



STATE OF NEW YORK INSURANCE DEPARTMENT
MARKET CONDUCT REPORT ON EXAMINATION
OF THE
RIVERSOURCE LIFE INSURANCE CO. OF NEW YORK

CONDITION:

DECEMBER 31, 2006

DATE OF REPORT:

OCTOBER 12, 2007

STATE OF NEW YORK INSURANCE DEPARTMENT
MARKET CONDUCT REPORT ON EXAMINATION
OF THE
RIVERSOURCE LIFE INSURANCE CO. OF NEW YORK
AS OF
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EXAMINER:

EDEN M. SUNDERMAN

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

David A. Paterson
Governor

James J. Wrynn
Superintendent

April 21, 2010

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12203

Sir:

In accordance with instructions contained in Appointment No. 30203, dated September 24, 2008 and annexed hereto, an examination has been made into the affairs of RiverSource Life Insurance Co. of New York, hereinafter referred to as “the Company,” at its home office located at 20 Madison Avenue Extension, Albany, New York 12203.

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

The material findings, comments, violations and recommendations contained in this report are summarized below.

- On March 17, 2006, IDS Life Insurance Company of New York (“IDSNY”) and American Centurion Life Assurance Company (“ACL”) executed an agreement and plan of merger, under which ACL would be merged with and into IDSNY. IDSNY is the surviving company and will continue to exist as a domestic stock life insurance company. Simultaneously with the effect of the merger, the Company completed a name change to RiverSource Life Insurance Co. of New York (“RSLNY”). RSLNY will remain domiciled in New York and continues to be a wholly owned subsidiary of RiverSource Life Insurance Company. The merger and name change was effective December 31, 2006. (See item 3A of this report)
- The Company violated Sections 53-3.6(a)(1)(viii) and 53-3.6(b) of Department Regulation No. 74 by disseminating annual reports to universal life policyholders that failed to disclose, where applicable, that the policy’s cash surrender value is such that it would not maintain insurance in-force until the end of the next reporting period unless further premium payments are made assuming guaranteed issue, mortality and expense loads and that did not include an in-force illustration or contain the required language concerning the insured’s right to request an illustration without charge. (See item 4C of this report)
- The Company violated Section 54.11(a) of Department Regulation No. 77 by failing to disclose to its variable universal life policyholders that if, based upon the billed or other appropriate identified premium, an assumed net investment rate of return of not greater than eight percent per annum, and current mortality charge and expense, the policy value would become exhausted at a duration within the 10 years following the statement date and coverage might then terminate, subject to the grace period provision, unless additional premiums are paid, and by failing to include the notice specified in Section 54.10(d) of Department Regulation No. 77 that illustrations of benefits, including death benefits, policy values, and cash surrender values are available upon request. (See item 4C of this report)

- The Company violated Section 219.4(h) of Department Regulation No. 34-A by using the phrase “low cost” or similar terminology to describe expense fees, insurance charges, riders, or its policies and contracts available for sale during the examination period without being able to substantiate such statements. (See item 4A of this report)
- The Company violated Section 4228(f)(1)(B) of the New York Insurance Law by permitting its branch manager, Ameriprise Financial, to pay compensation to its agents under the advisor retention program without filing the compensation plan with the Department. (See item 5 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2006. As necessary, the examiner reviewed matters occurring subsequent to December 31, 2006 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners' Market Conduct Examiners Handbook or such other examination procedures, as deemed appropriate, in such review.

The examiner reviewed the corrective actions taken by the Company with respect to the market conduct violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 6 of this report.

This report on examination is confined to comments on 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 July 10, 1972 as IDS Life Insurance Company of New York, a stock life insurance company, as a subsidiary of IDS Life Insurance Company (“IDS”), a Minnesota life insurer. The Company was licensed and commenced business on October 25, 1972.

Ameriprise Financial (“Ameriprise”), the parent company of IDS and ultimate parent of the Company, resulted from the spin-off from American Express Company (“American Express”) of American Express Financial Corporation at the end of the third quarter of 2005. Ameriprise maintains distribution agreements with American Express and its affiliates under which the Company participates.

On March 17, 2006, IDSNY and ACL, both subsidiaries of IDS at the time, executed an agreement and plan of merger, under which ACL would be merged with and into IDSNY. IDSNY is the surviving company and will continue to exist as a domestic stock life insurance company. Simultaneously with the effect of the merger, the Company completed a name change to RiverSource Life Insurance Co. of New York (“RSLNY”), as did its parent IDS to RiverSource Life Insurance Company (“RSL”). RSLNY will remain domiciled in New York and continue to be a wholly owned subsidiary of RSL. The merger and name change was effective December 31, 2006. This examination covers RSLNY and the former ACL entity.

B. 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 Delaware, New York and North Dakota. In 2006, 86.8% of life premiums, 85.6% of accident and health premiums, 94.7% of annuity considerations, and 93.9% of deposit type funds were received from New York. Policies are written on a non-participating basis.

The Company’s principal products are variable deferred annuities and variable universal life insurance which are issued primarily to individuals. The Company also offers single and flexible premium fixed deferred annuities and immediate annuities. Life insurance products

currently offered by the Company include both individual and joint universal life, on a fixed and variable basis, whole life and term products. The Company also markets disability income insurance. The Company discontinued marketing proprietary long-term care insurance at the end of 2002.

The Company distributes products through two distinct distribution channels. The first channel, referred to as “inside distribution,” is its retail financial planning channel. Financial advisors (agents), some of whom are employees of affiliate Ameriprise Financial Services, Inc. (“AFS”) and some of whom are franchisees of AFS, work directly with clients in financial planning relationships. The second channel, referred to as “outside distribution”, consists of two programs. The first is a direct marketing program to American Express cardholders only. The second is a selling relationship with banks and financial institutions where agents of those firms distribute Company products to customers of those institutions.

The Company’s agency operations for the “inside distribution” channel are conducted on a branch office basis. The Company has an agreement with AFS which calls for it to serve as the Company’s branch manager. In accordance with the agreement, AFS recruits and trains agents, procures applications for insurance, engages managers and supervisors to provide sales motivation and supervision and maintains divisional offices. The Company is served by one of the national regions of AFS, headed by a regional sales manager.

The Company’s agency operations for the “outside distribution” channel are conducted on a general agency basis. The Company offers fixed and variable annuity contracts through independent agents and registered representatives in unaffiliated regional and national financial institutions and unaffiliated regional and/or independent broker/dealers in New York.

During the examination period through its direct marketing program, the Company offered fixed and variable annuities to American Express cardmembers through an agreement with American Express. The last direct mail solicitation was in October 2005. The Company does not plan to continue to market its fixed and variable annuity contracts through direct response marketing.

4. 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.

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

“Any insurer using the phrase *low cost* or similar term, to characterize its operation, policy portfolio, or a particular policy form shall, upon request of the superintendent, submit to the superintendent such evidence as it may have to substantiate such use.”

The examiners review of a number (10) of Company advertisements revealed that the Company used the terms “low cost”, “low price”, “inexpensive”, “less expensive”, or terms of similar import to describe the expense fees, insurance charges, riders, annuities and insurance. The Company was asked to provide evidence to substantiate the use of these terms to describe its policies, contracts or product portfolio. The Company stated that it compares its variable annuity product fees against the fees of its competitors using fee data derived from the Morningstar Variable Annuity Research and Data Service (“VARDS”). However, the Company did not consistently maintain the data pulled from the Morningstar VARDS database to support the claims made in Company advertisements disseminated to prospective applicants during the examination period.

The Company violated Section 219.4(h) of Department Regulation No. 34-A by using the phrase “low cost” or similar terminology to describe expense fees, insurance charges, riders, or its policies and contracts available for sale during the examination period without being able to substantiate such statements.

B. Underwriting and Policy Forms

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

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

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.

(1) Section 3211 of the New York Insurance Law states, in part:

“(a)(1) No policy of life insurance or non-cancellable disability insurance delivered or issued for delivery in this state . . . shall terminate or lapse by reason of default in payment of any premium, installment, or interest on any policy loan in less than one year after such default, unless a notice shall have been duly mailed at least fifteen and not more than forty-five days prior to the day when such payment becomes due. A separate notice shall not be required for insurance that is supplemental to a policy of life insurance . . .

(b) The notice required by paragraph one of subsection (a) hereof shall . . .

(2) state the amount of such payment, the date when due, the place where and the person to whom it is payable; and shall also state that unless such payment is made on or before the date when due or within the specified grace period thereafter, the policy shall terminate or lapse except as to the right to any cash surrender value or nonforfeiture benefit . . . ”

Section 243.2(b) of Department Regulation No. 152 states, in part:

“Except as otherwise required by law or regulation, an insurer shall maintain:

(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer. Policy records need not be segregated from the policy records of other states as long as they are maintained in accordance with the provisions of this part. A separate copy need not be maintained in an individual policy record, provided that any data relating to a specific contract or policy can be retrieved pursuant to subdivision (a) of Section 243.3 of this Part. A policy record shall include . . .

(iii) The contract or policy forms issued including the declaration pages, endorsements, riders, and termination notices of the contract or policy. Binders shall be retained if a contract or policy was not issued . . .

(8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review . . .”

The examiner reviewed the front and back sides of the specimen notice of premium due (“payment notice”) provided by the Company for whole life policyholders on direct bill.

The language that appears on the back side of the premium notice in light grey font states the following:

"Life Insurance or Disability Insurance:

The amount due under each policy must be paid to the Company on or before the date due, or within 31 days thereafter, or the policy and all payments thereon will become forfeited and void except as provided by such policy."

In addition to failing to display prominently the required disclosure on the front side of the payment notice, the disclosure appearing on the back side of the payment notice is further deficient by not including language about the policyholder’s right to any cash surrender value or nonforfeiture benefit under the policy nor is the font size currently being used of sufficient prominence.

The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to fully disclose to whole life policyholders the required language concerning the policyholder’s right to any cash surrender value or nonforfeiture benefit under the policy.

The examiner recommends that the Company print on the front of the payment notice, not on the back of the notice, the required disclosure language that if the consumer does not pay the premium within 31 days of the due date of the policy, it will terminate, except as to the rights required to be disclosed.

The examiner recommends that the Company increase the font size used for the disclosures on the back side of its whole life premium notices in order to provide sufficient notice to the consumer.

Additionally, the examiner selected a sample of life policies that lapsed during the examination period for nonpayment of premium and which were administered on the TRAD and Vantage UL policy administration systems. The Company was asked to provide evidence that the Company generated and mailed the premium due notice (or payment notice), past due notice, and lapse notice to the policyowner in accordance with the Company’s written procedures for sending out notices. For the sample of life lapse transactions selected where the billing notices

and lapse occurred prior to May 2005, the Company was unable to provide evidence that the Company sent the policyholder the premium notice in accordance with Section 3211(a)(1) of the New York Insurance Law.

During the examination period, there was a breakdown in control procedures regarding the retention of billing cycle register documentation for both the TRAD and Vantage UL policy administration systems. Billing cycle documentation was only retained for a period of two years during the examination period. As a result, the Company was unable to produce billing cycle registers between January 2003 and May 2005. Non-cancellable disability income policies are also administered on the TRAD policy administration system. While no samples for this block of business were selected, the Company confirmed in writing that it would also be unable to produce billing cycle documentation for disability income policies that lapsed between January 2003 and May 2005.

The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain billing cycle registers or similar documentation for the TRAD and Vantage UL policy administration systems in order to demonstrate that the Company complies with Section 3211(a) of the New York Insurance Law, as well as its own written procedures for sending out notices, with regard to the time frames that premium due notices, reminder notices and lapse or termination notices are generated from the policy administration system and mailed to policyholders.

- (2) Section 53-3.6 of Department Regulation No. 74 states:
- (a) In the case of a policy designated as one for which illustrations will be used, the insurer shall provide each policyowner with an annual report on the status of the policy that shall contain at least the following information:
- (1) For policies subject to Section 4232(b) of the Insurance Law, the report shall include the following . . .
- (viii) a notice, in the report for fixed premium policies, when applicable, that the policy's net cash surrender value will not maintain insurance in-force until the end of the next reporting period unless further premium payments are made assuming guaranteed issue, mortality, and expense loads . . .
- (b) If the annual report does not include an in-force illustration, it shall contain the following notice displayed prominently: "IMPORTANT POLICY OWNER NOTICE: You should consider requesting more detailed information about your policy to understand how it may perform in the future. You should not consider replacement of your policy or make changes in your coverage without requesting a current illustration. You may annually request, without charge, such an illustration by calling [insurer's phone number], writing to [insurer's name] at [insurer's address] or contacting your agent or broker. If you do not receive a current illustration of your policy within 30 days from the date of your request, you should contact your state insurance department." The insurer may vary the sequential order of the methods for obtaining an in-force illustration."

Ameriprise Financial Services, Incorporated ("Ameriprise Financial") provides statement cycle processing services to the Company, in addition to other billing cycle processing services. The Company provided specimen consolidated "Statements of Financial Accounts" in response to the examiner's request for anniversary statements or annual reports required by Department Regulation No. 74 and Department Regulation No. 77 for universal life policyholders and variable universal life policyholders respectively. The consolidated statements of account are mailed to Ameriprise Financial customers and include information about financial products other than life insurance and annuities sold by the Company.

The examiner reviewed materials provided by the Company with regard to the annual report requirement of Section 53-3.6 of Department Regulation No. 74 for universal life policyholders. The Company does not include an in-force illustration with the annual report mailing or quarterly consolidated "Statement of Financial Accounts". The examiner's review revealed that the annual mailings for 2003, 2004, and 2006 did not contain language that the policy's net cash surrender value was such that it would not maintain insurance in-force until the end of the next reporting period assuming guaranteed issue, mortality and expense loads. These

annual mailings also failed to include the “Important Policy Owner Notice” wording required by Section 53-3.6(b) of Department Regulation No. 74.

The Company violated Section 53-3.6(a)(1)(viii) of Department Regulation No. 74 by disseminating annual reports to universal life policyholders that failed to disclose, where applicable, that the policy’s cash surrender value is such that it would not maintain insurance in-force until the end of the next reporting period unless further premium payments are made assuming guaranteed issue, mortality and expense loads.

The Company violated Section 53-3.6(b) of Department Regulation No. 74 by disseminating annual reports to universal life policyholders that did not include an in-force illustration or contain the required language concerning the insured’s right to request an illustration without charge.

(3) Section 54.10 of Department Regulation No. 77 states, in part:

“The application for a variable life insurance policy shall contain . . .

(d) A notice that the following is available upon request: Illustrations of benefits, including death benefits, policy values and cash surrender values. Such illustrations shall be in a form and content acceptable to the superintendent.”

Section 54.11 of Department Regulation No. 77 states, in part:

“Any insurer delivering or issuing for delivery in this state any variable life insurance policies shall mail to each variable life insurance policyholder, at his or her last known address, the following reports:

(a) Within 60 days after each anniversary of the policy, a statement or statements of the cash surrender value, policy value, death benefit, any partial withdrawal or policy loan, any interest charge, and any optional payments allowed pursuant to section 54.6(b)(10) of this Part under the policy, computed as of the policy anniversary date; provided, however, that such statement may be furnished within 30 days after a specified date in each policy year so long as the information contained therein is computed as of a date not more than 60 days prior to the mailing of such notice. This statement shall state that, in accordance with the investment experience of the separate account, the policy values and the variable death benefit may increase or decrease, and shall prominently identify any value described therein which may be recomputed prior to the next statement required by this subdivision. If the policy guarantees that the variable death benefit on the next policy anniversary date will not be less than the variable death benefit specified in such statement, the statement shall be modified to so indicate. For flexible premium policies, the report must contain a reconciliation of the change since the previous report in policy value and cash surrender value, if different, because of payments made (less deductions for expense charges), withdrawals,

investment experience, insurance charges and any other charges made against the policy value. If, based upon the billed or other appropriate identified premium, an assumed net investment return of not greater than eight percent per annum, and current mortality charge and expense, the policy value would become exhausted at any duration within the 10 years following the report date, the report shall state such duration and note the assumptions as to premium and other factors upon which it is based, together with a notice that coverage might then terminate, subject to the policy grace period provision, unless additional premiums are paid. The report shall contain the notice specified in section 54.10(d) of this Part . . . ”

The examiner’s review of the “Statement of Financial Accounts” specimens provided by the Company revealed that: 1) the statements did not contain disclosure language required by Section 54.11(a) of Department Regulation No. 77 that coverage may terminate if additional premiums are not paid and 2) the statements failed to include a notice that illustrations of benefits, including death benefits, policy values and cash surrender values were available upon request, as required by Section 54.10(d) of Department Regulation No. 77.

The Company violated Section 54.11(a) of Department Regulation No. 77 by failing to disclose to its variable universal life policyholders that if, based upon the billed or other appropriate identified premium, an assumed net investment rate of return of not greater than eight percent per annum, and current mortality charge and expense, the policy value would become exhausted at a duration within the 10 years following the statement date and coverage might then terminate, subject to the grace period provision, unless additional premiums are paid.

The Company violated Section 54.11(a) of Department Regulation No. 77 by failing to include the notice specified in Section 54.10(d) of Department Regulation No. 77 that illustrations of benefits, including death benefits, policy values, and cash surrender values are available upon request.

5. AGENT'S COMPENSATION

Section 4228 of the New York Insurance Law states, in part:

“(a) The provisions of this section shall apply to all domestic life insurance companies . . .

(b) For purposes of this section:

(6) A ‘compensation arrangement’ means any arrangement by a company for compensating its agents or brokers on business that includes any of the following...

(D) Any plan of agent or broker compensation other than commission-based and fund-based compensation pursuant to paragraph two of subsection (e) of this section . . .

(e) Notwithstanding any limitations set forth in subsection (d) of this section . . .

(2)(A) A company may compensate an agent or broker pursuant to a plan of agent compensation that consists wholly or partly of elements other than commission-based compensation and fund-based compensation.

(B) When a company implements such a plan, it must be able to demonstrate, after the plan has been in operation for two years, that an agent or broker being compensated under the plan and meeting its requirements for continuation in the plan will receive no more compensation under the plan, over the period of a projected career, than could have been earned under a plan consisting entirely of commissions and expense allowance, each limited as described in subsection (d) of this section. In making this demonstration, the company may take into account commission compensation that would have been paid, under its renewal commission plans, with respect to policies and contracts in their fifth and later policy and contract years . . .

(f)(1) Filing requirements for agent and broker compensation plans are as follows . . .

(B) Filings are required on or before the effective date of any changes to compensation arrangements as defined in this section, or to plans described in paragraphs one and two of subsection (g) of this section. These filings shall consist of a summary of information in enough detail to generally describe the filing's contents. A company may implement such compensation arrangements immediately upon filing same. If the superintendent notifies the company within ninety days of the receipt of the filing, that in his opinion the compensation arrangement described in such filing is not permitted under the law, and if the company within sixty days of the superintendent's notice, is not able to satisfy the superintendent's concern, with or without modifying the plan, the superintendent may order the company to cease using the plan. The company may request a

formal hearing, but the plan that is the subject of the hearing may not be used unless and until permitted as a result of the hearing . . .”

RiverSource Life Insurance Company of New York distributes its life and annuity products through two distinct distribution channels. The Company refers to its retail financial planning channel as its “inside distribution” channel. Financial advisors, some of whom are employees of Ameriprise Financial (the affiliated broker/dealer) and some of whom are franchisees of Ameriprise Financial, work directly with clients in financial planning relationships. The inside distribution channel agency operations are conducted on a branch office basis. Ameriprise Financial acts as the Company’s branch manager in accordance with an inter-company service agreement.

As an incentive for advisors (agents) to retain their relationship with Ameriprise Financial (the affiliated broker/dealer of the Company) after the separation from American Express on September 30, 2005, the Company and Ameriprise Financial established a retention bonus program for advisors and branch managers in the inside distribution channel. In order to be eligible for the incentive bonus award, an advisor had to be contracted with the Company at December 31, 2004 and December 31, 2005. Recipients were awarded a one-time bonus in the form of “phantom” shares of Ameriprise Financial, Inc. common stock based on the amount of their 2004 gross dealer concessions (“GDC”) bonus and 2005 High Value Client bonus counts and the established conversion price of Ameriprise Financial, Inc. common stock. The incentive bonus is scheduled to be paid out in three annual installments in the form of actual Ameriprise common stock in 2006, 2007 and 2008. The total cost of the advisor retention program for 2005 was \$82.4 million, including non-New York production (or non-New York gross dealer concessions). The Company estimated that the total cost of the advisor retention program that was attributable to Company advisors based upon New York production was approximately \$1.714 million.

Based upon a review of the details of the program as described above, the examiner deems that the program constitutes a compensation arrangement, and as such, the Company was required to file the plan in accordance with Section 4228(f)(1)(B) of the New York Insurance Law. The Company violated Section 4228(f)(1)(B) of the New York Insurance Law by permitting its branch manager, Ameriprise Financial, to pay compensation to its agents under the advisor retention program without filing the compensation plan with the Department. The Company subsequently filed the compensation arrangement with the Department in October 2007, receiving approval for it in June 2008.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the market conduct violations and recommendation contained in the prior report on examination of IDS Life Insurance Company of New York 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 243.2(b) of Department Regulation No. 152 by failing to maintain copies of 1035 exchange letters, replacement letters, and the documentation that was enclosed with these letters.</p> <p>The examiner's review of incoming replacement transactions indicated that the Company maintains copies of the 1035 exchange letters, the replacement letter notifying the existing insurer of the possible replacement, and evidence of documentation that may have been enclosed with these letters and mailed to the existing insurer.</p>
B	<p>The examiner recommends that the Company include as part of the 1035 exchange letter and replacement letter an itemized list of all enclosures.</p> <p>The examiner's review of incoming replacement transactions revealed that the Company now includes an itemized list of all enclosures on the notification of replacement letter that is mailed to the existing insurer.</p>
C	<p>The Company violated Section 3227(d) of the New York Insurance Law by not releasing the proceeds on surrendered contracts as expeditiously as possible when an external annuity replacement was involved.</p> <p>The examiner's review of a sample of outgoing fixed annuity replacement transactions processed after the prior report was filed failed to reveal any instances where the Company did not release the proceeds on surrendered contracts as expeditiously as possible.</p>
D	<p>The Company violated Section 216.11 of Department Regulation No. 64 by failing to date all claim communications, whether written or oral, and by failing to maintain the claim files such that all events relating to a claim can be reconstructed by the examiner.</p> <p>The examiner's review of a sample of claim and benefit payments processed after the prior report was filed failed to reveal any instances where the examiner was unable to reconstruct the events relating to the claim for benefits.</p>

Following are the market conduct violation and recommendation contained in the prior report on examination of American Centurion Life Assurance Company (“the Company”) 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 3227(c) of the New York Insurance Law by failing to pay interest on surrendered annuity contracts.</p> <p>The examiner’s review of surrender transactions processed after the prior examination report was filed indicates that the Company pays interest on surrendered annuity contracts where required in accordance with Section 3227(c) of the New York Insurance Law.</p>
B	<p>The examiner recommends that the Company review all annuity surrenders since January 1, 2000 and pay interest where required.</p> <p>The Company reviewed all annuity surrenders processed during the prior examination period in order to determine instances where additional interest was due under Section 3227 of the New York Insurance Law and in August 2004 paid to identified policyholders the additional amounts due.</p>

7. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this market conduct report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 219.4(h) of Department Regulation No. 34-A by using the phrase “low cost” or similar terminology to describe expense fees, insurance charges, riders, or its policies and contracts available for sale during the examination period without being able to substantiate such statements.	7
B	The Company violated Section 3211(b)(2) of the New York Insurance Law by failing to fully disclose to whole life policyholders the required language concerning the policyholder’s right to any cash surrender value or nonforfeiture benefit under the policy.	9
C	The examiner recommends that the Company print on the front of the payment notice, not the back of the notice, the required disclosure language that if the consumer does not pay the premium within 31 days of the due date of the policy, it will terminate, except as to the rights required to be disclosed.	9
D	The examiner recommends that the Company increase the font size used for the disclosures on the back side of its whole life premium notices in order to provide sufficient notice to the consumer.	9
E	The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain billing cycle registers or similar documentation for the TRAD and Vantage UL policy administration systems in order to demonstrate that the Company complies with Section 3211(a) of the New York Insurance Law, as well as its own written procedures for sending out notices, with regard to the time frames that premium due notices, reminder notices and lapse or termination notices are generated from the policy administration system and mailed to policyholders.	10
F	The Company violated Section 53-3.6(a)(1)(viii) of Department Regulation No. 74 by disseminating annual reports to universal life policyholders that failed to disclose, where applicable, that the policy’s cash surrender value is such that it would not maintain insurance in-force until the end of the next reporting period unless further premium payments are made assuming guaranteed issue, mortality and expense loads.	12

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
G	The Company violated Section 53-3.6(b) of Department Regulation No. 74 by disseminating annual reports to universal life policyholders that did not include an in-force illustration or contain the required language concerning the insured's right to request an illustration without charge.	12
H	The Company violated Section 54.11(a) of Department Regulation No. 77 by failing to disclose to its variable universal life policyholders that if, based upon the billed or other appropriate identified premium, an assumed net investment rate of return of not greater than eight percent per annum, and current mortality charge and expense, the policy value would become exhausted at a duration within the 10 years following the statement date and coverage might then terminate, subject to the grace period provision, unless additional premiums are paid.	13
I	The Company violated Section 54.11(a) of Department Regulation No. 77 by failing to include the notice specified in Section 54.10(d) of Department Regulation No. 77 that illustrations of benefits, including death benefits, policy values, and cash surrender values are available upon request.	13
J	The Company violated Section 4228(f)(1)(B) of the New York Insurance Law by permitting its branch manager, Ameriprise Financial, to pay compensation to its agents under the advisor retention program without filing the compensation plan with the Department.	15

APPOINTMENT NO. 30203

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, ERIC R. DINALLO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

EDEN SUNDERMAN

as a proper person to examine into the affairs of the

RIVERSOURCE 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 she 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 24th day of September, 2008



ERIC R. DINALLO
Superintendent of Insurance

Superintendent