NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

NATIONAL BENEFIT LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2010

DATE OF REPORT: MARCH 23, 2012

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EXAMINER: BEVERLY A. DALE

TABLE OF CONTENTS

May 7, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30693, dated March 17, 2011 and annexed hereto, an examination has been made into the condition and affairs of National Benefit Life Insurance Company, hereinafter referred to as "the Company," at its home office located at One Court Square, Long Island City, New York, 11120.

On October 3, 2011, the Insurance Department merged with the Banking Department to create the New York State Department of Financial Services. Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

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

1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the NAIC Financial Condition Examiners Handbook, 2010 Edition (the "Handbook"). The examination covers the four-year period from January 1, 2007 through December 31, 2010. 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, 2010 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 6 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 New York statutes and Department 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 2010 by the accounting firm KPMG, LLP. The Company received an unqualified opinion in all years under examination. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company was not required to be in compliance with the Sarbanes-Oxley Act of 2002 ("SOX") until 2011.

The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

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.

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on June 18, 1962, as Constitution National Life Insurance Company. The Company's name was changed to Beneficial Standard Life Insurance Company of New York on January 2, 1963 and was licensed and commenced business on May 15, 1963. On June 28, 1963, the Company's name was changed to Beneficial National Life Insurance Company. The Company's present name, National Benefit Life Insurance Company was adopted on December 31, 1980. Initial resources of $1,250,000, consisting of common capital stock of $500,000 and paid in and contributed surplus of $750,000, were provided through the sale of 500,000 shares of common stock (with a par value of $1 each) for $2.5 per share. At December 31, 2010, the Company's capital and paid in and contributed surplus were $2,500,000 and $209,662,169 respectively.

The Company was originally controlled by Beneficial Standard Life Insurance Company ("BSLIC"). Benefit National Corporation ("BNC"), a holding company owned by BSLIC, acquired a majority interest of the outstanding stock of the Company and assumed control of the Company on April 22, 1970. Associated Madison Companies, Inc. ("AMAD") acquired all of the shares of BNC on June 7, 1979 and became the Company's immediate parent, controlling 97.7% of the outstanding stock of the Company.

Primerica Corporation acquired control of AMAD and its subsidiaries on April 8, 1982. On December 15, 1982, pursuant to Section 481-a (now Section 7118) of the New York Insurance Law, the Company acquired the minority interest of their outstanding common shares. The Company retired the acquired common stock shares resulting in a reduction in paid in capital of $1,801,370 (1,801,370 shares at $1.00 a share), and the Company became a wholly owned subsidiary of AMAD.

Primerica Corporation purchased Travelers, Inc. and changed its name to Travelers Group on December 31, 1993. On October 8, 1998, Travelers Group merged with Citicorp to form Citigroup Inc. ("Citigroup"), which became the Company's ultimate parent.

On June 30, 2005, Citigroup sold its domestic life insurance and annuity business, primarily The Travelers Insurance Company ("TIC"), and substantially all of its international insurance subsidiaries to MetLife. Following the sale, the Company and its immediate parent, Primerica Life Insurance Company ("PLIC"), became subsidiaries of Citigroup Insurance Holding Corporation ("CIHC"), a subsidiary of Citigroup.

On March 31, 2010 and April 1, 2010, Citigroup, the Company's then ultimate parent, entered into a series of transactions the intent of which was to restructure ownership in specified subsidiaries, including the Company. As part of the various restructuring transactions, an initial public offering ("IPO") of the stock in Primerica, Inc., a newly formed Delaware corporation and indirect subsidiary of Citigroup, was made. Ownership of the Company and certain other subsidiaries of Citigroup, were transferred to Primerica, Inc., which became the ultimate parent of the Company.

On April 15, 2010, in connection with the initial public offering of the stock of Primerica, Inc., and pursuant to a securities purchase agreement dated February 8, 2010, CIHC sold 22.40% of the common stock of Primerica, Inc. to Warburg Pincus Equity X, L.P. and Warburg Pincus X Partnership, L.P. (together, "Warburg Pincus"). At December 31, 2010 CIHC continues to own 39.58% of the common stock of Primerica, Inc.

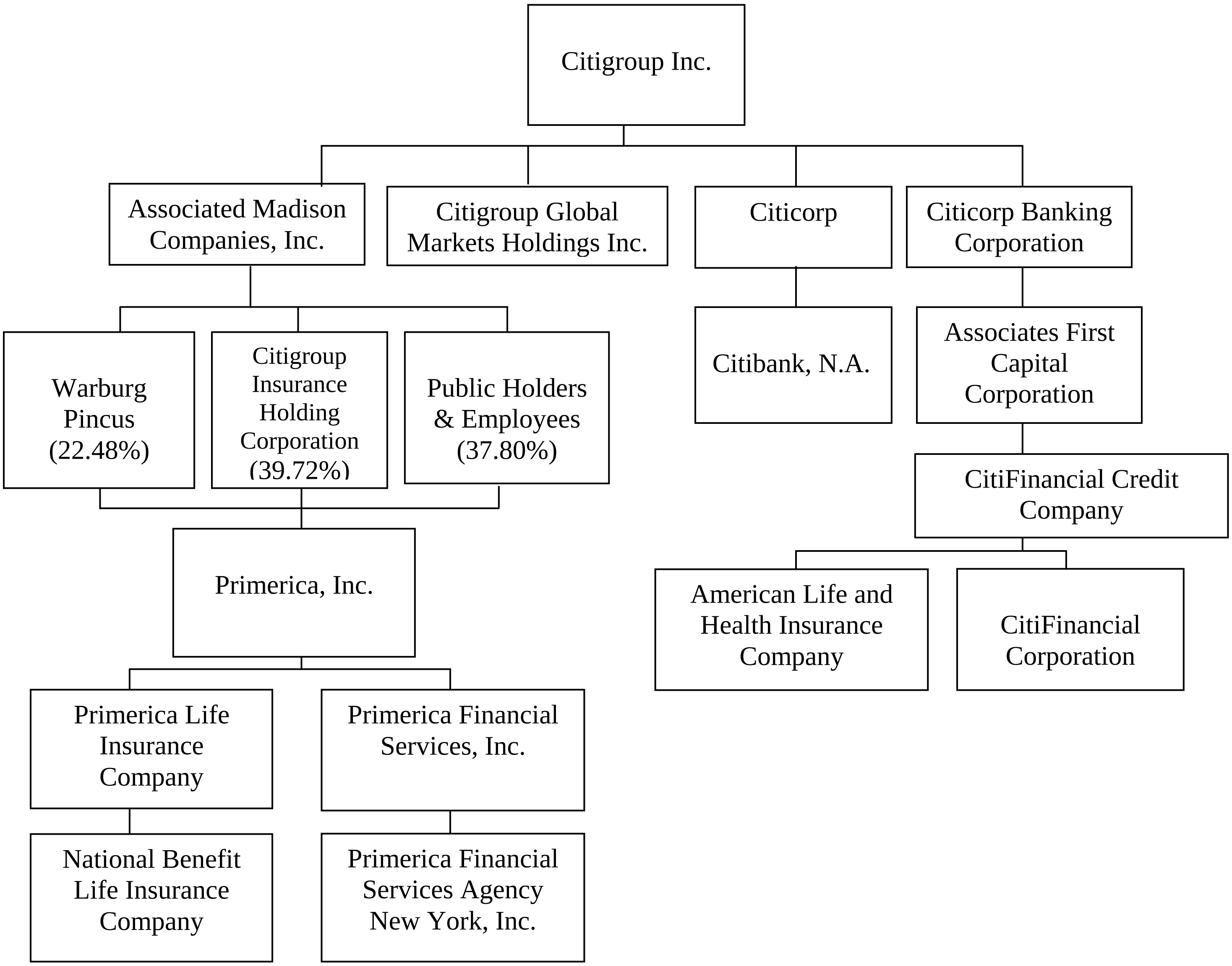
In connection with the initial public offering transaction, the Company paid an extraordinary dividend of $296,838,565 to its immediate Parent, PLIC. The dividend payment consisted of cash of $234,004,569 and fixed income securities of $62,832,996. Pursuant to Section 4207 (a)(2) of the New York Insurance Law, the extraordinary dividend was approved by the Department.

B. Holding Company

The Company is a wholly owned subsidiary of PLIC, a Massachusetts life insurance company. PLIC is in turn a wholly owned subsidiary of Primerica, Inc, a newly formed Delaware corporation and indirect subsidiary of Citigroup.

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2010 follows:



D. Service Agreements

The Company had 8 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Data Processing Department File No. 19416	9/24/1993	PLIC	The Company	PLIC provides certain data functions and administrative processing services.	2007 $(1,349,290) 2008 $(2,054,214) 2009 $(2,304,912) 2010 $(2,186,212)
Lease Department File No. 22808	Amended 4/30/1993	Smith Barney, Inc. (Citigroup Global Markets, Inc.)	The Company	Smith Barney, as landlord, leased to the Company, as tenant, the Company's home office space at 333 W. 34th Street, NY.	2007 $(851,691) 2008 $(794,300) 2009 $(405,623) 2010 $ 0
Sublease Department File No. 41849	9/01/2009	Citibank, N.A.	The Company	Citibank, N.A., as sub-landlord, sub-leased to the Company, as tenant, the Company's home office space at One Court Square, 44th Floor, Long Island City, NY.	2007 $ 0 2008 $ 0 2009 $(337,333) 2010 $(820,341)

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Cost Sharing Agreement Department File No. 21014 Amendment No. 2- Department File No. 22808 Amend No. 4- Department File No. 24925 Amend No. 5- Department File No. 29298 Amend No. 6- Department File No. 41838 Amend No. 7- Department File No. 29298	12/1/1994 10/20/1997 2/15/2001 6/26/2009 6/08/2010	The Company, Citigroup, Inc., and named Citigroup affiliates, including PLIC	The Company, Citigroup, Inc., and named Citigroup affiliates, including PLIC	The Company provides various specified services to and receives various specified services from its affiliates, including performance of certain company insurance administration, legal, underwriting and claims functions by PLIC.	2007 $(4,319,192) 2008 $(4,559,957) 2009 $(4,801,722) 2010 $(4,638,544)
Life Company Tax Sharing Agreement Department File No.34517	1/9/2006 Terminated effective 4/1/2010	The Company, Citigroup, Inc., and named Citigroup affiliates, including PLIC	The Company, Citigroup, Inc., and named Citigroup affiliates, including PLIC	Citigroup provided the Company and affiliates with tax advisory, tax return filing and payment services.	2007 $0 2008 $0 2009 $0 2010 $0
Life Company Tax Sharing Allocation and Escrow Agreement Department File No. 42942	Effective 4/1/2010	PLIC and Primerica, Inc.	The Company	PLIC provides the Company with tax advisory, tax return filing and payment services.	2010 $0

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Payroll Support Services Agreement Department File No. 19476	12/16/1992 Terminated effective 7/1/2010	AMAD, CitiFinancial Credit Company (“CCC”) and CitiFinancial Corporation (“CFC”)	The Company	AMAD, CCC and CFC provide payroll services to the Company	2007 $0 2008 $0 2009 $0 2010 $0
General Agency Agreement Department File No. 30290	9/1/2002	Primerica Financial Services Agency New York, Inc. (“PFSANY”)	The Company	PFSANY acts as General Agent for the Company	2007 $(18,141,976) 2008 $(18,563,559) 2009 $(18,907,596) 2010 $(10,384,987)

* Amount of Income or (Expense) Incurred by the Company

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

E. Management

The Company’s by-laws provide that the board of directors shall be comprised of not less than nine and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in February of each year. As of December 31, 2010, the board of directors consisted of ten members. Meetings of the board are held semi-annually.

The ten board members and their principal business affiliation, as of December 31, 2010, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Joseph G. Condon* Ridgefield, CT	Retired	2009
Jeffrey S. Fendler Atlanta, GA	President and Chief Executive Officer Primerica Life Insurance Company	2003
Joseph F. Gill Hauppauge, NY	Senior Vice President – Operations National Benefit Life Insurance Company	2009

Name and Residence	Principal Business Affiliation	Year First Elected
Krystyna T. Grabowska Kew Gardens, NY	Treasurer and Vice President of Finance National Benefit Life Insurance Company	2007
Frederick W. Kanner* Summit, NJ	Attorney Dewey Ballantine, LLP	2006
Donald Kramer* Greenwich, CT	Chairman American Ballet Theatre	1979
Raul Rivera Garden City, NY	President and Chief Executive Officer National Benefit Life Insurance Company	1972
Larry Warren Brooklyn, NY	Executive Vice President and Chief Actuary National Benefit Life Insurance Company	2004
Elliot Wohl* Rancho Santa Fe, CA	Self employed Attorney at Law	2005
Sheila R. Wyse Rhinebeck, NY	Senior Vice President National Benefit Life Insurance Company	2009

* 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, 2010:

Name	Title
Raul Rivera	President and Chief Executive Officer
Krystyna T. Grabowska	Treasurer and Vice President of Finance
Larry Warren	Executive Vice President and Chief Actuary
Maureen Middleton	Secretary
Joseph F. Gill	Senior Vice President
Sharon Grubenhoff	Senior Vice President
Sheila R. Wyse	Senior Vice President
Roxanne Boalt*	Vice President

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

3. TERRITORY AND PLAN OF OPERATIONS

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 50 states, the District of Columbia and the U.S. Virgin Islands. In 2010, 77% of direct life premiums, accident and health premiums and annuity considerations were received from the State of New York and 5% from the State of New Jersey. Policies are written on a non-participating basis.

The following table shows the percentage of direct premiums received, by state, and by major lines of business for the year 2010:

Life Insurance Premiums	
New York	77.0%
California	1.7
Subtotal	78.7%
All others	21.3
Total	100.0%

Annuity Considerations	
New York	81.0%
New Jersey	19.0
Total	100.0%

Accident and Health Insurance Premiums	
New York	83.9%
New Jersey	13.8
Subtotal	97.7%
All others	2.3
Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2010, the Company had $1,822,797 of United States Treasury bonds and notes on deposit with the State of New York, its domiciliary state, 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 – Part 3 of the 2010 filed annual statement, an additional $5,401,556 was being held by the states of Arkansas, Florida, Georgia, Kansas, New Hampshire, Oklahoma, South Carolina and Virginia.

B. Direct Operations

During the period under examination the Company wrote term life, student life, state disability and credit life policies. Since 1992, the Company has concentrated its marketing efforts on a New Term Life insurance product in New York. As of December 31, 2010, 104,632 policies totaling approximately $32.5 billion of this product were in force.

Student Life insurance is a $10,000, $20,000 or $30,000 term product marketed to parents of children ages 14 – 24. The product changes to a $25,000, $50,000 or $75,000 permanent policy, with the payment of an increased premium, when the student attains the age of 25. The Company markets the product exclusively through a solitary general agent on a direct mail basis. The general agency is responsible for the entire initial solicitation cost.

State Disability insurance is sold as a state mandated, group, short-term (26 week maximum) disability product that reimburses a worker disabled due to a non-occupational injury or illness. The benefit is equal to 50% of the workers average weekly wage up to a maximum of $170 per week. The product is sold through a broad-based distribution system of independent agents and brokers. A similar product is also marketed in the State of New Jersey, accounting for approximately 14% of premium.

Pursuant to a fronting arrangement, the Company writes group credit life and group credit disability insurance, ceding 100% of that business to American Health and Life Insurance Company (“AHL”). The administrative services agreement covering this transaction was filed with and approved by the Department. The Company’s credit life and disability insurance products are purchased in conjunction with loans or other credit transactions made by CFC.

C. Reinsurance

As of December 31, 2010, the Company had reinsurance treaties in effect with 32 companies, of which 17 were authorized or accredited. The Company’s life, accident and health business is reinsured on a coinsurance, modified coinsurance, quota-share and yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

On March 31, 2010, the Company entered into a 90% coinsurance arrangement with AHL covering New Term Life insurance written between calendar years 1992 and 2009 by the Primerica Financial Services Agency New York, Inc. The reinsurance arrangement was reviewed by the Department as part of the restructuring transactions related to Primerica, Inc.’s IPO. A trust account meeting New York requirements was established by AHL.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2010, was $33,608,810,720 which represents 90% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $197,865,604, was supported by letters of credit and trust agreements.

The Company did not assume any life insurance during the period under examination.

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 (decline) during the period under review:

	December 31, 2006	December 31, 2010	Increase (Decrease)
Admitted assets	$834,142,451	$479,321,614	$(354,820,837)
Liabilities	$504,623,753	$316,072,378	$(188,551,375)
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Preferred capital stock	0	0	0
Gross paid in and contributed surplus	209,662,169	209,838,591	176,422
Group contingency file reserves	1,474,592	476,983	(997,609)
Special contingency reserve fund for Separate Accounts	51,254	29,800	(21,454)
Impact on Surplus from implementation of SSAP 10R	0	3,397,284	3,397,284
Unassigned funds (surplus)	115,830,683	(52,993,422)	(168,824,105)
Total capital and surplus	$329,518,698	$163,249,236	$(166,269,462)
Total liabilities, capital and surplus	$834,142,451	$479,321,614	$(354,820,837)

The decline in admitted assets is due to an extraordinary dividend of $296,838,565 the Company paid to its immediate Parent, PLIC, in connection with the initial public offering transaction. In addition, the Company transferred $158.7 million of reserves in connection with the 90% coinsurance arrangement with AHL.

The Company's invested assets as of December 31, 2010, exclusive of separate accounts, were mainly comprised of bonds (83%), securities lending reinvested assets (9%) and cash and short-term investments (5%).

The majority (96.5%) of the Company's bond portfolio, as of December 31, 2010, 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:

	2007	2008	2009	2010
Ordinary:				
Life insurance	$97,766,198	$22,734,900	$36,982,878	$16,897,690
Individual annuities	137,657	2,469	92,250	(15,514)
Total ordinary	$97,903,855	$22,737,369	$37,075,128	$16,882,176
Credit life	$ 584,961	$ 391,972	$ 500,305	$ 105,208
Group:				
Life	$ 635,273	$ 583,178	$ 809,028	$ 239,983
Total group	$ 635,273	$ 583,178	$ 809,028	$ 239,983
Accident and health:				
Group	$ 2,293,634	$ 1,627,862	$ 1,414,952	$ 352,285
Credit	131,613	157,134	264,473	26,632
Other	(116,530)	(43,176)	414,620	169,334
Total accident and health	$ 2,308,717	$ 1,741,820	$ 2,094,045	$ 548,251
Total	$101,432,806	$25,454,339	$40,478,506	$17,775,618

The 2007 to 2008 year-to-year decline of $76.0 million in total net gain from operations resulted mainly from the decrease of $97.8 million in operating income due to the 2007 one time gain from the elimination of benefit reserves following the recapture of the reinsurance treaty with RGA Reinsurance Company.

The 2008 to 2009 year-to-year increase of $15.0 million in total net gain from operations resulted primarily from favorable reserve changes on the New Term Life product in the amount of $3.8 million, favorable claims on lines of business in runoff and unrecorded federal income tax expenses of $6.4 million, adjusted from the following year.

The 2009 to 2010 year-to-year decrease of $22.7 million in the gain from operations resulted primarily from the IPO-related unfavorable premiums, investment income and reserve changes on the New Term Life product and unfavorable reserve changes on the Student Life line and other lines of business in run-off.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2007	2008	2009	2010
Premiums earned	100.0%	100.0%	100.0%	100.0%
Incurred losses	65.5%	65.1%	65.1%	64.5%
Commissions	16.7	15.7	15.7	15.3
Expenses	15.6	16.2	17.3	18.6
	97.8%	97.0%	98.1%	98.4%
Underwriting results	2.2%	3.0%	1.9%	1.6%

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2010 as contained in the Company's 2010 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, 2010 filed annual statement.

A. Independent Accountants

The firm of KPMG, LLP was retained by the Company to audit the Company's combined statutory basis statements of financial position as of December 31st 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.

KPMG, 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	$372,554,823
Stocks:	
Preferred stocks	50,993
Common stocks	506,435
Cash, cash equivalents and short term investments	20,324,279
Contract loans	14,254,596
Other invested assets	1,105,264
Securities lending reinvested collateral assets	40,771,225
Investment income due and accrued	4,876,525
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	7,517,372
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,086,186
Reinsurance:	
Amounts recoverable from reinsurers	4,407,505
Funds held by or deposited with reinsured companies	107,008
Other amounts receivable under reinsurance contracts	444,390
Current federal and foreign income tax recoverable and interest thereon	56,260
Net deferred tax asset	3,947,091
Guaranty funds receivable or on deposit	49,484
Cash in transit	71,949
SSAP 61 repaid reinsurance	998,234
From separate accounts, segregated accounts and protected cell accounts	1,191,995
Total admitted assets	$479,321,614

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$188,983,082
Aggregate reserve for accident and health contracts	12,293,653
Liability for deposit-type contracts	18,224,435
Contract claims:	
Life	6,916,621
Accident and health	2,617,313
Premium and annuity considerations for life and health Contracts received in advance	373,581
Interest maintenance reserve	12,392,623
Commissions to agents due or accrued	1,273,816
General expenses due or accrued	2,521,828
Taxes, licenses and fees due or accrued, excluding federal income taxes	3,370,300
Unearned investment income	325,399
Amounts withheld or retained by company as agent or trustee	251,322
Amounts held for agents' account	107,114
Remittances and items not allocated	5,920,116
Miscellaneous liabilities:	
Asset valuation reserve	1,459,455
Reinsurance in unauthorized companies	611,673
Payable to parent, subsidiaries and affiliates	9,057,197
Payable for securities	12,372
Payable for securities lending	40,771,225
Unpresented checks	973,398
Amounts due to majority interests	77,338
Liability for interest on policy claims	26,742
Amounts due on modified coinsurance reserves	865,145
Amounts due on coinsurance	5,454,635
From separate accounts statement	1,191,995
Total liabilities	$316,072,378
Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	209,838,591
Group contingency life reserve	476,983
Special contingency reserve fund for Separate Accounts	29,800
Impact on Surplus from implementation of SSAP 10R	6,397,284
Unassigned funds (surplus)	(52,993,422)
Surplus	$160,749,236
Total capital and surplus	$163,249,236
Total liabilities, capital and surplus	$479,321,614

D. Condensed Summary of Operations

	2007	2008	2009	2010
Premiums and considerations	$215,415,047	$130,987,450	$129,622,132	$(81,527,012)
Considerations for supplementary contracts with life contingencies				19,116
Investment income	44,980,423	37,839,895	41,502,013	27,560,955
Amortization of Interest Maintenance Reserve (IMR)	1,474,825	1,435,654	1,856,471	2,309,529
Commissions and expense allowances on reinsurance ceded	632,662	651,357	648,098	69,067,152
Reserve adjustments on reinsurance ceded	(512,761)	(820,966)	(524,263)	(878,316)
Miscellaneous income	2,268,260	1,553,336	1,426,209	2,315,324
Total income	$264,618,456	$171,646,726	$174,530,660	$18,866,748
Death benefits	$ 48,943,666	$ 13,673,636	$ 12,326,370	$ 6,110,775
Matured endowments	6,539	171,308	417,238	1,307
Annuity benefits	451,071	574,132	335,275	334,954
Disability and benefits under accident and health contracts	26,876,517	26,657,202	27,289,246	29,234,147
Surrender benefits and withdrawals for life contracts	7,243,393	6,969,461	5,119,148	5,878,779
Interest and adjustments on contract or deposit-type contract funds	552,254	697,905	528,846	267,838
Increase in aggregate reserves for life and accident and health contracts	(75,747,782)	19,145,245	16,997,991	(155,784,802)
Total	$ 8,325,658	$ 67,888,889	$ 63,014,114	$(113,957,002)
Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	$ 32,660,019	$ 32,499,692	$ 32,147,774	$ 31,573,640
General insurance expense	19,149,628	17,798,015	18,112,403	18,831,556
Insurance taxes, licenses and fees	5,238,860	6,307,580	7,004,020	4,722,202
Increase in loading on deferred and uncollected premiums	(43,850)	(40,982)	(857,441)	788,062
Net transfers to or (from) Separate Accounts net of reinsurance	(290,952)	(382,744)	(196,700)	(198,914)
Aggregate write-ins for deductions	$ 48,668,394	$ 0	$ 0	$ 0
Totals	$113,707,757	$124,070,450	$119,224,170	$(58,240,456)

	2007	2008	2009	2010
Net gain (loss)	$150,910,699	$ 47,576,276	$ 55,306,490	$ 77,107,204
Dividends	0	0	0	0
Federal and foreign income taxes incurred	49,477,893	22,121,937	14,827,984	59,331,580
Net gain (loss) from operations before net realized capital gains	$101,432,806	$ 25,454,339	$40,478,506	$17,775,624
Net realized capital gains (losses)	(755,887)	(10,316,445)	(9,219,841)	5,775,967
Net income	$100,676,919	$ 15,137,894	$31,258,665	$23,551,591

The decline in premiums in 2010 is mainly due to the Company recording initial ceded premium for the 90% coinsurance arrangement with AHL.

E. Capital and Surplus Account

	2007	2008	2009	2010
Capital and surplus, December 31, prior year	$329,518,698	$304,948,533	$316,859,102	$358,955,991
Net income	$100,676,919	$ 15,137,894	$ 31,258,665	$ 23,551,591
Change in net unrealized capital gains (losses)	(85,641)	(241,947)	474,849	50,090
Change in net deferred income tax	(2,903,238)	8,187,646	(824,293)	(10,366,446)
Change in non-admitted assets and related items	2,689,587	(8,019,078)	3,433,016	3,877,723
Change in liability for reinsurance in unauthorized companies	(96,468)	124,695	(522,692)	(13,203)
Change in asset valuation reserve	(258,403)	4,802,106	455,068	(1,397,111)
Surplus adjustments:				
Paid in	407,079	(80,747)	(234,031)	84,121
Change in surplus as a result of reinsurance			0	86,838,732
Dividends to stockholders	(125,000,000)	(8,000,000)	0	(296,838,565)
Impact on Surplus from implementation of SSAP 10R	0	0	8,056,307	(4,659,023)
Gains released from IMR	0	0	0	3,165,336
Net change in capital and surplus for the year	$ (24,570,165)	$ 11,910,569	$ 42,096,889	$(195,706,755)
Capital and surplus, December 31, current year	$304,948,533	$316,859,102	$358,955,991	$ 163,249,236

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.

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

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 complaints and various types of claims. The examiner also reviewed the various controls involved and checked the accuracy of the computations.

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

Respectfully submitted,

/s/
Beverly A. Dale
Examiner-in-Charge

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

Beverly A. Dale, being duly sworn, deposes and says that the foregoing report, subscribed by **her**, is true to the best of **her** knowledge and belief.

/s/
Beverly A. Dale

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30693

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:

BEVERLY DALE

as a proper person to examine into the affairs of the

NATIONAL BENEFIT LIFE INSURANCE COMPANY

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

COMPANY

with such other information as she 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 17th day of March, 2011

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

JAMES J. WRYNN
Superintendent of Insurance

Superintendent