

(XIV) SUMMARY OF RECOMMENDATIONS

1.

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The examiners recommend that the Company revise its claim procedures to conform to both 8 V.S.A. § 3665 (c) (2) and 8 V.S.A. § 3665 (d) so that the required interest is paid on all death claim proceeds.

2.

Page 8 & 9

It is recommended that the Company immediately start paying the correct rate of interest on all death claims paid to beneficiaries under Vermont policies, in addition to recalculating the interest applicable to all such policies for which underpayments of interest were made beginning in 1993. The required amounts of additional interest should include interest at the rate of six percent (6%) per annum, calculated from the original date the claims were paid until the additional amounts are paid.

The additional interest payments described above should be made under the supervision of the Vermont Department. Such payments should be mailed to the last known addresses of the beneficiaries together with a form letter, approved by the Vermont Department, explaining the reason for making the additional payments. In those cases where the checks are returned and the beneficiaries cannot be located, such amounts should be processed in accordance with 27 V.S.A. § 1208 et. seq. (Unclaimed Property Act) of the State of Vermont.

3.

Page 11

The examiners recommend that the Company assign specific staff members the responsibility for reviewing each replacement file to insure that all of the documents are included and that all of the required procedures have been followed. This review should be made before any file is closed.

4.

Page 13

In response to the examiners' suggestion that the Company advise policyholders of the advantages of having their remittances applied as policy loan repayments rather than premium payments, the Company reviewed their billing/administrative practices and voluntarily agreed to change their loan bills to provide additional disclosure to customers. The revised bills are to include a statement advising customers that it can be more beneficial to their policy's performance to repay their loan than to pay premiums. This administrative change is to be implemented within the 120 days from October 1, 2003.

5.

Page 14

The Company should exercise more care so as to prevent further violations of 8 V.S.A. § 4724 (20) by using the proper HIV Information and Consent Forms in all cases.

6.

Page 15

The examiners observed that the Company's notices of adverse changes in non-guaranteed elements that could affect their policies were not prominently displayed as required by Vermont Regulation 98-1 § 10 D. While the Company does not agree with the examiners' conclusion, they have volunteered to make the information more prominent by increasing the font size.

7.

Page 17

The examiners criticized the company for the apparent failure to disclose to the insured the name of the company for which they were seeking coverage. The Company's response included a statement that the Administrative Manager would reaffirm the necessity of completing all the required answers regarding the completion of the application.

8.

Page 18

The examiners recommend that the Company consider revising its SmartMatch suitability standards in a manner so as not to allow investments in a "high" or "highest" risk category to exceed those in the "moderate" risk category when the applicant has a "moderate" risk tolerance.

9.

Page 19

It is recommended that the Company establish suitability guidelines and procedures or utilize their existing SmartMatch suitability standards for the MainStay series of variable annuities and establish a monitoring system to assure that all appointed producers ("Dealers") are following the guidelines.

10.

Page 19 & 20

The examiners consider a change in the applicant's investment objective to be a material change to the application and therefore recommend that the Insurance Division refer this concern to the Securities Division of the Vermont Department for a determination as to whether the applications should be amended and signed by the applicant in those cases where the Company changes the applicant's investment objective to correspond with the premium allocation since this is the reverse of the usual procedure.

11.

Page 21 & 22

The examiners recommend that NYLIAC revise its systems to produce a warning message on its quarterly statements, as required by Regulation 88-3 § 10 (Article IX) (1) (iii) "if the projected value is less than zero" and not only when the cash surrender value is not sufficient which is its current practice. In addition, the warning message must include that "the policy may be in danger of terminating without value in the next twelve (12) months unless additional premium is paid."

APPENDIX I

See attached chart

Year	Death Claim Interest	Option 1
1987	7.25	7.25
1988	7.25	7.25
1989	6.75	6.75
1990	6.75	6.75
1991	6.5	6.5
1992	6.25	6.25
1993	5.5	5.5
1994	3.5	4.5
1995	3.5	4.5
1996	3.5	4.5
1997	3.5	4.5
1998	3.5	4.5
1999	3.5	4.0
2000	3.5	4.0
2001	3.5	4.5
2002	3.5	3.5
2003	3.5	3.5

On claims after 7/1/90, if the claim is not paid within 30 days of the receipt of proofs, we pay interest at Option 1 or 6%, whichever is higher.

APPENDIX II

See attached

TERMINATION OF CONTRACT
STATE OF VERMONT
DEPARTMENT OF BANKING AND INSURANCE
89 MAIN STREET, DRAWER 20
MONTPELIER VT 05620-3301

Date 1/14/00

Agents License Number 65478

Name of Licensed Agent [REDACTED]
Home Address [REDACTED]
Business Address [REDACTED]
Name of Agency [REDACTED]

NOTE: AFFIRMATION OF THIS RECORD OF TERMINATION SERVICE MUST BE FILED WITH THE OFFICE OF THE INSURANCE COMMISSIONER OF THE STATE OF VERMONT. CURRENT LICENSES SHOULD ACCOMPANY THIS NOTICE AND STAPLED TO THE CENTER OF THIS FORM AT THE LEFT.

TO THE COMMISSIONER OF BANKING AND INSURANCE, STATE OF VERMONT:

In accord with the requirements of the Department of Banking and Insurance of the State of Vermont, the following answers are recorded, showing the date and cause services terminated, as appear on the Company records.

1. Date of termination of services with Company 2/21/00
Date of which Agent was notified of this cancellation via
2. Was terminated at Agent's request Company Action or Mutual Agreement
3. Did Agent comply with rules and regulations of the Company? Yes
If answer is "NO" give details below.
4. Do you know of any reason why the Commissioner should NOT license this individual for another company doing a similar class of business, if application for a license is made? No
If answer is "YES", please give details below.
5. ADDITIONAL REMARKS None

NAME OF COMPANY New York Life Ins. & Annuity Corp
61 Madison Avenue New York N.Y. 10010
(STREET) (CITY) (STATE) (ZIP)

[REDACTED]
(SIGNATURE OF AUTHORIZED COMPANY OFFICIAL)

APPENDIX III

See attached

New York Life Insurance and Annuity Corporation
 (A Delaware Corporation)
Quarterly Policy Summary
 Policy Number: XXXXXXXXXX
 Page 5 of 6

Transaction Details for Apr 01, 2002 through Jun 30, 2002

This statement reports transactions that you have requested or authorized. Please review it carefully. If you believe it contains an error, please notify us immediately. To correct an error, you must call it to our attention within 15 days of the date of this statement.

Effective Date Policy Activity	Amt. Received/ Transferred/ (Disbursed)	Activity Details	Unit Value	Number of Units Purchased/ (Redeemed)	Fixed Account Balance
04/20/2002					
Planned premium	\$1,916.66				
Invested in:		\$215.62 Premium Expense Chrg			
		\$425.26 CAP APP	20.418206	20.827500	
		\$425.26 CONTRAFUND	17.025018	24.978500	
		\$425.26 SMALL CAP	8.671711	48.039900	
		\$425.26 EMG MKT EQ	9.443066	45.034100	
	<u>\$1,916.66</u>	<u>\$1,916.66</u>			
Monthly Deductions		\$360.25 Cost of Insurance*			
		\$29.00 Monthly Contract Chrg			
		<u>\$409.25</u>			
Debited from:	(\$92.51)	CAP APP	20.418206	(4.530800)	
	(\$102.54)	CONTRAFUND	17.025018	(8.022900)	
	(\$96.33)	SMALL CAP	8.671711	(11.108500)	
	(\$117.87)	EMG MKT EQ	9.443066	(12.482200)	
	<u>(\$409.25)</u>				
05/20/2002					
Monthly Deductions		\$360.91 Cost of Insurance*			
		\$30.00 Monthly Contract Chrg&			
		<u>\$410.91</u>			
Debited from:	(\$91.94)	CAP APP	10.894543	(4.621300)	
	(\$105.20)	CONTRAFUND	17.122938	(6.143500)	
	(\$95.31)	SMALL CAP	8.411501	(11.330800)	
	(\$118.46)	EMG MKT EQ	9.302827	(12.734000)	
	<u>(\$410.91)</u>				

& The Monthly Contract Charge has been increased by \$1.00, beginning May 10, 2002 because of incurred costs. Includes the Mortality Cost for the basic policy plus any Rider(s) and Benefit(s).