



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

CONDITION:

DECEMBER 31, 2006

DATE OF REPORT:

MARCH 31, 2008

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AS OF
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EXAMINER:

JOSHUA WEISS

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

David Paterson
Governor

Eric Dinallo
Superintendent

October 7, 2008

Honorable Eric Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22670, dated July 31, 2007 and annexed hereto, an examination has been made into the condition and affairs of Great American Life Insurance Company of New York, hereinafter referred to as "the Company," at its New York office located at 260 Madison Avenue, New York, NY 10016.

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 Department conducted a review of reserves as of December 31, 2006 and December 31, 2007. This review included an examination of related asset adequacy analysis in accordance with Department Regulation No. 126. During the review, concerns were raised regarding a potential lack of conservatism with respect to the Company's annuity reserves. In response, the Company committed to refine its reserving methodology in a manner acceptable to the Department and agreed to establish additional reserves in the amount of \$950,000 as of September 30, 2008. The examiner recommends that the Company continue to use the reserving methodology as agreed upon with the Department (See item 5D of this report).

The Company violated Section 403(d) of the New York Insurance Law by using a claim form that did not contain the complete fraud warning as required by law. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2006. As necessary, the examiner reviewed transactions 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 verification of assets and liabilities as of December 31, 2006 to determine whether the Company's 2006 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
- Accounts and records
- Financial statements

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

This report on examination is confined to 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 as a stock life insurance company under the laws of New York on December 23, 1963 under the name of Old Republic Life Insurance Company of New York. The Company was licensed and commenced business on April 30, 1964. Initial resources of \$750,000, consisting of common capital stock of \$500,000 and paid in and contributed surplus of \$250,000, were provided through the sale of 100,000 shares of common stock (with a par value of \$5 each) for \$7.50 per share.

In 1971 the Company increased its capital from \$500,000 to \$600,000 through the issuance of a stock dividend of 20,000 shares with a par value of \$5 per share. In 1993, the Company increased its capital from \$600,000 to \$2,000,000 through the issuance of a stock dividend of 280,000 shares with a par value of \$5 per share.

The Company was acquired by Great American Life Insurance Company in February 1999. The current name was adopted on April 2, 1999.

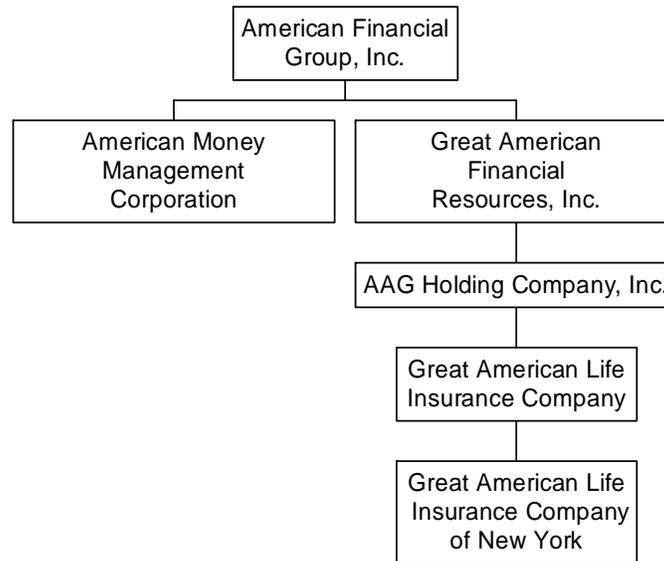
As of December 31, 2006, the capital stock of the Company was \$2,000,000 and the paid in surplus was \$5,350,000.

B. Holding Company:

The Company is a wholly owned subsidiary of Great American Life Insurance Company (“GALIC”), a stock life insurance company domiciled in the state of Ohio. The parent is in turn a wholly owned subsidiary of AAG Holding Company, Inc. (“AAG”), a holding company incorporated in the state of Ohio. The ultimate parent of the Company is American Financial Group, Inc. (“AFG”), a financial services company incorporated in the state of Ohio.

On September 28, 2007 Great American Financial Resources, Inc. (“GAFRI”) merged into and became a wholly owned subsidiary of AFG. GAFRI is no longer publicly traded as of that date.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2006 follows:



The Company had two 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
Investment Services	04/03/2000	American Money Management Corporation	Great American Life Insurance Company of NY	Supervise and direct the composition of the portfolio of invested assets	2006 - (\$72,940) 2005 - (\$84,579) 2004 - (\$94,113)
Administration Services	04/03/2000	Great American Life Insurance Company	Great American Life Insurance Company of NY	General Operational and Administrative Services	2006 - (\$40,000) 2005 - (\$74,798) 2004 - (\$108,669)

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

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than thirteen directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in March of each year. As of December 31, 2006, the board of directors consisted of nine members. Meetings of the board are held twice a year.

The nine board members and their principal business affiliation, as of December 31, 2006, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Charles R. Scheper Cincinnati, Ohio	Chairman of the Board Great American Life Insurance Company of New York	1999
Gail Hyman* New York, NY	Retired Manhattan Life Insurance Company	1999
Billy B. Hill Jr. Austin, Texas	President Great American Life Insurance Company of New York	2001
Michael J. Prager Cincinnati, Ohio	Executive VP, Chief Actuary and Chief Risk Officer Great American Financial Resources, Inc.	2001
Francis M. Austin Jr.* New York, NY	Retired New York Telephone Company	2001
Nick R. Pearson* New York, NY	Partner Edwards and Angell	2001
Alexander M. Clark* New York, New York	Managing Director SH Capital Inc.	2001
Christopher P. Miliano Cincinnati, OH	Senior Vice President and Asst. Treasurer Great American Life Insurance Company of New York	2003
Mark F. Muething Cincinnati, Ohio	Senior Vice President and General Counsel Great American Life Insurance Company of New York	2005

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

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, 2006:

<u>Name</u>	<u>Title</u>
Billy B. Hill, Jr.	President
Christopher P. Miliano	Senior Vice President
Mark F. Muething*	Senior Vice President
Catherine A. Crume	Vice President
Adrienne S. Kessling	Vice President
Richard L. Magoteaux	Treasurer
William T. Gaynor, Jr.	Secretary
Michael J. Lesar	Actuary

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

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 did not write any new business during the examination period.

The Company is licensed to transact business in two states, namely New York and Mississippi. In 2006, 97% of renewal premiums (life insurance premiums and annuity considerations) were received from New York. Policies are written on a non-participating basis.

E. Reinsurance

As of December 31, 2006, the Company did not have any reinsurance treaties in effect. The Company terminated its last remaining reinsurance contracts in 1995.

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 decline during the period under review:

	<u>December 31,</u> <u>2003</u>	<u>December 31,</u> <u>2006</u>	<u>(Decrease)</u>
Admitted assets	<u>\$65,034,114</u>	<u>\$54,107,658</u>	<u>\$(10,926,456)</u>
Liabilities	<u>\$52,111,490</u>	<u>\$43,735,934</u>	<u>\$(8,375,556)</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	5,350,000	5,350,000	0
Group contingency life reserve	1,081,983	1,081,983	0
Unassigned funds (surplus)	<u>4,490,644</u>	<u>1,939,741</u>	<u>(2,550,903)</u>
Total capital and surplus	<u>\$12,922,627</u>	<u>\$10,371,724</u>	<u>\$(2,550,903)</u>
Total liabilities, capital and surplus	<u>\$65,034,117</u>	<u>\$54,107,658</u>	<u>\$(10,926,459)</u>

The Company's invested assets as of December 31, 2006, were mainly comprised of bonds (82%), and cash and short-term investments (18%).

The majority (98.0%) of the Company's bond portfolio, as of December 31, 2006, 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>2004</u>	<u>2005</u>	<u>2006</u>
Ordinary:			
Life insurance	\$ (181)	\$ (1,378)	\$ 132
Individual annuities	<u>861,222</u>	<u>803,069</u>	<u>750,156</u>
Total ordinary	<u>\$861,041</u>	<u>\$801,691</u>	<u>\$750,288</u>
Accident and health:			
Other	\$ (<u>126</u>)	\$ <u>23</u>	\$ <u>20</u>
Total	<u>\$860,916</u>	<u>\$801,714</u>	<u>\$750,308</u>

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2006, as contained in the Company's 2006 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2006 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2006

Admitted Assets

Bonds	\$43,885,845
Cash, cash equivalents and short term investments	9,633,328
Other invested assets	2,554
Investment income due and accrued	560,318
Net deferred tax asset	<u>25,613</u>
 Total admitted assets	 <u>\$54,107,658</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$38,183,414
Aggregate reserve for accident and health contracts	122
Liability for deposit-type contracts	4,939,640
Contract liabilities not included elsewhere:	
Interest maintenance reserve	77,032
General expenses due or accrued	33,057
Taxes, licenses and fees due or accrued, excluding federal income taxes	14,261
Current federal and foreign income taxes	221,576
Amounts withheld or retained by company as agent or trustee	2,741
Remittances and items not allocated	(506)
Miscellaneous liabilities:	
Asset valuation reserve	166,876
Payable to parent, subsidiaries and affiliates	4,003
Drafts outstanding	<u>93,718</u>
Total liabilities	<u>\$43,735,934</u>
Common capital stock	\$ 2,000,000
Gross paid in and contributed surplus	5,350,000
Group contingency life reserve	1,081,983
Unassigned funds (surplus)	<u>1,939,741</u>
Surplus	<u>\$ 8,371,724</u>
Total capital and surplus	<u>\$10,371,724</u>
Total liabilities, capital and surplus	<u>\$54,107,658</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Premiums and considerations	\$ 5,368	\$ 3,714	\$ 3,714
Investment income	3,727,010	3,458,267	3,048,877
Miscellaneous income	<u>28,498</u>	<u>23,124</u>	<u>37,550</u>
Total income	<u>\$3,760,876</u>	<u>\$3,485,105</u>	<u>\$3,090,141</u>
Benefit payments	\$3,813,348	\$4,545,321	\$3,731,618
Increase in reserves	(1,544,145)	(2,411,708)	(1,866,932)
General expenses and taxes	<u>252,778</u>	<u>220,221</u>	<u>204,144</u>
Total deductions	<u>\$2,521,981</u>	<u>\$2,353,834</u>	<u>\$2,068,830</u>
Net gain (loss)	\$1,238,895	\$1,131,271	\$1,021,311
Federal and foreign income taxes incurred	<u>377,979</u>	<u>329,558</u>	<u>271,003</u>
Net gain (loss) from operations			
before net realized capital gains	\$ 860,916	\$ 801,713	\$ 750,308
Net realized capital gains (losses)	<u>2,634</u>	<u>(420,365)</u>	<u>10,077</u>
Net income	<u>\$ 863,549</u>	<u>\$ 381,348</u>	<u>\$ 760,385</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capital and surplus, December 31, prior year	\$ <u>12,922,627</u>	\$ <u>14,070,946</u>	\$ <u>9,588,335</u>
Net income	\$ 863,549	\$ 381,348	\$ 760,385
Change in net deferred income tax	(35,447)	132,765	(177,615)
Change in non-admitted assets and related items	38,133	(127,872)	174,548
Change in asset valuation reserve	282,084	131,148	26,071
Dividends to stockholders	<u>0</u>	<u>(5,000,000)</u>	<u>0</u>
Net change in capital and surplus for the year	\$ <u>1,148,319</u>	\$(<u>4,482,611</u>)	\$ <u>783,389</u>
Capital and surplus, December 31, current year	\$ <u>14,070,946</u>	\$ <u>9,588,335</u>	\$ <u>10,371,724</u>

D. RESERVES

The Department conducted a review of reserves as of December 31, 2006 and December 31, 2007. This review included an examination of related asset adequacy analysis in accordance with Department Regulation No. 126. During the review, concerns were raised regarding a potential lack of conservatism with respect to the Company's annuity reserves. In response, the Company committed to refine its reserving methodology in a manner acceptable to the Department and agreed to establish additional reserves in the amount of \$950,000 as of September 30, 2008.

The examiner recommends that the Company continue to use the reserving methodology as 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 Company did not write any new business during the examination period and stated to the examiner that the Company did not produce any advertising material during the examination period.

B. Underwriting and Policy Forms

The Company did not write any new business during the examination period, therefore there were no new underwriting files, issued or declined, to review.

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 403(d) of the New York Insurance Law states:

"(d) All applications for commercial insurance, individual, group or blanket accident and health insurance and all claim forms, except as provided for in subsection (e) of this section, shall contain a notice in a form approved by the superintendent that clearly states in substance the following:

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."

In 30 out of 30 claims sampled, the fraud language used in the Company's annuity claim form omitted a statement that violators who commit a crime of fraud are subject to a civil penalty not to exceed five thousand dollars and the value of the claim for each such violation.

The Company violated Section 403(d) of the New York Insurance Law by using a claim form that did not contain the complete fraud warning as required by law.

2. Section 3214(c) of the New York Insurance Law states:

“If no action has been commenced, interest upon the principal sum paid to the beneficiary or policyholder shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of the death of an insured or annuitant in connection with a death claim on such a policy of life insurance or contract of annuity and from the date of maturity of an endowment contract to the date of payment and shall be added to and be a part of the total sum paid.”

The examiner noted that the Company failed to compute the rate of interest to include the check payment date on 7 out of the 30 (23%) annuity death claim files reviewed.

The Company violated Section 3214(c) of the New York Insurance Law when it failed to compute interest daily at the rate of interest currently paid by the insurer from the date of death to the date of payment.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and recommendations 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 325(a) of the New York Insurance Law by not maintaining its books and records within this state.</p> <p>The Company is now maintaining its books and records within this state.</p>
B	<p>The Company violated Section 1201(a)(5)(B)(v) of the New York Insurance Law as well as its own by-laws by failing to have at least nine directors on its board.</p> <p>The Company corrected the violation by electing a ninth director in 2005 and has had nine directors on its board since.</p>
C	<p>The examiner recommends that the board of directors meet twice per year, and hold its annual meeting in March, after the shareholders meeting, in accordance with its by-laws.</p> <p>The board of directors now meets twice a year, and hold its annual meeting in March, after the shareholders meeting, in accordance with its by-laws.</p>
D	<p>The Company violated Section 1202(b)(2) of the New York Insurance Law by permitting the full board to perform the functions required to be performed by a committee comprised solely of independent directors.</p> <p>The Company now has an audit committee comprised solely of independent directors.</p>
E	<p>The examiner recommends that the investment report showing the detail of all investment purchases and sales be made a part of the minutes of the meetings of the board of directors.</p> <p>The investment report showing the detail of all investment purchases and sales is now a part of the minutes of the meetings of the board of directors.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violations recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Company continue to use the reserving methodology as agreed upon with the Department.	12
B	The Company violated Section 403(d) of the New York Insurance Law by using a claim form that did not contain the complete fraud warning as required by law.	14
C	The Company violated Section 3214(c) of the New York Insurance Law by failing to compute interest daily at the rate of interest currently paid by the insurer from the date of death to the date of payment.	14

APPOINTMENT NO. 22670

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:

JOSHUA WEISS

as a proper person to examine into the affairs of the
GREAT AMERICAN 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 31st day of July, 2007



ERIC R. DINALLO
Superintendent of Insurance

Superintendent