STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

COMPANION LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2003

DATE OF REPORT:	JULY 30, 2004
EXAMINER:	DENNIS G. BENSEN

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

July 30, 2004

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

Sir:

In accordance with instructions contained in Appointment No. 22127, dated January 15, 2004 and annexed hereto, an examination has been made into the condition and affairs of Companion Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 303 Merrick Road, Suite 503, Lynbrook, New York 11563.

Wherever “Department” appears in this report, it refers to the State of New York Insurance Department.

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

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2003 filed annual statement. (See item 5 of this report)

The Company violated Section 1308(f)(1)(A) of the New York Insurance Law by using a reinsurance agreement prior to the agreement being filed with the Department. (See item 3E of this report)

The Company violated Section 51.6(b)(3) of Department Regulation No. 60 for failing to examine completed "Disclosure Statements" in order to ascertain that they were accurate and met the requirements of the Regulation. (See item 6A of this report)

The Company violated Section 51.6(b)(6) of Department Regulation No. 60 for failing to maintain the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" in two policy files and the signed and completed "Disclosure Statement" in three policy files. (See item 6A of this report)

The Company violated Section 243.2(b)(8) of Department Regulation No. 152 by failing to maintain: the information used to complete the "Disclosure Statement" that was received from the company being replaced; the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" and; the signed and completed "Disclosure Statement" for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review. (See item 6A of this report)

The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish to the insurer whose coverage was being replaced copies of sales material used in the sale of the proposed life insurance policy or annuity contract and the completed "Disclosure Statements" within ten days of the receipt of the application. (See item 6A of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2003 to determine whether the Company's 2003 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations contained in the prior report on examination. The results of the examiner's review are contained in item 7 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

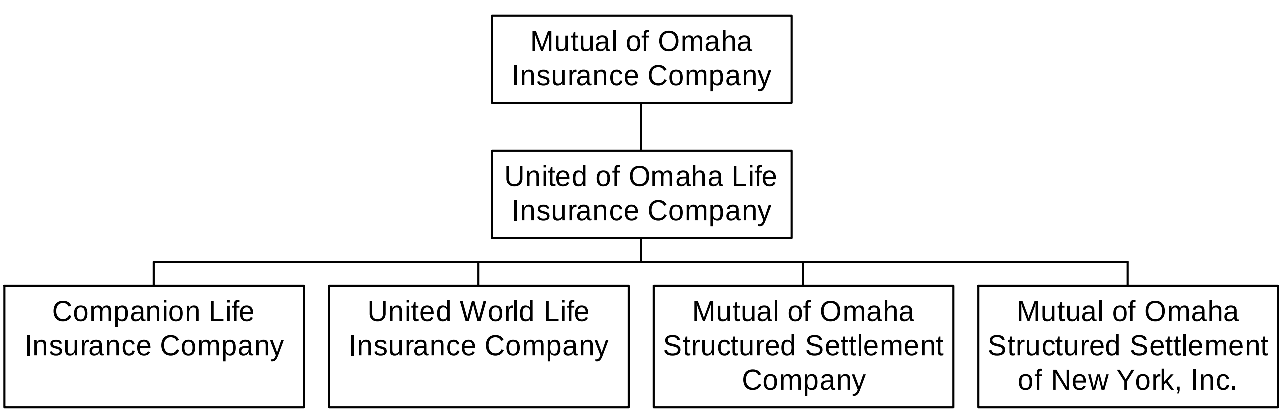
The Company was incorporated as a stock life insurance company under the laws of New York on June 3, 1949, was licensed on July 1, 1949 and commenced business on July 18, 1949. Initial resources of $1,500,000, consisting of capital of $500,000 and paid in and contributed surplus of $1,000,000 were provided through the sale of 5,000 shares of common stock (with a par value of $100 each) for $300 per share.

Changes in capital and paid in and contributed surplus prior to the examination period resulted in capital and paid in and contributed surplus of $2,000,000 and $45,650,000, respectively as of December 31, 2000. There were no changes to capital and paid in and contributed surplus during the examination period.

B. Holding Company

The Company is a wholly owned subsidiary of United of Omaha Life Insurance Company ("United"), a Nebraska life insurance company. United is in turn a wholly owned subsidiary of Mutual of Omaha Insurance Company ("Mutual"), also a Nebraska insurance company, which is authorized to write accident and health insurance in New York.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2003 follows:



The Company had one service agreement in effect during the examination period.

Type of Agreement And Department File Number	Effective Date	Provider(s) of Service(s)	Recipient of Service	Specific Service(s) Covered	(Expense)* For Each Year of the Examination
Administrative Agreement	12/31/1980	United	the Company	All services except a limited amount of the following: underwriting, policy administration, management, record retention, sales and marketing.	2001 $(2,822,371) 2002 $(2,848,731) 2003 $(3,202,427)

* Amount of (Expense) Incurred by the Company

The Company is not required to file service agreements under Section 1505 of the New York Insurance Law; however, they have submitted the above agreement to the Department. The Company was able to provide substantiated support for the charges indicated in the table above. However, the actual payments made to satisfy these charges were not made on a regular and systematic basis. The agreement does not contain a clause that specifies the timing of payments or the basis of the amounts to be paid by the Company at each payment interval.

The examiner recommends that the Company amend the service agreement with United to specify the frequency or schedule of payments to be made and the basis of the calculation for the amounts to be paid by the Company at each payment interval. The Company has agreed to amend the agreement and file such amendment with the Department.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 17 directors; however, if the Company shall have admitted assets less than $1,500,000,000, the minimum number of directors shall in no case be less than nine. Directors are elected for a period of one year at the annual meeting of the stockholders held in December of each year. As of December 31, 2003, the board of directors consisted of ten directors. Meetings of the board are held quarterly on such dates as determined by the board.

The ten board members and their principal business affiliation, as of December 31, 2003, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Fred C. Boddy Jr. Island Park, NY	Vice President, Treasurer and Assistant Secretary Companion Life Insurance	1998
William G. Campbell* Ely, MN	Attorney Campbell Law Offices	1991
Samuel L. Foggie Sr.* Fort Washington, MD	Retired	1978
Mary J. Hueter Omaha, NE	Vice President and Secretary Companion Life Insurance Company	1991
Charles T. Locke III* Darien, CT	Attorney Locke & Herbert	1987
Daniel P. Neary Omaha, NE	President Companion Life Insurance Company	2003
James J. O'Neill* New Rochelle, NY	Attorney & Consultant	1997
Oscar S. Straus II* Bellport, NY	Chairman & President The Daniel & Florence Guggenheim Foundation	1977
John W. Weekly Blair, NE	Chairman of the Board Companion Life Insurance Company	1983
Michael C. Weekly Omaha, NE	Executive Vice President Mutual of Omaha and United of Omaha Life Insurance Companies	2003

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

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

The following is a listing of the principal officers of the Company as of December 31, 2003:

Name	Title
Daniel P. Neary	President
Mary J. Hueter	Vice President and Secretary
Fred C. Boddy, Jr.	Vice President, Treasurer and Assistant Secretary
Cecil D. Bykerk	Actuary
Lynette Maneman*	Vice President and Chief Compliance Officer

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in three states, namely New York, New Jersey, and Connecticut. In 2003, 97.9% of life premiums, 98.3% of accident and health premiums, and 99.4% of annuity considerations were received from New York. Policies are written on a non-participating basis. In 1995, the Company received approval from the Department to issue individual variable annuities through a Separate Account. In 2000, the Company received approval to sell variable life insurance through Separate Account B.

The Company's principal lines of business during the examination period were term insurance, universal life, and a graded death benefit senior life product. In addition, the Company sold a significant amount of fixed and variable individual annuities during the examination period. The Company markets qualified and nonqualified flexible premium deferred annuities and single premium immediate annuities. As of May 30, 2003 the Company withdrew from the variable life and variable annuity markets. The Company's strategic focus is currently on middle income households and the senior markets.

In July of 2001, the Company conducted a study of its Servicemen's Group Life Insurance ("SGLI") business and determined that the profits being made were not in line with the risks being taken to be in this business. As a result, the Company decided to stop participating in the SGLI business.

The Company markets its products through a combination of branch office, brokerage general agents, and direct marketing distribution channels. There are three division offices and seven district sales offices in New York State. A division manager heads each division office. Below the division managers are several district sales managers. Division managers and office support staff are employees of both the Company and Mutual. The agents who work under them are independent contractors who sell the Company's life insurance and annuity products.

During the period under examination the Company terminated its general agency relationship with the Dime Agency (affiliated with the Dime Savings Bank). The Company currently trains and makes sales materials available to contracted and appointed independent brokers. The Company is actively seeking a replacement general agency.

The Company markets its guaranteed issue life insurance product line ("EZWAY") through direct mail and the internet.

E. Reinsurance

As of December 31, 2003, the Company had reinsurance treaties in effect with 16 companies, of which 14 were authorized or accredited. The Company's life, annuity, and accident and health business are reinsured on a coinsurance, modified-coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $100,000. The total face amount of life insurance ceded, as of December 31, 2003, was $4,466,339,219, which represents 56% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverables from unauthorized companies, totaling $112,669,412 was supported by funds withheld.

Section 1308(f)(1) of the New York Insurance Law states, in part:

"Unless the superintendent permits:
(A) No domestic life insurance company shall . . . reinsure a substantial portion of its life insurance in force. . . ."

The Company entered into a coinsurance/modified-coinsurance indemnity reinsurance agreement with Security Benefit Life ("SBL") whereby the Company ceded 100% of its liabilities on its variable life and variable annuity contracts to SBL. The Company executed and implemented this reinsurance agreement on December 31, 2003. The Department did not approve this agreement until May 3, 2004.

The Company violated Section 1308(f)(1)(A) of the New York Insurance Law by using a reinsurance agreement prior to the agreement being approved by the Department.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 2000	December 31, 2003	Increase (Decrease)
Admitted assets	$561,710,517	$629,066,170	$67,355,653
Liabilities	$497,473,588	$561,216,491	$63,742,903
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	45,650,000	45,650,000	0
Group life contingency reserve	547,095	721,151	174,056
Unassigned funds (surplus)	16,039,834	19,478,528	3,438,694
Total capital and surplus	$ 64,236,929	$ 67,849,679	$ 3,612,750
Total liabilities, capital and surplus	$561,710,517	$629,066,170	$67,355,653

The Company's invested assets as of December 31, 2003, exclusive of Separate Accounts, were mainly comprised of bonds (92.9%).

The majority (91.4%) of the Company's bond portfolio, as of December 31, 2003, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2001	2002	2003
Ordinary:			
Life insurance	$4,766,881	$3,699,847	$2,209,870
Individual annuities	4,963,680	5,158,170	3,593,195
Supplementary contracts	122,864	(400,699)	196,826
Total ordinary	$9,853,425	$8,457,318	$5,999,891
Group:			
Life	$ (9,591)	$ 137,476	$ 189,874
Annuities	10,293	11,335	13,745
Total group	$ 702	$ 148,811	$ 203,619
Accident and health:			
Group	$ (216,592)	$ (31,683)	$ 58,250
Other	(16,810)	(11,123)	1,707
Total accident and health	$ (233,402)	$ (42,806)	$ 59,957
Total	$9,620,725	$8,563,323	$6,263,467

The decrease in net income in the individual life line between 2002 and 2003 was due to the strain of new business growth. Individual annuity net income decreased in 2003 because approximately $1.5 million less income was allocated to this line of business as a result of an overall decline in investment income. The accident and health gain in 2003 was due to the fact that the Company got out of the student accident and sickness business and released the claim reserves previously held for this block.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2003, as contained in the Company's 2003 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2003 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2003

Admitted Assets

Bonds	$539,807,822
Mortgage loans - first liens	10,048,053
Policy loans	10,200,432
Cash and short term investments	19,853,946
Receivable for securities	899,220
Investment income due and accrued	5,831,228
Uncollected premiums	(120,179)
Deferred premiums	9,239,769
Amounts recoverable from reinsurers	255,371
Other amounts receivable under reinsurance contracts	1,187,364
Net deferred tax asset	2,646,509
Receivable from parent, subsidiaries and affiliates	658,418
Suspense items	923,969
From Separate Accounts statement	27,634,248
Total admitted assets	$629,066,170

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$387,889,872
Aggregate reserve for accident and health policies	37,305
Liability for Deposit-Type contracts	1,310,280
Policy and contract claims:	
Life	4,306,572
Accident and health	45,480
Policyholders' dividend and coupon accumulations	63,777
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	161,318
Policy and contract liabilities:	
Provision for experience rating refunds	25,202
Interest maintenance reserve	1,029,421
Commissions to agents due or accrued	105,130
General expenses due or accrued	573,891
Transfers to Separate Accounts due or accrued	1,439
Taxes, licenses and fees due or accrued	6,429
Federal and foreign income taxes	1,730,000
Unearned investment income	255,876
Amounts withheld or retained by company as agent or trustee	393,607
Amounts held for agents' account	2,369,084
Remittances and items not allocated	2,043,806
Miscellaneous liabilities:	
Asset valuation reserve	3,799,073
Reinsurance in unauthorized companies	24,337
Funds held under reinsurance treaties with unauthorized reinsurers	115,720,529
Payable to parent, subsidiaries and affiliates	3,970,173
Drafts outstanding	9,035
Payable for securities	3,056,516
Amounts held for beneficiaries	4,669,619
Liability for interest due and unpaid on policy claims	24,208
From Separate Accounts statement	27,594,512
Total liabilities	$561,216,491
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	45,650,000
Aggregate write-ins for special surplus funds	721,151
Unassigned funds (surplus)	19,478,528
Total capital and surplus and other funds	$ 67,849,679
Total liabilities, surplus and other funds	$629,066,170

The Company reported twelve mortgage loans on Schedule B of its 2003 Annual Statement. During the review of the appraisal documents for the new loans it was discovered that two loans, identified as loan number 32 and loan number 33 on Schedule B, were not mortgage loans but were actually private placement credit tenant loans. These private placement credit tenant loans should be reported on Schedule D of the Company's annual statement not on Schedule B. In addition, the reporting of these securities on Schedule D requires that they be rated by a proper rating agency.

The examiner recommends that the Company remove the private placement credit tenant loans from Schedule B of the annual statement, properly report these securities on Schedule D, and have these securities rated by a proper rating agency.

B. CONDENSED SUMMARY OF OPERATIONS

	2001	2002	2003
Premiums and considerations	$50,059,494	$ 58,960,436	$ 60,252,646
Investment income	38,522,824	38,559,479	37,900,195
Commissions and reserve adjustments on reinsurance ceded	3,404,524	2,815,863	1,761,737
Income from fees associated with separate accounts	527,032	568,857	557,395
Miscellaneous income	64,889	49,774	37,061
Total income	$92,578,763	$100,954,409	$100,509,034
Benefit payments	$51,905,870	$ 44,490,147	$ 39,758,007
Increase in reserves	393,591	15,521,066	20,171,037
Commissions	5,666,447	5,442,358	6,521,007
General expenses and taxes	13,589,053	15,566,149	18,045,951
Increase in loading on deferred and uncollected premium	(543,866)	(448,676)	(451,179)
Net transfers to (from) Separate Accounts	265,813	(1,235,558)	(2,399,153)
Interest on funds withheld from reinsurers	7,027,908	7,043,663	7,268,712
Group experience refunds	(4,381)	(11,006)	37,851
Total deductions	$78,300,435	$ 86,368,143	$ 88,952,233
Net gain (loss)	$14,278,328	$ 14,586,266	$ 11,556,801
Dividends	65,361	60,983	58,011
Federal and foreign income taxes incurred	4,592,242	5,961,960	5,235,323
Net gain (loss) from operations before net realized capital gains	$ 9,620,725	$ 8,563,323	$ 6,263,467
Net realized capital (losses)	(2,133,298)	(1,316,169)	(1,334,538)
Net income	$ 7,487,427	$ 7,247,154	$ 4,928,929

C. CAPITAL AND SURPLUS ACCOUNT

	2001	2002	2003
Capital and surplus, December 31, prior year	$64,236,929	$65,857,207	$67,956,762
Net income	$ 7,487,427	$ 7,247,154	$ 4,928,929
Change in net unrealized capital gains (losses)	(698,645)	(1,780,956)	1,415,885
Change in non-admitted assets	(6,824)	(1,396,524)	(493,641)
Change in liability for reinsurance in unauthorized companies	(7,914)	26,525	(7,685)
Change in asset valuation reserve	580,295	1,281,035	(1,613,013)
Cumulative effect of changes in accounting principles	265,939	1,606,977	0
Dividends to stockholders	(6,000,000)	(6,300,000)	(6,500,000)
Surplus increase from reinsurance of existing block of insurance	0	0	786,500
Change in net deferred income tax	0	1,415,344	1,375,943
Net change in capital and surplus	$ 1,620,278	$ 2,099,555	$ (107,083)
Capital and surplus, December 31, current year	$65,857,207	$67,956,762	$67,849,679

6. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

> Section 51.6(b) of Department Regulation No. 60 states, in part:
>
> "Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall . . .
> (2)Require with or as part of each application a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and proof of receipt by the applicant of the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" and the completed "Disclosure Statement;"
> (3)Examine any proposal used, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the "Disclosure Statement," and ascertain that they are accurate and meet the requirements of the Insurance Law and this Part;
> (4)Within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed "Disclosure Statement" . . .
> (6)Where the required forms are received with the application and found to be in compliance with this Part, maintain copies of: any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract; proof of receipt by the applicant of the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts;" and the signed and completed "Disclosure Statement" . . . for six calendar years or until after the filing of the report on examination in which the transaction was subject to review by the appropriate insurance official of its state of domicile, whichever is later;

(7) Where the required forms are not received with the application, or if the forms do not meet the requirements of this Part or are not accurate, within ten days from the date of receipt of the application either have any deficiencies corrected or reject the application and so notify the applicant of such rejection and the reason therefor. In such cases, the insurer shall maintain any material used in the proposed sale, in accordance with the guidelines of Section 51.6(b)(6) herein . . ."

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

"Except as otherwise required by law or regulation, an insurer shall maintain:
(1) A policy record for each insurance contract or policy for six calendar years after the date the policy is no longer in force or until after the filing of the report on examination in which the record was subject to review, whichever is longer . . .
(8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review."

The examiner reviewed 20 policy files where Companion Life replaced another company's policy. The Company did not maintain the documentation used to complete the "Disclosure Statement" that was received from the company being replaced for 17 policy files. In some of these cases the "Disclosure Statement" did not indicate whether the information on the "Disclosure Statement" was obtained from the company being replaced or whether the information was based on a good faith estimate. In addition, some of the authorization forms that were used to obtain information from the insurer being replaced were not dated. As a result, in several instances, the examiner was unable to determine whether the "Disclosure Statement" contained actual or estimated information.

The Company violated Section 51.6(b)(3) of Department Regulation No. 60 for failing to examine completed "Disclosure Statements" in order to ascertain that they were accurate and met the requirements of the Regulation.

The review also revealed several policy files that were missing required documents or were missing pages of required documents because they were either not imaged in their entirety or they were carelessly maintained. In two policy files the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or

Annuity Contracts" was missing and in three policy files the "Disclosure Statements" were missing one page of the five page document.

The Company violated Section 51.6(b)(6) of Department Regulation No. 60 for failing to maintain the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" in two policy files and the signed and completed "Disclosure Statement" in three policy files.

The Company also violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain: the information used to complete the "Disclosure Statement" that was received from the company being replaced; the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts;" and the signed and completed "Disclosure Statement" for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review.

The examiner recommends that the Company take greater care in the imaging and maintenance of all documents related to replaced policies, specifically all documents required under Department Regulation Nos. 60 and 152.

The review also revealed seven files where the Company failed to send to the insurer whose policy was being replaced the sales materials and completed "Disclosure Statement" within ten days of the receipt of the application.

The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish to the insurer whose coverage was being replaced copies of sales material used in the sale of the proposed life insurance policy or annuity contract and the completed "Disclosure Statements" within ten days of the receipt of the application.

B. Underwriting and Policy Forms

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

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

C. Treatment of Policyholders

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

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

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 3207(c) of the New York Insurance Law by issuing policies to juveniles in excess of the amounts allowed. A review of the underwriting for juvenile policies revealed that policies were issued in accordance with Section 3207(c) of the New York Insurance Law.
B	The Company violated Section 3214(c) of the New York Insurance Law by failing to pay interest on a number of death claims. A review of death claim payments indicated that the Company paid the correct interest on the death claims.

8. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The examiner recommends that the Company amend the service agreement with United to specify the frequency or schedule of payments to be made and the basis of the calculation for the amounts to be paid by the Company at each payment interval.	5
B	The Company violated Section 1308(f)(1)(A) of the New York Insurance Law by using a reinsurance agreement prior to the agreement being approved by the Department.	9
C	The examiner recommends that the Company remove the private placement credit tenant loans from Schedule B of the annual statement, properly report these securities on Schedule D, and have these securities rated by a proper rating agency.	14
D	The Company violated Section 51.6(b)(3) of Department Regulation No. 60 for failing to examine completed “Disclosure Statements” in order to ascertain that they were accurate and met the requirements of the Regulation.	17 - 18
E	The Company violated Section 51.6(b)(6) of Department Regulation No. 60 for failing to maintain the “IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts” in two policy files and the signed and completed “Disclosure Statement” in three policy files.	17 - 19
F	The Company violated Section 243.2(b) of Department Regulation No. 152 by failing to maintain: the information used to complete the “Disclosure Statement” that was received from the company being replaced; the “IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts;” and the signed and completed “Disclosure Statement” for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review.	17 - 19

Item	Description	Page No(s).
G	The examiner recommends that the Company take greater care in the imaging and maintenance of all documents related to replaced policies, specifically all documents required under Department Regulation Nos. 60 and 152.	17 - 19
H	The Company violated Section 51.6(b)(4) of Department Regulation No. 60 by failing to furnish to the insurer whose coverage was being replaced copies of sales material used in the sale of the proposed life insurance policy or annuity contract and the completed “Disclosure Statements” within ten days of the receipt of the application.	17 - 19

Respectfully submitted,

/s/
Dennis G. Bensen
Senior Insurance Examiner

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

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

/s/
Dennis G. Bensen

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 22127

STATE OF NEW YORK

INSURANCE DEPARTMENT

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

DENNIS BENSEN

as a proper person to examine into the affairs of the

COMPANION LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

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

this 15th day of January, 2004

GREGORY V. SERIO
Superintendent of Insurance

Superintendent