NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF

AMALGAMATED LIFE INSURANCE COMPANY

AS OF DECEMBER 31, 2012

CONDITION: DECEMBER 31, 2012

DATE OF REPORT: FEBRUARY 28, 2014

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EXAMINER: EDMUND TAGOE

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NEW YORK STATE
DEPARTMENT*of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 7, 2014

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

Sir:

In accordance with instructions contained in Appointment No. 30966, dated April 4, 2013, and annexed hereto, an examination has been made into the condition and affairs of Amalgamated Life Insurance Company, hereinafter referred to as "the Company," or "ALICO" at its home office located at 333 Westchester Avenue, White Plains, New York 10604.

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 violations and recommendations contained in this report are summarized below:

- The Company violated Section 1202(b) of the New York Insurance Law by failing to establish one or more independent committees to recommend the selection of independent certified public accountants, or evaluate the performance of officers deemed by the committee to be principal officers of the company, and recommend to the board of directors the compensation of such principal officers. (See item 3E of this report)
- The examiner recommends that the Company update its ERM Policy to ensure that it adheres to the functional objectives contained in Department Circular Letter No. 14 (2011). (See item 3F of this report)
- The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders, whose policies contained a cash surrender value, advising them that the policy contained a cash surrender value and that further information, including the amount thereof, was available from the insurer upon written request from the policyowner. (See item 7C of this report)
- The Company violated Section 3230(d) of the New York Insurance Law when it failed to provide policy owners with the required disclosure information within 5 days of receipt of an application to accelerate benefits. (See item 7C 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 four-year period from January 1, 2009 through 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.

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 2009 through 2012, by the accounting firm of BDO USA, LLP ("BDO"). The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's internal audit function is outsourced to Accume Partners, an independent third party that specializes in internal audit and risk management. Where applicable internal audit workpapers and reports were reviewed and portions were relied upon.

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 as a stock life insurance company under the laws of New York on September 29, 1943, was licensed on January 10, 1944, and commenced business on February 1, 1944. Initial resources of $450,000, consisting of common capital stock of $300,000 and paid in and contributed surplus of $150,000, were provided through the sale of 3,000 shares of common stock (with a par value of $100) for $150 per share.

The Company was organized by the Amalgamated Insurance Fund ("the Fund"), a welfare fund established by the Union of Needletrades, Industrial and Textile Employees ("UNITE") (formerly known as Amalgamated Clothing Workers of America) and employers in the clothing industry. The Company was formed as a non-profit insurer to provide life and accident and health insurance for participants in the Fund and six other related funds ("the Patron Funds") on a non-profit basis. Prior to 1992, operations were restricted to selling insurance products to the seven Patron Funds, which are all multiple-employer Taft-Hartley plans sponsored by UNITE. Taft-Hartley plans afford a vehicle by which private sector unionized employees can get health, retirement and other benefits. In January 1992, the Department approved the Company's amended charter authorizing it to sell life, health and disability insurance outside of its traditional non-profit market.

On March 26, 2001, the Department granted approval to transfer ownership of the Company's parent, ALICO Services Corporation ("ASC"), from the Fund to the Amalgamated Cotton Garment & Allied Industries Pension Fund ("the Cotton Fund"). This reorganization did not change the direct ownership of the Company, which remained a wholly-owned subsidiary of ASC.

In November 2003, the Cotton Fund merged with the International Ladies Garment Workers Union National Retirement Fund, both of which were multiple-employer Taft-Hartley retirement plans, to form the UNITE National Retirement Fund ("UNITE Retirement").

On September 24, 2010, the name of Unite Retirement was changed to the National Retirement Fund.

As a result of the aforementioned mergers of the various funds, changes in the capital and surplus of the Company since incorporation resulted in capital and paid in and contributed surplus of $2,500,000 and $3,650,000, respectively, as of December 31, 2008. In December

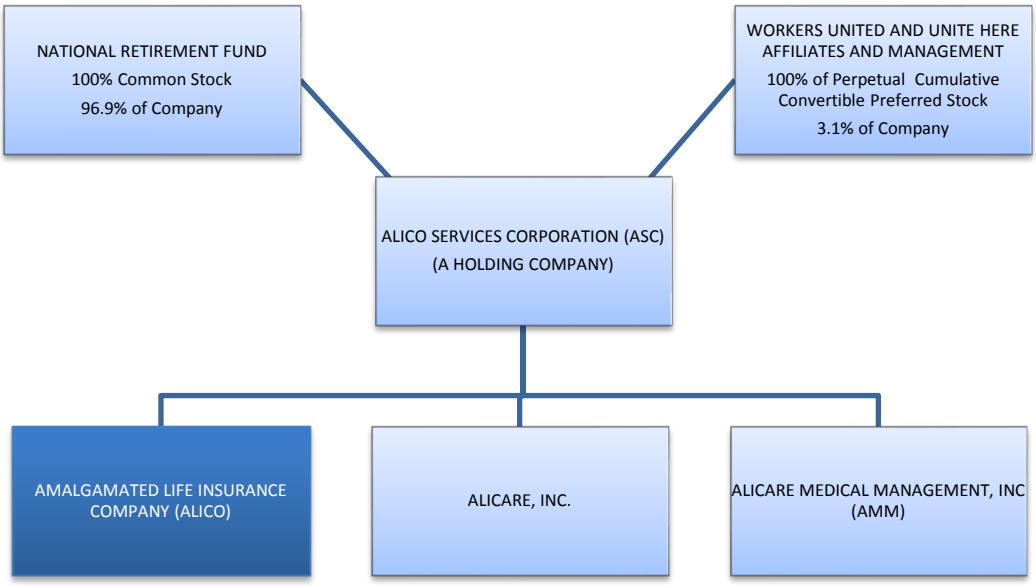
2009, a capital contribution in the amount of $3,900,000 was made to the Company by ASC. This contribution resulted in the Company having $2,500,000 of common capital stock and $7,550,000 of gross paid in and contributed surplus as of December 31, 2012.

B. Holding Company

As of December 31, 2012, the Company was a wholly owned subsidiary of ASC, whose common stock is 100% owned by the National Retirement Fund.

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 three 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
Services and Cost Sharing File # 23152 Amended File # 33621	4/1/1996 Amended 3/1/2005	The Company	Alicare Inc., Alicare Medical Management Inc.	Accounting; Corporate Relations; Actuarial Services; Operations; Legal; Human Resources; Payroll Preparations; MIS Services; Claims Processing; Collections; Marketing; Finance; Office Space.	2009 – $64,561,993 2010 – $66,430,366 2011 – $66,708,766 2012 – $66,789,967
Services and Cost Sharing Agreement File # 33622	4/1/2005	Alicare, Inc.	The Company	Data Processing	2009 – $(127,000) 2010 – $(127,000) 2011 – $(127,000) 2012 – $(127,000)
Inter-company Tax Allocation and Escrow Agreement File # 29156 Amended File #33623	3/20/2001 Amended 6/1/2005	ASC	The Company	Federal/State Tax Allocation	2009 – $(762,100) 2010 – $(808,775) 2011 – $(1,179,097) 2012 – $(1,459,600)
Sublease Agreement File #40573	8/29/2008	ASC	The Company	Rent	2009 – $(1,884,333) 2010 – $(3,195,999) 2011 – $(3,270,666) 2012 – $(3,420,000)

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

E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 28 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2012, the board of directors consisted of 21 members. Meetings of the board are held three times each year.

The 21 board members and their principal business affiliation, as of December 31, 2012, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Noel Beasley Oak Park, IL	General President Workers United - Chicago Midwest Regional Joint Board	2007
Harold Bock Parkersburg, WV	Vice President Workers United Mid-Atlantic Region	2002
Gary Bonadonna Webster, NY	Manager and Internal Vice President UNITE HERE - Rochester Regional Joint Board	2005
James Brubaker* Bridgewater, NJ	Senior Vice President Carlisle Etcetera	1998
John Fowler* Simpsonville, SC	Retired Former VP – Employee Relations Consultant, Lear/IAC	2009
Lynne Fox Dreshner, PA	Executive Vice President UNITE HERE - Philadelphia Joint Board	2001
Richard Gilbert* Mahwah, NJ	President Ardwyn Binding Product Co.	2001
Jean Hervey Plumerville, AR	Vice President, Regional Director Workers United Southwest Regional Joint Board	2012
Julie Kelly New York, NY	Manager Workers United Southwest Regional Joint Board	2012
Peter Lindenmeyer* Franklin, MA	Senior Vice President and Chief Logistics Officer TJX Companies	2008

Name and Residence	Principal Business Affiliation	Elected
Desmond Massey* West Orange, NJ	Attorney Gotto/Glassman & Hoffman	2001
David Melman Hopewell, NJ	Vice President UNITE HERE - Pennsylvania Joint Board	2002
Homi Patel* Lake Forest, IL	Director Z Capital Partners	1996
Warren Pepicelli Marshfield, MA	Manager, Executive Vice President UNITE HERE - New England Regional Joint Board	2007
Harris Raynor Decatur, GA	Vice President Workers United - Southern Regional Joint Board	2002
Edgar Romney Bayside, NY	Secretary, Treasurer Workers United - New York Metropolitan Area Joint Board	2000
Richard Rumelt* Greenfield, MA	Retired Former Vice President Airport, Racetrack & Allied Workers Joint Board	2002
Steven Thomas* Moriches, NY	President National Association of Blouse Manufacturers	2003
Cristina Vazquez Los Angeles, CA	Vice President Workers United - Western States Regional Joint Board	2009
David J. Walsh Carmel, NY	President and Chief Executive Officer Amalgamated Life Insurance Company	2008
Steve Weiner* Cliffside Park, NY	Retired (Group President) HMX Tailored	2002

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

In February 2013, James Brubaker resigned from the board. In July 2013, Richard Gilbert resigned from the board. In August 2013, Peter Lindenmeyer resigned from the board.

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 J. Walsh*	President and Chief Executive Officer
Paul E. Mallen	Executive Vice President and Chief Financial Officer
John A. Thornton	Executive Vice President
Claire A. Levitt	Executive Vice President
Ellen R. Dunkin	Senior Vice President and General Counsel
Leslie J. Bostic	Senior Vice President
Raghubar Singh	Senior Vice President and Chief Information Officer
Victoria R. Sartor	Senior Vice President
Ann J. Kim	Vice President
Martin R. Cohen	Vice President and Chief Actuary

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

Section 1202(b) of the New York Insurance Law states, in part:

"(2) The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the company's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed by such committee or committees to be principal officers of the company and recommending to the board of directors the selection and compensation of such principal officers . . . "

Section 17(B) - Duties of Standing Committees (Audit Committee) of the Company's By-laws provide:

"The Audit Committee shall be responsible for reporting to the Board of Directors its recommendations with respect to the selection of independent certified public accountants, reviewing the Company's financial condition, the scope and results of the independent audit and any internal audit, evaluating the performance of officers deemed to be principal officers …"

The board established an Audit committee and a Compensation Committee which were comprised of independent members of the board. Based upon the examiner's review of the minutes of both the Audit Committee and Compensation committee, there was no evidence that, during the examination period, the Audit Committee or the Compensation Committee recommended the selection of independent certified public accountants, or evaluated the performance of officers deemed by the committee to be principal officers of the company, and recommended to the board of directors the compensation of such principal officers.

The Company violated Section 1202(b)(2)of the New York Insurance Law by failing to have one or more independent committees that recommended the selection of independent certified public accountants, or evaluated the performance of officers deemed by the committee to be principal officers of the company, and recommended to the board of directors the compensation of such principal officers.

F. Enterprise Risk Management

The Department issued Circular Letter No. 14 (2011) on December 19, 2011, that encouraged insurers to adopt a formal Enterprise Risk Management ("ERM") function to identify, measure, aggregate, and manage risk exposures within predetermined tolerance levels across all activities of the enterprise.

The Company adopted an ERM policy in 2009 to aggregate risk activities across operational, underwriting, credit, market, and strategic categories of risk. The Company also established a risk committee consisting of the CEO, CFO, EVP of Information Technology and Plan Participation, and the Chief Risk Officer ("CRO") for the purpose of monitoring compliance with the Company's enterprise risk management policies.

As part of the assessment of the overall corporate governance environment, the examiner reviewed the Company's ERM process. However, the documentation provided by the Company indicated that the ERM committee did not maintain minutes of its meetings during the examination period. Additionally, the examiner was unable to identify any evidence, in the documentation provided by the Company that enterprise risk was monitored through metrics and other methods and that communications occurred between the risk and audit committees.

Since the ERM committee did not maintain any minutes of its meetings during the examination period, the examiner was unable to determine whether the ERM functions outlined

above were performed during the examination period. The examiner was also unable to determine whether the Company's ERM process was functioning during the examination period.

The examiner recommends that the Company document the functions of the ERM committee and maintain minutes of the meetings.

The Company replaced its CRO in October 2012. The new CRO indicated that the Company's ERM policy had not been revised since its initial adoption by the board in 2009, and is being reviewed based on current industry standards. The examiner also noted that minutes of the meeting of the ERM committee were maintained following its January 30, 2013, meeting. The minutes also reflect that the new CRO plans to meet with the new members of the ERM committee individually to assist them in understanding the Company's ERM policy and program.

The examiner recommends that the Company update its ERM policy to reflect the current industry standards as stated by the Company.

The examiner also recommends that the Company evaluate its ERM policy to ensure that it adheres to the functional objectives contained in Department Circular Letter No. 14 (2011).

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 states and the District of Columbia**.** In 2012, 83% of life premiums and 38.3% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received by state, and by major lines of business for the year 2012:

Life Insurance Premiums		Accident and Health Insurance Premiums	
New York	83.0%	New York	38.3%
Pennsylvania	5.4%	Illinois	17.3%
Massachusetts	2.9%	New Jersey	13.1%
New Jersey	2.9%	California	10.3%
Illinois	1.4%	Wisconsin	3.1%
Subtotal	95.6%	Subtotal	82.1%
All others	4.4%	All others	17.9%
Total	100.0%	Total	100.0%

A. Statutory and Special Deposits

As of December 31, 2012, the Company had $1,500,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, and Illinois 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 of the 2012 filed annual statement, an additional $2,146,509 was being held by the states of Arkansas, Georgia, Massachusetts, Nevada, New Hampshire, North Carolina, and Virginia.

B. Direct Operations

The primary products currently being sold on a "for-profit basis" are statutory disability insurance, group term life insurance, group decreasing term insurance, and group medical excess stop loss insurance.

Most sales in the Company's target labor market are accomplished through direct contact with trade union groups, brokers and consultants. The Company maintains a salaried sales force of experienced insurance professionals and former trade union officials who make these contacts. Direct mailings are sent to labor leaders and fund administrators to keep them informed of the Company's insurance products and services.

The sales force also benefits from referrals from a network of benefit consultants, law, actuarial and accounting firms, Blue Cross plans and HMOs, which also serve the Taft-Hartley market.

The Company intends to develop new markets within labor and outside of labor to further diversify its revenue streams. The Company's customers are primarily trade union members covered under Taft-Hartley health and welfare plans and pension plans, or under endorsed voluntary arrangements through their unions. In addition to its core clothing and textile workers, clients include bricklayers, carpenters, firefighters, hospital workers, hotel workers, janitors, police officers, social service employees, steelworkers, theatrical stagehands and teamsters.

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with eight companies, all of which were authorized or accredited. The Company's life business is reinsured on a coinsurance and/or yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $100,000. The total face amount of life insurance ceded as of December 31, 2012, was $6,444,069,555 which represents 30% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2012, was $8,929,617,482.

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 during the period under review:

	December 31, 2008	December 31, 2012	Increase
Admitted assets	$62,441,254	$88,555,430	$26,114,176
Liabilities	$31,579,840	$46,347,556	$14,767,716
Common capital stock	$ 2,500,000	$ 2,500,000	$ 0
Gross paid in and contributed surplus	3,650,000	7,550,000	3,900,000
Unassigned funds (surplus)	24,711,414	32,157,874	7,446,460
Total capital and surplus	$30,861,414	$42,207,874	$11,346,460
Total liabilities, capital and surplus	$62,441,254	$88,555,430	$26,114,176

The Company's invested assets as of December 31, 2012, were mainly comprised of bonds (81.8%) and cash and short-term investments (17.3%).

The Company's entire 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
2009	$36,629	$80,112	$40	$4,503	$ 521,576	$10,212,958
2010	$ 1,492	$77,902	$ 0	$4,363	$1,357,765	$ 9,513,563
2011	$ 512	$91,741	$94	$4,067	$1,316,897	$12,076,648
2012	$ 227	$97,767	$ 0	$3,313	$ 335,112	$12,275,005

The decrease in individual whole life and term policies issued during the examination period resulted from the Company not actively marketing this product. The only new issues related to conversions from its group policies.

The ordinary lapse ratio for the examination period was 12.3% in 2012, 19.0% in 2011, 18.7% in 2010 and 29.4% in 2009.

The Company is legally required to offer the individual policies to persons who lost their group coverage, which represented the majority of individual whole life policies issued. The high lapse ratios are due to the fact that many policyholders only use the Company's life insurance product as a bridge to new employment related coverage, and drop their converted policies when they obtain new employer provided coverage. In addition, policyholders often drop coverage when the premium costs become unaffordable. This was the case during the recession of 2009 when the lapse ratio was at its highest level.

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:

	2009	2010	2011	2012
Ordinary:				
Life insurance	$ 252,667	$ 294,560	$ (86,963)	$ 159,947
Total ordinary	$ 252,667	$ 294,560	$ (86,963)	$ 159,947
Group:				
Life	$1,517,337	$1,946,248	$1,368,853	$1,812,632
Total group	$1,517,337	$1,946,248	$1,368,853	$1,812,632
Accident and health:				
Group	$ 745,724	$ 568,386	$ 584,835	$1,717,665
Other	0	0	(10,328)	19,012
Total accident and health	$ 745,724	$ 568,386	$ 574,510	$1,736,677
Total	$2,515,728	$2,809,194	$1,856,397	$3,709,256

The Company's ordinary life block of business is not actively marketed. During 2011 the ordinary life loss resulted from the large amount of business assumed from Boston Mutual Life, which resulted in the Company absorbing larger than normal levels of expenses and expense allowances.

The increase in group accident and health gains in 2012 was primarily due to improved loss ratios.

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 BDO 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.

BDO 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	$64,797,945
Cash, cash equivalents and short term investments	13,638,201
Contract loans	77,859
Receivable for securities	395,046
Investment income due and accrued	572,787
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	2,745,211
Deferred premiums, agents' balances and installments booked but deferred and not yet due	79,278
Reinsurance:	
Amounts recoverable from reinsurers	98,938
Funds held by or deposited with reinsured companies	3,078,391
Other amounts receivable under reinsurance contracts	901,839
Net deferred tax asset	1,463,956
Receivables from parent, subsidiaries and affiliates	171,765
Other receivables	534,215
Total admitted assets	$88,555,430

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$ 7,815,797
Aggregate reserve for accident and health contracts	198,001
Contract claims:	
Life	11,748,622
Accident and health	2,611,468
Premiums and annuity considerations for life and accident and health contracts received in advance	25,514
Provision for experience rating refunds	1,346,381
Other amounts payable on reinsurance	1,491,763
Commissions and expense allowances payable on reinsurance assumed	6,473
General expenses due or accrued	13,043,018
Amounts withheld or retained by company as agent or trustee	455,512
Miscellaneous liabilities:	
Asset valuation reserve	195,193
Payable to parent, subsidiaries and affiliates	201,176
Funds held under coinsurance	3,078,391
Contingency reserves for claims experience fluctuation	4,026,569
Other liabilities	103,677
Total liabilities	$46,347,556
Common capital stock	$ 2,500,000
Gross paid in and contributed surplus	$ 7,550,000
Unassigned funds (surplus)	32,157,874
Surplus	$39,707,874
Total capital and surplus	$42,207,874
Total liabilities, capital and surplus	$88,555,430

D. Condensed Summary of Operations

	2009	2010	2011	2012
Premiums and considerations	$ 44,461,715	$ 46,264,734	$ 55,700,409	$ 56,316,850
Investment income	2,205,079	1,982,614	2,052,588	1,923,220
Management Service Contract Income	64,561,994	66,430,366	66,708,765	66,801,285
Miscellaneous Income	691	0	0	0
Total income	$111,229,479	$114,677,714	$124,461,762	$125,041,355
Benefit payments	$ 38,014,129	$ 38,094,210	$ 49,118,665	$ 47,542,294
Increase in reserves	(95,456)	978,059	829,792	912,118
Commissions	1,791,423	1,448,774	2,033,828	1,853,501
General expenses and taxes	7,324,662	7,835,462	8,085,821	8,351,682
Increase in loading on deferred and uncollected premiums	0	(1,577)	(6,313)	(8,687)
Management Service Contract Expense	61,375,993	62,231,366	61,035,766	61,159,967
Change in Contingency Reserve	0	242,225	262,130	333,038
Total deductions	$108,410,751	$110,828,519	$121,359,689	$120,143,913
Net gain	$ 2,818,728	$ 3,849,195	$ 3,102,073	$ 4,897,442
Federal and foreign income taxes incurred	303,000	1,040,000	1,245,676	1,188,186
Net gain from operations before net realized capital gains	$ 2,515,728	$ 2,809,195	$ 1,856,397	$ 3,709,256
Net realized capital losses	(33,347)	0	0	(1,296)
Net income	$ 2,482,381	$ 2,809,194	$ 1,856,397	$ 3,707,959

The increase in premiums in 2011 and 2012 were primarily the result of new direct business in the stop loss line of business as well as assumed group life.

E. Capital and Surplus Account

	2009	2010	2011	2012
Capital and surplus, December 31, prior year	$30,861,414	$33,536,228	$36,290,190	$38,279,747
Net income	$ 2,482,381	$ 2,809,194	$ 1,856,397	$ 3,707,959
Change in net unrealized capital gains (losses)	0	0	(14,261)	14,262
Change in net deferred income tax	2,042,280	(19,009)	30,318	176,412
Change in non-admitted assets and related items	(5,718,928)	16,897	165,801	91,950
Change in asset valuation reserve	(30,919)	(53,120)	(48,698)	(62,457)
Surplus adjustments: Paid in	3,900,000	0	0	0
Net change in capital and surplus for the year	$ 2,674,814	$ 2,753,962	$ 1,989,557	$ 3,928,127
Capital and surplus, December 31, current year	$33,536,228	$36,290,190	$38,279,747	$42,207,874

The change in non-admitted assets in 2009 was primarily the result of the capitalized costs for EDP equipment related to the Oracle and Vitech implementations. In subsequent years, the fluctuations were due to normal business changes.

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, 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 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.

1. Section 3211(g) of the New York Insurance Law states, in part:

> "In the case of life insurance policies to which this section is applicable and which contain a cash surrender value, the insurer must provide an annual notification that the policy contains a cash surrender value and that further information, including the amount thereof, is available from the insurer upon written request from the policyowner . . .The notification pertaining to the cash surrender value shall be set out in a conspicuous manner and shall include the address to which the policyowner may make a written inquiry. Any notice or statement which informs a policyowner of the policy's cash surrender value at least annually shall be deemed to comply with the requirements of this subsection."

The Company failed to provide an annual notification to their individual whole life policyholders whose whole life policies contained a cash surrender value.

The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders whose policies contained a cash surrender value.

2. Section 3230 of the New York Insurance Law states, in part:

> "(c) Insurers are prohibited from paying accelerated death benefits or special surrender values to the policy owner or certificate holder for a period of fourteen days from the date on which the information specified in subdivision (d) of this section is transmitted in writing to the policy owner or certificate holder. The policy owner or certificate holder shall have the right to rescind the request for such payments at any time during the process of application for said benefits.
>
> (d) Within five days of receipt of an application to accelerate benefits an insurer must provide the policy owner with the following:
> (1) an illustration demonstrating the effect of the accelerated benefit on the policy's cash value and policy loans;
> (2) a numerical computation of the amount of the death benefit which would be payable upon death;
> (3) a numerical computation of the amount of the death benefit that would be payable upon acceleration; and
> (4) a notice that other means may be available to achieve the intended goal, including a policy loan . . ."

The examiner reviewed the five accelerated benefit claims paid during the examination period.

In three of the five (60%) accelerated death claims reviewed, the Company did not meet the required waiting period of fourteen days before making payment. The Company took an average of 4 days to pay the three claims.

The Company violated Section 3230(c) of the New York Insurance Law by failing to wait the required 14 days, from the date on which required information was transmitted in writing to policy owners or certificate holders, before paying accelerated death benefits to policy owners or certificate holders.

In four of the five (80%) claims reviewed, the Company failed to provide the policy owner, within five days of receipt of the application to accelerate benefits, with the following items required by Section 3230(d) of the New York Insurance Law:

- An illustration demonstrating the effect of the accelerated benefit on the policy's cash value and policy loans;
- A numerical computation of the amount of the death benefit which would be payable upon death;
- A numerical computation of the amount of the death benefit that would be payable upon acceleration; and
- A notice that other means may be available to achieve the intended goal, including a policy loan

The Company took an average of 44 days to provide the four policy owners with the required disclosure information.

The Company violated Section 3230(d) of the New York Insurance Law when it failed to provide policy owners with the required disclosure information within five days of receipt of an application to accelerate benefits.

8. RECORD RETENTION PLAN

Department Regulation No. 152 states, in part:

Section 243.3 Standards, for maintenance and reproduction of records

"(a)(1) Records and indices of records required to be maintained under this Part may be maintained in any durable medium . . .

(c) An insurer shall establish and maintain a records retention plan. The plan shall include a description of the types of records being retained, the method of retention, and the safeguards established to prevent alteration of the records. Such plan shall be provided to the superintendent upon request. The insurer shall certify the accuracy of any records that are provided in accordance with its record retention plan . . . ."

The Company's written record retention plan was not comprehensive. The plan failed to include a description of the method of retention (i.e. media - microfiche, imaging software, hard copy, etc.) and the safeguards established to prevent alteration of the records relating to claims, rating, underwriting, marketing, complaints and producer licensing.

The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a records retention plan that includes a description of the method of retention and the safeguards established to prevent alteration of such records related to claims, rating, underwriting, marketing, complaint and producer licensing.

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 recommended that the Company develop and maintain an allocation procedure that is in compliance with Section 1505(b) of the New York Insurance Law and which adheres to the terms of the services and cost sharing agreement approved by the Department. The Company currently maintains an allocation procedure that is in compliance with Section 1505(b) of the New York Insurance Law and adheres to the terms of the services and cost sharing agreement approved by the Department.
B	The examiner recommended that the Company exercise greater care in the preparation of its filed annual statements and properly complete all applicable annual statement exhibits in the future. The Company completed all exhibits in its filed annual statement during the examination period.
C	The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing policy forms which differed from those filed with and approved by the Superintendent. All policy forms utilized during the examination period were filed with and approved by the Department.
D	The examiner recommended that the Company: determine the number of group contracts and certificates that were issued using the unapproved contract form, certificate, policy living benefit rider and certificate living benefit rider; amend all such policy forms to comply with the language approved by the Department; notify all groups and certificateholders, who were issued policies, certificates and riders from January 1, 2005, through June 8, 2009, which contained improper additions, deletions or changes from language approved by the Department for these policy forms, advise them of the amended language and give them the opportunity to file or refile claims and/or reinstate their policy/certificate; re-examine all claims received on the unapproved contracts; determine liability as a result of the claims; re-examine all terminations of certifcateholders from January 1, 2005 through June 8, 2009 on group contracts using unapproved policy forms and reinstate any certificateholders who were improperly terminated; and report its findings to the Department.

Item	Description
	The Company amended all such policy forms to comply with the language approved by the Department; and notified all groups and certificateholders who were issued policies, certificates and riders. The Company also determined that claims on three of these policies were improperly denied and subsequently paid the claims.
E	The Company violated Section 403(d) of the New York Insurance Law by utilizing individual life and group death claim forms that did not include the required fraud warning statement. The individual life and group death claim forms utilized by the Company during the examination period included the required fraud warning statement.
F	The Company violated Section 216.5(a) of Department Regulation No. 64 when it failed to provide the claimants or claimant's authorized representative, with a notification of all items, statements and forms, which the insurer reasonably believes will be required of the claimant, within 15 days of receipt of notice of the claim. The examiner's review revealed that the Company provided the claimants or claimant's authorized representative, with a notification of all items, statements and forms, which the insurer reasonably believed will be required of the claimant, within 15 days of receipt of notice of the claim.
G	The Company violated Section 216.6(c) of Department Regulation No. 64 when it failed to notify the claimant, or the claimant's authorized representative, in writing of the acceptance or rejection of the claim within 15 business days after receipt by the insurer of a properly executed proof of loss. The examiner's review revealed that the Company notified the claimant, or the claimant's authorized representative, in writing of the acceptance or rejection of the claim within 15 business days after receipt by the insurer of a properly executed proof of loss.
H	The Company violated Section 216.11 of Department Regulation No. 64 by failing to maintain within each claim file all communications, transactions, notes and work papers relating to the claim, and failing to date all communications, which prevented the examiner from reconstructing all events relating to the claims. The examiner's review revealed that the Company maintained within each claim file all communications, transactions, notes and work papers relating to the claim, dated all communications, which allowed the examiner to reconstruct all events relating to the claims.

10. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1202(b) of the New York Insurance Law by failing to establish one or more independent committees to recommend the selection of independent certified public accountants or evaluate the performance of officers deemed by the committee to be principal officers of the company and recommend to the board of directors the compensation of such principal officers.	11
B	The examiner recommends that Company document the functions of the ERM Committee and maintain minutes of the meetings.	12
C	The examiner recommends that the Company update its ERM policy to reflect the current industry standards as stated by the Company.	12
D	The examiner recommends that the Company evaluate its ERM Policy to ensure that it adheres to the functional objectives contained in Department Circular Letter No. 14 (2011).	12
E	The Company violated Section 3211(g) of the New York Insurance Law by failing to provide an annual notification to policyholders whose policies contained a cash surrender value.	24
F	The Company violated Section 3230(c) of the New York Insurance Law by failing to wait the required 14 days, from the date on which required information was transmitted in writing to policy owners or certificate holders, before paying accelerated death benefits to policy owners or certificate holders.	24
G	The Company violated Section 3230(d) of the New York Insurance Law when it failed to provide policy owners with the required disclosure information within 5 days of receipt of an application to accelerate benefits.	25
H	The Company violated Section 243.3(c) of Department Regulation No. 152 by failing to establish and maintain a records retention plan that includes a description of the method of retention and the safeguards established to prevent alteration of such records related to claims, rating, underwriting, marketing, complaint and producer licensing.	26

Respectfully submitted,

/s/
Edmund Tagoe
Senior Insurance Examiner

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

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

/s/
Edmund Tagoe

Subscribed and sworn to before me

this_____ day of _____

APPOINTMENT NO. 30966

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

EDMUND TAGOE

as a proper person to examine the affairs of the

AMALGAMATED LIFE INSURANCE COMPANY

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

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 4th day of April, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By: _____

MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU