NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

MANHATTAN LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2012

DATE OF REPORT: MAY 2, 2014

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EXAMINER:	ANTHONY MAURO

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 22, 2014

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York10004

Sir:

In accordance with instructions contained in Appointment No. 30978, dated October 29, 2013, and annexed hereto, an examination has been made into the condition and affairs of Manhattan Life Insurance Company, hereinafter referred to as “the Company,” at its home office located at 225 Community Drive, Great Neck, New York, 11021.

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. EXECUTIVE SUMMARY

The material comment and recommendation contained in this report are summarized below.

- The Department conducted a review of reserves as of December 31, 2012. During this reserve review, the Department found that greater conservatism is needed in the assumptions and methodology used for asset adequacy analysis with respect to the structured settlement block of business. (See item 8 of this report)
- The examiner recommends that the Company continue to use the reserving methodology as agreed upon with the Department. This methodology would lead to additional reserves for December 31, 2013 of approximately $1.1 million. Additional reserve increases may be required pending subsequent Company analysis and Department monitoring. (See item 8 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, 2013 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2010 to December 31, 2012. 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, 2012 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 New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was coordinated in conjunction with the examination of the Family Life Insurance Company ("FLIC"), a subsidiary of the Company, which is domiciled in Texas. The coordinated examination was led by the Texas Department of Insurance with participation from New York, for the Company and New Hampshire, who was conducting an examination of Investors Consolidated Insurance Company ("Investors"). Since the insurance operations of the Company and FLIC share common controls and management which are performed by Central United Life Insurance Company, ("CUL"), the Company's indirect parent, and the Texas

Insurance Department is accredited by the NAIC, it was deemed appropriate to rely on certain work performed by the Texas Department. The Texas Insurance Department leveraged off of the work of the Arkansas Insurance Department using the work from the examination of CUL which was performed as of December 31, 2011.

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 2010 through 2012, by the accounting firm of Deloitte & Touche 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 shares an internal audit department with its parent (and affiliates). . The Company follows the same control processes as the parent and, where applicable, the shared internal audit 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 9 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 on May 29, 1850 and commenced business on August 1, 1850 under Chapter 308 of the laws of 1849 as an entity with a guarantee capital of $100,000. The Company was authorized to write participating life insurance policies.

On March 8, 1974, a Delaware corporation known as the Manhattan Life Corporation ("Manhattan Corp.") acquired control of the Company. In 1977, Manhattan Corp. eliminated minority interests in the Company pursuant to Section 7118 of the New York Insurance Law. The Company then became a privately held corporation. In 1982, Manhattan Corp. changed its name to Manhattan National Corporation ("Manhattan National").

On March 31, 1987, Union Central Life Insurance Company ("Union Central") acquired a majority interest in Manhattan National. On December 31, 1991, Manhattan National was liquidated and all outstanding shares of the Company were distributed to Manhattan National shareholders. As a result of the liquidation, the Company again became a publicly held corporation with 72.9% of the stock owned by Union Central. Effective January 28, 1997, the Company's shareholders approved a 1-for-303,784 reverse stock split that resulted in Union Central becoming the sole shareholder of the Company. Union Central thus returned the Company to private ownership and took it off the NASDAQ National Market.

On February 4, 2000, Union Central completed the sale of all of the guarantee capital shares of the Company to Connecticut Reassurance Corporation, which subsequently changed its name to Manhattan Insurance Group, Inc. ("MIG"), a group of four life and health insurance companies including the Company, FLIC, CUL and Investors. MIG was principally owned by CUL (51%) and Northington/Connecticut Insurance Reinvestment, LLC, ("Northington") (47%).

In November 2001, the Company filed a plan to retire the guarantee capital shares and convert the Company to a stock insurer. The plan became effective April 16, 2002. At that time, the Company became a stock insurer with eight shares of stock with a par value of $835,406 per share for a total capital of $6,683,248.

On December 29, 2006, the Company purchased FLIC, a Texas domiciled insurance company. The Company paid $28 million in cash and acquired 100% of the outstanding shares.

At the acquisition date, FLIC had $17.9 million of statutory capital and surplus. The Company accounted for the acquisition as a statutory purchase and the cost, which was in excess of the book value of FLIC, was recorded as goodwill.

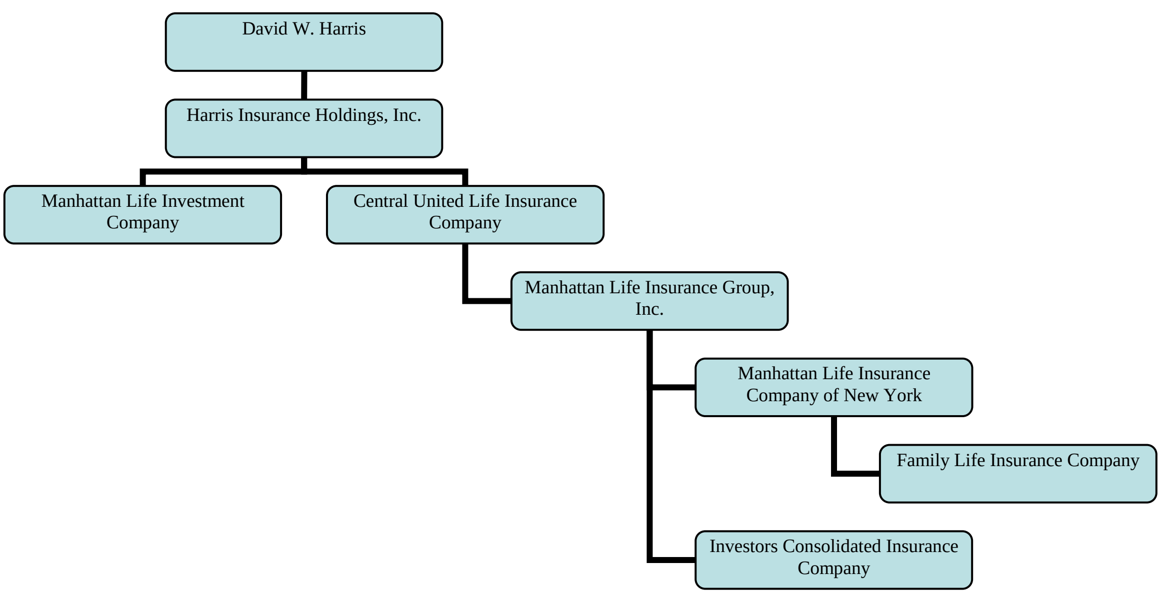
During 2009, CUL purchased the 49% of the issued and outstanding capital stock of MIG that was owned by Northington (47%) and three individuals (2%). MIG changed its state of incorporation from Connecticut to Texas on October 1, 2009.

B. Holding Company

The Company is a wholly owned subsidiary of the MIG which is a wholly owned subsidiary of CUL, an Arkansas insurer, which, in turn, is a wholly owned subsidiary of Harris Insurance Holdings, Inc. (“Harris”). Harris is ultimately owned by nine individuals, David W. Harris (83.4%), Daniel George (5.1%), John Harris (2.2%), Geneva Harris (2.2%), Samuel Harris (2.2%), David D. Harris (2.2%), John Powelson (1.1%), Kent Lamb (0.8%), John McGettigan (0.8%), and David Parsons (.1%).

C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2012 follows:



D. Service Agreements

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

Type of Agreement Department file No.	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	(Expense) For Each Year of the Examination
Management Service Agreement Department File No. 26946	02/04/2000	CUL	The Company	Administrative, accounting, financial management, marketing, claims, underwriting, investment management, legal, personnel and information technology services.	2010 $(328,796) 2011 $(328,796) 2012 $(394,456)

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than seven directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in May of each year. As of December 31, 2012, the board of directors consisted of nine members. Meetings of the board are held at least quarterly.

The nine board members and their principal business affiliation, as of December 31, 2012, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James M. Foster* Houston, TX	Owner Mitch Foster, DDS	2007
Daniel J. George Houston, TX	President and Treasurer The Manhattan Life Insurance Company	2000
Daniel A. Hargraves* Irvington, NY	President and Attorney Hargraves, McConnell & Costigan	2004

Name and Residence	Principal Business Affiliation	Year First Elected
David W. Harris Houston, TX	Chairman of the Board and Chief Executive Officer The Manhattan Life Insurance Company	2000
Kent W. Lamb Cyprus, TX	Chief Financial Officer The Manhattan Life Insurance Company	2007
Phillip A. Martin* Houston, TX	Owner Phillip Martin Architect	2006
John E. McGettigan Houston, TX	Senior Vice President, General Counsel and Chief Legal Officer The Manhattan Life Insurance Company	2009
Dale R. Oldham* Kansas City, MO	Independent Contractor Eisenach Reinsurance Services	2000
Mary Lou Rainey Houston, TX	Secretary and Vice President The Manhattan Life Insurance Company	2000

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

On April 15, 2013, Mary Lou Rainey resigned from the board of directors and was replaced by Teresa Salley Moro who was elected on May 14, 2013.

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, 2012:

Name	Title
David W. Harris	Chairman of the Board and Chief Executive Officer
Daniel J. George	President and Treasurer
John E. McGettigan	Senior Vice President, General Counsel and Chief Legal Officer
Kent W. Lamb	Chief Financial Officer
Mary Lou Rainey*	Secretary and Vice President

Name	Title
David L. Parsons	Vice President of Information Technology
Lee Ann Blakey	Vice President Operations
Todd Z. Hayden	Vice President Marketing – Chief Marketing Officer
John A. Vala	Vice President Marketing – Latin Business
Teresa S. Moro	Vice President Investments

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

Upon Mary Lou Rainey's resignation from the Company, John E. McGettigan became the acting consumer services officer.

4. 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 all 50 states, the District of Columbia and Puerto Rico. In 2012, 40.0% of life premiums were received from, New York (17.7%), California (11.1%), Florida (6.4%), and New Jersey (4.8%). 18.2% of the Company's life premiums were received from the following Latin American countries, Argentina (5.2%), Venezuela (4.6%), Mexico (3.8%), Peru (3.3%) and Brazil (1.3%). In 2012, 95.7% of annuity considerations were received from California (83.5%), Hawaii (4.3%), Idaho (4.0%), Oregon (2.4%), and Nevada (1.5%). In 2012, 69.6% of accident and health premiums were received from New York (21.1%), New Jersey (15.8%), Florida (13.3%), Michigan (11.9%), and Puerto Rico (7.5%). Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2012, the Company had $5,008,383 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. In addition, $186,009 was reported in Schedule E of the 2012 filed annual statement as being held by the states of Arkansas, Georgia, North Carolina, and Oklahoma. In addition other special deposits of $550,707 were reported as being held by the states of New Mexico and North Carolina.

B. Direct Operations

The Company primarily writes life and health insurance and annuity business, with minimal new annuity considerations added to existing contracts. The Company ceased writing participating business in March 1998. All policies written prior to that date were participating.

In July 2002, the Company began writing a simplified issued universal life policy that is non-participating.

The Company is now positioned primarily as a worksite carrier with a full portfolio of supplemental health and life products. The active product portfolio includes a simplified issue universal life product available on both an individual and worksite basis; a whole life product and a voluntary group term product that is marketed to small-to-medium size employer groups via worksite distribution and managing general agents. In the fourth quarter of 2013, the Company began marketing a Medicare Supplement policy.

The Company's agency operations are conducted on a general agency basis and its products are distributed through independent brokers/agents. There are 15 independent broker/agents in New York and 394 independent broker/agents nationwide.

The Company's international segment, initiated in 2003, consists of universal life and term life products marketed primarily to upper-middle income individuals in Latin America. All of the international business is denominated in U.S. dollars, thereby eliminating currency risk.

A separate marketing organization has helped grow the Latin American business in recent years.

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with 21 companies, of which 14 were authorized or accredited. The Company's life business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis. The Company does not reinsure its accident and health business.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2012, was $1,226,238,896, which represents 64.5% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $6,382,261 was supported by letters of credit, trust agreements and/or funds withheld in the amount of $6,225,413, and a liability of $156,848 was established for the unsupported amount.

The total face amount of life insurance assumed as of December 31, 2012, was $205,951,191.

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, 2009	December 31, 2012	Increase (Decrease)
Admitted assets	$345,165,846	$320,816,059	$(24,349,787)
Liabilities	$310,939,984	$281,396,490	$(29,543,494)
Common capital stock	$ 6,683,248	$ 6,683,248	$ 0
Gross paid in and contributed surplus	13,422,338	13,422,338	0
Unassigned funds (surplus)	4,120,276	9,813,983	5,693,707
Surplus notes	10,000,000	9,500,000	(500,000)
Total capital and surplus	$ 34,225,862	$ 39,419,569	$ 5,193,707
Total liabilities, capital and surplus	$345,165,846	$320,816,059	$(24,349,787)

The Company's invested assets as of December 31, 2012, were mainly comprised of bonds (64.4%), common stocks (10.9%), contract loans (8.9%), cash, cash equivalents and short term investments (8.0%) and mortgage loans on real estate (7.7%).

The majority (99.2%) of the Company's bond portfolio, as of December 31, 2012, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2010	$119,683	$1,087,656	$157,422	$868,341	$5,732	$7,475
2011	$ 78,747	$1,032,738	$144,269	$894,578	$3,114	$7,165
2012	$ 45,864	$ 932,334	$155,996	$961,934	$2,000	$5,709

The decrease in individual whole life being issued during the examination period is due to the fact that the Company is shifting their focus from writing new business to growing their business through acquisitions.

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

	2010	2011	2012
Ordinary:			
Life insurance	$3,981,460	$3,803,704	$2,329,979
Individual annuities	237,291	0	0
Supplementary contracts	0	14,164	0
Total ordinary	$4,218,751	$3,817,868	$2,329,979
Group:			
Life	$ 0	$ 0	$ 40,236
Annuities	0	77,392	6,321
Total group	$ 0	$ 77,392	$ 46,557
Accident and health:			
Group	$ 25,323	$ 82,630	$ 60,299
Other	0	0	2,667
Total accident and health	$ 25,323	$ 82,630	$ 62,966
Total	$4,244,073	$3,977,890	$2,439,502

The decrease in the gain on ordinary life insurance is partially attributed to a $1.2 million decrease in investment income from 2011 and 2012. The ordinary annuity lines posted losses of

$1,038,300 in 2011 and $1,830,647 and 2012, which were offset by federal income tax credits which netted the loss to zero for each of the years.

The zeros reported in 2010 for the group annuity and the 2010 and 2012 supplementary contract lines are the result of federal income tax credits to offset losses of $115,111, $19,621 and $21,728 respectively.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2012 as contained in the Company's 2012 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, 2012 filed annual statement.

A. Independent Accountants

The firm of Deloitte & Touche 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.

Deloitte & Touche 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	$199,400,966
Stocks:	
Common stocks	33,885,317
Mortgage loans on real estate:	
First liens	23,994,253
Cash, cash equivalents and short term investments	24,658,685
Contract loans	27,468,328
Receivable for securities	231,205
Investment income due and accrued	2,882,982
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	486,289
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,298,394
Reinsurance:	
Amounts recoverable from reinsurers	429,796
Other amounts receivable under reinsurance contracts	25,634
Current federal and foreign income tax recoverable and interest thereon	860,897
Net deferred tax asset	3,844,873
Guaranty funds receivable or on deposit	63,271
Electronic data processing equipment and software	11,657
Goodwill on acquired block of business	1,273,512
Total admitted assets	$320,816,059

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$239,409,003
Aggregate reserve for accident and health contracts	44,344
Liability for deposit-type contracts	26,163,203
Contract claims:	
Life	3,641,902
Accident and health	116,688
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	252,128
Dividends not yet apportioned	507,906
Premiums and annuity considerations for life and accident and health contracts received in advance	131,239
Contract liabilities not included elsewhere:	
Interest maintenance reserve	8,233,420
Commissions and expense allowances payable on reinsurance assumed	2,005
General expenses due or accrued	63,975
Taxes, licenses and fees due or accrued, excluding federal income taxes	36,003
Unearned investment income	112,575
Remittances and items not allocated	(12,058)
Miscellaneous liabilities:	
Asset valuation reserve	587,051
Reinsurance in unauthorized companies	156,848
Payable to parent, subsidiaries and affiliates	489,679
Deferred income – Lake Success	1,460,579
Total liabilities	$281,396,490
Common capital stock	$ 6,683,248
Surplus notes	9,500,000
Gross paid in and contributed surplus	13,422,338
Unassigned funds (surplus)	9,813,983
Surplus	$ 32,736,321
Total capital and surplus	$ 39,419,569
Total liabilities, capital and surplus	$320,816,059

D. Condensed Summary of Operations

	2010	2011	2012
Premiums and considerations	$13,120,486	$12,718,798	$12,358,643
Investment income	15,172,485	16,496,176	15,039,376
Commissions and reserve adjustments on reinsurance ceded	1,365,968	1,226,516	1,300,514
Miscellaneous income	26,841	27,749	29,908
Total income	$29,685,780	$30,469,239	$28,728,441
Benefit payments	$30,253,224	$31,248,155	$33,226,319
Increase in reserves	(11,659,446)	(9,676,169)	(10,605,416)
Commissions	2,957,751	2,635,802	2,472,700
General expenses and taxes	4,296,368	3,882,160	3,762,945
Increase in loading on deferred and uncollected premiums	411,269	(56,178)	(51,073)
Total deductions	$26,259,166	$28,033,770	$28,805,475
Net gain (loss)	$ 3,426,614	$ 2,435,469	$ (77,034)
Dividends	639,278	672,238	714,718
Federal and foreign income taxes incurred	(1,456,737)	(2,214,659)	(3,231,254)
Net gain from operations before net realized capital gains	$ 4,244,073	$ 3,977,890	$ 2,439,502
Net realized capital gains	160,915	0	0
Net income	$ 4,404,988	$ 3,977,890	$ 2,439,502

E. Capital and Surplus Account

	2010	2011	2012
Capital and surplus, December 31, prior year	$34,225,862	$39,548,554	$40,307,081
Net income	$4,404,988	$3,977,890	$2,439,502
Change in net unrealized capital gains (losses)	2,283,983	(857,135)	1,185,367
Change in net deferred income tax	(1,378,747)	(996,299)	(1,020,040)
Change in non-admitted assets and related items	3,164,879	2,982,571	1,352,884
Change in liability for reinsurance in unauthorized companies	10,008	(4,162)	4,044
Change in reserve valuation basis	(2,100,000)	0	0
Change in asset valuation reserve	(310,963)	(51,847)	191,801
Change in surplus notes	0	0	(500,000)
Change in surplus as a result of reinsurance	(751,456)	(392,491)	(641,070)
Dividends to stockholders	0	(3,900,000)	(3,900,000)
Net change in capital and surplus for the year	$ 5,322,692	$ 758,527	$ (887,512)
Capital and surplus, December 31, current year	$39,548,554	$40,307,081	$39,419,569

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 a sample of the Company's advertising files and the sales activities of the agency force including trade practices and solicitation 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 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.

8. RESERVES

The Department conducted a review of reserves as of December 31, 2012. During this reserve review, the Department found that greater conservatism is needed in the assumptions and methodology used for asset adequacy analysis with respect to the structured settlement block of business. In response, the Company committed to refine its reserving methodology and to strengthen reserves in a manner acceptable to the Department.

The examiner recommends that the Company continue to use the reserving methodology as agreed upon with the Department. This methodology would lead to additional reserves for December 31, 2013 of approximately $1.1 million. Additional reserve increases may be required pending subsequent Company analysis and Department monitoring.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommends that the Company fully comply with all aspects of the recommendation contained in the prior report on examination in that the audit function be fully independent of management. A review revealed that internal audit department reports directly to the audit committee as evidenced by the audit committee minutes.
B	The Company violated Section 4228(f)(1)(A) of the New York Insurance Law by paying agent compensation during the examination period according to schedules that were never filed with the Department. The Company filed the compensation schedules under Department File No. 44590.
C	The Company violated Section 2112(a) of the New York Insurance Law when it failed to file a certificate of appointment in order to appoint insurance agents to represent the Company and Section 2114(a)(1) of the New York Insurance Law when it paid commissions to agents who were not appointed by the Company. A similar violation appeared in the prior report on examination. A review of agent appointments revealed that three of the agents cited in the prior report on examination were appointed in 2009 and one agent no longer had active business and was terminated by the Company. A review of a sample of current agents indicated that the Company agents who were being paid a commission were appointed by the Company.
D	The examiner recommends that the Company establish a control over the commission payment process to ensure that any agents receiving commissions from the Company are licensed and appointed by the Company. The Company provided a copy of its revised controls regarding agents appointments. A review of a sample of current agents indicated that the Company agents who were being paid a commission were appointed by the Company.

Item	Description
E	The Company violated Section 3206(d)(1) of the New York Insurance Law when it failed to provide documentation showing that the policyholder was notified of the initial rate of interest on the variable interest rate cash loans. A similar violation appeared in the prior report on examination. A review of the disbursement letters that accompanied cash loans revealed that the initial interest rate was clearly reflected on the letter and that the rate is variable.
F	The Company violated Section 53-3.6(c) of Department Regulation No. 74 when it failed to furnish in-force illustrations with the current variable loan interest rate. A review revealed that the Company was including the current variable interest rate on the illustrations.
G	The Company violated Section 3214(c) of the New York Insurance Law when it failed to pay interest on a death claim and improperly computed the interest paid on two other death claims. A review of a sample of death claims revealed the Company is correctly calculating and paying interest in accordance with Section 3214(c) of the New York Insurance Law.
H	The examiner recommends that the Company recalculate the interest paid on all death claims incurred during the examination period and pay any interest due to policyholders. The Company recalculated and paid additional interest as required.
I	The examiner recommends that Company establish a control ensuring that the correct amount of interest is paid on New York death claim benefits. The Company established controls to correctly calculate interest on death benefits and a review of a sample of death claims revealed the Company is correctly calculating and paying interest in accordance with Section 3214(c) of the New York Insurance Law.

Item	Description
J	The Company violated Section 216.11 of Department Regulation No. 64 when it failed to maintain, within each surrender file, all communications, transactions, notes and work papers relating to the transaction, whether written or oral. A review of the Company's Web Doc imaging system revealed that the Company now maintains all required documentation.
K	The Company violated Section 86.4(a) of Department Regulation No. 95 by using claim forms that did not contain the required fraud statement. The Company updated its claim forms so that the required fraud language is included on the claim form.
L	The examiner recommends that the Company comply with the recommendation contained in the prior report on examination which requires the Company to prepare a clearly worded death claim settlement option form for New York beneficiaries which would offer them the option of having a lump sum paid directly to them. The Company prepared and is utilizing a clearly worded death claim settlement option form for New York beneficiaries which would offer them the option of having a lump sum paid directly to them.
M	The Company violated Section 216.4(e) of Department Regulation No. 64 when it failed to include all complaints received by the Company in the Company's complaint log. The review revealed that all complaints received by the Company were recorded in the complaint log.
N	The examiner recommends that the Company maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978). A review of the complaint log revealed that it is formatted as outlined in Department Circular Letter No. 11 (1978).

Item	Description
O	The Company violated Section 216.11 of Department Regulation No. 64 when it failed to maintain, within each complaint file, all communications, transactions, notes and work papers relating to the complaint, whether written or oral. A review of the complaint files revealed that the Company is now maintaining all correspondence needed to understand the nature and resolution of the complaint.
P	The examiner recommends that the Company implement procedures to maintain data files that reconcile to the amounts reported in the Exhibit of Life Insurance and Exhibit 8 in its filed annual statement. The Company provided data files that reconciled to the amounts reported in the Exhibit of Life Insurance and Exhibit 8 in its filed annual statement.

10. SUMMARY AND CONCLUSIONS

Following is the comment and recommendation contained in this report:

Item	Description	Page No(s).
A	The Department conducted a review of reserves as of December 31, 2012. During this reserve review, the Department found that greater conservatism is needed in the assumptions and methodology used for asset adequacy analysis with respect to the structured settlement block of business. In response, the Company committed to refine its reserving methodology and to strengthen reserves in a manner acceptable to the Department.	20
B	The examiner recommends that the Company continue to use the reserving methodology as agreed upon with the Department. This methodology would lead to additional reserves for December 31, 2013 of approximately $1.1 million. Additional reserve increases may be required pending subsequent Company analysis and Department monitoring.	20

Respectfully submitted,

_____________/s/____________
Anthony Mauro
Principal Insurance Examiner

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

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

_____________/s/____________
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ___________________