STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

CONDITION:	DECEMBER 31, 2005
DATE OF REPORT:	JULY 2, 2007

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AS OF

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DATE OF REPORT:	JULY 2, 2007
EXAMINER:	BRIAN E. GLAAB

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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

November 21, 2008

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22442, dated December 6, 2005 and annexed hereto, an examination has been made into the condition and affairs of Transamerica Financial Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 4 Manhattanville Road, Purchase, New York 10577.

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 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, 2005 filed annual statement. (See item 6 of this report)

The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing policy forms that were not filed with and approved by the Superintendent and by continuing to use policy forms after they were replaced by other policy forms. (See item 7B of this report)

The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors in excess of the limits allowed by law. (See item 7B of this report)

The Company violated various provisions of Department Regulation No. 74, including failing to include the requisite disclosure language in the annual report when a complete in-force illustration is not included in the annual report. (See item 7B of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2007 Edition* (the "Handbook"). The examination covers the five-year period from January 1, 2001 through December 31, 2005. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2005 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the NAIC. The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with Department statutes and guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and management activities were evaluated incorporating the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit

- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2001 through 2005, by the accounting firm of Ernst & Young LLP. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and 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 as a stock life insurance company under the laws of New York on October 3, 1947, under the name Zurich Life Insurance Company, was licensed on October 17, 1947 and commenced business in 1948. Initial resources of $700,000 were provided through the sale of 7,000 shares of common stock with a par value of $100 each.

On November 30, 1982, the Dreyfus Corporation acquired all of the outstanding shares of the Company and adopted the name Dreyfus Life Insurance Company ("Dreyfus"). In 1993, the Company was purchased by AUSA Life Insurance Company, a Maryland domiciled insurer and an indirect subsidiary of AEGON USA, Inc. ("AEGON"), and the Company adopted the name AUSA Life Insurance Company, Inc.

In December 1993, the Company entered into an indemnity reinsurance agreement with the Mutual Life Insurance Company of New York ("MONY"), whereby MONY ceded on a 100% coinsurance basis $2,733,787,100 of its general account liabilities relating to fixed and variable annuities. On December 31, 1993, MONY transferred the general account assets to the Company at market value which consisted of $1,045,010,955 of mortgage loans, $1,486,230,389 of bonds, $199,894,462 of short-term investments and $40,549,857 of accrued investment income. In 1994, the Company assumed an additional $3.4 billion of separate account assets and liabilities from MONY.

In July 1996, International Life Investors Insurance Company ("ILI"), an affiliated domestic insurer, was merged into the Company. At the effective date of the merger ILI had assets of approximately $698,000,000, and capital and paid in and contributed surplus of $55,544,000.

On October 1, 1998, pursuant to an Agreement and Plan of Merger, First Providian Life and Health Insurance Company ("First Providian") was merged into the Company. At the effective date of the merger First Providian had assets of approximately $441,535,114 and capital and paid in and contributed surplus of $93,688,688.

In December 2002, a capital contribution in the amount of $130,000,000 was made to the Company by First AUSA Life Insurance Company.

Effective April 1, 2003, Transamerica Life Insurance Company of New York ("TONY") was merged into the Company. At the effective date of the merger TONY had assets of approximately $1,915,484,591 and capital and paid in and contributed surplus of $91,262,130. Immediately following the merger, the Company adopted the name Transamerica Financial Life Insurance Company.

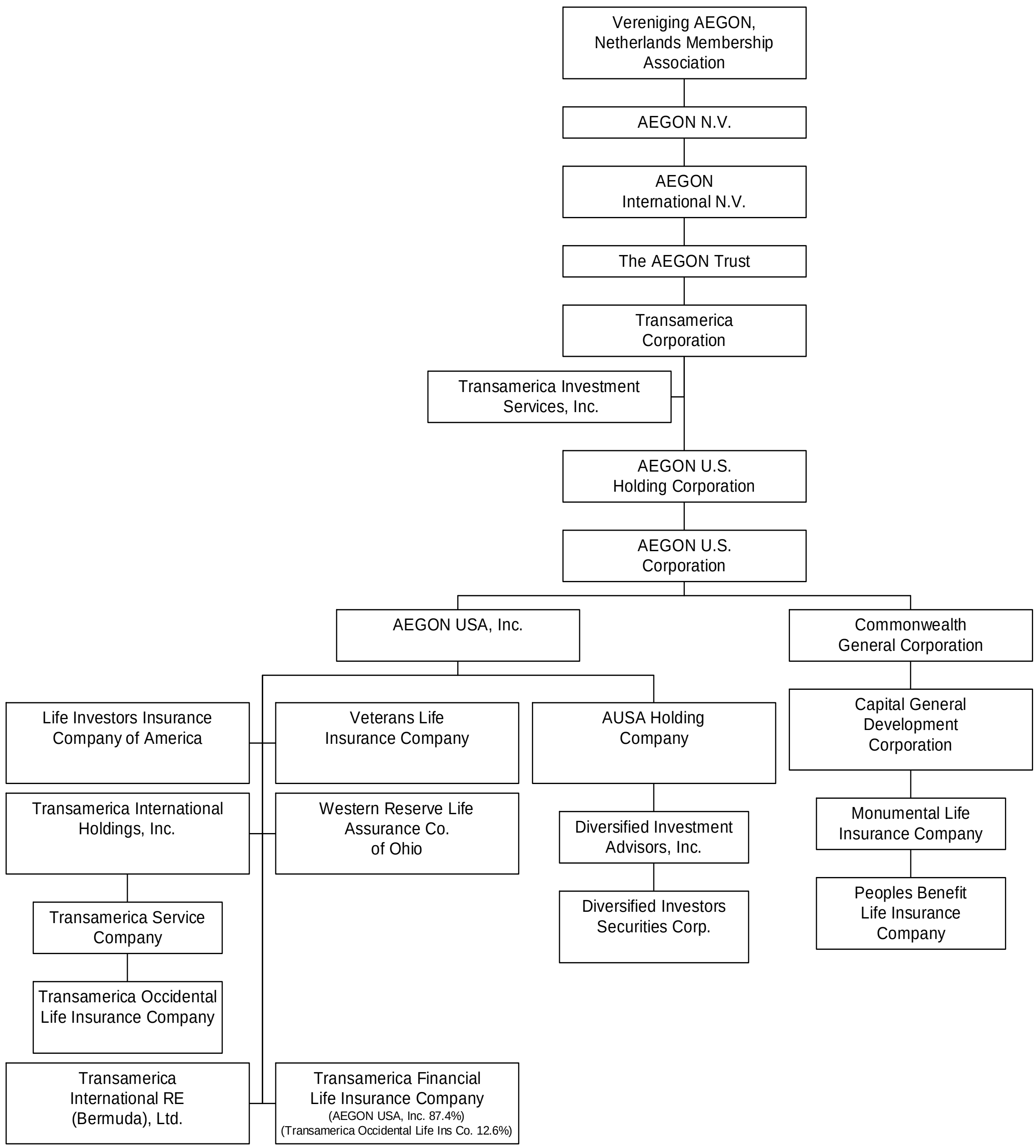
As a result of the above, the Company had $2,058,250 of common capital stock and $600,099,844 of gross paid in and contributed surplus as of December 31, 2005.

B. Holding Company

The Company's outstanding shares of preferred and common stock are 87.4% owned by AEGON USA, Inc. ("AEGON"), domiciled in Iowa, and 12.6% owned by Transamerica Occidental Life Insurance Company, an Iowa insurance company. The ultimate parent of the Company is Vereniging AEGON, a Netherlands based multinational financial services membership association.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2005 follows:



D. Service Agreements

The Company had 18 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
Administrative and Advisory File # 20399C	12/31/93	AEGON Realty Advisors, Inc.	The Company	Services pertaining to real estate and mortgage loan assets.	2001 - $(1,534,649) 2002 - $(1,688,421) 2003 - $(2,402,391) 2004 - $(2,585,866) 2005 - $(2,984,176)
Service Agreement File # 20399C	12/31/93	Diversified Investment Advisors, Inc.	The Company	Retirement plan administration, plan/participant data maintenance, promotion, banking relations, separate accounts and data processing.	2001 - $(29,442,818) 2002 - $(33,633,473) 2003 - $(44,293,741) 2004 - $(40,234,868) 2005 - $(38,461,030)
Service Agreement File # 22369 Amendment No. 1 Amendment No. 1 to Schedule B File # 25577	04/01/95 07/01/96 10/01/98	Life Investors Insurance Company of America	The Company	Accounting, data processing, policy related advisory, legal and actuarial advisory, claims processing and settlement, underwriting, marketing, policyholder, printing and administrative services.	2001 - $(1,922,025) 2002 - $(1,724,352)
Investment Management File # 23721 Amendment File # 34544	07/01/96 10/06/05	AEGON USA Management, LLC	The Company	Investment management of mortgage backed securities, bonds, equities and cash.	2001 - $(7,209,580) 2002 - $(7,673,530) 2003 - $(10,656,751) 2004 - $(12,559,532) 2005 - $(13,180,520)
Service Agreement File # 22369A Amendment No. 1 File # 22369G	07/01/96 09/24/99	Monumental Life Insurance Company	The Company	Executive, data processing, policy related advisory, legal and actuarial advisory, claims processing and settlement, underwriting, marketing, policyholder, printing and administrative services.	2001 - $(3,000,824) 2002 - $(3,139,455) 2003 - $(3,962,157) 2004 - $(4,096,498) 2005 - $(3,801,185)

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
Underwriting Agreement	01/02/97	Diversified Investors Securities Corp.	The Company	Underwriting for the sale of contracts.	Amounts generated from this service agreement are reflected in the totals reported for the service agreement with DIA (File # 20399C)
Service Agreement File # 25019 First and Second Amendments File # 25019A	08/01/97 06/01/01	Transamerica Occidental Life Insurance Company	The Company (formerly TONY)	Product development and installation, training, administrative, agent licensing, record keeping, new business processing, customer service, accounting, and underwriting.	2002 - $(13,472) 2003 - $(406,057) 2004 - $(3,793,426) 2005 - $(3,987,316)
Service Agreement File # 25139	10/01/97	Diversified Financial Products Inc.	The Company	Accounting, data processing, policy related advisory, benefits, underwriting, marketing, policyholder, printing and related services.	2001 - $(296,548) 2002 - $(298,130) 2003 - $(438,631) 2004 - $(408,535) 2005 - $(484,923)
Service Agreement File # 25885 Amendment No. 1 File # 27483	10/01/98 03/03/00	Peoples Benefit Life Insurance Company	The Company	Accounting, claims processing and settlement, underwriting and marketing services.	2001 - $(1,631,839) 2002 - $(1,729,541) 2003 - $0* 2004 - $0* 2005 - $0* *(Replaced by File #25885A, shown below)
Service Agreement File # 26568 Amendment No. 1 File # 27482	03/25/99 03/07/00	Western Reserve Life Assurance Co. of Ohio	The Company	General advisory, accounting, data processing, policy related advisory, professional, claims, underwriting, marketing, policyholder service, printing and related services.	2001 - $(1,517,000) 2002 - $(989,000) 2003 - $(889,000) 2004 - $(1,892,000) 2005 - $(1,278,000)
Investment Management Agreement File # 27292 Terminated upon the merger with TONY in April 2003, rolled into File # 34544	01/01/00	AEGON USA Management, LLC	The Company (formerly TONY)	Investment manager services.	2002 - $(2,216,673) 2003 - $(1,229,433)

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
Service Agreement File # 28886	09/01/00	Transamerica Life Insurance and Annuity Company	The Company	General advisory, accounting, data processing, policy related advisory, legal, benefit underwriting, marketing, policyholder, claims, printing and administrative services.	2001 - $(408,394) 2002 - $(216,700) 2003 - $(118,477) 2004 - $(201,415) 2005 - $(1,944,068)
Service and Administration Agreement File # 29014	09/30/00	Transamerica Occidental Life Insurance Company	The Company	Management and administration of reinsurance contracts.	2001 - $(5,567,383) 2002 - $(22,166,035) 2003 - $(22,971,938) 2004 - $(13,655,759) 2005 - $(10,720,187)
Service Agreement File # 33199 Amendment No. 1 File # 33199A	01/25/05 04/01/05	AFSG Securities Corporation	The Company	Distribution and underwriting services.	2004 - $ (131) 2005 - $(6,321)
Service Agreement File # 29614 Terminated effective upon the merger with TONY in April 2003 and replaced with another service agreement (File #22369B)	07/01/01	Life Investors Insurance Company of America	The Company (formerly TONY)	Billing, collection, accounting, actuarial, data processing product development, marketing, recordkeeping, new business processing, agent licensing and claim processing services.	2002 - $(9,625,011)
Service Agreement File # 25885A Addendum to Agreement File # 25885B	08/01/03 05/01/04	Peoples Benefit Life Insurance Company	The Company	Accounting, claims processing and settlement, underwriting and marketing services. (Replaced File # 25885)	2003 - $(1,985,501) 2004 - $(1,772,016) 2005 - $(1,928,678)
Service Agreement File # 29777	03/01/02	Peoples Benefit Life Insurance Company	The Company (formerly TONY)	Accounting, data processing, claims, underwriting, marketing and policyholder services to Tony's "premier block of business".	2002 - $(560,602) 2003 - $(387,528) 2004 - $(442,909) 2005 - $(467,527)

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
Service Agreement File # 22369B Amendment No. 1 File # 22369C	08/01/03 05/01/04	Life Investors Insurance Company of America	The Company	Accounting, data processing, claims, underwriting, marketing and policyholder services.	2003 - $(12,918,534) 2004 - $(11,416,766) 2005 - $(11,672,280)

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

Based on the information furnished by the Company in the preparation of the table above, it appears that various agreements that were effectuated prior to the examination period have become obsolete.

The examiner recommends that the Company review all its agreements with affiliates and formally withdraw any agreements that are no longer in use.

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 21 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, 2005, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2005, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
William Brown, Jr.* White Plains, NY	Executive Director B-Square Development & Management Group of Companies	1995
William L. Busler* Solon, IA	Retired	1993
Joseph P. Carusone Norwalk, CT	Vice President, Fund Accounting & Administration Diversified Investment Advisors, Inc.	2004
Robert F. Colby Larchmont, NY	Vice President and Assistant Secretary Transamerica Financial Life Insurance Company Senior Vice President and General Counsel Diversified Investment Advisors, Inc.	2000
Steven E. Frushtick* Mamaroneck, NY	Partner Wiener, Frushtick & Straub	1993
Peter G. Kunkel Rockville Center, NY	Chief Operating Officer Diversified Investment Advisors, Inc.	2002
James P. Larkin Port Washington, NY	Vice President and Assistant Secretary Transamerica Financial Life Insurance Company Vice President and Senior Counsel Diversified Investment Advisors, Inc.	2004
Ronald F. Mosher* Laguna Niguel, CA	Retired	2003
Mark W. Mullin Chappaqua, NY	Chairman and President Transamerica Financial Life Insurance Company Chairman Diversified Investment Advisors, Inc.	2002

Name and Residence	Principal Business Affiliation	Year First Elected
Peter P. Post* Armonk, NY	President Cossette Post, Inc.	1993
Colette F. Vargas Irvington, NY	Chief Actuary Transamerica Financial Life Insurance Company Senior Vice President and Chief Financial Officer Diversified Investment Advisors, Inc.	1996
Cornelis H. Verhagen New Providence, NJ	President AEGON Management Company	1993
Elwood K. Warren* Tuxedo Park, NY	Retired	1993

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

In March, 2006, Elwood K. Warren resigned from the board and was replaced by Elizabeth Belanger.

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, 2005:

Name	Title
Mark W. Mullin	President and Chairman of the Board
Craig D. Vermie	Secretary and Corporate Counsel
Robert J. Kontz	Controller
Eric J. Martin	Treasurer
Colette F. Vargas	Chief Actuary

Carole Trostl is the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64.

In April 2006, Eric J. Martin replaced Robert J. Kontz as Controller and in June 2007, M. Craig Fowler replaced Eric J. Martin as Treasurer.

4. TERRITORY AND PLAN OF OPERATION

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

The Company is licensed to transact business in all 50 states and the District of Columbia. In 2005, 92.2% of life premiums, 91.5% of accident and health premiums and 99.3% of deposit type funds were received from New York. In addition, 52.3% of annuity considerations were received from New York (28.3%), Missouri (13.2%) and California (10.8%). Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2005, the Company had $1,570,964 (book value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state for the benefit of all policyholders, claimants and creditors of the Company. As reported in Schedule E of the 2005 filed annual statement, the Company had an additional $1,927,575 (book value) in U.S. Treasury Bonds being held with the States of Arkansas, Georgia, Massachusetts, Missouri, New Mexico, North Carolina and Oklahoma for the benefit of all policyholders.

B. Direct Operations

The Company functions through a number of operating divisions. The following are the Company’s significant operating divisions as of December 31, 2005:

1. Diversified Investment Advisors (“DIA”) markets group annuities, separate accounts and mutual funds to employers with 250 or more employees through brokers and general agents;
2. Transamerica Retirement Services (“TRS”) markets group annuities, separate accounts and mutual funds to employers with less than 250 employees through brokers and general agents;
3. Transamerica Reinsurance (“TARe”) performs life, annuity and accident and health reinsurance functions;
4. Financial Partners (“AFP”) markets individual life, annuities and supplemental life and health insurance products through independent agents and broker-dealers;

5. The Financial Markets Group ("FMG") markets both fixed and variable annuities, and fixed and variable life insurance through independent agents and broker-dealers;
6. Direct Marketing Services ("DMS") markets credit, supplemental health, and life insurance through general agents and direct response;
7. The Institutional Markets Division ("IMD") markets guaranteed investment contracts to institutional retirement and savings markets through intermediaries and direct response;
8. The Monumental Division ("Monumental") markets term life, whole life and universal life products through one broker; First Command Financial Services of Fort Worth, Texas;
9. The Long-term Care Division ("LTC") marketed the Company's long-term care business. The Company ceased issuing new policies as of March 31, 2005;
10. The Insurance Center ("TIC") administers a closed block of accident and health insurance policies.

C. Reinsurance

As of December 31, 2005, the Company had reinsurance treaties in effect with 83 companies, of which 34 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $3,000,000. The total face amount of life insurance ceded as of December 31, 2005, was $191,301,723,973, which represents 69.3% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $758,464,921, was supported by letters of credit, trust agreements and funds withheld.

The total face amount of life insurance assumed as of December 31, 2005, was $266,564,177,442.

5. 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, 2000*	December 31, 2005	Increase (Decrease)
Admitted assets	$13,270,955,197	$16,512,513,099	$3,241,557,902
Liabilities	$12,794,979,535	$15,710,417,420	$2,915,437,885
Common capital stock	$ 2,500,000	$ 2,058,250	$ (441,750)
Preferred capital stock	0	441,750	441,750
Gross paid in and contributed surplus	405,100,121	600,099,844	194,999,723
Group life contingency reserve	1,520,254	1,520,258	4
Annuitant mortality fluctuation reserve	648,261	2,005,909	1,357,648
Unassigned funds (surplus)	66,207,026	195,969,668	129,762,642
Total capital and surplus	$ 475,975,662	$ 802,095,679	$ 326,120,017
Total liabilities, capital and surplus	$13,270,955,197	$16,512,513,099	$3,241,557,902

*The figures noted above are presented as if the merger of AUSA and TONY had occurred as of December 31, 2000.

The majority (51%) of the Company's admitted assets, as of December 31, 2005, is derived from Separate Accounts.

The Company's invested assets as of December 31, 2005, exclusive of separate accounts, were mainly comprised of bonds (85.7%) and mortgage loans (10.1%).

The majority (92.9%) of the Company's bond portfolio, as of December 31, 2005, 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:

	2001*	2002*	2003	2004	2005
Ordinary:					
Life insurance	$ 2,723,529	$ 9,749,809	$ 12,726,154	$ 9,794,465	$ 14,281,246
Individual annuities	(17,623)	4,668,785	4,994,856	13,222,743	14,541,367
Supplementary contracts	173,041	160,501	485,705	80,978	(31,230)
Total ordinary	$ 2,878,947	$ 14,579,095	$ 18,206,715	$ 23,098,186	$ 28,791,383
Credit life	$ 279,346	$ 501,266	$ 800,539	$ 841,204	$ 1,052,898
Group:					
Life	$ (43,304)	$ 1,667,936	$ 1,491,432	$ 2,334,320	$ 2,919,410
Annuities	24,574,392	(28,974,525)	86,363,765	79,509,395	80,827,426
Total group	$24,531,088	$(27,306,589)	$ 87,855,197	$ 81,843,715	$ 83,746,836
Accident and health:					
Group	$ (2,019,003)	$ (1,883,994)	$ (8,090,231)	$ 2,933,905	$ 4,049,123
Credit	165,013	117,183	52,470	476,087	441,827
Other	112,971	(3,306,199)	(4,461,503)	648,810	231,628
Total accident and health	$ (1,741,019)	$ (5,073,010)	$(12,499,264)	$ 4,058,802	$ 4,722,578
Total	$25,948,362	$(17,299,238)	$ 94,363,186	$109,841,906	$118,313,695

*The figures noted above are presented as if the merger of AUSA and TONY had occurred as of December 31, 2000.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2005, as contained in the Company's 2005 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, 2005 filed annual statement.

A. Independent Accountants

The firm of Ernst & Young LLP ("E&Y") was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

E&Y concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	$ 6,676,470,309
Stocks:	
Preferred stocks	5,317,909
Common stocks	83,845,122
Mortgage loans on real estate	
First liens	787,729,365
Cash, cash equivalents and short term investments	161,703,022
Contract loans	43,836,074
Other invested assets	31,306,071
Receivable for securities	1,338,733
Derivatives	3,141,686
Investment income due and accrued	88,862,846
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	89,393,413
Deferred premiums, agents' balances and installments booked but deferred and not yet due	17,261,791
Accrued retrospective premiums	6,749,861
Reinsurance:	
Amounts recoverable from reinsurers	13,738,015
Funds held by or deposited with reinsured companies	8,000,000
Other amounts receivable under reinsurance contracts	8,795,555
Current federal and foreign income tax recoverable and interest thereon	7,358,393
Net deferred tax asset	19,209,411
Guaranty funds receivable or on deposit	326,530
Accounts receivable	41,751,805
Modco asset	2,942,224
Investment receivables	1,112,879
Investment broker receivables	1,473,646
From separate accounts, segregated accounts and protected cell accounts	8,410,848,439
Total admitted assets	$16,512,513,099

C. Liabilities, Capital Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 6,571,621,284
Aggregate reserve for accident and health contracts	26,189,897
Liability for deposit-type contracts	271,835,651
Contract claims:	
Life	88,383,740
Accident and health	13,365,948
Premiums and annuity considerations for life and accident and health contracts received in advance	945,447
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	67,094
Interest maintenance reserve	57,373,816
Commissions to agents due or accrued	1,433,325
Commissions and expense allowances payable on reinsurance assumed	14,774,794
General expenses due or accrued	456,837
Transfers to Separate Accounts due or accrued	3,036,857
Taxes, licenses and fees due or accrued, excluding federal income taxes	(746,322)
Unearned investment income	1,587,908
Amounts withheld or retained by company as agent or trustee	10,591,220
Amounts held for agents' account	493,786
Remittances and items not allocated	113,426,733
Miscellaneous liabilities:	
Asset valuation reserve	79,968,054
Reinsurance in unauthorized companies	4,509,768
Funds held under reinsurance treaties with unauthorized reinsurers	27,301,745
Payable to parent, subsidiaries and affiliates	10,583,962
Funds held under coinsurance	2,167,499
Payable for securities	885,688
Synthetic GIC's	1,000,000
From Separate Accounts statement	8,409,162,689
Total liabilities	$15,710,417,420
Common capital stock	$ 2,058,250
Preferred capital stock	441,750
Gross paid in and contributed surplus	600,099,844
Group life contingency reserve	1,520,258
Annuitant mortality fluctuation reserve	2,005,909
Unassigned funds (surplus)	195,969,668
Surplus	$ 799,595,679
Total capital and surplus	$ 802,095,679
Total liabilities, capital and surplus	$16,512,513,099

D. Condensed Summary of Operations

	2001*	2002*	2003	2004	2005
Premiums and considerations	$1,940,654,604	$2,143,218,479	$1,711,447,072	$2,137,810,099	$2,521,518,250
Investment income	422,102,844	434,492,909	421,863,062	431,911,802	435,255,494
Net gain from operations from Separate Accounts	358,985	1,111,316	(1,397,278)	1,568,098	109,462
Commissions and reserve adjustments on reinsurance ceded	31,621,357	83,666,552	40,759,437	58,367,444	105,377,611
Miscellaneous income	62,892,189	137,027,583	52,771,053	193,076,886	65,595,466
Total income	$2,457,629,979	$2,799,516,839	$2,225,443,346	$2,822,734,329	$3,127,856,283
Benefit payments	$1,868,856,033	$1,896,160,341	$1,596,489,682	$2,158,597,236	$2,350,824,330
Increase in reserves	290,872,470	627,385,468	264,759,256	222,818,875	(16,073,841)
Commissions	140,102,379	137,155,341	104,386,079	102,295,384	169,841,842
General expenses and taxes	72,295,084	100,910,125	108,620,679	93,882,085	88,543,792
Increase in loading on deferred and uncollected premiums	166,932	(86,582)	403,580	147,380	(461,373)
Net transfers to (from) Separate Accounts	14,597,339	(86,513,520)	34,600,505	89,465,812	396,034,693
Miscellaneous deductions	8,092,617	126,472,488	16,354,266	29,434,937	(11,191,252)
Total deductions	$2,394,982,854	$2,801,483,662	$2,125,614,047	$2,696,641,709	$2,977,518,191
Net gain (loss)	$ 62,647,125	$ (1,966,823)	$ 99,829,299	$ 126,092,620	$ 150,338,092
Dividends to policyholders	51,682	3,059	625	1,775	103,769
Federal and foreign income taxes Incurred	36,647,079	15,329,354	5,465,491	16,248,939	31,920,627
Net gain (loss) from operations before net realized capital gains	$ 25,948,364	$ (17,299,236)	$ 94,363,183	$ 109,841,906	$ 118,313,696
Net realized capital gains (losses)	(80,454,703)	(87,539,318)	(16,418,889)	(30,519,941)	(1,607,960)
Net income (loss)	$ (54,506,339)	$ (104,838,554)	$ 77,944,294	$ 79,321,965	$ 116,705,736

*The figures noted above are presented as if the merger of AUSA and TONY had occurred as of December 31, 2000.

E. Capital and Surplus Account

	2001 *	2002 *	2003	2004	2005
Capital and surplus, December 31, prior year	$475,975,662	$ 477,486,605	$613,440,010	$626,320,917	$690,699,368
Net income	$ (54,506,339)	$(104,838,554)	$ 77,944,294	$ 79,321,965	$116,705,736
Change in net unrealized capital gains (losses)	2,400,217	(18,827,858)	19,292,792	9,072,822	(5,504,688)
Change in net deferred income tax	0	9,060,055	(31,063,030)	(6,923,544)	(28,493,451)
Change in non-admitted assets and related items	820,282	3,346,494	(14,191,451)	(5,821,078)	43,676,438
Change in liability for reinsurance in unauthorized companies	(13,309,914)	7,010,397	(1,737,841)	202,423	4,169,891
Change in reserve valuation basis	0	(2,968,905)	0	0	0
Change in asset valuation reserve	43,963,062	28,315,802	(30,690,824)	(12,493,131)	(12,285,951)
Surplus (contributed to), withdrawn from Separate Accounts during period	(1,021,834)	2,492,667	1,881,672	3,998,273	679,461
Other changes in surplus in Separate Accounts statement	908,200	(3,046,675)	(5,934,383)	(1,180,957)	(679,510)
Cumulative effect of changes in accounting principles	(1,305,536)	27,567,035	0	0	0
Surplus adjustments:					
Paid in	15,000,000	180,000,000	0	0	0
Change in surplus as a result of reinsurance	0	7,805,218	(2,620,322)	(2,620,322)	(2,620,322)
Dividends to stockholders	0	0	0	0	(5,000,000)
Tax benefit on stock options exercised	805,194	37,729	0	0	0
Reinsurance transactions	6,500,000	0	0	0	0
Prior period adjustment	1,257,611	0	0	0	
Contributed surplus related to stock appreciation rights plan of indirect parent	0	0	0	822,000	748,707
Net change in capital and surplus for the year	$ 1,510,943	$ 135,953,405	$ 12,880,907	$ 64,378,451	$111,396,311
Capital and surplus, December 31, current year	$477,486,605	$ 613,440,010	$626,320,917	$690,699,368	$802,095,679

*The figures noted above are presented as if the merger of AUSA and TONY had occurred as of December 31, 2000.

7. 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.

I. Replacements

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

> "Where a replacement has occurred or likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .
> (6) Where the required forms are received with the application and found to be in compliance with this Part, maintain . . . the notification of replacement to the insurer whose life insurance policy or annuity contract is to be replaced indexed by agent and broker, for six calendar years or until after the filing of the report on examination in which the transaction was subject to review by the appropriate insurance official of its state of domicile, whichever is later . . . "

The Company provided its listing of replacements by division. The initial listing of replacements, indexed by agent and broker, provided by the Company for its AFP division included non-replacements, i.e. conversions and surrenders. The Company provided a revised listing on August 9, 2006. This listing again contained conversions. Prior to the examination completion the Company was able to provide a clean listing of replacements for the AFP division.

The Company violated Section 51.6(b)(6) of Department Regulation No. 60 by failing to maintain replacements indexed by agent and broker.

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

> "Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .

> (3) Examine any proposal used, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the 'Disclosure Statement,' and ascertain that they are accurate and meet the requirements of the Insurance Law and this Part . . . "

The review of replacements revealed that three Disclosure Statements contained alterations without the applicant's written consent. In addition, three other policies were presented without properly completed Disclosure Statements. It is the Company's responsibility to ensure that the replacement documents are accurate.

The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to ascertain that the Disclosure Statements were accurate.

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

> "Where a replacement has occurred or likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .
> (7) Where the required forms are not received with the application, or if the forms do not meet the requirements of this Part or are not accurate, within ten days from the date of receipt of the application either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefor."

Four Disclosure Statements contained deficiencies that were not corrected within 10 days from the date of receipt and were not rejected by the Company as required by the Regulation.

The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to correct inaccurate Disclose Statements within 10 days of receipt and by failing to reject the applications.

II. Advertising

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

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

Four advertisements utilized by the Company's Corporate Division and one used by TRS list affiliate insurers who are not authorized to conduct business in New York State, thus calling attention to unauthorized insurers.

The Company violated Section 2122(a)(2) of the New York Insurance Law by calling attention to unauthorized insurers in its advertisements. A similar violation appeared in the prior report on examination. (See item 8E of this report)

Section 215.17(a) of Department Regulation No. 34 regarding advertisements of accident and health insurance states, in part:

> "Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement . . . with a notation attached to each such advertisement which shall indicate the manner and extent of distribution . . ."

Section 219.5(a) of Department Regulation No. 34-A regarding advertisements of life insurance and annuities 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 . . . "

The examiner's review of the advertising files maintained at the Company's home office revealed that 25 files did not include the extent of distribution in the file.

The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34-A by failing to maintain the extent of distribution for its advertisements. A similar violation appeared in the prior report. (See item 8U of this report)

III. <u>Agency</u>

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

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

Section 2114(a)(1) of the New York Insurance Law states, in part:

> "No insurer . . . doing business in this state shall pay any commission or other compensation to any person, firm or corporation, for any services in obtaining in this state any new contract of life insurance . . . except to a licensed life insurance agent of such insurer . . ."

The examiner reviewed a sample of four DMS policies sold by Toyota Motor Ins. Services, Inc. ("Toyota"). Three of the four policies were issued prior to when Toyota was appointed by the Company. Toyota received commissions on each of the policies.

The Company violated Section 2112(a) and Section 2114(a)(1) of the New York Insurance Law by paying commissions to an unappointed agent. This is a repeat violation from the prior report on examination. (See item 8V of this report)

B. Underwriting and Policy Forms

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

I. Underwriting

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

> "(a) 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 and without providing general information about AIDS and the transmission of HIV infection.
> (b) Written informed consent to an HIV related test shall consist of a written authorization that is dated . . ."

Although the Company's procedures require that written informed consent be obtained before conducting an HIV test, all divisions did not consistently apply such procedures. The Company was unable to provide the consent form for one Monumental policy. The consent forms for three AFP policies were signed after the blood was drawn. The consent form for one AFP was not dated, thus the examiner was unable to determine when the form was signed.

The Company violated Section 2611 of the New York Insurance Law by having a proposed insured be subject to an HIV related test without receiving prior written informed consent and by not having a dated written authorization.

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, provided . . . that an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under

> any other policy or policies, then in force upon the life of such minor, 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 the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is the greater . . . "

A sample of 25 Monumental policies issued on the lives of minors during the examination period were reviewed. The review revealed that 11 of the policies exceeded the limits allowed by law.

In addition, a sample of 20 AFP policies were reviewed. The review revealed that five of the policies exceeded the limits allowed by law.

The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors in excess of the limits allowed by law.

Section 53-3.2(a) of Department Regulation No. 74 states, in part:

> "An illustration used in the sale of a life insurance policy and subject to this Subpart shall satisfy the applicable requirements of this Subpart, be clearly labeled "life insurance illustration" and contain the following basic information . . .
> (2) Name and business address of producer or insurer's authorized representative, if any . . ."

The Company did not include the business address of the producer, or authorized representative, on the life insurance illustrations for the sample of AFP policies reviewed.

The Company violated Section 53-3.2(a)(2) of Department Regulation No. 74 by failing to clearly identify the business address of the producer or authorized representative on the illustrations used in the sale of life insurance policies.

Section 53-3.3(a)(7) of Department Regulation No. 74 states:

> "If the illustration shows any non-guaranteed elements, they cannot be based on a scale more favorable to the policyowner than the insurer's illustrated scale at any duration. These elements shall be clearly labeled non-guaranteed."

The life insurance illustrations utilized by the AFP division failed to clearly indicate that the midpoint values on the Numeric Summary Page were non-guaranteed.

The Company violated Section 53-3.3(a)(7) of Department Regulation No. 74 by failing to clearly label the midpoint values as non-guaranteed on the Numeric Summary Page of the life insurance illustrations utilized by the AFP division.

Section 53-3.5(a) of Department Regulation No. 74 states:

> "If a basic illustration is used by an insurance producer or other authorized representative of the insurer in the sale of a life insurance policy and the policy is applied for as illustrated, a copy of that illustration, signed in accordance with this Subpart, shall be submitted to the insurer at the time of policy application. A copy also shall be provided to the applicant. If the policy is issued other than as applied for, a revised basic illustration conforming to the policy as issued shall be sent with the policy. The revised illustration shall conform to the requirements of this Subpart, shall be labeled "Revised Illustration" and shall be signed and dated by the applicant or policyowner and producer or other authorized representative of the insurer no later than the time the policy is delivered. A copy shall be provided to the insurer and the policyowner."

The Company did not obtain the signature of the applicant or policyholder on the basic illustration, and did not maintain copies of the illustrations delivered with new policies issued by the Worksite Marketing branch of the AFP division.

The Company violated Section 53-3.5(a) of Department Regulation No. 74 by failing to obtain a signed copy of the basic illustration that was sent to the policyholder when the policy was delivered.

Section 53–3.6(b) of Department Regulation No. 74 states, in part:

> "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 Company's AFP division does not include a complete in-force illustration with the annual report. Further, the Company's annual reports do not contain the disclosure language required by Section 53-3.6(b) of Department Regulation No. 74.

The Company violated Section 53-3.6(b) of Department Regulation No. 74 by failing to include the requisite disclosure language in the annual report when a complete in-force illustration is not included in the annual report.

II. Policy Forms

Section 3201(b)(1) of the New York Insurance Law states, in part:

> "No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law . . . "

The Company utilized forms R208-280, APE 56NY-803 that were not approved by the Superintendent. The four forms were issued by AFP. The following was also noted.

- AFP continued to use form 9-B100NY896, through 2005, after it was replaced by form 9-B100NY0503 which was approved by the Department on October 17, 2003.
- AFP issued group case No. 38601-85850 utilizing a TONY application, for group term life insurance, that did not have a form number. The Company was unable to provide the Department's approval of the form.
- The Company's TARe division continued to use form TL-APP1201(NY) after it was replaced by form TLAPP0303(NY), which was approved by the Department on June 30, 2003.
- The Company's FMG division utilized form TLA-4-186 to issue one policy in New York that was not approved by the Department.

The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing policy forms that were not filed with and approved by the Superintendent and by continuing to use policy forms after they were replaced by other policy forms.

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.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 1505(d)(1) of the New York Insurance Law when it purchased bonds and common stock in excess of one half of one percent of admitted assets from an affiliate without filing the transaction.
	The Company notified the appropriate personnel of the filing threshold.
B	The Company violated Section 1505(d)(3) of the Insurance Law when it failed to file a principal underwriting agreement with an affiliate prior to its effective date of April 1, 1999.
	The Company notified the appropriate personnel of the filing requirements regarding transactions where services are performed on a regular systematic basis.
C	The Company violated Section 91.5(b) of Department Regulation No. 33 for failure to obtain Department approval for using the segmentation method for the allocation of net investment income to annual statement lines.
	The Company is using the mean reserve method to allocate net investment income to the annual statement lines.
D	The Company violated Section 1313(a)(1) of the New York Insurance Law by reflecting its assets without showing the liabilities, reserves and surplus in certain advertisements.
	One of the advertisements was discontinued and the other was amended to show the Company's liabilities, reserves and surplus.
E	The Company violated Section 2122(a)(2) of the New York Insurance Law by calling attention to unauthorized insurers in its advertisements.
	Although the Company discontinued using the advertisements that were in violation of Section 2122(a)(2), the current examination revealed that other advertisements called attention to unauthorized insurers. A similar violation is contained in this report. (See item 7A of this report)

Item	Description
F	The Company violated Section 219.4(p) of Department Regulation No. 34-A by failing to include the city of its home office for advertisements originating from the Company's Financial Markets Division, Institutional Markets Division, and Special Markets Group. The advertisements were either discontinued or amended to include the city of the Company's home office. A compliance bulletin was also sent to the Advertising Compliance Analysts.
G	The Company violated Section 219.4(p) of Department Regulation No. 34-A by using advertisements that obscure the true identity of the issuer. The advertisements were either discontinued or amended so that the true identity of the insurer was not obscured.
H	The Company violated Section 3201(b)(1) of the New York Insurance Law when it used an application form for its Separate Account C variable annuity products before it was filed with and approved by the Department and by using an unapproved waiver of premium rider and an unapproved policy application form.. The forms were subsequently filed and approved by the Department.
I	The Company violated Section 1411(a) of the New York Insurance Law by not having board approval for entering into derivative transactions for the years 1997, 1998 and 1999. A board approved Derivative Use Plan was approved by the Department in September 2001.
J	The Company violated Sections 175.9 and 175.10(a) of Department Regulation No. 111 for entering into hedging transactions between 1997 and 1999 prior to: (1) establishing written criteria approved by the board; and, (2) submitting its guidelines to the Department. A board approved Derivative Use Plan was approved by the Department in September 2001.

Item	Description
K	The Company violated Section 1505(d)(1) of the New York Insurance Law for failing to provide prior notification to the Superintendent of its intention to enter into transactions with PBL, TOLIC, TALIAC, and AEGON USA, Inc., in which the transaction amounts exceeded one half of one percent of the Company's prior year admitted assets. A review of inter-company transactions did not reveal any violations.
L	The Company violated Section 1505(d)(2) of the New York Insurance Law by failing to provide prior notification to the Superintendent of its intention to enter into a novation reinsurance agreement with AUSA as a replacement for TOLIC. The Company submitted the novation reinsurance agreement to the Department and received non-disapproval on June 13, 2002.
M	The Company violated Section 1505(d)(3) of the New York Insurance Law by entering into service agreements with members of its holding company system, including AUSA, PBL, LIICA, FAUSA, and TAC, without the prior approval of the Superintendent. A review revealed all applicable service agreements were filed with and approved by the Superintendent.
N	The examiner recommended that the Company take greater care in the preparation of the Exhibit of Insurance. The Company has taken greater care in preparing the Exhibit of Insurance.
O	The examiner recommended that the Company take greater care in the preparation of the Exhibit of Annuities. The Company has taken greater care in preparing the Exhibit of Annuities.

Item	Description
P	The Company violated Section 91.4(c)(2)(i) of Department Regulation No. 33 by failing to allocate net investment income to major annual statement lines of business in accordance with the Regulation guidelines. The Company allocated net investment income to the major annual statement lines of business in compliance with the Regulation guidelines.
Q	The Company violated Section 90.7(a) of Department Regulation No. 33 by failing to report its expenses on the proper lines in Exhibit 5 of the 2001 filed annual statement. The Company correctly reported expenses on the proper lines of the Exhibit in the 2005 filed annual statement.
R	The Company violated Section 91.4(a)(5) of Department Regulation No. 33 by failing to properly allocate expenses between companies. The Company properly allocated expenses between companies in the 2005 filed annual statement.
S	The Company violated Section 91.4(f)(1) of Department Regulation No. 33 by failing to allocate general expenses and taxes, licenses and fees to reflect the actual incidence of cost by line of business. The Company allocated general expenses and taxes, licenses and fees to reflect the actual incidence of cost by line of business in the 2005 annual statement.
T	The Company violated Section 1302(b) of the New York Insurance Law by failing to disallow $5,184,844 of doubtful cash assets from its gross assets. The Company wrote off the amount in 2002.
U	The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain at its home office a complete advertisement file, and by failing to indicate the extent of distribution in its advertisement file. The Company maintained a complete advertising file, but failed to maintain the extent of distribution for some of its advertisements. A similar violation appears in this report. (See item 7A)

Item	Description
V	The Company violated Section 2112(a) of the New York Insurance Law by failing to appoint an agent. A violation of Section 2112(a) of the New York Insurance Law appears in this report on examination. See item 7A of this report.
W	The Company's report on race-based underwriting could not be verified because the Company did not prepare formal working papers. The Company indicated that it will prepare formal workpapers for future reports requested by the Department.
X	The Company violated Section 325(a) of the New York Insurance Law by failing to maintain its books of account at its home office in a durable medium. The Company maintains its books of account at its home office in a durable medium.
Y	The examiner recommends that the Company obtain computer access to its life and annuity systems from its home office. The Company maintains computer access to its life and annuity systems from its home office.
Z	The examiner recommends that the Company institute a plan to improve its internal controls to minimize annual statement discrepancies and to enhance regulatory compliance. No annual statement discrepancies were noted.
AA	The Company violated Section 310(a)(3) of the New York Insurance Law by failing to facilitate the examination. The Company facilitated the examination by responding to the memos in a timely manner.

9. SUMMARY AND CONCLUSIONS

Following are the violations and the recommendation contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Company review all its agreements with affiliates and formally withdraw any agreements that are no longer in use.	10
B	The Company violated Section 51.6(b)(6) of Department Regulation No. 60 by failing to maintain replacements indexed by agent and broker.	22
C	The Company violated Section 51.6(b)(3) of Department Regulation No. 60 by failing to ascertain that the Disclosure Statements were accurate.	23
D	The Company violated Section 51.6(b)(7) of Department Regulation No. 60 by failing to correct inaccurate Disclose Statements within 10 days of receipt and by failing to reject the applications.	23
E	The Company violated Section 2122(a)(2) of the New York Insurance Law by calling attention to unauthorized insurers in its advertisements.	24
F	The Company violated Section 215.17(a) of Department Regulation No. 34 and Section 219.5(a) of Department Regulation No. 34-A by failing to maintain the extent of distribution for its advertisements.	24
G	The Company violated Section 2112(a) and Section 2114(a)(1) of the New York Insurance Law by paying commissions to an unappointed agent.	25
H	The Company violated Section 2611(a) of the New York Insurance Law by having a proposed insured be subject to an HIV related test without receiving prior written informed consent and by not having a dated written authorization.	25
I	The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors in excess of the limits allowed by law.	26
J	The Company violated Section 53-3.2(a)(2) of Department Regulation No. 74 by failing to clearly identify the business address of the producer or authorized representative on the illustrations used in the sale of life insurance policies.	26

Item	Description	Page No(s).
K	The Company violated Section 53-3.3(a)(7) of Department Regulation No. 74 by failing to clearly label the midpoint values as non-guaranteed on the Numeric Summary Page of the life insurance illustrations utilized by the AFP division.	27
L	The Company violated Section 53-3.5(a) of Department Regulation No. 74 by failing to obtain a signed copy of the basic illustration that was sent to the policyholder when the policy was delivered.	27
M	The Company violated Section 53-3.6(b) of Department Regulation No. 74 by failing to include the requisite disclosure language in the annual report when a complete in-force illustration is not included in the annual report.	28
N	The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing policy forms that were not filed with and approved by the Superintendent and by continuing to use policy forms after they were replaced by other policy forms.	28

Respectfully submitted,

/s/
Brian E. Glaab
Senior Insurance Examiner

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

Brian E. Glaab, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Brian E. Glaab

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22442

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:

BRIAN GLAAB

as a proper person to examine into the affairs of the

TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

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

this 6th day of December, 2005

HOWARD MILLS
Superintendent of Insurance