NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF

THE MANHATTAN LIFE INSURANCE COMPANY

CONDITION:	DECEMBER 31, 2016
DATE OF REPORT:	JUNE 11, 2018

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EXAMINER: VITALIY KYRYK, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 18, 2018

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31630, dated May 10, 2017, and annexed hereto, an examination has been made into the condition and affairs of The Manhattan Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 225 Community Drive, Great Neck, NY 11021, and its administrative office at 10777 Northwest Freeway, Suite 800, Houston, TX 77092.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violation and comments contained in this report are summarized below.

- The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services from Family Life Insurance Company and Western United Life Assurance Company on a regular and systematic basis without notifying the Superintendent in writing of its intention to enter into such transactions at least 30 days prior thereto. (See item 3D of this report.)
- The examiner reviewed the Company's reserves as of December 31, 2016, in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding the lack of conservatism in certain assumptions with respect to the Company's asset adequacy. The Company has agreed to refine the reserve analysis in a manner acceptable to the Department. As a result, the Company has established additional asset adequacy testing reserves in the amount of $775 thousand as of March 31, 2018. (See item 7 of this report.)
- The Company increased the Cost of Insurance ("COI") rates for a number of universal life policies without appropriate approval or justification in violation of Section 4232(b) of the New York Insurance Law. The Company was informed and agreed to remove the COI increase and refund the appropriate amount to policyholders. The Company estimated that 255 New York policyholders were affected, with a total restitution of approximately $170 thousand. The Department is in the process of verifying this amount. (See item 7 of this report.)
- The examiner reviewed the Company's pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. The review included an examination of the required actuarial statements of self-support and the supporting demonstrations. During the review, concerns were raised regarding the overall process used to demonstrate self-support and the supportability of the current guarantees for several forms. The Department is continuing to review this issue with the Company. (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope financial examination as defined in the NAIC *Financial Condition Examiners Handbook, 2017 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2013, to December 31, 2016. 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, 2016, but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook's 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 New York statutes and Department's guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was led by the State of Arkansas with participation from the states of New York, Texas and Washington. Since the lead and participating states are accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

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 2013 through 2016, by the accounting firm of Deloitte & Touche 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 Central United Life Insurance Company ("CULIC") has an internal audit department which was given the task of assessing the internal control structure of its subsidiaries, including the Company. The Company follows the same internal control processes as CULIC; therefore, applicable shared internal audit 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 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 May 29, 1850, and was licensed and commenced business on August 1, 1850, under Chapter 308 of the laws of 1849 as an entity with a guarantee capital of $100,000. The Company was authorized to write participating life insurance policies.

On March 8, 1974, a Delaware corporation known as the Manhattan Life Corporation ("Manhattan Corp.") acquired control of the Company. In 1977, Manhattan Corp. eliminated minority interests in the Company pursuant to Section 7118 of the New York Insurance Law. The Company then became a privately held corporation. In 1982, Manhattan Corp. changed its name to Manhattan National Corporation ("Manhattan National").

On March 31, 1987, Union Central Life Insurance Company ("Union Central") acquired a majority interest in Manhattan National. On December 31, 1991, Manhattan National was liquidated and all outstanding shares of the Company were distributed to Manhattan National shareholders, and as a result, the Company again became a publicly held corporation with 72.9% of stocks owned by Union Central. Effective January 28, 1997, the Company's shareholders approved a 1-for-303,784 reverse stock split that resulted in Union Central becoming the sole shareholder of the Company. Union Central thus returned the Company to private ownership and took it off the NASDAQ National Market.

On February 4, 2000, Union Central completed the sale of all the guarantee capital shares of the Company to Connecticut Reassurance Corporation, which subsequently changed its name to Manhattan Insurance Group, Inc. ("MIG"), a group of four life and health insurance companies: the Company, CULIC, Family Life Insurance Company ("FLIC"), and Investors Consolidated Insurance Company ("Investors"). CULIC owned 51% of MIG, Northington/Connecticut Insurance Reinvestment, L.L.C. ("Northington") owned 47%, and the remaining 2% was owned by three other individuals.

In November 2001, the Company filed a plan to retire the guarantee capital shares and convert the Company to a stock insurer. The plan became effective on April 16, 2002, and the Company then became a stock insurer with eight shares of stock with a par value of $835,406 per share for a total capital of $6,683,248. On December 29, 2006, the Company acquired 100% of FLIC's outstanding shares from the Family Life Corporation.

During 2009, CULIC purchased the 49% of the issued and outstanding capital stocks of MIG that were owned by Northington (47%) and three other individuals (2%). MIG changed its state of incorporation from Connecticut to Texas on October 1, 2009.

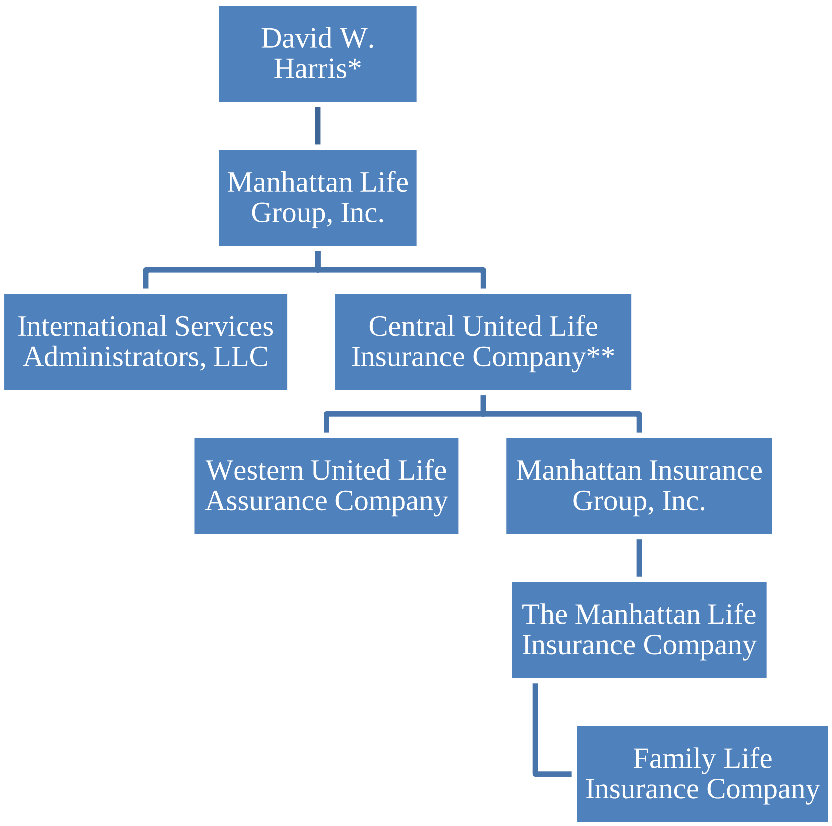
In April 2013, CULIC acquired Western United Life Assurance Company ("WULA"), a Washington domiciled insurer, and effective February 25, 2014, Investors merged into WULA, with WULA being the surviving entity.

B. Holding Company

The Company is a wholly owned subsidiary of MIG, a Texas privately held corporation, which is in turn a wholly owned subsidiary of CULIC, an Arkansas insurer. CULIC is in turn a wholly owned subsidiary of Manhattan Life Group, Inc. ("MLG"), a Texas corporation. MLG is ultimately owned by eleven individuals: David W. Harris (81.6%), Daniel George (5.1%), John Harris (2.4%), Geneva Harris (2.4%), Samuel Harris (2.4%), David D. Harris (2.4%), John Powelson (1.0%), Zeidy Harris (1.0%), Kent Lamb (0.8%), John McGettigan (0.8%), and David Parsons (0.1%).

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2016, follows:



* David W. Harris 81.6%, Daniel George 5.1%, David D. Harris 2.4%, Geneva Harris 2.4%, John Harris 2.4%, Samuel Harris 2.4%, John Powelson 1.0%, Zeidy Harris 1.0%, Kent Lamb 0.8%, John McGettigan 0.8%, and David Parsons 0.1%

** Effective May 1, 2017, CULIC changed its name to Manhattan Life Assurance Company of America

D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider of Services	Recipient of Services	Specific Services Covered	Expense* For Each Year of the Examination
Management Service Agreement File No 26946	02/04/2000	CULIC	The Company	Administrative, accounting, financial management, marketing, claims, underwriting, investment management, legal, personnel and IT services	2013 $(394,456) 2014 $(394,456) 2015 $(394,456) 2016 $(3,200,000)

* Amount of Expense Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent, MLG.

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

> "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 . . . ."

The Company received services from affiliates during the examination period without prior notification to the Superintendent in writing of its intention to enter into such transactions at least 30 days prior thereto. FLIC processes transactions related to Medicare supplement policies for the Company, and WULA processes annuity transactions for the Company. When the examiner asked the Company to provide copies of the intercompany service agreements between the Company and its affiliates, the Company indicated that it does not have such agreements with its affiliates.

The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services from FLIC and WULA on a regular and systematic basis without notifying the Superintendent in writing of its intention to enter into such transactions at least 30 days prior thereto.

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven directors. Directors are elected for a period of one year at the annual meeting of the stockholders. As of December 31, 2016, the board of directors consisted of nine members. Meetings of the board are held at least quarterly.

The nine board members and their principal business affiliations, as of December 31, 2016, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James M. Foster* Houston, TX	Owner Mitch Foster, DDS	2007
Daniel J. George Houston, TX	President and Treasurer The Manhattan Life Insurance Company	2000
Daniel A. Hargraves* Irvington, NY	President and Attorney Hargraves, McConnell & Costigan	2003
David W. Harris Houston, TX	Chairman of the Board and Chief Executive Officer The Manhattan Life Insurance Company	2000
Kent W. Lamb Cypress, TX	Senior Vice President and Chief Financial Officer The Manhattan Life Insurance Company	2007
Phillip A. Martin* Houston, TX	Owner Phillip Martin Architect	2006
John E. McGettigan Houston, TX	Executive Vice President, General Counsel, Chief Legal Officer and Secretary The Manhattan Life Insurance Company	2009
Teresa S. Moro Houston, TX	Senior Vice President The Manhattan Life Insurance Company	2013
Dale R. Oldham* Kansas City, MO	Independent Contractor Eisenach Reinsurance Services	2000

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

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2016:

Name	Title
David W. Harris	Chairman of the Board and Chief Executive Officer
Daniel J. George	President and Treasurer
John E. McGettigan*	Executive Vice President, General Counsel, Chief Legal Officer and Secretary
Kent W. Lamb	Senior Vice President and Chief Financial Officer
Lee Ann Blakey	Senior Vice President and Chief Operating Officer
Todd Z. Hayden	Senior Vice President and Chief Marketing Officer
Teresa S. Moro	Senior Vice President and Chief Investment Officer
David L. Parsons	Senior Vice President and Chief Technology Officer
William V. Bay Jr.	Senior Vice President, IT Web Development
John T. Harris	Vice President, Data Analytics
Ngoc-Bich T. Tran	Vice President, Internal Audit
Carolyn K. Pratt	Vice President, Controller

* Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

4. TERRITORY AND PLAN OF OPERATIONS

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, the District of Columbia and Puerto Rico. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2016:

Life Insurance Premiums	
New York	17.5%
California	11.2
Aggregate Other Alien*	9.0
Florida	7.5
New Jersey	5.0
Subtotal	50.3%
All others	49.7
Total	100.0%

Annuity Considerations	
Minnesota	15.2%
California	9.0
Florida	6.9
Pennsylvania	4.8
New York	4.7
Subtotal	40.6%
All others	59.4%
Total	100.0%

Accident and Health Insurance Premiums	
Texas	15.0%
Mississippi	12.5
Pennsylvania	9.6
Nebraska	8.2
Georgia	8.0
Subtotal	53.3%
All others	46.7%
Total	100.0%

* Life premiums were received from Latin American countries: Mexico (25.9 %), Peru (19.8 %), Venezuela (18.4 %), Ecuador (8.1%), and Argentina (7.8 %)

A. Statutory and Special Deposits

As of December 31, 2016, the Company had $2,000,000 (par 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. An additional $862,757 reported in Schedule E of the 2016 filed annual statement was being held by the states of Arkansas, Georgia, Massachusetts, New Mexico and North Carolina.

B. Direct Operations

The Company markets universal life, whole life, and term life products to individuals, and to small and medium-size employer groups via worksite distribution and managing general agents, and markets annuity business, with minimal new annuity considerations added to existing contracts. The Company also markets individual accident and health, and group disability income insurance. The Company ceased writing participating business in March 1998. All policies written prior to that date were participating. In July 2002, the Company began writing a non-participating simplified issue universal life policy.

In 2014, the Company began writing the Medicare supplement product that had been written by FLIC. In addition, the Company began writing the WULA fixed income annuity in the central and eastern areas of the United States. Medicare supplement and fixed annuity products increased: direct premiums increased by over 400% for 2014, 120% in 2015 and 6% in 2016.

The Company's international segment that began in 2003 by marketing universal life and term life products marketed primarily to upper-middle income individuals in Latin America was placed in run-off during 2015.

The Company's agency operations are conducted on a general agency basis and its products are distributed through independent brokers/agents. There are 19 independent broker agents in New York and 14,410 independent broker agents nationwide.

C. Reinsurance

As of December 31, 2016, the Company had reinsurance treaties in effect with 20 companies, of which 18 were authorized or accredited. The Company's life 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 $250,000. The total face amount of life insurance ceded as of December 31, 2016, was $1,312,922,400, which represents 74.1% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $22,305,046, was fully supported by letters of credit and trust agreements.

The total face amount of life insurance assumed as of December 31, 2016, was $206,550,795.

Effective April 1, 2016, the Company transferred its structured settlement business to CULIC via a coinsurance agreement by transferring $44 million of annuity reserves and $44 million of mortgage loan assets and cash.

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, 2013	December 31, 2016	Increase (Decrease)
Admitted assets	$310,388,750	$543,131,707	$232,742,957
Liabilities	$273,446,966	$492,055,020	$218,608,054
Common capital stock	$ 6,683,248	$ 6,683,248	$ 0
Gross paid in and contributed surplus	13,422,338	13,422,338	0
Surplus Notes	9,000,000	7,000,000	(2,000,000)
Unassigned funds (surplus)	7,836,198	23,971,101	16,134,903
Total capital and surplus	$ 36,941,784	$ 51,076,687	$ 14,134,903
Total liabilities, capital and surplus	$310,388,750	$543,131,707	$232,742,957

The Company's invested assets as of December 31, 2016, were mainly comprised of bonds (77.3%), stocks (6.8%), and cash and short-term investments (6.8%).

The majority (98.1%) of the Company's bond portfolio, as of December 31, 2016, was comprised of investment grade obligations.

Admitted assets and liabilities increased by $232.7 and $218.6 million, respectively, because of the increase in the Company's annuities business beginning in 2014.

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):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2013	$25,817	$832,568	$201,794	$1,060,383	$836	$5,118
2014	$53,655	$779,399	$271,645	$1,243,665	$898	$4,296
2015	$39,654	$916,969	$187,025	$1,141,855	$665	$4,041
2016	$ 2,300	$811,158	$ 635	$ 957,569	$570	$3,196

Individual whole life and individual term life issued decreased in 2016 because the Company stopped writing life insurance in Latin America.

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

	Ordinary Annuities			
	2013	2014	2015	2016
Outstanding, end of previous year	934	890	1,620	3,308
Issued during the year	0	781	1,732	1,389
Other net changes during the year	(44)	(51)	(44)	(116)
Outstanding, end of current year	890	1,620	3,308	4,581

The fluctuation in ordinary annuities is primarily due to the normal course of business, and the overall growth is due to an organic growth in the line of business.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	Ordinary			
	2013	2014	2015	2016
Outstanding, end of previous year	494	3,788	23,300	46,542
Issued during the year	2,642	20,669	22,175	38,631
Other net changes during the year	652	(1,157)	1,067	(9,306)
Outstanding, end of current year	3,788	23,300	46,542	75,867

	Group			
	2013	2014	2015	2016
Outstanding, end of previous year	50	11	1,574	2,079
Issued during the year	1	369	551	669
Other net changes during the year	(40)	1,194	(46)	(414)
Outstanding, end of current year	11	1,574	2,079	2,334

The increases in ordinary and group issued accident and health insurance policies are primarily due to increase in Medicare supplement business.

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:

	2013	2014	2015	2016
Ordinary:				
Life insurance	$2,964,719	$ 902,627	$ 1,450,014	$ 3,966,358
Individual annuities	0	548,565	6,851,630	7,501,008
Supplementary contracts	0	61,131	20,896	38,246
Total ordinary	$2,964,719	$1,512,323	$ 8,322,540	$11,505,612
Group:				
Life	$ 53,438	$ 18,502	$ 77,560	$ 74,253
Annuities	434,124	153,465	601,860	56,458
Total group	$ 487,562	$ 171,967	$ 679,420	$ 130,711
Accident and health:				
Group	$ 0	$ 0	$ 378,188	$ 386,128
Other	219,953	1,086,033	1,857,772	2,093,908
Total accident and health	$ 219,953	$1,086,033	$ 2,235,960	$ 2,480,036
Total	$3,672,234	$2,770,323	$11,237,919	$14,116,361

The increase in net gain from ordinary life insurance during the examination period is attributed to the decrease in death benefits for the same period.

The increase in net gain from ordinary individual annuities during the examination period is attributed to the favorable investment income for the same period.

The large increase in group annuities in 2015 is due to a higher than normal reserve release during the year.

The year to year increase in net gain from other accident and health business is attributed to the growth of the Company's Medicare supplement business.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2016, as contained in the Company's 2016 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, 2016, filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche LLP was retained by the Company to audit the Company's combined statutory-basis statements of financial position as of December 31st 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.

Deloitte & Touche LLP 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	$408,385,277
Stocks:	
Preferred stocks	2,177,400
Common stocks	33,958,147
Mortgage loans on real estate:	
First liens	26,856,652
Cash, cash equivalents and short term investments	35,988,199
Contract loans	21,163,766
Receivable for securities	51,663
Investment income due and accrued	4,365,737
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	650,954
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,113,669
Reinsurance:	
Amounts recoverable from reinsurers	352,345
Other amounts receivable under reinsurance contracts	460,824
Current federal and foreign income tax recoverable and interest thereon	3,658,295
Net deferred tax asset	2,756,465
Guaranty funds receivable or on deposit	73,578
Receivables from parent, subsidiaries and affiliates	468,908
Goodwill on acquired blocks of business	549,638
Miscellaneous receivables	100,190
Total admitted assets	$543,131,707

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$451,317,540
Aggregate reserve for accident and health contracts	444,732
Liability for deposit-type contracts	21,411,590
Contract claims:	
Life	1,777,792
Accident and health	2,032,515
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	157,514
Dividends not yet apportioned	318,630
Premiums and annuity considerations for life and accident and health contracts received in advance	143,702
Contract liabilities not included elsewhere:	
Interest maintenance reserve	8,593,962
General expenses due or accrued	109,164
Taxes, licenses and fees due or accrued, excluding federal income taxes	871
Unearned investment income	97,743
Amounts withheld or retained by company as agent or trustee	(5,234)
Remittances and items not allocated	2,072,071
Miscellaneous liabilities:	
Asset valuation reserve	2,158,742
Payable to parent, subsidiaries and affiliates	1,311,479
Policy fees payable	112,207
Total liabilities	$492,055,020
Common capital stock	6,683,248
Surplus notes	7,000,000
Gross paid in and contributed surplus	13,422,338
Unassigned funds (surplus)	23,971,101
Surplus	44,393,439
Total capital and surplus	$ 51,076,687
Total liabilities, capital and surplus	$543,131,707

D. Condensed Summary of Operations

	2013	2014	2015	2016
Premiums and considerations	$12,114,351	$71,136,440	$152,148,630	$125,606,097
Investment income	14,692,377	15,403,024	17,378,450	21,227,156
Commissions and reserve adjustments on reinsurance ceded	1,563,271	8,209,295	20,054,363	38,573,192
Miscellaneous income	32,374	1,428,205	0	0
Total income	$28,402,373	$96,176,964	$189,581,443	$185,406,445
Benefit payments	$29,561,739	$32,209,046	$ 34,142,516	$ 36,475,933
Increase in reserves	(9,776,977)	46,187,593	115,418,735	94,464,996
Commissions	2,648,871	9,535,966	19,933,193	34,659,080
General expenses and taxes	4,050,469	5,119,593	6,088,789	9,635,901
Increase in loading on deferred and uncollected premiums	6,982	5,365	(1,015)	(37,449)
Total deductions	$26,491,084	$93,057,563	$175,582,218	$175,198,461
Net gain	$ 1,911,289	$ 3,119,401	$ 13,999,225	$ 10,207,984
Dividends	498,021	330,799	371,312	394,967
Federal and foreign income taxes incurred	(2,258,966)	18,279	2,389,994	(4,303,344)
Net gain (loss) from operations before net realized capital gains	$ 3,672,234	$ 2,770,323	$ 11,237,919	$ 14,116,361
Net realized capital gains (losses)	0	0	0	(173,956)
Net income	$ 3,672,234	$ 2,770,323	$ 11,237,919	$ 13,942,405

E. Capital and Surplus Account

	2013	2014	2015	2016
Capital and surplus, December 31, prior year	$39,419,569	$36,941,784	$40,966,988	$47,138,256
Net income	$ 3,672,234	$ 2,770,323	$11,237,919	$13,942,405
Change in net unrealized capital gains (losses)	(865,656)	3,263,966	(1,680,385)	(2,798,200)
Change in net deferred income tax	(327,703)	1,418,858	(566,780)	(5,213,430)
Change in non-admitted assets and related items	206,846	(429,045)	2,252,556	4,282,679
Change in liability for reinsurance in unauthorized companies	(6,181)	163,027	0	0
Change in reserve valuation basis	(1,100,609)	(4,401,054)	(3,848,337)	(1,000,000)
Change in asset valuation reserve	(287,092)	(260,871)	(423,705)	(600,023)
Change in surplus notes	(500,000)	(2,000,000)	0	0
Surplus adjustments:				
Change in surplus as a result of reinsurance	(869,624)	3,500,000	(800,000)	(675,000)
Dividends to stockholders	(2,400,000)	0	0	(4,000,000)
Net change in capital and surplus for the year	(2,477,785)	4,025,204	6,171,268	3,938,431
Capital and surplus, December 31, current year	$36,941,784	$40,966,988	$47,138,256	$51,076,687

7. RESERVES

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

"No Company shall offer for sale any life insurance policy form or annuity contract form covered by this section or any debit life insurance policy form which shall not appear to be self-supporting on reasonable assumptions as to interest, mortality, persistency, taxes, agents' and brokers' survival and expenses resulting from the sale of the policy or contract form. For all such forms offered for sale in this state, and for all forms filed for use outside this state by domestic life insurance companies, a statement that the requirements of this subsection have been met, signed by an actuary who is a member in good standing of the American Academy of Actuaries and meets the requirements prescribed by the superintendent by regulation shall be submitted with each such life insurance policy or annuity contract form filed pursuant to paragraph one or six of subsection (b) of section three thousand two hundred one of this chapter. A demonstration supporting each such statement, signed by an actuary meeting such qualifications, shall be retained in the company's home office, while such form is being offered in this state and for a period of six years thereafter and be available for inspection. . . ."

Section 4232(b) of the New York Insurance law states:

"(1) Any individual life insurance policy may provide that in addition to any minimum benefits guaranteed in the policy, additional amounts may be credited to the policy.
(2) No such additional amounts shall be guaranteed or credited except upon reasonable assumptions as to investment income, mortality, persistency, and expenses. The declaration of such additional amounts by an insurer must be made prospectively; no such additional amounts shall be credited retroactively to apply to any period prior to such declaration.
(3) Such additional amounts are required to be credited to any policy, providing for the crediting of additional amounts, while continued under a reduced paid-up insurance option, with respect to the period after the termination or lapse of such policy by reason of default in payment of any premium, installment or interest on any policy loan and before the reinstatement of such policy, if it is reinstated. However, an insurer may use reasonable assumptions as to investment income, mortality, persistency, and expenses which differ from the assumptions used for policies in force on a premium paying basis.
(4) Any such additional amounts shall be credited on a basis equitable to all policyholders of a given class and shall be based on written criteria approved by the board of directors of the company or a committee thereof."

The examiner reviewed the Company's reserves as of December 31, 2016, in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding the lack of conservatism in certain assumptions with respect to the Company's asset adequacy. The Company has agreed to refine the reserve analysis in a manner acceptable to the Department. As a result, the Company has established additional asset adequacy testing reserves in the amount of $775 thousand as of March 31, 2018.

In addition, it was noted that the Company increased the Cost of Insurance ("COI") rates for a number of universal life policies without appropriate approval or justification in violation of Section 4232(b) of the New York Insurance Law. The Company was informed and agreed to remove the COI increase and refund the appropriate amounts to policyholders. The Company estimated that 255 New York policyholders were affected, with a total restitution of approximately $170 thousand. The Department is in the process of verifying this amount.

The examiner also reviewed the Company's pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. The review included an examination of the required actuarial statements of self-support and the supporting demonstrations. During the review, concerns were raised regarding the overall process used to demonstrate self-support and the supportability of the current guarantees for several forms. The Department is continuing to review this issue with the Company.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Department conducted a review of reserves as of December 31, 2012. During this reserve review, the Department found that greater conservatism was needed in the assumptions and methodology used for asset adequacy analysis with respect to the structured settlement block of business. In response, the Company committed to refine its reserving methodology and to strengthen reserves in a manner acceptable to the Department. The Company continues to refine its reserving methodology and to strengthen its reserves with respect to its single premium deferred annuities in a manner acceptable to the Department. As a result of the December 31, 2016 examination, the Company has established additional asset adequacy testing reserves in the amount of $775 thousand as of March 31, 2018.
B	The examiner recommended that the Company continue to use the reserving methodology as agreed upon with the Department. This methodology led to additional reserves for December 31, 2013 of approximately $1.1 million. Additional reserve increases may be required pending subsequent Company analysis and Department monitoring. The Company continues to refine its reserving methodology and to strengthen its reserves with respect to its single premium deferred annuities in a manner acceptable to the Department. As of April 2016, the Company ceded 100% of its structured settlement block of business to an affiliate, ManhattanLife Assurance Company of America, an Arkansas domiciled life insurer. As a result of the December 31, 2016 examination, the Company has established additional reserve increases from January 1, 2013, to December 31, 2016, in the amount of approximately $10.3 million.

9. SUMMARY AND CONCLUSIONS

Following are the violation and comments contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services from FLIC and WULA on a regular and systematic basis without notifying the Superintendent in writing of its intention to enter into such transactions at least 30 days prior thereto.	8
B	The examiner reviewed the Company's reserves as of December 31, 2016, in accordance with 11 NYCRR 95 (Insurance Regulation 126). During the review, concerns were raised regarding the lack of conservatism in certain assumptions with respect to the Company's asset adequacy. The Company has agreed to refine the reserve analysis in a manner acceptable to the Department. As a result, the Company has established additional asset adequacy testing reserves in the amount of $775 thousand as of March 31, 2018.	23
C	In addition, it was noted that the Company increased the Cost of Insurance ("COI") rates for a number of universal life policies without appropriate approval or justification in violation of Section 4232(b) of the New York Insurance Law. The Company was informed and agreed to remove the COI increase and refund the appropriate amount to policyholders. The Company estimated that 255 New York policyholders were affected, with a total restitution of approximately $170 thousand. The Department is in the process of verifying this amount.	24
D	The examiner also reviewed the Company's pricing adequacy for various products subject to Section 4228(h) of the New York Insurance Law. The review included an examination of the required actuarial statements of self-support and the supporting demonstrations. During the review, concerns were raised regarding the overall process used to demonstrate self-support and the supportability of the current guarantees for several forms. The Department is continuing to review this issue with the Company.	24

Respectfully submitted,

Vitaliy Kyryk, CFE
Noble Consulting Services, Inc.

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

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

Vitaliy Kyryk

Subscribed and sworn to before me

this 27th day of JUNE, 2018

CHARLES T LOVEJOY
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 01LO4798952
Qualified in New York County
Commission Expires January 26, 2022

APPOINTMENT NO. 31630

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

VITALIY KYRYK
(NOBLE CONSULTING SERVICES, INC.)

as a proper person to examine the affairs of the

MANHATTAN LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

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

this 10th day of May, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU