



STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
AMALGAMATED LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2004

DATE OF REPORT:

MARCH 3, 2006

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

AMALGAMATED LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

DATE OF REPORT:

MARCH 3, 2006

EXAMINER:

ELKIN WOODS

TABLE OF CONTENTS

| <u>ITEM</u> | <u>PAGE NO.</u> |
|---|-----------------|
| 1. Executive summary | 2 |
| 2. Scope of examination | 3 |
| 3. Description of Company | 4 |
| A. History | 4 |
| B. Holding company | 4 |
| C. Management | 6 |
| D. Territory and plan of operation | 9 |
| E. Reinsurance | 11 |
| 4. Significant operating results | 12 |
| 5. Financial statements | 15 |
| A. Assets, liabilities, capital and surplus | 15 |
| B. Condensed summary of operations | 17 |
| C. Capital and surplus account | 18 |
| 6. Market conduct activities | 19 |
| A. Advertising and sales activities | 19 |
| B. Underwriting and policy forms | 19 |
| C. Treatment of policyholders | 20 |
| 7. Prior report summary and conclusions | 21 |
| 8. Summary and conclusions | 22 |



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

George E. Pataki
Governor

Howard Mills
Superintendent

March 3, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22410, dated September 9, 2005 and annexed hereto, an examination has been made into the condition and affairs of Amalgamated Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 730 Broadway, New York, New York 10003.

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

On March 26, 2001, the Department granted approval to transfer the ownership of ALICO Services Corporation (“ASC”), the Company’s parent, from the Amalgamated Insurance Fund (“the Fund”) to the Amalgamated Cotton Garment & Allied Industries Pension Fund (“the Cotton Fund”). As part of its reorganization, the Company, although still wholly owned by ASC, became part of a newly formed holding company, the Cotton Fund. In November 2003, the Cotton Fund merged with the ILGWU National Retirement Fund (“the NRF Fund”) to form the UNITE National Retirement Fund (“UNITE Retirement”). (See item 3B of this report)

On September 18, 2003, the Company amended its charter to increase the amount of its capital from \$2,000,000 to \$2,500,000, effectively increasing the par value of its common stock to \$12.50 per share. (See item 3A of this report)

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

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2004. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2004 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, 2004 to determine whether the Company's 2004 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
- Officers' and employees' welfare and pension plans
- 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 the violation 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 COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State 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.

On September 18, 2003, the Company amended its charter to increase the amount of its capital from \$2,000,000 to \$2,500,000, effectively increasing the par value of its common stock to \$12.50 per share.

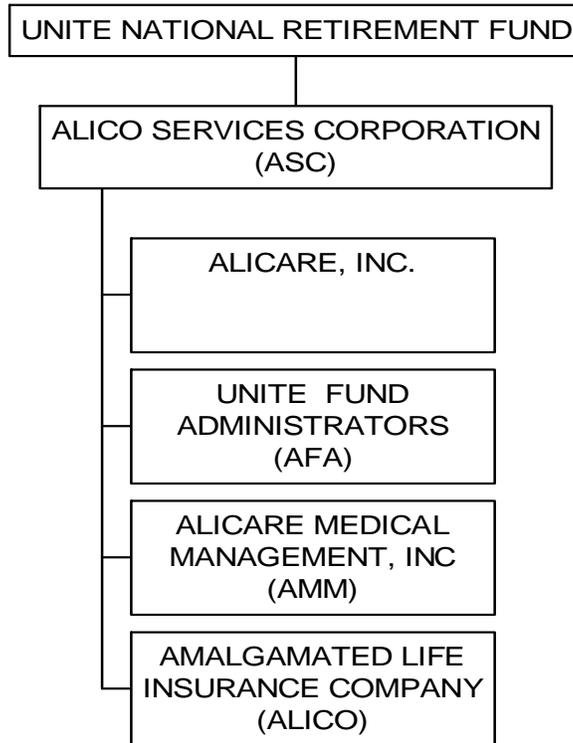
The Company was organized by the Fund, a welfare fund established by the Union of Needletrades, Industrial and Textile Employees (“UNITE”) (formerly known as Amalgamated Clothing Workers of America) and employers in the clothing industry. The Company was formed as a non-profit insurer to provide life 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 Taft-Hartley plans sponsored by UNITE. 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.

B. Holding Company

As of December 31, 2004 the Company was wholly owned by ASC, which in turn was wholly owned by UNITE Retirement. On March 26, 2001, the Department granted approval to transfer the ownership of ASC from the Fund to the Cotton Fund. The Company and its affiliates have provided services to both health, welfare and pension funds including those of the Fund and the Cotton Fund. As part of its reorganization, the Company, although still wholly owned by ASC, became part of a newly formed holding company, the Cotton Fund.

In November 2003, the Cotton Fund merged with the ILGWU National Retirement Fund to form the UNITE Retirement.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2004 follows:



The Company had two service agreements in effect with affiliates during the examination period.

| Type of Agreement and Department File Number | Effective Date | Provider(s) of Service(s) | Recipient(s) of Service(s) | Specific Service(s) Covered | Income/ (Expense)* For Each Year of the Examination |
|--|----------------|---------------------------|----------------------------|--|--|
| Administrative services File No. 20719 | 10/15/93 | The Company | Alicare, Inc., AMM, AFA | All Services except Investment and Data Processing | 2004 - \$47,058,407 2003 - \$37,869,687 2002 - \$37,327,812 2001 - \$26,340,019 |
| Administrative services File No. 19879 | 10/29/92 | Alicare, Inc. | The Company | Data Processing | 2004 - \$(127,000) 2003 - \$(63,495) 2002 - \$(127,000) 2001 - \$(127,000) |

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

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 25 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, 2004, the board of directors consisted of 23 members. Meetings of the board were held twice in 2001 and three times in each of the years from 2002 to 2004.

The 23 board members and their principal business affiliation, as of December 31, 2004, were as follows:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> | <u>Year First Elected</u> |
|---|--|---------------------------|
| Harold Bock Parkersburg, WV | Vice President UNITE Mid-Atlantic Regional Joint Board | 2001 |
| James Brubaker* Bridgewater, NJ | Senior Vice President Individualized Apparel Group | 2001 |
| Arnold Delin* Onwigsburg, PA | Executive Director Atlantic Apparel Contractors Association, Inc. | 2003 |
| Mark Fishman* Bryn Mawr, PA | President Fishman & Tobin, Inc. | 2001 |
| Mark Fleischman New York, NY | Executive Vice President UNITE | 1999 |
| Lynne Fox Dresher, PA | Vice President UNITE Philadelphia Joint Board | 2001 |
| Richard Gilbert* Woodcliff LK, NJ | President Ardwyn Binding Products Company | 2001 |
| John Gillis Laurence Harbor, NJ | Vice President UNITE New York Joint Board | 1999 |
| Christine Kerber East Rutherford, NJ | Vice President Local 99 UNITE | 2001 |
| Steven Masket* Westfield, NJ | Vice President & General Counsel Maidenform, Inc. | 2003 |

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> | <u>Year First Elected</u> |
|--------------------------------------|---|---------------------------|
| Desmond Massey* West Orange, NY | Principal Grotta, Glassman & Hoffman, P.A. Counselors at Law | 2001 |
| David Melman Hopewell, NJ | Vice President UNITE PA, OR & South Jersey Joint Board | 2001 |
| Gail Meyer Bethlehem, PA | Vice President UNITE PA, OH & South Jersey | 2004 |
| Ronald Minikes White Plains, NY | President Amalgamated Life Insurance Company | 2001 |
| Homi Patel* Lake Forest, IL | President Hartmarx Corporation | 1993 |
| Jeanne Pratt* Norwich, CT | Vice President - Corporate Compensation Director TJX Companies Inc. | 2003 |
| Bruce Raynor Nyack, NY | Chairman of the Board Amalgamated Life Insurance Company President UNITE | 1992 |
| Harris Raynor Decatur, GA | Vice President UNITE Southern Regional Joint Board | 2002 |
| Edgar Romney Bayside, NY | Secretary and Treasurer Amalgamated Life Insurance Company UNITE | 2001 |
| Richard Rumelt Greenfield, MA | Vice President UNITE Disability Services & Allied Workers Joint Board | 2001 |
| Lynn Talbott Berwyn, IL | Vice President UNITE Chicago & Central States Joint Board | 2001 |
| Steven Thomas* Moriches, NY | Executive Director National Association of Blouse Manufacturers Inc. | 2003 |
| Steven Weiner* Cliffrine Park, NJ | Group President HMX Tailored | 2002 |

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

A review of the directors' attendance at board and committee meetings revealed that many directors failed to attend a significant number of meetings. Below is a table indicating the board meetings held by year with the number and percentages of directors that missed meetings:

| Year | No. of Directors | No. of Meetings held | No. of directors not in attendance | % of directors not in attendance |
|------|------------------|----------------------|---|----------------------------------|
| 2001 | 23 | 2 | 1 st meeting - 14 2 nd meeting - 14 | 60 60 |
| 2002 | 22 | 3 | 1 st meeting - 3 2 nd meeting - 8 3 rd meeting - 11 | 13 36 50 |
| 2003 | 26 25 25 | 3 | 1 st meeting - 12 2 nd meeting - 5 3 rd meeting - 5 | 46 20 20 |
| 2004 | 25 | 3 | 1 st meeting - 9 2 nd meeting - 10 3 rd meeting - 11 | 36 40 44 |

Members of the board have a fiduciary responsibility and must demonstrate an ongoing interest in the affairs of the Company. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that appropriate policy decisions may be reached by the board. Individuals who consistently fail to attend the board's regular meetings, do not fulfill such criteria. Board members who consistently fail to attend board meetings should resign or be replaced.

Directors Harold Boch, Mark Fishman and Lynne Fox each attended only one board meeting during the entire examination period. Company records also indicate that Harold Boch and Mark Fishman also had poor attendance with regard to various board committees they served.

The examiner recommends that the Board replace any board member who consistently fails to attend board and/or committee meetings.

The following is a listing of the principal officers of the Company as of December 31, 2004:

| <u>Name</u> | <u>Title</u> |
|---------------------|---|
| Ronald Minikes | President |
| Bruce Raynor | Chairman of the Board |
| Edgar Romney | Secretary and Treasurer |
| Martin Cohen | Vice President and Chief Actuary |
| Thomas Delaney | Senior Vice President |
| Michael Haines | Senior Vice President and Chief Financial Officer |
| Michael Hirsch | Executive Vice President |
| Jeanne Jarvis-Meara | Senior Vice President |
| Arthur Kurek | Senior Vice President |
| Claire Levitt | Senior Vice President |
| Mark Schwartz* | Senior Vice President |
| Jeffrey Warbet | Senior Vice President |

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

In March, 2005, Michael Haines resigned and, in June, 2005, was replaced by Paul Mallen.

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 has never written any annuity business.

The Company is licensed to transact business in 18 states and the District of Columbia. The Company became licensed to transact business in California during 2005. In 2004, 89.5% of life premiums and 91.3% of health premiums were received from New York. Policies are written on a non-participating basis.

The Company's agency operations are conducted on a general agency and direct response basis.

Most sales in the Company's target labor market are accomplished through direct contacts with trade union groups, although brokers and consultants are also utilized. The Company maintains a salaried sales force of approximately ten 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 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 has been diversifying its revenue stream, primarily through obtaining licenses in additional states in regions that also have a strong labor market presence. The Company's customers are primarily trade union members covered under Taft-Hartley health and welfare 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, teamsters, etal.

Group term life is the Company's dominant product, which accounts for approximately 80% of net premium income. The Company also markets: voluntary payroll deduction intermediate term disability, voluntary payroll deduction group level and decreasing term, and group short-term disability.

The Company is pursuing penetration of the union retiree market. The Company introduced a paid-up life insurance product for the retiree market in 2001 and a Medicare Supplement product in 2002.

Medicare Select, the Company's Medicare Supplement product, was directly issued by the Company, however, due to lack of favorable sales results, the product was suspended. This new arrangement represented the Company's first significant entrance on a direct basis into the more volatile health insurance market.

E. Reinsurance

As of December 31, 2004, the Company had reinsurance treaties in effect with three companies, all of which 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 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, 2004, was \$5,176,451,679, which represents 39.4% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2004, was \$3,523,573,998.

The Company also coinsures 50% of the Medicare Supplement business issued by Amalgamated Life & Health Insurance Company ("ALHIC"), which currently focuses on UNITE retirees. This reinsurance agreement, which was expanded in 2004 to include ALHIC's entire Medicare book of business, resulted in the Company receiving \$3,586,101 in premiums, which represents 52.6% of total Accident and Health premiums.

4. SIGNIFICANT OPERATING RESULTS

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

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

| | December 31, <u>2000</u> | December 31, <u>2004</u> | Increase (Decrease) |
|--|-----------------------------|-----------------------------|------------------------|
| Admitted assets | <u>\$32,452,253</u> | <u>\$50,840,381</u> | <u>\$18,388,128</u> |
| Liabilities | <u>\$18,720,104</u> | <u>\$30,527,597</u> | <u>\$11,807,493</u> |
| Common capital stock | \$ 2,000,000 | \$ 2,500,000 | \$ 500,000 |
| Gross paid in and contributed surplus | 3,650,000 | 3,650,000 | 0 |
| Contingency reserve for claims experience fluctuation – group life Non Patron Fund | 3,177,222 | 2,086,494 | (1,090,728) |
| Unassigned funds (surplus) | <u>4,904,927</u> | <u>14,162,784</u> | <u>9,257,857</u> |
| Total capital and surplus) | <u>\$13,732,149</u> | <u>\$20,312,784</u> | <u>\$ 6,580,635</u> |
| Total liabilities, capital and surplus | <u>\$32,452,253</u> | <u>\$50,840,381</u> | <u>\$18,388,128</u> |

The Company's invested assets as of December 31, 2004, were mainly comprised of bonds (88.4%) and cash and short-term investments (11.5%). The Company's entire bond portfolio, as of December 31, 2004, 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):

| <u>Year</u> | <u>Individual Whole Life</u> | | <u>Individual Term</u> | | <u>Group Life</u> | |
|-------------|----------------------------------|-----------------|----------------------------|-----------------|-----------------------------------|-----------------|
| | <u>Issued</u> | <u>In Force</u> | <u>Issued</u> | <u>In Force</u> | <u>Issued & Increases</u> | <u>In Force</u> |
| 2004 | \$1,894 | \$9,834 | \$ 294 | \$6,557 | \$ 185,570 | \$13,127,254 |
| 2003 | \$1,387 | \$9,259 | \$ 456 | \$7,280 | \$2,639,244 | \$15,212,773 |
| 2002 | \$1,263 | \$8,546 | \$1,248 | \$8,282 | \$1,009,628 | \$12,662,772 |
| 2001 | \$ 781 | \$8,533 | \$ 560 | \$8,533 | \$2,767,610 | \$10,802,857 |

The fluctuation in group life issued and increases during the examination period was due primarily to unfavorable results in its group retiree business in 2002 and the non-renewal of several unprofitable large group accounts in 2004.

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>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| Ordinary life insurance | \$ 14,224 | \$ 20,006 | \$ 62,300 | \$ 11,801 |
| Group Life | \$1,587,997 | \$1,322,144 | \$1,415,321 | \$1,475,270 |
| Group accident and health | \$ 96,208 | \$ 105,558 | \$ 102,144 | \$ 508,633 |
| All other lines | \$ <u>66,179</u> | \$ <u>85,590</u> | \$ <u>110,571</u> | \$ <u>(10,661)</u> |
| Total | <u>\$1,764,608</u> | <u>\$1,533,298</u> | <u>\$1,690,336</u> | <u>\$1,985,043</u> |

The increase in the group accident and health insurance line in 2004 resulted from an amendment in the reinsurance agreement the Company entered into with ALHIC in which the Company assumed 50% of the entire Medicare book of business from ALHIC.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

| | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|----------------------|---------------|---------------|---------------|---------------|
| Premiums earned | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| Incurred losses | 78.7% | 76.2% | 72.0% | 83.4% |
| Commissions | 6.1 | 6.3 | 6.0 | 3.7 |
| Expenses | <u>11.4</u> | <u>23.3</u> | <u>20.6</u> | <u>10.6</u> |
| | <u>96.2%</u> | <u>105.7%</u> | <u>98.6%</u> | <u>97.7</u> |
| Underwriting results | <u>3.8%</u> | <u>(5.7)%</u> | <u>1.4%</u> | <u>2.3%</u> |

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2004, as contained in the Company's 2004 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 AND SURPLUS AS OF DECEMBER 31, 2004

Admitted Assets

| | |
|--|-------------------------|
| Bonds | \$38,825,219 |
| Cash, cash equivalents and short term investments | 5,067,466 |
| Contract loans | 39,633 |
| Investment income due and accrued | 434,276 |
| Premiums and considerations: | |
| Uncollected premiums and agents' balances in the course of collection | 2,276,188 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 87,846 |
| Accrued retrospective premiums | 306,797 |
| Reinsurance: | |
| Amounts recoverable from reinsurers | 745,950 |
| Funds held by or deposited with reinsured companies | 612,447 |
| Other amounts receivable under reinsurance contracts | 1,388,402 |
| Net deferred tax asset | 77,012 |
| Receivables from parent, subsidiaries and affiliates | 177,456 |
| Leasehold improvement | 497,153 |
| Other Receivables | <u>304,536</u> |
| Total admitted assets | <u>\$50,840,381</u> |

Liabilities, Capital and Surplus

| | |
|--|---------------------|
| Aggregate reserve for life policies and contracts | \$ 4,694,238 |
| Aggregate reserve for accident and health contracts | 305,518 |
| Contract claims: | |
| Life | 6,301,070 |
| Accident and health | 957,759 |
| Premiums and annuity considerations for life and accident and health contracts received in advance | 6,340 |
| Contract liabilities not included elsewhere: | |
| Provision for experience rating refunds | 3,333,375 |
| Other amounts payable on reinsurance | 4,232,608 |
| Interest maintenance reserve | 219,040 |
| Commissions to agents due or accrued | 156,997 |
| Commissions and expense allowances payable on reinsurance assumed | 2,720 |
| General expenses due or accrued | 3,937,567 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 131,562 |
| Current federal and foreign income taxes | 454,334 |
| Amounts withheld or retained by company as agent or trustee | 676,255 |
| Miscellaneous liabilities: | |
| Asset valuation reserve | 80,829 |
| Payable to parent, subsidiaries and affiliates | 2,950,891 |
| Contingency Reserves for Claims Experience Fluctuation – Group Life PA | <u>2,086,494</u> |
| Total liabilities | <u>\$30,527,597</u> |
| Common capital stock | \$ 2,500,000 |
| Gross paid in and contributed surplus | 3,650,000 |
| Unassigned funds (surplus) | <u>14,162,784</u> |
| Surplus | <u>\$17,812,784</u> |
| Total capital and surplus | <u>\$20,312,784</u> |
| Total liabilities, capital and surplus | <u>\$50,840,381</u> |

B. CONDENSED SUMMARY OF OPERATIONS

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Premiums and considerations | \$22,232,266 | \$24,989,102 | \$26,981,229 | \$30,788,083 |
| Investment income | 1,627,780 | 1,553,943 | 1,551,627 | 1,637,980 |
| Administrative Fee Income | 26,908,032 | 39,170,489 | 38,536,281 | 50,724,979 |
| Increase (Decrease) Group Life Rerating | 546,553 | (654,662) | 941,700 | (1,716,139) |
| WTC Recovery | 0 | 50,000 | 0 | 0 |
| Miscellaneous Income | 0 | 0 | 54,768 | 1,500 |
| Total income | <u>\$51,314,631</u> | <u>\$65,108,872</u> | <u>\$68,065,606</u> | <u>\$81,436,403</u> |
| Benefit payments | \$17,386,045 | \$19,493,618 | \$22,209,428 | \$25,052,962 |
| Increase in reserves | (90,664) | 7,902 | 154,803 | 87,657 |
| Commissions | 664,041 | 1,109,903 | 1,646,332 | 1,855,231 |
| General expenses and taxes | 4,757,815 | 5,179,112 | 4,517,229 | 4,973,672 |
| Increase in loading on deferred and uncollected premiums | (2,724) | 34,645 | 7,090 | (2,510) |
| Increase (Decrease) Contingency Reserve | (27,986) | 187,587 | (190,958) | 125,619 |
| Administrative Fee Expense | 25,203,105 | 35,768,404 | 36,267,171 | 45,020,865 |
| Taxes for other Funds | <u>1,258,819</u> | <u>1,559,403</u> | <u>1,602,514</u> | <u>2,037,544</u> |
| Total deductions | <u>\$49,148,451</u> | <u>\$63,340,574</u> | <u>\$66,213,609</u> | <u>\$79,151,040</u> |
| Net gain (loss) | \$ 2,166,180 | \$ 1,768,298 | \$ 1,851,997 | \$ 2,285,363 |
| Federal and foreign income taxes incurred | <u>401,572</u> | <u>235,000</u> | <u>161,661</u> | <u>300,320</u> |
| Net gain (loss) from operations before net realized capital gains | \$ 1,764,608 | \$ 1,533,298 | \$ 1,690,336 | \$ 1,985,043 |
| Net income | <u>\$ 1,764,608</u> | <u>\$ 1,533,298</u> | <u>\$ 1,690,336</u> | <u>\$ 1,985,043</u> |

C. CAPITAL AND SURPLUS ACCOUNT

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Capital and surplus, December 31, prior year | <u>\$13,732,149</u> | <u>\$15,506,331</u> | <u>\$16,982,673</u> | <u>\$18,209,199</u> |
| Net income | \$ 1,764,608 | \$ 1,533,298 | \$ 1,690,336 | \$ 1,985,043 |
| Change in net deferred income tax | 0 | (66,100) | (138,058) | 13,186 |
| Change in non-admitted assets and related items | 31,850 | (141,254) | (316,767) | 116,345 |
| Change in asset valuation reserve | (8,671) | (9,502) | (8,987) | (10,989) |
| Cumulative effect of changes in accounting principles | (13,605) | 159,900 | 0 | 0 |
| Net change in capital and surplus for the year | <u>\$ 1,774,182</u> | <u>\$ 1,476,342</u> | <u>\$ 1,226,526</u> | <u>\$ 2,103,585</u> |
| Capital and surplus, December 31, current year | <u>\$15,506,331</u> | <u>\$16,982,673</u> | <u>\$18,209,199</u> | <u>\$20,312,784</u> |

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 215.13(a) of Department Regulation No. 34 states, in part:

“The name of the actual insurer and the form number or numbers advertised shall be identified and made clear in all of its advertisements”

The Company's advertisement 'Voluntary Insurance Product – General Letter' (control number C-04-21) advertised a disability insurance product and did not identify the policy form number used in conjunction with the advertisement.

The Company violated Section 215.13(a) of Department Regulation No. 34 by failing to identify the policy form number in its advertisement.

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”

The Company utilized two policy forms (form numbers ALGP-92-1, a group policy, and ALGC-92-1, a group certificate) that contained a clause entitled “Total Disability After Age 60”.

The “Total Disability After Age 60” clause is not included in the Department approved version of the policy forms.

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.

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.

Section 243.2 of Department Regulation No. 152 states, in part:

“Records required for examination purposes and retention period

(a) . . . every insurer shall maintain its claims . . . subject to examination by the superintendent, in accordance with the provisions of this Part.

(e) . . . The records shall be in a readable form . . . ”

The examiner reviewed a sample of 50 short-term disability claim files and noted that 10 of the original DB-450's (disability claim forms) that were reproduced from microfiche were unreadable.

The Company violated Section 243.2(e) of Department Regulation No. 152 when it failed to maintain its disability claim forms in a readable form.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the violation contained in the prior report on examination and the subsequent actions taken by the Company in response to the citation:

| <u>Item</u> | <u>Description</u> |
|-------------|---|
| A | The Company violated Sections 4235(h)(1) and (3) of the New York Insurance Law when it charged premium rates, other than those on file with the Superintendent, in connection with the issuance of group disability policies with 50 or more employees. |

The review of a sample of Group Disability underwriting files revealed that the Company charged only those rates that were on file with the Superintendent.

8. SUMMARY AND CONCLUSIONS

Following are the violations and recommendation contained in this report:

| <u>Item</u> | <u>Description</u> | <u>Page No(s).</u> |
|-------------|--|--------------------|
| A | The examiner recommends that the Board replace any board member who consistently fails to attend board and/or committee meetings. | 8 |
| B | The Company violated Section 215.13(a) of Department Regulation No. 34 by failing to identify the policy form number in an advertisement for disability insurance. | 19 |
| C | The Company violated Section 3201(b)(1) of the New York Insurance Law by utilizing policy forms that were not filed with and approved by the Department. | 19 – 20 |
| D | The Company violated Section 243.2(e) of Department Regulation No. 152 when it failed to maintain its disability claim forms in a readable form. | 20 |

APPOINTMENT NO. 22410

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

ELKIN WOODS

as a proper person to examine into the affairs of the

AMALGAMATED LIFE INSURANCE COMPANY

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

COMPANY

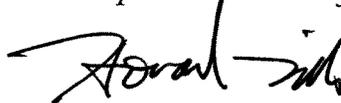
with such other information as he shall deem requisite.

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

this 9th day of September, 2005

HOWARD MILLS

Superintendent of Insurance



Superintendent

