

STATE OF NEW YORK INSURANCE DEPARTMENT
PRIVACY REPORT ON EXAMINATION
OF THE
FIRST REHABILITATION LIFE INSURANCE COMPANY OF AMERICA
AS OF
FEBRUARY 28, 2003

DATE OF REPORT:

FEBRUARY 28, 2003

EXAMINER:

KENNETH WEITZ

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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

February 28, 2003

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

Sir:

In accordance with instructions contained in Appointment No. 21960 dated November 29, 2002 and annexed hereto, an examination has been made into the condition and affairs of First Rehabilitation Life Insurance Company of America, hereinafter referred to as "the Company," at its home office located at 600 Northern Blvd., Great Neck, New York 10021. 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 recommends that the Company immediately implement a written comprehensive information security program. (See item 3 of this report)

2. SCOPE OF EXAMINATION

The examiner conducted a targeted examination limited to a review of: (i) the Company's policies and procedures regarding the privacy of consumer and customer financial and health information, and (ii) the Company's standards for safeguarding customer information. The objective of the examination was to determine whether the Company satisfied and complied with applicable New York Insurance Law and Department regulations and circular letters, the operating rules of the Company, and internal control standards deemed adequate by the Department.

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

3. EXAMINATION PROCEDURES AND FINDINGS

The examiner reviewed various elements of the Company's privacy and safeguarding activities affecting customers and consumers to determine compliance with applicable statutes and regulations, the operating rules of the Company, and internal control standards deemed adequate by the Department. The review included an evaluation of: the Company's documented privacy and safeguarding policies and procedures (including information previously submitted to the Department); internal, external and compliance audit workpapers; and management and internal control reports. The examination included a review of the following:

- privacy notices;
- opt out and opt in notices, if applicable;
- disclosure of non-public personal information (financial and health);
- redisclosure and reuse of non-public personal information (financial and health) received and disclosed; and
- the written information security program for the protection of customer information.

The examiner also conducted limited tests and other procedures, as deemed appropriate, in the review of privacy and safeguarding activities.

Section 421.10 of Department Regulation No. 173 states:

“Each licensee shall establish policies and systems and implement an information security program pursuant to this Part by June 1, 2002.”

The Company has not yet implemented a comprehensive written information security program as required by Department Regulation No. 173.

The examiner recommends that the Company immediately implement a written comprehensive information security program.

4. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

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APPOINTMENT NO. 21960

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:

KENNETH WEITZ

as a proper person to examine into the affairs of the

FIRST REHABILITATION LIFE INSURANCE COMPANY OF AMERICA

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 29th day of November, 2002



GREGORY V. SERIO

Superintendent of Insurance

A handwritten signature in black ink, appearing to read "Gregory V. Serio", is written over a horizontal line.

Superintendent