STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

GERBER LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

DATE OF REPORT:	JULY 18, 2005
EXAMINER:	LATI SMITH

REPORT ON ASSOCIATION EXAMINATION

OF THE

GERBER LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

BY

THE INSURANCE DEPARTMENTS

OF THE

STATE OF NEW YORK

STATE OF MISSISSIPPI

DATE OF REPORT: JULY 18, 2005

TABLE OF CONTENTS

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

George E. Pataki
Governor

Howard Mills
Superintendent

July 18, 2005

Honorable Howard Mills
Superintendent of Insurance
State of New York

Honorable Kevin McCarty
Chairman Southeastern Zone
Commissioner of Insurance
State of Florida

Sirs:

An examination has been made into the condition and affairs of Gerber Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 1311 Mamaroneck Avenue, White Plains, New York 10605.

The examination was conducted by the New York Insurance Department, hereinafter referred to as the "the Department", with participation from the State of Mississippi representing the Southeastern zone.

The report on examination is respectfully submitted.

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

George E. Pataki
Governor

Howard Mills
Superintendent

July 18, 2005

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22308, dated February 7, 2005 and annexed hereto, an examination has been made into the condition and affairs of Gerber Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 1311 Mamaroneck Avenue, White Plains, New York 10605.

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 Company's financial condition as presented in its financial statements contained in the December 31, 2004 filed annual statement. (See item 5 of this report)

The Company violated Section 2117(a) of the New York Insurance Law by acting as an agent for an unlicensed insurer. (See item 3E of this report)

The Company violated Section 4235(h)(1) of the New York Insurance Law by failing to file with the Department its stop loss accident and health insurance premium rate manuals. Additionally, the Company violated Section 52.40(e) of Department Regulation No. 62 by failing to maintain a current schedule of rates or formulas on its stop loss group accident and health insurance business. (See item 6B 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, 2001. This examination covers the period from January 1, 2002 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 violations 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 New York on December 22, 1967, and was licensed and commenced business on September 20, 1968. Initial resources of $4,970,250, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $3,970,250, were provided through the sale of 100,000 shares of common stock (with a par value of $10 each) for $49.7025 per share. Changes in the capital and surplus of the Company since incorporation have resulted in capital and paid in and contributed surplus of $2,504,250 and $16,216,000, respectively, as of December 31, 2004.

In August 1994, Gerber Holding Company ("Gerber Holding") was formed by Sandoz Corporation, the Company's ultimate parent at that time, in order to purchase Gerber Products Company ("Gerber Products").

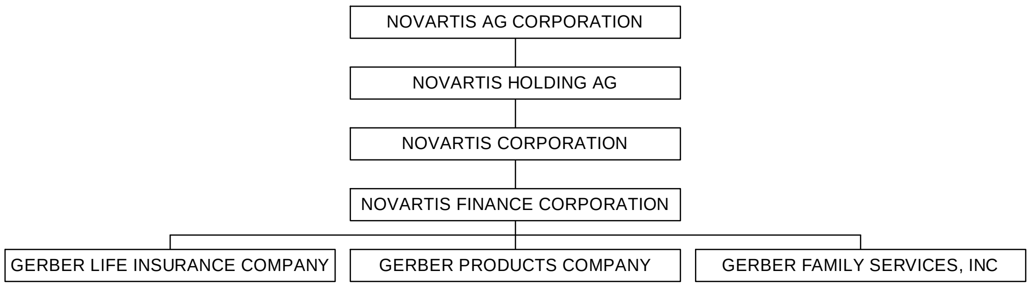
In March 1996, Sandoz Corporation and Ciba-Geigy Ltd., a large Swiss pharmaceutical company, merged. The merger created Novartis AG Corporation ("Novartis AG"), the second largest pharmaceutical company in the world. Novartis AG then became the new ultimate parent of the Company. Prior to April 2004, the Company was a wholly-owned subsidiary of Gerber Products, which in turn was a direct wholly-owned subsidiary of Gerber Holding, which was in turn a direct wholly-owned subsidiary of Novartis Finance Corporation ("Novartis Finance").

In April 2004, as part of a restructuring of Novartis Corporation's ("Novartis") holding company system, Gerber Holding merged into Novartis Finance. Following the merger, Gerber Products dividended all of the Company's stock to Novartis Finance, which became the direct parent of the Company.

B. Holding Company

The Company is a wholly-owned subsidiary of Novartis Finance, a New York financial corporation, which is in turn a wholly-owned subsidiary of Novartis Corporation, a Swiss holding company. The ultimate parent of the Company is Novartis AG, a Swiss holding company.

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 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 agreement File #3251	11/27/74	Gerber Products	the Company	Information technology, human resources, and other	2002 $(2,231,060) 2003 $(2,156,396) 2004 $(2,599,012)
General agency services agreement File #3251	11/1/75	Gerber Family Services, Inc. ("GFS")	the Company	General agency services	2002 $ 635,587 2003 $2,706,405 2004 $1,988,712

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

In 2002, it was discovered that the Company overpaid commissions to GFS of approximately $5.8 million, going back to 1982. This occurred because GFS billed for renewal commissions beyond ten years and the contract does not call for the payment of such commissions. The Company is currently recovering $5.8 million, which is the amount overpaid. To date, the Company has recovered $5,330,704 by withholding commissions due to GFS and should complete the recovery in 2005.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than nine and not more than 15 directors. The number of directors shall be increased to not less than 13 within one year following the end of the calendar year in which the Company's admitted assets exceed $1.5 billion. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2004, the board of directors consisted of ten members. Meetings of the board are held January, April, July and October.

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

Name and Residence	Principal Business Affiliation	Year First Elected
Terence A. Barnett New York, NY	President and Chief Executive Officer Novartis Corporation	2004
Andre Cadieux Mendham, NJ	Global Finance Head Novartis Consumer Health, Inc.	2003
Victor J. Fennon* Palm Beach Gardens, FL	Retired	1997
John E. Gould* Scarsdale, NY	Senior Partner Thompson Hine Gould & Wilkie	2000
Ronald J. Masiero* Huntington, CT	Retired	1985
William R Morrisey* Hartsdale, NY	Owner WRM Consulting	1998
Donna H. Myers* Holmdel, NJ	President DHM Group, Inc.	1974
Frank P. Palantoni South Salem, NY	Retired	1999
Wesley D. Protheroe Westport, CT	President Gerber Life Insurance Company	2003

Name and Residence	Principal Business Affiliation	Year First Elected
Kurt T. Schmidt Florham Park, NJ	President and Chief Executive Officer Novartis Consumer Health, Inc.	2004

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

In January 2005, Frank Palantoni resigned from the board. His position will not be replaced. In April 2005, Ronald J. Masiero and Donna H. Myers resigned from the board. They were replaced by Urs A. Naegelin and Steven G. Orluck, respectively.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

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

Name	Title
Wesley David Protheroe	President
Keith Michael O'Reilly	Senior Vice President and Chief Finance Officer
Jacqueline Howard	Senior Vice President
Peter James Mendelson	Senior Vice President
Rosemary Seminara Ginter	Secretary
Warren Herman Silberstein	Vice President and Chief Actuary
Thomas Elliot Conde	Vice President
Merle Joy Hanson	Vice President
Robert John Lodewick Jr*.	Vice President
Leslie Ann Napoleon	Vice President
David Joseph Fier	Vice President

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

In May 2005, Halina L. Karachuk was hired as Senior Vice President and Chief Marketing Officer. In June 2005, Jacqueline Howard retired and was replaced by Paul Lightcap.

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 all 50 states, the District of Columbia, Puerto Rico, and Canada. In 2004, 16% of life premiums and 9% of accident and health premiums were received from New York. No other state is responsible for 10% or more of the Company's premium. Policies are written on a non-participating basis.

The Company sells individual life insurance products primarily through mass marketing, group life insurance products through its general agency force, and group accident and health insurance products through managing general underwriters ("MGUs"). The only individual accident and health insurance product currently marketed by the Company is a 24-hour accident protection plan sold by mass marketing outside of New York. All other individual accident and health insurance products are in run-off. At December 31, 2004, the Company's direct written premium was mostly attributable to individual life insurance business (43%) and group accident and health insurance business (51%). Individual accident and health insurance and group life insurance each account for 3% of the total direct written premium.

As of December 31, 2004, the Company had 13 MGUs. They administer the Company's stop-loss business, referred to as Special Market business, which represented 51% of the Company's direct premium in 2004. The MGUs receive administrative fees for their services. These services include underwriting and payment of claims using the Company's guidelines.

E. Reinsurance

As of December 31, 2004, the Company had reinsurance treaties in effect with 43 companies, of which 26 were authorized or accredited. The Company's life insurance and accident and health insurance businesses are reinsured on a yearly renewable term and coinsurance basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is $30,000. The total face amount of life insurance ceded as of December 31, 2004, was $907,472,000, which represents 3.7% of the total face amount of life insurance in force. The Company reported reserve credit taken for reinsurance ceded to unauthorized companies and reinsurance recoverable from unauthorized companies, totaling $38,541,854, which was supported by letters of credit and funds withheld. However, the examiner determined that this amount included $13,608,049 for credits taken with Union Labor Life Insurance Company, an authorized company in New York. The Company made its own determination to require additional security with this reinsurer.

The Company's stop-loss business is reinsured on a coinsurance basis. The Company typically retains approximately 15% of the business and cedes 85% to a variety of reinsurers.

Section 79.2 of Department Regulation No. 133 states, in part:

> "For a letter of credit to be acceptable, it must: . . . (c) be issued, presentable and payable at an office of the qualified bank in the United States . . . "

Section 79.6(a) of Department Regulation No. 133 states, in part:

> "A letter of credit may not be used to reduce any liability for reinsurance ceded to an unauthorized reinsurer . . . unless . . . (1) in compliance with the provisions of this Part . . ."

In its 2004 filed annual statement, the Company reported the following to offset a reserve credit of $4,593,852 taken on its reinsurance business with Russell Butler:

i) a letter of credit (#DCSMKE722632) totaling $1.3 million;

ii) funds withheld totaling $4,249,399; and,

iii) miscellaneous balances totaling $1,035,949.

The letter of credit states, in part: "We emphasize that this standby letter of credit is only available at our counters, HSBC Bank PLC, Trade Services, 51 De Montfort Street, Leicester LE1 7BB."

The letter of credit is not in compliance with Section 79.2(c) of Department Regulation No. 133, which requires a letter of credit to be payable at an office of a qualified bank in the United States in order to be acceptable. However, the Company withheld sufficient funds separate from the letter of credit to cover the $4,593,852 reserve credit taken. The Company is hereby advised that it is not to take any reserve or other credits under the aforementioned letter of credit unless it is brought into compliance with all provisions of Department Regulation No. 133.

Section 2117(a) of the New York Insurance Law states, in part:

> "No person, firm, association or corporation shall in this state act as agent for any insurer . . . which is not licensed or authorized to do an insurance . . . business in this state . . . or shall in this state act as insurance broker in soliciting, negotiating or in any way effectuating any insurance . . . or in placing risks with, any such insurer . . . or shall in this state in any way or manner aid any such insurer . . . in effecting any insurance . . . "

The Company entered into a reinsurance agreement with The Mega Life & Health Insurance Company ("Mega"). Mega, domiciled in Oklahoma, is not licensed to do an insurance business in New York. The reinsurance agreement calls for 90/10 quota share reinsurance of the Company's school, college and university accident and health insurance business, with Mega taking 90% of the first $250,000 of the risk, and 100% of the excess risk over $250,000. The agreement covers all risks including Accident, Sickness, Supplemental, and Sports Accident for school, kindergarten through 12th grade, college and university student business underwritten and administered by United Management Services ("UMS"). UMS is also known as Student Insurance and is an affiliate of Mega. Claims are sent to Student Insurance at P.O. Box 809025, Dallas, TX, an address that is used by Mega. The related claims are paid by Student Insurance. The block of business is essentially underwritten, administered and reinsured by Mega and its affiliates.

According to the agreement between UMS and the Company, the following costs are borne by UMS:

1. costs of dedicated telephone lines and medical examinations and inspection fees for the underwriting functions;
2. costs of Company-specific marketing literature, brochures, rate cards and agent's guides; and,

3. costs of policy forms, applications, and other documents bearing the Company name which are required by the Company to be used for the administrative services.

The Company is acting as an agent for Mega, an unauthorized insurer in New York.

The Company violated Section 2117(a) of the New York Insurance Law by acting as an agent for an unlicensed insurer.

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, 2001	December 31, 2004	Increase (Decrease)
Admitted assets	$580,065,418	$937,796,799	$357,731,381
Liabilities	$488,490,798	$789,194,007	$300,703,209
Common capital stock	$ 2,500,000	$2,500,000	$ 0
Preferred capital stock	4,250	4,250	0
Gross paid in and contributed surplus	16,216,000	16,216,000	0
Group life contingency reserve	5,677,707	0	(5,677,707)
Unassigned funds (surplus)	67,176,663	129,882,542	62,705,879
Total capital and surplus	$ 91,574,620	$148,602,792	$ 57,028,172
Total liabilities, capital and surplus	$580,065,418	$937,796,799	$357,731,381

The increase in admitted assets is attributable to increased premium revenue primarily from the first year block of the direct response individual life insurance business. The increase in liabilities reflects the increased life insurance business in force resulting in increased reserves.

The Company's invested assets as of December 31, 2004 were mainly comprised of bonds (92.8%). The majority (98.6%) of the Company's bond portfolio, as of December 31, 2004, 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 Company's filed annual statements:

	2002	2003	2004
Ordinary:			
Life insurance	$13,595,746	$12,468,211	$13,827,987
Total ordinary	$13,595,746	$12,468,211	$13,827,987
Group:			
Life	$ 1,889,314	$ 1,779,116	$ 1,272,598
Total group	$ 1,889,314	$ 1,779,116	$ 1,272,598
Accident and health:			
Group	$ 5,194,508	$10,305,688	$ 9,139,376
Other	499,707	707,136	200,712
Total accident and health	$ 5,694,215	$11,012,824	$ 9,340,088
Total	$21,179,275	$25,260,151	$24,440,673

The increase in net gain from operations in 2003 is the result of improved claims experience in the group health insurance business, favorable mortality in the life insurance business and higher net investment income. In 2004, the decrease in net gain from operations is due to increased benefit payments and higher general expenses primarily related to advertising.

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

	2002	2003	2004
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	72.6	48.0	59.4%
Commissions	3.7	5.9	6.6
Expenses	10.4	13.0	9.6
	86.7%	66.9%	75.6%
Underwriting results	13.3%	33.1%	24.4%

In 2003, the Company determined that there was a reserve redundancy associated with some of it group accident and health insurance programs that had terminated in prior years. Some redundant reserves were released in 2003, resulting in a significant increase in the underwriting results. In 2004, there was a further release of redundant reserves.

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. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2004 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2004

Admitted Assets	
Bonds	$799,992,181
Stocks:	
Preferred stocks	13,289,640
Common stocks	13,853,138
Cash, cash equivalents and short term investments	15,094,975
Contract loans	19,364,815
Other invested assets	52,654
Investment income due and accrued	10,785,251
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	8,473,433
Deferred premiums, agents' balances and installments booked but deferred and not yet due	37,246,365
Reinsurance:	
Amounts recoverable from reinsurers	1,883,171
Other amounts receivable under reinsurance contracts	4,566,855
Net deferred tax asset	2,938,418
Guaranty funds receivable or on deposit	706,040
Special markets account balances	9,513,362
Other receivables	36,502
Total admitted assets	$937,796,799

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$667,613,449
Aggregate reserve for accident and health contracts	4,778,430
Contract claims:	
Life	6,558,143
Accident and health	39,092,990
Premiums and annuity considerations for life and accident and health contracts received in advance	7,782,708
Contract liabilities not included elsewhere:	
Interest maintenance reserve	20,440,518
Commissions to agents due or accrued	5,512,370
Commissions and expense allowances payable on reinsurance Assumed	5,333
General expenses due or accrued	4,630,899
Taxes, licenses and fees due or accrued, excluding federal income Taxes	392,205
Current federal and foreign income taxes	642,890
Amounts withheld or retained by company as agent or trustee	(6,779)
Amounts held for agents' account	7,072
Remittances and items not allocated	2,282,624
Miscellaneous liabilities:	
Asset valuation reserve	6,967,179
Reinsurance in unauthorized companies	224,187
Drafts outstanding	609,662
Interest on death claims pending	26,140
Due to special markets accounts	21,071,532
Miscellaneous payables	520,565
Current year escheatable items	41,890
Total liabilities	$789,194,007
Common capital stock	$ 2,500,000
Preferred capital stock	4,250
Gross paid in and contributed surplus	16,216,000
Unassigned funds (surplus)	129,882,542
Surplus	$146,098,542
Total common capital stock, preferred capital stock, and surplus	$148,602,792
Total liabilities, common capital stock, preferred capital stock and surplus	$937,796,799

B. CONDENSED SUMMARY OF OPERATIONS

	2002	2003	2004
Premiums and considerations	$211,850,736	$221,189,097	$252,039,921
Investment income	34,961,887	37,320,380	45,110,267
Commissions and reserve adjustments			
On reinsurance ceded	36,237,181	41,283,399	43,399,629
Miscellaneous income	8,404,571	9,334,128	9,818,322
Total income	$291,454,375	$309,127,004	$350,368,139
Benefit payments	$ 74,796,391	$ 62,049,325	$ 78,601,905
Increase in reserves	78,604,781	87,941,528	98,149,049
Commissions	49,445,477	52,831,522	57,608,781
General expenses and taxes	52,582,552	64,725,900	71,621,843
Increase in loading on deferred and			
uncollected premium	520,167	(63,466)	3,441,041
Total deductions	$255,949,368	$267,484,809	$309,422,619
Net gain (loss)	$ 35,505,007	$ 41,642,195	$ 40,945,520
Federal and foreign income taxes incurred	14,325,732	16,382,044	16,504,847
Net gain (loss) from operations			
before net realized capital gains	$ 21,179,275	$ 25,260,151	$ 24,440,673
Net realized capital gains (losses)	(2,447,948)	(4,155,411)	845,585
Net income	$ 18,731,327	$ 21,104,740	$ 25,286,258

C. CAPITAL AND SURPLUS ACCOUNT

	2002	2003	2004
Capital and surplus, December 31, prior year	$ 91,574,620	$108,059,435	$123,251,692
Net income	$ 18,731,327	$ 21,104,740	$ 25,286,258
Change in net unrealized capital gains (losses)	(2,393,618)	8,210,704	(314,307)
Change in net deferred income tax	4,043,465	(1,308,201)	203,154
Change in non-admitted assets and related items	(1,416,141)	1,449,492	(1,402,377)
Change in liability for reinsurance in unauthorized companies	(2,127,086)	(938,022)	3,055,200
Change in asset valuation reserve	(353,132)	(2,826,456)	(1,476,828)
Dividends to stockholders	0	(10,500,000)	0
Net change in capital and surplus for the year	$ 16,484,815	$ 15,192,257	$ 25,351,100
Capital and surplus, December 31, current year	$108,059,435	$123,251,692	$148,602,792

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.

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

B. Underwriting and Policy Forms

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

Section 4235(h)(1) of the New York Insurance Law states, in part:

> "Each domestic insurer and each foreign or alien insurer doing business in this state shall file with the superintendent its schedules of premium rates, rules and classification of risks for use in connection with the issuance of its policies of group accident, group health or group accident and health insurance . . . "

Section 52.40(e) of Department Regulation No. 62 states, in part:

> ". . . (2) Group rate manual submissions. (i) Every insurer shall file and maintain current a schedule of manual rates or formulas which, to the extent applicable, shall include the following:(a) the name of insurer on each page; (b) table of contents; (c) an outline of the essential benefits, coverages, limitations and exclusions to which the rate applies; (d) a schedule of the premium rates, rules and classification of risks including any loading for age, sex and industry; (e) a definition of single risk for purposes of size discounts . . ."

A review of the Company's underwriting practices revealed that the Company did not use the group accident and health insurance premium rate manual that was filed with the Department in 1994. Instead, the MGUs, who underwrote the Company's stop loss business, used other accident and health insurance premium rate manuals. These rate manuals, which were purchased by the MGUs and approved by the Company, were never filed with the Department. Moreover, the examiner was not able to verify the rates charged to the groups based on these rate manuals. When addressed to the Company, the Company, also, was unable to recalculate the group rates based on the MGU rate manuals.

The Company violated Section 4235(h)(1) of the New York Insurance Law by failing to file with the Department its stop loss accident and health insurance premium rate manuals. Additionally, the Company violated Section 52.40(e) of Department Regulation No. 62 by failing to maintain a current schedule of rates or formulas on its stop loss group accident and health insurance business.

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. BUSINESS CONTINUITY PLAN

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

The examiner recommends that the Company develop a business continuity plan.

8. 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 3201(b)(1) of the New York Insurance Law by using unapproved policy application forms. The Company filed and received approval for life insurance applications AGP-03-NY, ALM-03-NY and ALM-20WL5-NY.
B	The Company violated Section 3201(b)(1) of the New York Insurance Law by using an unapproved policy form. The Company no longer uses the policy form in New York.
C	The Company violated Section 3207(c) of the New York Insurance Law by issuing policies on minors in excess of the limits allowed by law. In 2002, the Company developed a written procedure to verify that policies on minors are not issued in excess of the limits of the law. The examination revealed that policies on minors were not issued in excess of the limits of the law after corrective action was taken by the Company.
D	The Company violated Section 3207(e)(1) of the New York Insurance Law by paying claims in excess of the limits allowed by law. In 2002, the Company developed a written procedure to verify that policies on minors are not issued in excess of the limits of the law. The examination revealed that policies on minors were not issued in excess of the limits of the law after corrective action was taken by the Company.

9. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
A	The Company is advised that it is not to take any reserve or other credits under the HSBC Bank letter of credit unless it is brought into compliance with all provisions of Department Regulation No. 133.	9 – 10
B	The Company violated Section 2117(a) of the New York Insurance Law by acting as an agent for an unlicensed insurer.	10 - 11
C	The Company violated Section 4235(h)(1) of the New York Insurance Law by failing to file with the Department its stop loss accident and health insurance rate manuals.	19 - 20
D	The Company violated Section 52.40(e) of Department Regulation No. 62 by failing to maintain a current schedule of rates or formulas on its stop loss group accident and health insurance business.	19 - 20
E	The examiner recommends that the Company develop a business continuity plan.	21

The foregoing report on examination is respectfully submitted:

Lati Smith	Carolyn Elliot
State of New York	State of Mississippi
Representing Northeastern Zone	Representing Southeastern Zone

Respectfully submitted,

/s/
Lati Smith
Senior Insurance Examiner

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

Lati Smith, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Lati Smith

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. 22308

STATE OF NEW YORK

INSURANCE DEPARTMENT

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

LATI SMITH

as a proper person to examine into the affairs of the

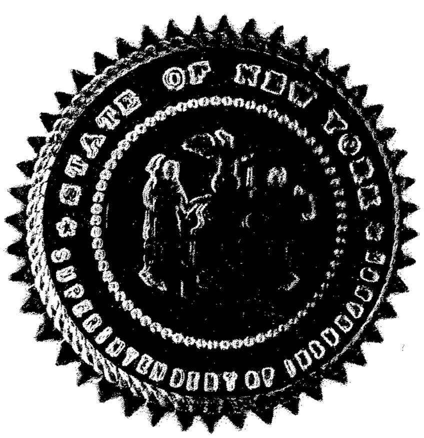
GERBER LIFE INSURANCE COMPANY

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

COMPANY

with such other information as she 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 7th day of February, 2005

HOWARD MILLS
Acting Superintendent of Insurance

Acting Superintendent