

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
AMERICAN MAYFLOWER LIFE INSURANCE COMPANY
OF NEW YORK
AS OF
DECEMBER 31, 2001

DATE OF REPORT:

AUGUST 9, 2002

EXAMINER:

EDWARD J. TASKER

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	4
A. History	4
B. Holding company	4
C. Management	8
D. Territory and plan of operation	10
E. Reinsurance	11
4. Significant operating results	12
5. Financial statements	14
A. Assets, liabilities, capital, surplus and other funds	14
B. Condensed summary of operations	16
C. Capital and surplus account	17
6. Market conduct activities	18
A. Advertising and sales activities	18
B. Underwriting and policy forms	19
C. Treatment of policyholders	19
D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)	20
7. Non-facilitation of examination	21
8. Prior report summary and conclusions	22
9. Summary and conclusions	23



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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

August 9, 2002

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21821, dated January 25, 2002 and annexed hereto, an examination has been made into the condition and affairs of the American Mayflower Life Insurance Company of New York, hereinafter referred to as "the Company," at its home office located at 125 Park Avenue, New York, New York 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 Company violated Section 310(a)(3) of the New York Insurance Law by failing to facilitate the examination. (See item 7 of this report)

The Company violated Section 1505 of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into transactions with an affiliate at least thirty days prior thereto. The services provided by GECA, at no cost, are equivalent to the Company receiving a surplus contribution. Accordingly, the Company shall transfer the amount of \$2,892,253 from “Unassigned Surplus” to “Paid-in and Contributed Surplus,” to reflect the cost of the services received from GECA. (See item 3B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1998. This examination covers the period from January 1, 1999 through December 31, 2001. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2001 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, 2001 to determine whether the Company's 2001 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
- Market conduct activities
- Growth of Company
- Business in force by states
- Mortality and loss experience
- Reinsurance
- Accounts and records
- Financial statements

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

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

3. DESCRIPTION OF COMPANY

A. History

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

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

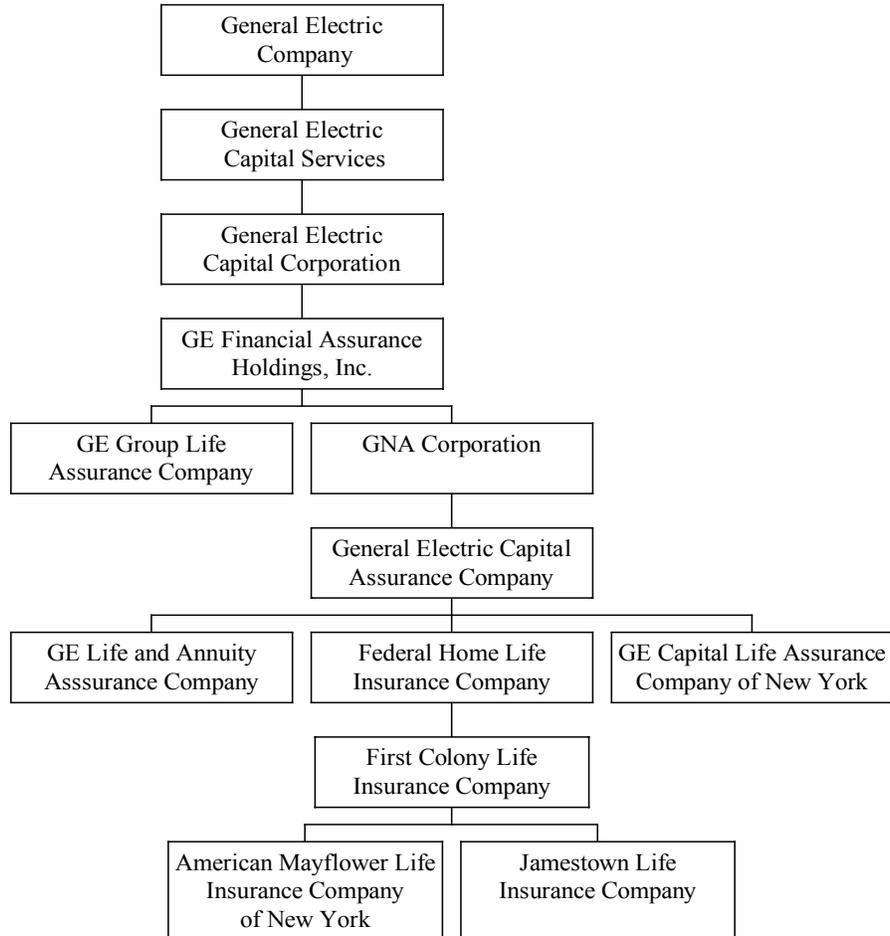
In late 1972, control (93.2%) of the Company was acquired by First Colony Life Insurance Company ("First Colony"). First Colony increased its ownership of the Company to 100% as of December 31, 1975.

As a result of various surplus contributions by First Colony, the Company had gross paid-in and contributed surplus of \$40,874,676 as of December 31, 2001.

B. Holding Company

The Company is a wholly-owned subsidiary of First Colony, a Virginia domiciled life insurance company, which in turn is a wholly-owned subsidiary of Federal Home Life Insurance Company ("FHL"). FHL is 97.7% owned by GECA, a Delaware company, that was formed in 1996 as a holding company for the life, health, annuity and property and casualty insurance entities that General Electric Capital Corporation began acquiring in 1993. The ultimate parent of the Company is General Electric Company, a New York company and among the largest manufacturing, product, communication and financial services organizations in the world.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2001 follows:



The Company had 10 service agreements in effect with four service providers as of December 31, 2001, which are described as follows:

The Company and First Colony are parties to a service agreement whereby First Colony provides legal, actuarial, accounting, data processing, advertising and sales promotion, salary savings processing, single premium immediate annuity processing, claims and medical consulting and management and miscellaneous consulting services to the Company.

The Company and GE Capital Life Assurance Company of New York (“GECLA”) are parties to two service agreements. Under one agreement GECLA provides underwriting and new business preparation, claims, policyholder and customer service, recordkeeping, marketing, advertising and sales promotion, and functional support services. Under the second agreement,

GECLA provides the Company with certain administrative and special services for its deferred annuity operations.

The Company entered into a Master Outsourcing Agreement (“Agreement”) with GE Capital International Services (“GECIS”), a corporation formed under the laws of the Republic of India. The Agreement provides the standard terms for all services to be provided by GECIS for the Company under various Project Specific Agreements (“PSA’s”). The provisions of the Agreement address among other things, the conditions under which the parties may terminate the Agreement, confidentiality requirements, contractual remedies, limitations on assignment and subcontracting, indemnification and representations and warranties. Rather than stating the standard terms in each of the PSA’s, this Agreement is referenced in the individual PSA.

The Company entered into five Project Specific Agreements with GECIS which are separate and distinct contracts that detail the specific services to be provided by GECIS for the Company and as noted above incorporate the terms and conditions of the Master Outsourcing Agreement by reference. These PSA’s allow GECIS to provide processing for life insurance and annuities; case management services to include: data entry; new application review; application processing and case preparation; software services; web support services; consulting services pertaining to the potential outsourcing of certain operational, financial, accounting, treasury, and information systems’ functions and other operational matters.

The Company is also party to a consulting services agreement with IFN Insurance Agency, Inc. (“IFN”), formerly Forth Financial Resources, Ltd., of Richmond, Virginia, whereby IFN provides marketing consulting and agent administrative services to the Company.

The Company submitted an investment management and services agreement between itself and GE Asset Management Incorporated on February 19, 2002. This agreement was approved and became effective on May 1, 2002.

On November 30, 1999 the Company paid a cash dividend of \$6.5 million to its parent, First Colony.

The Company is also party to a tax allocation agreement and files a consolidated federal tax return with a number of life insurance affiliates.

Section 1505 of the New York Insurance Law states, in part:

“(a) Transactions within a holding company system to which a controlled insurer is a party shall be subject to the following:

(1) the terms shall be fair and equitable;

(2) charges or fees for services performed shall be reasonable . . .

(d) The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . .

(3) rendering of services on a regular or systematic basis . . .”

GECA has provided investment management services without a service agreement and without charge to the Company since 1997. Based on the Company’s estimates, the cost for services provided since 1997 would have amounted to \$2,892,253.

The Company violated Section 1505 of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into such transaction at least thirty days prior thereto.

The services provided by GECA, at no cost, are equivalent to the Company receiving a surplus contribution. Accordingly, the Company shall transfer the amount of \$2,892,253 from “Unassigned Surplus” to “Paid-in and Contributed Surplus,” to reflect the cost of the services received from GECA.

Section 308(a) of the New York Insurance Law states, in part:

“The superintendent may also address to any . . . authorized insurer or its officers any inquiry in relation to its transactions or condition or any matter connected therewith. Every corporation or person so addressed shall reply in writing to such inquiry promptly . . .”

Department Circular Letter No. 33 (1979) advises, in part:

“ . . . notification to this Department should be given within 30 days of any amendment to or termination of a tax allocation agreement. . . .”

The Company participates in a tax allocation agreement that was amended as of December 2001. The amendment was submitted to the Department on June 14, 2002.

The Company violated Section 308(a) of the New York Insurance Law by failing to notify the Department in a timely manner of the amendment to the tax allocation agreement as advised by Department Circular Letter No. 33 (1979).

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 25 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2001, the board of directors consisted of 13 members. The board of directors may, by resolution, provide for the holding of regular meetings and may fix the times and places at which such meetings may be held. The board holds regular meetings in March, May, August and September.

The 13 board members and their principal business affiliation, as of December 31, 2001, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
James D. Atkins Lynchburg, VA	Senior Vice President and Illustration Actuary American Mayflower Life Insurance Company of New York	2001
Marshall S. Belkin* Irvington, NY	Partner Belkin, Natale & Oxman	1971
Richard I. Byer* Yonkers, NY	Executive Vice President Clark and Pope, Inc.	1971
Thomas W. Casey Richmond, VA	Senior Vice President and Chief Financial Officer American Mayflower Life Insurance Company of New York	1999
Bernard M. Eiber* Great Neck, NY	Attorney Self-employed	1979
Jerry S. Handler* New York, NY	President Handro Management Corp.	1957
Gerald A. Kaufman* Plainview, NY	Attorney Self-employed	1971

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Leon E. Roday Richmond, VA	Senior Vice President and General Counsel American Mayflower Life Insurance Company of New York	1997
Isadore Sapir* West Palm Beach, FL	Retired Secretary American Mayflower Life Insurance Company of New York	1961
Thomas A. Skiff New York, NY	President, Long Term Care Division GE Capital Life Assurance Company of New York	1997
David J. Sloane Glen Cove, NY	Senior Vice President and Chief Administrative Officer American Mayflower Life Insurance Company of New York	2001
Geoffrey S. Stiff Richmond, VA	Senior Vice President American Mayflower Life Insurance Company of New York	1997
George R. Zippel Lynchburg, VA	President, Chairman and Chief Executive Officer American Mayflower Life Insurance Company of New York	2001

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

In 2002, Thomas W. Casey and Thomas A. Skiff resigned from the board. Mr. Skiff remained with the Company. New members, Peter W. Presperin, Thomas W. Stinson and Beth E. Worthman, were elected increasing the number of board members to 14.

The Company holds joint board meetings with an affiliate, GE Capital Life Assurance Company of New York. Joint board meetings may hinder the board from performing its responsibilities to the Company. It would be in the Company's best interest to conduct corporate proceedings such as board meetings, separate from the board meetings of affiliates, where the interests of the Company can be focused on.

The examiner recommends that the Company hold its own board meetings, separate from the board meetings of affiliates, and document such by separate board minutes in order to maintain the Company's separate legal and operating identity.

The following is a listing of the principal officers of the Company as of December 31, 2001:

<u>Name</u>	<u>Title</u>
George R. Zippel	President and Chief Executive Officer
Gary T. Prizzia	Treasurer
James D. Atkins	Senior Vice President and Illustration Actuary
David J. Beck	Senior Vice President and Chief Investment Officer
Debora D. Horvath	Senior Vice President and Chief Information Officer
Donita M. King	Senior Vice President, General Counsel and Secretary
Deborah C. Towner	Senior Vice President and Chief Mortgage Investment Officer
Clifford A. Lange	Senior Vice President and Chief Actuary
David J. Sloane*	Senior Vice President and Chief Administrative Officer
Thomas W. Casey	Senior Vice President and Chief Financial Officer
Harry D. Dunn	Vice President and Appointed 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 ceased writing accident and health business in 1970.

The Company is licensed to transact business in seven states, namely Connecticut, Florida, Maryland, New Jersey, New York, Rhode Island and Virginia. In 2001, 94.54% of life premiums and virtually all annuity considerations were received from New York. Policies are written on a non-participating basis.

On October 2, 1981 the Company was issued a special permit by the Superintendent, pursuant to the provisions of Section 4231(f)(1) of the New York Insurance Law, authorizing it to issue participating policies. In February 1982, the Company commenced writing participating policies. As of January 1988, the Company ceased issuing participating policies.

The Company primarily writes term life, whole life and universal life products, as well as single premium immediate annuities.

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

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 for obtaining in this state any new contract of life insurance or any new annuity contract, except to a licensed life insurance agent of such insurer . . .”

Walter F. Linebarger, III, Producer America, Main Financial Services, Inc., Joline P. Associates, Thomas Connolly and Strategic Planning wrote business for the Company during the examination period. However, none of the agents were appointed to represent the Company and all were paid commissions during the examination period.

The Company violated Sections 2112(a) and 2114(a)(1) of the New York Insurance Law by failing to appoint agents to represent it and for paying commissions to such agents.

E. Reinsurance

As of December 31, 2001, the Company had reinsurance treaties in effect with 21 companies, of which 14 were authorized or accredited. The Company's ordinary life policies are ceded on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is \$100,000. The total face amount of life insurance ceded as of December 31, 2001, was \$10,928,154,800 which represents 68.78% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$32,584,481, was supported by letters of credit and funds withheld.

The Company incorrectly listed Transamerica Occidental Life Insurance Company (“Occidental”) on Schedule S of its 2001 filed annual statement. The reinsurance agreement with Occidental was terminated on December 31, 1999 and novated to AUSA Life Insurance Company, Inc. (“AUSA”). As a result, AUSA should have been listed on Schedule S of the 2001 annual statement

The examiner recommends that the Company exercise greater care in the preparation of Schedule S of the annual statement.

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 during the period under review:

	December 31, <u>1998</u>	December 31, <u>2001</u>	<u>Increase</u>
Admitted assets	<u>\$856,957,346</u>	<u>\$997,107,162</u>	<u>\$140,149,816</u>
Liabilities	<u>\$787,929,376</u>	<u>\$922,709,941</u>	<u>\$134,780,565</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	40,874,676	40,874,676	0
Group life contingency reserve	48,951	48,951	0
Unassigned funds (surplus)	<u>26,104,343</u>	<u>31,473,594</u>	<u>5,369,251</u>
Total capital and surplus	<u>\$ 69,027,970</u>	<u>\$ 74,397,221</u>	<u>\$ 5,369,251</u>
Total liabilities, capital and surplus	<u>\$856,957,346</u>	<u>\$997,107,162</u>	<u>\$140,149,816</u>

The Company’s invested assets, as of December 31, 2001, were mainly comprised of bonds (94.3%).

The majority (95.2%) of the Company’s bond portfolio as of December 31, 2001 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>1999</u>	<u>2000</u>	<u>2001</u>
Ordinary:			
Life insurance	\$(6,210,910)	\$3,035,173	\$1,511,039
Individual annuities	4,339,294	2,331,348	1,778,365
Supplementary contracts	<u>0</u>	<u>0</u>	<u>(162,221)</u>
Total ordinary	<u>\$(1,871,616)</u>	<u>\$5,366,521</u>	<u>\$3,127,183</u>
Group life	\$ <u>112,490</u>	\$ <u>27,655</u>	\$ <u>40,697</u>
Accident and health – other	\$ <u>134</u>	<u>1</u>	<u>168</u>
Total	<u>\$(1,758,992)</u>	<u>\$5,394,177</u>	<u>\$3,168,048</u>

The Company attributes the changes reported for the life line of business to a miscoding in their valuation system whereby the same reserve requirements were incorrectly utilized for both its “non-smoker” and “smoker” classes. This resulted in the Company carrying excess reserves. The Company recognized this situation during the first quarter of 2000, and corrected it at that time. The corrections decreased reserves by \$2.2 million in 2000 and \$800,000 in 2001.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2001, as contained in the Company's 2001 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2001

Admitted Assets

Bonds	\$906,500,428
Common stocks	6,422
Mortgage loans – first liens	4,731,070
Policy loans	29,224,459
Cash and short term investments	4,669,162
Other invested assets	55,000
Receivable for securities	16,043,310
Reinsurance ceded:	
Amounts recoverable from reinsurers	1,147,767
Commissions and expense allowances due	1,265,206
Life insurance premiums and annuity considerations: deferred and uncollected on in force business	14,113,860
Investment income due and accrued	18,916,873
Receivable from parent, subsidiaries and affiliates	<u>433,605</u>
 Total admitted assets	 <u>\$997,107,162</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$628,889,918
Aggregate reserve for accident and health policies	428
Liability for deposit-type contracts	192,631,065
Policy and contract claims - life	4,007,180
Policyholders' dividend and coupon accumulations	245
Provision for policyholders' dividends and coupons payable in Following calendar year-estimated amounts:	
Dividends apportioned for payment	19,989
Premiums and annuity considerations received in advance	16,457
Liability for premium and other deposit funds:	
Other amounts payable on reinsurance ceded	1,175,333
Interest maintenance reserve	14,962,834
Commissions to agents due or accrued	756,119
General expenses due or accrued	2,900,257
Taxes, licenses and fees due or accrued	1,256,772
Federal income taxes due or accrued	7,538,985
Unearned investment income	845,064
Remittances and items not allocated	17,456,741
Miscellaneous liabilities:	
Asset valuation reserve	5,786,925
Reinsurance in unauthorized companies	35,309
Funds held under reinsurance treaties with unauthorized reinsurers	43,022,952
Payable to parent, subsidiaries and affiliates	1,118,870
Unclaimed funds	279,112
Reserve increase payable on modified coinsurance	<u>9,386</u>
 Total liabilities	 <u>\$922,709,941</u>
 Common capital stock	 \$ 2,000,000
Gross paid in and contributed surplus	40,874,676
Group life contingency reserve	48,951
Unassigned funds (surplus)	<u>31,473,594</u>
 Total capital, surplus and other funds	 <u>\$ 74,397,221</u>
 Total liabilities, capital, surplus and other funds	 <u>\$997,107,162</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Premiums and considerations	\$ 65,291,672	\$ 83,194,541	\$ 56,147,484
Investment income	64,833,864	67,022,055	70,395,811
Commissions and reserve adjustments on reinsurance ceded	8,348,494	10,060,740	5,747,752
Miscellaneous income	<u>(1,414,278)</u>	<u>(2,379,714)</u>	<u>(3,740,588)</u>
Total income	<u>\$137,059,752</u>	<u>\$157,897,622</u>	<u>\$128,550,459</u>
Benefit payments	\$ 73,964,069	\$ 92,766,504	\$ 80,360,234
Increase in reserves	36,486,929	20,504,436	19,846,912
Commissions	6,186,402	11,063,256	8,322,630
General expenses and taxes	17,766,110	22,144,565	18,536,179
Increase in loading and cost of collection	<u>(107,396)</u>	<u>1,944,603</u>	<u>(6,499,678)</u>
Total deductions	<u>\$134,296,114</u>	<u>\$148,423,364</u>	<u>\$120,566,277</u>
Net gain (loss)	\$ 2,763,638	\$ 9,474,259	\$ 7,984,182
Dividends	28,600	22,281	12,758
Federal income taxes	<u>4,494,029</u>	<u>4,057,804</u>	<u>4,803,373</u>
Net gain (loss) from operations before net realized capital gains	\$ (1,758,991)	\$ 5,394,174	\$ 3,168,051
Net realized capital gains (losses)	<u>0</u>	<u>0</u>	<u>(915,902)</u>
Net income	<u>\$ (1,758,991)</u>	<u>\$ 5,394,174</u>	<u>\$ 2,252,149</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Capital and surplus, December 31, prior year	\$ <u>69,027,970</u>	\$ <u>56,572,253</u>	\$ <u>60,971,758</u>
Net income	\$ (1,758,991)	\$ 5,394,174	\$ 2,252,149
Change in net unrealized capital gains (losses)	(528)	(3,884,362)	1,881,157
Change in non-admitted assets and related items	(38,769)	(2,677,256)	2,110,226
Change in liability for reinsurance in unauthorized companies	(3,729,040)	3,732,713	(22,689)
Change in reserve valuation basis	0	0	6,447,596
Change in asset valuation reserve	(428,389)	1,834,235	(2,745,010)
Cumulative effect of change in accounting principles	0	0	3,684,222
Dividends to stockholders	(6,500,000)	0	0
Non-admitted accrued investment income	<u>0</u>	<u>0</u>	<u>(182,185)</u>
Net change in capital and surplus	\$ <u>(12,455,717)</u>	\$ <u>4,399,505</u>	\$ <u>13,425,466</u>
Capital and surplus, December 31, current year	\$ <u><u>56,572,253</u></u>	\$ <u><u>60,971,758</u></u>	\$ <u><u>74,397,224</u></u>

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

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

“Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state . . . ”

The examiner requested a sample of 13 advertisements for review, however only six were provided by the Company.

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

2. 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.”

Section 219.4(p) of Department Regulation No. 34-A states, in part:

“In all advertisements made by an insurer, or on its behalf, the name of the insurer shall be clearly identified, together with the name of the city, town or village in which it has its home office in the United States. . . . ”

One of the advertisements reviewed by the examiner (306TA483 0299) was a national advertisement that mentioned the Company and three affiliated insurers, two of which are

unauthorized. The advertisement did not have a disclaimer stating where the insurers are licensed to write insurance.

In addition, the same advertisement did not identify the city, town or village of the Company's home office.

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

B. Underwriting and Policy Forms

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

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

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

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

“Except as otherwise required by law or regulation, an insurer shall maintain . . .
 (6) A complaint record . . . for six calendar years after all elements of the complaint are resolved and the file is closed . . .
 (e) The records shall be readily available and easily accessible to the superintendent in accordance with Insurance Law Section 310. . . .”

Department Circular Letter No. 11 (1978) advises, in part:

“ . . . As part of its complaint handling function, the company's consumer services department will maintain an ongoing central log to register and monitor all complaint activity. The log should be kept in a columnar form and list the following . . .
 3. The New York State Insurance Department file number . . .
 9. The subject matter of the complaint. . . .”

The examiner requested a sample of 19 complaint files of which only 16 were provided. In addition, one of the files provided was incomplete due to missing correspondence.

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

In addition, the Company's complaint log did not include the Department's file number or the subject matter of the complaint.

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

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the "Supplement"), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company reported that it reviewed underwriting manuals, life insurance applications, policy files, form filings, agent product and procedure manuals, agent contracts and compensation schedules and rate charts. The Company also had conversations with senior underwriting staff, forms filing staff and a senior board member. The Company's review also included a sample of policy files from the 1960's through the 1990's and a review of product filings for the same time period. A sample of rate charts used in the 1970's and the 1980's were reviewed along with the current Agent Product Guide and Procedures Manual. The Company concluded "based on this review that there is no evidence of an individual's race, color, creed or national origin being part of the Company's underwriting process."

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

7. NON-FACILITATION OF THE EXAMINATION

Section 310(a)(3) of the New York Insurance Law states, in part:

“The officers and agents of such insurer . . . shall facilitate such examination and aid such examiners in conducting the same so far as it is in their power to do so.”

A pre-examination letter was mailed to the Company on January 4, 2002. At the fourth quarter meeting, held at the Department’s offices on January 30, 2002, the Company stated that the examiner would receive a response to the pre-examination letter by the end of February 2002. At a pre-examination meeting, held at the Company’s offices on March 19, 2002, the examiner was told that the Company was still working on the requests contained in the pre-examination letter. However, virtually none of the information requested in the pre-examination letter was provided prior to the start of the on-site examination. Some of the information requested in the letter was provided during the on-site examination, but much of the information remained outstanding for most of the duration of the on-site examination.

At the March 19th pre-examination meeting the Company agreed to respond to memos and/or requests written by the examiner within five business days. The examiner wrote 118 memos during the course of the examination. Of these, only 20 memos were responded to in full within the five business day period (two memos took six days), while 39 memos took more than 21 business days. Several meetings were held to discuss the length of time taken to respond to memoranda wherein the Company agreed to respond to the examiners in a more timely manner, however this never materialized.

Furthermore, the Company could not provide a proper contact person to confirm a private placement bond reported on Schedule D of its 2001 filed annual statement. The only evidence of ownership of the asset was through a bank statement showing interest and principal repayments that was provided by the Company subsequent to the on-site examination. The examiner was unable to confirm ownership of the asset directly with the issuer.

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

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain notations in its advertising file indicating the manner and extent of distribution.</p> <p>A review of the Company's advertising file revealed notations of manner and extent of distribution for each advertisement.</p>
B	<p>The Company violated Section 2122(a)(2) of the New York Insurance Law by referring to its parent, First Colony, an unauthorized insurer in its advertisements.</p> <p>The violation is repeated in this report on examination.</p>

9. SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>	<u>Page No(s)</u>
A	The Company violated Section 1505 of the New York Insurance Law by failing to notify the Superintendent in writing of its intention to enter into transactions with an affiliate at least thirty days prior thereto.	7
B	The Company shall transfer \$2,892,253 from “Unassigned Surplus” to “Paid-in and Contributed Surplus” to reflect the cost of services received from GECA.	7
C	The Company violated Section 308(a) of the New York Insurance Law by failing to notify the Department in a timely manner of the amendment to the tax allocation agreement as advised by Department Circular Letter No. 33 (1979).	7 – 8
D	The examiner recommends that the Company hold its own board meetings, separate from the board meetings of affiliates, and document such by separate board minutes in order to maintain the Company’s separate legal and operating identity.	10
E	The Company violated Sections 2112(a) and 2114(a)(1) of the New York Insurance Law by failing to appoint agents to represent it and for paying commissions to such agents.	11
F	The examiner recommends that the Company take greater care in the preparation of Schedule S of the annual statement.	12
G	The Company violated Section 219.5(a) of Department Regulation No. 34-A by not maintaining a complete advertising file at its home office.	18
H	The Company violated Section 2122(a)(2) of the New York Insurance Law and Section 219.4(p) of Department Regulation No. 34-A by using an advertisement that called attention to unauthorized insurers and failed to identify the city, town or village in which the Company has its home office.	18 – 19
I	The Company violated Section 243.2 of Department Regulation No. 152 by not maintaining a complete complaint record for each complaint.	19 – 20

<u>Item</u>	<u>Description</u>	<u>Page No(s)</u>
J	The examiner recommends that the Company include all the information required by Department Circular Letter No. 11 (1978) in its complaint log.	20
K	The Company violated Section 310(a)(3) of the New York Insurance Law for failing to facilitate the examination by not responding to requests and by not providing information in a timely manner.	21

APPOINTMENT NO. 21821

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

EDWARD TASKER

as a proper person to examine into the affairs of the

AMERICAN MAYFLOWER LIFE INSURANCE COMPANY OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 25th day of January, 2002



GREGORY V. SERIO

Superintendent of Insurance

A handwritten signature in dark ink, appearing to read "Gregory V. Serio", is written over a horizontal line. Below the signature, the word "Superintendent" is printed.

Superintendent