STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

GERBER LIFE INSURANCE COMPANY

CONDITION: DECEMBER 31, 2007

DATE OF REPORT: FEBRUARY 27, 2009

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EXAMINER:	PHARES CATON

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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

April 9, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22779, dated July 1, 2008 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, 2007 filed annual statement. (See item 5 of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent, at least 30-days prior thereto, of its intention to enter into an agreement with an affiliate, whereby the affiliate would provide the Company with a revolving line of credit on a regular and systematic basis. (See item 3 of this report)

The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors in excess of the limits allowed by Law. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2004. This examination covers the period from January 1, 2005 through December 31, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 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, 2007 to determine whether the Company's 2007 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 the violations, recommendation and comment contained in the prior report on examination. The results of the examiner's review are contained in item 8 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 $148,500,000 and $16,216,000, respectively, as of December 31, 2007.

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").

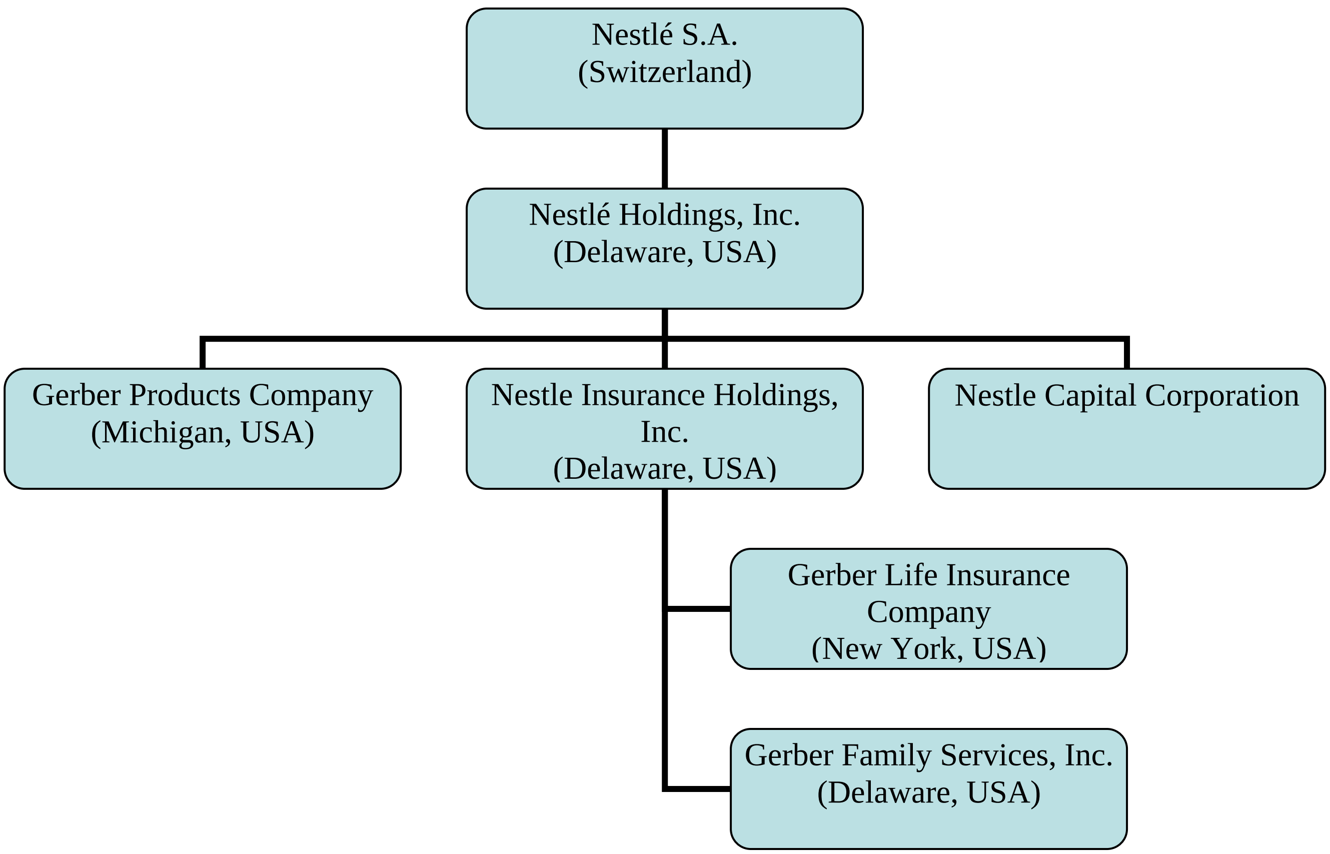
In April 2004, as part of a restructuring of Novartis Corporation's ("Novartis") holding company system, Gerber Holding merged into Novartis Finance. Following the merger, Gerber Products dividended all of the Company's stock to Novartis Finance, which became the direct parent of the Company.

Pursuant to a Purchase Agreement dated April 11, 2007, Nestlé S.A., a Swiss Corporation, agreed to purchase all of the shares of stock of the Company from Novartis Finance. On August 31, 2007, Nestle Insurance Holdings, Inc. ("Nestle Insurance"), a wholly owned subsidiary of Nestlé Holdings Inc., which is a wholly owned subsidiary of Nestlé S.A., acquired the shares of capital stock of the Company. The acquisition was approved by the Department on August 21, 2007.

B. Holding Company

The Company is a wholly owned subsidiary of Nestle Insurance, a Delaware insurance company. Nestle Insurance is in turn a wholly owned subsidiary of Nestlé Holdings, Inc., a Delaware holding company. The ultimate parent of the Company is Nestlé S.A.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2007 follows:



The Company had 4 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 agreement File No. 3251	11/27/74	Gerber Products	Gerber Life Insurance Company	Information technology, human resources, and other	2005 ($3,692,004) # 2006 ($3,428,279) # 2007 ($1,900,168)
Service Agreement File No. 37303 Replaced File No. 3251 above	7/01/07	Gerber Products	Gerber Life Insurance Company	HR, IT, Financial and Ancillary Building Services	2007 ($1,591,678)
Lease Agreement File No. 37342	1/01/07	Gerber Products	Gerber Life Insurance Company	Lease of building space for business purposes	2007 ($ 603,766)
General agency services agreement File No. 3251**	11/01/75	Gerber Family Services, Inc.	Gerber Life Insurance Company	General agency services	2005 $1,191,581 2006 $2,933,679 2007 $ 33,979

* Amount of Income or (Expense) Incurred by the Company
# Amounts includes lease of building space for business purposes.
** This agreement is in effect but is not currently being used. The expenses paid are for residual business.

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 systematic basis"

The Company reported a liability of $17,418,326 for short-term borrowing with an affiliate, Nestle Capital Corporation ("NCC"), on its 2007 filed annual statement. This amount represents 1.2% of the Company's admitted assets. According to the Company, this represents its participation in a Demand Loan Agreement with NCC, whereby, NCC pays for all purchases made by the Company, and the Company reimburses NCC with principal and interest in accordance with the terms of the agreement. This agreement was not filed with and approved by the Department prior to its use.

The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent, at least 30-days prior thereto, of its intention to enter into an agreement with NCC, an affiliate, whereby NCC would provide the Company with a revolving line of credit on a regular and systematic basis.

The Company filed the Demand Loan Agreement with the Department on January 15, 2009.

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 fifteen 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, 2007, the board of directors consisted of nine members. Meetings of the board are held in January, April, July and October.

The nine board members and their principal business affiliation, as of December 31, 2007, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
André Cadieux Mendham, NJ	Senior Vice President & Chief Financial Officer Gerber Products Company	2003
Victor J. Fennon* Bronxville, NY	Retired	1997
David P. Frick Baar, Zug, Switzerland	Lawyer, Corporate Governance and Compliance Manager Nestlé S.A.	2007
John E. Gould* Scarsdale, NY	Partner Thompson Hine, LLP	2000
Richard T. Laube Riehen, Basel-Stadt, Switzerland	Chairman of the Board Gerber Life Insurance Company Deputy Executive Vice President Nestlé, S.A.	2007
William R. Morrissey* Hartsdale, NY	President WRM Consulting	1998
Steven G. Orluck* New York, NY	Retired	2005
Wesley D. Protheroe Westport, CT	President and Chief Executive Officer Gerber Life Insurance Company	2003
Kurt T. Schmidt Florham Park, NJ	President and Chief Executive Officer Gerber Products Company	2004

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

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, 2007:

Name	Title
Wesley D. Protheroe	President and Chief Executive Officer
Keith M. O'Reilly	Senior Vice President, Treasurer & Chief Financial Officer
Robert J. Lodewick Jr.*	Vice President, Secretary & General Counsel
George P. Thacker	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 all 50 states, the District of Columbia, Puerto Rico and Canada. In 2007, 12% of life premiums and 11% 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 currently sells a variety of products to meet the needs of the juvenile and adult segment of the insurance market as follows:

The Grow-Up life insurance plan is a simplified issue, whole life product issued to parents or grandparents of children ages 0-14.

The Guaranteed Life life product, is a guaranteed issue, whole life product, with premiums payable for life.

The Whole life policy offers permanent coverage in the amounts of $25,000, $50,000, $75,000, $100,000, $125,000 and $150,000 with a level premium and level benefit. This plan allows the insured to build guaranteed "cash value".

The 10, 15, 20 and 30-Year Term Life Insurance products, are level benefit term policies sold for periods of 10, 15, 20 and or 30 years.

Stop-Loss - This is specific and aggregate reimbursement coverage provided to employers who self-insure the medical costs of their employees. Coverage is renewed on an annual basis at the discretion of the employer or the Company.

Student Accident and Health is health coverage which provides limited benefit, blanket coverages primarily to secondary school and college students.

The Company's agency operations are conducted on a general agency and direct response basis. The Company, a leading direct-response marketing insurance company, sells its life products primarily through mass marketing and its accident and health products through its managing general underwriters.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with 41 companies, of which 31 were authorized or accredited. The Company's life, accident and health business is reinsured on a coinsurance, and yearly renewable term basis. Reinsurance is provided on an automatic basis.

The maximum retention limit for individual life contracts is $30,000 and the retention limit on it group life business is $60,000. On its Guaranteed Issue individual life business, the Company historically reinsured 75% of policy amounts in excess of $5,000. Effective December 1, 2003, the Company is retaining the entire policy amount for policies issued December 1, 2003 and later. The total face amount of life insurance ceded as of December 31, 2007, was $1,320,525,401, which represents 4% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $958,040, was supported by letters of credit.

The total face amount of life insurance assumed as of December 31, 2007, was $265,490.

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, 2004	December 31, 2007	Increase (Decrease)
Admitted assets	$937,796,800	$1,422,128,346	$484,331,546
Liabilities	$789,194,007	$1,220,974,741	$431,780,734
Common capital stock	$ 2,500,000	$ 148,500,000	$146,000,000
Preferred capital stock	4,250	0	(4,250)
Gross paid in and contributed surplus	16,216,000	16,216,000	0
Unassigned funds (surplus)	129,882,542	36,437,605	(93,444,937)
Total capital and surplus	$148,602,792	$ 201,153,605	$ 52,550,813
Total liabilities, capital and surplus	$937,796,799	$1,422,128,346	$484,331,547

In August 2005, the Company issued 5,840,000 shares of new common capital stock at $25 par value receiving $146,000,000. The Company also redeemed 4,250 shares of preferred capital stock at cost for $4,250.

The Company's invested assets as of December 31, 2007, were mainly comprised of bonds (92.1%), stocks (3.9%), policy loans (2.7%), and cash and short-term investments (1.4%).

The majority (98.9%) of the Company's bond portfolio, as of December 31, 2007, 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):

	Group Life	
Year	Issued & Increases	In Force
2005	$296,897	$483,996
2006	$ 31,195	$210,185
2007	$ 22,174	$158,821

The Company experienced a decrease in its group life business in 2006, because one of its leading life insurance producing managing general underwriters ("MGU"), Perico, was purchased by Houston Casualty Company and stopped writing group life on behalf of the Company.

The following has been extracted from the Exhibits of Accident and Health Insurance in the filed annual statements for each of the years under review:

	Group		
	2005	2006	2007
Outstanding, end of previous year	3,489	3,421	3,523
Issued during the year	2,107	1,331	1,303
Decreased (net)	(2,175)	(1,229)	(1,569)
Outstanding, end of current year	3,421	3,523	3,257

The decrease in the 2006 and 2007 group business was due to the loss of one of the Company's top producing MGU.

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:

	2005	2006	2007
Total ordinary life	$14,405,010	$ 8,743,407	$ 4,201,671
Total group life	$ 1,004,225	$ 832,520	$ 637,537
Accident and health:			
Group	$10,879,213	$ 9,165,364	$ 6,404,928
Other	(241,227)	385,506	1,024,853
Total accident and health	$10,637,986	$ 9,550,870	$ 7,429,781
Total	$26,047,221	$19,126,797	$12,268,989

Total net gain decreased in 2006 due to an increase in advertising expenses. The expense increased by $11.6 million (29%) and new business premium increased by only 1% for that year.

Total net gain decreased in 2007 due to an increase in advertising expenses of $2.5 million (5%) and a decrease in new business premium of 2%.

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:

	2005	2006	2007
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	60.9%	63.2%	69.3%
Commissions	24.3	24.6	24.0
Expenses	(6.5)	(2.7)	(2.7)
	78.7%	85.1%	90.6%
Underwriting results	21.3%	14.9%	9.4%

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 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, 2007 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$1,202,306,180
Stocks:	
Preferred stocks	15,689,640
Common stocks	34,676,011
Cash, cash equivalents and short term investments	18,332,413
Contract loans	35,043,653
Other invested assets	52,654
Investment income due and accrued	13,559,137
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	4,414,002
Deferred premiums, agents' balances and installments booked but deferred and not yet due	55,222,693
Reinsurance:	
Amounts recoverable from reinsurers	2,802,194
Other amounts receivable under reinsurance contracts	2,540,395
Current federal and foreign income tax recoverable and interest thereon	6,696,639
Net deferred tax asset	4,482,985
Guaranty funds receivable or on deposit	413,272
Special markets account balances	25,895,894
Other receivables	584
Total admitted assets	$1,422,128,346

<u>Liabilities, Capital and Surplus</u>

Aggregate reserve for life policies and contracts	$1,041,384,089
Aggregate reserve for accident and health contracts	3,894,027
Contract claims:	
Life	7,659,867
Accident and health	59,627,220
Premiums and annuity considerations for life and accident and health contracts received in advance	10,172,877
Contract liabilities not included elsewhere:	
Interest maintenance reserve	20,787,357
Commissions to agents due or accrued	3,500,219
Commissions and expense allowances payable on reinsurance assumed	499
General expenses due or accrued	6,735,605
Taxes, licenses and fees due or accrued, excluding federal income taxes	660,339
Amounts withheld or retained by company as agent or trustee	99,187
Amounts held for agents' account	14,011
Remittances and items not allocated	247,693
Miscellaneous liabilities:	
Asset valuation reserve	12,025,863
Reinsurance in unauthorized companies	2,845,608
Payable to parent, subsidiaries and affiliates	4,111,183
Drafts outstanding	29,416
Interest on death claims pending	28,076
Due to special markets accounts	23,958,452
Miscellaneous Payables	22,901,285
Current year escheatable items	291,868
Total liabilities	$1,220,974,741
Common capital stock	$ 148,500,000
Gross paid in and contributed surplus	16,216,000
Unassigned funds (surplus)	36,437,605
Surplus	$ 52,653,605
Total capital and surplus	$ 201,153,605
Total liabilities, capital and surplus	$1,422,128,346

B. CONDENSED SUMMARY OF OPERATIONS

	2005	2006	2007
Premiums and considerations	$278,792,098	$310,560,987	$346,276,450
Investment income	53,448,915	59,817,289	67,673,368
Commissions and reserve adjustments on reinsurance ceded	46,080,288	38,430,137	29,268,546
Miscellaneous income	11,439,536	10,130,557	8,446,066
Total income	$389,760,837	$418,938,970	$451,664,430
Benefit payments	$ 84,784,808	$ 97,320,231	$123,447,615
Increase in reserves	111,760,575	124,152,297	136,973,367
Commissions	64,324,518	60,898,932	55,854,434
General expenses and taxes	83,469,797	100,478,577	112,801,504
Increase in loading on deferred and Uncollected premium	3,206,875	3,791,214	37,613
Total deductions	$347,546,573	$386,641,251	$429,114,533
Net gain	$ 42,214,264	$ 32,297,719	$ 22,549,897
Federal and foreign income taxes incurred	16,167,043	13,170,925	10,280,930
Net gain (loss) from operations before net realized capital gains	$ 26,047,221	$ 19,126,794	$ 12,268,967
Net realized capital gains (losses)	(7,044)	3,498,391	1,795,396
Net income	$ 26,040,177	$ 22,625,185	$ 14,064,363

C. CAPITAL AND SURPLUS ACCOUNT

	2005	2006	2007
Capital and surplus, December 31, prior year	$148,602,792	$172,752,742	$190,767,926
Net income	$ 26,040,177	$ 22,625,185	$ 14,064,363
Change in net unrealized capital gains (losses)	2,507,371	(5,231,368)	(923,592)
Change in net deferred income tax	(962,295)	1,833,429	673,433
Change in non-admitted assets and related items	(2,036,130)	(2,304,408)	1,355,265
Change in liability for reinsurance in unauthorized companies	(4,138,337)	4,244,873	(2,727,957)
Change in asset valuation reserve	(2,260,836)	(752,527)	(2,045,322)
Paid in capital stock	145,995,750	0	0
Dividends to stockholders	(136,750,000)	(2,400,000)	0
Loss on Disposal of Preferred Capital Stock	(4,245,750)	0	0
Correction of prior year error	0	0	(10,512)
Net change in capital and surplus for the year	$ 24,149,950	$ 18,015,184	$ 10,385,678
Capital and surplus, December 31, current year	$172,752,742	$190,767,926	$201,153,604

The Company filed a recapitalization plan (the “Plan”) with the Department in May 2005. The Plan consists of the issuance of additional shares of the Company’s common stock which would raise its common capital stock from $2.5 million to $148.5 million; the cancellation of it’s preferred capital stock of $4,250, and a dividend of $136,750,000 to Novartis Finance. The Department approved the Plan on June 23, 2005.

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 3207(b) of the New York Insurance Law states, in part:

> "An insurer may deliver or issue for delivery in this state a policy or policies of life insurance upon the life of a minor . . . an insurer shall not knowingly issue such a policy or policies for an amount which, together with the amount of life insurance under any other policy or policies then in force upon the life of such minor, is in excess of the limit of twenty-five thousand dollars or the limit of fifty per centum or the limit of twenty-five per centum in the case of a minor under the age of four years and six months of the amount of life insurance in force upon the life of the person effectuating the insurance at the date of issue of the policy on the life of such minor, whichever limit is the greater . . . "

The review of new issues during the examination period revealed that the Company issued 22 policies in New York which exceeded the limits of life insurance in force on minors.

The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors in excess of the limits allowed by Law.

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 86.4(a) of Department Regulation No. 95 states, in part:

> “ . . . all claim forms for insurance, and all applications for . . . accident and health insurance, provided to any person residing or located in this State in connection with insurance policies for issuance or issuance for delivery in this State, shall contain the following statement:
>
> "Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."”

The fraud language on the Company’s accident and health claim forms GL5-10-0191 and GL5-10 01/06 omits a statement that violators who commit a crime of fraud are subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

The examiner recommends that the Company revise its claim forms to include the complete fraud warning required by Department Regulation No. 95.

7. BANK RECONCILIATIONS

During the course of the examination, the examiner noted that the Company did not reconcile one of its bank accounts. The balance in that account as of December 31, 2007 was $36,060,693.46.

The examiner recommends that the Company perform monthly bank reconciliation of all of its cash accounts.

A review of the Company's outstanding checks for five bank reconciliations revealed that the Company had numerous checks outstanding during the period 2005 through 2007. There were checks dated as far back as 2001.

The examiner recommends that a procedure be established to segregate checks which remain outstanding for more than six months, into a separate liability control account such as unclaimed funds. If such funds remain unclaimed for three years, they should then be remitted to the New York State Comptroller, Office of Unclaimed Funds or other appropriate jurisdiction. In addition, the examiner recommends that the Company also remit current checks which remain outstanding for more than three years to the New York State Comptroller, Office of Unclaimed Funds.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendation and comment 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 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. The Company did not take any reserve or other credits under the HSBC Bank letter of credit during the period under examination.
B	The Company violated Section 2117(a) of the New York Insurance Law by acting as an agent for an unlicensed insurer. In October 2006, the Company entered into an Assignment Agreement with the unlicensed insurer and a New York licensed insurer, whereby the licensed insurer was assigned all the Company's student accident and health insurance business.
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. The Company has filed an updated schedule of rates with the Department.
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. The Company has filed an updated schedule of rates with the Department.
E	The examiner recommends that the Company develop a business continuity plan. The Company developed a business continuity plan as recommended.

9. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to notify the Superintendent, at least 30-days prior thereto, of its intention to enter into an agreement with an affiliate, whereby the affiliate would provide the Company with a revolving line of credit on a regular and systematic basis.	6 – 7
B	The Company violated Section 3207(b) of the New York Insurance Law by issuing policies on the lives of minors in excess of the limits allowed by Law.	18
C	The examiner recommends that the Company revise its claim forms to include the complete fraud warning required by Department Regulation No. 95.	19
D	The examiner recommends that the Company perform monthly bank reconciliation of all of its cash accounts.	20
E	The examiner recommends that a procedure be established to segregate checks which remain outstanding for more than six months, into a separate liability control account such as unclaimed funds. If such funds remain unclaimed for three years, they should then be remitted to the New York State Comptroller, Office of Unclaimed Funds or other appropriate jurisdiction.	20
F	The examiner recommends that the Company also remit current checks which remain outstanding for more than three years to the New York State Comptroller, Office of Unclaimed Funds.	20

Respectfully submitted,

/s/

Phares Caton
Associate Insurance Examiner

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

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

/s/

Phares Caton

Subscribed and sworn to before me

this__________ day of ____________________2009.

APPOINTMENT NO. *22779*

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **ERIC R. DINALLO**, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

PHARES CATON

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 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 1st day of July, 2008

ERIC R. DINALLO
Superintendent of Insurance

Superintendent