

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF

LIFETIME LENDING CORPORATION

AS OF

DECEMBER 31, 2004

DATE OF REPORT:

OCTOBER 19, 2005

EXAMINER:

WILLIAM M. TARDOGNO

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

George E. Pataki
Governor

Howard Mills
Superintendent

October 19, 2005

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22227, dated May 3, 2004 and annexed hereto, an examination has been made into the condition and affairs of Lifetime Lending Corporation, hereinafter referred to as "the Company," at its home office located at 111 St. Joseph's Terrace, Woodbridge, New Jersey 07095.

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 Company violated Section 380.6(a) of Department Regulation No. 148 by using application forms and viatical agreements that varied from those filed with and approved by the Superintendent. (See item 5B of this report)

The Company did not solicit viatical settlements in New York in 2004, as it only issued life settlements in 2004. (See item 3C of this report)

The examiner recommends that all future annual statements contain all financial information and that the assets equal the sum of liabilities, capital and stockholders' equity. (See item 4A of this report)

The Company violated Section 307(a)(1) of the New York Insurance Law by failing to file its annual statements for the years 2002, 2003 and 2004 in a timely manner. (See item 6 of this report)

2. SCOPE OF EXAMINATION

This is the first examination of the Company since it received its license to do business in the State of New York as a viatical settlement company pursuant to Section 7802 of the New York Insurance Law. This examination covers the period from July 11, 2000 through December 31, 2004. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2004 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a review of policy forms, advertising, corporate structure, broker licensing, and treatment of viators. The examiner 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 aforementioned items.

This report on examination is confined to 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 company under the laws of New Jersey on February 5, 1998 and commenced business on December 5, 2000. The Company conducts business as a viatical settlement company, purchasing existing life insurance policies from qualified individuals to alleviate financial stress associated with life-threatening or chronic illnesses. The Company also conducts business as a life settlement company. Department Regulation No. 148 was promulgated on July 6, 1994, which requires viatical settlement companies doing business in the State of New York to acquire a license from the Superintendent. The Company applied for a viatical settlement company license on October 27, 1999 and was issued such license by the Superintendent on July 11, 2000.

B. Management

The Company's by-laws provide that the board of directors shall be comprised of two directors. As of December 31, 2004, the two directors were also the shareholders who owned all of the Company's shares of common capital stock. Meetings of the board are held annually in May.

The two board members and their principal business affiliation, as of December 31, 2004, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Paul S. Permison Union, NJ	President Lifetime Lending Corporation	1998
John Mandel Holmdel, NJ	Vice President, Secretary and Treasurer Lifetime Lending Corporation	1998

The following is a listing of the principal officers of the Company as of December 31, 2004:

<u>Name</u>	<u>Title</u>
Paul S. Permison	President
John Mandel	Vice President, Secretary and Treasurer

C. Territory and Plan of Operation

The Company is authorized to purchase life insurance policies as defined in Section 7801(a) of the New York Insurance Law.

The Company is licensed as a viatical settlement company in New York. The Company also transacts such business nationwide, including jurisdictions where no license is required. The Company did not actively solicit viatical settlements in New York in 2004. However, the Company is actively soliciting life settlements in New York as well as other states.

The Company acquires its business through independent viatical settlement brokers. The Company accepts monies from individual investors as a means to fund its life insurance policy purchases.

D. Financial Growth

The following table indicates the Company's financial growth (decline) during the period under review. These amounts have not been audited by the examiner and are for presentation purposes only.

	<u>December 31,</u> <u>2000</u>	<u>December 31,</u> <u>2004</u>	<u>Increase</u> <u>(Decrease)</u>
Assets	\$ <u>60,159</u>	\$ <u>1,104</u>	\$ <u>(59,055)</u>
Liabilities	\$ <u>54,698</u>	\$ <u>71,499</u>	\$ <u>16,801</u>
Common capital stock	\$ 200	\$ 200	\$ 0
Owner's or partner's capital	0	(5,820)	(5,820)
Retained earnings	<u>(251)</u>	<u>(61,050)</u>	<u>(60,799)</u>
Total stockholders' equity	\$ <u>(51)</u>	\$ <u>(66,670)</u>	\$ <u>(66,619)</u>
Total liabilities and stockholders' equity	\$ <u>54,647</u>	\$ <u>4,829</u>	\$ <u>(49,818)</u>

4. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and stockholders' equity as of December 31, 2004, as contained in the Company's filed 2004 annual statement, and a condensed summary of operations for each of the years under review. These statements have not been audited by the examiner and are for presentation purposes only.

A. ASSETS, LIABILITIES, CAPITAL AND STOCKHOLDERS' EQUITY AS OF DECEMBER 31, 2004

Assets

Cash	\$ <u>1,104</u>
Total assets	\$ <u>1,104</u>

Liabilities, Capital and Stockholders' Equity

Borrowed money	\$ <u>71,499</u>
Total liabilities	\$ <u>71,499</u>
Common capital stock	\$ 200
Owner's or partner's capital	(5,820)
Retained earnings	<u>(61,050)</u>
Total capital and stockholders' equity	\$(<u>66,670</u>)
Total liabilities, capital and stockholders' equity	\$ <u>4,829</u>

The examiner questioned why the assets do not equal the sum of liabilities, capital and stockholders' equity. The Company responded that they completed the annual statement as if it was a questionnaire and items included on their balance sheet (i.e. viatica in escrow and cost of policies) do not appear on the annual statement.

The examiner recommends that all future annual statements contain all financial information and that the assets equal the sum of liabilities, capital and stockholders' equity.

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues from matured or sold life insurance policies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous income	<u>0</u>	<u>0</u>	<u>0</u>	<u>473,680</u>	<u>594,950</u>
Total income	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>473,680</u>	\$ <u>594,950</u>
Compensation to brokers	\$ 0	\$ 13,150	\$ 39,500	\$ 402,651	\$ 443,500
General expenses	3,373	30,698	17,368	36,379	113,763
Insurance taxes, licenses and fees, excluding Federal income taxes	<u>2,600</u>	<u>985</u>	<u>4,587</u>	<u>1,845</u>	<u>1,034</u>
Total deductions	\$ <u>5,973</u>	\$ <u>44,833</u>	\$ <u>61,455</u>	\$ <u>440,875</u>	\$ <u>558,297</u>
Net income (loss)	\$ <u>(5,973)</u>	\$ <u>(44,833)</u>	\$ <u>(61,455)</u>	\$ <u>32,805</u>	\$ <u>36,653</u>

5. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

The Company does not advertise or directly solicit viators as it has no direct contact with viators. The Company deals only with brokers that approach the Company with prospective business.

B. Underwriting and Policy Forms

The examiner reviewed the New York viatical settlements and the policy forms utilized during the examination period.

Section 7804(a) of the New York Insurance Law states, in part:

“No viatical settlement company may use any agreement for a viatical settlement in this state unless it is in writing and has been filed with and approved by the superintendent. . . .”

Section 380.6(a) of Department Regulation No. 148 states, in part:

“Viatical settlement forms filing requirements:

(1) two specimen copies of every viatical settlement agreement shall be filed with and approved by the superintendent prior to use in New York;

(2) two specimen copies of every application for a viatical settlement shall be filed with and approved by the superintendent prior to use in New York . . .”

The examiner's review of a sample of New York viatical settlement files indicated that the Company used an application form that deviated from what had been filed with and approved by the Department. In addition, the Company varied the language used in the viatical agreement which was approved by the Department.

The Company violated Section 380.6(a) of Department Regulation No. 148 by using viatical agreements and application forms that varied from those filed with and approved by the Superintendent.

C. Treatment of Viators

The examiner reviewed a sample of New York viator files. 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.

6. ANNUAL STATEMENT FILING

Section 307(a)(1) of the New York Insurance Law requires that insurers authorized to do business in this state:

“. . . shall file in the office of the superintendent, annually on or before the first day of March, a statement, to be known as its annual statement, executed in duplicate, verified by the oath of at least two of its principal officers . . . ”

The Company failed to file its 2002, 2003 and 2004 annual statements before the first of March.

The Company violated Section 307(a)(1) of the New York Insurance Law by failing to file its annual statements for the years 2002, 2003 and 2004 in a timely manner.

7. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that all future annual statements contain all financial information and that the assets equal the sum of liabilities, capital and stockholder's equity.	6
B	The Company violated Section 380.6(a) of Department Regulation No. 148 by using policy and application forms that varied from those filed with and approved by the Superintendent.	9
C	The Company violated Section 307(a)(1) of the New York Insurance Law by failing to file its annual statements for the years 2002, 2003 and 2004 in a timely manner.	10

Respectfully submitted,

_____/s/_____
William M. Tardogno
Senior Insurance Examiner

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

WILLIAM M. TARDOGNO, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/_____
William M. Tardogno

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 22370

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

WILLIAM TARDOGNO

as a proper person to examine into the affairs of the

LIFETIME LENDING CORPORATION

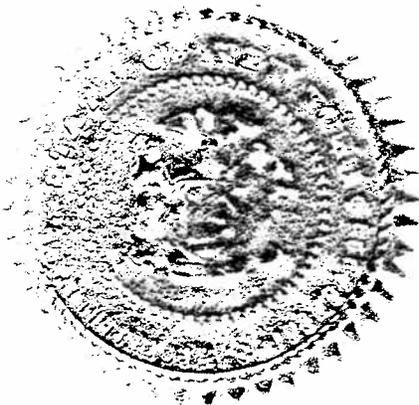
and to make a report to me in writing of the condition of the said

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 5th day of May, 2005



HOWARD MILLS

Acting Superintendent of Insurance

A handwritten signature in cursive script, appearing to read "Howard Mills".

Acting Superintendent