NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

NATIONAL SECURITY LIFE AND ANNUITY COMPANY

CONDITION: DECEMBER 31, 2010

DATE OF REPORT: JUNE 29, 2012

<u>NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES</u>

<u>REPORT ON EXAMINATION</u>

<u>OF THE</u>

<u>NATIONAL SECURITY LIFE AND ANNUITY COMPANY</u>

<u>AS OF</u>

<u>DECEMBER 31, 2010</u>

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<u>EXAMINER</u>:	<u>PETER AGUH</u>

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 29, 2012

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

Sir:

In accordance with instructions contained in Appointment No. 30695, dated March 17, 2011 and annexed hereto, an examination has been made into the condition and affairs of National Security Life and Annuity Company, hereinafter referred to as "the Company," at its home office located at 100 Court Street, Binghamton, NY 13901.

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

On October 3, 2011, the Insurance Department merged with the Banking Department to create 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, 2011 Edition (the "Handbook"). The examination covers the five-year period from January 1, 2006 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 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.

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 2006 through 2010, by the accounting firm of KPMG. The Company received an unqualified opinion in all the applicable years. 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 in addition to a separate internal control department which was given the task of assessing the internal control structure and compliance with NAIC’s Model Rule Requiring Annual Audited Financial Reports (“MAR”). The Company is not subject to Section 89.14 of Department Regulation No. 118 (Management’s Report of Internal Control Over Financial Reporting), however, being under the same internal control environment as its parent, which is subject to the MAR, follows the same control processes as the parent.

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

2. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as Urbaine Insurance Company on February 7, 1973 and licensed as a property insurer on March 31, 1973. The Company was initially owned by subsidiaries of Societe Centrale L'Union des Assurances de Paris, France ("UAP"). On May 14, 1973, the Company became a licensed life insurer and changed its name to The Urbaine Life Insurance Company. The Company commenced business on July 25, 1975. Initial resources of $4,061,574, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $3,061,574, were provided through the sale of 10,000 shares of common stock for $406.15 per share. On June 27, 1977, the Company changed its name to The Urbaine Life Reinsurance Company. Ultimate control of the Company passed from UAP to SCOR S.A. in November of 1989. All of the shares of the Company's capital stock were repurchased by UAP in February 1990 and sold on March 31, 1993 to Security Life of Denver Insurance Company. On June 21, 1994 the Company changed its name to First ING Life Insurance Company of New York.

In 1997, the Company increased the par value of its capital stock to $250 by transferring $1,400,000 from paid in capital to capital stock. This increased capital stock to $2,500,000 and decreased paid in and contributed surplus to $21,929,976.

On May 3, 2001, Security Life of Denver Insurance Company, the former parent of the Company, entered into a stock purchase agreement with Security Mutual Life Insurance Company of New York ("SML"), Ohio National Financial Services ("ONFS") and SMON Holdings, Inc. ("SMON") to sell the Company (then First ING Life Insurance Company of New York) to SMON. After receiving regulatory approval for the sale on January 3, 2002, the transaction was closed on January 4, 2002. As a result of the sale, the Company changed its name from First ING Life Insurance Company of New York to National Security Life and Annuity Company effective January 4, 2002.

At December 31, 2003, SMON was jointly owned by ONFS and SML holding 51.2% and 48.8% of the outstanding shares, respectively. The ownership continued through November 28, 2004. On November 29, 2004, ONFS contributed its entire ownership in SMON to the Ohio National Life Insurance Company ("ONLIC"), a wholly owned subsidiary.

On February 17, 2007, the board of directors and stockholders (ONLIC and SML) of SMON authorized the dissolution of SMON and the transfer of the Company's shares to the former stockholders of SMON in proportion to the stockholders interest in SMON at the time of SMON's dissolution. Specifically, ONLIC received 5,122 shares and SML received 4,878 shares of the Company's then issued and outstanding stock.

On March 30, 2007, ONLIC and SML entered into a stock purchase agreement for ONLIC to purchase additional shares of the Company from SML. ONLIC purchased 2,927 shares of SML for $6,000 thereby increasing ONLIC's holdings in NSLAC to 80.5% and decreasing SML's holding to 19.5%.

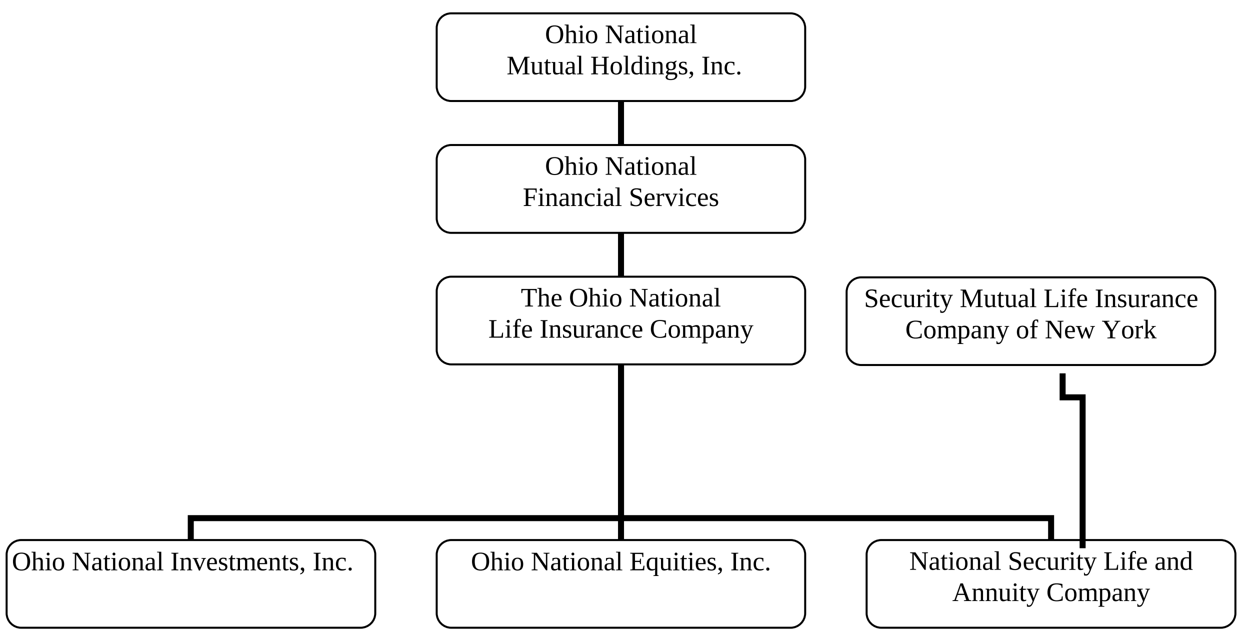
Subsequently, on December 15, 2011, ONLIC purchased all shares owned by SML and became the sole stockholder of the Company.

B. Holding Company

The Company is a jointly owned subsidiary of ONLIC (80.5%), and SML (19.5%), a New York insurance company. The ultimate parent of the Company is Ohio National Mutual Holdings, Inc. However, on December 15, 2011, ONLIC purchased all shares owned by SML and became the sole stockholder of the Company.

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 seven 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
Administrative Services Agreement (No. 30523)	1/4/2002 Amended 7/31/2002	ONLIC	the Company	Administrative Services	2006 - $1,096,779 2007 - $ 905,055 2008 - $ 471,443 2009 - $ 461,848 2010 - $ 460,325
Administrative Services Agreement (No. 29524A)	1/4/2002	SML	the Company	Administrative Services	2006 - $93,556 2007 - $39,083 2008 - $15,483 2009 - $13,275 2010 - $21,534
Investment Management Services Agreement (No. 29524A)	1/4/2002	Ohio National Investments, Inc. & ONLIC	the Company	Investment Advisory Services	2006 - $11,870 2007 - $ 6,720 2008 - $13,874 2009 - $30,127 2010 - $21,534
Principal Underwriting Agreement (No. 30475)	8/1/2002	Ohio National Equities, Inc.	the Company	Underwriter Services	2006 - $10,110 2007 - $ 5,585 2008 - $10,065 2009 - $ 5,880 2010 - $ 9,255
Administrative Services Agreement (No. 29524A)	5/7/2002	Ohio National Equities, Inc.	the Company	Administrative Services	2006 - $204,053 2007 - $272,378 2008 - $628,040 2009 - $621,625 2010 - $468,812

* 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, provided, however, that the number of directors shall be increased to not less than 13 directors within one year following the end of the calendar year in which the Company's admitted assets exceed $1,500,000,000. 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, 2010, the board of directors consisted of eight members. Meetings of the board are held quarterly.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Thomas A. Barefield Cincinnati, Ohio	Vice President, Marketing, National Security Life and Annuity Company.	2007
Carson E. Beadle * Naples, Florida	Chairman, The Health Project	2002
George E. Castrucci* Boca Grande, FL	Retired, Chairman and Chief Executive Officer, Great American Broadcasting Company	2002
Raymond R. Clark* Cincinnati, Ohio	Retired, President and Chief Executive Officer Cincinnati Bell Telephone	2002
Ronald J. Dolan Cincinnati, Ohio	Vice President and Valuation Actuary National Security Life and Annuity Company Vice Chairman, Ohio National Financial Services	2002
John J. Palmer Tucson, AZ	Retired, Vice Chairman Ohio National Life Insurance Company	2002
Frederick L. Wortman Binghamton, New York	Vice President, Marketing Security Mutual Life Insurance Company of New York	2005
Daryl J. Forsythe* Norwich, NY	Chairman of the Board of Directors, NBT Bancorp, Inc	2009

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

In November, 2010, David B. O'Maley retired from the board and was replaced by Gary T. Huffman as January 1, 2011.

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
Gary T. Huffman	President and Chief Executive Officer
Ronal J. Dolan	Vice President and Valuation Actuary
Arthur J. Roberts	Vice President and Chief Financial Officer
Rocky Coppola	Vice President and Treasurer
Thomas A. Barefield	Vice President, Marketing
Frederick L. Wortman	Vice President, Marketing
Dennis R. Taney*	Chief Compliance Officer, Separate Accounts

* 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 17 states and the District of Columbia. In 2010, all life premiums and 99.2% of annuity considerations were received from New York. Policies are written on a non-participating basis.

A. Statutory and Special Deposits

As of December 31, 2010, the Company had $1,600,000 (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. As per confirmations received from the following states which were reported in Schedule E, Part 3 of the 2010 filed annual statement an additional, $110,000 was being held by the states of Arkansas and Oklahoma.

B. Direct Operations

During 2010, the Company received premiums and annuity considerations totaling $24.7 million of which, 99.2% were annuity considerations received from New York. Of these premiums, approximately 53% was ceded to ONLIC.

All policies are written on a non-participating basis.

The Company, when under the control of a former parent, assumed and retroceded traditional life insurance. This assumed and retroceded block of business is currently in runoff. Additionally, the Company has variable universal life insurance business that is in runoff. During 2003, the Company began offering variable annuities through Ohio National Equities, Inc. (“ONEQ”), a registered broker dealer and an affiliate ONFS. These annuities are 50% reinsured under a modified coinsurance agreement with ONLIC, an affiliated company.

At December 31, 2010 the Company was in a strategic partnership between ONLIC and SML and primarily marketed variable annuities in the New York marketplace. To date, the business production of the Company has been relatively modest, however, ONLIC has recently established additional selling agreements with broker-dealers and banks to sell variable annuities. With the addition of significant accounts such as Morgan Stanley Smith Barney, Wells Fargo, and UBS, the Company now has over 90 distribution agreements with independent broker-dealers, security brokerage firms/wirehouses and banks with over 4,000 registered representatives distributing its products in New York. The Company's product portfolio has been expanded to include new offerings and living benefits riders.

The Company's agency operations are conducted through wirehouses, regional and independent broker dealers.

C. Reinsurance

As of December 31, 2010, the Company had reinsurance treaties in effect with 35 companies, of which 32 were authorized or accredited. Reinsurance is on a modified coinsurance basis for annuities and cedes 50% of the variable annuities of the Company to ONLIC. The Company pays 50% of the Gross Premiums to ONLIC for this reinsurance. However, such gross premiums exclude various amounts that are deducted to reflect the implicit value of contract death benefits and the rider fees for guaranteed minimum death benefit (GMDB) and guaranteed minimum income benefit (GMIB) riders. These benefits are reinsured under a separate treaty.

The Company cedes 100% of the guaranteed principal protection (GPP), guaranteed principal amount (GPA,) riders and GMIB to ONLIC.

The Company cedes 100% of its variable annuity contract and guaranteed death benefits to Ace Tempest under a deferred stop-loss arrangement. This treaty was closed to new policies effective June 30, 2005.

The Company cedes 100% of its individual life business. The total face amount of life insurance ceded as of December 31, 2010 was $114,659,006 which represents 100% of the total face amount of life insurance in-force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $9,267,429, was supported by letters of credit and funds withheld.

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, 2005	December 31, 2010	Increase (Decrease)
Admitted assets	$60,247,123	$197,852,046	$137,604,923
Liabilities	$39,511,844	$181,770,270	$142,258,426
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	23,271,590	23,271,590	0
Unassigned funds (surplus)	$ (5,036,311)	$ (9,689,826)	$ (4,653,515)
Total capital and surplus	$20,735,281	$ 16,081,764	$ (4,653,515)
Total liabilities, capital and surplus	$60,247,123	$197,852,034	$137,604,911

The Company placed a strong emphasis on growing individual variable annuity business during the examination period. Consequently, direct individual annuity premiums that were approximately $8,500,000 in 2005 averaged almost $33,000,000 from 2006 through 2010. This resulted in large increases in separate account balances from deposits and this, coupled with the net appreciation of separate account assets over this period, resulted in an increase in admitted assets. This also resulted in increases in liabilities.

The majority (77%) of the Company's admitted assets, as of December 31, 2010, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2010, exclusive of separate accounts, were mainly comprised of bonds (96.4%), and cash and short-term investments (3.5%).

The majority (96.7%) of the Company's bond portfolio, as of December 31, 2010, was comprised of investment grade obligations.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities				
	2006	2007	2008	2009	2010
Outstanding, end of previous year	312	350	544	682	1,358
Issued during the year	136	226	165	696	127
Other net changes during the year	(98)	(32)	(27)	(20)	(41)
Outstanding, end of current year	350	544	682	1,358	1,444

The significant increase in annuity sales during 2009 was a result of the Company offering a group of annuity products that had a more attractive return than those offered in 2008. This resulted in an increase in sales during 2009. Late in 2009, the Company stopped selling these products and as a result, 2010 annuity sales decreased significantly.

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:

	2006	2007	2008	2009	2010
Ordinary:					
Life insurance	$(134,354)	$(124,886)	$ 62,064	$ 636,926	$ 480,188
Individual annuities	(571,578)	(685,015)	(1,859,372)	2,930,498	(1,062,759)
Supplementary contracts	(12,260)	13,964	10,646	39,220	(1,912)
Total ordinary	$(718,192)	$(795,937)	$(1,786,662)	$3,606,644	$ (584,483)
Total	$(718,192)	$(795,937)	$(1,786,662)	$3,606,644	$ (584,483)

The significant gain in individual annuities in 2009 was primarily caused by the Company's December 31, 2010 statutory financial statement reflecting a variable annuity Actuarial Guideline ("AG43") reserve error which understated the AG43 reserve at December 31, 2009. This error was a result of a misapplication of the AG43 reserve calculation that resulted in a $3,161,659 decrease in aggregate reserves. The error was corrected through a direct charge to surplus in 2010.

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 was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company 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 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	$42,900,482
Cash, cash equivalents and short term investments	1,559,996
Receivable for securities	43,563
Investment income due and accrued	453,077
Reinsurance:	
Amounts recoverable from reinsurers	805,745
Other amounts receivable under reinsurance contracts	45,334
Aggregate write-ins for other than invested assets	
Annuity rider charges receivable	538,141
Fund revenue receivable	59,499
NSCC deposit	20,000
Summary of remaining write-ins for line 25 from overflow page	19,024
From separate accounts, segregated accounts and protected cell accounts	151,407,185
Total admitted assets	$197,852,046

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 30,226,127
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	2,270,181
Interest maintenance reserve	386,584
Commissions to agents due or accrued	6,159
General expenses due or accrued	160,325
Transfers to separate accounts due or accrued	(3,117,363)
Taxes, licenses and fees due or accrued, excluding federal income taxes	214,022
Amounts withheld or retained by company as agent or trustee	12,678
Miscellaneous liabilities:	
Asset valuation reserve	122,926
Payable to parent, subsidiaries and affiliates	81,446
From Separate Accounts statement	151,407,185
Total liabilities	$181,770,270
Common capital stock	$2,500,000
Gross paid in and contributed surplus	23,271,590
Unassigned funds (surplus)	(9,689,826)
Surplus	$ 13,581,764
Total capital and surplus	$ 16,081,764
Total liabilities, capital and surplus	$197,852,034

D. CONDENSED SUMMARY OF OPERATIONS

	2006	2007	2008	2009	2010
Premiums and considerations	$ 9,297,831	$15,298,874	$10,892,100	$32,895,490	$11,520,660
Investment income	1,705,272	1,304,589	1,240,922	1,847,286	2,325,496
Commissions and reserve adjustments on reinsurance ceded	4,786,268	14,660,458	10,355,289	31,710,313	10,393,614
Miscellaneous income	273,927	454,152	701,861	935,229	1,387,018
Total income	$16,063,298	$31,718,073	$23,190,172	$67,388,318	$25,626,788
Benefit payments	$ 4,973,376	$ 1,858,131	$ 2,260,204	$ 2,986,998	$ 3,217,718
Increase in reserves	(4,264,584)	(2,198,782)	3,796,234	18,314,070	(2,842,598)
Commissions	1,024,762	1,594,985	1,248,473	3,134,470	1,375,197
General expenses and taxes	1,972,221	1,704,445	1,628,790	1,900,398	2,187,501
Net transfers to (from) separate accounts	13,116,710	29,572,431	16,084,869	37,482,821	22,432,727
Miscellaneous deductions	(40,993)	(17,199)	(41,736)	(37,083)	(159,278)
Total deductions	$16,781,492	$32,514,011	$24,976,834	$63,781,674	$26,211,267
Net gain (loss)	$ (718,194)	$ (795,938)	$ (1,786,662)	$ 3,606,644	$ (584,479)
Net gain (loss) from operations before net realized capital gains	$ (718,194)	$ (795,938)	$(1,786,662)	$ 3,606,644	$ (584,479)
Net realized capital gains (losses)	3,400	(3,086)	(917,234)	(103,628)	(325)
Net income	$ (714,794)	$ (799,024)	$ (2,703,896)	$ 3,503,016	$ (584,804)

E. CAPITAL AND SURPLUS ACCOUNT

	2006	2007	2008	2009	2010
Capital and surplus, December 31, prior year	$20,735,281	$20,013,415	$19,217,788	$16,748,186	$19,903,254
Net income	$ (714,794)	$ (799,024)	$ (2,703,896)	$ 3,503,016	$ (584,804)
Change in net unrealized capital gains (losses)	(17,943)	(17,941)	(18,072)	(17,813)	(17,941)
Change in net deferred income tax	110,293	999,699	1,006,138	(1,073,352)	1,446,913
Change in non-admitted assets and related items	(132,654)	(984,956)	(919,621)	1,70,929	(1,425,277)
Change in liability for reinsurance in unauthorized companies	36,630	0	(26,988)	36,988	0
Change in asset valuation reserve	(3,395)	6,595	192,841	(44,202)	(78,724)
Prior Period Adjustment	0	0	0	(320,500)	(3,161,659)
Net change in capital and surplus for the year	$ (721,864)	$ (795,627)	$ (2,469,598)	$ 3,155,066	$ (3,821,492)
Capital and surplus, December 31, current year	$20,013,415	$19,217,788	$16,748,186	$19,903,254	$16,081,764

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 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.

7. FILING REQUIREMENTS FOR AGENTS AND BROKERS

Section 4228(f)(1)(A) of the New York Insurance Law states, in part:

> "A company shall make annual information filings with respect to any newly-introduced plans or changes under which the company makes payments to agents or brokers if such plans are commission plans for which the commission percentages are, in all policy or contract years, no greater than the commission percentages set forth in paragraphs one, two, three and four of subsection (d) of this section …"

A review of the Company's commission schedules used during the examination period revealed that the agent compensation paid on the following individual products was not included in any Company filing made in accordance with Section 4228 of the New York Insurance Law:

1) NScore Premier - IBD 2005
2) NScore Lite 4 yr Surrender - IBD 2009
3) NScore Value - IBD 2006
4) NScore Xtra - IBD 2007

Agent compensation on each of the above products was paid by the Company during the examination period in violation of Section 4228(f)(1)(A) of the New York Insurance Law.

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 of agent compensation on products that were never filed with the Department.

8. SUMMARY AND CONCLUSIONS

Following are the violations contained in this report:

Item	Description	Page No(s).
A	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 of agent compensation on products that were never filed with the Department.	18

Respectfully submitted,

/s/
Peter Aguh
Senior Insurance Examiner

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

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

/s/
Peter Aguh

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30695

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:

PETER AGUH

as a proper person to examine into the affairs of the

NATIONAL SECURITY LIFE AND ANNUITY 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 17th day of March, 2011

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

JAMES J. WRYNN
Superintendent of Insurance

Superintendent