

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

COMMISSION FILE NUMBERS 33-34562; 33-60288; 333-48983; 333-133224

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK

(Exact name of Registrant as specified in its charter)

NEW YORK
(State or other jurisdiction
of incorporation or organization)

16-1020455
(IRS Employer
Identification No.)

440 Mamaroneck Avenue
Harrison, NY 10528
(Address of Principal Executive Offices)

1-800-333-6524
(Registrant's telephone number including area code)

ML Life Insurance Company of New York
(Former name of Registrant)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS:**

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

COMMON 220,000

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
BALANCE SHEETS

<i>(dollars in thousands, except share data)</i>	June 30, 2010 <i>(unaudited)</i>	December 31, 2009 <i>(audited)</i>
ASSETS		
Investments		
Fixed maturity available-for-sale securities, at estimated fair value (amortized cost: 2010 - \$140,657; 2009 - \$110,939)	\$ 147,843	\$ 113,927
Equity available-for-sale securities, at estimated fair value (cost: 2010 - \$80; 2009 - \$80)	64	57
Policy loans	61,813	63,045
Total investments	209,720	177,029
Cash and cash equivalents	22,919	49,423
Accrued investment income	3,487	2,706
Deferred policy acquisition costs	400	360
Deferred sales inducements	145	130
Value of business acquired	31,926	30,982
Goodwill	500	500
Federal income taxes - current	350	—
Reinsurance receivables	1,140	1,782
Affiliated receivables - net	511	—
Receivable for investments sold - net	176	65
Other assets	4,101	2,624
Separate Accounts assets	583,867	644,149
Total Assets	\$ 859,242	\$ 909,750
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Policyholder liabilities and accruals		
Policyholder account balances	\$ 119,833	\$ 125,329
Future policy benefits	21,466	18,486
Claims and claims settlement expenses	4,576	1,918
	145,875	145,733
Other policyholder funds	387	157
Federal income taxes - current	—	368
Federal income taxes - deferred	618	618
Affiliated payables - net	—	235
Other liabilities	746	932
Separate Accounts liabilities	583,867	644,149
Total Liabilities	731,493	792,192
Stockholder's Equity		
Common stock (\$10 par value; 220,000 shares authorized, issued and outstanding)	2,200	2,200
Additional paid-in capital	128,638	128,638
Accumulated other comprehensive income, net of taxes	4,696	2,050
Retained deficit	(7,785)	(15,330)
Total Stockholder's Equity	127,749	117,558
Total Liabilities and Stockholder's Equity	\$ 859,242	\$ 909,750

See Notes to Financial Statements

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF INCOME

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
		<i>(unaudited)</i>		
Revenues				
Policy charge revenue	\$ 3,804	\$ 3,587	\$ 7,457	\$ 7,029
Net investment income	2,707	2,481	5,305	5,140
Net realized investment gains (losses)				
Other-than-temporary impairment losses on securities	(212)	—	(212)	(583)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	164	—	164	—
Net other-than-temporary impairment losses on securities recognized in income	(48)	—	(48)	(583)
Net realized investment gains (losses), excluding other-than-temporary impairment losses on securities	1,230	(1,701)	1,775	(1,186)
Net realized investment gains (losses)	1,182	(1,701)	1,727	(1,769)
Total Revenues	<u>7,693</u>	<u>4,367</u>	<u>14,489</u>	<u>10,400</u>
Benefits and Expenses				
Interest credited to policyholder liabilities	1,531	2,051	2,924	3,668
Policy benefits, net of reinsurance recoveries: (2010 - \$32, \$101; 2009 - \$23, \$63)	3,334	(211)	3,636	1,362
Reinsurance premium ceded	137	135	425	386
Amortization (accretion) of deferred policy acquisition costs	(24)	28	(40)	70
Amortization (accretion) and impairment of value of business acquired	(1,607)	1,584	(1,137)	9,242
Insurance expenses and taxes	1,137	1,580	2,593	3,134
Total Benefits and Expenses	<u>4,508</u>	<u>5,167</u>	<u>8,401</u>	<u>17,862</u>
Income (Loss) Before Taxes	<u>3,185</u>	<u>(800)</u>	<u>6,088</u>	<u>(7,462)</u>
Federal Income Tax Expense (Benefit)				
Current	(57)	—	—	—
Deferred	(1,400)	(2,542)	(1,457)	1,956
Federal Income Tax Expense (Benefit)	<u>(1,457)</u>	<u>(2,542)</u>	<u>(1,457)</u>	<u>1,956</u>
Net Income (Loss)	<u>\$ 4,642</u>	<u>\$ 1,742</u>	<u>\$ 7,545</u>	<u>\$ (9,418)</u>

See Notes to Financial Statements

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF COMPREHENSIVE INCOME

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
		<i>(unaudited)</i>		
Net Income (Loss)	\$ 4,642	\$ 1,742	\$ 7,545	\$ (9,418)
Other Comprehensive Income (Loss)				
Net unrealized gains (losses) on available-for-sale securities				
Net unrealized holding gains (losses) arising during the period	1,836	8,091	4,806	6,367
Reclassification adjustment for (gains) losses included in net income	245	597	(436)	1,039
	2,081	8,688	4,370	7,406
Net unrealized other-than-temporary impairment gains (losses) on securities				
Net unrealized other-than-temporary impairment losses arising during the period	(164)	—	(164)	—
Change in previously recognized unrealized other-than-temporary impairments	—	79	—	79
	(164)	79	(164)	79
Adjustments				
Policyholder liabilities	23	218	57	400
Deferred policy acquisition costs	—	(120)	—	38
Value of business acquired	(186)	(1,182)	(161)	458
Deferred federal income taxes	(623)	(2,499)	(1,456)	(2,911)
	(786)	(3,583)	(1,560)	(2,015)
Total other comprehensive income, net of taxes	1,131	5,184	2,646	5,470
Comprehensive Income (Loss)	\$ 5,773	\$ 6,926	\$ 10,191	\$ (3,948)

See Notes to Financial Statements

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
STATEMENTS OF CASH FLOWS

<i>(dollars in thousands)</i>	Six Months Ended June 30,	
	2010	2009
	<i>(unaudited)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 7,545	\$ (9,418)
Adjustment to reconcile net income (loss) to net cash and cash equivalents provided by operating activities:		
Changes in:		
Deferred policy acquisition costs	(40)	53
Deferred sales inducements	(15)	22
Value of business acquired	(1,137)	9,243
Benefit reserves	1,808	(1,012)
Federal income tax accruals	(2,174)	3,307
Claims and claims settlement expenses	2,658	690
Other policyholder funds	230	127
Other operating assets and liabilities, net	(2,659)	2,585
Amortization (accretion) of investments	15	(87)
Interest credited to policyholder liabilities	2,924	3,668
Net realized investment (gains) losses	(1,727)	1,769
Net cash and cash equivalents provided by operating activities	7,428	10,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of available-for-sale securities	30,900	15,571
Maturities of available-for-sale securities	4,477	7,266
Purchases of available-for-sale securities	(63,726)	(12,727)
Net settlements on futures contracts	376	(828)
Policy loans on insurance contracts, net	1,232	2,348
Net cash and cash equivalents provided by (used in) investing activities	(26,741)	11,630
CASH FLOWS FROM FINANCING ACTIVITIES		
Policyholder deposits	332	758
Policyholder withdrawals	(7,523)	(12,001)
Net cash and cash equivalents used in financing activities	(7,191)	(11,243)
Net increase (decrease) in cash and cash equivalents (1)	(26,504)	11,334
Cash and cash equivalents, beginning of year	49,423	29,973
Cash and cash equivalents, end of period	\$ 22,919	\$ 41,307

(1) Included in net increase (decrease) in cash and cash equivalents is interest paid (2010 - \$2; 2009 - \$1); interest received (2010 - \$2; 2009 - \$0); Federal income taxes paid (2010 - \$805; 2009 - \$0); Federal income taxes received (2010 - \$88; 2009 - \$1,350)

See Notes to Financial Statements

TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK
(A WHOLLY OWNED SUBSIDIARY OF AEGON USA, LLC)
NOTES TO FINANCIAL STATEMENTS (unaudited)
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

Transamerica Advisors Life Insurance Company of New York (“TALNY” or the “Company”) is a wholly owned subsidiary of AEGON USA, LLC (“AUSA”). Prior to July 1, 2010, the Company was known as ML Life Insurance Company of New York (“MLLICNY”). AUSA is an indirect wholly owned subsidiary of AEGON N.V., a limited liability share company organized under Dutch law. During 2009, the Company, in addition to not issuing life insurance products, ceased issuing variable annuity and market value adjusted annuity products. The Company is licensed to sell insurance and annuities in nine states.

For a complete discussion of the Company’s 2009 Financial Statements and accounting policies, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

The interim Financial Statements for the three and six month periods are unaudited; however in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the Financial Statements have been included. These unaudited Financial Statements should be read in conjunction with the audited Financial Statements included in the 2009 Annual Report on Form 10-K. The nature of the Company’s business is such that results of any interim period are not necessarily indicative of results for a full year.

Basis of Reporting

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”). The Company also submits financial statements to insurance industry regulatory authorities, which are prepared on the basis of statutory accounting principles (“SAP”). The significant accounting policies and related judgments underlying the Company’s financial statements are summarized below.

Certain reclassifications and format changes have been made to prior period financial statements, where appropriate, to conform to the current period presentation. These reclassifications have no effect on net income or stockholder’s equity of the prior year.

Accounting Estimates and Assumptions

The preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets, asset valuation allowances, deferred policy acquisition costs, deferred sales inducements, value of business acquired, goodwill, policyholder liabilities, income taxes, and potential effects of unresolved litigated matters.

Subsequent Events

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are issued, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

Recent Accounting Guidance

Current Adoption of Recent Accounting Guidance

Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*

The Company adopted guidance (Accounting Standards Update (“ASU”) 2010-06, *Improving Disclosures about Fair Value Measurements*) which includes new disclosures and clarifications of existing disclosures about fair value measurements as of the period ended March 31, 2010. The guidance requires disclosure of significant transfers in and out of Levels 1 and 2 of the fair value hierarchy and reasons for the transfers. Additionally, the ASU clarifies the level of disaggregation for fair value disclosures, requiring disclosures for each class of assets and liabilities. The guidance clarifies that a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value

measurements that fall in either Level 2 or Level 3. The adoption required updates to the Company's financial statement disclosures, but did not impact the Company's results of operations or financial position.

Accounting Guidance Adopted in 2009

ASC 105, Generally Accepted Accounting Principles

The Company adopted guidance that established the Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("Codification") as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities as of the period ended September 30, 2009. All guidance contained in the Codification carries an equal level of authority. The adoption required updates to the Company's financial statement disclosures, but did not impact the Company's results of operations or financial position.

ASC 320, Investments —Debt and Equity Securities

The Company adopted guidance that made other-than-temporary impairment ("OTTI") guidance for debt securities more operational and improved the presentation and disclosure of OTTI on debt and equity securities in the financial statements as of the period ended June 30, 2009. The adoption resulted in a net increase to retained earnings and decrease to accumulated other comprehensive income (loss) of \$64 at June 30, 2009.

ASC 820, Fair Value Measurements and Disclosures

- The Company adopted guidance on measuring the fair value of certain alternative investments (i.e., investments in hedge funds, private equity funds, venture capital funds, offshore fund vehicles, funds of funds, and real estate funds) as of the period ended December 31, 2009 (ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*). The adoption did not have a material impact on the Company's financial statements.
- The Company adopted guidance, as of the period ended December 31, 2009, which clarified that when a quoted price in an active market for an identical liability is not available, an entity should measure fair value using one of the following approaches that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs: a) a valuation technique that uses the quoted price of the identical liability when traded as an asset; b) a valuation technique that uses quoted prices for similar liabilities or similar liabilities when traded as assets; or c) another valuation technique that is consistent with fair value measurement guidance (e.g., income approach or a market approach) (ASU 2009-05, *Measuring Liabilities at Fair Value*). The adoption did not have a material impact on the Company's financial statements.
- The Company adopted guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly as of the period ended June 30, 2009. The guidance provides a list of factors that an entity should consider when determining whether there has been a significant decrease in the volume and level of activity for an asset or liability when compared to normal market activity for that asset or liability. The guidance also requires interim disclosures of the inputs and valuation techniques used to measure fair value and disclosure of any changes to those inputs and valuation techniques during the period. The adoption did not have a material impact on the Company's financial statements.
- The Company adopted guidance requiring disclosures about fair value of financial instruments in interim reporting periods as well as annual periods as of the period ended June 30, 2009. The guidance requires an entity to disclose the methods and significant assumptions used to estimate fair value of financial instruments and to describe changes, if any, to those methods and assumptions during the period. The adoption affected disclosures but did not impact the Company's results of operations or financial position.

ASC 855, Subsequent Events

The Company adopted guidance that established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued as of the period ended June 30, 2009. In addition, the Company adopted revised guidance as of the period ended December 31, 2009, which eliminated the requirement for entities that file or furnish financial statements to the Securities Exchange Commission ("SEC") to disclose the date through which subsequent events have been evaluated. The adoption did not impact the Company's results of operations or financial position.

ASC 815, Derivatives and Hedging

On January 1, 2009, the Company adopted guidance that amended and expanded the disclosure requirements related to derivative instruments and hedging activities to provide users of financial statements with an enhanced understanding of a) how and why an entity uses derivative instruments, b) how derivative instruments and related hedged items are accounted for, and c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The adoption did not impact the Company's results of operations or financial position.

ASC 805, Business Combinations

On January 1, 2009, the Company adopted guidance that established the principles and requirements for how the acquirer in a business combination: a) measures and recognizes the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquired entity, b) measures and recognizes positive goodwill acquired or a gain from bargain purchase (negative goodwill), and c) determines the disclosure information that is decision-useful to users of financial statements in evaluating the nature and financial effects of the business combination. The adoption did not have a material impact on the results of operation or financial position.

ASC 350, Intangibles—Goodwill and Other

On January 1, 2009, the Company adopted guidance that amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The adoption did not impact the Company's results of operations or financial position.

Future Adoption of Accounting Guidance

ASC 820, Fair Value Measurements and Disclosures

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires separate presentation of information about purchases, sales, issuances, and settlements in the Level 3 reconciliation for fair value measurements using significant unobservable inputs. This disclosure requirement is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. The Company will adopt the guidance on January 1, 2011, which affects disclosures and therefore will not impact the Company's results of operations or financial position.

In April 2010, the FASB issued ASU 2010-15, *How Investments Held Through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments*. This guidance clarifies that an insurance entity should not consider any separate account interest held for the benefit of policyholders in an investment to be the insurer's interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning January 1, 2011 with early adoption permitted with the guidance applied retrospectively to all prior periods upon the date of adoption. The Company will adopt the guidance on January 1, 2011 and does not expect this to have a material impact to its results of operations and financial position.

Note 2. Fair Value of Financial Instruments

Fair Value Measurements

ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Fair Value Hierarchy

The Company has categorized its financial instruments into a three level hierarchy which is based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Assets and liabilities recorded at fair value on the Balance Sheets are categorized as follows:

Level 1. Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2. Quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets
- b) Quoted prices for identical or similar assets or liabilities in non-active markets
- c) Inputs other than quoted market prices that are observable
- d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means

Level 3. Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Company recognizes transfers between levels as of the beginning of the period.

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis:

	June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Fixed maturity securities				
Corporate securities	\$ —	\$106,985	\$ —	\$106,985
Asset-backed securities	—	7,142	—	7,142
Commercial mortgage-backed securities	—	27,080	—	27,080
Residential mortgage-backed securities	—	1,319	—	1,319
Government and government agencies				
United States	2,045	—	—	2,045
Foreign	—	3,272	—	3,272
Total fixed maturity securities (a)	2,045	145,798	—	147,843
Equity securities - banking securities (a)	—	64	—	64
Cash equivalents (b)	—	19,742	—	19,742
Separate Accounts assets (c)	583,867	—	—	583,867
Total assets	<u>\$585,912</u>	<u>\$165,604</u>	<u>\$ —</u>	<u>\$751,516</u>
Liabilities				
Future policy benefits (embedded derivatives only) (d)	\$ —	\$ —	\$ (4,284)	\$ (4,284)
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,284)</u>	<u>\$ (4,284)</u>

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Fixed maturity securities				
Corporate securities	\$ —	\$ 65,484	\$ —	\$ 65,484
Asset-backed securities	—	4,998	2,216	7,214
Commercial mortgage-backed securities	—	25,528	—	25,528
Residential mortgage-backed securities	—	9,115	—	9,115
Government and government agencies				
United States	3,134	—	—	3,134
Foreign	—	3,452	—	3,452
Total fixed maturity securities (a)	3,134	108,577	2,216	113,927
Equity securities - banking securities (a)	—	57	—	57
Cash equivalents (b)	—	47,114	—	47,114
Separate Accounts assets (c)	644,149	—	—	644,149
Total assets	<u>\$647,283</u>	<u>\$155,748</u>	<u>\$ 2,216</u>	<u>\$805,247</u>
Liabilities				
Future policy benefits (embedded derivatives only) (d)	\$ —	\$ —	\$ (4,482)	\$ (4,482)
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (4,482)</u>	<u>\$ (4,482)</u>

- (a) Securities are classified as Level 1 if the fair value is determined by observable inputs that reflect quoted prices for identical assets in active markets that the Company has the ability to access at the measurement date. Level 1 securities include highly liquid U.S. Treasury and U.S. Government Agency securities. Securities are classified as Level 2 if the fair value is determined by observable inputs, other than quoted prices included in Level 1, for the asset or prices for similar assets. Level 2 securities include fixed maturity securities and preferred stock for which the Company utilized pricing services and corroborated broker quotes. Securities are classified as Level 3 if the valuations are derived from techniques in which one or more of the significant inputs are unobservable. Level 3 consists principally of fixed maturity securities whose fair value is estimated based on non-binding broker quotes.
- (b) Cash equivalents are primarily valued at amortized cost, which approximates fair value. Operating cash is not included in the abovementioned table.
- (c) Separate Accounts assets are carried at the net asset value provided by the fund managers.
- (d) The Company issued contracts containing guaranteed minimum withdrawal benefits riders (“GMWB”) and obtained reinsurance on guaranteed minimum income benefit riders (“GMIB reinsurance”). GMWB and GMIB reinsurance are treated as embedded derivatives and are required to be reported separately from the host variable annuity contract. The fair value of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees, their fair values are determined using stochastic techniques under a variety of market return, discount rates and actuarial assumptions. Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level 3 of the fair value hierarchy.

At June 30, 2010, there were no transfers between Level 1 and 2, respectively.

The following table provides a summary of the change in fair value of the Company's Level 3 assets at June 30, 2010 and December 31, 2009:

Fixed maturity securities	June 30, 2010	December 31, 2009
Balance at beginning of period (a)	\$ 2,216	\$ 5,108
Change in unrealized gains (losses) (b)	22	(125)
Sales	(29)	(432)
Transfers into Level 3	—	2,767
Transfers out of Level 3	(2,213)	(5,108)
Changes in valuation (c)	4	5
Balance at end of period (a)	<u>\$ —</u>	<u>\$ 2,216</u>

(a) Recorded as a component of fixed maturity available-for-sale securities in the Balance Sheets.

(b) Recorded as a component of other comprehensive income (loss).

(c) Recorded as a component of net investment income in the Statements of Income.

In certain circumstances, the Company will obtain non-binding broker quotes from brokers to assist in the determination of fair value. If those quotes can be corroborated by other market observable data, the investments will be classified as Level 2 investments. If not, the investments are classified as Level 3 due to the unobservable nature of the brokers' valuation processes. The decrease in Level 3 securities at June 30, 2010 and December 31, 2009 is primarily due to an increase in market activity and securities being vendor priced (Level 2).

The Company's Level 3 liabilities (assets) consist of provisions for GMWB and GMIB reinsurance. The fair value of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined using stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit spread, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate ("LIBOR") forward curve. The credit spread is set by using the credit default swap ("CDS") spreads of a reference portfolio of life insurance companies, adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors).

For equity volatility, the Company uses a term structure assumption with market-based implied volatility inputs for the first five years and a long-term forward rate assumption of 25% thereafter. The volume of observable option trading from which volatilities are derived generally declines as the contracts' term increases, therefore, the volatility curve grades from implied volatilities for five years to the ultimate rate. The resulting volatility assumption in year 20 for the S&P 500 index (expressed as a spot rate) was 26.7% at June 30, 2010 and 25.3% at December 31, 2009. Correlations of market returns across underlying indices are based on historical market returns and their inter-relationships over a number of years preceding the valuation date. Assumptions regarding policyholder behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities. These assumptions are reviewed at each valuation date and updated based on historical experience and observable market data as required.

The following table provides a summary of the changes in fair value of the Company's Level 3 liabilities (assets) at June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
	GMWB	GMIB Reinsurance	GMWB	GMIB Reinsurance
Balance at beginning of period (b)	\$ 1,263	\$ (5,745)	\$ 4,270	\$ (7,449)
Changes in interest rates (a)	1,458	(1,760)	(1,377)	1,212
Changes in equity markets (a)	1,436	(936)	(1,665)	1,230
Other (a)	—	—	35	(738)
Balance at end of period (b)	\$ 4,157	\$ (8,441)	\$ 1,263	\$ (5,745)

(a) Recorded as a component of policy benefits in the Statements of Income.

(b) Recorded as a component of future policy benefits in the Balance Sheets.

At June 30, 2010, the change in the GMWB reserves and GMIB Reinsurance was principally driven by the decline in the risk neutral rate and unfavorable equity markets during the quarter. In 2009, the change in GMWB reserves and GMIB insurance was driven by the increase in risk neutral rates, improved equity markets, and policyholder behavior assumption updates, slightly offset by a lower credit spread.

Note 3. Investments

Fixed Maturity and Equity Securities

The amortized cost/cost and estimated fair value of investments in fixed maturity securities and equity securities at June 30, 2010 and December 31, 2009 were:

	June 30, 2010				Estimated Fair Value
	Amortized Cost/Cost	Gross Unrealized		OTTI ⁽¹⁾	
		Gains	Losses		
Fixed maturity securities					
Corporate securities	\$102,042	\$ 6,122	\$ (1,179)	\$ —	\$106,985
Asset-backed securities	6,966	197	(21)	—	7,142
Commercial mortgage-backed securities	25,023	2,057	—	—	27,080
Residential mortgage-backed securities	1,462	21	—	(164)	1,319
Government and government agencies					
United States	1,964	81	—	—	2,045
Foreign	3,200	196	(124)	—	3,272
Total fixed maturity securities	\$140,657	\$ 8,674	\$ (1,324)	\$ (164)	\$147,843
Equity securities - preferred stocks					
Banking securities	\$ 80	\$ —	\$ (16)	\$ —	\$ 64
Total equity securities	\$ 80	\$ —	\$ (16)	\$ —	\$ 64

	December 31, 2009				Estimated Fair Value
	Amortized Cost/Cost	Gross Unrealized		OTTI(1)	
		Gains	Losses		
Fixed maturity securities					
Corporate securities	\$ 62,214	\$ 3,609	\$ (339)	\$ —	\$ 65,484
Asset-backed securities	7,179	240	(205)	—	7,214
Commercial mortgage-backed securities	25,788	363	(623)	—	25,528
Residential mortgage-backed securities	9,024	331	(240)	—	9,115
Government and government agencies					
United States	3,194	1	(61)	—	3,134
Foreign	3,540	92	(180)	—	3,452
Total fixed maturity securities	<u>\$110,939</u>	<u>\$ 4,636</u>	<u>\$ (1,648)</u>	<u>\$ —</u>	<u>\$113,927</u>
Equity securities - preferred stocks					
Banking securities	\$ 80	\$ —	\$ (23)	\$ —	\$ 57
Total equity securities	<u>\$ 80</u>	<u>\$ —</u>	<u>\$ (23)</u>	<u>\$ —</u>	<u>\$ 57</u>

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Excluding investments in U.S. government and government agencies, the Company is not exposed to any significant concentration of credit risk in its fixed maturity securities portfolio.

The amortized cost and estimated fair value of fixed maturity securities by investment grade at June 30, 2010 and December 31, 2009 were:

	June 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Investment grade	\$135,882	\$143,072	\$105,980	\$109,074
Below investment grade	4,775	4,771	4,959	4,853
Total fixed maturity securities	<u>\$140,657</u>	<u>\$147,843</u>	<u>\$110,939</u>	<u>\$113,927</u>

At June 30, 2010 and December 31, 2009, the estimated fair value of fixed maturity securities rated BBB- were \$7,936 and \$3,718, respectively, which is the lowest investment grade rating given by Standard & Poor's ("S&P").

The amortized cost and estimated fair value of fixed maturity securities at June 30, 2010 and December 31, 2009 by contractual maturities were:

	June 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities				
Due in one year or less	\$ 1,384	\$ 1,396	\$ 4,486	\$ 4,511
Due after one year through five years	26,288	27,145	18,774	19,517
Due after five years through ten years	71,436	75,376	37,584	40,129
Due after ten years	8,098	8,385	8,103	7,912
	<u>107,206</u>	<u>112,302</u>	<u>68,947</u>	<u>72,069</u>
Mortgage-backed securities and other asset-backed securities	33,451	35,541	41,992	41,858
Total fixed maturity securities	<u>\$140,657</u>	<u>\$147,843</u>	<u>\$110,939</u>	<u>\$113,927</u>

In the preceding table fixed maturity securities not due at a single maturity date have been included in the year of final maturity. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Unrealized Gains (Losses) on Fixed Maturity and Equity Securities

The Company's investments in fixed maturity and equity securities are classified as available-for-sale and are carried at estimated fair value. Unrealized gains and losses on available-for-sale securities are included in stockholder's equity as a component of accumulated other comprehensive income (loss), net of taxes.

The estimated fair value and gross unrealized losses and OTTI of fixed maturity and equity securities aggregated by length of time that individual securities have been in a continuous unrealized loss position at June 30, 2010 and December 31, 2009 were as follows:

	June 30, 2010		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI⁽¹⁾
Less than or equal to six months			
Fixed maturity securities - corporate securities	\$ 12,910	\$ 13,898	\$ (988)
Total fixed maturity and equity securities	<u>12,910</u>	<u>13,898</u>	<u>(988)</u>
Greater than one year			
Fixed maturity securities			
Corporate securities	1,912	2,103	(191)
Asset-backed securities	639	660	(21)
Residential mortgage-backed securities	863	1,027	(164)
Government and government agencies - foreign	336	460	(124)
Equity securities - banking securities	64	80	(16)
Total fixed maturity and equity securities	<u>3,814</u>	<u>4,330</u>	<u>(516)</u>
Total fixed maturity and equity securities	<u>\$ 16,724</u>	<u>\$ 18,228</u>	<u>\$ (1,504)</u>
	December 31, 2009		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI⁽¹⁾
Less than or equal to six months			
Fixed maturity securities			
Corporate securities	\$ 998	\$ 998	\$ —
Residential mortgage-backed securities	35	35	—
Government and government agencies			
United States	1,883	1,883	—
Foreign	2,193	2,281	(88)
Total fixed maturity and equity securities	<u>5,109</u>	<u>5,197</u>	<u>(88)</u>
Greater than six months but less than or equal to one year			
Fixed maturity securities			
Corporate securities	281	315	(34)
Asset-backed securities	653	690	(37)
Government and government agencies - United States	1,000	1,061	(61)
Total fixed maturity and equity securities	<u>\$ 1,934</u>	<u>\$ 2,066</u>	<u>\$ (132)</u>

	December 31, 2009		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI ⁽¹⁾
(continued)			
Greater than one year			
Fixed maturity securities			
Corporate securities	\$ 4,273	\$ 4,578	\$ (305)
Asset-backed securities	1,563	1,731	(168)
Commercial mortgage-backed securities	5,955	6,579	(624)
Residential mortgage-backed securities	908	1,148	(240)
Government and government agencies - foreign	368	459	(91)
Equity securities - banking securities	57	80	(23)
Total fixed maturity and equity securities	<u>13,124</u>	<u>14,575</u>	<u>(1,451)</u>
Total fixed maturity and equity securities	<u>\$ 20,167</u>	<u>\$ 21,838</u>	<u>\$ (1,671)</u>

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

The total number of securities in an unrealized loss position was 13 and 29 at June 30, 2010 and December 31, 2009, respectively.

At June 30, 2010 and December 31, 2009, the estimated fair value, gross unrealized losses, OTTI and number of securities where the fair value had declined below amortized cost by greater than 20% was as follows:

	June 30, 2010			
	Estimated Fair Value	Gross Unrealized Losses	OTTI	Number of Securities
Decline > 20%				
Less than or equal to 90 days	\$ 2,535	\$ (706)	\$ —	1
Greater than one year	336	(124)	—	1
Total	<u>\$ 2,871</u>	<u>\$ (830)</u>	<u>\$ —</u>	<u>2</u>
	December 31, 2009			
	Estimated Fair Value	Gross Unrealized Losses	OTTI ⁽¹⁾	Number of Securities
Decline > 20%				
Greater than one year	\$ 2,407	\$ (714)	\$ —	4
Total	<u>\$ 2,407</u>	<u>\$ (714)</u>	<u>\$ —</u>	<u>4</u>

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Unrealized gains (losses) incurred during the six months ended June 30, 2010 and 2009 were primarily due to price fluctuations resulting from changes in interest rates and credit spreads. As the Company does not have the intent to sell and the Company is not more likely than not required to sell these securities prior to the anticipated recovery of the amortized cost, the Company did not consider these securities to be other-than-temporarily impaired.

The components of net unrealized gain (loss) and OTTI included in accumulated other comprehensive income, net of taxes at June 30, 2010 and December 31, 2009 was as follows:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Assets		
Fixed maturity securities	\$ 7,186	\$ 2,987
Equity securities	(16)	(23)
Value of business required	<u>(223)</u>	<u>(62)</u>
	<u>6,947</u>	<u>2,902</u>
Liabilities		
Policyholder account balances	308	251
Federal income taxes - deferred	<u>(2,559)</u>	<u>(1,103)</u>
	<u>(2,251)</u>	<u>(852)</u>
Stockholder's equity		
Accumulated other comprehensive income, net of taxes	<u>\$ 4,696</u>	<u>\$ 2,050</u>

The Company records certain adjustments to policyholder account balances in conjunction with the unrealized holding gains or losses on investments classified as available-for-sale. The Company adjusts a portion of these liabilities as if the unrealized holding gains or losses had actually been realized, with corresponding credits or charges reported in accumulated other comprehensive income (loss), net of taxes.

Policy Loans

Policy loans on insurance contracts are stated at unpaid principal balances. The Company estimates the fair value of policy loans as equal to the book value of the loans. The estimated fair value of the policy loans at June 30, 2010 and December 31, 2009 was \$61,813 and \$63,045, respectively. Policy loans are fully collateralized by the account value of the associated insurance contracts, and the spread between the policy loan interest rate and the interest rate credited to the account value held as collateral is fixed.

Derivatives

The Company uses derivatives to manage the capital market risk associated with the GMWB. The derivatives, which are S&P 500 Composite Stock Price Index futures contracts, are used to hedge the equity risk associated with these types of variable guaranteed products, in particular the claim and/or revenue risks of the liability portfolio. The Company will not seek hedge accounting on these hedges because, in most cases, the derivatives' change in value will create a natural offset in the Statements of Income with the change in reserves. Net settlements on the futures occur daily. As of June 30, 2010, the Company had 20 outstanding short futures contracts with a notional value of \$5,133. As of December 31, 2009, the Company had 20 outstanding short futures contracts with a notional value of \$5,554.

Realized Investment Gains (Losses)

The Company considers fair value at the date of sale to be equal to proceeds received. Proceeds and gross realized investment gains (losses) from the sale of available-for-sale securities for the three and six months ended June 30 were as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Proceeds	\$8,381	\$8,231	\$30,900	\$15,571
Gross realized investment gains	678	252	1,519	396
Gross realized investment losses	(87)	(647)	(87)	(731)
Proceeds on available-for-sale securities sold at a realized loss	1,810	4,881	2,599	6,957

Net realized investment gains (losses) for the three and six months ended June 30 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Fixed maturity securities	\$ 543	\$ (395)	\$ 1,384	\$ (918)
Derivatives	671	(1,306)	375	(828)
Adjusted related to value of business acquired	(32)	—	(32)	(23)
Net realized investment gains (losses)	<u>\$ 1,182</u>	<u>\$ (1,701)</u>	<u>\$ 1,727</u>	<u>\$ (1,769)</u>

OTTI

If management determines that a decline in the value of an available-for-sale equity security is other-than-temporary, the cost basis is adjusted to estimated fair value and the decline in value is recorded as a net realized investment loss. For debt securities, the manner in which an OTTI is recorded depends on whether management intends to sell a security or it is more likely than not that it will be required to sell a security in an unrealized loss position before its anticipated recovery. If management intends to sell or more likely than not will be required to sell the debt security before recovery, the OTTI is recognized in earnings for the difference between amortized cost and fair value. If these criteria are not met, the OTTI is bifurcated into two pieces: a credit loss is recognized in earnings at an amount equal to the difference between the amortized cost of the debt security and the present value of the security's anticipated cash flows, and a non credit loss is recognized in OCI for any difference between the fair value and the net present value of the debt security at the impairment measurement date.

The following tables sets forth the amount of credit loss impairments on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the OTTI loss was recognized in OCI, and the corresponding changes in such amounts:

Balance, December 31, 2009	\$ —
Credit loss impairment recognized in the current period on securities not previously impaired	48
Balance, June 30, 2010	<u>\$ 48</u>

The components of OTTI reflected in the Statements of Income for the three and six months ended June 30 was as follows:

	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	OTTI Losses on Securities	Net OTTI Loss Recognized in OCI	Net OTTI Losses Recognized in Income	OTTI Losses on Securities	Net OTTI Loss Recognized in OCI	Net OTTI Losses Recognized in Income
Gross OTTI losses	\$ 212	\$ 164	\$ 48	\$ 212	\$ 164	\$ 48
Deferred acquisition costs and value of business acquired	—	—	—	—	—	—
Net OTTI Losses	<u>\$ 212</u>	<u>\$ 164</u>	<u>\$ 48</u>	<u>\$ 212</u>	<u>\$ 164</u>	<u>\$ 48</u>

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	OTTI Losses on Securities	Net OTTI Loss Recognized in OCI	Net OTTI Losses Recognized in Income	OTTI Losses on Securities	Net OTTI Loss Recognized in OCI	Net OTTI Losses Recognized in Income
Gross OTTI losses	\$ —	\$ —	\$ —	\$ 583	\$ —	\$ 583
Deferred acquisition costs and value of business acquired	—	—	—	—	—	—
Net OTTI Losses	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 583</u>	<u>\$ —</u>	<u>\$ 583</u>

For the three and six months ended June 30, 2010, the Company recorded impairment losses of \$48 and \$48, respectively, with no associated amortization of value of business acquired. The impairment losses were principally the result of the Company impairing its holding of a 2005 vintage residential mortgage-backed security in the second quarter due to an adverse change in cash flows. For the six months ended June 30, 2009, the Company recorded impairments of \$583, with no associated amortization of value of business acquired. In the first quarter 2009, the Company impaired its holding in Harrah's Entertainment Inc. to fair value and recorded an impairment of \$260. Three unique issuers accounted for the remaining gross impairment of \$323. During the second quarter 2009, the Company adopted revised guidance for OTTI recognition, which resulted in a cumulative adjustment of \$201 to retained earnings and amortized cost for fixed maturity securities and cost for equity securities for the non credit portion

of previously recorded impairments on securities still in inventory upon adoption. Of this, \$70 related to non credit impairments previously recorded in income during the first quarter of 2009.

Note 4. Value of Business Acquired (“VOBA”), Deferred Acquisition Costs (“DAC”), and Deferred Sales Inducements (“DSI”)

VOBA reflects the estimated fair value of in force contracts acquired and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the life insurance and annuity contracts in force at the acquisition date. VOBA is based on actuarially determined projections, for each block of business, of future policy and contract charges, premiums, mortality, Separate Account performance, surrenders, operating expenses, investment returns and other factors. Actual experience on the purchased business may vary from these projections. If estimated gross profits or premiums differ from expectations, the amortization of VOBA is adjusted to reflect actual experience.

The short-term equity growth rate and the long-term growth rate for the amortization of VOBA, DAC and DSI were as follows:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>	<u>June 30, 2009</u>
Gross short-term equity growth rate for five years	9.00%	7.25%	11.00%
Gross long-term growth rate	9.00%	9.00%	9.00%

The change in the carrying amount of VOBA for the three and six months ended June 30 was as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Accretion (amortization) expense	\$ 2,097	\$ (2,012)	\$ 1,434	\$ (763)
Unlocking	(490)	428	(297)	(1,314)
Impairment charge	—	—	—	(7,165)
Adjustment related to realized gains on investments	(32)	—	(32)	(23)
Adjustment related to unrealized (gains) losses and OTTI on investments	(186)	(1,285)	(161)	354
Change in VOBA carrying amount	<u>\$ 1,389</u>	<u>\$ (2,869)</u>	<u>\$ 944</u>	<u>\$ (8,911)</u>

The unfavorable equity market movement in the second quarter of 2010 resulted in negative future gross profits which caused unfavorable unlocking and accretion expense for the three and six months ended June 30, 2010. The six months ended June 30, 2009 were impacted by the negative economic outlook during the first quarter 2009 which resulted in unfavorable unlocking. In addition, an impairment charge was taken at March 31, 2009, as estimated future gross profits were less than the unamortized balance.

The change in the carrying amount of DAC and DSI for the three and six months ended June 30 was as follows:

DAC	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Capitalization	\$ 28	\$ 3	\$ —	\$ 17
Accretion (amortization) expense	42	(26)	57	(60)
Unlocking	(18)	(1)	(17)	(9)
Adjustment related to unrealized (gains) losses and OTTI on investments	—	(120)	—	38
Change in DAC carrying amount	<u>\$ 52</u>	<u>\$ (144)</u>	<u>\$ 40</u>	<u>\$ (14)</u>

DSI	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Capitalization	\$ —	\$ 1	\$ —	\$ 5
Accretion (amortization) expense	16	(11)	22	(24)
Unlocking	(4)	—	(7)	(3)
Change in DSI carrying amount	<u>\$ 12</u>	<u>\$ (10)</u>	<u>\$ 15</u>	<u>\$ (22)</u>

Note 5. Variable Contracts Containing Guaranteed Benefits

The Company records liabilities for contracts containing guaranteed minimum death benefits (“GMDB”) and guaranteed minimum income benefits (“GMIB”) as a component of future policy benefits in the Balance Sheets and changes in the liabilities are included as a component of policy benefits in the Statements of Income.

The components of the changes in the variable annuity GMDB and GMIB liabilities for the three and six months ended June 30, 2010 and 2009 were as follows:

GMDB	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Guaranteed benefits incurred	\$ 513	\$ 622	\$ 1,057	\$ 1,062
Guaranteed benefits paid	(281)	(846)	(455)	(1,723)
Unlocking	516	(239)	288	541
Total	<u>\$ 748</u>	<u>\$ (463)</u>	<u>\$ 890</u>	<u>\$ (120)</u>

GMIB	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Guaranteed benefits incurred	\$ 283	\$ 332	\$ 606	\$ 520
Unlocking	509	(83)	387	443
Total	<u>\$ 792</u>	<u>\$ 249</u>	<u>\$ 993</u>	<u>\$ 963</u>

Unfavorable unlocking for the three and six months ended June 30, 2010 was primarily due to unfavorable equity market performance resulting in higher estimates of future benefit amounts. The six months ended June 30, 2009 were impacted by the negative economic outlook during the first quarter 2009 which resulted in unfavorable unlocking.

The variable annuity GMDB liability at June 30, 2010 and December 31, 2009 was \$1,197 and \$307, respectively. The variable annuity GMIB liability at June 30, 2010 and December 31, 2009 was \$3,539 and \$2,546, respectively.

The Company has issued variable life contracts in which the Company contractually guarantees to the contract owner a GMDB. As of June 30, 2010 and 2009, an insignificant amount of variable life guaranteed benefits were recorded as a component of policy benefits in the Statements of Income as incurred or paid.

Note 6. Federal Income Taxes

The effective tax rate was (24%) and (26%) for the six months ended June 30, 2010 and 2009, respectively. Differences between the effective rate and the U.S. statutory rate of 35% during the first six months of 2010 principally were the result of Separate Accounts dividends-received deduction (“DRD”) and valuation allowance on net operating loss carryforward.

The valuation allowance for deferred tax assets as of June 30, 2010 and December 31, 2009 was \$517 and \$3,705, respectively. The valuation allowance is related to a net operating loss carryforward and other deferred tax assets that, in the judgment of management, is not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers

whether it is more likely than not that all or some of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on generation of further taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax-planning strategies in making the assessment.

The Company has analyzed all material tax positions under the guidance of ASC 740, *Income Taxes*, related to the accounting for uncertainty in income tax, and determined there were tax benefits of \$343 that should not be recognized as of June 30, 2010 and December 31, 2009, respectively, which primarily relates to uncertainty regarding the sustainability of certain deductions taken on the 2008 U.S. Federal income tax return. There were no additions based on tax positions related to the current and prior year. To the extent these unrecognized tax benefits are ultimately recognized, they will not impact the effective tax rate in a future period. It is not anticipated that the total amounts of unrecognized tax benefits will significantly increase within twelve months of the reporting date.

At June 30, 2010 and December 31, 2009, the Company had an operating loss carryforward for federal income tax purposes of \$7,042 (net of the ASC 740 reduction of \$981) and \$5,554 (net of the ASC 740 reduction of \$981), respectively, with a carryforward period of fifteen years that expire at various dates up to 2023. At June 30, 2010, it is expected that the Company will utilize its December 31, 2009 capital loss carryforward of \$570. The Company has a foreign tax credit carryforward at June 30, 2010 and December 31, 2009 of \$487 and \$412, respectively, with a carryforward period of ten years that will expire at various dates up to 2020. Also, the Company has an Alternative Minimum Tax tax credit carryforward for federal income tax purposes of \$217 at June 30, 2010 and December 31, 2009, respectively, with an indefinite carryforward period.

The Company classifies interest and penalties related to income taxes as interest expense and penalty expense, respectively. The Company has recognized no material penalties in its financial statements as of June 30, 2010 and December 31, 2009, respectively. The Company recognized interest expense of (\$11) and \$11 as of June 30, 2010 and December 31, 2009, respectively. The accrued interest expense related to federal income tax was released at June 30, 2010 based on the expectation that the net operating loss will offset any taxable income generated by the uncertain tax position for the Company in future tax periods.

The Company files a separate federal income tax return for the years 2008 through 2012. Beginning in 2013 and assuming no changes in ownership, the Company will join the affiliated consolidated tax group. A tax return has been filed for 2008, but no examination by the Internal Revenue Service has commenced.

Note 7. Stockholder's Equity and Statutory Accounting Principles

The Company's statutory financial statements are presented on the basis of accounting practices prescribed or permitted by the New York Insurance Department. The State of New York has adopted the National Association of Insurance Commissioners ("NAIC") statutory accounting principles as a component of prescribed or permitted practices by the State of New York.

The Company's statutory net income (loss) for the six months ended June 30, 2010 and 2009 was (\$3,780), and \$3,278, respectively. Statutory capital and surplus at June 30, 2010 and December 31, 2009 was \$77,122 and \$81,728, respectively.

During the first half of 2010 and 2009, the Company did not pay any dividends to AUSA or receive any capital contribution from AUSA.

Note 8. Reinsurance

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured life and to recover a portion of benefits paid by ceding mortality risk to other insurance enterprises or reinsurers under indemnity reinsurance agreements, primarily quota share coverage and coinsurance agreements. The maximum amount of mortality risk retained by the Company is approximately \$1,000 on single and joint life policies. Effective second quarter of 2008, the Company began to recapture the majority of its life reinsurance, which is expected to be finalized in 2010.

Indemnity reinsurance agreements do not relieve the Company from its obligations to contract owners. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company regularly evaluates the financial condition of its reinsurers so as to minimize its exposure to significant losses from reinsurer insolvencies. At June 30, 2010 and December 31, 2009, reinsurance receivables were \$1,140 and \$1,782, respectively, principally related to the recapture of life reinsurance and refined calculations in conjunction with system conversions. At June 30, 2010 and December 31, 2009, these reinsurance

receivables were primarily from Swiss Re, Lincoln National Life Insurance Company, Reinsurance Group of America (“RGA”), Employers Reassurance Corporation (“ERAC”) and Munich American Reassurance Company.

The Company is party to an indemnity reinsurance agreement with an unaffiliated insurer whereby the Company coinsures, on a modified coinsurance basis, 50% of the unaffiliated insurer’s variable annuity contracts sold from January 1, 1997 to June 30, 2001.

In addition, the Company seeks to limit its exposure to guaranteed benefit features contained in certain variable annuity contracts. Specifically, the Company reinsures certain GMIB and GMDB provisions to the extent reinsurance capacity is available in the marketplace. At June 30, 2010 and December 31, 2009, 58% and 15% of the account value for variable annuity contracts containing GMIB and GMDB provisions, respectively, were reinsured.

Note 9. Related Party Transactions

As of June 30, 2010, the Company had the following related party agreements in effect:

The Company is party to a common cost allocation service agreement between AUSA companies in which various affiliated companies may perform specified administrative functions in connection with the operation of the Company, in consideration of reimbursement of actual costs of services rendered. During the three and six months ended June 30, 2010, the Company incurred \$92 and \$528, respectively, in expenses under this agreement. During the three and six months ended June 30, 2009, the Company incurred \$417 and \$935, respectively, in expenses under this agreement. Charges attributable to this agreement are included in insurance expenses and taxes, net of amounts capitalized.

AEGON USA Investment Management, LLC acts as a discretionary investment manager under an investment management agreement with the Company. During the three and six months ended June 30, 2010, the Company incurred \$50 and \$97, respectively, in expenses under this agreement. During the three and six months ended June 30, 2009, the Company incurred \$49 and \$99, respectively, in expenses under this agreement. Charges attributable to this agreement are included in net investment income.

Transamerica Capital, Inc. provides underwriting services for the Company under an underwriting agreement. During the three and six months ended June 30, 2010, the Company incurred \$671 and \$1,378, respectively, in expenses under this agreement. During the three and six months ended June 30, 2009, the Company incurred \$648 and \$1,227 respectively, in expenses under this agreement. Charges attributable to this agreement are included in insurance expenses and taxes, net of amounts capitalized.

The Company has a participation agreement with Transamerica Series Trust to offer certain funds in the Company’s Separate Accounts. Transamerica Capital, Inc. acts as the distributor for said related party funds. The Company has entered into a distribution and shareholder services agreement for certain of the said funds. Revenue attributable to this agreement is included in policy charge revenue. During the three and six months ended June 30, 2010, the Company received \$1 and \$1, respectively, in revenue under this agreement. During the three and six months ended June 30, 2009, the Company, did not receive any revenue under this agreement.

The Company has a reinsurance agreement with Transamerica Life Insurance Company. During the three and six months ended June 30, 2010, the Company did not incur any reinsurance premium ceded expense under this agreement and there were no reinsurance recoveries on death claims incurred. During the three and six months ended June 30, 2009, the Company incurred \$5 and \$9, respectively, in reinsurance premium ceded expense under this agreement and there were no reinsurance recoveries on death claims incurred.

The Company has a service agreement with Western Reserve Life Assurance Co. of Ohio (“WRL”) whereby WRL will perform specified administrative functions in connection with the operation of the Company except to the extent that the services are performed for the Company by another party. During the three and six months ended June 30, 2010, the Company incurred \$44 and \$89, respectively, in expenses under this agreement. During the three and six months ended June 30, 2009, the Company did not incur any expenses under this agreement. Charges attributable to this agreement are included in insurance expenses and taxes, net of amounts capitalized.

While management believes that the service agreements referenced above are calculated on a reasonable basis, they may not necessarily be indicative of the costs that would have been incurred with an unrelated third party. Affiliated agreements generally contain reciprocal indemnity provisions pertaining to each party’s representations and contractual obligations thereunder.

Note 10. Segment Information

In reporting to management, the Company's operating results are categorized into two business segments: Annuity and Life Insurance. The Company's Annuity segment consists of variable annuities and interest-sensitive annuities. The Company's Life Insurance segment consists of variable life insurance products and interest-sensitive life insurance products. The accounting policies of the business segments are the same as those for the Company's financial statements included herein. All revenue and expense transactions are recorded at the product level and accumulated at the business segment level for review by management.

The following tables summarize each business segment's contribution to net revenues and net income (loss):

	Three Months Ended June 30,	
	2010	2009
Net revenues (a)		
Annuity	\$ 4,596	\$ 1,035
Life Insurance	1,566	1,281
Net revenues (a)	<u>\$ 6,162</u>	<u>\$ 2,316</u>
Net income		
Annuity	\$ 4,399	\$ 1,175
Life Insurance	243	567
Net income	<u>\$ 4,642</u>	<u>\$ 1,742</u>
	Six Months Ended June 30,	
	2010	2009
Net revenues (a)		
Annuity	\$ 8,484	\$ 4,048
Life Insurance	3,081	2,684
Net revenues (a)	<u>\$ 11,565</u>	<u>\$ 6,732</u>
Net income (loss)		
Annuity	\$ 6,894	\$ (9,196)
Life Insurance	651	(222)
Net income (loss)	<u>\$ 7,545</u>	<u>\$ (9,418)</u>

(a) Net revenues include total net revenues net of interest credited to policyholder liabilities.

Item 2. Management's Narrative Analysis of Results of Operations

This Management's Narrative Analysis of Results of Operations should be read in conjunction with the Financial Statements and Notes to Financial Statements included herein.

Forward Looking Statements

Certain statements in this report may be considered forward-looking, including those about management expectations, strategic objectives, growth opportunities, business prospects, anticipated financial results and other similar matters. These forward-looking statements represent only management's beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond the Company's control, which affect its operations, performance, business strategy and results and could cause its actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by current and potential competitors, general economic conditions, the effects of current, pending and future legislation, regulation and regulatory actions, and the other risks and uncertainties detailed in this report. See *Risk Factors* in the 2009 Annual Report on Form 10-K. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. The Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. The reader should, however, consult further disclosures the Company may make in future filings of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Business

Overview

Transamerica Advisors Life Insurance Company of New York ("TALNY", "Registrant", "Company", "we", "our", or "us") is a wholly owned subsidiary of AEGON USA, LLC ("AUSA"). Prior to July 1, 2010, the Company was known as ML Life Insurance Company of New York ("MLLICNY"). AUSA is an indirect wholly owned subsidiary of AEGON N.V., a limited liability share company organized under Dutch law. The Company was incorporated in 1973 under the laws of the State of New York.

TALNY conducts its business primarily in the annuity markets and to a lesser extent in the life insurance markets of the financial services industry. During 2009, the Company, in addition to not issuing life insurance products, ceased issuing variable annuity and market value adjusted annuity products. The Company offered the following guaranteed benefits within its variable annuity product suite: guaranteed minimum death benefits ("GMDB"), guaranteed minimum income benefits ("GMIB") and guaranteed minimum withdrawal benefits ("GMWB").

The Company's gross earnings are principally derived from two sources:

- the charges imposed on variable annuity and variable life insurance contracts, and
- the net earnings from investment of fixed rate life insurance and annuity contract owner deposits less interest credited to contract owners, commonly known as interest spread.

The costs associated with acquiring contract owner deposits (deferred policy acquisition costs) are amortized over the period in which the Company anticipates holding those funds, as noted in the *Critical Accounting Policies and Estimates* section below. Insurance expenses and taxes reported in the Statements of Income are net of amounts deferred. In addition, the Company incurs expenses associated with the maintenance of in force contracts.

Deposits

Total direct deposits (including internal exchanges) were \$0.3 million and \$0.4 million, respectively, during the three and six months ended June 30, 2010. Total direct deposits were \$0.2 million and \$0.7 million, respectively, during the three and six months ended June 30, 2009. The decrease in deposits was due to the Company ceasing to issue new variable annuity and market value adjusted annuity products in 2009. There were \$0.1 million and \$0.1 million, respectively, of internal exchanges during the three and six months ended June 30, 2010. There were no internal exchanges during the three and six months ended June 30, 2009.

Financial Condition

At June 30, 2010, the Company's assets were \$859.2 million or \$50.5 million lower than the \$909.8 million in assets at December 31, 2009. Assets excluding Separate Accounts assets increased \$9.8 million. Separate Accounts assets, which represent 68% of total assets, decreased \$60.3 million to \$583.9 million.

Changes in Separate Accounts assets were as follows:

<i>(dollars in millions)</i>	Six Months Ended June 30, 2010
Investment performance	\$ (22.7)
Deposits	0.4
Policy fees and charges	(6.6)
Surrenders, benefits and withdrawals	<u>(31.4)</u>
Net change	\$ <u>(60.3)</u>

During the first half of 2010 and 2009, the Company did not have any fixed contract owner deposits and fixed contract owner withdrawals were \$4.4 million and \$6.5 million, respectively.

Environment

The Company's financial position and/or results of operations are primarily impacted by the following economic factors: equity market performance, fluctuations in medium term interest rates, and the corporate credit environment via credit quality and fluctuations in credit spreads.

Equity Market Performance

The investment performance of the underlying U.S. equity-based mutual funds supporting the Company's variable products do not replicate the returns of any specific U.S. equity market index. However, investment performance will generally increase or decrease with corresponding increases or decreases of the overall U.S. equity market. There are several standard indices published on a daily basis that measure performance of selected components of the U.S. equity market. Examples include the Dow Jones Industrial Average ("Dow"), the NASDAQ Composite Index ("NASDAQ") and the Standard & Poor's 500 Composite Stock Price Index ("S&P"). The Dow, NASDAQ and S&P ended June 30, 2010 with decreases of 10%, 12% and 12%, respectively, from March 31, 2010 and decreases of 6%, 7% and 8%, respectively from December 31, 2009.

Changes in the U.S. equity market directly affect the values of the underlying U.S. equity-based mutual funds supporting Separate Accounts assets and, accordingly, the values of variable contract owner account balances. Approximately 72% of Separate Accounts assets were invested in equity-based mutual funds at June 30, 2010. Since asset-based fees collected on in force variable contracts represent a significant source of revenue, the Company's financial condition will be impacted by fluctuations in investment performance of equity-based Separate Accounts assets.

During the six months ended June 30, 2010, average variable account balances increased \$59.2 million (or 10%) to \$630.6 million as compared to the same period in 2009. The change in average variable account balances contributed \$0.1 million and \$0.3 million, respectively, to the increase in asset-based policy charge revenue during the three and six months ended June 30, 2010 as compared to the same period in 2009.

Fluctuations in the U.S. equity market also directly impact the Company's exposure to guaranteed benefit provisions contained in the variable contracts it manufactures. Minimal or negative investment performance generally results in greater exposure to guarantee provisions. Prolonged periods of minimal or negative investment performance will result in greater guaranteed benefit costs as compared to assumptions. If the Company determines that it needs to increase its estimated long term cost of guaranteed benefits, it will result in establishing greater guaranteed benefit liabilities as compared to current practice.

Medium Term Interest Rates, Corporate Credit and Credit Spreads

Changes in interest rates affect the value of investments, primarily fixed maturity securities and preferred equity securities, as well as interest-sensitive liabilities. Changes in interest rates have an inverse relationship to the value of investments and interest-sensitive liabilities. Also, since the Company has certain fixed products that contain guaranteed minimum crediting rates, decreases in interest rates can decrease the amount of interest spread earned.

Changes in the corporate credit environment directly impact the value of the Company's investments, primarily fixed maturity securities. The Company primarily invests in investment-grade corporate debt to support its fixed rate product liabilities.

Credit spreads represent the credit risk premiums required by market participants for a given credit quality, i.e. the additional yield that a debt instrument issued by an AA-rated entity must produce over a risk-free alternative (e.g., U.S. Treasury instruments). Changes in credit spreads have an inverse relationship to the value of interest sensitive investments.

The impact of changes in medium term interest rates, corporate credit and credit spreads on market valuations were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Average medium term interest rate yield (a)	0.91%	1.40%	0.91%	1.40%
Increase (decrease) in medium term interest rates (in basis points)	(25)	39	(52)	51
Credit spreads (in basis points) (b)	208	348	208	348
Expanding (contracting) of credit spreads (in basis points)	48	(306)	8	(387)
Increase on market valuations (in millions)				
Available-for-sale investment securities	\$ 1.9	\$ 8.8	\$ 4.2	\$ 7.5
Interest-sensitive policyholder liabilities	—	0.2	0.1	0.4
Net increase on market valuations	<u>\$ 1.9</u>	<u>\$ 9.0</u>	<u>\$ 4.3</u>	<u>\$ 7.9</u>

- (a) The Company defines medium term interest rates as the average interest rate on U.S. Treasury securities with terms of one to five years.
- (b) The Company defines credit spreads according to the Merrill Lynch U.S. Corporate Bond Index for BBB-A Rated bonds with three to five year maturities.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ and could have a material impact on the financial statements, and it is possible that such changes could occur in the near term.

The Company’s critical accounting policies and estimates are discussed below. For a full description of these and other accounting policies see Note 1 of the 2009 Annual Report on Form 10-K.

Valuation of Fixed Maturity and Equity Securities

The Company’s investments in fixed maturity and equity securities are classified as available-for-sale and reported at estimated fair value. The fair values of fixed maturity and equity securities are determined by management after taking into consideration several sources of data. The Company’s valuation policy dictates that publicly available prices are initially sought from several third party pricing services. In the event that pricing is not available from these services, those securities are submitted to brokers to obtain quotes. Lastly, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows.

Each month, the Company performs an analysis of the information obtained from third party services and brokers to ensure that the information is reasonable and produces a reasonable estimate of fair value. The Company considers both qualitative and quantitative factors as part of this analysis, including but not limited to, recent transactional activity for similar fixed maturities, review of pricing statistics and trends, and consideration of recent relevant market events.

At June 30, 2010 and December 31, 2009, approximately, \$23.9 million (or 16%) and \$9.2 million (or 8%), respectively, of the Company’s fixed maturity and equity securities portfolio consisted of non-publicly traded securities. Since significant judgment is required for the valuation of non-publicly traded securities, the estimated fair value of these securities may differ from amounts realized upon an immediate sale.

Changes in the fair value of fixed maturity and equity securities are reported as a component of accumulated other comprehensive income (loss), net of taxes on the Balance Sheets and are not reflected in the Statements of Income until a sale transaction occurs or when credit-related declines in estimated fair value are deemed other-than-temporary.

Derivative Instruments

Derivatives are financial instruments in which the value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date. All derivatives recognized on the Balance Sheets are carried at fair value. All changes in fair value are recognized in the Statements of Income. The fair value for exchange traded derivatives, such as futures, are calculated net of the interest accrued to date and is based on quoted market prices. Net settlements on the futures occur daily. At June 30, 2010, the Company had 20 outstanding short futures contracts with a notional amount of \$5.1 million. At December 31, 2009, the Company had 20 outstanding short futures contracts with a notional amount of \$5.6 million.

Other-Than-Temporary Impairment (“OTTI”) Losses on Investments

The Company regularly reviews each investment in its fixed maturity and equity securities portfolio to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value of investments. Management makes this determination through a series of discussions with the Company’s portfolio managers and credit analysts, and information obtained from external sources (i.e. company announcements, ratings agency announcements, or news wire services). For equity securities, the Company also considers the ability and intent to hold the investments for a period of time sufficient for a forecasted market price recovery up to or beyond the amortized cost of the investment. The factors that may give rise to a potential OTTI include, but are not limited to, i) certain credit-related events such as default of principal or interest payments by the issuer, ii) bankruptcy of issuer, iii) certain security restructurings, and iv) fair market value less than cost or amortized cost for an extended period of time. In the absence of a readily ascertainable market value, the estimated fair value on these securities represents management’s best estimate and is based on comparable securities and other assumptions as appropriate. Management bases this determination on the most recent information available.

For equity securities, once management determines a decline in the value of an available-for-sale security is other-than-temporary, the cost basis of the equity security is reduced to its fair value, with a corresponding charge to earnings.

For debt securities, an OTTI must be recognized in earnings when an entity either a) has the intent to sell the debt security or b) more likely than not will be required to sell the debt security before its anticipated recovery. If the Company meets either of these criteria, the OTTI is recognized in earnings in an amount equal to the entire difference between the security’s amortized cost basis and its fair value at the balance sheet date. For debt securities in unrealized loss positions that do not meet these criteria, the Company must analyze its ability to recover the amortized cost by comparing the net present value of projected future cash flows with the amortized cost of the security. The net present value is calculated by discounting the Company’s best estimate of projected future cash flows. If the net present value is less than the amortized cost of the investment, an OTTI is recorded. The OTTI is separated into two pieces: an amount representing the credit loss, where the present value of cash flows expected to be collected is less than the amortized cost basis of the security, and an amount related to all other factors (referred to as the non credit portion). The credit loss is recognized in earnings and the non credit loss is recognized in other comprehensive income (“OCI”), net of applicable taxes and value of business acquired. Management records subsequent changes in the estimated fair value (positive and negative) of available-for-sale debt securities for which non credit OTTI was previously recognized in OCI in OCI-OTTI.

For the three and six months ended June 30, 2010 the Company recorded an OTTI in income of less than \$0.1 million and less than \$0.1 million, respectively, with no associated value of business acquired amortization. For the three months ended June 30, 2009, the Company did not record an OTTI in income. For the six months ended June 30, 2009, the Company recorded an OTTI in income, with no associated value of business acquired amortization, of \$0.6 million.

Value of Business Acquired (“VOBA”), Deferred Policy Acquisition Costs (“DAC”), and Deferred Sales Inducements (“DSI”)

The short-term equity growth rate and the long-term growth rate for the amortization of VOBA, DAC and DSI were as follows:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>	<u>June 30, 2009</u>
Gross short-term equity growth rate for five years	9.00%	7.25%	11.00%
Gross long-term growth rate	9.00%	9.00%	9.00%

VOBA

VOBA represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the insurance and annuity contracts in force at the acquisition date. VOBA is based on actuarially determined projections, for each block of business, of future policy and contract charges, premiums, mortality, policyholder behavior, Separate Account performance, operating expenses, investment returns, and other factors. Actual experience on the purchased business may vary from these projections. Revisions in estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future gross profits are less than the unamortized balance. At June 30, 2010 and December 31, 2009, the Company's VOBA asset was \$31.9 million and \$31.0 million, respectively. For the three and six months ended June 30, 2010, there was unfavorable unlocking of \$0.5 million and \$0.3 million, respectively. For the three and six months ended June 30, 2009, the favorable (unfavorable) impact to pre-tax income related to VOBA unlocking was \$0.4 million and (\$1.3) million, respectively. In addition, during the first quarter 2009, there was an impairment charge of \$7.2 million. See Note 4 to the Financial Statements for a further discussion.

DAC

The costs of acquiring business, principally commissions, certain expenses related to policy issuance, and certain variable sales expenses that relate to and vary with the production of new and renewal business are deferred and amortized based on the estimated future gross profits for a group of contracts. DAC are subject to recoverability testing at the time of policy issuance and loss recognition testing at the end of each reporting period. At June 30, 2010 and December 31, 2009, variable annuities accounted for the Company's entire DAC asset of \$0.4 million and \$0.4 million, respectively.

DAC for variable annuities is amortized with interest over the anticipated lives of the insurance contracts in relation to the present values of estimated future gross profits from asset-based fees, guaranteed benefit rider fees, contract fees, and surrender charges, less a provision for guaranteed death and living benefit expenses, policy maintenance expenses, and non-capitalized commissions. Future gross profit estimates are subject to periodic evaluation with necessary revisions applied against amortization to date. The impact of revisions and assumptions to estimates on cumulative amortization is recorded as a charge or benefit to current operations, commonly referred to as "unlocking". Changes in assumptions can have a significant impact on the amount of DAC reported and the related amortization patterns. In general, increases in the estimated Separate Accounts return and decreases in surrender or mortality assumptions increase the expected future profitability of the underlying business and may lower the rate of DAC amortization. Conversely, decreases in the estimated Separate Accounts returns and increases in surrender or mortality assumptions reduce the expected future profitability of the underlying business and may increase the rate of DAC amortization. For the three and six month periods ended June 30, 2010 and 2009, there was relatively no impact to pre-tax income related to DAC unlocking. See Note 4 to the Financial Statements for a further discussion.

DSI

The Company offers a sales inducement whereby the contract owner receives a bonus which increases the initial account balance by an amount equal to a specified percentage of the contract owner's deposit. This amount may be subject to recapture under certain circumstances. Consistent with DAC, sales inducements for variable annuity contracts are deferred and amortized based on the estimated future gross profits for each group of contracts. These future gross profit estimates are subject to periodic evaluation by the Company, with necessary revisions applied against amortization to date. The impact of these revisions on cumulative amortization is recorded as a charge or credit to current operations, commonly referred to as "unlocking". It is reasonably possible that estimates of future gross profits could be reduced in the future, resulting in a material reduction in the carrying amount of the deferred sales inducement asset.

The expense and the subsequent capitalization and amortization are recorded as a component of policy benefits in the Statements of Income. At June 30, 2010 and December 31, 2009, variable annuities accounted for the Company's entire DSI asset of \$0.1 million and \$0.1 million, respectively. See Note 4 to the Financial Statements for a further discussion.

Policyholder Account Balances

The Company's liability for policyholder account balances represents the contract value that has accrued to the benefit of policyholders as of the Balance Sheet date. The liability is generally equal to the accumulated account deposits plus interest credited less policyholders' withdrawals and other charges assessed against the account balance. Policyholder account balances at June 30, 2010 and December 31, 2009 were \$119.8 million and \$125.3 million, respectively.

Future Policy Benefits

Future policy benefits are actuarially determined liabilities, which are calculated to meet future obligations and are generally payable over an extended period of time. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, surrender rates, policy expenses, equity returns, interest rates, and inflation. These estimates and assumptions are influenced by historical experience, current developments and anticipated market trends. At June 30, 2010 and December 31, 2009, future policy benefits were \$21.5 million and \$18.5 million, respectively.

Included within future policy benefits are liabilities for GMDB and GMIB provisions contained in the variable products that the Company issues. At June 30, 2010 and December 31, 2009, GMDB and GMIB liabilities included within future policy benefits were as follows:

<u>(dollars in millions)</u>	<u>June 30, 2010</u>	<u>December 31, 2009</u>
GMDB liability	\$1.2	\$0.3
GMIB liability	3.5	2.5

The Company regularly evaluates the assumptions used to establish these liabilities, as well as actual experience and adjusts GMDB and GMIB liabilities with a related charge or credit to earnings (“unlocking”), if actual experience or evidence suggests that the assumptions should be revised. For the three and six months ended June 30, 2010, the unfavorable impact to pre-tax income related to GMDB and GMIB unlocking was \$1.0 million and \$0.7 million, respectively. For the three and six months ended June 30, 2009, the favorable (unfavorable) impact to pre-tax income related to GMDB and GMIB unlocking was \$0.3 million and (\$1.0) million, respectively.

Future policy benefits also include liabilities, which can be either positive or negative, for contracts containing GMWB provisions and for the reinsurance of GMIB provisions (“GMIB reinsurance”) for variable annuities based on the fair value of the underlying benefit. GMWB and GMIB reinsurance are treated as embedded derivatives and are required to be reported separately from the host variable annuity contract. The fair value of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined using stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit spread, correlations of market returns, discount rates and actuarial assumptions.

At June 30, 2010 and December 31, 2009, GMWB liability and GMIB reinsurance asset included within future policy benefits were as follows:

<u>(dollars in millions)</u>	<u>June 30, 2010</u>	<u>December 31, 2009</u>
GMWB liability	\$ 4.2	\$ 1.3
GMIB reinsurance asset	(8.4)	(5.7)

Federal Income Taxes

The Company uses the asset and liability method in providing income taxes on all transactions that have been recognized in the financial statements. The asset and liability method requires that deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The Company provides for federal income taxes based on amounts it believes it will ultimately owe. Inherent in the provision for federal income taxes are estimates regarding the realization of certain tax deductions and credits.

Specific estimates include the realization of dividend-received deductions (“DRD”) and foreign tax credits (“FTC”). A portion of the Company’s investment income related to Separate Accounts business qualifies for the DRD and FTC. Information necessary to calculate these tax adjustments is typically not available until the following year. However, within the current year’s provision, management makes estimates regarding the future tax deductibility of these items. These estimates are primarily based on recent historic experience. See Note 6 to the Financial Statements for a further discussion.

The valuation allowance for deferred tax assets at June 30, 2010 and December 31, 2009 was \$0.5 million and \$3.7 million, respectively. The valuation allowance is related to a net operating loss carryforward and other deferred tax assets that, in the judgment of management, is not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on generation of further taxable income during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected taxable income, and tax-planning strategies in making the assessment.

The Company files a return in the U.S. federal tax jurisdiction and various state tax jurisdictions.

Recent Accounting Guidance

The following outlines the adoption of recent accounting guidance in 2010. See Note 1 to the Financial Statements for a further discussion.

- Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosure*, ASU 2010-06, *Improving Disclosures about Fair Value Measurements* – guidance on new disclosures and clarifications of existing disclosures about fair value measurements – adopted January 1, 2010.

The following outlines the adoption of accounting guidance in 2009. See Note 1 to the Financial Statements for a further discussion.

- ASC 105, *Generally Accepted Accounting Principles* – established the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification™ (“Codification”) as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities – adopted September 30, 2009.
- ASC 320, *Investments—Debt and Equity Securities* – guidance that makes OTTI guidance for debt securities more operational and improves the presentation and disclosure of OTTI on debt and equity securities in the financial statements. The revised guidance resulted in a net increase to retained earnings and decrease to accumulated other comprehensive income (loss) of \$0.1 million at time of adoption – adopted June 30, 2009.
- ASC 820, *Fair Value Measurements and Disclosures*
 - o ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* – guidance on measuring the fair value of certain alternative investments (i.e., investments in hedge funds, private equity funds, venture capital funds, offshore fund vehicles, funds of funds, and real estate funds) – adopted December 31, 2009.
 - o ASU 2009-05, *Measuring Liabilities at Fair Value* – guidance which clarified that when a quoted price in an active market for an identical liability is not available, an entity should measure fair value using one of the prescribed approaches that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs – adopted December 31, 2009.
 - o Guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased as well as guidance on identifying circumstances that indicate a transaction is not orderly – adopted June 30, 2009.
 - o Guidance required an entity to disclose the methods and significant assumptions used to estimate fair value of financial instruments and to describe changes, if any, to those methods and assumptions during the period – adopted June 30, 2009.

ASC 855, *Subsequent Events*

- o Guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued – adopted June 30, 2009.
- o Revised guidance which eliminated the requirement for entities that file or furnish financial statements to the Securities Exchange Commission (“SEC”) to disclose the date through which subsequent events have been evaluated – adopted December 31, 2009.
- ASC 815, *Derivatives and Hedging* – guidance that amended and expanded the disclosure requirements related to derivative instruments and hedging activities to provide users of financial statements with an enhanced understanding of the instruments – adopted January 1, 2009.
- ASC 805, *Business Combinations* – guidance that established the principles and requirements for how the acquirer in a business combination: a) measures and recognizes the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquired entity, b) measures and recognizes positive goodwill acquired or a gain from bargain purchase (negative goodwill), and c) determines the disclosure information that is decision-useful to users of financial statements in evaluating the nature and financial effects of the business combination – adopted January 1, 2009.

- ASC 350, *Intangibles—Goodwill and Other* – guidance that amended the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset – adopted January 1, 2009.

In addition, the following is accounting guidance that will be adopted in the future. See Note 1 to the Financial Statements for a further discussion.

- ASC 820, *Fair Value Measurements and Disclosure*, ASU 2010-06, *Improving Disclosures about Fair Value Measurement* – requires separate presentation of information about purchases, sales, issuances, and settlements in the Level 3 reconciliation for fair value measurements using significant unobservable inputs – will be adopted January 1, 2011.
- ASC 944, *Financial Services – Insurance*, ASU 2010-15, *How Investments Held Through Separate Accounts Affect an Insurer’s Consolidation Analysis of Those Investments* – clarification that an insurance entity should not consider any separate account interest held for the benefit of policyholders in an investment to be the insurer’s interest and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation – will be adopted January 1, 2011.

Investments

The Company maintains a conservative general account investment portfolio comprised primarily of investment grade fixed maturity securities, policy loans, and cash and cash equivalents.

Fixed Maturities and Equity Securities

The amortized cost/cost and estimated fair value of investments in fixed maturity and equity securities at June 30, 2010 and December 31, 2009 were:

(dollars in millions)	June 30, 2010					% of Estimated Fair Value
	Amortized Cost/Cost	Gross Unrealized		OTTI ⁽¹⁾	Estimated Fair Value	
		Gains	Losses			
Fixed maturity securities						
Corporate bonds						
Financial services	\$ 20.8	\$ 0.8	\$ (0.3)	\$ —	\$ 21.3	14%
Industrial	76.4	5.0	(0.8)	—	80.6	55
Utility	4.8	0.3	(0.1)	—	5.0	3
Asset-backed securities						
Housing related	2.2	—	—	—	2.2	2
Credit cards	2.8	0.1	—	—	2.9	2
Autos	2.0	0.1	—	—	2.1	2
Commercial mortgage-backed securities - non agency backed	25.0	2.1	—	—	27.1	18
Residential mortgage-backed securities						
Agency backed	0.4	—	—	—	0.4	—
Non agency backed	1.1	—	—	(0.2)	0.9	1
Government and government agencies						
United States	2.0	—	—	—	2.0	1
Foreign	3.2	0.2	(0.1)	—	3.3	2
Total fixed maturity securities	140.7	8.6	(1.3)	(0.2)	147.8	100
Equity securities - banking securities	0.1	—	—	—	0.1	—
Total equity securities	0.1	—	—	—	0.1	—
Total fixed maturity and equity securities	\$ 140.8	\$ 8.6	\$ (1.3)	\$ (0.2)	\$ 147.9	100%

December 31, 2009

(dollars in millions)	Amortized Cost/Cost	Gross Unrealized		OTTI (1)	Estimated Fair Value	% of
		Gains	Losses			Estimated Fair Value
Fixed maturity securities						
Corporate bonds						
Financial services	\$ 12.9	\$ 0.5	\$ (0.3)	\$ —	\$ 13.1	11%
Industrial	46.0	3.0	—	—	49.0	43
Utility	3.3	0.2	—	—	3.5	3
Asset-backed securities						
Housing related	2.4	—	(0.2)	—	2.2	2
Credit cards	2.8	0.1	—	—	2.9	3
Autos	2.0	0.1	—	—	2.1	2
Commercial mortgage-backed securities - non agency backed	25.8	0.3	(0.6)	—	25.5	22
Residential mortgage-backed securities						
Agency backed	7.9	0.3	—	—	8.2	7
Non agency backed	1.1	—	(0.2)	—	0.9	1
Government and government agencies						
United States	3.2	—	(0.1)	—	3.1	3
Foreign	3.5	0.1	(0.2)	—	3.4	3
Total fixed maturity securities	110.9	4.6	(1.6)	—	113.9	100
Equity securities - banking securities	0.1	—	—	—	0.1	—
Total equity securities	0.1	—	—	—	0.1	—
Total fixed maturity and equity securities	\$ 111.0	\$ 4.6	\$ (1.6)	\$ —	\$ 114.0	100%

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

The Company regularly monitors industry sectors and individual debt securities for evidence of impairment. This evidence may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations, 5) high probability of bankruptcy of the issuer, 6) nationally recognized credit rating agency downgrades, and/or 7) intent and ability to hold to recovery. Additionally, for asset-backed securities (“ABS”), cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled. For debt securities, an OTTI must be recognized in earnings when an entity either a) has the intent to sell the debt security or b) more likely than not will be required to sell the debt security before its anticipated recovery. If the Company meets either of these criteria, the OTTI is recognized in earnings in an amount equal to the entire difference between the security’s amortized cost basis and its fair value at the balance sheet date. For debt securities in unrealized loss positions that do not meet these criteria, the Company must analyze its ability to recover the amortized cost by comparing the net present value of projected future cash flows with the amortized cost of the security. The Company has evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss, and unless otherwise noted, does not consider these investments to be impaired as of June 30, 2010.

Six issuers represent more than 5% of the total unrealized loss position, comprised of four corporate non-convertible bonds, one government security and one residential mortgage-backed security (“RMBS”) holding. The Company’s largest single issuer unrealized loss is \$0.7 million and relates to British Petroleum (“BP”) an investment grade corporate non-convertible security. The Company also owns investment grade corporate non-convertible securities issued by Santander US Debt SA Uniperson, Rockies Express Pipeline, LLC and Wachovia Corp with unrealized losses totaling \$0.3 million. The Company’s government bond has an unrealized loss of \$0.1 million, was issued in Venezuela and is rated below investment grade. The Company’s RMBS unrealized loss is \$0.2 million and relates to a securitized portfolio of prime hybrid mortgages that contain fixed income positions where our holding is rated below investment grade. Due to an adverse change in cash flows, the security was impaired to discounted cash flows as of June 30, 2010.

At June 30, 2010 and December 31, 2009, approximately \$0.5 million (or 2%) and \$8.2 million (or 24%), respectively, of RMBS and commercial mortgage-backed security (“CMBS”) holdings were fully collateralized by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. RMBS are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have

varying credit ratings and are pooled together and sold in tranches. The Company's RMBS includes collateralized mortgage obligations ("CMOs"), government sponsored enterprise ("GSE") guaranteed passthroughs, whole loan passthroughs, and negative amortization mortgage-backed securities. RMBS and CMBS securities are structured to allow the investor to determine, within certain limits, the amount of interest rate risk, prepayment risk and default risk that the investor is willing to accept. It is this level of risk that determines the degree to which the yields on RMBS and CMBS will exceed the yields that can be obtained from corporate securities with similar credit ratings.

The following tables summarize the Company's CMBS exposure by rating and vintage at June 30, 2010 and December 31, 2009:

		June 30, 2010		
(dollars in millions)		Amortized Cost	Estimated Fair Value	Net Unrealized Gains (Losses) and OTTI
AAA		\$ 25.0	\$ 27.1	\$ 2.1
Total		<u>\$ 25.0</u>	<u>\$ 27.1</u>	<u>\$ 2.1</u>

		December 31, 2009		
(dollars in millions)		Amortized Cost	Estimated Fair Value	Net Unrealized Gains (Losses) and OTTI
AAA		\$ 24.8	\$ 24.8	\$ —
A		1.0	0.7	(0.3)
Total		<u>\$ 25.8</u>	<u>\$ 25.5</u>	<u>\$ (0.3)</u>

		June 30, 2010				
(dollars in millions)		Estimated Fair Value by Vintage				
		2004&Prior	2005	2006	2007	Total
AAA		\$ 0.2	\$ 4.0	\$ 20.9	\$ 2.0	\$ 27.1
Total		<u>\$ 0.2</u>	<u>\$ 4.0</u>	<u>\$ 20.9</u>	<u>\$ 2.0</u>	<u>\$ 27.1</u>

		December 31, 2009				
(dollars in millions)		Estimated Fair Value by Vintage				
		2004&Prior	2005	2006	2007	Total
AAA		\$ 0.2	\$ 4.7	\$ 19.9	\$ —	\$ 24.8
A		—	—	0.7	—	0.7
Total		<u>\$ 0.2</u>	<u>\$ 4.7</u>	<u>\$ 20.6</u>	<u>\$ —</u>	<u>\$ 25.5</u>

The amortized cost and estimated fair value of fixed maturity securities at June 30, 2010 and December 31, 2009 by rating agency equivalent were:

(dollars in millions)	June 30, 2010		December 31, 2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
AAA	\$ 34.6	\$ 37.0	\$ 40.2	\$ 40.4
AA	14.6	15.0	9.2	9.5
A	62.0	65.0	35.6	37.0
BBB	24.7	26.0	20.9	22.1
Below investment grade	4.8	4.8	5.0	4.9
Total fixed maturity securities	<u>\$ 140.7</u>	<u>\$ 147.8</u>	<u>\$ 110.9</u>	<u>\$ 113.9</u>
Investment grade	97%	97%	95%	96%
Below investment grade	3%	3%	5%	4%

The Company defines investment grade securities as unsecured debt obligations that have a rating equivalent to S&P's BBB- or higher (or similar rating agency). At June 30, 2010 and December 31, 2009 approximately \$7.9 million (or 5%) and \$3.7 million (or 3%), respectively, of fixed maturity securities were rated BBB-, which is the lowest investment grade rating given by Standard and Poor's. Below investment grade securities are speculative and are subject to significantly greater risks related to the creditworthiness of the issuers and the liquidity of the market for such securities. The Company closely monitors such investments.

Unrealized gains (losses) incurred during the six months of 2010 and 2009 were primarily due to price fluctuations resulting from changes in interest rates and credit spreads. As the Company does not have the intent to sell and the Company is not more likely than not required to sell these securities prior to the anticipated recovery of the amortized cost, the Company did not consider these securities to be other-than-temporarily impaired.

Details underlying securities in a continuous gross unrealized loss and OTTI position for investment grade securities were as follows:

(dollars in millions)	June 30, 2010		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI ⁽¹⁾
Investment Grade Securities			
Less than or equal to six months			
Corporate bonds			
Financial services	\$ 3.1	\$ 3.2	\$ (0.1)
Industrial	7.9	8.7	(0.8)
Utility	1.9	2.0	(0.1)
Total fixed maturity and equity securities	<u>12.9</u>	<u>13.9</u>	<u>(1.0)</u>
Greater than one year			
Corporate bonds - financial services	1.9	2.1	(0.2)
Asset-backed securities - housing related	0.6	0.7	(0.1)
Total fixed maturity and equity securities	<u>2.5</u>	<u>2.8</u>	<u>(0.3)</u>
Total of all investment grade securities			
Corporate bonds			
Financial services	5.0	5.3	(0.3)
Industrial	7.9	8.7	(0.8)
Utility	1.9	2.0	(0.1)
Asset-backed securities - housing related	0.6	0.7	(0.1)
Total fixed maturity and equity securities	<u>\$ 15.4</u>	<u>\$ 16.7</u>	<u>\$ (1.3)</u>
Total number of securities in a continuous unrealized loss position			10

(dollars in millions)	December 31, 2009		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Investment Grade Securities			
Less than or equal to six months			
Corporate bonds - industrial	\$ 1.0	\$ 1.0	\$ —
Government and government agencies			
United States	1.9	1.9	—
Foreign	2.2	2.3	(0.1)
Total fixed maturity and equity securities	<u>5.1</u>	<u>5.2</u>	<u>(0.1)</u>
Greater than six months but less than or equal to one year			
Corporate bonds - industrial	0.3	0.3	—
Asset-backed securities - housing related	0.7	0.7	—
Government and government agencies - United States	1.0	1.1	(0.1)
Total fixed maturity and equity securities	<u>2.0</u>	<u>2.1</u>	<u>(0.1)</u>
Greater than one year			
Corporate bonds - financial services	3.8	4.1	(0.3)
Asset-backed securities - housing related	1.5	1.7	(0.2)
Commercial mortgage-backed securities - non agency backed	6.0	6.6	(0.6)
Total fixed maturity and equity securities	<u>11.3</u>	<u>12.4</u>	<u>(1.1)</u>
Total of all investment grade securities			
Corporate bonds			
Financial services	3.8	4.1	(0.3)
Industrial	1.3	1.3	—
Asset-backed securities - housing related	2.2	2.4	(0.2)
Commercial mortgage-backed securities - non agency backed	6.0	6.6	(0.6)
Government and government agencies			
United States	2.9	3.0	(0.1)
Foreign	2.2	2.3	(0.1)
Total fixed maturity and equity securities	<u>\$ 18.4</u>	<u>\$ 19.7</u>	<u>\$ (1.3)</u>
Total number of securities in a continuous unrealized loss position			25

(1) Subsequent unrealized gains/losses on OTTI securities are included in OCI-OTTI.

Details underlying securities in a continuous gross unrealized loss and OTTI position for below investment grade securities were as follows:

(dollars in millions)	June 30, 2010		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI ⁽¹⁾
Below Investment Grade Securities			
Greater than one year			
Residential mortgage-backed securities - non agency backed	\$ 0.9	\$ 1.0	\$ (0.1)
Government and government agencies - foreign	0.3	0.5	(0.2)
Equity securities - banking securities	0.1	0.1	—
Total fixed maturity and equity securities	<u>1.3</u>	<u>1.6</u>	<u>(0.3)</u>
Total of all below investment grade securities			
Residential mortgage-backed securities - non agency backed	0.9	1.0	(0.1)
Government and government agencies - foreign	0.3	0.5	(0.2)
Equity securities - banking securities	0.1	0.1	—
Total fixed maturity and equity securities	<u>\$ 1.3</u>	<u>\$ 1.6</u>	<u>\$ (0.3)</u>
Total number of securities in a continuous unrealized loss position			3

(dollars in millions)	December 31, 2009		
	Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI ⁽¹⁾
Below Investment Grade Securities			
Greater than one year			
Corporate bonds - industrial	\$ 0.5	\$ 0.5	\$ —
Residential mortgage-backed securities - non agency backed	0.9	1.1	(0.2)
Government and government agencies - foreign	0.4	0.5	(0.1)
Equity securities - banking securities	0.1	0.1	—
Total fixed maturity and equity securities	<u>1.9</u>	<u>2.2</u>	<u>(0.3)</u>
Total of all below investment grade securities			
Corporate bonds - industrial	0.5	0.5	—
Residential mortgage-backed securities - non agency backed	0.9	1.1	(0.2)
Government and government agencies - foreign	0.4	0.5	(0.1)
Equity securities - banking securities	0.1	0.1	—
Total fixed maturity and equity securities	<u>\$ 1.9</u>	<u>\$ 2.2</u>	<u>\$ (0.3)</u>
Total number of securities in a continuous unrealized loss position			4

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Gross unrealized losses and OTTI on available-for-sale below investment grade securities represented 20% and 21% of total gross unrealized losses and OTTI on all available-for-sale securities at June 30, 2010 and December 31, 2009, respectively. Generally below investment grade securities are more likely than investment grade securities to develop credit concerns. The ratios of estimated fair value to amortized cost reflected in the table below were not necessarily indicative of the market value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of these ratios subsequent to June 30, 2010.

Details underlying available-for-sale securities below investment grade and in an unrealized loss and OTTI position were as follows:

(dollars in millions)	Ratio of Amortized Cost to Estimated Fair Value	June 30, 2010		
		Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Greater than one year	70% to 100%	\$ 1.3	\$ 1.6	\$ (0.3)
Total		<u>\$ 1.3</u>	<u>\$ 1.6</u>	<u>\$ (0.3)</u>

(dollars in millions)	Ratio of Amortized Cost to Estimated Fair Value	December 31, 2009		
		Estimated Fair Value	Amortized Cost/Cost	Gross Unrealized Losses and OTTI (1)
Greater than one year	70% to 100%	\$ 1.9	\$ 2.2	\$ (0.3)
Total		<u>\$ 1.9</u>	<u>\$ 2.2</u>	<u>\$ (0.3)</u>

(1) Subsequent unrealized gains (losses) on OTTI securities are included in OCI-OTTI.

Subprime Mortgage Investments

Subprime mortgages are loans to homebuyers who have weak or impaired credit histories. Through 2008, the market for these loans had expanded rapidly. During that time, however, lending practices and credit assessment standards grew steadily weaker. As a result, the market is now experiencing a sharp increase in the number of loan defaults. Investors in subprime mortgage assets include not only mortgage lenders, but also brokers, hedge funds, and insurance companies. The Company does not currently invest in or originate whole loan residential mortgages. The Company categorizes ABS issued by a securitization trust as having subprime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below 660 at issuance. The Company also categorizes ABS issued by a securitization trust with second lien mortgages as subprime mortgage exposure, even though a significant percentage of second lien mortgage borrowers may not necessarily have credit scores below 660 at issuance. The estimated fair value of the subprime mortgage investments at June 30, 2010 and December 31, 2009 was \$2.2 million and \$2.2 million, respectively, entirely in first lien - fixed rate, AAA quality and vintages prior to 2004.

OTTI

The Company's impairment losses were less than \$0.1 million and less than \$0.1 million, respectively, for the three and six months ended June 30, 2010, with no associated VOBA amortization. The impairment losses were principally the result of the Company impairing its holding of a 2005 vintage RMBS in the second quarter due to an adverse change in cash flows. For the three and six months ended June 30, 2009, the Company had impairment losses of \$0.6 million with no associated VOBA amortization. In the first quarter 2009, the Company impaired its holdings in Harrah's Entertainment Inc. to fair value for \$0.3 million. Three unique issuers accounted for the remaining gross impairment of \$0.3 million.

Liquidity and Capital Resources

Liquidity

The Company's liquidity requirements include the payment of sales commissions and other underwriting expenses and the funding of its contractual obligations for the life insurance and annuity contracts it has in force. The Company has developed and utilizes a cash flow projection system and regularly performs asset/liability duration matching in the management of its asset and liability portfolios. The Company anticipates funding its cash requirements utilizing cash from operations, normal investment maturities and anticipated calls and repayments, consistent with prior years. As of June 30, 2010 and December 31, 2009, the Company's assets included \$166.0 million and \$158.5 million, respectively, of cash, short-term investments and investment grade publicly traded available-for-sale securities that could be liquidated if funds were required.

Capital Resources

During the first half of 2010 and 2009, the Company did not receive a capital contribution from AUSA nor did the Company pay a dividend to AUSA.

Ratings

Ratings are an important factor in establishing the competitive position in the insurance and financial services marketplace. Rating agencies rate insurance companies based on financial strength and the ability to pay claims, factors more relevant to contract holders than investors.

The insurer financial strength rating scales of S&P, A.M. Best, and Fitch Ratings (“Fitch”) are characterized as follows:

- S&P – AAA to R
- A.M. Best – A++ to S
- Fitch – AAA to C

On June 29, 2010, A.M. Best upgraded the Company’s insurance financial strength rating from A to A+. The rating outlook remains stable.

On July 9, 2010, the Company, as the result of its decision to cease issuing variable annuity and market value adjusted annuity products in 2009, withdrew its rating with Moody’s Investors Service.

On July 26, 2010, Fitch downgraded the Company’s insurance financial strength rating from AA to AA-. The rating outlook is stable.

The following table summarizes the Company’s ratings as of August 12, 2010:

S&P	AA-	(4th out of 21)
A.M. Best	A+	(2nd out of 16)
Fitch	AA-	(4th out of 19)

A downgrade of our financial strength rating could affect our competitive position in the insurance industry and make it more difficult for us to market our products, as potential customers may select companies with higher financial strength ratings. These ratings are not a recommendation to buy or hold any of the Company’s securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

Commitments and Contingencies

The following table summarizes the Company’s policyholders’ obligations as of June 30, 2010:

<u>(dollars in millions)</u>	<u>Less Than One Year</u>	<u>One To Three Years</u>	<u>Four To Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
General accounts (a)	\$ 17.1	\$ 28.7	\$ 22.1	\$ 80.2	\$ 148.1
Separate Accounts (a)	80.6	144.4	108.9	368.6	702.5
	<u>\$ 97.7</u>	<u>\$ 173.1</u>	<u>\$ 131.0</u>	<u>\$ 448.8</u>	<u>\$ 850.6</u>

- (a) The policyholder liabilities include benefit and claim liabilities of which a significant portion represents policies and contracts that do not have a stated contractual maturity. The projected cash benefit payments in the table above are based on management’s best estimates of the expected gross benefits and expenses, partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality and lapse assumptions comparable with the Company’s historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance. The liability amounts in the Company’s Financial Statements reflect the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table above exceeds the corresponding policyholder liability amounts.

In the normal course of business, the Company is subject to various claims and assessments. Management believes the settlement of these matters would not have a material effect on the financial position, results of operations or cash flows of the Company.

Results of Operations

For the three months ended June 30, 2010 and 2009, the Company recorded net income of \$4.6 million and \$1.7 million, respectively. The increase in income during 2010 as compared to 2009 was primarily due to net realized investment gains in 2010 as compared to losses in 2009 and accretion of VOBA in 2010 as compared to amortization in 2009 partially offset by an increase in policy benefits in 2010.

For the six months ended June 30, 2010 and 2009, the Company recorded net income (loss) of \$7.5 million and (\$9.4) million, respectively. The increase in income during 2010 as compared to 2009 was primarily due to the 2009 impairment of VOBA, the 2009 tax valuation allowance, net realized investment gains in 2010 as compared to losses in 2009 and accretion of VOBA in 2010 as compared to amortization in 2009 partially offset by an increase in policy benefits in 2010.

Policy charge revenue increased \$0.2 million (or 6%) to \$3.8 million during the three months ended June 30, 2010, as compared to the same period in 2009. Policy charge revenue increased \$0.4 million (or 6%) to \$7.5 million during the six months ended June 30, 2010, as compared to the same period in 2009.

The following table provides the changes in policy charge revenue by type for each respective period:

<u>(dollars in millions)</u>	<u>Three Months 2010 vs. 2009</u>	<u>Six Months 2010 vs. 2009</u>
Asset-based policy charge revenue	\$ 0.1	\$ 0.3 (a)
Non-asset based policy charge revenue	0.1	0.1
Total policy charge revenue	<u>\$ 0.2</u>	<u>\$ 0.4</u>

(a) Asset-based policy charge revenue was positively impacted by the increase in average variable account balances during late 2009 and early 2010.

Net realized investment gains (losses) increased \$2.9 million to \$1.2 million during the three months ended June 30, 2010, as compared to the same period in 2009. Net realized investment gains (losses) increased \$3.5 million to \$1.7 million during the six months ended June 30, 2010, as compared to the same period in 2009. The following table provides the changes in net realized investment gains (losses) by type:

<u>(dollars in millions)</u>	<u>Three Months 2010 vs. 2009</u>	<u>Six Months 2010 vs. 2009</u>
Credit related gains (losses)	\$ —	\$ 0.6 (a)
Interest related gains (losses)	0.9	1.7 (b)
Equity related gains (losses)	2.0	1.2 (c)
Total net realized investment gains (losses)	<u>\$ 2.9</u>	<u>\$ 3.5</u>

Write-downs for OTTI included in net realized investment gains (losses)	\$ —	\$ 0.5
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(a) The change in credit related gains (losses) as compared to 2009 is primarily due to the change in accounting principle for OTTI impairments in 2009. See the *Critical Accounting Policies and Estimates* section above for further discussion on OTTI recognition.

(b) The increase in interest related gains was principally due to the credit spread movement tightening in 2010.

(c) The change in equity related gains (losses) principally relates to net gains on futures contracts during 2010 as compared to net losses on futures contracts in 2009.

Policy benefits increased \$3.5 million and \$2.3 million, respectively, during the three and six months ended June 30, 2010 as compared to the same period in 2009. The following table provides the changes in policy benefits by type:

(dollars in millions)	Three Months 2010 vs. 2009	Six Months 2010 vs. 2009
Annuity benefit unlocking	\$ 1.3	\$ (0.3)(a)
Annuity benefit expense	1.5	1.7 (b)
Life insurance mortality expense	0.7	0.9 (c)
Total policy benefits	<u>\$ 3.5</u>	<u>\$ 2.3</u>

- (a) See the *Critical Accounting Policies and Estimates* section above for further discussion of annuity benefit unlocking.
- (b) The increase in annuity benefit expense was primarily driven by the unfavorable equity market movement which resulted in higher guaranteed benefits.
- (c) Life insurance mortality expenses increased in 2010 primarily due to an increase in claims with a high net amount at risk.

Accretion of VOBA was \$1.6 million and \$1.1 million for the three and six months ended June 30, 2010, respectively. Amortization and impairment of VOBA was \$1.6 million and \$9.2 million for the three and six months ended June 30, 2009, respectively. For the three and six months ended June 30, 2010, there was unfavorable unlocking of \$0.5 million and \$0.3 million, respectively. Unfavorable equity market movement in the second quarter of 2010 resulted in negative gross profits which caused unfavorable unlocking and accretion expense for the three and six months ended June 30, 2010. For the three and six months ended June 30, 2009, there was favorable (unfavorable) unlocking of \$0.4 million and (\$1.3) million, respectively. The six months ended June 30, 2009 were impacted by the negative economic outlook during the first quarter 2009 which resulted in unfavorable unlocking. In addition, an impairment charge of \$7.2 million was taken at March 31, 2009, as estimated future gross profits were less than the unamortized balance.

Insurance expenses and taxes decreased \$0.4 million and \$0.5 million in the three and six months ended June 30, 2010 as compared to the same period in 2009. The following table provides the changes in insurance expenses and taxes for each respective period:

(dollars in millions)	Three Months 2010 vs. 2009	Six Months 2010 vs. 2009
Commissions	\$ —	\$ 0.2
General insurance expenses	(0.4)	(0.7) (a)
Taxes, licenses, and fees	—	—
Total insurance expenses and taxes	<u>\$ (0.4)</u>	<u>\$ (0.5)</u>

- (a) The decrease in general insurance expenses is primarily due to lower system and transition related expenses in 2010.

Segment Information

The products that comprise the Annuity and Life Insurance segments generally possess similar economic characteristics. As such, the financial condition and results of operations of each business segment are generally consistent with the Company's consolidated financial condition and results of operations presented herein.

ITEM 4. Controls and Procedures

The Company's Disclosure Committee assists with the monitoring and evaluation of its disclosure controls and procedures. The Company's President, Chief Financial Officer and Disclosure Committee have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based on that evaluation, the Company's President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

In addition, no change in the Company's internal control over financial reporting (as defined in Rule 15d-15(f) under the Securities Exchange Act of 1934) occurred during the second fiscal quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II Other Information

Item 1. Legal Proceedings.

Nothing to report.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1.” Item 1A. Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect the Company’s business, financial condition or future results. The risks described in the Company’s Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company’s business, financial condition, and/or operating results.

Item 5. Other Information.

(a) Nothing to report.

(b) Nothing to report.

Item 6. Exhibits.

- 3.1 Certificate of Amendment of the Charter of ML Life Insurance Company of New York. (Incorporated by reference to Exhibit 6(a) (ii) to Post-Effective Amendment No. 10 to ML of New York Variable Annuity Account A's registration statement on Form N-4, File No. 33-43654, filed December 9, 1996.)
- 3.2 Certificate of Amendment of the Charter of ML Life Insurance Company of New York.
- 3.3 By-Laws of Transamerica Advisors Life Insurance Company of New York.
- 4.1 Modified Guaranteed Annuity Contract. (Incorporated by reference to Exhibit 4(a) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 4.2 Modified Guaranteed Annuity Contract Application. (Incorporated by reference to Exhibit 4(b) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 4.3 Qualified Retirement Plan Endorsement. (Incorporated by reference to Exhibit 4(c) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 4.4 IRA Endorsement. (Incorporated by reference to Exhibit 4(d) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 4.5 Company Name Change Endorsement. (Incorporated by reference to Exhibit 4(e) to Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed March 30, 1992.)
- 4.6 IRA Endorsement, MLNY009 (Incorporated by reference to Exhibit 4(d)(2) to Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-60288, filed March 31, 1994).
- 4.7 Modified Guaranteed Annuity Contract MLNY-AY-991/94. (Incorporated by reference to Exhibit 4(a)(2) to Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60288, filed December 7, 1994).
- 4.8 Qualified Retirement Plan Endorsement MLNY-AYQ-991/94. (Incorporation by reference to Exhibit 4(c)(2) to Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-60288, filed December 7, 1994).
- 10.1 General Agency Agreement between Royal Tandem Life Insurance Company and Merrill Lynch Life Agency Inc. (Incorporated by reference to Exhibit 10(a) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 10.2 Investment Management Agreement by and between Royal Tandem Life Insurance Company and Equitable Capital Management Corporation. (Incorporated by reference to Exhibit 10(b) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 10.3 Shareholders' Agreement by and among The Equitable Life Assurance Society of the United States and Merrill Lynch & Co., Inc. and Tandem Financial Group, Inc. (Incorporated by reference to Exhibit 10(c) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 10.4 Service Agreement by and between Royal Tandem Life Insurance Company and Tandem Financial Group, Inc. (Incorporated by reference to Exhibit 10(d) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)
- 10.5 Service Agreement by and between Tandem Financial Group, Inc. and Merrill Lynch & Co., Inc. (Incorporated by reference to Exhibit 10(e) to Pre-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed October 16, 1990.)

- 10.6 Form of Investment Management Agreement by and between Royal Tandem Life Insurance Company and Merrill Lynch Asset Management, Inc. (Incorporated by reference to Exhibit 10(f) to Post-Effective Amendment No. 1 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed March 7, 1991.)
- 10.7 Assumption Reinsurance Agreement between Merrill Lynch Life Insurance Company, Tandem Insurance Group, Inc. and Royal Tandem Life Insurance Company and Family Life Insurance Company. (Incorporated by reference to Exhibit 10(g) to Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed March 30, 1992.)
- 10.8 Indemnity Agreement between ML Life Insurance Company of New York and Merrill Lynch Life Agency, Inc. (Incorporated by reference to Exhibit 10(h) to Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed March 30, 1992.)
- 10.9 Amended General Agency Agreement between ML Life Insurance Company of New York and Merrill Lynch Life Agency, Inc. (Incorporated by reference to Exhibit 10(i) to Post-Effective Amendment No. 3 to the Registrant's registration statement on Form S-1, File No. 33-34562, filed March 30, 1992.)
- 10.10 Amended Management Agreement between ML Life Insurance Company of New York and Merrill Lynch Asset Management, Inc. (Incorporated by reference to Exhibit 10(j) to the Registrant's registration statement on Form S-1, File No. 33-60288, filed March 30, 1993.)
- 10.11 Mortgage Loan Servicing Agreement between ML Life Insurance Company of New York and Merrill Lynch & Co., Inc. (Incorporated by reference to Exhibit 10(k) to Post-Effective Amendment No. 4 to the Registrant's registration statement on Form S-1, File No. 33-60288, filed March 29, 1995.)
- 10.12 Non-Affiliated Broker-Dealer Wholesaling Agreement between ML Life Insurance Company of New York, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Transamerica Capital, Inc. (Incorporated by Reference to the Annual Report on Form 10-K of ML Life Insurance Company of New York, File Nos. 33-34562, 33-60288, 333-48983, and 333-133224, Filed March 27, 2008.)
- 10.13 Selling Agreement between ML Life Insurance Company of New York, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Merrill Lynch Life Agency, Inc. (Incorporated by Reference to the Annual Report on Form 10-K of ML Life Insurance Company of New York, File Nos. 33-34562, 33-60288, 333-48983, and 333-133224, Filed March 27, 2008.)
- 10.14 Keep Well Agreement between AEGON USA And ML Life Insurance Company of New York. (Incorporated by Reference to the Annual Report on Form 10-K of ML Life Insurance Company of New York, File Nos. 33-34562, 33-60288, 333-48983, and 333-133224, Filed March 27, 2008.)
- 10.15 Master Distribution Agreement between Merrill Lynch Insurance Group, Inc., Merrill Lynch & Co., Inc., and AEGON USA, Inc. (Incorporated by reference to Exhibit 10.2 to ML Life Insurance Company of New York's Current Report on Form 8-K, File No. 33-34562, filed January 4, 2008.)
- 10.16 Purchase Agreement between Merrill Lynch Insurance Group, Inc., Merrill Lynch & Co., Inc., and AEGON USA, Inc. (Incorporated by reference to Exhibit 10.1 to ML Life Insurance Company of New York's Current Report on Form 8-K, File No. 33-34562, filed August 17, 2007.)
- 10.17 First Amendment to Purchase Agreement between Merrill Lynch Insurance Group, Inc., Merrill Lynch & Co., Inc., and AEGON USA, Inc. (Incorporated by reference to Exhibit 10.1 to ML Life Insurance Company of New York's Current Report on Form 8-K, File No. 33-34562, filed January 4, 2008.)
- 10.18 Principal Underwriting Agreement between Transamerica Capital, Inc. and ML Life Insurance Company of New York. (Incorporated by reference to the Annual Report on Form 10-K of ML Life Insurance Company of New York, File Nos. 33-34562, 33-60288, 333-48983, 333-133224, filed on March 26, 2009.)
- 31.1 Certification by the Chief Executive Officer pursuant to Rule 15d-14(a).
- 31.2 Certification by the Chief Financial Officer pursuant to Rule 15d-14(a).
- 32.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSAMERICA ADVISORS LIFE INSURANCE
COMPANY OF NEW YORK

/s/ Eric J. Martin

Eric J. Martin

Vice President, Treasurer, Chief Financial Officer, and
Controller

Date: August 12, 2010

EXHIBIT INDEX

- 3.2 Certificate of Amendment of the Charter of ML Life Insurance Company of New York.
- 3.3 By-Laws of Transamerica Advisors Life Insurance Company of New York.
- 31.1 Certification by the Chief Executive Officer pursuant to Rule 15d-14(a).
- 31.2 Certification by the Chief Financial Officer pursuant to Rule 15d-14(a).
- 32.1 Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



**CERTIFICATE OF AMENDMENT
OF THE CHARTER OF
ML LIFE INSURANCE COMPANY OF NEW YORK**

Under Section 1206 of the Insurance Law
and
Section 805 of the Business Corporation Law
of the State of New York

FILED
JUL 8 2010
TIMOTHY G. LEAHY
COUNTY CLERK
COUNTY OF SHERIDAN

We, the undersigned, Lonny J. Olejniczak, President of ML Life Insurance Company of New York, and Frank A. Camp, Secretary of ML Life Insurance Company of New York, hereby certify as follows:

1. The name of the Corporation is ML Life Insurance Company of New York (the "Corporation"). The name under which the Corporation was originally formed is Agway Life Insurance Company, and its name was thereafter changed to Royal Tandem Life Insurance Company, and then to ML Life Insurance Company of New York, the Corporation's present name.
2. The Corporation's Declaration of Intention and Charter was filed in the Office of the Superintendent of Insurance of the State of New York (the "Superintendent's Office") on November 28, 1973. The Corporation's Certificate of Amendment and Restatement of Charter was filed in the Superintendent's Office on September 3, 1986.
3. The Charter of the Corporation is hereby amended: (i) to change the name of the Corporation to "Transamerica Advisors Life Insurance Company of New York".

4. The text of Article I of the Corporation's Charter, which states the name of the Corporation, is hereby amended to read as herein set forth in full:

ARTICLE I

NAME

The name of the Corporation shall be
Transamerica Advisors Life Insurance Company of New York.

6. The aforesaid Amendment to the Charter of the Corporation and the filing of this Certificate of Amendment was authorized and approved by the Board of Directors of the Corporation at a meeting held on June 8, 2010, and by Written Consent of all of the Shareholders of the Corporation dated June 8, 2010.

IN WITNESS WHEREOF, the undersigned have duly executed and signed this Certificate of Amendment on this 10th day of June, 2010.

/s/ Lonny J. Olejniczak

Lonny J. Olejniczak, President

/s/ Frank A. Camp

Frank A. Camp, Secretary

STATE OF NEW YORK, COUNTY OF WESTCHESTER SS. I, TRACY C. IDONI, COUNTY CLERK AND CLERK OF THE SUPREME AND COUNTY COURTS, WESTCHESTER COUNTY DO HEREBY CERTIFY THAT I HAVE COMPARED THIS COPY WITH THE ORIGINAL THEREOF FILED IN MY OFFICE ON <u>7-8-10</u> AND THAT THE SAME IS A CORRECT TRANSCRIPT THEREFROM AND OF THE WHOLE OF SUCH ORIGINAL. IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND AND AFFIXED MY OFFICIAL SEAL. <u>7-8-10</u> <i>Tracy C. Idoni</i> COUNTY CLERK AND CLERK OF THE SUPREME AND COUNTY COURTS, WESTCHESTER COUNTY. FEE PAID

State of Iowa)
) ss:
County of Linn)

On this 10th day of June, 2010, before me came Lonny J. Olejniczak and Frank A. Camp, to me known to be the individuals described in and who executed the foregoing instrument, in my presence, and they acknowledged that they executed the same.

/s/ Mary A. Craig

Notary Public

NY-Articles of Amendment



BY-LAWS
OF
TRANSAMERICA ADVISORS LIFE INSURANCE COMPANY OF NEW YORK
(FORMERLY ML LIFE INSURANCE COMPANY OF NEW YORK)

(EFFECTIVE JULY 1, 2010)

ARTICLE I
MEETINGS OF STOCKHOLDERS

Section 1.1 Annual Meeting. The annual meeting of the Stockholders for the election of Directors and the transaction of other business shall be held at 10:00 a.m. New York City time on the second Thursday of April in each year or on such other date or at such other hour as may be fixed by the Board of Directors.

Section 1.2 Special Meeting. A special meeting of the Stockholders may be called at any time by the Board of Directors, the Chairman of the Board or the President, and shall be called by the Secretary upon the written request of the holders of record of a majority of the outstanding shares entitled to vote at the meeting specifying the date, hour and purpose or purposes of the meeting. At such special meeting only such business may be transacted which is related to the purpose or purposes set forth on the notice or waiver of notice of the meeting.

Section 1.3 Place of Meeting. Meetings of the Stockholders shall be held at the principal office of the Company in the City and State of New York, or at such other place within or without the State of New York as may be fixed by the Board of Directors.

Section 1.4 Notice. Written notice shall be given of each meeting of the Stockholders stating the place, date and hour of the meeting and, unless it is the annual meeting, indicating that it is being issued by or at the direction of the person or persons calling the meeting. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called. A copy of the notice of any meeting shall be given, personally or by mail not less than ten (10) nor more than fifty (50) days before the date of the meeting, to each Stockholder entitled to vote at the meeting. Notice of meeting need not be given to any Stockholder who submits a signed waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any Stockholder at any meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of the meeting, shall constitute a waiver of notice by him.

Section 1.5 Proxies; Voting. Each Stockholder of record shall be entitled at every meeting of the Stockholders to one vote for each share of capital stock standing in his name on the record of Stockholders. Every Stockholder entitled to vote at a meeting or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. Every proxy must be signed by the Stockholder or his attorney-in-fact. Directors shall be elected by a plurality of the votes cast at a meeting of the Stockholders by the holders of shares entitled to vote in the election. Whenever any corporate action, other than the election of Directors, is to be taken by vote of the Stockholders, it shall, except as otherwise required by law, be authorized by a majority of the votes cast at a meeting of the Stockholders by the holders of shares entitled to vote thereon.

Section 1.6 Quorum. The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote thereat shall constitute a quorum at a meeting of the Stockholders for the transaction of any business. Despite the absence of a quorum, the Stockholders present in person or by proxy may adjourn the meeting to another time or place. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted on the original date of the meeting.

Section 1.7 Selection of Inspectors. In advance of any meeting of the Stockholders, the Board of Directors may appoint one or more inspectors to act at the meeting for any adjournment. If inspectors are not so appointed, the person presiding at a meeting of the Stockholders may, and on the request of any Stockholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at the meeting with strict impartiality and according to the best of his ability.

Section 1.8 Consent of Stockholders without a Meeting. Whenever Stockholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon.

ARTICLE II
BOARD OF DIRECTORS

Section 2.1 Number of Directors. The Board of Directors shall consist of not less than seven (7) nor more than thirteen (13) directors as determined from time to time by vote of the Stockholders or of a majority of the entire Board. As used in these By-laws, "entire Board of Directors" or "entire Board" means the total number of Directors which the Company would have if there were no vacancies. Each Director shall meet the qualifications expressed in the Charter.(Amended 3/30/10)

Section 2.2 Election and Terms of Directors. At each meeting of the Stockholders, Directors shall be elected to hold office until the next annual meeting. Each Director shall hold office until the expiration of the term for which he is elected and until his successor has been elected and qualified, or until his death, resignation or removal.

Section 2.3 Regular Meetings. The Board of Directors shall meet for the purpose of electing officers and the transaction of other business immediately following the adjournment of the annual meeting of the Stockholders at the place of such annual meeting. The time and place of other regular meetings of the Board shall be fixed by the Board.

Section 2.4 Special Meetings. A special meeting of the Board of Directors may be called at any time by the Chairman of the Board, the President or three Directors to be held on such date and at such hour as is stated in the notice or waiver of notice of the meeting.

Section 2.5 Quorum. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any regular or special meeting of the Board, except as otherwise described by these By-Laws. A majority of the Directors present, whether or not a quorum is present, may adjourn at any meeting to another time or place.

Section 2.6 Action by the Board. Except as otherwise prescribed by law, the Charter of the Company or these By-Laws, the vote of a majority of the Directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board of Directors.

Section 2.7 Notice of Meetings. Notice of a regular meeting of the Board of Directors need not be given. Notice in writing of each special meeting of the Board of Directors shall be given to each Director at least two days in advance thereof and shall state in general terms the purpose or purposes of the meeting. Any such notice shall be deemed given to a Director when delivered to him or

sent by mail, telegram, cablegram, or radiogram addressed to him at his address furnished to the Secretary. Notice of any adjournment of a meeting to another time or place need not be given if such time and place are announced at the meeting.

Section 2.8 Resignations. Any Director may resign at any time by giving written notice to the Chairman of the Board, the President or the Secretary. Such resignation shall take effect on receipt of such notice or at any later time specified therein.

Section 2.9 Removal of Directors. Any Director may be removed by action of the Board of Directors for cause or by vote of the Stockholders with or without cause.

Section 2.10 Vacancies. Newly created directorships resulting from an increase in the number of Directors and vacancies occurring in the Board of Directors for any reason (except the removal of Directors without cause) may be filled by vote of the Stockholders or of a majority of the Directors then in office, although less than a quorum exists. Vacancies occurring in the Board by reason of the removal of Directors without cause may be filled by vote of the Stockholders or action of the Board.

Section 2.11 Directors' Fees. The Directors shall be paid such fees for services as Directors as may have been authorized by the Board of Directors.

Section 2.12 Participation in Meetings: Action by Consent Without Meeting. Any Director may participate in a meeting of the Board or any Committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and such participation shall constitute presence in person at such meeting. Any action required or permitted to be taken by of the Board or any Committee thereof may be taken without a meeting if all members of the Board or any committee, thereof as the case may be, consent in writing to the adoption of a resolution authorizing the action and such written consents and resolution are filed with the minutes of the Board or such committee, as the case may be.

ARTICLE III COMMITTEES

Section 3.1 General. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members, an executive committee and other standing committees each consisting of at least three Directors. The Board may designate by resolution adopted by a majority of

the entire Board one or more Directors as alternate members of any committee, who may replace any absent member or members at any meeting of such committee. Each committee shall serve at the pleasure of the Board.

Section 3.2 Powers. Each committee shall have the authority of the Board of Directors to the extent provided in the resolution designating such committee, except that no committee shall have authority to submit to the Stockholders any action for which Stockholder's approval is required by law, to fill vacancies in the Board or in any committee, to fix the compensation of the Directors for serving on the Board or any committee, to amend or repeal any of these By-Laws or to adopt new By-Laws, or to amend or repeal any resolution of the Board which by its terms shall not be amendable or repealable.

Section 3.3 Quorum and Manner of Acting. Except as otherwise prescribed by the Board of Directors, a majority of the total membership which a committee would have if there were no vacancies shall constitute a quorum for the transaction of business and the vote of a majority of the members present at the time of the vote, if a quorum is present at such time, shall be the act of such committee. Except as provided in these By-Laws or otherwise prescribed by the Board, each committee may elect a Chairman from among its members, fix the time and date of its meeting and adopt other rules of procedure. Any action taken by a committee shall be reported to the Board at its next meeting.

Section 3.4 Resignation. Any member of a committee may resign at any time by giving written notice to the Chairman of the Board, the President, or the Secretary. Such resignation shall take effect on receipt of such notice or at any later time specified therein.

Section 3.5 Removal of Members. Any member of a committee may be removed by action of the Board of Directors with or without cause.

Section 3.6 Vacancies. Any vacancy occurring in any committee for any reason may be filled by resolution adopted by a majority of the entire Board.

Section 3.7 Subcommittees. Any committee may appoint one or more subcommittees from its members. Any such subcommittee may be charged with the duty of considering and reporting to the appointing committee on any matter within the responsibility of the committee appointing such subcommittee.

ARTICLE IV
OFFICERS

Section 4.1 General. The officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, a Controller, a Secretary, a Treasurer, an Actuary and such other officers as the Board of Directors may determine. Each officer shall hold office for the term for which he is elected and until his successor has been elected and until his successor has been elected and qualified or until his death, resignation or removal. Any two or more offices may be held by the same person, except the offices of President and Secretary. The Board may require any officer to give security for the faithful performance of his duties.

Section 4.2 Resignation. Any officer may resign at any time by giving written notice to the Chairman of the Board, the President or Secretary. Such resignation shall take effect on receipt of such notice or at any later time specified therein.

Section 4.3 Removal of Officers and Vacancies. Any officer elected by the Board of Directors may be removed by the Board with or without cause. A vacancy occurring in any office for any reason may be filled by action of the Board of Directors.

Section 4.4 Chief Executive Officer. The Chairman of the Board or the President shall be chief executive officer of the company as the Board of Directors from time to time shall determine, and the Board of Directors from time to time may determine who shall act as chief executive officer in the absence or inability to act of the then incumbent.

Subject to the control of the Board and to the extent not otherwise prescribed by these By-Laws, the chief executive officer shall be responsible for the general management and direction of all the business and affairs of the Company.

Section 4.5 Chairman of the Board. The Chairman of the Board shall be elected from among the members of the Board of Directors. He shall preside at all meetings of the Stockholders and of the Board at which he is present. He shall also exercise such powers and perform such duties as may be delegated or assigned to or required of him by these By-Laws or by or pursuant to authorization of the Board.

Section 4.6 President. The President shall be elected from the members of the Board of Directors. The President shall exercise such powers and perform such duties as may be delegated or assigned to or required of him by these BY-Laws

or by or pursuant to authorization of the Board or (if the President is not the chief executive officer) by the chief executive officer.

In the absence of the Chairman of the Board, the President shall preside at all meetings of the Stockholders and of the Board at which he is present.

Section 4.7 Vice President. Each Vice President, including any Executive or Senior Vice President, shall exercise such powers and perform such duties as may be delegated or assigned to or required of him by these By-Laws or by or pursuant to authorization of the Board or the President.

Section 4.8 Controller. The Controller shall be responsible for keeping and maintaining the books of account of the Company, subject to the control of the Board of Directors and the President. The Controller shall exercise such powers and perform such other duties as relate to the office of the Controller, and also such powers and duties as may be delegated or assigned to or required of him by these By-Laws or by or pursuant to authorization of the Board or the President.

Section 4.9 Secretary. The Secretary shall issue notices and keep the minutes of the meetings of the Stockholders and of the Board of Directors and its committees and shall have custody of the Company's corporate seal and records. The Secretary shall exercise such powers and perform such other duties as relate to the office of the Secretary, and also such powers and duties as may be delegated or assigned to or required of him by or pursuant to authorization of the Board, the Chairman of the Board, or the President. The Board may also elect or appoint one or more Assistant Secretaries to act in place of the Secretary.

Section 4.10 Treasurer. The Treasurer shall be responsible for purchasing and selling securities pursuant to authorization of the Board of Directors or any committee thereof and the safekeeping of the Company's funds and securities. The Treasurer shall exercise such powers and perform such other duties as relate to the office of the Treasurer and also such powers and duties as may be delegated or assigned to or required of him by these By-Laws or by or pursuant to the authorization of the Board or the President.

Section 4.11 Actuary. The Actuary shall be responsible for all actuarial calculations and the preparation of all policy forms to be issued by the Company, subject to the control of the Board of Directors and the President. The Actuary shall exercise such powers and perform such other duties as relate to the office of Actuary, and also such powers and duties as may be delegated or assigned to or required of him by these By-Laws or by or pursuant to the authorization of the Board or the President.

Section 4.12 Other Officers. Each other officer shall exercise such powers and perform such duties as may be delegated or assigned to or require of him or her by or pursuant to authorization of the Board or the President.

ARTICLE V
EXECUTION OF INSTRUMENTS

Section 5.1 Execution of Instruments. Any one of the following, namely, the Chairman of the Board, the President, any Vice President, or any officer, employee or agent designated by or pursuant to authorization of the Board of Directors or any committee thereof, shall have power to execute instruments on behalf of the Company (other than checks, drafts and orders drawn on funds of the Company deposited in its name in banks) and to affix the corporate seal. If any such instrument is to be executed on behalf of the Company by more than one person, any two or more of the foregoing or any one or more of the foregoing with an Assistant Secretary or an Assistant Treasurer shall have power to execute such instrument and affix the corporate seal.

The signature of any officer may be in facsimile on any such instrument if it shall also bear the actual signature, or personally inscribed initials, of an officer, employee or agent empowered by or pursuant to the first sentence of this Section to execute such instrument, provided that the Board of Directors or a committee thereof may authorize the issuance of insurance contracts and annuity contracts on behalf of the Company bearing the facsimile signature of an officer without the actual signature or personally inscribed initials of any person.

All checks, drafts and other orders drawn on funds of the Company deposited in its name in banks shall be signed by one or more officers or employees, but only pursuant to authorization of and in accordance with rules prescribed by the Board, which rules may permit the use of facsimile signatures.

Section 5.2 Facsimile Signature of Former Officers. If any officer whose facsimile signature has been placed upon any instrument shall have ceased to be such officer before such instrument is issued, it may be issued with the same effect as if he had been such officer at the time of its issue.

Section 5.3 Meaning of Term "Instruments". As used in this Article V, the term "instruments" includes, but is not limited to, contracts and agreements, checks, drafts and other orders for the payment of money, transfers of bonds, stocks, notes and other securities, and powers of attorney, deeds, leases, releases of mortgages, satisfactions and all other instruments entitled to be recorded in any jurisdiction.

ARTICLE VI
FINANCIAL STATEMENTS AND AUDIT

Section 6.1 Annual Statement and Reports. At the meeting of the Board of Directors following the annual meeting of the Stockholders, the Annual Statement of the Company for the preceding year, together with a certificate of verification thereof, by such independent Public Accountants as may have been selected by the Board of Directors, shall be submitted to the Board. Interim quarterly reports on the financial condition of the Company shall also be submitted to the Board. The Annual Statement and interim reports shall be filled with the records of the Board and a note of such submission shall be spread upon the minutes. The Controller shall also report from time to time to the Board or any committee any other matters coming to his attention in the course of his duties which in his judgment should be brought to their attention.

Section 6.2 Independent Public Accountants. The books and accounts of the Company shall be audited throughout each year by such independent Public Accountants as shall be selected by the Board of Directors.

ARTICLE VII
INDEMNIFICATION

Section 7.1 Indemnification of Directors, Officers, Employees and Incorporators. To the extent permitted by the law of the State of New York and subject to all applicable requirements thereof:

- a) any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he, his testator, or intestate, is or was a director, officer, employee or incorporator of the Company shall be indemnified by the Company;
- b) any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he, his testator or intestate serves or served any other organization in any capacity at the request of the Company may be indemnified by the Company; and
- c) the related expenses of any such person in any other of said categories may be advanced by the Company.

ARTICLE VIII
CAPITAL STOCK

Section 8.1 Form of Certificates. Certificates representing shares of capital stock of the Company shall be in such form as shall be approved by the Board of Directors. Each certificate shall be signed by the Chairman of the Board, the President or a Vice President and the Secretary or the Treasurer, and may be sealed with the corporate seal of the Company or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is countersigned by transfer agent or registered by a registrar other than the Company itself or its employee.

Section 8.2 Registered Owner. Prior to due presentment for registration of transfer of a certificate for shares of its capital stock, the Company may treat the registered owner as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner.

Section 8.3 Certificates Lost or Destroyed. The Company may issue a new certificate for shares in place of any certificate therefore issued by it, alleged to have been lost or destroyed, and the Board of Directors may require the owner of the lost or destroyed certificate, or his legal representative to give the Company a bond sufficient to indemnify the Company against any claim that may be made against it on account of the alleged loss or destruction of any such certificate or the issuance of any such new certificate.

Section 8.4 Record Date. The Board of Directors may fix, in advance, a date as the record date for the determination of Stockholders entitled to notice of or to vote at any meeting of the Stockholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or to receive payment of any dividend or the allotment of any rights. The Board may also fix a date as the record date for the purpose of any other action. The record date may not be more than fifty (50) nor less than ten (10) days before the date of the meeting, nor more than fifty (50) days prior to any other action. If no record date is fixed, the record date for the determination of the Stockholders entitled to notice of or to vote at a meeting of the Stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held, and the record date for determining Stockholders for any other purpose shall be at the close of business on the day on which the resolution of the Board relating thereto is adopted.

ARTICLE IX
AMENDMENT OF BY-LAWS

Section 9.1 Amendment of By-Laws. These By-Laws may be amended or repealed and new By-Laws may be adopted by vote of the Stockholders or of a majority of the entire Board.

Amended 7/1/2010

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Lon J. Olejniczak, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Transamerica Advisors Life Insurance Company of New York;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 12, 2010

/s/ Lon J. Olejniczak

Lon J. Olejniczak
President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Eric J. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Transamerica Advisors Life Insurance Company of New York;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 12, 2010

/s/ Eric J. Martin

Eric J. Martin
Vice President, Treasurer, Chief Financial Officer,
and Controller

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Transamerica Advisors Life Insurance Company of New York (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lon J. Olejniczak, President of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lon J. Olejniczak
Lon J. Olejniczak
President

Dated: August 12, 2010

A signed original of this written statement required by Section 906 has been provided to Transamerica Advisors Life Insurance Company of New York and will be retained by Transamerica Advisors Life Insurance Company of New York and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Transamerica Advisors Life Insurance Company of New York (the "Company") on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric J. Martin, Vice President, Treasurer, Chief Financial Officer, and Controller of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric J. Martin

Eric J. Martin
Vice President, Treasurer, Chief Financial Officer,
and Controller

Dated: August 12, 2010

A signed original of this written statement required by Section 906 has been provided to Transamerica Advisors Life Insurance Company of New York and will be retained by Transamerica Advisors Life Insurance Company of New York and furnished to the Securities and Exchange Commission or its staff upon request.

[SUTHERLAND LETTERHEAD]

MARY THORNTON PAYNE
DIRECT LINE: 202.383.0698
Internet: mary.payne@sutherland.com

August 12, 2010

VIA EDGAR

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Transamerica Advisors Life Insurance Company of New York
Quarterly Report on Form 10-Q
File Nos. 33-34562; 33-60288; 333-48983; 333-133224

Commissioners:

On behalf of Transamerica Advisors Life Insurance Company of New York (the "Registrant"), transmitted for filing under EDGAR is the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010.

Should you have any questions about this filing, please contact the undersigned at (202)383-0698.

Sincerely,

/s/ Mary Thornton Payne

Mary Thornton Payne

Enclosures
cc: Eric J. Martin