

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF

THE INDEPENDENT ORDER OF FORESTERS

AS OF

DECEMBER 31, 2002

DATE OF REPORT:

JANUARY 2, 2004

EXAMINER:

MARK A. MCLEOD

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Gregory V. Serio
Superintendent

January 2, 2004

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22059, dated June 19, 2003 and annexed hereto, an examination has been made into the condition and affairs of The United States Branch of The Independent Order of Foresters, hereinafter referred to as "the Society," at its home office located at 789 Don Mills Road, Don Mills, Ontario, Canada.

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

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

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Society's financial condition as presented in its financial statements contained in the December 31, 2002 filed annual statement. (See item 5 of this report)

The Society violated Section 51.6(b) of Department Regulation No. 60 by failing to furnish sales material, proposals and completed Disclosure Statements to the insurer whose coverage was being replaced, as required by the Regulation. (See item 6A of this report)

The Society violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with, and approved by, the Superintendent. (See item 6B of this report)

The examiner recommends that the Society cease using all of the aforementioned forms until they are filed with, and approved by, the Superintendent. (See item 6B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1999. This examination covers the period from January 1, 2000 through December 31, 2002. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2002 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2002 to determine whether the Society's 2002 filed annual statement fairly presents its financial condition. The examiner reviewed the Society's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

- Society history
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Officers' and employees' welfare and pension plans
- Territory and plan of operation
- Market conduct activities
- Growth of Society
- Business in force by states
- Mortality and loss experience
- Reinsurance
- Accounts and records
- Financial statements

The examiner reviewed the corrective actions taken by the Society with respect to violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 7 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 SOCIETY

A. History

The Society's origin traces back to a reincorporation under the name of the Right Worthy High Court of The Independent Order of Foresters, in Ontario in 1881.

The Society was reincorporated in 1889 as a federal corporation by an act of the Canadian Parliament and has continued to be a federal corporation under Canadian law. In 1890, the Society received a license from the State of New York to conduct business in the United States as an alien fraternal benefit society. In 1913, the Society's name was changed to The Independent Order of Foresters. Since 1926, the following societies have been merged into the Society:

<u>Year</u>	<u>Name of Society</u>
1926	The Ancient Order of the United Workmen of Ontario
1926	The US branch of the Canadian Home Circles
1931	Royal Templars of Temperance
1931	Modern Brotherhood of America
1952	Catholic Mutual Benefit Organization
1971	The Royal Clan Order of Scottish Clans
1971	The Canadian Business of Modern Woodmen of America
1992	Canadian Foresters Life Insurance Society

B. Management

The Society's by-laws provide that the board of directors shall be comprised of the International Fraternal President, 13 officers elected by the International Assembly, and the President and Chief Executive Officer. If a board member dies, resigns, or becomes unable to continue in office, the other board members may elect a voting member of the Society to fill the vacancy. The new board members will remain in office until the next regular meeting of the International Assembly. As of December 31, 2002, the board of directors consisted of 15 members. Meetings of the board are held at least quarterly.

The 15 board members and their principal business affiliation, as of December 31, 2002, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Bernard E. Bloom* Southampton, Hants United Kingdom	Sole Proprietor Insurance Consulting	2000
Patrick L. Culver* Midlothian, IL	President and Chief Executive Officer Culver and Associates	2001
G.A. Dean Francey* Surrey, British Columbia	Resource Development Director Surrey Association for Community Living	2001
William B. Foster Bettendorf, IA	Chairman of the Board The Independent Order of Foresters	1997
Patrick W. Kenny* West Hartford, CT	President and Chief Executive Officer International Insurance Society	1997
Hugh F. Lindsay* Surrey, British Columbia	International Fraternal President The Independent Order of Foresters	1995
Barbara J. McDougall* Toronto, Ontario	Executive Director Canadian Institute of International Affairs	1998
Alexander Mikalachki* London, Ontario	President Mikalachki & Associates	2001
E. Irene Miles* Reseda, CA	Homemaker	2001
Debra A. Roessler* Warrington, PA	Customer Liaison Department of Defense, United States Federal Government	2001
Barbara A. Spencer* Edmonton, Alberta	Self-employed	2001
Clifford V. Thorne* Washington, DC	Managing Director American Institute on Families with Disabilities	2001
W. Ross Walker* Toronto, Ontario	Retired	1997

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
J. Christopher Wansbrough* Toronto, Ontario	Retired	1997
Michael J. White Toronto, Ontario	President and Chief Executive Officer The United States Branch of The Independent Order of Foresters	1998

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

Effective January 1, 2003, William Foster replaced Hugh Lindsay as International Fraternal President.

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 Society as of December 31, 2002:

<u>Name</u>	<u>Title</u>
Michael J. White	President and Chief Executive Officer
Lynn Janice Haight	Senior Vice President and Chief Financial Officer
William J. Valiquette	Senior Vice President of Corporate Governance and Executive Secretary
Paul Michael Winokur	Senior Vice President and Chief Actuary
Glenn Stanley Hymers	Senior Vice President, U.S. Sales and Marketing
Suanne Mary Thuman Nielsen	Senior Vice President, Human Resources and Communications
George Habib	Senior Vice President, Fraternal Operations
George Mohasci	Senior Vice President, Operations
Nicholas Joseph Di Renzo	Senior Vice President, Canada Sales and Marketing
Jon Stephen McDonald	Vice President of Finance, Controller and Executive Treasurer
Robert G. Clint*	Vice President of Market Conduct and Compliance

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

In March 2003, William Valiquette became Senior Vice President of Member Governance and Katherine Rounthwaite became Vice President, General Counsel and Executive Secretary.

C. Territory and Plan of Operation

The United States Branch of The Independent Order of Foresters is an operating segment of the Society. The Society 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 Society is licensed to transact business in the District of Columbia and all states except Vermont. In 2002, 19.5% of life premiums and 30.9% of annuity considerations were received from California and 10.1% of life premiums were received from Illinois. The primary products sold by the Society are traditional whole life and level term life. Certificates are written on a participating basis.

The Society's agency operations are conducted on a branch office basis.

D. Reinsurance

As of December 31, 2002, the Society had reinsurance treaties in effect with three companies, of which one was accredited. The Society's life and accident and health businesses are reinsured on a yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$1,000,000. The total face amount of life insurance ceded as of December 31, 2002 was \$340,274,584, which represents 3.1% of the total face amount of life insurance in force.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Society during the period under examination as extracted from its trustee surplus statements and 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 Society's financial growth reported in the trustee statements during the period under review:

	December 31, <u>1999</u>	December 31, <u>2002</u>	Increase (Decrease)
Trusteed assets	\$2,126,473,433	\$2,176,292,012	\$ 49,818,579
Deposit with the State of New York	<u>1,040,141</u>	<u>1,017,352</u>	<u>(22,789)</u>
Total trustee assets	<u>\$2,127,513,574</u>	<u>\$2,177,309,363</u>	<u>\$ 49,798,789</u>
Liabilities	\$2,219,348,500	\$2,261,684,615	\$ 42,336,115
Deductions from liabilities	<u>218,261,226</u>	<u>199,239,115</u>	<u>(19,022,111)</u>
Net liabilities	\$2,001,087,274	\$2,062,445,500	\$ 61,358,226
Trusteed surplus	<u>126,426,300</u>	<u>114,863,863</u>	<u>(11,562,437)</u>
Total liabilities and trustee surplus	<u>\$2,127,513,574</u>	<u>\$2,177,309,363</u>	<u>\$ 49,795,789</u>

The following table indicates the Society's financial growth reported in the filed annual statements, during the period under review:

	December 31, <u>1999</u>	December 31, <u>2002</u>	Increase (Decrease)
Admitted assets	\$ <u>2,649,028,467</u>	\$ <u>2,664,942,460</u>	\$ <u>15,913,993</u>
Liabilities	\$ <u>2,219,348,500</u>	\$ <u>2,261,684,615</u>	\$ <u>42,336,115</u>
Provision for non-performing assets	\$ 5,726,813	\$ 0	\$ (5,726,813)
Reserve for future fraternal benefits	9,629,985	11,000,000	1,370,015
Special reserve – Arkansas	300,000	300,000	0
Unassigned funds	<u>414,023,169</u>	<u>391,957,845</u>	<u>(22,065,324)</u>
Total surplus	\$ <u>429,679,967</u>	\$ <u>403,257,845</u>	\$ <u>(26,422,122)</u>
Total liabilities and surplus	\$ <u>2,649,028,467</u>	\$ <u>2,664,942,460</u>	\$ <u>15,913,993</u>

The Society's invested assets as of December 31, 2002 were mainly comprised of bonds (78.5%), stocks (8.1%), and certificate loans (5.5%). The Society's entire bond portfolio as of December 31, 2002 was comprised of investment grade obligations.

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Ordinary:			
Life insurance	\$(22,603,363)	\$(19,056,794)	\$(6,056,042)
Individual annuities	3,706,005	2,266,919	(3,495,198)
Supplementary contracts	<u>(3,199,948)</u>	<u>(616,433)</u>	<u>25,894</u>
Total ordinary	<u>\$(22,097,306)</u>	<u>\$(17,406,308)</u>	<u>\$(9,551,240)</u>
Accident and health – Other	\$ <u>243,077</u>	\$ <u>445,476</u>	\$ <u>(343,883)</u>
All other lines	\$ <u>20,731,120</u>	\$ <u>16,028,476</u>	\$ <u>4,050,060</u>
Total insurance	\$ <u>(1,123,109)</u>	\$ <u>(932,356)</u>	\$ <u>(5,819,167)</u>
Fraternal	\$ <u>87,142</u>	\$ <u>(23,385)</u>	\$ <u>2,494,032</u>
Total	<u>\$(1,035,967)</u>	<u>\$(955,741)</u>	<u>\$(3,325,135)</u>

The losses generated by the ordinary life line were primarily due to increasing commissions which resulted from the restructuring of the Society's field force in 2000. The Society began compensating some agents, through a pilot program, on a fixed salary basis in 2000, and then introduced this system to the full field force in 2001. The new compensation structure has had a negative impact on net income because the required volume of sales has not yet reached the level of production required to produce positive returns. Projected productivity levels were expected to reach a break even point sometime in 2005. Investment losses have also contributed to the losses in this line. The \$13 million decrease in net losses in the ordinary life line of business between 2001 and 2002 was due mostly to the \$9 million increase on "Recoveries from investment securities," the \$3 million increase on the "Amortization of Interest Maintenance Reserve," and the \$2 million decrease in the "Expenses for Settlements to Members" in 2002.

The net loss in annuity operations in 2002 was caused by the strain of increased annuity premiums and the increase in annuity and old age benefits paid in 2002.

The \$3 million decrease in net losses in supplementary contracts from 2000 to 2001 is due to the increase in considerations for supplementary contracts with life contingencies in 2001, combined with a change in accounting for deposit-type contract funds.

The \$2 million increase in the fraternal line of business between 2001 and 2002 was caused by the change in the allocation of investment income and expenses. Net investment income of \$15 million, and general insurance expenses and fraternal expenses of \$13 million, which were allocated to the life line in 2001, were allocated to the fraternal line in 2002.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds as of December 31, 2002, as contained in the Society's 2002 trustee surplus statement and 2002 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 Society's financial condition as presented in its financial statements contained in the December 31, 2002 trustee surplus statement or the 2002 filed annual statement.

A1. TRUSTEED SURPLUS STATEMENT

TRUSTEED ASSETS, LIABILITIES, AND TRUSTEED SURPLUS AS OF DECEMBER 31, 2002

Admitted Asset Value

New York State deposit	\$ 994,689
Accrued interest on New York State deposit	22,663
Cash	2,827,322
Bonds	1,917,514,026
Common stock	89,012,816
Mortgage loans on real estate	117,445,483
Real estate	7,769,721
Short term investments	15,875,105
Accrued investment income	<u>25,847,539</u>
Total admitted assets	<u>\$2,177,309,364</u>

Liabilities, Surplus and Other Funds

Aggregate reserve for life policies and contracts		\$1,970,075,178
Aggregate reserve for accident and health policies		1,310,282
Liability for deposit-type contracts		51,371,511
Policy and contract claims:		
Life		14,604,043
Accident and health		17,037
Refunds due and unpaid		15,195
Provision for refunds payable in following calendar yr.– est. amounts		
Refunds apportioned for payment		23,041,570
Premiums and annuity considerations for life and accident and health contracts received in advance		1,882,737
Certificate and contract liabilities:		
Interest maintenance reserve		34,074,628
General expenses due or accrued		7,947,520
Amounts withheld or retained by society as agent or trustee		352,166
Remittances and items not allocated		2,109,878
Liability for benefits for employees and fieldworkers		17,606,385
Miscellaneous liabilities:		
Asset valuation reserve		73,276,751
Reinsurance in unauthorized companies		1,341,747
Reserve for fraternal benefits approved		60,419,141
Benevolent fund		1,799,135
Miscellaneous liabilities		207,575
Interest on certificate claims		<u>232,136</u>
Total liabilities		<u>\$2,261,684,615</u>
Deductions from liabilities:		
Special state deposits	\$ 994,690	
Accrued interest on special state deposits	22,663	
Life insurance premiums and annuity considerations deferred and uncollected	15,489,224	
Accident and health premiums due and unpaid	782	
Policy loans not exceeding reserves carried on such policies	145,383,474	
Asset valuation reserve on assets not held in trust	<u>37,348,282</u>	
Total deductions from liabilities		<u>\$ 199,239,115</u>
Total adjusted liabilities		<u>\$2,062,445,500</u>
Trusted surplus		<u>\$ 114,863,863</u>
Total liabilities and trusted surplus		<u>\$2,177,309,363</u>

A2. FILED ANNUAL STATEMENTASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS
AS OF DECEMBER 31, 2002

<u>Admitted Assets</u>	
Bonds	\$2,057,030,776
Stocks	
Common stocks	212,606,673
Mortgage loans	
First liens	117,445,483
Real estate:	
Properties occupied by the society	4,265,771
Properties held for sale	6,250,000
Certificate loans	145,383,474
Cash and short term investments	70,020,065
Student loans	6,937,911
Reinsurance ceded:	
Amounts recoverable from reinsurers	30,273
Life insurance premiums and annuity considerations	
deferred and uncollected on in force business	15,489,224
Accident and health premiums due and unpaid	782
Investment income due and accrued	29,133,291
Receivable from parent, subsidiaries and affiliates	<u>348,737</u>
Total admitted assets	<u>\$2,664,942,460</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$1,970,075,178
Aggregate reserve for accident and health policies	1,310,282
Liability for deposit-type contracts	51,371,511
Policy and contract claims:	
Life	14,604,043
Accident and health	17,037
Refunds due and unpaid	15,195
Provision for refunds payable in following calendar year – estimated amounts:	
Refunds apportioned for payment	23,041,570
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	1,882,737
Certificate and contract liabilities	
Interest maintenance reserve	34,074,628
General expenses due or accrued	7,947,520
Amounts withheld or retained by society as agent or trustee	352,166
Remittances and items not allocated	2,109,878
Liability for benefits for employees and fieldworkers	17,606,385
Miscellaneous liabilities:	
Asset valuation reserve	73,276,751
Reinsurance in unauthorized companies	1,341,747
Reserve for fraternal benefits approved	60,419,141
Benevolent fund	1,799,135
Miscellaneous liabilities	207,575
Interest on certificate claims	<u>232,136</u>
 Total liabilities	 <u>\$2,261,684,615</u>
 Reserve for future fraternal benefits	 \$ 11,000,000
Special reserve re: Arkansas	300,000
Unassigned funds (surplus)	<u>391,957,845</u>
 Total	 <u>\$ 403,257,845</u>
 Total liabilities, surplus and other funds	 <u>\$2,664,942,460</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Premiums and considerations	\$172,000,759	\$136,838,750	\$149,349,349
Investment income	170,255,746	164,283,482	155,378,465
Commissions and reserve adjustments on reinsurance ceded	4,534	3,613	3,239
Miscellaneous income	<u>47,902,135</u>	<u>2,960,281</u>	<u>12,113,696</u>
Total income	<u>\$390,163,174</u>	<u>\$304,086,126</u>	<u>\$316,844,749</u>
Benefit payments	\$231,066,496	\$181,214,969	\$184,886,645
Commissions	6,427,030	16,243,597	22,388,328
General expenses and taxes	82,945,678	78,615,994	86,782,265
Miscellaneous deductions	<u>48,932,718</u>	<u>6,845,782</u>	<u>3,749,139</u>
Total deductions	<u>\$369,371,922</u>	<u>\$282,920,342</u>	<u>\$297,806,377</u>
Net gain (loss)	\$ 20,791,252	\$ 21,165,784	\$ 19,038,372
Refunds	<u>21,827,218</u>	<u>22,121,525</u>	<u>22,363,507</u>
Net gain (loss) from operations before net realized capital gains	\$ (1,035,966)	\$ (955,741)	\$ (3,325,135)
Net realized capital gains (losses)	<u>64,208,786</u>	<u>4,778,781</u>	<u>(20,291,224)</u>
Net income	<u>\$ 63,172,820</u>	<u>\$ 3,823,040</u>	<u>\$ (23,616,359)</u>

C. SURPLUS ACCOUNT

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Capital and surplus, December 31, prior year	<u>\$429,679,967</u>	<u>\$517,279,454</u>	<u>\$428,672,237</u>
Net income	\$ 63,172,820	\$ 3,823,040	\$ (23,616,359)
Change in net unrealized capital gains (losses)	(28,476,570)	(12,442,098)	(5,440,924)
Change in non-admitted assets and related items	26,706,988	(27,452,620)	12,043,059
Change in liability for reinsurance in unauthorized companies	(68,181)	543,609	(24,762)
Change in asset valuation reserve	13,591,284	(7,295,572)	(8,419,433)
Sundry	339,929	51,035	28,839
Net currency translation adjustments	(51,935)	41,643	15,188
Surplus contribution from parent	<u>12,385,152</u>	<u>(45,876,254)</u>	<u>0</u>
Net change in capital and surplus	<u>\$ 87,599,487</u>	<u>\$ (88,607,217)</u>	<u>\$ (25,414,392)</u>
Capital and surplus, December 31, current year	<u>\$517,279,454</u>	<u>\$428,672,237</u>	<u>\$403,257,845</u>

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Society's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Society.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Society's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Section 51.6(b) of Department Regulation No. 60 states, in part:

“Where a replacement has occurred or is likely to occur, the insurer replacing the life insurance policy or annuity contract shall: . . .

(4) within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed ‘Disclosure Statement’ . . .”

During the examiner's review it was noted that in three cases the Society did not furnish the insurer, whose coverage was being replaced, a copy of the proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed Disclosure Statement. In an additional eight cases, the Society did not furnish to the insurer, whose coverage was being replaced, a copy of the proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract and the completed Disclosure Statement within ten days of receipt of the application.

The Society violated Section 51.6(b) of Department Regulation No. 60 by failing to furnish sales material, proposals and completed Disclosure Statements to the insurer whose coverage was being replaced, as required by the Regulation.

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 the law.”

A review of the Society’s agent manuals indicated that the following supplemental questionnaire forms, which were not filed with and approved by the Superintendent, were to be used in those cases where applicable in the issuance of certificates:

<u>Form Name</u>	<u>Form Number</u>
Activities of Daily Living	101468 US (6-99)
Aerial Sports	101457 US (6-99)
Alcohol	101458 US (6-99)
Attention Deficit Disorder	101461 US (6-99)
Chest Pain	101475 US (6-99)
Arthritis	101459 US (6-99)
Asthma	101460 US (6-99)
Mental/Nervous Disorder	101473 US (6-99)
Back Disorder	101462 US (6-99)
Military	101472 US (6-99)
Drugs	101464 US (6-99)
Convulsions	101474 US (6-99)
Financial Business	101463 US (6-99)
Tobacco Usage Supplement	101470 US (6-99)
Hazardous Sports	101465 US (6-99)
Motor Sports	101466 US (6-99)
Power/Motor Boat	101456 US (6-99)
Scuba Diving	101469 US (6-99)

A review the Society's application files revealed that the Society used the Activities of Daily Living supplemental questionnaire form in two cases and the Attention Deficit Disorder supplemental questionnaire form in two cases.

The Society violated Section 3201(b)(1) of the New York Insurance Law by using in this state policy forms that were not filed with, and approved by, the Superintendent.

The examiner recommends that the Society cease using all of the aforementioned forms until they are filed with, and approved by, the Superintendent.

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. 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 Society in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The prior report on examination cited the Society for violating Section 1308(f)(1)(B) of the New York Insurance Law by reinsuring 100% of the risk on 11 certificates issued in the State of New York. 100% of the risk on six of the certificates continue to be reinsured. The examiner recommended that the Society recapture the risk on these six certificates to comply with the aforementioned section of the New York Insurance Law.</p> <p>The Society recaptured the risk on these six certificates to comply with the aforementioned section of the New York Insurance Law.</p>
B	<p>The examiner recommended that the Society exercise necessary due care in the preparation of the Exhibit of Annuities.</p> <p>The Society exercised necessary due care in the preparation of the Exhibit of Annuities during the examination period.</p>
C	<p>The Society violated Section 3227 of the New York Insurance Law on five out of 18 (27.8%) surrendered certificates reviewed by failing to pay interest in accordance with the aforementioned section of the New York Insurance Law.</p> <p>A review of surrendered certificates indicated that the Society did pay interest where applicable in accordance with Section 3227 of the New York Insurance Law.</p>
D	<p>The examiner recommended that the Society: 1) pay the required interest in the five instances discussed in item C above and revise its procedures to pay interest in the future; and 2) review its records to determine whether any other certificateholders are owed interest and make payment to such certificateholders.</p> <p>A review of surrendered certificates indicated that the Society did pay interest where applicable in accordance with Section 3227 of the New York Insurance Law.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violations and the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Society violated Section 51.6(b) of Department Regulation No. 60 by failing to furnish sales material, proposals and completed Disclosure Statements to the insurer whose coverage was being replaced, as required by the Regulation.	18
B	The Society violated Section 3201(b)(1) of the New York Insurance Law by using policy forms that were not filed with, and approved by, the Superintendent.	19
C	The examiner recommends that the Society cease using all of the aforementioned forms until they are filed with, and approved by, the Superintendent.	19

Respectfully submitted,

/s/

Mark McLeod
Associate Insurance Examiner

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

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

/s/
Mark McLeod

Subscribed and sworn to before me

this _____ day of _____ 2004.

APPOINTMENT NO. 22059

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

MARK MCLEOD

as a proper person to examine into the affairs of the

INDEPENDENT ORDER OF FORESTERS

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

SOCIETY

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 19th day of June, 2003



GREGORY V. SERIO

Superintendent of Insurance

[Handwritten Signature]
Superintendent