



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON FINANCIAL CONDITION EXAMINATION
OF THE
SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK

CONDITION:

December 31, 2006

DATE OF REPORT:

February 1, 2008

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OF THE
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AS OF
DECEMBER 31, 2006

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FEBRUARY 1, 2008

EXAMINER:

HENRY WONG

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

David Paterson
Governor

Eric R. Dinallo
Superintendent

December 4, 2008

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

Sir:

In accordance with instructions contained in Appointment No. 22662, dated July 16, 2007 and annexed hereto, an examination has been made into the financial condition and affairs of Sun Life Insurance and Annuity Company of New York, hereinafter referred to as "the Company," at its home office located at 60 East 42nd Street, New York, New York 10165.

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, 2006 filed annual statement. (See item 5 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
- Territory and plan of operation
- Growth of Company
- Business in force by states
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the financial condition comment contained in the prior report on examination. The result of the examiner's review is 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 the State of New York on May 25, 1983. It was licensed on April 11, 1985, and commenced business on August 15, 1985. Initial resources of \$7,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$5,000,000, were provided through the sale of 2,000 shares of common stock (with a par value of \$1,000) for \$3,500 per share.

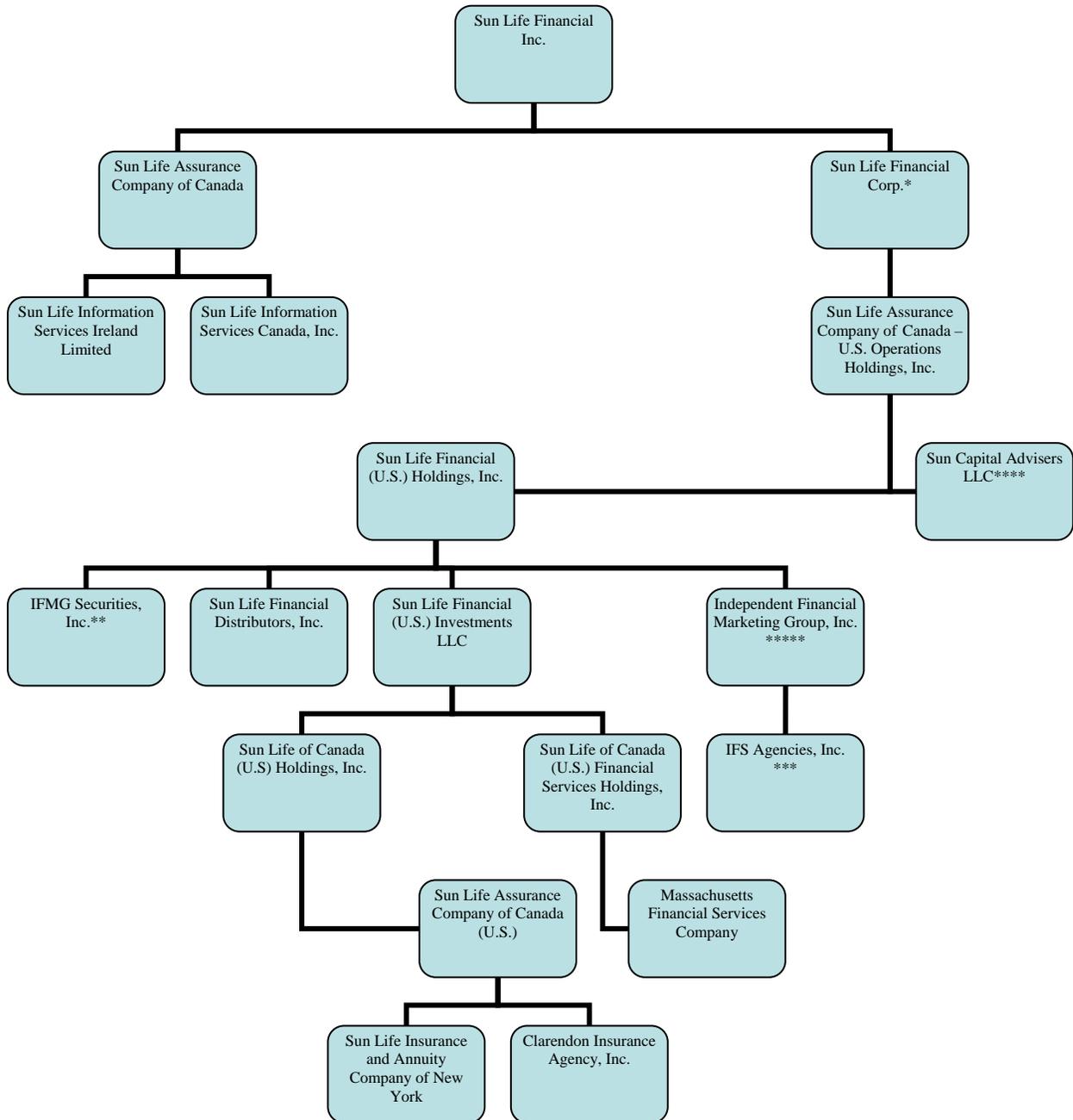
On December 31, 2002, Keyport Benefit Life Insurance Company (“KBL”), a New York domiciled life insurer, merged with and into the Company, with the Company being the surviving entity. Prior to the merger, Keyport Life Insurance Company (“KLIC”) wholly owned KBL, and Sun Life Assurance Company of Canada (U.S.) (“SLUS”) wholly owned the Company. To execute the merger, the Company issued 4,001 additional shares of common stock to KLIC in exchange for the assets and liabilities of KBL. As a result of the additional common stock issuance, the Company became a subsidiary of both KLIC and SLUS, with KLIC owning 67% of the common stock, and SLUS owning 33% of the common stock. On December 31, 2003, KLIC merged with and into SLUS, with SLUS being the surviving company. As a result, the Company became once again a wholly-owned subsidiary of SLUS.

KBL received a surplus contribution of \$71,000,000 from KLIC in 2001. The Company received an additional surplus contribution of \$45,000,000 from its parent in 2002. On December 31, 2006, the Company’s common capital stock totaled \$2,100,350 and its gross paid in and contributed surplus totaled \$207,399,650.

B. Holding Company

The Company is a wholly-owned subsidiary of SLUS, a Delaware life insurer. SLUS is, in turn, a wholly-owned subsidiary of Sun Life of Canada (U.S.) Holdings, Inc., a Delaware holding company. The ultimate parent of the Company is Sun Life Financial Inc.

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



* Sun Life Financial Corp. changed its name to Sun Life Global Investments Inc. on November 8, 2007.

** IFMG Securities, Inc. was sold to an unaffiliated company on November 7, 2007.

*** IFS Agencies, Inc. was sold to an unaffiliated company on November 7, 2007.

****Formerly Sun Capital Advisers, Inc.

*****Independent Financial Marketing Group, Inc. was sold to an unaffiliated company on November 7, 2007.

The Company had 13 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
General Services Agreement GSA-02	Effective 7/1/99 Amended 3/1/07	The Company	Sun Life Assurance Company of Canada ("SLOC") and Sun Life Assurance Company of Canada (U.S.) ("SLUS")	The Company performs marketing and other services related to the individual life and annuity and group life and disability products of SLOC and SLUS.	2004 \$ 509,391** 2005 \$ 1,987,457 2006 \$ 2,813,649
Management Services GSA-03	Effective 11/21/00 Amended 12/31/01 3/1/07	SLUS	The Company	SLUS provides personnel, investment, actuarial, and administrative services to the Company.	2004 (\$11,852,134) 2005 (\$16,800,327)*** 2006 (\$15,158,404)
Administrative Services Agreement GSA-29	Effective 2/3/03 Amended 3/1/07	Sun Life Information Services Ireland Limited ("Sun Life Ireland")	The Company	Sun Life Ireland provides administrative and support services to the Company.	2004 (\$ 606,077) 2005 (\$ 1,027,891)**** 2006 (\$ 1,133,631)
Administrative Services Agreement GSA-34	Effective 1/1/03 Amended 2/1/04 3/1/07	The Company	Sun Capital Advisers LLC ("SCA")	The Company provides administrative services with respect to the Sun Capital Advisers Trust's Variable Account.	2004 \$ 0***** 2005 \$ 0***** 2006 \$ 0*****
Administrative Services Agreement GSA-42	Effective 12/6/04 Amended 3/1/07	Sun Life Information Services Canada, Inc. ("SLISC")	The Company	SLISC provides administrative and support services to the Company.	2004 (\$ 91,417) 2005 (\$ 517,659) 2006 (\$ 637,846)
Servicing Agreement GSA-43	Effective 2/15/05 Amended 3/1/07	The Company	Clarendon Insurance Agency, Inc. ("Clarendon")	The Company provides services to Clarendon in connection with Clarendon's role as principal underwriter for variable contracts issued by the Company.	2004 \$ N/A 2005 \$ 0***** 2006 \$ 0*****

Type of Agreement and Department File Number	Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement GSA-45	Effective 01/01/06	The Company, SLUS	Massachusetts Financial Services Company (MFS)	The Company and SLUS receive a fee for services performed with respect to the MFS/Sun Life Series Trust, for which MFS serves as investment adviser.	2004 N/A 2005 N/A 2006 \$ 224,670
Investment Advisory Agreement ISA-20	Effective 01/01/02 Amended 3/1/07	SCA	The Company	SCA acts as investment manager for certain of the Company's portfolios.	2004 (\$ 1,274,176) 2005 (\$ 1,420,113) 2006 (\$ 1,257,771)
Sales Operations and General Agent Agreement MSA-24	Effective 09/03/92	Clarendon, Independent Financial Securities, Inc. ("IFS"), IFS Agencies, Inc.	The Company	Clarendon, IFS, and IFS Agencies, Inc., as broker-dealers, solicit and sell certain insurance and annuity products issued by the Company.	2004 (\$ 2,140,685) 2005 (\$ 2,752,825) 2006 (\$ 1,135,734)
Managing General Agent and Broker/Dealer Agreement MSA-39	Effective 8/3/98	Clarendon and IFMG Securities, Inc. (IFMG)	The Company	A managing general agent and broker-dealer agreement concerning distribution of products issued by the former Keyport Benefit Life Insurance Company.	2004 \$ 0***** 2005 \$ 0***** 2006 \$ 0*****
Managing General Agent and Broker-Dealer MSA-40	Effective 8/3/98	Clarendon, IFS Agencies, Inc., and IFMG	The Company	A managing general agent and broker-dealer agreement, concerning distribution of products issued by the former Keyport Benefit Life Insurance Company.	2004 (\$ 4,121,902) 2005 (\$ 821,347) 2006 (\$ 1,778,065)
Principal Underwriter's Agreement MSA-45	Effective 2/1/03 Amended 3/1/07	Clarendon	The Company	Clarendon serves as principal underwriter and general distributor for certain insurance and annuity products issued by the Company	2004 (\$ 885) 2005 (\$ 4,893) 2006 (\$ 14,665)

Type of Agreement and Department File Number	Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Wholesaling Agreement MSA-46	Effective 2/1/03 Amended 3/1/07	Sun Life Financial Distributors, Inc. ("SLFD")	The Company	SLFD assists Clarendon in distributing certain annuity products issued by the Company.	2004 (\$ 644,801) 2005 (\$ 862,872) 2006 (\$ 1,118,655)

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

** The lower income in 2004 as compared to 2005 and 2006 was due to the Company receiving a \$1.3 million registration refund related to the services it provided, which was applied in 2004 against the service income earned under the agreement.

*** The increase in expenses in 2005 over 2004 was due to the group product cost center allocating more time to servicing New York products.

**** The increase in administrative expenses in 2005 as compared to 2004 was due to a larger amount of administrative and support functions being allocated to Sun Life Ireland.

***** The Company did not incur any income or expenses under the agreement during the examination period; however, the Company anticipates future services under this agreement.

***** IFMG Securities, Inc. was sold to an unaffiliated company on November 7, 2007. The agreement is no longer an active affiliate service agreement.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 25 directors. Prior to April 30, 2004, directors were to be elected annually at the meeting of stockholders held in February of each year. Effective April 30, 2004, the Company's by-laws were amended to prescribe that the annual meeting of stockholders be changed to March of each year. As of December 31, 2006, the board of directors consisted of 13 members. Meetings of the board are held at such time and such place within or without the state of New York as determined by the board.

The 13 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>
Thomas A. Bogart Toronto, ON	Executive Vice-President and Chief Legal Officer Sun Life Financial Inc.	2004
Scott M. Davis Winchester, MA	Vice President and General Counsel Sun Life Insurance and Annuity Company of New York	2004
Mary M. Fay W. Hartford, CT	Vice President and General Manager, Annuities Sun Life Insurance and Annuity Company of New York	2004
Ronald H. Friesen Dover, MA	Vice President, Chief Financial Officer and Treasurer Sun Life Insurance and Annuity Company of New York	2006
Keith Gubbay Wellesley, MA	Vice President and Chief Actuary Sun Life Insurance and Annuity Company of New York	2006
Leila Heckman, Ph.D.* New York, NY	Senior Managing Director Bear Stearns Asset Management Inc.	2003
Donald B. Henderson, Jr.* New York, NY	Partner LeBoeuf, Lamb, Greene & MacRae LLP	1999
Peter R. O'Flinn* West Cornwall, CT	Retired	1998
Robert C. Salipante Wellesley, MA	President Sun Life Insurance and Annuity Company of New York	2003
Barbara Z. Shattuck* New York, NY	Founder and Principal Shattuck Hammond Partners LLC	2003
Michael E. Shunney Westborough, MA	Vice President and General Manager, Group Insurance Sun Life Insurance and Annuity Company of New York	2006

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
David K. Stevenson* Needham, MA	Retired	2002
Michele G. Van Leer Wellesley, MA	Vice President & General Manager, Individual Insurance Sun Life Insurance and Annuity Company of New York	2006

* 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 certain principal officers of the Company as of December 31, 2006:

<u>Name</u>	<u>Title</u>
Robert C. Salipante	President
Michael S. Bloom	Assistant Vice President and Senior Counsel and Secretary
Keith Gubbay	Vice President and Chief Actuary
Ronald H. Friesen	Senior Vice President, Chief Financial Officer and Treasurer
George E. Maden*	Vice President and Chief Compliance Officer

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

In January 2007, Keith Gubbay was appointed Senior Vice President and Chief Actuary. Ronald H. Friesen was appointed Senior Vice President, Chief Financial Officer and Treasurer.

D. Territory and Plan of Operation

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

The Company is licensed to transact business in 2 states, namely New York and Rhode Island. In 2006, 100% of its life and accident and health premiums and 96.8% of

its annuity considerations were received from New York. Policies are written on a non-participating basis.

The Company's business is predominately individual annuities. About 68.1% of direct premiums are derived from individual annuity considerations. During the examination period, the Company expanded its individual universal life business significantly. In 2006, the Company reported \$47.1 million of individual life premiums due to a \$39.3 million increase in individual universal life business. Approximately 26.2% of direct premiums are from life insurance.

The Company's agency operations are conducted on a general agency and broker basis. One distributor, IFS Agencies, Inc., is an affiliate of the Company. In addition, Sun Life Financial Distributors, Inc., another affiliate of the Company, provides wholesaling and related support services to the Company with respect to marketing of annuity products. IFS Agencies, Inc. was sold to an unaffiliated company on November 7, 2007.

E. Reinsurance

As of December 31, 2006, the Company had reinsurance treaties in effect with 14 companies, of which 11 were authorized or accredited. The Company's life and accident and health business is reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$1,500,000. The total face amount of life insurance ceded as of December 31, 2006, was \$2,565,665,449 which represents 21.3% of the total face amount of life insurance in force. Reserve credits taken and paid and unpaid losses recoverable for reinsurance ceded to unauthorized companies totaled \$511,269 and \$1,114,183, respectively, the majority of which were supported by letters of credit and funds withheld. The Company reported a liability of \$267,034 as reinsurance in unauthorized reinsurers. During the examination period under review the Company entered into 7 new reinsurance treaties, 6 of which are life contracts representing approximately 28.9% of the Company's total life and reinsurance ceded as of December 31, 2006.

The Company did not have any assumed business as of December 31, 2006.

4. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, <u>2003</u>	December 31, <u>2006</u>	Increase (Decrease)
Admitted assets	\$ <u>2,563,689,951</u>	\$ <u>2,567,345,439</u>	\$ <u>3,655,488</u>
Liabilities	\$ <u>2,377,209,536</u>	\$ <u>2,434,652,822</u>	\$ <u>57,443,286</u>
Common capital stock	\$ 2,100,350	\$ 2,100,350	\$ 0
Gross paid in and contributed surplus	207,399,650	207,399,650	0
Unassigned (surplus)	<u>(23,019,585)</u>	<u>(76,807,383)</u>	<u>(53,787,798)</u>
Total capital and surplus	\$ <u>186,480,415</u>	\$ <u>132,692,617</u>	\$ <u>(53,787,798)</u>
Total liabilities, capital and surplus	\$ <u>2,563,689,951</u>	\$ <u>2,567,345,439</u>	\$ <u>3,655,488</u>

The significant decrease in unassigned surplus was primarily due to net losses from operations of \$50.0 million and \$3.8 million for the twelve-month periods ended December 31, 2006 and 2005, respectively. The Company commenced selling universal life insurance during 2004. The Company's net loss from operations of \$50.0 million in 2006 is primarily attributable to the higher reserves associated with an increase in universal life insurance sales.

The Company's invested assets as of December 31, 2006, exclusive of separate accounts, were mainly comprised of bonds (84.0%) and mortgage loans (9.4%).

The majority (94.8%) of the Company's bond portfolio, as of December 31, 2006, was comprised of investment grade obligations. The Company's mortgage loan portfolios consisted of commercial mortgages in good standing, diversified by region and by property type. At December 31, 2006, the Company did not have any mortgage loans more than 60 days in arrears.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

<u>Year</u>	<u>Individual Whole Life</u>		<u>Individual Term</u>		<u>Group Life</u>	
	<u>Issued</u>	<u>In Force</u>	<u>Issued</u>	<u>In Force</u>	<u>Issued & Increases</u>	<u>In Force</u>
2004	\$ 10,168	\$ 10,168	\$2,541	\$10,180	\$2,027,715	\$ 7,410,868
2005	\$153,803	\$ 170,575	\$2,357	\$ 2,357	\$3,851,812	\$ 9,796,078
2006	\$875,439	\$1,048,934	\$3,591	\$ 3,591	\$2,311,584	\$10,989,773

The significant increase in individual whole life insurance issued and in force during the examination period was primarily due to the Company commencing sales of universal life insurance during 2004.

The decrease in individual term insurance in force in 2005 was due to an increase in policyholders electing to convert one year term conversion policies to whole life policies.

The increase in group life insurance issued and increases and in force in 2005 as compared to 2004 was mainly the result of larger cases sizes sold as well as increased renewal volumes.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	<u>Ordinary Annuities</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Outstanding, end of previous year	52,470	52,466	49,046
Issued during the year	3,185	2,681	2,151
Other net changes during the year	<u>3,189</u>	<u>6,101</u>	<u>7,297</u>
Outstanding, end of current year	<u>52,466</u>	<u>49,046</u>	<u>43,900</u>

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	\$ (22,553)	\$(9,050,386)	\$(81,558,381)
Individual annuities	13,550,533	4,633,883	25,711,366
Supplementary contracts	<u>1,662,877</u>	<u>1,123,914</u>	<u>216,260</u>
Total ordinary	<u>\$15,190,857</u>	<u>\$(3,292,589)</u>	<u>\$(55,630,755)</u>
Group:			
Life	<u>\$ 1,177,894</u>	<u>\$ (694,473)</u>	<u>\$ 906,806</u>
Accident and health:			
Group	\$ (1,060,129)	\$ 807,679	\$ 1,353,765
Other	<u>(100,536)</u>	<u>(87,237)</u>	<u>7,001</u>
Total accident and health	<u>\$ (1,160,665)</u>	<u>\$ 720,442</u>	<u>\$ 1,360,766</u>
Total	<u>\$15,208,086</u>	<u>\$(3,266,620)</u>	<u>\$(53,363,183)</u>

The significant increase in operating loss for the ordinary life line of business during the examination period was primarily due to commencement of universal life insurance sales during 2004. The losses arose from the higher reserves necessary to support increased universal life insurance sales.

The decrease in operating income for the ordinary annuity line in 2005 was primarily due to a decrease in investment and fee income, combined with an increase in general expenses.

The significant increase in operating income for the ordinary annuity line in 2006 was primarily due to a large block of annuity contracts surrendered in 2006 because of the expiration of the surrender charge period during 2005, which contributed to a release of ordinary annuity reserves and increased income in 2006.

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	\$1,256,324,020
Stocks:	
Preferred stocks	5,610,680
Common stocks	6,083,778
Mortgage loans on real estate:	
First liens	140,764,588
Cash, cash equivalents and short term investments	22,438,050
Contract loans	139,103
Receivable for securities	1,151,891
Securities lending collateral	62,735,499
Investment income due and accrued	12,823,521
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	4,326,362
Deferred premiums, agents' balances and installments booked but deferred and not yet due	98,348
Reinsurance:	
Amounts recoverable from reinsurers	963,441
Current federal and foreign income tax recoverable and interest thereon	112,002
Net deferred tax asset	13,135,412
Receivables from parent, subsidiaries and affiliates	4,435,124
Aggregate write-ins for other than invested assets	1,035,836
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>1,035,167,784</u>
Total admitted assets	<u>\$2,567,345,439</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$1,320,232,800
Aggregate reserve for accident and health contracts	24,665,105
Liability for deposit-type contracts	5,376,521
Contract claims:	
Life	4,175,503
Accident and health	985,313
Premiums and annuity considerations for life and accident and health contracts received in advance	1,649,310
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	108,563
Interest maintenance reserve	2,857,345
Commissions to agents due or accrued	1,602,446
General expenses due or accrued	770,629
Transfers to Separate Accounts due or accrued	(49,201,989)
Taxes, licenses and fees due or accrued, excluding federal income taxes	127,922
Amounts withheld or retained by company as agent or trustee	97,957
Remittances and items not allocated	2,638,697
Miscellaneous liabilities:	
Asset valuation reserve	12,149,457
Reinsurance in unauthorized companies	267,034
Funds held under reinsurance treaties with unauthorized reinsurers	1,566,162
Payable for securities	5,621,927
Payable for securities lending collateral	62,735,499
Escheatment liabilities	59,724
Stale checks	458,075
Accrued interest on policy claims	100,212
Amount payable miscellaneous	500,636
From Separate Accounts statement	<u>1,035,107,974</u>
 Total liabilities	 <u>\$2,434,652,822</u>
 Common capital stock	 \$2,100,350
Gross paid in and contributed surplus	207,399,650
Unassigned (surplus)	<u>(76,807,383)</u>
Surplus	\$ <u>130,592,267</u>
Total capital and surplus	\$ <u>132,692,617</u>
 Total liabilities, capital and surplus	 <u>\$2,567,345,439</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Premiums and considerations	\$240,530,285	\$164,553,949	\$275,918,726
Investment income	92,444,826	91,014,087	89,029,871
Net gain from operations			
from Separate Accounts	5,005	2,838	6,854
Commissions and reserve adjustments			
on reinsurance ceded	0	215	598
Miscellaneous income	<u>11,108,418</u>	<u>11,169,518</u>	<u>16,359,961</u>
Total income	<u>\$344,088,534</u>	<u>\$266,740,607</u>	<u>\$381,316,010</u>
Benefit payments	\$236,883,810	\$344,030,686	\$473,604,281
Increase in reserves	(20,598,673)	(122,350,793)	(159,223,005)
Commissions	14,666,131	9,783,453	22,746,900
General expenses and taxes	18,572,370	22,903,486	23,585,836
Net transfers to Separate Accounts	82,474,015	16,112,874	70,557,839
Miscellaneous deductions	<u>3,602</u>	<u>12,815</u>	<u>2,478</u>
Total deductions	<u>\$332,001,255</u>	<u>\$270,492,521</u>	<u>\$431,274,338</u>
Net gain (loss)	\$ 12,087,279	\$ (3,751,914)	\$ (49,958,328)
Dividends	0	0	0
Federal and foreign income taxes incurred	<u>(3,120,807)</u>	<u>(485,294)</u>	<u>3,404,855</u>
Net gain (loss) from operations			
before net realized capital gains	\$ 15,208,086	\$ (3,266,620)	\$ (53,363,183)
Net realized capital gains (losses)	<u>(401,410)</u>	<u>(5,350,221)</u>	<u>2,180,305</u>
Net income (loss)	<u>\$ 14,806,676</u>	<u>\$ (8,616,841)</u>	<u>\$ (51,182,878)</u>

The decrease in premiums and considerations in 2005 as compared with 2004 was primarily due to an \$80.0 million decrease in annuity premiums in 2005.

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capital and surplus, December 31, prior year	\$ <u>186,480,415</u>	\$ <u>192,130,695</u>	\$ <u>186,981,090</u>
Net income	\$ 14,806,676	\$ (8,616,841)	\$ (51,182,878)
Change in net unrealized capital gains (losses)	4,691	(485,931)	554,478
Change in net unrealized foreign exchange capital (loss)	(263)	(273)	(147)
Change in net deferred income tax	(5,861,707)	4,312,517	20,710,884
Change in non-admitted assets and related items	(820,822)	(815,046)	(21,269,129)
Change in liability for reinsurance in unauthorized companies	0	(215,974)	(51,060)
Change in asset valuation reserve	(2,478,295)	669,693	(3,050,621)
Surplus (contributed to)			
Separate Accounts during period	(2000)	(1,150)	0
Other changes in surplus in			
Separate Accounts statement	2000	3,400	0
Net change in capital and surplus for the year	\$ <u>5,650,280</u>	\$ <u>(5,149,605)</u>	\$ <u>(54,288,473)</u>
Capital and surplus, December 31, current year	\$ <u>192,130,695</u>	\$ <u>186,981,090</u>	\$ <u>132,692,617</u>

7. PRIOR REPORT SUMMARY AND CONCLUSION

Following is the comment contained in the prior report on examination and the subsequent action taken by the Company in response:

<u>Item</u>	<u>Description</u>
A	Effective September 30, 2005, the Company will strengthen its reserves by \$5 million for its market value adjustment annuities. The Company strengthened its reserves by \$5 million for its market value adjustment annuities effective September 30, 2005.

Respectfully submitted,

_____/s/
Henry Wong
Senior Insurance Examiner

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

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

_____/s/
Henry Wong

Subscribed and sworn to before me
this _____ day of _____ 2008.

APPOINTMENT NO. 22662

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:

HENRY WONG

as a proper person to examine into the affairs of the

SUN LIFE INSURANCE & ANNUITY 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 16th day of July, 2007

ERIC R. DINALLO
Superintendent of Insurance



Superintendent

