

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
EMPIRE FIDELITY INVESTMENTS LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

MARCH 14, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
EMPIRE FIDELITY INVESTMENTS LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2012

DATE OF REPORT:

MARCH 14, 2014

EXAMINER:

PETER AGUH

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Executive summary	2
2. Scope of examination	3
3. Description of Company	5
A. History	5
B. Holding company	5
C. Organizational chart	6
D. Service agreements	7
E. Management	10
4. Territory and plan of operations	12
A. Statutory and special deposits	12
B. Direct operations	12
C. Reinsurance	13
5. Significant operating results	14
6. Financial statements	16
A. Independent accountants	16
B. Net admitted assets	17
C. Liabilities, capital and surplus	18
D. Condensed summary of operations	19
E. Capital and surplus account	20
F. Reserves	21
7. Market conduct activities	22
A. Advertising and sales activities	22
B. Underwriting and policy forms	22
C. Treatment of policyholders	23
8. Summary and conclusions	24



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

January 25, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31023, dated August 1, 2013 and annexed hereto, an examination has been made into the condition and affairs of Empire Fidelity Investments Life Insurance Company, hereinafter referred to as “the Company,” or (“EFILI”) at its home office located at 640 Fifth Avenue, New York, N.Y. 10019.

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 recommendation contained in this report is summarized below.

- The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department.
(See item 6F 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, 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 2010 through 2012, by the accounting firm of PricewaterhouseCoopers, LLP. 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 utilizes its ultimate parent, FMR LLC, and its parent, Fidelity Investments Life Insurance Company ("FILF"), which test controls, to assess the internal control structure and compliance with the Model Audit Rule ("MAR"). Where applicable, MAR workpapers and reports were reviewed and portions were relied upon for this examination. The Company also relies upon its ultimate parent, FMR LLC, for their internal audit function.

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

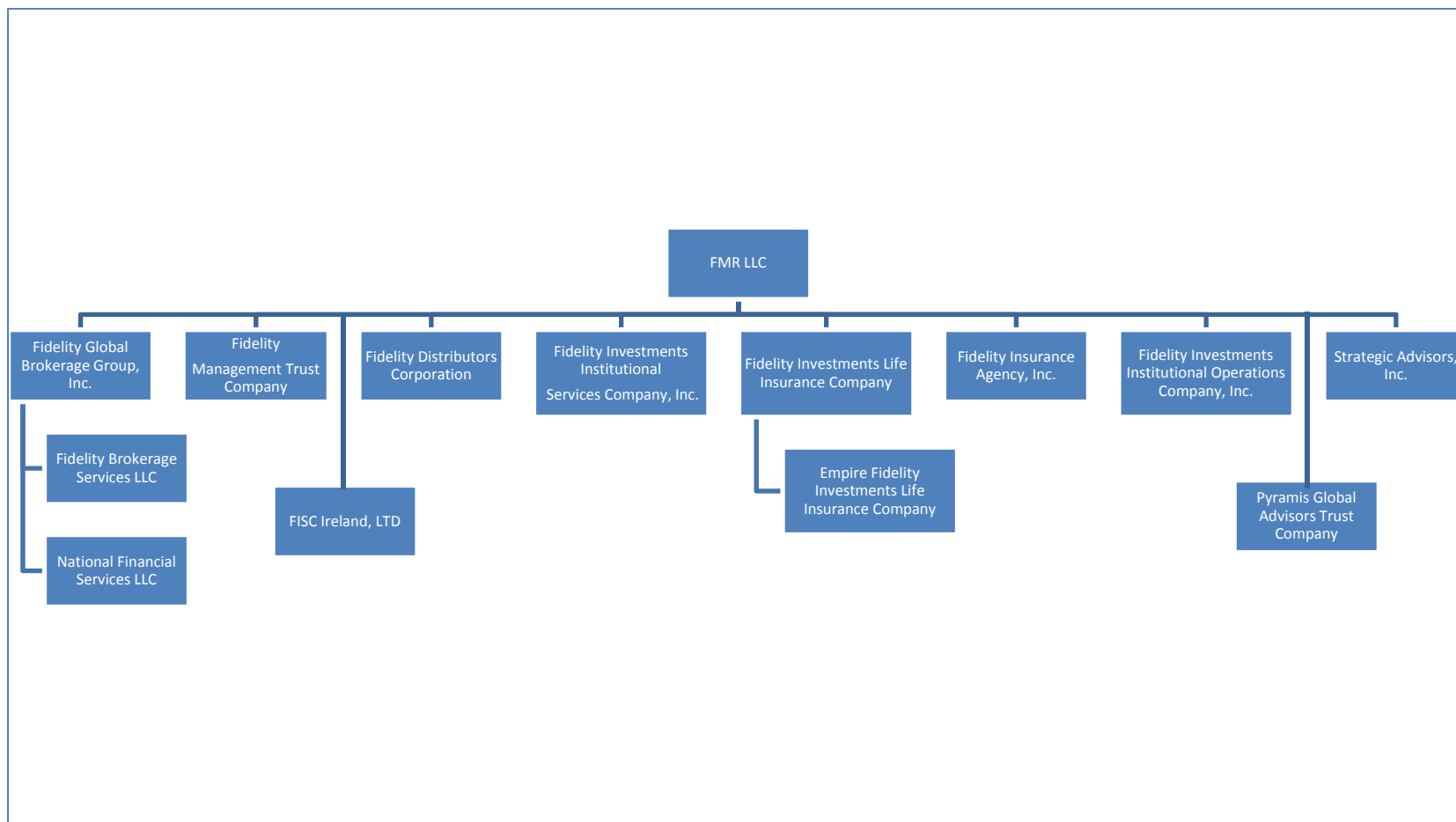
The Company was incorporated as a stock life insurance company under the laws of New York on May 1, 1991, was licensed and commenced business on June 1, 1992. Initial resources of \$7,000,000, consisting of common capital stock of \$2,000,000 and paid in and contributed surplus of \$5,000,000, were provided through the sale of 200,000 shares of common stock (with a par value of \$10 each) for \$35 per share. As of December 31, 2012, the Company's capital and paid in and contributed surplus were \$2,000,000 and \$13,500,000 respectively.

B. Holding Company

The Company is a wholly owned subsidiary of FILI, a Utah company. FILI is in turn a wholly owned subsidiary of Fidelity Management and Research, LLC ("FMR"), a Massachusetts financial services company. The Company's ultimate parent is FMR.

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 eight 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
Distribution Agreement	10/01/1991	<ul style="list-style-type: none"> • Fidelity Brokerage Services, Inc. • Fidelity Insurance Agency (“FIA”) 	The Company	Underwriting and general agent	2010 \$(4,637,359) 2011 \$(4,639,899) 2012 \$(5,422,259)
Administrative Services Agreement File No. 17390 Amendment 1 Amendment 2 Amendment 3	03/10/1992 01/01/1993 10/21/1996 10/12/2001	FILI	The Company	Accounting, data processing, tax & auditing, underwriting, claims, actuarial services, computer & data processing services, and record keeping service agent functions	2010 \$(3,701,701) 2011 \$(3,492,086) 2012 \$(3,351,907)
Distribution Agreement File No. 24084 Amendment	09/15/1996 04/15/2002	FIA	The Company	Independent general agent for sales of EFILI’s annuity and life policies, other than variable life and variable annuities.	2010 \$ (35,068) 2011 \$ (30,651) 2012 \$ (12,071)

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 File No. 32457 Amendment	08/01/2004 04/01/2005	<ul style="list-style-type: none"> • FMR Corp. • Fidelity Brokerage Services, LLC (“FBS”) • National Financial Services, LLC (“NFS”) • Fidelity Security Services, Inc. • Fidelity Corporate Real Estate, Inc. • Veritude LLC • FISC – Ireland Limited • Fidelity Information Systems Company India (Private) Limited 	The Company	<p>Intercompany billing; corporate finance, tax, HR; marketing, legal: treasury; brokerage technology; record management; correspondence services; temporary staffing; and information technology</p> <p>Amendment to add Fidelity Investments Institutional Operations Company, Inc. (“FIIOC”) and incoming mail</p>	<p>2010 \$ (629,040)</p> <p>2011 \$ (514,090)</p> <p>2012 \$ (610,951)</p>
Sublease Agreement File No. 33483**	04/01/2005	NFS	The Company	Lease of Property – New York City	<p>2010 \$ (16,095)</p> <p>2011 \$ (16,095)</p> <p>2012 \$ (22,118)</p>
Separate Account Service Agreement Amendment File No. 43805	08/15/2005	The Company	FIIOC	For Investor Class shares of VIP funds which EFILI purchases for its contract holders, EFILI provides variable product fund administrative services to FIIOC in exchange for a service fee.	<p>2010 \$ 1,934,253</p> <p>2011 \$ 1,986,023</p> <p>2012 \$ 2,309,133</p>

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
Service Contract File No. 422496	10/01/2005	The Company	Fidelity Distributors Corporation ("FDC")	VIP Funds Service Contract – EFILI provides variable product fund transfer agent services to FDC in exchange for a service fee.	2010 \$ 921,154 2011 \$ 1,063,684 2012 \$ 1,148,822
Amendment File No. 43806	01/31/2006				
Investment Management Agreement File No. 35693	01/01/2007	Pyramis Global Advisors Trust Company	The Company	Investment advice and management	2010 \$ (206,511) 2011 \$ (236,927) 2012 \$ (259,461)
Amendment File No. 45839	04/01/2012				

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

** Per the terms of the sublease agreement, EFILI's rent expense is \$16,095. However, in 2012, EFILI was billed \$22,118. The Company is aware of the \$6,023 overcharged in 2012 and is working with the sub-lessor to correct it in 2014.

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 7 and not more than 14 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2012, the board of directors consisted of ten members. Meetings of the board are held quarterly.

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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
William R. Ebsworth Weston, MA	Chief Investment Officer Strategic Advisers, Inc.	2008
Kathleen M. Graveline* Needham, MA	Retired Former Senior Vice President John Hancock Financial Services	2007
Peter G. Johannsen* Wellesley, MA	Partner Sullivan & Worcester	1991
Malcolm MacKay* New York, NY	Retired Former Managing Director Russell Reynolds Associates	1991
Kathleen A. Murphy Wellesley, MA	Acting President Empire Fidelity Investments Life Insurance Company	2009
Rodney R. Rohda Newton, MA	Retired Former President Empire Fidelity Investments Life Insurance Company	1991
Roger T. Servison Brookline, MA	President Corporate and Strategic New Business Development Fidelity Investments	2005
Jon J. Skillman Weston, MA	Managing Director Fidelity International Limited	2005
George M. Slovak Amherst, NH	Executive Vice President of Risk and Compliance Personal Investing, Fidelity Investments	2009
Floyd L. Smith* New York, NY	Retired Former Chief Investment Officer Mutual of New York	1993

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

Effective April 2013, Cyrus Taraporevala was elected to the board of directors of EFILI. Effective July 2013, William R. Ebsworth resigned as a director, and was replaced by Derek L. Young, President of Global Asset Allocation of Strategic Advisers, Inc. George M. Slovak resigned as a director effective April 2013, and was replaced by Norman L. Ashkenas, Senior Vice President and Chief Compliance Officer of Personal Investing, Fidelity Investments in July 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:

<u>Name</u>	<u>Title</u>
Kathleen A. Murphy	Acting President
William J. Johnson, Jr.	Executive Vice President and Actuary
David A. Golino	Senior Vice President and Chief Financial Officer
Robert J. Cummings	Senior Vice President, Client Services and Sales
Brett Wollam	Senior Vice President, Marketing
Edward Cady	Vice President, Systems and Technology
Edward M. Shea	Vice President, General Counsel and Secretary
Felicia F. Tierney	Vice President, Human Resources
Miles Mei	Treasurer
Brian Leary *	Chief Compliance Officer
Earl F. Martin	Appointed Actuary

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

Effective April 2013, Cyrus Taraporevala was elected as President of the Company. Effective April 2013, Deborah A. Walsh was elected as Senior Vice President of Systems and Technology, replacing Edward Cady.

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 only in New York. In 2012, 100% of life premiums and annuity considerations were received from New York. Policies are written on a non-participating basis.

The principal line of business sold during the period under examination was individual annuities. The Company issued deferred and immediate variable annuity products as well as traditional term life policies.

A. Statutory and Special Deposits

As of December 31, 2012, the Company had \$400,000 (par value) of securities in United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

B. Direct Operations

The Company distributes its products through affiliates, FIA, Inc., and discount brokerage firm FBS, due to the securities component of the variable products. These affiliates operate nationwide telephone centers as well as local branches (“Investor Centers”), which work together to provide sales and service to customers. The Company has 974 active appointments for New York licensed representatives. During 2012, the Company’s total direct premiums were \$182.4 million. Variable deferred annuities comprised approximately 98% or \$178.4 million of the total. Within variable deferred annuities, the Company's Personal Retirement Annuity product accounted for approximately \$168.2 million of those sales.

C. Reinsurance

As of December 31, 2012, the Company had reinsurance treaties in effect with seven companies, of which six were authorized or accredited. The Company's life business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and/or 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 \$839,879,000, which represents 86% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$4,633,744, was supported by letters of credit.

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

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, <u>2009</u>	December 31, <u>2012</u>	<u>Increase</u>
Admitted assets	<u>\$1,451,050,444</u>	<u>\$1,926,399,932</u>	<u>\$475,349,488</u>
Liabilities	<u>\$1,396,589,533</u>	<u>\$1,861,474,967</u>	<u>\$464,885,434</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	13,500,000	13,500,000	0
Unassigned funds (surplus)	<u>38,960,910</u>	<u>49,424,965</u>	<u>10,464,055</u>
Total capital and surplus	<u>\$ 54,460,910</u>	<u>\$ 64,924,965</u>	<u>\$ 10,464,055</u>
Total liabilities, capital and surplus	<u>\$1,451,050,444</u>	<u>\$1,926,399,932</u>	<u>\$475,349,488</u>

The majority (94.4%) of the Company's admitted assets, as of December 31, 2012, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2012, exclusive of separate accounts, were mainly comprised of bonds (85%) and cash and short-term investments (15%).

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:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Ordinary:			
Life insurance	\$ 204,223	\$ 378,686	\$ 211,795
Individual annuities	<u>2,255,333</u>	<u>2,484,407</u>	<u>2,316,082</u>
Total ordinary	<u>\$2,459,556</u>	<u>\$2,863,093</u>	<u>\$2,527,877</u>
Total	<u>\$2,459,556</u>	<u>\$2,863,093</u>	<u>\$2,527,877</u>

The increase in the life insurance net gain from 2010 to 2011 is due to higher revenue and lower benefits and expenses. The decrease in the life insurance net gain from 2011 to 2012 was due to lower premiums, higher mortality experience and general expenses.

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 PricewaterhouseCoopers, 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.

PricewaterhouseCoopers, 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	\$ 86,013,005
Cash, cash equivalents and short term investments	15,138,029
Contract loans	35,081
Investment income due and accrued	599,917
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	39,044
Deferred premiums, agents' balances and installments booked but deferred and not yet due	71,781
Reinsurance:	
Amounts recoverable from reinsurers	385,437
Other amounts receivable under reinsurance contracts	43,628
Current federal and foreign income tax recoverable and interest thereon	1,564,609
Net deferred tax asset	2,529,961
Receivables from parent, subsidiaries and affiliates	108,709
Funds administration fee receivable	155,811
State income tax recoverable	134,737
Recordkeeping for receivable	904,739
Prepaid reinsurance premiums	233,857
From separate accounts, segregated accounts and protected cell accounts	<u>1,818,441,587</u>
 Total admitted assets	 <u>\$1,926,399,932</u>

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 46,751,424
Contract claims: Life	26,859
Premiums and annuity considerations for life and accident and health contracts received in advance	2,198
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	242,481
Interest maintenance reserve	982,793
Commissions to agents due or accrued	578,872
General expenses due or accrued	716,740
Transfers to separate accounts due or accrued	(2,701,039)
Taxes, licenses and fees due or accrued, excluding federal income taxes	33,342
Amounts withheld or retained by company as agent or trustee	233,192
Remittances and items not allocated	111,340
Miscellaneous liabilities:	
Asset valuation reserve	210,530
Payable for securities	1,610
From Separate Accounts statement	<u>1,814,284,625</u>
 Total liabilities	 <u>\$1,861,474,967</u>
 Common capital stock	 \$ 2,000,000
 Gross paid in and contributed surplus	 \$ 13,500,000
Unassigned funds (surplus)	<u>49,424,965</u>
 Surplus	 <u>\$ 62,924,965</u>
 Total capital and surplus	 <u>\$ 64,924,965</u>
 Total liabilities, capital and surplus	 <u>\$1,926,399,932</u>

D. Condensed Summary of Operations

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Premiums and considerations	\$153,731,105	\$155,915,868	\$179,842,294
Investment income	1,579,633	1,573,932	1,899,818
Net gain from operations from Separate Accounts	361,192	(142,586)	416,360
Commissions and reserve adjustments on reinsurance ceded	1,101,867	1,019,793	875,946
Miscellaneous income	<u>12,330,974</u>	<u>12,753,788</u>	<u>13,338,056</u>
 Total income	 <u>\$169,104,771</u>	 <u>\$171,120,795</u>	 <u>\$196,372,474</u>
Benefit payments	\$133,352,104	\$121,478,779	\$101,367,360
Increase in reserves	3,984,410	9,681,963	11,090,431
Commissions	4,670,375	4,672,603	5,434,330
General expenses and taxes	5,240,553	4,432,562	4,406,126
Increase in loading on deferred and uncollected premium	16,704	11,734	(13,635)
Net transfers to Separate Accounts	<u>18,090,942</u>	<u>27,115,797</u>	<u>70,602,793</u>
 Total deductions	 <u>\$165,355,088</u>	 <u>\$167,393,438</u>	 <u>\$192,887,405</u>
 Net gain	 \$ 3,749,683	 \$ 3,727,357	 \$ 3,485,069
 Federal and foreign income taxes incurred	 <u>1,290,127</u>	 <u>864,264</u>	 <u>957,192</u>
 Net gain from operations before net realized capital gains	 \$ 2,459,556	 \$ 2,863,093	 \$ 2,527,877
Net realized capital gains (losses)	<u>(18,719)</u>	<u>20,174</u>	<u>(14,480)</u>
 Net income	 <u>\$ 2,440,837</u>	 <u>\$ 2,883,267</u>	 <u>\$ 2,513,397</u>

E. Capital and Surplus Account

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capital and surplus, December 31, prior year	\$ <u>54,460,910</u>	\$ <u>57,548,893</u>	\$ <u>60,692,484</u>
Net income	\$ 2,440,837	\$ 2,883,267	\$ 2,513,397
Change in net deferred income tax	392,308	286,864	523,223
Change in non-admitted assets and related items	119,202	20,544	(175,779)
Change in asset valuation reserve	(42,364)	(47,084)	(74,145)
Cumulative effect of changes in accounting Principles	178,000	0	1,445,785
Net change in capital and surplus for the year	\$ <u>3,087,983</u>	\$ <u>3,143,591</u>	\$ <u>4,232,481</u>
Capital and surplus, December 31, current year	\$ <u>57,548,893</u>	\$ <u>60,692,484</u>	\$ <u>64,924,965</u>

F. Reserves

The Department conducted in-depth reviews of reserves as of December 31, 2012 and December 31, 2013. During these reviews, the Department found that greater conservatism is needed in the assumptions and methodology used for asset adequacy analysis, pursuant to Department Regulation No. 126. In response, the Company revised various assumptions and methodologies for certain variable annuity business, and agreed to establish additional reserves as necessary and appropriate.

The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodologies in a manner acceptable to the Department.

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.

Section 3201(b)(1) of the New York Insurance Law states, in part:

“No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law . . .”

Circular Letter No. 2 (1975) further advises that:

“. . . any form signed by an applicant which pertains to life insurance, accident and health insurance, or annuities, whether that form be described as a preliminary application, or a trial application, or a preliminary inquiry, or an agent's preliminary report, or an informal inquiry, requesting information to be used in determining acceptance or rejection of the applicant for insurance, constitutes an application for insurance and accordingly, requires filing and approval pursuant to Section 154 (now Section 3201) of the NY Insurance Law.”

The Company used “Insurance Request Form” No. SHTFORM-NY (1-02) during the application process. While the form does not ask the applicant for any specific underwriting information, it requires that the proposed insured sign a release for medical information that would be reviewed and used in determining acceptance or rejection of the application.

Though the Company disputes the examiner's description of the use to which the application applies, the examiner strongly recommends that "Insurance Request Form," Form No. SHTFORM-NY (1-02) be filed with the Department for approval.

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. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that, for future years, the Company compute reserves based upon appropriate assumptions and methodology in a manner acceptable to the Department.	21
B	The examiner strongly recommends that "Insurance Request Form," Form No. SHTFORM-NY (1-02) be filed with the Department for approval.	22-23

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. 31023

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:

PETER AGUH

as a proper person to examine the affairs of the

EMPIRE FIDELITY INVESTMENTS 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 1st day of August, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

