



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

CONDITION:

DECEMBER 31, 2007

DATE OF REPORT:

AUGUST 8, 2008

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
NATIONAL INTEGRITY LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2007

DATE OF REPORT:

AUGUST 8, 2008

EXAMINER:

PHARES U. CATON

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	5
C. Management	7
D. Territory and plan of operation	9
E. Reinsurance	10
4. Significant operating results	11
5. Financial statements	13
A. Assets, liabilities, capital and surplus	13
B. Condensed summary of operations	15
C. Capital and surplus account	15
D. Reserves	16
6. Market conduct activities	17
A. Advertising and sales activities	17
B. Underwriting and policy forms	17
C. Treatment of policyholders	17
7. Prior report summary and conclusions	18
8. Summary and conclusion	20



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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

May 7, 2009

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

Sir:

In accordance with instructions contained in Appointment No. 22745, dated January 15, 2008 and annexed hereto, an examination has been made into the condition and affairs of National Integrity Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 15 Matthews Street, Suite 200, Goshen, New York 10924.

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

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

1. EXECUTIVE SUMMARY

The Department conducted a review of reserves as of December 31, 2007. This review included an examination of related asset adequacy analysis in accordance with Department Regulation No. 126. During the review, concerns were noted regarding the justification of projected interaction of credited interest rate strategy, net investment returns, and policyholder behavior. As part of the December 31, 2008 reserve review and asset adequacy analysis, the Company committed to provide additional data to support its assumptions. The Company is also expected to either model volatile assets in a more conservative manner or replace the more volatile assets with less volatile assets in support of reserves. This open issue is expected to be resolved in a review of December 31, 2008 reserves, which is in progress. This review may lead to adjustments in the Department Regulation No. 126 asset adequacy analysis and potential increases in reserves. The certificate of reserve valuation for December 31, 2007 is being held in abeyance pending results of the asset adequacy analysis review. (See item 5D of this report)

The examiner's review of the Company's market conduct activities did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Company. (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
- 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, recommendations and/or comments 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 under the name Merchants Life Insurance Company (“Merchants”), a stock life insurance company, under the laws of New York on November 22, 1968. It was licensed and commenced business on December 30, 1968. Initial resources of \$3,000,000 consisting of common capital stock of \$1,000,000 and paid in and contributed surplus of \$2,000,000, were provided through the sale of 100,000 shares of common stock (with a par value of \$10 each) for \$30 per share.

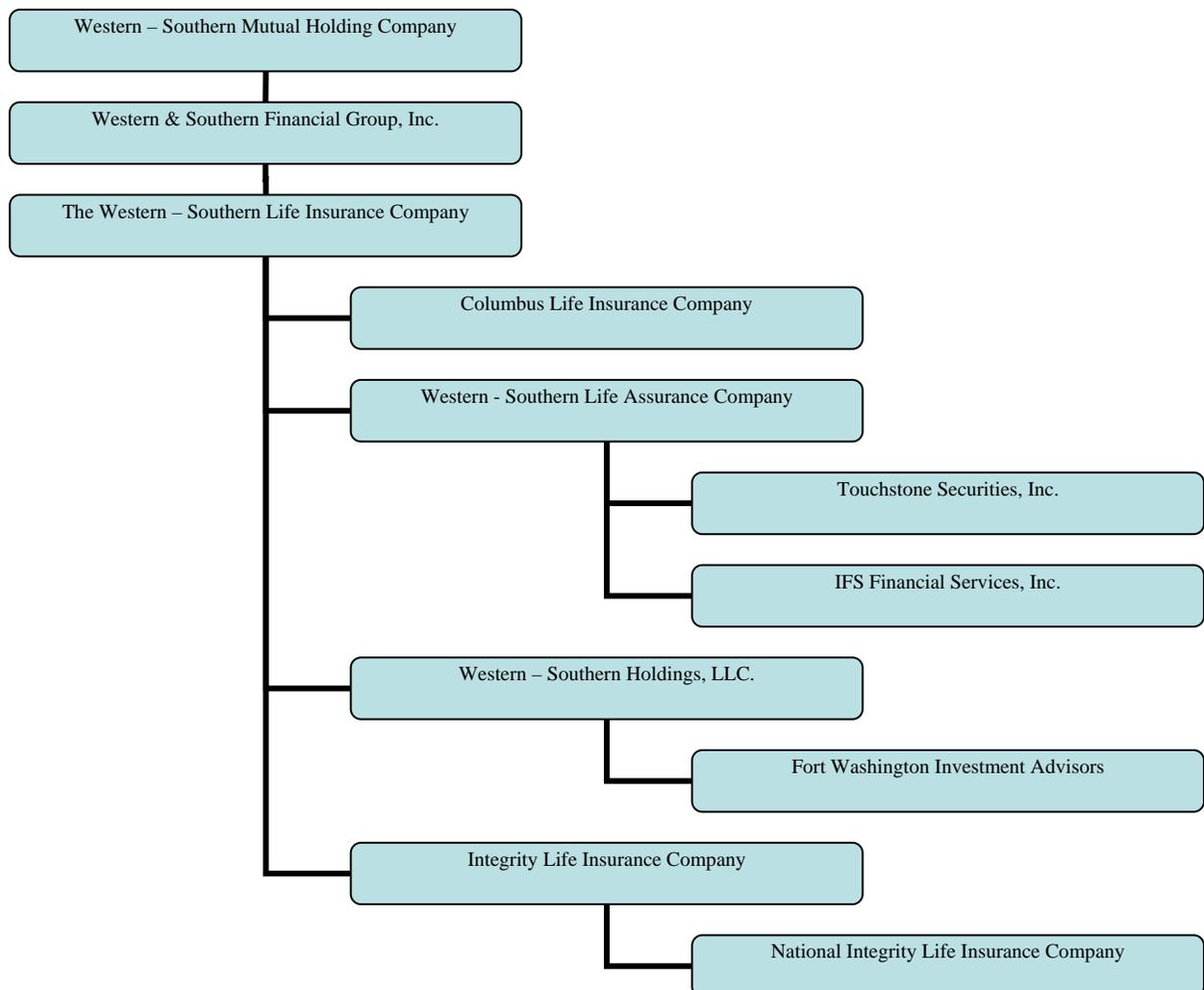
Capital was increased to \$1,100,000 in 1972 as a result of the issuance of 10,000 additional shares of stock. Monumental Life Insurance Company acquired the Company from Merchants in July 1981 and the name was changed to Monumental National Life Insurance Company of New York. The Equitable Life Assurance Society of the United States (“Equitable”) purchased the Company in November 1985. In 1985, capital was increased to \$2,000,000 as a result of the issuance of 90,000 additional shares of stock. The Company adopted its present name on January 21, 1986. In September 1988, Equitable sold the Company to National Mutual Life Association of Australasia. In November 1993, ARM Financial Group acquired the Company and its immediate parent, Integrity Life Insurance Company (“Integrity”). The Western and Southern Life Insurance Company (“WSLIC”) acquired Integrity and the Company in March 2000.

Due to capital contributions received from Integrity prior to the examination period, capital and paid in and contributed surplus were \$2,000,000 and \$206,370,849, respectively, as of December 31, 2007.

B. Holding Company

The Company is a wholly owned subsidiary of Integrity, an Ohio life insurance company. As of December 31, 2001, Integrity was owned by WSLIC, an Ohio insurer, which in turn is a wholly owned subsidiary of Western-Southern Financial Group, Inc. (“WSFG”). The ultimate parent of the Company is Western-Southern Mutual Holding Company, (“WSMHC”), an Ohio mutual holding company.

An organization chart reflecting the relationship between the Company and certain significant subsidiaries as of December 31, 2007 follows:



The Company had eleven 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	
Investment Advisory #29281	2/10/2001	Fort Washington Investment Advisors, Inc.	The Company	Investment Advisory Services	2005 2006 2007	(974,689) (1,082,669) (1,197,159)
Expense Reimbursement and Administrative Services Agreement #29517** Replaced by #34710	3/17/2002	Touchstone Securities, Inc.	The Company	Distribution Services	2005 2006 2007	(70,714) N/A N/A
Expense Reimbursement and Administrative Services Agreements #29517** Replaced by #32581 and #35805	3/28/2002	The Company	Touchstone Securities, Inc.	Administrative Services	2005 2006 2007	210,161 N/A N/A
Expense Reimbursement and Administrative Service Agreement #29517**	3/28/2002	Touchstone Securities, Inc	The Company	Administrative Services	2005 2006 2007	210,126 N/A N/A
Administrative Service Cost Sharing Agreement #29515** Replaced by #34708	5/6/2002	Western & Southern Life Insurance Company	The Company	Administrative Services	2005 2006 2007	(695,397) N/A N/A
Administrative Services Cost Sharing #29516**	5/7/2002	Integrity Life Insurance Company	The Company	Administrative Services	2005 2006 2007	(10,835,886) 0 0
Administrative Services #34709	1/1/2006	IFS Financial Services, Inc.	The Company	Marketing and Distribution; Administrative and Compliance	2005 2006 2007	N/A (3,716,880) (4,608,797)
Administrative Service #34708 Replaced #29515	1/1/2006	Western & Southern Life Insurance Company	The Company	Administrative Services	2005 2006 2007	N/A) (6,424,649) (6,904,175)
Administrative Service Agreement #32581	1/1/2006	The Company	Touchstone Advisors, Inc.	Administrative Services	2005 2006 2007	N/A 254,688 309,047
Distribution Services Agreement – 12b-1 fees #35805	1/1/2006	The Company	Touchstone Advisors, Inc.	Distribution Services	2005 2006 2007	N/A 242,477 328,200
Principal Underwriter Agreement #34710	5/1/2006	Touchstone Securities, Inc.	The Company	Distribution and Underwriting Services	2005 2006 2007	N/A (29,057) (66,777)

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

** Agreement no longer in use.

During the examination period, the Company entered into various intercompany arrangements that resulted in the discontinuance of services previously provided/received under five existing agreements, depicted in the chart above. The examiner discussed with the Company its lack of utilization of the existing agreements. In response, the Company notified the examiner that it would formally withdraw the agreements that are no longer being used.

The Company also participates in a federal income tax allocation agreement with its parent and affiliates.

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 36 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held on the last day of February each year or on such other date as may be fixed by the board of directors. As of December 31, 2007, the board of directors consisted of 13 members. Meetings of the board are held annually

The 13 board members and their principal business affiliation, as of December 31, 2007, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
John F. Barrett Cincinnati, OH	Chairman National Integrity Life Insurance Company Chairman, President and Chief Executive Officer Western & Southern Financial Group, Inc.	2000
Edward J. Babbitt Cincinnati, OH	Vice President, Senior Counsel and Secretary National Integrity Life Insurance Company	2002
George Regan Bunn, Jr.* New York, NY	Attorney Private Practice	2002
Daniel J. Downing Goshen, NY	Vice President, Sales National Integrity Life Insurance Company	1998
Eric C. Fast* Stamford, CT	President and Chief Executive Officer Crane Company	2000

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Dale P. Hennie* Cincinnati, OH	Retired Former Senior Vice President of Western & Southern Life Insurance Company	2000
John R. Lindholm Louisville, KY	President and Chief Executive Officer Life Income Solutions	1997
Cameron F. MacRae, III* New York, NY	Attorney Dewey & LeBoeuf LLP	2000
Newton P.S. Merrill* New York, NY	Retired Former Senior Executive Vice President of the Bank of New York	2000
Jill T. McGruder Cincinnati, OH	President and Chief Executive Officer National Integrity Life Insurance Company and IFS Financial Services	2000
Robert L. Walker Cincinnati, OH	Senior Vice President and Chief Financial Officer Western & Southern Financial Group, Inc.	2000
William J. Williams Cincinnati, OH	Director Western & Southern Financial Group, Inc.	2000
Donald J. Wuebbling Cincinnati, OH	Senior Vice President and General Counsel Western & Southern Financial Group, Inc.	2000

* 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:

<u>Name</u>	<u>Title</u>
John F. Barrett	Chairman of the Board
Jill T. McGruder	President and Chief Executive Officer
James G. Kaiser	Executive Vice President
Nora E. Moushey	Senior Vice President and Chief Actuary
Nicholas P. Sargen	Senior Vice President and Chief Investment Officer
Kevin L. Howard*	Senior Vice President
Constance M. Maccarone	Senior Vice President
Phillip E. King	Vice President and Auditor
Bradley J. Hunkler	Vice President and Comptroller
David T. Henderson	Vice President and Chief Risk Officer
James J. Vance	Vice President and Treasurer
Edward J. Babbitt	Vice President, Senior Counsel and Secretary
John P. Ciprio	Vice President
Daniel J. Downing	Vice President

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

In March 2008, Mike Moser was elected Vice President and Chief Compliance Officer

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 8 states; Connecticut, Florida, Maine, New Hampshire, New York, Ohio, Rhode Island and Vermont; and the District of Columbia. In 2007, 91.9% of annuity considerations were received from the state of New York. Policies are written on a non-participating basis.

The Company's principal products sold during the examination period were fixed and variable annuities that consisted of single premium deferred and immediate annuities, and flexible premium variable annuity contracts. The Company offers guaranteed rate options with both its fixed and variable annuities. The guaranteed rate option allows a fixed annuity contractholder to lock in a fixed rate for a two to ten year period. In addition, the Company offers short-term options that are available only with its variable annuity contracts. The short-term option provides the contractholder with a guaranteed interest rate on its contributions; however, contributions must be transferred to other investment options in equal monthly or quarterly installments within six months or one year.

The Company's target markets for both its fixed and variable annuity products generally are middle to upper income individuals over the age of fifty who want to save for retirement with financial products that provide the benefit of tax-deferred growth.

The Company's agency operations are conducted on a general agency basis. Independent broker-dealer firms, stock brokerage firms, independent agents and financial institutions market the Company's fixed and variable annuity products.

E. Reinsurance

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

The maximum retention limit for individual life contracts is \$250,000. The total face amount of life insurance ceded as of December 31, 2007, was \$11,084,471, which represents 3.2% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2007, was \$228,401,534.

4. SIGNIFICANT OPERATING RESULTS

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

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

	<u>December 31,</u> <u>2004</u>	<u>December 31,</u> <u>2007</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$2,730,232,130</u>	<u>\$3,677,508,548</u>	<u>\$947,276,418</u>
Liabilities	<u>\$2,632,094,846</u>	<u>\$3,535,373,484</u>	<u>\$903,278,638</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	206,370,849	206,370,849	0
Unassigned funds (surplus)	<u>(110,233,565)</u>	<u>(66,235,785)</u>	<u>43,997,780</u>
Total capital and surplus	<u>\$ 98,137,284</u>	<u>\$ 142,135,064</u>	<u>\$ 43,997,780</u>
Total liabilities, capital and surplus	<u>\$2,730,232,130</u>	<u>\$3,677,508,548</u>	<u>\$947,276,418</u>

The majority (69.7%) of the Company's admitted assets, as of December 31, 2007, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2007, exclusive of separate accounts, were mainly comprised of bonds (91.2%), policy loans (3.9%) stocks (3.5%), cash and short-term investments (1.1%)

The majority (99.7%) of the Company's bond portfolio, as of December 31, 2007, was comprised of investment grade obligations.

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

	<u>Ordinary Annuities</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Outstanding, end of previous year	40,402	44,188	47,556
Issued during the year	6,156	6,770	6,064
Other net changes during the year	<u>(2,370)</u>	<u>(3,402)</u>	<u>(4,655)</u>
Outstanding, end of current year	<u>44,188</u>	<u>47,556</u>	<u>48,965</u>

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>2005</u>	<u>2006</u>	<u>2007</u>
Ordinary:			
Life insurance	\$1,753,953	\$ (19,350)	\$ 415,920
Individual annuities	298,251	7,943,561	6,246,876
Supplementary contracts	<u>(316,539)</u>	<u>87,833</u>	<u>98,029</u>
Total ordinary	<u>\$1,735,664</u>	<u>\$ 8,012,044</u>	<u>\$6,760,825</u>
All other lines	\$ <u>0</u>	<u>\$26,399,799</u>	<u>\$2,624,605</u>
Total	<u>\$1,735,664</u>	<u>\$34,411,843</u>	<u>\$9,385,430</u>

The significant gain from operations reported in 2006 is a direct result of the Company's utilization of a one-time \$79 million loss carry-forward accumulated from the previous five years. IRS tax code precluded the Company from taking advantage of this carry-forward prior to 2006.

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.

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

Admitted Assets

Bonds	\$ 993,174,013
Preferred stocks	38,230,241
Mortgage loans on real estate, first liens	2,753,981
Cash, cash equivalents and short term investments	12,454,950
Contract loans	42,356,736
Receivable for securities	344,473
Investment income due and accrued	10,403,107
Current federal and foreign income tax recoverable and interest thereon	499,491
Net deferred tax asset	13,747,857
Health care and other amounts receivable	425,594
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>2,563,118,105</u>
 Total admitted assets	 <u>\$3,677,508,548</u>

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$ 968,111,176
Liability for deposit-type contracts	20,862,487
Contract claims:	
Life	51,000
Other amounts payable on reinsurance	(31,440)
General expenses due or accrued	237,696
Transfers to Separate Accounts due or accrued	(48,624,604)
Taxes, licenses and fees due or accrued, excluding federal income taxes	250,689
Amounts withheld or retained by company as agent or trustee	5,525
Remittances and items not allocated	5,219,875
Borrowed money and interest thereon	6,924,276
Miscellaneous liabilities:	
Asset valuation reserve	17,161,568
Payable to parent, subsidiaries and affiliates	2,248,177
Payable for securities	(161,048)
From Separate Accounts statement	<u>2,563,118,107</u>
 Total liabilities	 <u>\$3,535,373,484</u>
 Common capital stock	 \$2,000,000
Gross paid in and contributed surplus	206,370,849
Unassigned funds (surplus)	<u>(66,235,785)</u>
Surplus	\$ <u>140,135,064</u>
 Total capital and surplus	 <u>\$ 142,135,064</u>
 Total liabilities, capital and surplus	 <u>\$3,677,508,548</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Premiums and considerations	\$488,090,929	\$531,516,336	\$528,913,288
Investment income	42,240,599	51,089,581	54,317,314
Miscellaneous Income	<u>11,499,584</u>	<u>8,975,998</u>	<u>10,167,492</u>
Total income	<u>\$541,831,110</u>	<u>\$591,581,915</u>	<u>\$593,398,094</u>
Benefit payments	\$254,835,617	\$316,617,599	\$471,255,568
Increase in reserves	183,666,607	53,026,084	92,810,213
Commissions	30,418,716	27,927,883	27,800,692
General expenses and taxes	12,742,085	11,142,877	12,622,873
Net transfers to (from) Separate Accounts	59,283,621	171,849,724	(20,361,491)
Miscellaneous deductions	<u>(765,841)</u>	<u>(1,308,474)</u>	<u>(1,131,029)</u>
Total deductions	<u>\$540,180,805</u>	<u>\$579,255,693</u>	<u>\$582,996,826</u>
Net gain (loss)	\$ 1,650,305	\$ 12,326,222	\$ 10,401,268
Federal and foreign income taxes incurred	<u>85,359</u>	<u>22,085,621</u>	<u>(1,015,838)</u>
Net gain (loss) from operations			
before net realized capital gains	\$ 1,735,664	\$ 34,411,843	\$ 9,385,430
Net realized capital gains (losses)	<u>5,382,352</u>	<u>3,480,053</u>	<u>(4,270,683)</u>
Net income	<u>\$ 7,118,016</u>	<u>\$ 37,891,896</u>	<u>\$ 5,114,747</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Capital and surplus,			
December 31, prior year	<u>\$ 98,137,285</u>	<u>\$ 98,326,890</u>	<u>\$129,073,657</u>
Net income	\$ 7,118,016	\$ 37,891,896	\$ 5,114,747
Change in net unrealized capital gain (loss)	844,714	0	0
Change in net deferred income tax	646,858	(27,490,498)	4,364,545
Change in non-admitted assets			
and related items	(1,708,557)	21,015,004	(4,787,066)
Change in reserve valuation basis	(1,778,000)	0	2,323,704
Change in asset valuation reserve	693,851	(2,457,552)	4,635,942
Other changes in surplus in			
Separate Accounts statement	(5,627,277)	1,787,917	(5,603,374)
Change in reserve valuation basis			
Separate Accounts statement	<u>0</u>	<u>0</u>	<u>7,012,909</u>
Net change in capital and surplus for the year	<u>\$ 189,605</u>	<u>\$ 30,746,767</u>	<u>\$ 13,061,407</u>
Capital and surplus,			
December 31, current year	<u>\$ 98,326,890</u>	<u>\$129,073,657</u>	<u>\$142,135,064</u>

D. RESERVES

The certificate of reserve valuation for December 31, 2007 is being held in abeyance pending results of the asset adequacy analysis review.

The Department conducted a review of reserves as of December 31, 2007. This review included an examination of related asset adequacy analysis in accordance with Department Regulation No. 126. During the review, concerns were noted regarding the justification of projected interaction of credited interest rate strategy, net investment returns, and policyholder behavior. As part of the December 31, 2008 reserve review and asset adequacy analysis, the Company committed to provide additional data to support its assumptions. The Company is also expected to either model volatile assets in a more conservative manner or replace the more volatile assets with less volatile assets in support of reserves. This open issue is expected to be resolved in a review of December 31, 2008 reserves, which is in progress. This review may lead to adjustments in the Department Regulation No. 126 asset adequacy analysis and potential increases in reserves.

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.

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

C. Treatment of Policyholders

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

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

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Company comply with terms of the Expense Reimbursement and Administrative Services Agreement with Touchstone as filed and approved by the Department</p> <p>The examination review revealed that the Company maintains records in sufficient detail to support the reasonableness of fees paid</p>
B	<p>The Company violated Section 1505(b) of the New York Insurance Law by failing to maintain records with sufficient detail to support the reasonableness of the charges or fees paid under its inter-company service agreements with Touchstone, including the charges or fees that were charged indirectly to Integrity on behalf of the Company</p> <p>The examination review revealed that the Company maintains records in sufficient detail to support the reasonableness of fees paid.</p>
C	<p>The Company violated Section 91.4(a)(2) of the Department Regulation No. 33 by failing to provide documentation that supports the actual basis of the allocation of expenses between companies</p> <p>The examination review revealed that the Company was able to provide documentation that supported the basis used for allocating expenses between companies.</p>
D	<p>The Company violated Section 91.4(f)(5) of the Department Regulation No. 33 when it used a general index to allocate general expenses among major annual statement lines of business. A similar violation appeared in the prior report on examination.</p> <p>The examination review revealed that the Company's allocation method complies with Department Regulation No. 33.</p>

<u>Item</u>	<u>Description</u>
E	<p>The Company violated Section 91.4(a)(5) of Department Regulation No. 33 by failing to treat the allocation of general expenses between companies in the same manner as if made for major annual statement lines of business.</p> <p>The examination review revealed that the Company's allocation method complies with Department Regulation No. 33.</p>
F	<p>The Company violated Section 325(a) of the New York Insurance Law by failing to keep and maintain its books of accounts and certain board committee meeting minutes at its principal office in this state. A similar violation appeared in the prior report on examination</p> <p>The examination review revealed that the Company maintains its books of accounts and board committee meeting minutes at its principal office in this state.</p>
G	<p>The examiner recommends that the Company's board of directors adopt a formal written investment policy statement that specifically addresses the portfolio's investment objectives, constraints and strategies.</p> <p>The examination review revealed that the Company has adopted a formal written investment policy statement.</p>
H	<p>The examiner recommends that the Company formally incorporate as part of its Business Continuity- Disaster Recovery Plan periodical testing of the plan and that the Company maintain test results indicating problems found or successful completion</p> <p>The examination review revealed that the Company tests its Business Continuity – Disaster Recovery Plan periodically and addresses issues raised on a timely basis.</p>

8. SUMMARY AND CONCLUSION

Following is the comment contained in this report

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The certificate of reserve valuation for December 31, 2007 is being held in abeyance pending results of the asset adequacy analysis review.	16

Respectfully submitted,

_____/s/
Phares U. Caton
Associate Insurance Examiner

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

Phares U. 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 U. Caton

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 22745

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

NATIONAL INTEGRITY 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 15th day of January, 2008



ERIC R. DINALLO
Superintendent of Insurance

A handwritten signature in black ink that reads "Eric Dinallo".

Superintendent