



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF
FIRST INVESTORS LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2009

DATE OF REPORT:

March 1, 2011

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EXAMINER:

ERIC C. DERCHER, CFE

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

Andrew M. Cuomo
Governor

James J. Wrynn
Superintendent

June 8, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 30570, date August 3, 2010 and annexed hereto, an examination has been made into the condition and affairs of First Investors Life Insurance Company, hereinafter referred to as "the Company," or "FIL" at its offices located at Raritan Plaza 1, Edison, New Jersey 08837.

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

1. EXECUTIVE SUMMARY

The material findings and violations in this report are summarized below:

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not consistent with its filed forms. (See item 7 of this report)

- The Company violated Section 4224(a)(2) of the New York Insurance Law by failing to notify the applicant of the right to receive the specific reasons for an adverse underwriting decision. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the NAIC Financial Condition Examiners Handbook, 2009 Edition (the “Handbook”). The examination covers the three-year period from January 1, 2007 through December 31, 2009. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2009 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners (“NAIC”). The Handbook guidance provides for the establishment of an examination plan based on the examiner’s assessment of risk in the insurer’s operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management’s compliance with Department statutes and guidelines, Statutory Accounting Principles as adopted by the Department and annual statement instructions.

Information about the Company’s organizational structure, business approach and control environment were utilized to develop the examination approach. The Company’s risks and management activities were evaluated incorporating the NAIC’s nine branded risk categories. These categories are as follows:

Pricing/Underwriting

- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2007 through 2009, by the accounting firm of Tait, Weller & Baker LLP, Philadelphia, Pennsylvania. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department. Where applicable, internal audit workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

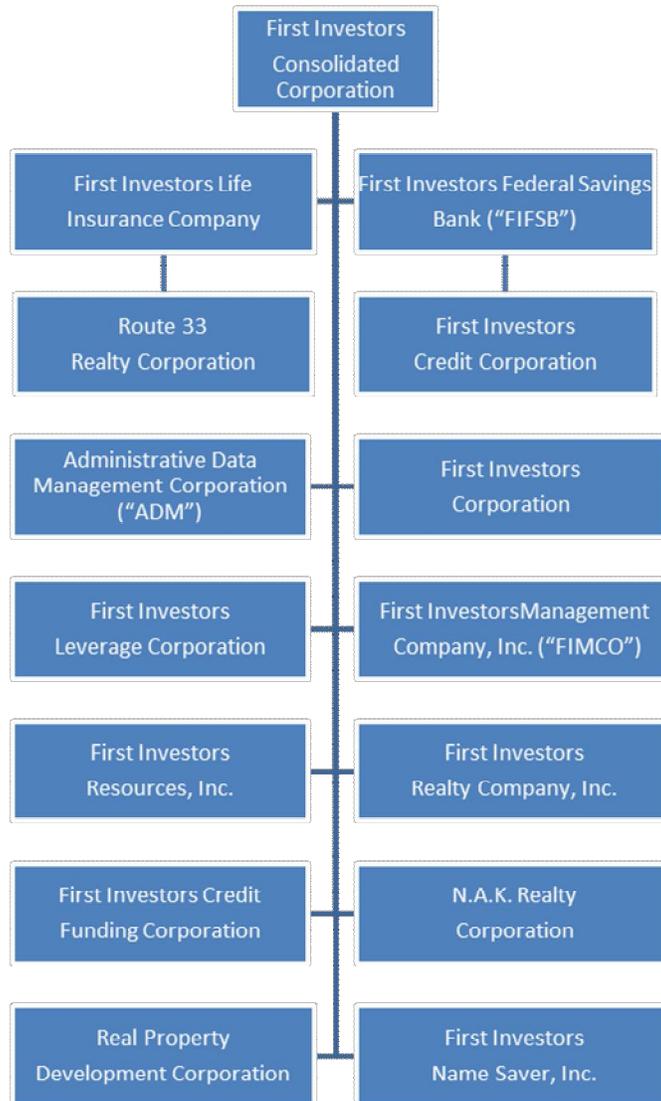
The Company was incorporated as a stock life insurance company under the laws of New York State on August 3, 1962, was licensed on November 1, 1962 and commenced business on December 13, 1962. Initial resources of \$1,000,000, consisting of common capital stock of \$500,000 and paid in and contributed surplus of \$500,000, were provided through the sale of 250,000 shares of common stock (with a par value of \$2) to First Investors Corporation (“FIC”) for \$4 per share. In June of 1968, the assets of FIC were transferred to NFIC Holding Company. In March 1973, NFIC Holding Company changed its name to First Investors Consolidated Corporation (“FICC”). As of December 31, 2009, the common capital stock of the Company totaled \$2,538,162 and the paid-in and contributed surplus amounted to \$6,496,180.

B. Holding Company

The Company is a wholly owned subsidiary of FICC, a holding company incorporated in the State of Delaware. The Company has one subsidiary, Route 33 Realty Corporation (“RTR”). RTR was incorporated on April 9, 1986 under the laws of the State of New Jersey primarily for the purpose of purchasing and owning a parcel of land. RTR was initially owned by FICC. On November 14, 1986, all of the outstanding shares of RTR were acquired by the Company for \$708,458.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and other entities in its holding company system as of December 31, 2009 follows:



D. Management

The Company's Amended and Restated Charter, as authorized by the board of directors on November 5, 2009, provides that the board of directors shall be comprised of "not less than seven (7) . . . nor more than twenty-one (21) persons" of which not less than one-third must be independent of the Company and its affiliated entities, "a majority of whom at all times shall be citizens and residents of the United States and not less than one of whom shall be a resident of the State of New York." Vacancies occurring in the board of directors in the intervals between annual meetings of the shareholders shall be filled by a majority vote of the remaining directors. As of December 31, 2009, the board

of directors consisted of 13 members. Meetings of the board are held twice a year; an annual meeting is held in April and a regular meeting in November.

The 13 board members and their principal business affiliations, as of December 31, 2009, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Jay Gordon Baris*	Partner Kramer Levin Naftalis & Frankel LLP	1991
Glenn Tremaine Dallas*	Retired	1996
William Harold Drinkwater	Sr. Vice President and Chief Actuary First Investors Life Insurance Company	1999
Lawrence Anthony Fauci*	Retired	2007
Robert Michael Flanagan	Vice President First Investors Life Insurance Company	2006
Richard Howard Gaebler*	Retired	1968
Kathryn Sue Head*	President and Chief Executive Officer First Investors Consolidated Corporation	1993
Scott Hodes*	Partner Bryan Cave LLP	1968
William Michael Lipkus	Vice President, Chief Financial Officer and Treasurer First Investors Life Insurance Company	2007
Jackson Ream*	Retired	1978
Nelson Schraenen, Jr.*	Retired	1969
Carol Ellen Springsteen	President First Investors Life Insurance Company	2003
Clark David Wagner	Director, Director of Fixed Income First Investors Life Insurance Company	1999

* Not affiliated with the Company.

Membership of the board has been consistent during the period under examination. In April 2007, Mary Jane Kruzan passed away and was replaced by William Lipkus. Lawrence Fauci was elected in November 2007 to replace John T. Sullivan who passed away in August 2007.

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 nearly all meetings.

The following is a listing of the principal officers of the Company as of December 31, 2009:

<u>Name</u>	<u>Title</u>
Carol Springsteen	President
William M. Lipkus	Vice President, Chief Financial Officer and Treasurer
William H. Drinkwater	Sr. Vice President and Chief Actuary
Lawrence M. Falcon *	Sr. Vice President, and Comptroller
Robert Flanagan	Vice President
Jason Helbraun	Assist. Vice President and Corporate Actuary
Glen Mueller	Vice President and Chief Underwriter
David M. Schimmel	Assist. Vice President – Inforce Services
John Shey	Assist. Vice President – Pricing Actuary

* Designated consumer services officer per Section 2164(c). of Department Regulation No. 64.

E. Service Agreements

The Company had eight service agreements in effect during the examination period. The Company reported the following information relating to inter-company

	Type of Agreement and Department File Number	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Expense For Each Year of the Examination*
1	Lease Agreement - 21480B	FIC	FIL	Administrative Services: HRD, CFO, Marketing, Sales Support, Space, etc.	2007 \$2,088,681 2008 \$1,906,354 2009 \$1,954,804
2	Compensation Agreement - 18953A	FIC, FICC, FIMCO	FIL	Chairwoman's Salary	2007 \$75,000 2008 \$75,000 2009 \$75,000
3	Training and Quality Control Agreement - 14825C	ADM	FIL	IT Services, CIP, Services, New Employee Training	2007 \$1,556,752 2008 \$1,673,875 2009 \$1,491,691
4	Investment Agreement - 32545	FIMCO	FIL	Investment Management Services	2007 \$196,703 2008 \$258,977 2009 \$169,017
5	Administrative Agreement (Lockbox) - 37419	FIFSB	FIL	Lockbox Services / ACH Agreement	2007 \$ 0 2008 \$20,609 2009 \$54,443
6	General Agent's Agreement - 33519	FIC	FIL	General Agent Agreement	2007 \$9,133,725 2008 \$8,110,452 2009 \$8,462,638

	Type of Agreement and Department File Number	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Expense For Each Year of the Examination*
7	Lease Agreement - 21480A	FIMCO	FIL	Office space - NJ	2007 \$173,152 2008 \$226,964 2009 \$220,650
8	Sublease Agreement - 37833	FIMCO	FIL	Office space - NY	2007 \$153,273 2008 \$217,650 2009 \$234,066

* Amount of Expense Incurred by the Company

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

4. 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 §1113(a) of the Insurance Laws of the State of New York.

The Company is a domestic stock life insurer and licensed in all states (except for South Dakota) and the District of Columbia. The Company received \$84.1 million of direct premiums and annuity considerations in 2009. The top five states were New York (25.2%), New Jersey (7.7%), Oregon (6.1%), Connecticut (5.7%), and Indiana (5.0%). Net premiums of \$82.1 million in 2009 consisted of ordinary life (74.8%), individual annuities (22.6%), and group life (2.6%).

A. Statutory and Special Deposits

As of December 31, 2009, the Company had \$600,000 (par value) of U.S. Treasury Notes on deposit with the State of New York, for the benefit of all policyholders, claimants and creditors of the Company. As per confirmations received from the following states which were reported in Schedule E of the 2009 filed annual statement an additional \$1,600,000, was being held by the states of Arkansas, Georgia, Massachusetts, Nevada, New Hampshire, New Mexico, North Carolina, and South Carolina.

B. Direct Operations

The target market for the Company is the broad middle market, with significant concentration of life product sales and mutual funds in the NY/NJ metropolitan area. In recent years, the Company has been experiencing growth in the Pacific Northwest states. Some of the more sophisticated features that are not found in their product portfolio are a variable annuity with a living benefit feature (GMDB only) and Secondary Guarantee Universal Life (SGUL) products. Given the simplicity of Company's GMDB features, it has no material exposure and as a result, does not use more risky investment and hedging strategies.

A significant portion of Company's premium income is from the NY/NJ metropolitan area. Increasing sales have been generated from their Western offices

recently. Marketing efforts have historically been focused heavily on the sale of variable products, although a portfolio of ordinary life plans including interest-sensitive whole life and term insurance is also offered. In recent years, the mix of life insurance business has changed with a modest decline in variable life offset by an increase in term life sales and interest-sensitive whole life. The Company's statutory premiums (including renewal premiums) are approximately distributed 80% life and 20% variable annuities. New life sales represent approximately 10% of total premiums, which has increased from prior years.

Sales of the Company's variable annuity products (as measured by statutory net premiums) have declined, partially due to demand for alternative fixed annuity products such as indexed annuities, Company's lack of living benefit features and its practice of discouraging 1035 exchange business.

C. Reinsurance

As of December 31, 2009, the Company had four reinsurance treaties in effect, of which three are authorized or accredited. The Company entered into reinsurance agreement with Swiss Re and RGA Reinsurance Company under which both the reinsurance companies are splitting all automatic reinsurance on a 50-50 basis.

The Maximum net retention on any one life is \$150,000 on variable life products and \$250,000 on non-variable products. The total face amount of life insurance ceded as of December 31, 2009, was \$4,287,968,285, which represents 51% of its ordinary life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$8,835,814, was supported by trust agreement.

The Company did not assume any business during the examination period.

5. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, <u>2006</u>	December 31, <u>2009</u>	Increase <u>(Decrease)</u>
Admitted assets	<u>\$1,339,037,855</u>	<u>\$1,139,211,520</u>	<u>\$(199,826,335)</u>
Liabilities	<u>\$1,236,233,879</u>	<u>\$1,019,184,279</u>	<u>\$(217,049,600)</u>
Common capital stock	\$ 2,538,162	\$ 2,538,162	\$ 0
Gross paid in and contributed surplus	6,496,180	6,496,180	0
Group life contingency reserve	50	0	(50)
Unassigned funds (surplus)	<u>93,769,584</u>	<u>110,992,899</u>	<u>17,223,315</u>
Total capital and surplus	<u>\$ 102,803,976</u>	<u>\$ 120,027,241</u>	<u>\$ 17,223,265</u>
Total liabilities, capital and surplus	<u>\$1,339,037,855</u>	<u>\$1,139,211,520</u>	<u>\$(199,826,335)</u>

The majority (70%) of the Company's admitted assets, as of December 31, 2009, was derived from Separate Accounts.

Long-term bonds, government agency mortgage back securities, policy loans and cash and short-term holdings represent the vast majority of Company's general account assets. In 2009, policy loans made up nearly 20% of general account assets, and represent the second largest invested asset class. The majority of the Company's outstanding policy loans are associated with Company's variable life policies. Company's general account

bond portfolio is well diversified among investment grade corporate bonds, high yield, U.S. treasuries, mortgage backed bonds and agency bonds.

As of December 31, 2009, 96.7% of the Company's bond portfolio 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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Ordinary:			
Life insurance	\$12,091,632	\$12,325,370	\$11,790,946
Individual annuities	<u>5,642,980</u>	<u>4,216,519</u>	<u>3,805,838</u>
Total ordinary	<u>\$17,734,612</u>	<u>\$16,541,889</u>	<u>\$15,596,784</u>
Group:			
Life insurance	\$ 42,190	\$ 198,690	\$ 4,238
Individual annuities	<u>(15,444)</u>	<u>(8,760)</u>	<u>(10,194)</u>
Total group	<u>\$ 26,746</u>	<u>\$ 189,930</u>	<u>\$ (5,956)</u>
All other lines	<u>\$ 1,716</u>	<u>\$ 19,108</u>	<u>\$ 6,709</u>
Total	<u>\$17,763,074</u>	<u>\$ 16,750,927</u>	<u>\$15,597,537</u>

Operating income before capital gains has been consistent during the examination period.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2009, as contained in the Company's 2009 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, 2009 filed annual statement.

A. Independent Accountants

The firm of Tait, Weller & Baker, LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31 2009 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Tait, Weller & Baker, LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B.Net Admitted Assets

Bonds	\$ 260,188,581
Stocks:	
Common stocks	546,923
Cash, cash equivalents and short term investments	7,392,291
Contract loans	64,114,433
Receivables for securities	18,034
Investment income due and accrued	5,096,411
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,198,322
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,735,557
Reinsurance:	
Amounts recoverable from reinsurers	78,750
Other amounts receivable under reinsurance contracts	2,688
Current federal and foreign income tax recoverable and interest thereon	342,991
Net deferred tax asset	2,864,000
Receivables from parent, subsidiaries and affiliates	895,894
From separate accounts, segregated accounts and protected cell accounts	<u>792,736,645</u>
Total admitted assets	<u>\$1,139,211,520</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 216,135,548
Aggregate reserve for accident and health contracts	90,719
Liability for deposit-type contracts	9,503,112
Contract claims:	
Life	1,462,858
Accident and health	3,082
Policyholders' dividends and coupons due and unpaid	3,203
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	706,234
Premiums and annuity considerations for life and accident and health contracts received in advance	170,943
Contract liabilities not included elsewhere:	
Surrender values on cancelled contracts	564,638
Commissions to agents due or accrued	165,194
General expenses due or accrued	1,338,295
Transfers to separate accounts due or accrued, including accrued for expense allowances recognized in reserves, net of reinsurance	(6,918,495)
Taxes, licenses and fees due or accrued, excl. federal income taxes	448,820
Amounts withheld or retained by company as agent or trustee	(9,225)
Amounts held for agents' account	21,238
Remittances and items not allocated	394,589
Liability for benefits for employees and agents if not included above	1,185,442
Miscellaneous liabilities:	
Asset valuation reserve	1,058,899
Aggregate write-ins for liabilities	122,540
From separate accounts statement	<u>792,736,645</u>
Total liabilities	<u>\$1,019,184,279</u>
Common capital stock	\$ 2,538,162
Gross paid in and contributed surplus	6,496,180
Unassigned funds	<u>110,992,899</u>
Total capital and surplus	<u>\$ 120,027,241</u>
Total liabilities, capital and surplus	<u><u>\$1,139,211,520</u></u>

D. Condensed Summary of Operations

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Premiums and considerations	\$ 88,374,998	\$ 80,264,691	\$ 82,094,761
Investment income	16,241,366	17,268,657	16,735,873
Amortization of Interest Maintenance Reserve (IMR)	(61,381)	(177,105)	(383,372)
Commissions and reserve adjustments on reinsurance ceded	372,746	167,407	260,610
Miscellaneous income	<u>81,406</u>	<u>8,055,809</u>	<u>6,224,106</u>
Total income	<u>\$105,009,135</u>	<u>\$105,579,459</u>	<u>\$104,931,978</u>
Death benefits	\$ 7,135,176	\$ 6,854,067	\$ 8,087,779
Maturity endowments	17,650		
Annuity benefits	119,159	120,065	150,053
Disability benefits and benefits under accident and health contracts	122,459	131,253	132,147
Surrender benefits and withdrawals for life contracts	103,887,073	104,885,772	74,385,013
Group conversions	3,603	(4,612)	6,276
Interest and adjustments on contracts or deposit-type contract funds	450,753	451,703	380,586
Increase in aggregate reserves for life, and accident and health	12,467,080	8,741,404	15,192,358
Commissions	6,227,753	5,479,622	5,902,698
General expenses and taxes	16,476,623	15,162,821	15,394,886
Increase in loading on deferred and uncollected premiums	135,937	(226,135)	(235,216)
Net transfers to or (from) Separate Accounts net of reinsurance	<u>(60,900,827)</u>	<u>(53,758,725)</u>	<u>(30,798,333)</u>
Total deductions	<u>\$ 86,142,439</u>	<u>\$ 87,837,235</u>	<u>\$ 88,598,247</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 18,866,696	\$ 17,742,224	\$ 16,333,731
Dividends to policyholders	<u>1,103,622</u>	<u>991,297</u>	<u>736,104</u>
Net gain from operations after dividends to policyholders and before federal income taxes	\$ 17,763,074	\$ 16,750,927	\$ 15,597,627
Federal and foreign income taxes incurred	<u>5,893,762</u>	<u>5,498,379</u>	<u>4,901,267</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	\$ 11,869,312	\$ 11,252,548	\$ 10,696,360
Net realized capital gains (losses)	<u>304,711</u>	<u>(2,495,767)</u>	<u>959,009</u>
Net income	<u>\$ 12,174,023</u>	<u>\$ 8,756,781</u>	<u>\$ 9,737,351</u>

E. Surplus Account

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Capital and surplus, December 31, prior year	\$ <u>102,803,976</u>	\$ <u>113,027,491</u>	\$ <u>119,664,009</u>
Net income	\$ 12,174,023	\$ 8,756,781	\$ 9,737,351
Change in net unrealized capital (losses)	6,633	(238,940)	178,127
Change in net deferred income tax	110,023	740,589	(362,786)
Change in non-admitted assets and related items	(407,959)	(1,698,693)	(40,434)
Change in asset valuation reserve	(159,205)	1,076,781	(449,026)
Dividends to stockholders	<u>(1,500,000)</u>	<u>(2,000,000)</u>	<u>(8,700,000)</u>
Net change in capital and surplus for the year	\$ <u>10,223,515</u>	\$ <u>6,636,518</u>	\$ <u>363,232</u>
Capital and surplus, December 31, current year	\$ <u>113,027,491</u>	\$ <u>119,664,009</u>	\$ <u>120,027,241</u>

7. 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 all of the Company's advertising files including agent bulletins, solicitations and the replacements of insurance policies. No exceptions were noted with respect to the advertising files.

The examiner reviewed a sample of 87 life and annuity replacements for compliance with Department Regulation 60 and noted the following deviations:

Section 51.6(b)(2) and (9) 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’ . . .”

(9) In the event the life insurance policy or annuity contract issued differs from the life insurance policy or annuity contract applied for, ensure that the requirements of this Part are met with respect to the information relating to the life insurance policy or annuity contract as issued, including but not limited to the revised ‘Disclosure Statement’, any revised or additional sales material used and acknowledgement by the applicant of receipt of such revised material.”

1. In 7 out of 87 (8%) replacement files reviewed, the Company did not present to the applicant, not later than at the time the applicant signs the application, either the “IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts” and/or a completed “Disclosure Statement”.

The Company violated Section 51.6(b)(2) of Department Regulation No. 60 when it failed to present, the “IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts” and/or a completed “Disclosure Statement” to applicants not later than at the time the applicant signs the application.

2. In five out of 87 (5.75%) replacement files reviewed, the Company failed to issue a revised “Disclosure Statement” when the life insurance policy issued differed from the life insurance policy applied for.

The Company violated Section 51.6(b)(9) of Department Regulation No. 60 by failing to provide a revised “Disclosure Statement” when the life insurance policy issued differed from the life insurance policy applied for in five instances.

B. Underwriting and Policy Forms

The examiner reviewed samples of 116 new business life policies, 72 new business variable annuity policies and all twelve new business fixed annuity policies, and the applicable policy forms.

Section 3201(b) of the New York Insurance Law states, in part:

“(1) No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law . . .”

During the review of the Company’s policy forms and the Company’s policy form filings, the examiner identified three instances in which the policy language in the policies as issued were not consistent with the language of the policy forms as filed and approved. The divergent language contained in the issued policies was not deemed to be detrimental to policyholders.

The Company violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not consistent with its filed and approved forms.

Section 4224(a) of New York Insurance Law, states in part:

“No life insurance company doing business in this state and no savings and insurance bank shall...

(2) refuse to insure, refuse to continue to insure or limit the amount, extent or kind of coverage available to an individual, or charge a different rate for the same coverage solely because of the physical or mental disability, impairment or disease, or prior history thereof, of the insured or potential insured, except where the refusal, limitation or rate differential is permitted by law or regulation and is based on sound actuarial principles or is related to actual or reasonably anticipated experience, in which case the insurer, subject to the imitations contained in section twenty-six hundred eleven of this chapter, shall notify the insured or potential insured of the right to receive, or to designate a medical professional to receive, the specific reason or reasons for such refusal, limitation or rate differential;”

The examiner identified seven of 116 (6%) new business life policies in which the file documentation indicated the policy was issued with either a different underwriting class or reduced face amount of insurance than was applied for, which adversely affected the applicant. However, the Company failed to notify the applicant of the right to receive the specific reason as to why the policies were not issued as applied for and which adversely affected the applicant.

The Company violated Section 4224(a)(2) of the New York Insurance Law by failing to notify the applicant of the right to receive the specific reasons for an adverse underwriting decision.

C. Treatment of Policyholders

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.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated its by-laws by failing to put in place a process for the election of a Treasurer as required by its by-laws. Examiner recommended that the Company either elect a treasurer or amend its by-laws.</p> <p>The Company acknowledges the violation and the position of Treasurer has now been added to the list of positions considered by the Board. The Company has appointed Mr. William Lipkus, Vice President and Chief Financial Officer as the Treasurer effective April 6, 2008.</p>
B	<p>The Company violated Section 243.2 of Department Regulation No. 152 by not maintaining information necessary for reconstructing the solicitation of various replacement policies.</p> <p>The Company acknowledges the violation and has since reinforced its reimaging requirements and procedures with the staff to help insure that all pertinent documents are imaged.</p>
C	<p>The Company violated Section 3201(b)(1) of the New York Insurance Law by using an unapproved application form.</p> <p>The Company responded that the above violation pertains to Company's single premium retirement annuity. Company ceased selling this product after May 2003. However, the Company used other policy forms during the examination which had not been approved by the Superintendent.</p>

9. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 51.6(b)(2) of Department Regulation No. 60 when it failed to present, the “IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts” and/or a completed “Disclosure Statement” to applicants not later than at the time the applicant signs the application.	21
B	The Company violated Section 51-6(b)(9) of Department Regulation 60 by failing to provide a revised “Disclosure Statement” when the life insurance policy issued differed from the life insurance policy applied for.	21
C	The Company violated Section 3201(b)(1) of New York Insurance Law by issuing policies in which the policy language was not consistent with the language in its filed and approved forms.	21
D	The Company violated Section 4224(a)(2) of the New York Insurance Law by failing to notify the applicant of the right to receive the specific reasons for an adverse underwriting decision.	22

APPOINTMENT NO. 30570

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

ERIC DERCHER

as a proper person to examine into the affairs of the

FIRST INVESTORS 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 3rd day of August, 2010

JAMES J. WRYNN
Superintendent of Insurance


Superintendent

