find out how much was attributable to each agreement. It appears that the Company is not in compliance with the billing/accounting provisions of the agreements approved by the Department. The examiner recommends that, in the future, the Company comply with the billing/accounting provisions of its filed and approved service agreements. The Company has indicated that it is undergoing a restructuring of its organization, that it will evaluate the necessity of all its service agreements, and consolidate wherever possible and eliminate any agreements that it finds unnecessary.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 25 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2004, the board of directors consisted of 14 members. Meetings of the board are held quarterly.

The 14 board members and their principal business affiliation, as of December 31, 2004, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
James D. Atkins Lynchburg, VA	Senior Vice President and Chief Actuary American Mayflower Life Insurance Company of New York	2001
Marshall S. Belkin* Irvington, NY	Attorney Self employed	1971
Richard I. Byer* Yonkers, NY	Retired	1971
Bernard M. Eiber* Great Neck, NY	Attorney Self-employed	1979
Jerry S. Handler* New York, NY	Principal Handro Properties	1957
Gerald A. Kaufman* Plainview, NY	Retired	1971
Eileen A. Mallesch Lynchburg, VA	Senior Vice President and CFO American Mayflower Life Insurance Company of New York	2003
Leon E. Roday Richmond, VA	Senior Vice President American Mayflower Life Insurance Company of New York	1997
Isadore Sapir* West Palm Beach, FL	Retired Secretary American Mayflower Life Insurance Company of New York	1961

David J. Sloane Glen Cove, NY	President and CEO American Mayflower Life Insurance Company of New York	2001
Geoffrey S. Stiff Richmond, VA	Senior Vice President American Mayflower Life Insurance Company of New York	1997
Thomas M. Stinson Glen Allen, VA	President, Long Term Care Division GE Capital Life Assurance Company of NY	2002
Beth E. Wortman Forest, VA	Senior Vice President, General Counsel and Secretary American Mayflower Life Insurance Company of New York	2002
George R. Zippel Lynchburg, VA	Executive Vice President American Mayflower Life Insurance Company of New York	2001

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

In April, 2005, Leon Roday resigned from the board and was replaced by Ward Bobitz.

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, 2004:

<u>Name</u>	<u>Title</u>
David J. Sloane*	President and CEO
Beth E. Wortman	Senior VP, General Counsel and Secretary
Gary T. Prizzia	Treasurer
James D. Atkins	Senior VP and Chief Actuary
Eileen A. Mallesch	Senior VP and CFO
Leon E. Roday	Senior VP
Geoffrey S. Stiff	Senior VP
George R. Zippel	Executive VP

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

In November 2005 Eileen A. Mallesch resigned as CFO and has not been replaced as of the date of this examination report.

#### 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 ceased writing accident and health business in 1970.

The Company is licensed to transact business in 7 states, namely Connecticut, Florida, Maryland, New Jersey, New York, Rhode Island, and Virginia. In 2004, 91% of life premiums, and all its annuity considerations and deposit type funds were received from New York.

The Company writes term life, whole life, and universal life products which amounted to 58% of total direct premiums written, as well as deferred and single premium immediate annuities, which amounted to 33% of total direct premiums written.

The Company's agency operations are conducted on a brokerage and general agency basis.

#### E. Reinsurance

As of December 31, 2004, the Company had reinsurance treaties in effect with 21 companies, of which 15 were authorized or accredited. The Company's life policies are ceded on

a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$1,000,000. The total face amount of life insurance ceded as of December 31, 2004, was \$12,753,882,000, which represents 66.6% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverable from unauthorized companies, totaling \$65,460,526, was supported by letters of credit and funds withheld of \$56,037,341. The balance of \$9,423,184 was reported by the Company as a liability for reinsurance in unauthorized companies.

On April 15, 2004, the Company entered into a reinsurance agreement with Union Fidelity Life Insurance Company (“UFLIC”) pursuant to which it ceded, effective as of January 1, 2004, its structured settlement block of business. The Company ceded approximately \$326 million of reserves to UFLIC under the reinsurance agreement and recognized a deferred reinsurance gain through surplus of \$16.7 million. In addition, the Company transferred \$6.7 million of historical IMR to UFLIC in the transaction. This reinsurance transaction, which was entered into in connection with Genworth’s initial public offering, was reviewed and approved by the Department.

#### 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. 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 (decline) during the period under review:

	December 31, <u>2001</u>	December 31, <u>2004</u>	Increase (Decrease)
Admitted assets	<u>\$997,107,162</u>	<u>\$784,122,815</u>	<u>\$(212,984,347)</u>
Liabilities	<u>\$922,709,941</u>	<u>\$686,595,332</u>	<u>\$(236,114,609)</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	40,874,676	43,766,929	2,892,253
Group life contingency reserve	48,951	15,646	(33,305)
Unassigned funds (surplus)	<u>31,473,594</u>	<u>51,744,908</u>	<u>20,271,314</u>
Total capital and surplus	<u>\$ 74,397,221</u>	<u>\$ 97,527,483</u>	<u>\$ 23,130,262</u>
Total liabilities, capital and surplus	<u>\$997,107,162</u>	<u>\$784,122,815</u>	<u>\$(212,984,347)</u>

The decrease in admitted assets is primarily a result of the structured settlement reinsurance transaction with UFLIC.

The Company's invested assets as of December 31, 2004 were mainly comprised of bonds (87.6%) and mortgage loans (7.6%).

The majority (95.9%) of the Company's bond portfolio, as of December 31, 2004, 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:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Ordinary:			
Life insurance	\$6,067,007	\$(23,053,285)	\$ 3,734,275
Individual annuities	2,160,031	15,449,451	15,974,922
Supplementary contracts	<u>16,063</u>	<u>452,925</u>	<u>(138,770)</u>
Total ordinary	<u>\$8,243,101</u>	<u>\$ (7,150,909)</u>	<u>\$19,570,427</u>
Group:			
Life	\$ <u>(30,934)</u>	\$ <u>183,818</u>	\$ <u>10,146</u>
Total group	<u>\$ (30,934)</u>	<u>\$ 183,818</u>	<u>\$ 10,146</u>
Accident and health:			
Other	<u>185</u>	<u>0</u>	<u>0</u>
Total accident and health	<u>\$ 185</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$8,212,352</u>	<u>\$ (6,967,091)</u>	<u>\$19,580,573</u>

During 2003, the Company recorded a \$20 million increase in term life reserves due to a change in valuation basis. This was the primary cause for the loss in the ordinary life insurance line.

Section 91.4 (b) of Department Regulation No. 33 states, in part:

“(2) Net investment income, after adjustment, if any, as permitted by the preceding paragraph shall be distributed to major annual statement lines of business either:

- (i) in proportion to the total mean policy reserves and liabilities of each of such major annual statement lines of business or
- (ii) in proportion to the total mean funds of each of such major annual statement lines of business.

If the reserve method pursuant to subparagraph (i), above, is so used, it shall also be used in distributing net investment income to each secondary annual statement line of business. If the fund method pursuant to subparagraph (ii) above, is so used, either the reserve method or the fund method shall be used in distributing net investment income to each secondary annual statement line of business.

(3) In lieu of the methods specified in the preceding paragraph, a life insurer may distribute net investment income by an investment year

method if its use of such method complies with the rules stated in section 91.5.”

Section 91.5 (b) of Department Regulation No. 33 states, in part:

“...If the company’s method includes deviations from the foregoing rules,...such deviations or use require the approval of the superintendent as being equitable and as being necessary for reasons of feasibility before the method can be adopted.”

The Company allocates its net investment income using an alternate method consisting of multiple investment portfolios and risk based capital. This method is not one of the approved procedures noted above.

The Company utilized an alternative method to allocate net investment income to major annual statement lines of business. Such method is required to be filed with the Department prior to use by the Company. The Company’s method of allocating net investment income was not filed with the Department.

The Company violated Section 91.5 of Department Regulation No. 33 when it used an unapproved alternate method to allocate its net investment income. The examiner recommends that the Company submit its alternate method of allocating its net investment income for approval to the superintendent.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2004, as contained in the Company's 2004 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

### A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2004

#### Admitted Assets

Bonds	\$654,183,243
Stocks:	
Common stocks	98,899
Mortgage loans on real estate:	
First liens	57,115,620
Cash, cash equivalents and short term investments	5,646,100
Contract loans	29,618,852
Receivable for securities	522,073
Investment income due and accrued	8,778,130
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	2,225,741
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,941,917
Reinsurance:	
Amounts recoverable from reinsurers	967,821
Funds held by or deposited with reinsured companies	641,468
Other amounts receivable under reinsurance contracts	494,187
Current federal and foreign income tax recoverable and interest thereon	7,905,570
Net deferred tax asset	2,397,811
Guaranty funds receivable or on deposit	422
Receivables from parent, subsidiaries and affiliates	31,403
Other receivable	39,076
Mortgage receivable	<u>514,481</u>
 Total admitted assets	 <u>\$784,122,815</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$517,325,527
Liability for deposit-type contracts	53,799,041
Contract claims:	
Life	6,079,097
Policyholders' dividends and coupons due and unpaid	1,916
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	30,550
Premiums and annuity considerations for life and accident and health contracts received in advance	14,596
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	667,733
Interest maintenance reserve	8,727,817
Commissions to agents due or accrued	1,199,935
General expenses due or accrued	722,486
Taxes, licenses and fees due or accrued, excluding federal income taxes	487,145
Current federal and foreign income taxes	1
Unearned investment income	782,581
Amounts withheld or retained by company as agent or trustee	85,496
Remittances and items not allocated	15,455,862
Borrowed money and interest thereon	5,188,748
Miscellaneous liabilities:	
Asset valuation reserve	5,539,322
Reinsurance in unauthorized companies	9,423,184
Funds held under reinsurance treaties with unauthorized reinsurers	54,383,512
Payable to parent, subsidiaries and affiliates	2,345,748
Payable for securities	4,000,000
Unclaimed funds	286,108
Reserve increase payable on modco	<u>48,927</u>
 Total liabilities	 <u>\$686,595,332</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	43,766,929
Group life contingency reserve	15,646
Unassigned funds (surplus)	<u>51,744,908</u>
 Total capital and surplus	 <u>\$ 97,527,483</u>
 Total liabilities, capital and surplus	 <u>\$784,122,815</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Premiums and considerations	\$51,803,083	\$ 40,665,083	\$ 54,915,178
Investment income	69,513,992	67,286,188	44,115,624
Commissions and reserve adjustments on reinsurance ceded	5,827,347	7,219,188	9,391,726
Miscellaneous income	<u>(2,270,088)</u>	<u>(1,483,387)</u>	<u>126,811</u>
 Total income	 <u>\$124,874,335</u>	 <u>\$113,687,073</u>	 <u>\$108,549,338</u>
 Benefit payments	 \$ 87,683,908	 \$ 69,051,420	 \$ 50,571,896
Increase in reserves	12,156,728	25,244,996	24,295,621
Commissions	6,394,793	6,957,074	7,270,588
General expenses and taxes	10,350,874	12,447,081	13,514,761
Increase in loading on deferred and uncollected premium	(807,914)	3,160,432	(991,178)
Miscellaneous deductions	<u>0</u>	<u>0</u>	<u>2,241,721</u>
 Total deductions	 <u>\$115,778,388</u>	 <u>\$116,861,004</u>	 <u>\$ 96,903,408</u>
 Net gain (loss)	 \$ 9,095,947	 \$ (3,173,931)	 \$ 11,645,930
Dividends	16,937	37,444	19,348
Federal and foreign income taxes incurred	<u>866,655</u>	<u>3,755,715</u>	<u>(7,953,991)</u>
 Net gain (loss) from operations before net realized capital gains	 \$ 8,212,355	 \$ (6,967,090)	 \$ 19,580,573
Net realized capital gains (losses)	<u>(2,123,929)</u>	<u>(1,260,977)</u>	<u>(11,399,088)</u>
 Net income	 <u>\$ 6,088,426</u>	 <u>\$ (8,228,067)</u>	 <u>\$ 8,181,485</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Capital and surplus, December 31, prior year	\$ <u>74,397,221</u>	\$ <u>85,811,331</u>	\$ <u>77,409,670</u>
Net income	\$ 6,088,426	\$ (8,228,067)	\$ 8,181,485
Change in net unrealized capital gains (losses)	1,800,432	(196,100)	300,566
Change in net deferred income tax	3,078,979	(4,554,570)	4,754,882
Change in non-admitted assets and related items	(20,631,086)	4,531,599	(8,206,311)
Change in liability for reinsurance in unauthorized companies	18,935	6,080	(9,412,890)
Change in asset valuation reserve	(1,668,572)	39,396	1,876,780
Cumulative effect of changes in accounting principles	20,985,310	0	0
Surplus adjustments:			
Paid in	0	2,899,089	0
Change in surplus as a result of reinsurance	0	0	23,380,307
Prior period adjustment for loading	0	0	(757,006)
Prior period correction	1,559,500	(6,835)	0
Non-admitted accrued investment income	182,185	0	0
Adjustment per state exam	<u>0</u>	<u>(2,892,253)</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>11,414,110</u>	\$ <u>(8,401,660)</u>	\$ <u>20,117,813</u>
Capital and surplus, December 31, current year	\$ <u>85,811,331</u>	\$ <u>77,409,670</u>	\$ <u>97,527,483</u>

#### D. RESERVES

The Department conducted a review of reserves as of December 31, 2004. This review included an examination of the related Asset Adequacy Analysis in accordance with Department Regulation No. 126, and a review of the calculation of the reinsurance reserve credit.

##### Reinsurance Reserve Credit

Section 1308(b)(2) of the New York Insurance Law states, in part:

“...In determining the ceding insurer's financial condition, if reinsurance is effected by the ceding insurer in any assuming insurer, the ceding insurer shall, in addition to any credit allowed against its loss reserves, and any reduction of reserves allowed pursuant to paragraph fourteen of subsection (a) of section one thousand three hundred one of this article for reinsurance recoverable from insurers not authorized in this state, receive credit for reinsurance effected with any assuming insurer authorized to do such business in this state, calculated as follows: ... (2) as to reinsurance of all or any part of any life insurance or annuity or non-cancellable disability risk, by way of deduction from its reserve liability, in an amount not exceeding the reserve on the reinsured portion of such risk which the ceding insurer would have maintained if such portion had not been reinsured.”

During the review, concerns were raised with respect to the Company's calculation of the reinsurance reserve credit for certain life insurance policies. In calculating this credit, the Company used a premium mode that was not synchronized with that used in calculating the direct reserve and the related deferred premium asset. By using a different premium mode, the resulting credit for reinsurance exceeded the amount that the Company would have held in the absence of such reinsurance. A credit for the portion reinsured that exceeds the amount the Company would have maintained if such portion had not been reinsured is not permitted under Section 1308(b)(2) of the New York Insurance Law. The Department decreased the deferred premium asset for the excess of the reserve credit over the reinsured proportion of the direct deferred premium asset, which was estimated to be in the amount of \$10,400,000, as of June 30, 2006. Going forward, the Company has agreed to compute the deferred premium asset to reflect reinsurance in a manner that ensures that the reinsurance credit will not exceed the amount that would be held in the absence of such reinsurance.

## Self Support

Section 4228 (h) of the New York Insurance Law states, as follows:

“No company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. The superintendent shall promulgate a regulation establishing the guidelines applicable to such demonstration.”

The Department conducted a review of the pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. This review included an examination of the required actuarial statements of self support and the related demonstrations.

During the review, concerns were raised with respect to the unavailability of requested materials and a pervasive lack of pricing documentation. The examination revealed that where existing documentation was incomplete, the Company had to reconstruct the original pricing assumptions and methodology. Notwithstanding the significant shortcomings in pricing documentation, the Department eventually concluded that the 4228(h) self support requirements had been met, except in the case of one life insurance product with approximately 200 policies inforce, as of December 31, 2004.

The Company violated Section 4228(h) of the New York Insurance Law when it failed to provide the actuarial statements of self support and the related demonstrations on one of its life insurance products. In addition, it was noted that in many instances the Company's existing actuarial statements of self support and related demonstrations were incomplete or inadequate. The examiner recommends that the Company implement changes for documenting its pricing and product development in the manner agreed upon with the Department.

## 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.

#### Advertising

Section 219.2 (b) of the Regulation 34-A states in part:

“Every insurer shall establish and at all times maintain a system of control over the content, form and method of dissemination of all advertisements of its policies....”

The examiner tested the completeness of the advertising log by tracing a sample of advertisements provided by the Company to the advertising log. It was found that certain advertisements were not recorded in the advertising log. Other advertisements that were listed in the advertising log were not provided to the examiners in a timely manner. During the course of the examination the examiner received multiple different logs as a result of multiple requests. This indicated that the logs were incomplete.

The Company violated of Section 219.2(b) of Department Regulation No. 34-A when it failed to maintain a system of control over its advertisements.

The examiner recommends that the Company establish and maintain, at all times, a system of control over the content, form and method of dissemination of all advertisements of its policies.

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 prepared and maintained its advertising files in its Virginia office. The advertisements were not sent to the home office on a regular basis. The examiner noted that advertising files were either not maintained in the New York office or that the files in the New York office were not updated on a regular basis. The advertising files were sent to the New York office only for the purposes of the examination. The Company violated Section 219.5(a) of Regulation No. 34-A for failing to maintain a complete file of all advertisements at its home office.

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

‘Each insurer...must file with its annual statement a certificate of compliance...wherein it is stated...the advertisements which were disseminated by the insurer in this state during the preceding statement year complied or were made to comply in all respects with the provisions of this Part...’

The Company did not file the Certificate of Compliance required pursuant to Section 219.5(b) of Department Regulation No. 34A for the three years under examination. The examiner recommends that the Company file all required Certificates of Compliance in the future.

### Replacements

Section 51.6 (b)(4) of Department Regulation No. 60 states, in part:

“Within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed “Disclosure Statement”;

The examiner noted that in several instances the files did not contain any evidence showing that the replaced insurer was furnished with the required information within the prescribed ten-day period.

The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish the required replacement documentation within the 10-day period.

#### B. Underwriting and Policy Forms

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

#### Informed Consent

Section 2611(a) of the New York Insurance Law states, in part:

“No insurer or its designee shall request or require an individual proposed for insurance coverage to be the subject of an HIV related test without receiving the written informed consent of such individual prior to such testing....”

Section 2611(b) of the New York Insurance Law states, in part:

“Written informed consent to an HIV related test shall consist of ... (4) a statement that the individual may identify on the authorization form the person to whom the specific test results may be disclosed in the event of an adverse underwriting decision... (5) the Department of health’s statewide toll-free telephone number that may be called for further information about AIDS, the meaning of HIV related test results and the availability and location of HIV Related counseling services...”

The Company’s underwriting guidelines state, in part:

“Various states require special authorization forms for blood testing. Please obtain and submit with the application when required”

A review of a sample of underwriting files revealed that, in a number of files reviewed, the Company did not obtain any written consent from the proposed insured prior to obtaining a blood sample that was used in an HIV related test.

The Company violated Section 2611(a) of the New York Insurance Law when it requested individuals proposed for insurance coverage to be the subject of an HIV related test without receiving the written informed consent of such individuals, as specified by Section 2611 of the New York Insurance Law.

In addition, the Company violated its own underwriting guidelines when it failed to obtain the special authorization forms for HIV blood testing.

### Juvenile Policies

Section 3207(b) of the New York Insurance Law states, in part:

“An insurer may deliver or issue for delivery in this state a policy or policies of life insurance upon the life of a minor under the age of fourteen years and six months...and provided further that an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance.... is in excess of the limit of twenty-five thousand dollars or the limit of fifty per centum or the limit of twenty-five per centum in the case of a minor under the age of four years and six months of the amount of life insurance in force upon the life of person effectuating the insurance....”

The examiner reviewed a sample of juvenile insurance policies for the period under examination. Based on the examiner’s review it was noted that the Company issued several policies on the lives of minors in excess of the limits prescribed by Section 3207 (b) of the New York Insurance Law.

The Company violated Section 3207(b) of the New York Insurance Law when it issued policies in excess of the limits prescribed by Section 3207(b) of the New York Insurance Law.

### 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.

Based upon the sample reviewed, no significant findings were noted.

## 7. ACCOUNTS AND RECORDS

### Securities Lending

Question 20.1 of the 2004 General Interrogatories reads as follows:

“Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force?”

The examiner noted that the Company had loaned securities as of December 31, 2004 and answered “No” to Question 20.1 of the 2004 annual statement general interrogatories. The Company’s response should have been “Yes”, as responded to in all previous years, and the amount loaned to others should have been shown on line 20.21.

The examiner recommends that, in the future, the Company answer correctly the annual statement interrogatories concerning its leased securities and identify in Schedule D of its filed annual statements those securities that are loaned out.

## 8. 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:

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 1505 of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into transactions with an affiliate at least thirty days prior thereto.</p> <p>The Company notified the Superintendent in writing of its intention to enter into transactions with an affiliate at least thirty days prior thereto during the current period.</p>
B	<p>The Company shall transfer \$2,892,253 from “Unassigned Surplus” to “Paid-in and Contributed Surplus” to reflect the cost of services received from GECA.</p> <p>The Company transferred \$2,892,253 from “Unassigned Surplus” to “Paid-in and Contributed Surplus” to reflect the cost of services received from GECA.</p>
C	<p>The Company violated Section 308(a) of the New York Insurance Law by failing to notify the Department in a timely manner of the amendment to the tax allocation agreement as advised by Department Circular Letter No. 33 (1979).</p> <p>The Company did not violate Section 308(a) of the New York Insurance Law during the current period.</p>
D	<p>The examiner recommends that the Company hold its own board meetings, separate from the board meetings of affiliates, and document such by separate board minutes in order to maintain the Company’s separate legal and operating identity.</p> <p>The Company held its own board meetings, separate from the board meetings of affiliates, and documented such by maintaining separate board minutes during the current period.</p>
E	<p>The Company violated Sections 2112(a) and 2114(a)(1) of the New York Insurance Law by failing to appoint agents to represent it and for paying commissions to such agents.</p> <p>The Company properly appointed its agents during the current period.</p>
F	<p>The examiner recommends that the Company take greater care in the preparation of Schedule S of the annual statement.</p>

The Company took greater care in the preparation of Schedule S of the annual statement during the current period.

- G The Company violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining a complete advertising file at its home office.

The Company once again violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining a complete advertising file at its home office.

- H The Company violated Section 2122(a)(2) of the New York Insurance Law and Section 219.4(p) of Department Regulation No. 34-A by using an advertisement that called attention to unauthorized insurers and failed to identify the city, town or village in which the Company has its home office.

The Company did not use advertisements that called attention to unauthorized insurers or failed to identify the city, town or village in which the Company has its home office during the current period.

- I The Company violated Section 243.2 of Department Regulation No. 152 by not maintaining a complete complaint record for each complaint.

The Company maintained a complete complaint record for each complaint during the current period..

- J The examiner recommends that the Company include all the information required by Department Circular Letter No. 11 (1978) in its complaint log.

The Company included all the information required by Department Circular Letter No. 11 (1978) in its complaint log during the current period.

- K The Company violated Section 310(a)(3) of the New York Insurance Law for failing to facilitate the examination by not responding to requests and by not providing information in a timely manner.

The Company facilitated the current examination.

## 9. SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>	<u>Page No.</u>
A	The examiner recommends that, in the future, the Company comply with the billing/accounting provisions of its filed and approved service agreements.	10
B	The Company has indicated that it is undergoing a restructuring of its organization, that it will evaluate the necessity of all its service agreements, and consolidate wherever possible and eliminate any agreements that it finds unnecessary.	10
C	The Company violated Section 91.5 of Department Regulation No. 33 when it used an unapproved alternate method to allocate its net investment income. The examiner recommends that the Company submit its alternate method of allocating its net investment income for approval to the superintendent.	17
D	The Department decreased the deferred premium asset for the excess of the reserve credit over the reinsured proportion of the direct deferred premium asset, which was estimated to be in the amount of \$10,400,000, as of June 30, 2006. Going forward, the Company has agreed to compute the deferred premium asset to reflect reinsurance in a manner that ensures that the reinsurance credit will not exceed the amount that would be held in the absence of such reinsurance.	22
E	The Company violated Section 4228(h) of the New York Insurance Law when it failed to provide the actuarial statements of self support and the related demonstrations on one of its life insurance products. In addition, it was noted that in many instances the Company's existing actuarial statements of self support and related demonstrations were incomplete or inadequate. The examiner recommends that the Company implement changes for documenting its pricing and product development in the manner agreed upon with the Department.	23
F	The Company violated of Section 219.2(b) of Department Regulation No. 34-A when it failed to maintain a system of control over its advertisements. The examiner recommends that the Company establish and maintain at all times a system of control over the content, form and method of dissemination of all advertisements of its policies.	24

- G The Company violated Section 219.5(a) of Department Regulation No. 34-A when it failed to maintain a complete file of all advertisements at its home office. 25
- H The Company did not file the certificate of compliance required pursuant to Section 219.5(b) of Department Regulation No. 34A for the three years under examination. The examiner recommends that the Company file all required Certificates of Compliance in the future. 25
- I The Company violated Section 51.6(b)(4) of Department Regulation No. 60 for failing to furnish the required replacement documentation within the 10-day period. 26
- J The Company violated Section 2611(a) of the New York Insurance Law when it requested individuals proposed for insurance coverage to be the subject of an HIV related test without receiving the written informed consent of such individuals, as specified by Section 2611 of the New York Insurance Law. In addition, the Company violated its own underwriting guidelines when it failed to obtain the special authorization forms for HIV blood testing. 27
- K The Company violated Section 3207(b) of the New York Insurance Law when it issued policies in excess of the limits prescribed by Section 3207(b) of the New York Insurance Law. 27
- L The examiner recommends that, in the future, the Company answer correctly the annual statement interrogatories concerning its leased securities and identify in Schedule D of its filed annual statements those securities that are loaned out. 28



APPOINTMENT NO. 22378

STATE OF NEW YORK  
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:

**JOSHUA WEISS**

as a proper person to examine into the affairs of the  
AMERICAN MAYFLOWER LIFE INSURANCE COMPANY OF NEW YORK  
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 name  
and affixed the official Seal of the Department  
at the City of New York

this 1st day of June, 2005



**HOWARD MILLS**  
Superintendent of Insurance

A handwritten signature in dark ink, appearing to read "Howard Mills", is written over a horizontal line.

Superintendent