STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

FIRST CITICORP LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2002

DATE OF REPORT:	OCTOBER 10, 2003
EXAMINER:	LATI SMITH

TABLE OF CONTENTS

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

October 10, 2003

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

Sir:

In accordance with instructions contained in Appointment No. 22065, dated June 19, 2003 and annexed hereto, an examination has been made into the condition and affairs of First Citicorp Life Insurance Company, hereinafter referred to as the "Company" or "FCLIC," at its home office located at 333 West 34th Street, New York, New York 10001.

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 examination included a review of reserves as of December 31, 2002. The review of reserves raised concerns regarding an approximation methodology used for calculating reserves for the deferred annuity business. The Company agreed to implement a more conservative methodology beginning in the third quarter of 2004, which would increase the September 30, 2004 reserves by $500,000. Additional concerns were raised regarding the reserve credits taken in connection with the reinsurance of certain guaranteed minimum death benefits of the Company's variable annuity business. The Company agreed to not recognize the related reserve credits beginning in the first quarter of 2004. Not recognizing the reserve credits increased the March 31, 2004 reserves by approximately $3,100,000. (See item 5D of this report)

In 1999, the Company added new funds to its variable annuity product without making certain required filings. The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of the amendments to its participation agreement with its affiliates. The Company also violated Section 4240(e) of the New York Insurance Law for failing to timely file amendments to its separate account plan of operations. (See item 3B of this report)

2. SCOPE OF EXAMINATION

The prior statutory examination was conducted as of December 31, 1999. As a result of that examination, the Department conducted a limited scope follow-up examination in 2001 to review the Company's progress in correcting the violations noted in the 1999 report. This examination covers the period from January 1, 2000 through December 31, 2002. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2002 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, 2002 to determine whether the Company's 2002 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 violations and recommendations contained in the prior two reports on examination. The results of the examiner's review are contained in item 7 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

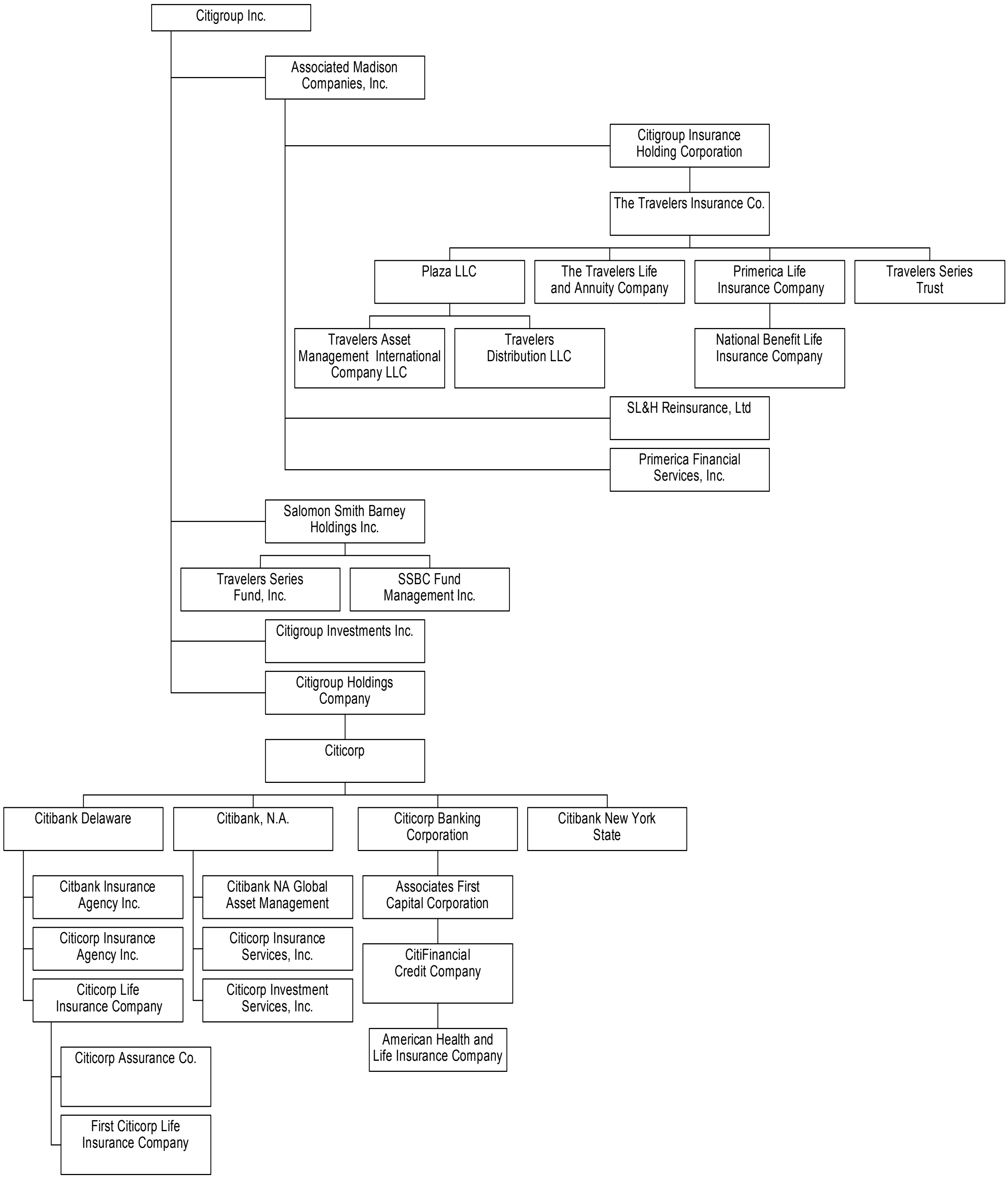
The Company was incorporated as a stock life insurance company under the laws of New York on April 17, 1978, and was licensed and commenced business on August 11, 1981. The Company was originally incorporated as Family Guardian Life Insurance Company of New York. Its current name was adopted on January 1, 1993. Initial resources of $6,000,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $4,000,000 were provided through the sale of 400,000 shares of common stock (with a par value of $5 each) for $15 per share. In 2000, the Company received a capital contribution of $10,000,000 from its parent, Citicorp Life Insurance Company ("CLIC").

B. Holding Company

The Company is a wholly owned subsidiary of CLIC, an Arizona insurance corporation. The Company's ultimate parent is Citigroup Inc., a Delaware holding company.

Prior to August 2000, Citicorp Insurance Services, Inc. ("CISI"), located in Dover, Delaware, provided administrative services for the Company. In August 2000, the Dover operations center was closed and CISI moved to Fort Worth, Texas where it shares space with American Health and Life Insurance Company ("AHL"), a subsidiary of Citigroup Inc. The credit business is administered in Fort Worth, Texas. The Travelers Insurance Company ("TIC"), an affiliated insurance company, started administering the Company's annuity business in Hartford, Connecticut after the Dover operations center closed.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2002 follows:


Citigroup Inc.
Associated Madison Companies, Inc.
Citigroup Insurance Holding Corporation
The Travelers Insurance Co.
Plaza LLC
The Travelers Life and Annuity Company
Primerica Life Insurance Company
Travelers Series Trust
Travelers Asset Management International Company LLC
Travelers Distribution LLC
National Benefit Life Insurance Company
SL&H Reinsurance, Ltd
Primerica Financial Services, Inc.
Salomon Smith Barney Holdings Inc.
Travelers Series Fund, Inc.
SSBC Fund Management Inc.
Citigroup Investments Inc.
Citigroup Holdings Company
Citicorp
Citibank Delaware
Citibank, N.A.
Citicorp Banking Corporation
Citibank New York State
Citbank Insurance Agency Inc.
Citicorp Insurance Agency Inc.
Citicorp Life Insurance Company
Citibank NA Global Asset Management
Citicorp Insurance Services, Inc.
Citicorp Investment Services, Inc.
Associates First Capital Corporation
CitiFinancial Credit Company
American Health and Life Insurance Company
Citicorp Assurance Co.
First Citicorp Life Insurance Company

The Company had 13service agreements in effect as of December 31, 2002.

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered
Administrative Service Agreement	8/1/2001	TIC	the Company	Administrative services for annuity and non-credit life insurance business operations.
Administrative Service Agreement	9/1/2001	CISI	the Company	Administrative services for credit life and disability insurance.
Administrative Service Agreement	1/1/1998	Citibank, N.A.	the Company	Administrative services for credit insurance business.
Administrative Service Agreement	1/1/1998	Citibank New York State	the Company	Administrative services for credit insurance business.
Sub-lease agreement	8/1/1999	National Benefit Life Insurance Company	the Company	Sublease space at 333 West 34th Street, New York for the Company's home office.
Short-Term Pooling Agreement	3/23/2000	Travelers Asset Management International Company	the Company	Administration of pooled assets in short term money market investments.
Investment Services Agreement	11/1/1995	Citibank, N.A.	the Company	Investment advisory and custodial services.
Investment Services Agreement	7/1/2001	Citigroup Investments Inc.	the Company	Investment portfolio management, including credit analysis, trading, monitoring, clearing transactions from data received from custodian, reconciling custodian records, feeding of information to ledgers and preparation of quarterly and annual schedules for statutory financial statements.
General Agent Agreement Amended 12/7/1999	5/1/1993	Citicorp Investment Services, Inc. ("CIS")	the Company	Solicitation of the Company's single and flexible premium deferred and variable annuities.

Type of Agreement	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered
General Agent Agreement Amended 12/9/1997	5/1/1993	Citibank Insurance Agency, Inc. ("CIA")	the Company	Solicitation and procurement of applications for individual term life insurance.
General Agent Agreement	12/1/1997	Citicorp Insurance Agency, Inc. ("CIAI")	the Company	Solicitation of single and flexible premium deferred and variable annuities.
Participation Agreement	4/1/1999	Travelers Series Fund, Inc. & SSBC Fund Management Inc.	CLIC and the Company	To provide investment options for the Company's variable annuity contracts
Participation Agreement	4/1/1999	Travelers Series Trust	CLIC and the Company	To provide investment options for the Company's variable annuity contracts
Distribution and Principal Underwriting Agreement	10/8/2000	Travelers Distribution LLC	the Company	To act as principal underwriter and distribute the Company's variable annuity contracts

The Company also participates in a tax agreement with CLIC to file a consolidated tax return.

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 . . . and he has not disapproved it within such period . . .
> (3) rendering of services on a regular or systematic basis"

Section 4240(e) of the New York Insurance Law states, in part:

> "No authorized insurer shall make any such agreement in this state providing for the allocation of amounts to a separate account until such insurer has filed with the superintendent a statement as to the methods of operation of such separate account and the superintendent has approved such statement . . . If the insurer files an amendment of any such statement with the superintendent . . . and the

> superintendent does not approve or disapprove such amendment within a period of thirty days after such filing, such amendment shall be deemed to be approved as of the end of such thirty day period . . . "

In November 1999, the Company amended its participation agreement with CLIC, the Travelers Series Fund, Inc. and SSBC Fund Management Inc. by adding new funds to the agreement. The Company did not notify the Superintendent in writing of its intention to amend the agreement at least 30 days prior thereto.

In addition, the Company submitted a second amendment on November 20, 2002. The second amendment, dated May 1, 2001, added and deleted portfolios from the funds. The Company did not notify the Superintendent in writing of its intention to amend the agreement at least 30 days prior thereto.

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of the amendments to its participation agreement with its affiliates.

In addition, the Company did not file amendments to its separate account plan of operations on a timely basis when it added and deleted funds.

The Company violated Section 4240(e) of the New York Insurance Law for failing to timely file amendments to its separate account plan of operations.

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 extension 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 . . . "

On October 18, 2000, the Company received a capital contribution of $10,000,000 from its parent, CLIC. The Company did not notify the Superintendent of its intention to enter into this transaction at least 30 days prior thereto.

The Company violated Section 1505(d)(1) of the New York Insurance Law by failing to notify the Superintendent in writing of the capital contribution received from its parent 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 nine and not more than 23 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, 2002, the board of directors consisted of 11 members. Meetings of the board are held in January, April, July and October of each year.

The 11 board members and their principal business affiliation, as of December 31, 2002, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
George C. Kokulis Simsbury, CT	President and Chief Executive Officer First Citicorp Life Insurance Company	2000
Frederick W. Bradley Jr.* Westfield, NJ	Retired	1992
Elizabeth C. Craig New York, NY	Vice President Citibank	2000
Sue B. Dorn* New York, NY	Consultant	2001
Glenn D. Lammey Simsbury, CT	Executive Vice President and Chief Financial Officer First Citicorp Life Insurance Company	2000
Alice B. Leopold-Benintendi New York, NY	Vice President Citicorp Investment Services	1999
Marla B. Lewitus Marlborough, MA	Senior Vice President and General Counsel First Citicorp Life Insurance Company	2000

Name and Residence	Principal Business Affiliation	Year First Elected
Kathleen L. Preston South Windsor, CT	Executive Vice President First Citicorp Life Insurance Company	2002
Frederick W. Thomas Jr.* Thetford, VT	Retired	1978
David A. Tyson East Granby, CT	Senior Vice President and Chief Investment Officer First Citicorp Life Insurance Company Executive Vice President Citicorp Investment Services	2000
John M. Walbridge* Short Hills, NJ	Retired	1988

* 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, 2002:

Name	Title
George C. Kokulis	President & Chief Executive Officer
Glenn D. Lammey	Executive Vice President & Chief Financial Officer
Kathleen L. Preston	Executive Vice President
David A. Tyson	Senior Vice President & Chief Investment Officer
Madelyn J. Lankton	Senior Vice President & Chief Information Officer
Marla B. Lewitus	Senior Vice President & General Counsel
Ernest J. Wright	Secretary
Forrest D. Voss	Senior Vice President

Sandra Giansante is the 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 four states, namely Arizona, Connecticut, Delaware and New York. During the period under examination all of the Company's premiums and annuity considerations were received from New York. Policies are written on a non-participating basis.

Prior to 1993, the Company wrote ordinary life, credit life and group life insurance and accident and health insurance products. In 1993, the Company began writing single and flexible premium deferred annuities in its general account and, in 1995, began writing variable annuity business.

In 1998, the Company ceased writing ordinary life and group life insurance. The Company ceased writing credit life and accident and health insurance in late 1999. All credit insurance is currently in run-off. At December 31, 2002, the Company was not actively marketing its annuities and as of June 2003 the Company discontinued selling its annuity products. After June 2003 the Company was not actively marketing any of its products.

The Company's agency operations are conducted on a general agency basis. The Company has agreements with three general agencies, CIS, CIAI and CIA, all affiliated companies. During the examination period, the Company utilized the general agency agreements with CIS and CIAI for the sale of its annuity products. CIS and CIAI marketed annuity products to Citibank's existing New York customer base by placing licensed agents in the New York branch offices of Citibank, N.A. The Company did not use the general agency agreement with CIA that was established for the sale of individual term life insurance during the examination period.

E. Reinsurance

As of December 31, 2002, the Company had reinsurance treaties in effect with four companies, all of which were authorized or accredited. The Company's life and accident and health businesses are reinsured on a coinsurance or yearly renewable term basis. Reinsurance is provided on an automatic or facultative basis.

The Company's direct individual life, group life and accident and health insurance are 100% reinsured. Also, the Company's assumed accident and health business is 100% reinsured. The total face amount of life insurance ceded as of December 31, 2002, was $116,416,559, which represents 81.1% of the total face amount of life insurance in force.

The Company assumed credit life, group life and group accident and health business from two companies. The total face amount of life insurance assumed as of December 31, 2002, was $27,155,000, which represents 18.9% of the total face amount of the Company's life insurance in force.

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:

	December 31, 1999	December 31, 2002	Increase (Decrease)
Admitted assets	$1,209,608,300	$778,493,894	$(431,114,406)
Liabilities	$1,176,312,795	$730,555,936	$(445,756,859)
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	32,000,000	42,000,000	10,000,000
Unassigned funds (surplus)	(704,495)	3,937,958	4,642,453
Total capital and surplus	$ 33,295,505	$ 47,937,958	$ 14,642,453
Total liabilities, capital and surplus	$1,209,608,300	$778,493,894	$(431,114,406)

The Company's invested assets as of December 31, 2002, exclusive of Separate Accounts, were comprised of bonds (85.6%), and cash and short-term investments (14.4%).

The majority (95%) of the Company's bond portfolio, as of December 31, 2002, was comprised of investment grade obligations.

During the period under examination admitted assets decreased by approximately $431 million primarily because underlying Separate Accounts assets decreased by $361.9 million due to a large increase in variable annuity surrenders.

The decrease in liabilities is primarily the result of the decrease in reserves related to the variable annuity surrenders.

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:

	2000	2001	2002
Ordinary:			
Life insurance	$ 23,389	$ (84,797)	$ 1,154
Individual annuities	2,273,926	11,120,769	4,289,374
Total ordinary	$2,297,315	$11,035,972	$4,290,528
Credit life	$ 427,947	$ 320,546	$ 323,199
Group life	$ 77,649	$ 146,398	$ (64,635)
Accident and health:			
Group	$ 2	$ (2,898)	$ (1,399)
Credit	85,515	30,325	26,718
Total accident and health	$ 85,517	$ 27,427	$ 25,319
All other lines	$ (928,912)	$ 710,732	$ 329,660
Total	$1,959,516	$12,241,075	$4,904,071

In 2000, the Company stopped actively marketing its annuity products and closed its office in Dover, Delaware. In 2001, the increase in the gain in the ordinary annuity line was primarily because commission expenses decreased as a result of the reduction in the amount of business written. In 2002, the decrease in net income in the annuity line was mainly due to lower premium and net investment income.

In 2001, the ordinary life line's loss was the result of an increase in death claims.

The fluctuations in the gain (loss) on the group life line during the examination period are the result of death benefit fluctuations.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2002, as contained in the Company's 2002 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, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2002

Admitted Assets

Bonds	$337,729,589
Cash and short term investments	56,686,199
Receivable for securities	102,009
Reinsurance ceded	
Other amounts receivable under reinsurance contracts	21,264
Federal and foreign income tax recoverable and interest thereon	759,917
Investment income due and accrued	3,574,718
Undistributed items	(167,416)
From Separate Accounts statement	379,787,614
Total admitted assets	$778,493,894

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$300,072,693
Aggregate reserve for accident and health policies	6,360
Liability for deposit-type contracts	3,278,500
Policy and contract claims:	
Life	925,637
Accident and health	638
General expenses due or accrued	4,458,654
Transfers to Separate Accounts due or accrued	(6,541,509)
Taxes, licenses and fees due or accrued	1,023,479
Federal and foreign income taxes	2,709,178
Amounts withheld or retained by company as agent or trustee	1,438,617
Remittances and items not allocated	(103,700)
Miscellaneous liabilities:	
Payable to parent, subsidiaries and affiliates	1,757,140
Payable for securities	17,326,383
Securities lending	24,416,250
From Separate Accounts statement	379,787,614
Total liabilities	$730,555,934
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	42,000,000
Unassigned funds (surplus)	3,937,958
Total capital, surplus and other funds	$ 47,937,958
Total liabilities, capital, surplus and other funds	$778,493,892

B. CONDENSED SUMMARY OF OPERATIONS

	2000	2001	2002
Premiums and considerations	$152,999,940	$ 18,303,597	$ 6,900,818
Investment income	27,649,750	25,116,982	21,576,175
Commissions and reserve adjustments on reinsurance ceded	56,724	33,937	31,042
Miscellaneous income	9,963,490	8,786,092	6,955,995
Total income	$190,669,904	$ 52,240,608	$ 35,464,030
Benefit payments	$143,654,334	$144,888,123	$132,159,729
Increase in reserves for accident and health	(68,078,745)	(54,752,613)	(17,825,839)
Commissions	9,734,102	1,230,436	619,108
General expenses and taxes	4,669,380	897,457	999,213
Net transfers to (from) Separate Accounts	97,085,864	(57,298,447)	(87,188,131)
Total deductions	$187,064,935	$ 34,964,956	$ 28,764,080
Net gain	$ 3,604,969	$ 17,275,652	$ 6,699,950
Federal and foreign income taxes incurred	1,645,452	5,034,576	1,795,879
Net gain from operations before net realized capital gains	$ 1,959,517	$ 12,241,076	$ 4,904,071
Net realized capital gains (losses)	(6,112,002)	(4,908,424)	(3,548,073)
Net income (loss)	$ (4,152,485)	$ 7,332,652	$ 1,355,998

C. CAPITAL AND SURPLUS ACCOUNT

	2000	2001	2002
Capital and surplus, December 31, prior year	$33,295,505	$35,477,374	$45,740,151
Net income	$ (4,152,485)	$ 7,332,652	$ 1,355,998
Change in net unrealized capital gains (losses)	(2,503)	(62)	(5,838)
Change in net unrealized foreign exchange capital gain	0	2,505	0
Change in net deferred income tax	0	0	616,593
Change in non-admitted assets and related items	(4,454,821)	2,927,700	(524,208)
Change in asset valuation reserve	791,678	(18)	41
Cumulative effect of changes in accounting principles	0	0	755,221
Surplus adjustment paid-in	10,000,000	0	0
Net change in capital and surplus	$ 2,181,869	$10,262,777	$ 2,197,807
Capital and surplus, December 31, current year	$35,477,374	$45,740,151	$47,937,958

D. RESERVES

The Department conducted a review of reserves as of December 31, 2002. During the review, concerns were raised regarding an approximation methodology for calculating reserves for the deferred annuity business. In response, the Company agreed to implement a more conservative methodology beginning in the third quarter of 2004. The revised methodology would serve to increase the September 30, 2004 reserves by approximately $500,000. Regulation 102 concerns were raised regarding reserve credits in connection with certain guaranteed minimum death benefit (GMDB) reinsurance of the Company's variable annuity business. The GMDB reinsurance contained contractual caps on the reinsurance benefits otherwise payable. In response, the Company agreed to not recognize the related reserve credits beginning in the first quarter of 2004. The revised reinsurance reserve credits increased the March 31, 2004 reserves by approximately $3,100,000.

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.

D. Response to Supplement No. 1 to Department Circular Letter No. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the “Supplement”), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department.

The Company submitted a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement on December 1, 2000.

The Company reported that it reviewed its files and noted that it did not actively sell or reinsure life insurance products, including ordinary life and credit life, until 1980. The Company also indicated that it reviewed all policies issued since it started marketing life insurance products and found no record that the Company ever marketed or issued life insurance policies using race-based underwriting or pricing practices. In summary, the Company's findings were, that there were no results from any of the testing that would indicate any degree of race-based underwriting.

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and the recommendation contained in the 1999 report on examination that were not addressed during the 2001 examination, and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by receiving services from affiliates without filed service agreements. A review revealed that the Company filed the service agreements in 2001 and 2002.
B	The examiner recommends that all transactions with affiliates be recorded on Schedule Y. A review of the amounts reported in Schedule Y of the 2002 filed annual statement revealed that the Company reported all transactions with affiliates on Schedule Y.
C	The Company violated Section 3214(c) of the New York Insurance Law for not paying interest on annuity death claims in accordance with the law. A review of a sample of annuity death claims revealed that the Company now pays interest in accordance with Section 3214(c) of the New York Insurance Law.
D	The Company violated Section 325(a) of the New York Insurance Law for not maintaining its books of account and the complete minutes of its board meetings at its principal office in this state. A review indicated that the Company now maintains its books of account and the complete minutes of the board meetings at its principal office in this state.

Following are the violations and the recommendations contained in the 2001 report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 1505(d)(3) of the New York Insurance Law when it failed to comply with its filed service agreement. The agreement required that the Company keep a dedicated toll free number for its policyholders. The review revealed that the Company maintains a dedicated toll free "800" number for policyholders in accordance with the filed service agreement.
B	The Company violated Section 51.6(b)(6) of Department Regulation No. 60 by not maintaining copies of the notification of replacement to the insurers whose annuity contract was being replaced. A review of a sample of replacements revealed that the Company maintained copies of the notification of replacement to the insurer whose annuity contract was being replaced indexed in the appropriate manner.
C	The Company violated Section 403(d) of the New York Insurance Law by using a claim form that did not contain the complete fraud warning as required by Law. A review indicated that as of 2003, the Company revised the fraud warning on its credit disability claim forms to include the complete fraud warning as required by Section 403(d).
D	The Company violated Section 185.11 of Department Regulation No. 27-A for not paying claims in accordance with the terms of the insurance contract. The Company audited all disability claims filed since January 1, 1997 and made appropriate adjustments when necessary. The examiner's review did not reveal any additional instances of inappropriate payments of benefits.
E	The Company violated Section 3214(c) of the New York Insurance Law when it failed to pay appropriate interest on death claims on credit life insurance policies. The Company reviewed all claims paid on credit life policies since January 1, 1997 and paid interest where appropriate. The examiner's review did not reveal any additional discrepancies.

Item	Description
F	The examiner recommends that the Company review all claims paid on credit life policies since January 1, 1997 and pay interest where appropriate. The Company reviewed all claims paid on credit life policies since January 1, 1997 and paid interest where appropriate.
G	The Company violated Section 216.11 of Department Regulation No. 64 when it failed to maintain credit life, credit disability, and annuity death claim files so that the examiner could reconstruct the claims. A review of the Company's credit life, credit disability and annuity claims revealed that the claim files are maintained so that the examiner could reconstruct the claims.
H	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by not maintaining records with sufficient detail to show fully the actual basis of the allocation of expenses. A review revealed that the Company maintains sufficient detail to show fully the actual basis of the allocation of expenses.
I	The Company violated Section 243.2(b) of Department Regulation No. 152 when it failed to maintain files as required by the Regulation. A review of a sample of the Company's credit life, credit disability and annuity claim files revealed that the Company maintains its files as required by Department Regulation No. 152.
J	The examiner recommends that the Company obtain evidence of ownership for the five private placement holdings or report them as non-admitted assets in its next statement filing. A review revealed that the Company has evidence of ownership of its private placements.
K	The Company violated Section 2108(a)(4) of the New York Insurance Law when it paid fees to an unlicensed adjuster. A review revealed that the Company utilizes and pays fees only to licensed insurance adjusters who adjust the Company's credit accident and health claims.

8. SUMMARY AND CONCLUSIONS

Following are the violations and comment contained in this report:

Item	Description	Page No(s).
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to notify the Superintendent in writing of the amendments to its participation agreement with its affiliates.	7 – 8
B	The Company violated Section 4240(e) of the New York Insurance Law for failing to timely file amendments to its separate account plan of operations.	7 – 8
C	The Company violated Section 1505(d)(1) of the New York Insurance Law by failing to notify the Superintendent in writing of the capital contribution received from its parent at least 30 days prior thereto.	8 – 9
D	The Company agreed to implement a more conservative methodology for calculating reserves for the deferred annuity business which would increase the September 30, 2004 reserves by $500,000 and to not recognize reserve credits taken in connection with the reinsurance of certain guaranteed minimum death benefits of the Company's variable annuity business. Not recognizing the reserve credits increased the March 31, 2004 reserves by approximately $3,100,000.	18

Respectfully submitted,

/s/
Lati Smith
Senior Insurance Examiner

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

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

/s/
Lati Smith

Subscribed and sworn to before me

this__________ day of ___________________

APPOINTMENT NO. __22065__

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:

LATI SMITH

as a proper person to examine into the affairs of the

FIRST CITICORP LIFE INSURANCE COMPANY

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

COMPANY

with such other information as she shall deem requisite.

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

this __19th__ day of __June,__ 2003

GREGORY V. SERIO
Superintendent of Insurance

Superintendent