

MARKET CONDUCT EXAMINATION REPORT

of

**NEW YORK LIFE INSURANCE COMPANY
New York, New York**

As of

December 31, 2002

By

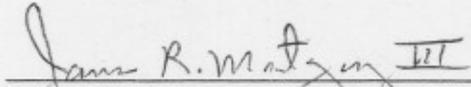
**VERMONT DEPARTMENT OF BANKING,
INSURANCE, SECURITIES AND HEALTH CARE
ADMINISTRATION**



CERTIFICATION

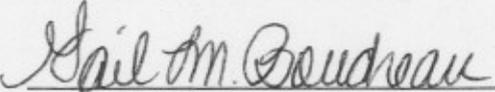
James R. Montgomery III, AIE, FLMI, MAAA, Robbie L. Kriplean, CIE, AIRC and Jennifer E. Greenway, AIRC participated in this examination.

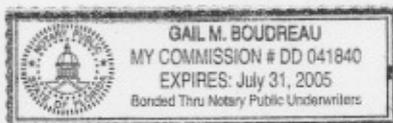
I, James R. Montgomery III being duly sworn, do hereby affirm that the foregoing report of the Market Conduct Examination of the New York Life Insurance Company is true and correct to the best of my knowledge and belief.


James R. Montgomery III, AIE, FLMI,
MAAA FDI-M532456313860

Notary Seal

Subscribed and sworn to before me this 17 day of February, 2004.

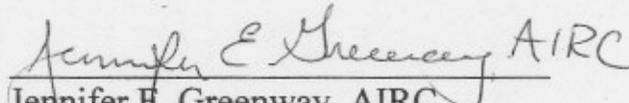

NOTARY PUBLIC



CERTIFICATION

James R. Montgomery III, AIE, FLMI, MAAA, Robbie L. Kriplean, CIE, AIRC and Jennifer E. Greenway, AIRC participated in this examination.

I, Jennifer E. Greenway, being duly sworn, do hereby affirm that the foregoing report of the Market Conduct Examination of the New York Life Insurance Company is true and correct to the best of my knowledge and belief.


Jennifer E. Greenway, AIRC

Notary Seal

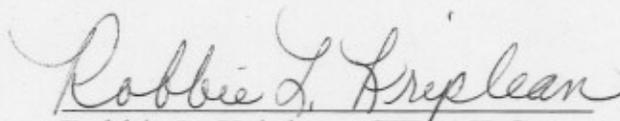
Subscribed and sworn to before me this 18 day of Feb, 2004.


NOTARY PUBLIC June 30 2006

CERTIFICATION

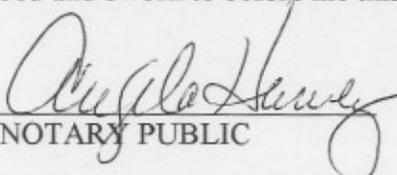
James R. Montgomery III, AIE, FLMI, MAAA, Robbie L. Kriplean, CIE, AIRC and Jennifer E. Greenway, AIRC participated in this examination.

I, Robbie L. Kriplean, being duly sworn, do hereby affirm that the foregoing report of the Market Conduct Examination of the New York Life Insurance Company is true and correct to the best of my knowledge and belief.


Robbie L. Kriplean, CIE, AIRC

Notary Seal

Subscribed and sworn to before me this 17th day of February, 2004.


NOTARY PUBLIC

My commission expires June 6, 2006

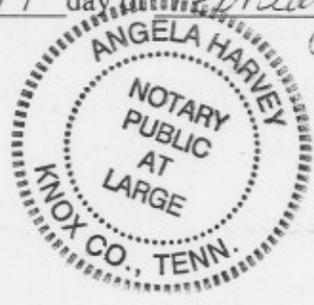


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February 17, 2004

The Honorable John Crowley
Commissioner
Vermont Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, Vermont 05620

Dear Commissioner Crowley:

Pursuant to your instructions and in compliance with the provisions of 8 V.S.A. § 3565 et seq. and procedures promulgated by the National Association of Insurance Commissioners, an examination of the market conduct activities has been conducted of:

New York Life Insurance Company, NAIC # 66915
51 Madison Avenue
New York, New York 10010

The report thereon, as of December 31, 2002, is respectfully submitted.

FOREWORD

This target market conduct examination report is written generally by exception and additional practices, procedures and files subject to review during the examination were omitted from the report if no improprieties were observed.

The New York Life Insurance Company is referred to throughout this report as "NYLIC" or the "Company", unless specifically mentioned by name, and the Company's wholly owned subsidiary, New York Life Insurance and Annuity Corporation, is referred to as "NYLIAC". The Vermont Department of Banking, Insurance, Securities and Health Care Administration is referred to as the "Department" or the "Vermont Department".

The Company's responses, with respect to the findings of this examination, will be made available upon written request to the Vermont Department.

The examiners wish to acknowledge the exceptional cooperation of the Company's Assistant General Counsel, Randi J. Bader and Legal Services Consultant, Amy B. Ashkenas in facilitating the examination process.

(I) SCOPE OF EXAMINATION

(A) EXAMINATION AUTHORITY

The examination of the New York Life Insurance Company was conducted pursuant to applicable Vermont statutes and regulations.

(B) TIME FRAME

The examination generally covers the period from January 1, 2000 through December 31, 2002.

(C) SAMPLING METHODOLOGY

The examiners used random sampling techniques, utilizing ACL software.

(D) EXAMINATION SITUS

The Company's statutory home office is located at 51 Madison Avenue, New York, New York 10010, however, this examination was conducted entirely off-site. Information, documents and other materials were provided directly to the examiners in hard copy and/or computer diskettes.

(E) MATTERS EXAMINED

Marketing and sales

Consumer complaints

Claims procedures and processing

Replacement procedures

(II) PREVIOUS EXAMINATIONS

PRIOR REPORT SUMMARY AND CONCLUSIONS

The prior report by the Vermont Department commenced on December 1, 1998 and generally covered the period from January 1, 1995 through December 31, 1998.

The Company satisfied the Vermont Department that it had complied with the examiners' recommendations as modified by the Deputy Commissioner's order dated September 5, 2000.

(III) EXECUTIVE SUMMARY

This was a target examination focused primarily on claims processing, replacement procedures, consumer complaints and marketing and sales generally covering the period January 1, 2000 through December 31, 2002.

The examiners found that the Company failed to pay the required amount of interest on death proceeds, in Violation 8 V.S.A. § 3665. The Company also failed to pay the required statutory rate of interest on an estimated number of eighty-six (86) death claims on group certificates over the three year examination period. Additionally, the Company failed to pay such required amounts of interest since 1993, a period of approximately eleven (11) years. The examiners are recommending that the Company immediately start paying the correct rate of interest on all death claims paid under Vermont policies and certificates, unless a higher rate is mandated by the law of the beneficiary's state of residence. Further, the Company should go back and recalculate the interest which should have been paid on such proceeds over the past eleven (11) years and remit to these beneficiaries the proper amounts together with additional interest at the rate of six percent (6%) per annum from the dates the original claims were paid until the present.

In addition to the above, the examiners found two (2) cases where claim payments under group life insurance certificates were not paid in accordance with the insured's beneficiary designations.

The examiners cited a total of fifteen (15) replacement violations.