

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
AMERICAN MEDICAL AND LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2003

DATE OF REPORT:

SEPTEMBER 29, 2004

EXAMINER:

KENNETH WEITZ

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

September 29, 2004

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

Sir:

In accordance with instructions contained in Appointment No. 22125, dated January 15, 2004 and annexed hereto, an examination has been made into the condition and affairs of American Medical and Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 35 Broadway, Hicksville, New York 11801.

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, 2003 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 3D of this report)

The Company violated Section 1202(b)(2) of the New York Insurance Law in that the board's audit committee, established by the Company to fulfill the obligations of Section 1202, did not perform the following duties required under Section 1202:

- 1) recommend the selection of independent certified public accountants;
- 2) review the company's financial condition, and the scope and results of the independent audit and any internal audit;
- 3) nominate candidates for director for election by shareholders or policyholders;
- 4) evaluate the performance of officers deemed by such committee or committees to be principal officers of the company; and,
- 5) recommend to the board of directors the selection and compensation of such principal officers. (See item 3C of this report)

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal controls. (See item 7 of this report)

The examiner recommends that the Company develop a disaster recovery plan. (See item 8 of this report)

The examiner recommends that the Company develop a business continuity plan. (See item 8 of this report)

The Company violated Section 1505(a)(2) of the New York Insurance Law by failing to charge a reasonable amount for computer services provided to an affiliate under a filed service agreement. (See item 3B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the period from January 1, 2001 through December 31, 2003. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2003 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, 2003 to determine whether the Company's 2003 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 violations and recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 9 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

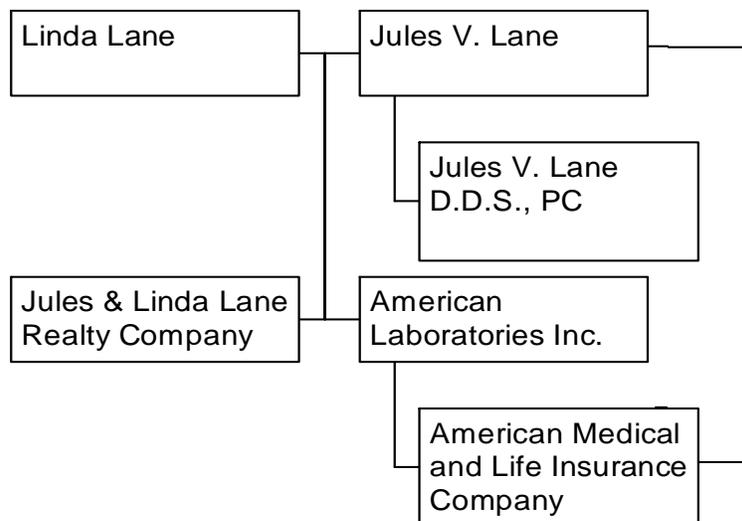
The Company was incorporated as a stock accident and health insurance company under the laws of New York on December 17, 1964 under the name Medical Accident and Health Company of New York. The Company was licensed and commenced business on February 17, 1966.

The Superintendent approved a charter amendment to change the Company's name to American Medical and Life Insurance Company on November 22, 1988. The license to transact life insurance, annuities and accident and health insurance was issued on January 3, 1989. To comply with the initial capital and surplus requirements for a stock company doing life insurance business in New York, the Company increased its capital to \$2 million and increased its gross paid in and contributed surplus to \$4 million, consisting of 100,000 shares with a par value of \$20 per share. There was no change to the Company's capital and surplus during the examination period.

B. Holding Company

The Company is owned by American Laboratories, Inc. (75%) and Jules V. Lane, D.D.S. (25%). American Laboratories, Inc., a New York holding company, is jointly owned by Dr. Jules V. Lane and Linda Lane.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2003 follows:



The Company had one service agreement in effect during the examination period.

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Cost Sharing Agreement	1/1/93	The Company	Jules V. Lane D.D.S., PC	Computer services	2001 - \$7,920 2002 - \$7,920 2003 - \$7,920

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

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

“Transactions within a holding company system to which a controlled insurer is party shall be subject to the following . . .

(2) charges or fees for services performed shall be reasonable . . .”

Since 1993, the Company has provided computer services to Jules V. Lane, D.D.S., PC under a filed service agreement. The Company had charged Dr. Lane a flat amount of \$660 per month for these services since the inception of the agreement. The examiner questioned the Company as to whether the amount was still fair and equitable for the current time period and the amount of services being provided. The Company agreed that the amount charged was outdated and agreed to file a new service agreement. The new agreement became effective January 1, 2004, and increased the amount charged to \$10,333 per month. The Department non-disapproved this agreement in July 2004.

The Company violated Section 1505(a)(2) of the New York Insurance Law by failing to charge a reasonable amount for computer services provided to an affiliate under a filed service agreement during the examination period.

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 . . .

(3) rendering of services on a regular systematic basis . . .”

The Company leases its home office from the Jules and Linda Lane Realty Company, an affiliate. The Company had not filed a service agreement with the Department to lease the space. During the examination the examiner addressed this issue with the Company. The Company subsequently filed an agreement with the Department by letter dated May 24, 2004. The agreement was non-disapproved July 23, 2004 with an effective date of June 1, 2004.

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent of its intention to lease office space from an affiliate at least 30 days prior thereto.

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 17 directors. 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, 2003, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2003, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Norman Beckoff Fairlawn, NJ	Chief Financial Officer and Treasurer American Medical and Life Insurance Company	1993
Lorraine Classi Bohemia, NY	Executive Vice President American Medical and Life Insurance Company	1998
Thomas J. Force West Islip, NY	Chief Executive Officer and General Counsel American Medical and Life Insurance Company	1999
Marc L. Friedman* Harrison, NY	Vice President Mansfield Press	1994
Yehuda Gutman* Brooklyn, NY	President Gutman Insurance Brokerage	2003
Lee Jarmolowsky South Setauket, NY	Senior Vice President and Chief Operating Officer American Medical and Life Insurance Company	2002
Jules V. Lane, D.D.S. Sands Point, NY	Chairman of the Board and President American Medical and Life Insurance Company	1964

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Linda L. Lane Sands Point, NY	Vice President American Medical and Life Insurance Company	1964
Stanley L. Lane, M.D.* New York, NY	Surgeon	1964
Pierre Meisner Woodbury, NY	Senior Vice President American Medical and Life Insurance Company	1999
Beverly L. Munter Plainview, NY	Vice President and Secretary American Medical and Life Insurance Company	1986
Ricky S. Munter, D.D.S.* Jericho, NY	Dentist	2000
Eric M. Yamin* New York, NY	Associate Morgan Stanley & Company, Inc.	1995

* 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.

Section 1202(b)(2) of the New York Insurance Law states, in part:

“The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and who are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the company's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed by such committee or committees to be principal officers of the company and recommending to the board of directors the selection and compensation of such principal officers . . .”

Although the Company established an audit committee comprised of unaffiliated directors to fulfill the obligations of Section 1202(b)(2) of the New York Insurance Law, the minutes of the audit committee meetings for the period under examination failed to indicate that the following tasks were being performed by the committee:

- 1) recommending the selection of independent certified public accountants;
- 2) reviewing the company's financial condition, and the scope and results of the independent audit and any internal audit;
- 3) nominating candidates for director for election by shareholders or policyholders;
- 4) evaluating the performance of officers deemed by such committee or committees to be principal officers of the company; and,
- 5) recommending to the board of directors the selection and compensation of such principal officers.

The Company violated Section 1202(b)(2) of the New York Insurance Law in that the board's audit committee, established by the Company to fulfill the obligations of Section 1202, did not perform the duties required under Section 1202.

The following is a listing of the principal officers of the Company as of December 31, 2003:

<u>Name</u>	<u>Title</u>
Jules V. Lane, D.D.S.	Chairman of the Board and President
Thomas J. Force *	Chief Executive Officer and General Counsel
Lee Jarmolowsky	Senior Vice President and Chief Operating Officer
Lorraine Classi	Executive Vice President
Pierre Meisner	Senior Vice President
Norman Beckoff	Chief Financial Officer and Treasurer
Linda L. Lane	Vice President
Beverly L. Munter	Vice President and Secretary
Kevin Gabriel	Actuary

* 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 25 states and the District of Columbia. In 2003, 99% of all premiums were received from New York.

The Company sells group life insurance, group accidental death and dismemberment insurance, basic major medical coverage, dental insurance, stop-loss insurance, student accident and medical insurance, and disability benefit insurance. The Company also provides administrative services for self-insured groups.

The Company principally writes group accident and health insurance with a strong emphasis on marketing group dental insurance.

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

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, in the doing of any insurance . . . business in this state or in soliciting, negotiating or effectuating any insurance . . . 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 . . .”

In 2003, the Company entered into a marketing arrangement with Mega Life and Health Insurance Company (“Mega”). Mega, domiciled in Oklahoma, is not licensed to do an insurance business in New York. The marketing arrangement calls for a 75/25 quota share reinsurance agreement, with Mega taking 75% of the risk. The business under the agreement is a limited benefit health policy for per diem workers. The policy was originally a Mega policy form that was adopted and filed for use in New York by the Company. Mega paid all filing and actuarial fees for the policy approval. Under the agreement, Mega, or an affiliate of Mega, performs all of the services related to this business including underwriting, claims, and administration. Mega pays the Company a “fronting fee”, equivalent to 4% of premiums received by the Company under this agreement. Mega receives administration and marketing fees and commissions amounting to 28.5 % of premiums. The Company is acting as an agent for Mega in New York.

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

E. Reinsurance

As of December 31, 2003, the Company had reinsurance treaties in effect with five companies, of which three were authorized or accredited. The Company's life business is ceded on a yearly renewable term basis and the accident and health business is reinsured on a coinsurance basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is \$500,000. The total face amount of life insurance ceded as of December 31, 2003, was \$975,000, which represents less

than 1% of the total face amount of life insurance in force. There were no reserve credits taken for reinsurance ceded to unauthorized companies.

The Company has agreements to reinsure stop-loss insurance and medical benefits in excess of the Company's retention limits.

4. SIGNIFICANT OPERATING RESULTS

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

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

	December 31, <u>2000</u>	December 31, <u>2003</u>	Increase (Decrease)
Admitted assets	<u>\$13,048,272</u>	<u>\$10,975,994</u>	<u>\$(2,072,278)</u>
Liabilities	<u>\$ 4,957,579</u>	<u>\$ 3,161,759</u>	<u>\$(1,795,820)</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	4,000,000	4,000,000	0
Group contingency reserve	166,948	263,040	96,092
Unassigned funds (surplus)	<u>1,923,745</u>	<u>1,551,195</u>	<u>(372,550)</u>
Total capital and surplus	<u>\$ 8,090,693</u>	<u>\$ 7,814,235</u>	<u>\$ (276,458)</u>
Total liabilities, capital and surplus	<u>\$13,048,272</u>	<u>\$10,975,994</u>	<u>\$(2,072,278)</u>

The Company's invested assets as of December 31, 2003 were mainly comprised of bonds (76.7%), stocks (17.5%) and cash and short-term investments (5.8%).

The Company's entire bond portfolio, as of December 31, 2003, 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:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Ordinary life insurance	\$ 8,705	\$ (4,283)	\$ 21,079
Group life insurance	\$607,797	\$ 269,286	\$ 416,927
Accident and health group	\$ (99,148)	\$(136,314)	\$(1,238,181)
Total	<u>\$517,354</u>	<u>\$ 128,689</u>	<u>\$ (800,175)</u>

The increased loss in the accident and health line in 2003 is attributed to the Company experiencing higher expenses in that line including legal fees related to a lawsuit with an agent for breach of contract, increased expenses related to HIPA compliance and an increase in claims. The fluctuations in the ordinary life line of business during the exam period are due to the low volume of business.

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	52.2%	57.7%	63.8%
Commissions	3.5	6.1	2.5
Expenses	49.2	47.1	55.4
Experience rating refunds	<u>8.1</u>	<u>(1.2)</u>	<u>(.2)%</u>
	<u>113.1%</u>	<u>109.7%</u>	<u>121.5%</u>
Underwriting results	<u>(13.1)%</u>	<u>(9.7)%</u>	<u>(21.5)%</u>

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2003, as contained in the Company's 2003 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, 2003 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2003

Admitted Assets

Bonds	\$ 7,677,938
Stocks: common	1,751,422
Cash and short term investments	577,184
Investment income due and accrued	131,642
Premiums and considerations uncollected	605,474
Amounts recoverable from reinsurers	40,000
Federal and foreign income tax recoverable and interest thereon	171,159
Electronic data processing equipment and software	6,540
Receivable from parent, subsidiaries and affiliates	<u>14,635</u>
Total admitted assets	<u>\$10,975,994</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$ 190,553
Aggregate reserve for accident and health policies	181,230
Policy and contract claims:	
Life	237,283
Accident and health	1,159,130
Interest maintenance reserve	446,074
Commissions to agents due or accrued	26,686
General expenses due or accrued	363,612
Taxes, licenses and fees due or accrued	37,867
Amounts withheld or retained by company as agent or trustee	15,941
Asset valuation reserve	242,347
Amount on deposit as third party administrator	74,997
Miscellaneous liabilities	<u>186,039</u>
Total liabilities	<u>\$ 3,161,759</u>
Common capital stock	\$ 2,000,000
Group contingency reserve	263,040
Gross paid in and contributed surplus	4,000,000
Unassigned funds (surplus)	<u>1,551,195</u>
Total capital, surplus and other funds	<u>\$ 7,814,235</u>
Total liabilities, capital, surplus and other funds	<u>\$10,975,994</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Premiums and considerations	\$ 9,283,747	\$11,230,533	\$11,738,331
Investment income	635,032	503,453	411,981
Commissions and reserve adjustments on reinsurance ceded	188,570	236,534	322,314
Administrative fee income	<u>452,660</u>	<u>339,417</u>	<u>189,796</u>
 Total income	 <u>\$10,560,009</u>	 <u>\$12,309,937</u>	 <u>\$12,662,422</u>
Benefit payments	\$ 4,808,093	\$ 6,563,835	\$ 7,143,064
Increase in reserves	(5,343)	38,494	83,050
Commissions	472,220	625,816	609,771
General expenses and taxes	4,057,733	4,989,127	5,781,760
Experience rating refunds	<u>631,094</u>	<u>(120,607)</u>	<u>13,979</u>
 Total deductions	 <u>\$ 9,963,797</u>	 <u>\$12,096,665</u>	 <u>\$13,631,624</u>
Net gain (loss)	\$ 596,212	\$ 213,272	\$ (969,202)
Federal and foreign income taxes incurred	<u>78,858</u>	<u>84,583</u>	<u>(169,027)</u>
 Net gain (loss) from operations before net realized capital gains	 \$ 517,354	 \$ 128,689	 \$ (800,175)
Net realized capital gains (losses)	<u>(196,274)</u>	<u>(293,067)</u>	<u>14,852</u>
 Net income	 <u>\$ 321,080</u>	 <u>\$ (164,378)</u>	 <u>\$ (785,323)</u>

C. CAPITAL AND SURPLUS ACCOUNT

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Capital and surplus, December 31, prior year	\$ <u>8,090,693</u>	\$ <u>8,594,742</u>	\$ <u>8,572,674</u>
Net income	\$ 321,080	\$ (164,378)	\$ (785,323)
Change in net unrealized capital gains (losses)	(55,925)	94,980	207,196
Change in non-admitted assets and related items	31,242	(54,868)	44,646
Change in asset valuation reserve	<u>207,652</u>	<u>102,198</u>	<u>(224,958)</u>
Net change in capital and surplus	\$ <u>504,049</u>	\$ <u>(22,068)</u>	\$ <u>(758,439)</u>
Capital and surplus, December 31, current year	\$ <u>8,594,742</u>	\$ <u>8,572,674</u>	\$ <u>7,814,235</u>

6. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

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. INTERNAL AUDIT

The Company does not have an internal audit function. Internal audit is an integral part of corporate governance that also includes the audit committee, the board of directors, senior management and the external auditors. In particular, internal auditors and audit committees are mutually supportive. Consideration of the work of internal auditors is essential for the audit committee to gain a complete understanding of the Company's operations. Internal audit identifies strategic, operational and financial risks facing the organization, and assesses controls put in place by management to mitigate those risks.

The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function to provide management and the audit committee with ongoing assessments of the Company's risk management processes and the accompanying system of internal controls.

8. DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS

The Company does not have a written disaster recovery plan. The objective of a disaster recovery plan is to provide reasonable assurance that data, systems and operations can be successfully recovered and be available to users in the event of a disaster. Such a plan should address hardware and system recovery, data retrieval procedures, emergency contact information, hardware/software vendor information, telecommunications recovery procedures, disaster declaration approval procedures, and physical recovery location. The plan should contain provisions to ensure periodical testing. The disaster recovery plan should be aligned with the Company's business continuity plans and be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the disaster recovery test plan and results (indicating problems found or successful completions), and documentation of management approval of the plan should be maintained.

The examiner recommends that the Company develop a disaster recovery 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 the disaster and recovery period. The plan should contain provisions to ensure periodical testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the business. Documentation of the business continuity test plan and results and documentation of management approval of the plan should be maintained.

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

9. 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 recommended that the directors attend the board meetings and that the Company take steps to remove any director who is unable or unwilling to perform the duties required of a director.</p> <p>The Company has indicated that it will remove any director who does not attend two board meetings in any calendar year. The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended.</p>
B	<p>The Company violated Section 312(b) of the New York Insurance Law by failing to retain the statement signed by each individual board member confirming that each member has received and read the prior report on examination.</p> <p>The Company now retains the statement signed by each individual board member confirming that each member has received and has read the prior report on examination.</p>
C	<p>The Company violated Section 4235(h)(2) of the New York Insurance Law by failing to file its revised small group dental rates and schedules with the Department.</p> <p>The Company has filed the revised small group dental rates and schedules with the Department.</p>
D	<p>The Company violated Section 3201(b)(1) of the New York Insurance Law for using an unapproved individual dental insurance application form.</p> <p>The application form is no longer in use.</p>
E	<p>The examiner recommended that the Company review its outstanding checks on a periodic basis and isolate those checks over three years old for appropriate reporting under the New York Abandoned Property Law.</p> <p>The Company now reviews its outstanding checks and any check over three years old is isolated for reporting under the New York Abandoned Property Law.</p>

10. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1505(a)(2) of the New York Insurance Law by failing to charge a reasonable amount for computer services provided to an affiliate under a filed service agreement.	5
B	The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent of its intention to lease office space from an affiliate at least 30 days prior thereto.	5 - 6
C	The Company violated Section 1202(b)(2) of the New York Insurance Law in that the board's audit committee, established by the Company to fulfill the obligations of Section 1202, did not perform the duties required under Section 1202.	7 - 8
D	The Company violated Section 2117(a) of the New York Insurance Law by acting as an agent for an unlicensed insurer.	9
E	The examiner recommends that the Company establish and maintain an independent, adequately resourced, and competently staffed internal audit function.	17
F	The examiner recommends that the Company develop a disaster recovery plan.	18
G	The examiner recommends that the Company develop a business continuity plan.	18

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

KENNETH WEITZ

as a proper person to examine into the affairs of the

AMERICAN MEDICAL AND 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, 2004



GREGORY V. SERIO

Superintendent of Insurance


Superintendent