STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

NORTH AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE OF NEW YORK

AS OF

DECEMBER 31, 2001

DATE OF REPORT:	AUGUST 2, 2002
EXAMINER:	ANTHONY MAURO

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

August 2, 2002

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

Sir:

In accordance with instructions contained in Appointment No. 21828, dated January 25, 2002 and annexed hereto, an examination has been made into the condition and affairs of North American Company for Life and Health Insurance of New York, hereinafter referred to as ("the Company" or "NANY"), at its home office located at 990 Stewart Avenue, Garden City, New York, 11530.

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 Department conducted a review of reserves as of December 31, 2001 and as of December 31, 2002. This review included an examination of the supporting asset adequacy analyses in accordance with Department Regulation No. 126. During the review, concerns were raised relating to the reasonableness and lack of conservatism in certain actuarial assumptions used in the Company's asset adequacy analysis. The Company has agreed to progressively strengthen the reserves in the amount of $10 million per year for three years (for a total of $30 million) starting December 31, 2003. The Department will determine if these additional reserves can be released after the next examination. (See item 5D of this report)

In 2000, Institutional Founders Life Insurance Company, the Company's parent, acquired Royal Life Insurance Company of New York ("Royal"), a New York domiciled insurer, and merged Royal into NANY. (See item 3A of this report)

The Company violated Section 1505(d)(1) of the New York Insurance Law by entering into a limited investment partnership with two affiliated companies which exceeded more than one-half of one percent but less than five percent of the insurer's admitted assets at last year-end without notifying the Superintendent in writing of its intention to do so. (See item 3B of this report)

The examiner recommends that the Company develop a more comprehensive disaster recovery plan for the Company's home office in Garden City, NY and continue with the development of a disaster recovery plan for its annuity systems in Des Moines, IA. (See item 7 of this report)

The examiner recommends that the Company develop a business continuity plan. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1998. This examination covers the period from January 1, 1999 through December 31, 2001. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2001 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, 2001 to determine whether the Company's 2001 filed annual statement fairly presents its financial condition. The examiner reviewed the Company'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:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to violations 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 casualty insurance company under the laws of New York on July 29, 1959, and commenced business in December 1959 under the name North American Accident Insurance Company. Initial resources of $500,000 (capital $300,000 and surplus $200,000) were provided through the sale of 3,000 shares of common stock.

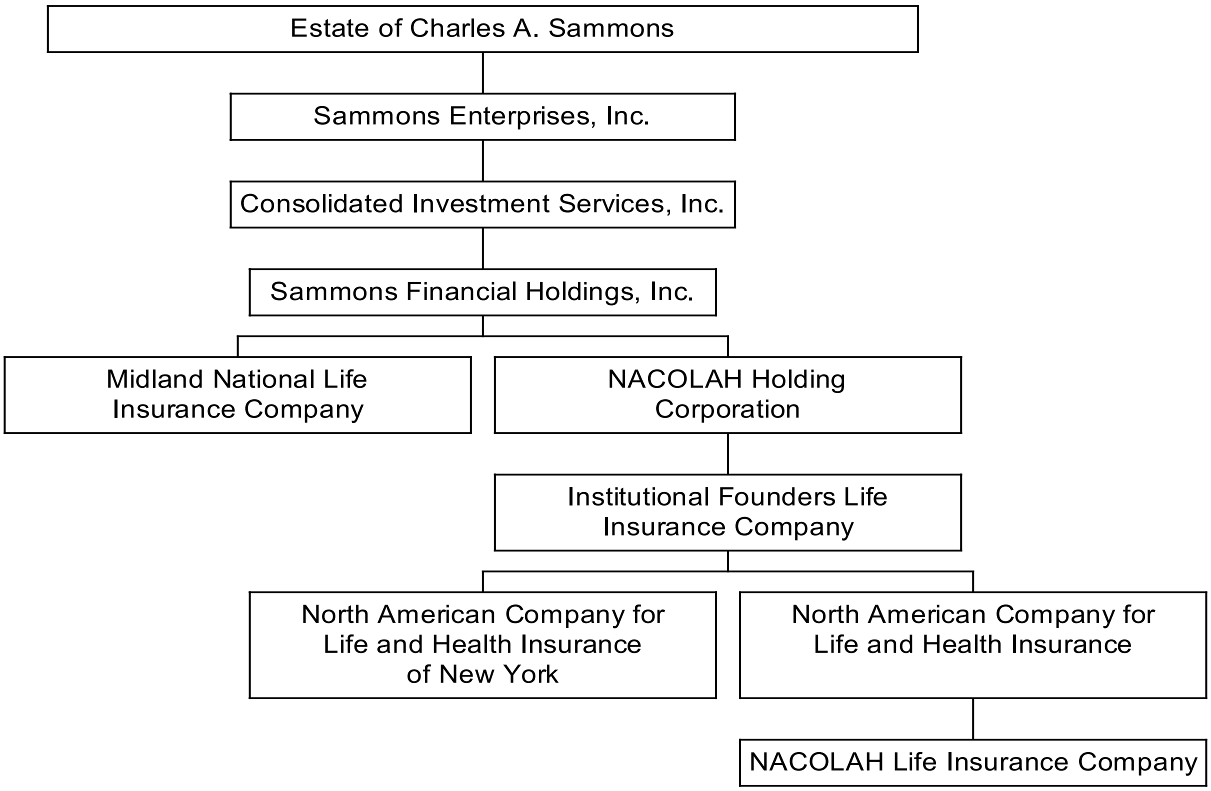
In July 1981, the Company's charter was amended to permit it to write life insurance and annuities, as well as accident and health insurance, and its name was changed to North American Company for Life and Health Insurance of New York.

Effective January 1, 1975, all shares of common stock were acquired by North American Company for Life and Health Insurance ("NACOLAH"). In 1986, General Electric Company, NANY's former ultimate parent, sold its stock in NACOLAH to Home Security Life Insurance Company ("HOME"). In 1987 HOME, a wholly owned subsidiary of NACOLAH Holding Corporation ("NACOLAH Holding"), changed its name to Institutional Founders Life Insurance Company ("IFLIC"). In March 1996, Sammons Enterprises, Inc., a Delaware corporation, purchased NACOLAH Holding and became NANY's ultimate parent with NACOLAH remaining NANY's immediate parent. In 2000, NACOLAH transferred its ownership interest in NANY to IFLIC via a dividend. Also in 2000, IFLIC acquired Royal Life Insurance Company of New York ("Royal"), a New York domiciled insurer, and merged Royal into NANY.

B. Holding Company

The Company is a wholly owned subsidiary of IFLIC, which in turn is a wholly owned subsidiary of NACOLAH Holding. The ultimate parent of the Company is Sammons Enterprises, Inc.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system, as of December 31, 2001 follows:



The Company had seven agreements in effect with affiliates as of December 31, 2001.

1) A service agreement between NANY and NACOLAH, dated January 1, 1992, in which NACOLAH provides certain administrative services including: actuarial; accounting; sales promotion; electronic data processing; office and legal services.

2) A claims service agreement between NANY and NACOLAH, dated July 1, 1992, in which NACOLAH provides claims review and evaluation and processing services in connection with annuities.

3) A service agreement between NANY and NACOLAH, dated August 12, 1998, in which NACOLAH provides administrative support for NANY policies issued through the Chase Insurance Agency.

4) A reciprocal agreement dated September 1, 1999 between NANY and NACOLAH in which NANY provides to NACOLAH a variety of services similar to those provided under the August 12, 1998 agreement.

5) A service agreement between NANY and Midland National Life Insurance Company ("Midland"), dated December 15, 1999, in which Midland provides: certain administrative; marketing and agency administration; data processing; and general management services in connection with life and annuity operations.

6) A tax allocation agreement, dated March 19, 1996, with IFLIC, NACOLAH and NACOLAH Life Insurance Company.

7) An investment management agreement with NACOLAH Holding, dated July 1996 in which NACOLAH Holding acts as investment manager for the Company, which includes rendering advice and services necessary regarding the purchase, sale, or disposition of investments in accordance with NANY's investment policies.

Section 1505(d) of the New York Insurance Law states, in part:

> "The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period:
> (1) sales, purchases, exchanges, loans or extensions of credit, or investments, involving more than one-half of one percent but less than five percent of the insurer's admitted assets at last year-end . . . "
> (3) rendering of services on a regular or systemic basis . . . "

The Company entered into a limited investment partnership with Midland and NACOLAH whereby NANY's investment in the partnership was $7,500,000. The investment exceeds more than one-half of one percent but is less than five percent of the Company's admitted assets at last year-end. The purpose of the partnership is to participate in investments not ordinarily open to limited partners because of minimum investment requirements or other stated limitations. NANY would not have met the minimum investment requirement for the partnership without the participation of Midland and NACOLAH.

The Company violated Section 1505(d)(1) of the New York Insurance Law by entering into the limited investment partnership with two affiliated companies, which exceeded more than one-half of one percent but was less than five percent of the insurer's admitted assets at last year-end, without notifying the Superintendent in writing of its intention to do so.

As part of the Company's bond asset as of December 31, 2001, the Company reported an amount of $104,920,407 for 40 credit tenant loans ("CTL"). The loan documents pertaining to the CTL's were maintained at Midland in Sioux Falls, South Dakota. The service agreement between NANY and Midland does not allow for custodial functions to be provided by Midland. When brought to the Company's attention, the loan documents pertaining to the CTL's were sent to the Company's home office.

The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving custodial services from an affiliated company on a regular or systemic basis without notifying the Superintendent in writing of its intention to do so.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine directors. Directors are elected annually at the meeting of the stockholders held in April of each year. During the examination period, the board took action primarily by "unanimous consent" in lieu of meetings pursuant to Section 708 of the Business Corporation Law.

Article II Section 1 of the Company's by-laws state, in part:

> "The corporate powers shall be exercised by and under the direction and supervision of a Board of Directors composed of nine (9) natural persons . . . "

Article V of the Company's charter states, in part:

> "The Board of Directors shall consist of not less than nine (9) directors . . . "

Section 1202(a)(1) of the New York State Insurance Law states, in part:

> " . . . subject to any provision of the corporate charter of a domestic insurance company, the number of directors shall be fixed by the by-laws, or if not so fixed, by action of the directors. . . . "

On April 30, 2001, an affiliated director resigned leaving the Company with eight directors. Jill F. Willman was elected as a director on February 2, 2002. During the period April 30, 2001 to February 2, 2002 the board was comprised of only eight directors.

The Company violated Section 1202(a)(1) of the New York Insurance Law by failing to maintain the required minimum number of directors as fixed by the by-laws of the Company.

The eight board members and their principal business affiliation, as of December 31, 2001, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John J. Craig Sioux Falls, SD	Senior Vice President and Treasurer North American Company for Life and Health Insurance of New York	1997
Fletcher Hodges III * New York, NY	President Hodges Capital Management	1988
Robert W. Korba Dallas, TX	President Sammons Enterprises, Inc.	1996
Michael M. Masterson Sioux Falls, SD	Chairman, President and Chief Executive Officer North American Company for Life and Health Insurance of New York	1996
John A. Sivright * Hastings on the Hudson, NY	Senior Vice President Donaldson, Lufkin & Jenrette	1998
Walter W. Smith * East Hampton, NY	Retired	1988
Michael A. Temple * Rye, NY	Director Dresdner Kleinwort Wasserstein	2001

Name and Residence	Principal Business Affiliation	Year First Elected
Edward A. Turner Lincolnshire, IL	Executive Vice President North American Company for Life and Health Insurance of New York	1999

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

The following is a listing of the principal officers of the Company as of December 31, 2001:

Name	Title
Michael M. Masterson	Chairman, President and Chief Executive Officer
Jill F. Willman*	Executive Vice President and Chief Operating Officer
Edward A. Turner	Executive Vice President
John J. Craig	Senior Vice President and Treasurer
Donald J. Iverson	Senior Vice President and Corporate Actuary
Gary J. Gaspar	Senior Vice President and Chief Information Officer
Stephen P. Horvat, Jr.	Senior Vice President – Legal and Secretary
Brian P. Rohr	Senior Vice President – Operations
Timothy K. Traynor	Senior Vice President and Chief Marketing Officer

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

D. Territory and Plan of Operation

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 three states, namely Illinois, New York and North Dakota, although it is currently writing business only in New York. All business is written on a non-participating basis.

The Company specializes in the sale of term life insurance protection for 10 to 30 year durations to middle and upper income individuals ages 40 to 65. The Company also markets a basic universal life product and has both individual and group annuities on its books. During 2001, no new annuity contracts were issued and NANY considers its annuity business a closed block. The Company ceased writing accident and health insurance in 1985.

The sale of the Company's products is conducted principally through broker general agents, personal producing general agents, direct response organizations, and financial institutions.

E. Reinsurance

As of December 31, 2001, the Company had reinsurance treaties in effect with 17 companies, of which 15 were authorized or accredited. The Company's life insurance policies are ceded on a coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for each ordinary individual life contract is $250,000. The total face amount of life insurance ceded, as of December 31, 2001, was $10,480,513,848, which represents 67.2% of the total face amount of life insurance in force. A reserve credit taken for reinsurance ceded to unauthorized companies was supported by funds withheld in the amount of $8,345,332 and a letter of credit in the amount of $2,771,753.

The total face amount of life insurance assumed, as of December 31, 2001, was $43,517,066.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 1998	December 31, 2001	Increase
Admitted assets	$191,132,125	$884,049,075	$692,916,950
Liabilities	$167,166,005	$800,355,629	$633,189,624
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	10,580,759	10,580,759	0
Unassigned funds (surplus)	11,385,361	71,112,688	59,727,327
Total capital and surplus	$ 23,966,120	$ 83,693,447	$ 59,727,327
Total liabilities, capital and surplus	$191,132,125	$884,049,075	$692,916,950

The significant increase in the financial growth during the period under review is primarily the result of the acquisition of Royal in 2000.

The Company's invested assets, as of December 31, 2001, were comprised primarily of bonds (91.4%) the majority (92.9%) of which were of investment grade obligations.

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

	Ordinary Annuities		
	1999	2000	2001
Outstanding, end of previous year	647	20,073	17,109
Issued during the year	0	0	150
Other net changes during the year	(93)	(2,964)	(1,533)
Outstanding, end of current year	554	17,109	15,726

The increase in the outstanding number of annuities from 1999 to 2000 was the result of the acquisition of the block of fixed annuities from Royal in 2000 and is considered a closed block.

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:

	1999	2000	2001
Ordinary:			
Life insurance	$3,515,398	$ 3,113,253	$(4,130,678)
Individual annuities	355,752	7,452,134	7,258,215
Supplementary contracts	(74,070)	775,503	(176,109)
Total ordinary	$3,797,080	$11,340,890	$ 2,951,428
Group:			
Life	$ 73	$ 4,745	$ 5,549
Annuities	0	(99,787)	304,018
Total group	$ 73	$ (95,042)	$ 309,567
Accident and health:			
Group	$ (26,901)	$ (26,518)	$ (22,221)
Other	7,193	11,135	7,630
Total accident and health	$ (19,708)	$ (15,383)	$ (14,591)
Total	$3,777,445	$11,230,465	$ 3,246,404

The loss on the ordinary life insurance line in 2001 relates to increases in benefits, insurance expenses and federal income taxes. The loss on the supplementary contract line in 2001 relates to changes in aggregate reserves. The increase in gains in 2001 for the group annuity line relates to the acquisition of Royal. The Company is no longer issuing accident and health insurance and the existing business is in run-off.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2001, as contained in the Company's 2001 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2001

Admitted Assets

Bonds	$787,998,952
Preferred stocks	4,563,000
Policy loans	21,524,510
Cash and short term investments	30,857,681
Other invested assets	7,840,758
Receivable for securities	9,569,724
Reinsurance ceded:	
Amounts recoverable from reinsurers	413,870
Commissions and expense allowances due	176,043
Federal income tax recoverable	5,291,175
Life insurance premiums and annuity considerations deferred and uncollected on in force business	6,703,033
Investment income due and accrued	9,095,175
Receivable from parent, subsidiaries and affiliates	15,154
Total admitted assets	$884,049,075

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$725,009,797
Aggregate reserve for accident and health policies	115,341
Liability for deposit-type contracts	2,970,352
Policy and contract claims – life	4,540,086
Premiums and annuity considerations received in advance	78,458
Interest maintenance reserve	2,910,333
Commissions to agents due or accrued	581,686
General expenses due or accrued	2,205,379
Taxes, licenses and fees due or accrued	(91,826)
Amounts withheld or retained by company as agent or trustee	67,253
Amounts held for agents' account	105,038
Remittances and items not allocated	3,855,130
Borrowed money and interest thereon	21,559,000
Miscellaneous liabilities:	
Asset valuation reserve	686,856
Funds held under reinsurance treaties with unauthorized reinsurers	8,345,332
Payable to parent, subsidiaries and affiliates	7,460,205
Payable for securities	16,749,444
Retained assets	2,560,731
Investment suspense	218,047
Miscellaneous liabilities	404,453
Abandoned property	24,535
Total liabilities	$800,355,629
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	10,580,759
Unassigned funds (surplus)	71,112,688
Total capital, surplus and other funds	$ 83,693,447
Total liabilities, capital, surplus and other funds	$884,049,075

B. CONDENSED SUMMARY OF OPERATIONS

	1999	2000*	2001*
Premiums and considerations	$34,919,331	$ 51,776,644	$ 48,905,044
Investment income	12,405,856	62,443,952	59,406,404
Commissions and reserve adjustments on reinsurance ceded	835,799	2,577,030	5,041,508
Miscellaneous income	0	29,360	150,537
Total income	$48,160,987	$116,826,987	$113,503,492
Benefit payments	$17,020,929	$154,510,631	$ 90,580,340
Increase in reserves	8,984,608	(19,053,037)	(9,265,314)
Commissions	6,346,571	7,263,375	8,797,070
General expenses and taxes	9,824,477	12,733,099	13,475,895
Increase in loading and cost of collection	320,325	(229,679)	(1,127,025)
Miscellaneous deductions	89,044	(54,616,149)	0
Total deductions	$42,585,957	$100,608,239	$102,460,968
Net gain	$ 5,575,031	$ 16,218,747	$ 11,042,524
Federal income taxes	1,797,584	4,988,282	7,796,121
Net gain from operations before net realized capital gains	$ 3,777,447	$ 11,230,465	$ 3,246,404
Net realized capital gains (losses)	2	0	(7,920,338)
Net income (loss)	$ 3,777,449	$ 11,230,465	$ (4,673,934)

* The amounts reported in 2000 and 2001 include Royal.

C. CAPITAL AND SURPLUS ACCOUNT

	1999	2000*	2001
Capital and surplus, December 31, prior year	$23,966,119	$88,099,738	$90,428,693
Net income	$ 3,777,449	$11,247,245	$(4,673,934)
Change in net unrealized capital gains (losses)	0	(727,434)	701,971
Change in nonadmitted assets and related items	(602,510)	731,486	43,141
Change in liability for reinsurance in Unauthorized companies	(259,894)	100,516	159,378
Change in asset valuation reserve	(302,891)	(1,022,857)	5,470,056
Cumulative effect of changes in accounting Principles	0	0	(435,858)
Dividends to stockholders	0	(8,000,000)	(8,000,000)
Net change in capital and surplus	$ 2,612,154	$ 2,328,955	$(6,735,246)
Capital and surplus, December 31, current year	$26,578,273	$90,428,693	$83,693,447

* The beginning surplus reported in 2000 includes the surplus of Royal.

D. RESERVES

The Department conducted a review of reserves as of December 31, 2001 and as of December 31, 2002. This review included an examination of the supporting asset adequacy analyses in accordance with Department Regulation No. 126. During the review, concerns were raised relating to the reasonableness and lack of conservatism in certain actuarial assumptions used in the Company's asset adequacy analysis. The Company has agreed to progressively strengthen the reserves in the amount of $10 million per year for three years (for a total of $30 million) starting December 31, 2003. The Department will determine if these additional reserves can be released after the next examination.

6. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

Section 219.5(a) of Department Regulation No. 34-A states, in part:

> "Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this State, with a notation indicating the manner and extent of distribution and the form number of any policy advertised. In order to be complete, the file must contain all advertisements whether used by the company, its agents or solicitors or other persons. . . . "

The Company's advertising file failed to include a notation indicating the manner and extent of distribution for each advertisement disseminated in this State. The Company stated that it maintains a record of the manner and extent of distribution of each advertisement at NACOLAH's office in Chicago but such was not provided to the examiner for review.

The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain at its home office a complete advertising file containing a notation indicating the manner and extent of distribution for each advertisement.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Based upon the sample reviewed, no significant findings were noted.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the "Supplement"), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company reported that to the best of its knowledge, it has never utilized race, color, creed or national origin to market or price products, compensate agents, underwrite policies or contracts or develop products. The Company did not begin writing life insurance until 1981 when the Company's charter was amended to permit it to write life insurance and annuities.

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

7. DISASTER RECOVERY AND BUSINESS CONTINUITY

A review of the Company's disaster recover and business continuity plans was made. The Company's disaster recovery plan was limited with respect to the recovery of systems located at the Company's home office in Garden City, NY. There were no plans to recover the server located at the Garden City office. In addition, the Company's disaster recovery plan does not currently address annuity systems that are maintained in Des Moines, IA. The Company intends to address the annuity systems in a revised disaster recovery plan by December 31, 2002.

The examiner recommends that the Company develop a more comprehensive disaster recovery plan for the home office in Garden City, NY and continue with the development of a disaster recovery plan for its annuity systems in Des Moines, IA.

The Company indicated that it does not currently have a business continuity plan in place to reasonably ensure that the recovery of critical business processes could take place in the event of a disaster.

The examiner recommends that the Company develop a business continuity plan. Such a plan should identify the recovery of critical business processes. The plan should also identify supporting systems applications, vendors that would assist with locating alternate processing and office site locations, forms and documentation arrangements, network and application restoration procedures, and procedures to be followed by Company personnel during the disaster and recovery period. The plan should contain provisions to ensure periodical testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the business continuity test plan and results and documentation of management approval of the plan should be maintained.

8. REMITTANCES AND ITEMS NOT ALLOCATED

The Company reported a liability for remittances and items not allocated of $3,855,130, as of December 31, 2001. A review of the ledger accounts revealed that the liability contained items dating back to the prior examination period. A sample of outstanding items was selected and the Company was asked to provide supporting documentation and additional explanations for those items. The Company's response was that the items should be cleared and it subsequently did so.

The examiner recommends that the Company establish better controls to reconcile, investigate and clear items in the accounts that comprise the liability "Remittances and items not allocated" on a timely basis.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The Company violated Section 219.4(p) of Department Regulation No. 34-A by not clearly identifying its name and the town in which it has its home office on the Company's web site. A review of the Company's web site revealed that the Company clearly identifies its name and town in which it has its home office.
B	The Company violated Section 219.4(a)(1) of Department Regulation No. 34-A by advertising its preferred interest policy loans as having no net interest costs and by omitting a restrictive provision in the advertisement of its preferred interest policy loans. A review of the Company's advertisements revealed that the Company did not advertise preferred interest policy loans as having no net interest costs.

10. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The Company violated Section 1505 (d)(1) of the New York Insurance Law by entering into the limited investment partnership with two affiliated companies which exceeded more than one-half of one percent but less than five percent of the insurer's admitted assets at last year-end without notifying the Superintendent in writing of its intention to do so.	6 – 7
B	The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving custodial services from an affiliated company on a regular or systemic basis without notifying the Superintendent in writing of its intention to do so.	6 – 7
C	The Company violated Section 1202(a)(1) of the New York Insurance Law by failing to maintain the required minimum number of directors as fixed by the by-laws of the Company	7 – 8
D	The Company has agreed to progressively strengthen the reserves in the amount of $10 million per year for three years (for a total of $30 million) starting December 31, 2003. The Department will determine if these additional reserves can be released after the next examination.	16
E	The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain at its home office a complete file containing a notation indicating the manner and extent of distribution for each advertisement.	17
F	The examiner recommends that the Company develop a more comprehensive disaster recovery plan for the Company's home office in Garden City, NY and continue with the development of a disaster recovery plan for its annuity systems in Des Moines, IA.	19

Item	Description	Page No(s).
G	The examiner recommends that the Company develop a business continuity plan.	19
H	The examiner recommends that the Company establish better controls to reconcile, investigate and clear items in the accounts that comprise the liability "Remittances and items not allocated" on a timely basis.	20

Respectfully submitted,

______/s/______________
Anthony Mauro
Senior Insurance Examiner

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

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

______/s/______________
Anthony Mauro

Subscribed and sworn to before me

this_________ day of ___________________

APPOINTMENT NO. 21828

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:

ANTHONY MAURO

as a proper person to examine into the affairs of the

NORTH AMERICAN COMPANY FOR LIFE & HEALTH INSURANCE OF NEW YORK

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

COMPANY

with such other information as he shall deem requisite.

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

this 25th day of January ,2002

GREGORY V. SERIO
Superintendent of Insurance

Superintendent