STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

AMALGAMATED LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2000

DATE OF REPORT:	FEBRUARY 28, 2002
EXAMINER:	JACQUELINE TUCKER

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

February 28, 2002

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

Sir:

In accordance with instructions contained in Appointment No. 21769, dated September 10, 2001 and annexed hereto, an examination has been made into the condition and affairs of Amalgamated Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 730 Broadway, New York, New York 10003.

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

On March 26, 2001, subsequent to the examination period, the Department granted approval to transfer the ownership of ALICO Services Corporation (“ASC”), the Company’s parent, from the Amalgamated Insurance Fund (“the Fund”) to the Amalgamated Cotton Garment & Allied Industries Pension Fund. As part of its reorganization, the Company, although still wholly owned by ASC, became part of a newly formed holding company, Amalgamated Cotton Garment & Allied Industries Pension Fund. (See item 3B of this report)

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, 2000 filed annual statement. (See item 5 of this report)

The Company violated Sections 4235(h)(1) and (3) of the New York Insurance Law when it charged premium rates, other than those on file with the Superintendent, in connection with the issuance of all group disability policies with 50 or more employees. This is a repeat violation from the previous report on examination. (See item 6B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1996. This examination covers the period from January 1, 1997 through December 31, 2000. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2000 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, 2000 to determine whether the Company's 2000 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, 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 as a stock life insurance company under the laws of New York on September 29, 1943, was licensed on January 10, 1944 and commenced business on February 1, 1944. Initial resources of $450,000, consisting of common capital stock of $300,000 and paid in and contributed surplus of $150,000, were provided through the sale of 3,000 shares of common stock (with a par value of $100) for $150 per share.

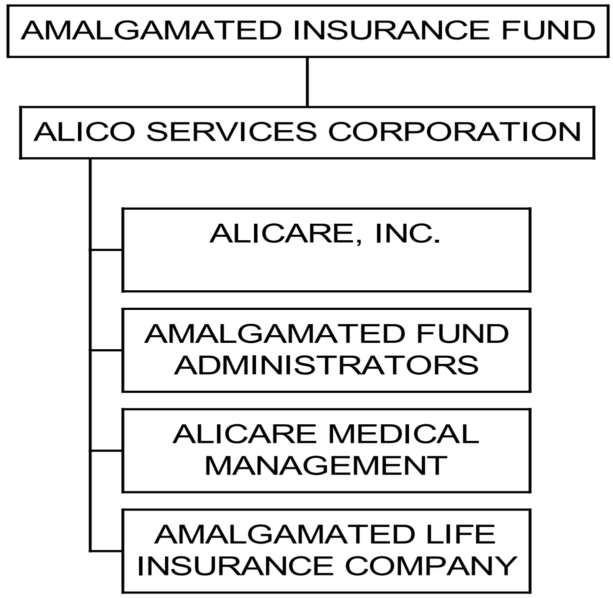
Changes in the capital and surplus of the Company since incorporation have resulted in capital and paid in and contributed surplus of $2,000,000 and $3,650,000, respectively, as of December 31, 2000.

The Company was organized by the Amalgamated Insurance Fund, a welfare fund established by the Union of Needletrades, Industrial and Textile Employees ("UNITE") (formerly known as Amalgamated Clothing and Textile Workers Union of America) and employers in the clothing industry. The Company was formed as a non-profit insurer to provide life and accident and health insurance for participants in the Amalgamated Insurance Fund and six other related funds ("the Patron Funds") on a non-profit basis. Prior to 1992, operations were restricted to selling insurance products to the seven Patron Funds, which are all Taft-Hartley plans sponsored by UNITE. In January 1992, the Department approved the Company's amended charter authorizing it to sell life, health and disability insurance outside of its traditional non-profit market.

B. Holding Company

As of December 31, 2000 the Company was wholly owned by ASC, which in turn was wholly owned by the Amalgamated Insurance Fund. On March 26, 2001, the Department granted approval to transfer the ownership of ASC from the Amalgamated Insurance Fund to the Amalgamated Cotton Garment & Allied Industries Pension Fund. Both funds are Patron Funds and have always participated in the Company's health, welfare and pension plans. As part of its reorganization, the Company, although still wholly owned by ASC, became part of a newly formed holding company, the Amalgamated Cotton Garment & Allied Industries Pension Fund.

An organization chart reflecting the relationship between the Company and certain significant entities in its holding company system as of December 31, 2000 follows:



The Company had two service agreements in effect as of December 31, 2000. Under one agreement with a number of affiliates, the Company provides various services such as accounting, actuarial, building maintenance, security, mailroom, legal, human resources, payroll preparation, management information systems, claims processing, collections, marketing and finance services. Under this agreement the Company also provides its affiliates with office space. The Company is reimbursed for the actual cost incurred for the services rendered.

Under the second agreement, Alicare, Inc. ("Alicare") provides the Company with data processing services. The Company reimburses Alicare for its allocable share of the salaries of employees rendering such services, as determined by time studies.

The Company also had a tax allocation agreement in effect with its parent, ASC.

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 25 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2000, the board of directors consisted of 14 members. Meetings of the board are held twice per year.

The 14 board members and their principal business affiliation, as of December 31, 2000, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
John R. Berkley* Palm Beach, FL	President and Chief Executive Officer Berkley Medical Records, Inc.	1997
Edward Clark, Jr. Boston, MA	Secretary and Treasurer Amalgamated Life Insurance Company Executive Vice President Union of Needletrades, Industrial and Textile Employees - New England Regional Joint Board	1998
Susan Cowell* New York, NY	Staff Director Union of Needletrades, Industrial and Textile Employees	1999
Bruce Dunton* Gaithersburg, MD	Vice President Union of Needletrades, Industrial and Textile Employees - Mid-Atlantic Regional Joint Board	1989
Mark Fleishman* Cornwall-On-Hudson, NY	Vice President Union of Needletrades, Industrial and Textile Employees	1999
John Gillis* Laurence Harbor, NJ	Vice President Union of Needletrades, Industrial and Textile Employees - New York Joint Board	1999
Walter B. D. Hickey, Jr.* Pittsford, NY	Chairman Hickey-Freeman Company	1981
Robert A. Kaplan* New York, NY	Executive Director Clothing Manufacturers Association	1968

Name and Residence	Principal Business Affiliation	Year First Elected
Andrew Kozinn* Brooklyn, NY	President Saint Laurie Ltd.	1999
Sidney Kraines* Forest Hills, NY	Treasurer William P. Goldman & Brothers	1973
Homi B. Patel* Lake Forest, IL	President Hartmarx Corporation	1993
Bruce Raynor Upper Granview, NY	Chairman of the Board Amalgamated Life Insurance Company Secretary – Treasurer Union of Needletrades, Industrial and Textile Employees	1992
Harvey J. Weinstein* New York, NY	Retired	1981
Ron Willis* Chicago, IL	Co-Manager Union of Needletrades, Industrial and Textile Employees - Chicago and Central States Joint Board	1999

* 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 there were several directors who did not attend meetings on a regular basis. All such directors have since been replaced.

At the June 2001 board of directors meeting, a new slate of 21 directors was elected, which included only eight of the prior directors.

The following is a listing of the principal officers of the Company as of December 31, 2000:

Name	Title
Ronald L. Minikes*	President
Edward Clark, Jr.	Secretary and Treasurer
Richard C. Koven	Executive Vice President and Chief Marketing Officer
Arthur M. Kurek	Senior Vice President
Claire A. Levitt	Senior Vice President
Mark A. Schwartz	Senior Vice President/Assistant Secretary
Michael C. Haines	Vice President/Chief Financial Officer
Martin Cohen	Vice President/Chief Actuary
Victoria Sartor	Vice President/Controller
Jeffrey Warbet	Vice President
Jeanne Jarvis-Meara	Vice President

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

In June 2001, Michael C. Haines, Jeffrey Warbet and Jeanne Jarvis-Meara were made Senior Vice Presidents.

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 has never written annuity business.

The Company is licensed to transact business in 12 states. In 2000, 81.62% of life premiums and 17.81% of accident and health premiums were received from New York. Policies are written on a non-participating basis.

The Company's agency operations are conducted on a general agency and direct mail basis. The target market is primarily trade union members covered under Taft-Hartley health and welfare plans and pension plans, or under endorsed voluntary arrangements through their unions. Group term life insurance is the Company's primary product, which accounted for 80% of net premiums for 2000. In order to expand its territory and product offerings, the Company has entered into strategic underwriting partnerships with other insurance carriers and non-insurance carriers (including HMO's and financial institutions) through which voluntary accidental death and disability, voluntary whole life and voluntary group term life will be offered. The Company anticipates that these partnerships will become less important in the coming years as it builds its direct marketing program.

E. Reinsurance

As of December 31, 2000, the Company had four reinsurance treaties in effect with one authorized company. The Company's life insurance is ceded on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $50,000. The total face amount of life insurance ceded as of December 31, 2000, was $4,228,070,000, which represents 52% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2000, was $1,851,385,733. The assumed business is solely a result of the Company's participation in the reinsurance pools for Federal Employee Group Life Insurance and Servicemen's Employee Group Life Insurance.

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, 1996	December 31, 2000	Increase (Decrease)
Admitted assets	$27,973,432	$32,452,253	$ 4,478,821
Liabilities	$20,187,930	$18,720,104	$(1,467,826)
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	3,650,000	3,650,000	0
Contingency reserves for claims experience fluctuation – group life Non Patron Fund	210,995	3,177,222	2,966,227
Unassigned funds (surplus)	1,924,508	4,904,927	2,980,419
Total capital and surplus	$ 7,785,503	$13,732,149	$ 5,946,646
Total liabilities, capital and surplus	$27,973,432	$32,452,253	$ 4,478,821

The Company's invested assets as of December 31, 2000 were mainly comprised of bonds (92%). The Company's entire bond portfolio as of December 31, 2000 was comprised of investment grade obligations.

The ordinary lapse ratio for each of the examination years was 26.6% in 1997, 22.4% in 1998, 25.6% in 1999 and 21.6% in 2000.

The Company's lapse ratios are high due to the fact that the Company's ordinary life policies are mostly conversions from group policies.

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:

	1997	1998	1999	2000
Ordinary life insurance	$ 4,682	$ 39,426	$ 62,155	$ 36,325
Group life	$1,008,719	$1,000,253	$ 947,754	$1,283,528
Group accident and health	$ (30,895)	$ 185,827	$ 587,609	$ 123,203
All other lines	$ (99,124)	$ (35,114)	$ (39,022)	$ 157,594
Total	$ 883,382	$1,190,392	$1,558,496	$1,600,650

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2000, as contained in the Company's 2000 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, 2000 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2000

Admitted Assets

Bonds	$24,171,760
Policy loans	23,646
Cash and short term investments	2,164,909
Reinsurance ceded:	
Amounts recoverable from reinsurers	493,517
Experience rating and other refunds due	788,062
Electronic data processing equipment	11,664
Life insurance premiums and annuity considerations deferred and uncollected on in force business	1,198,320
Accident and health premiums due and unpaid	288,891
Investment income due and accrued	370,660
Receivable from parent, subsidiaries and affiliates	1,808,703
Leasehold improvements	961,051
Other receivables	62,907
Miscellaneous assets	108,163
Total admitted assets	$32,452,253

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$ 4,431,933
Aggregate reserve for accident and health policies	408,124
Policy and contract claims:	
Life	3,839,108
Accident and health	200,782
Premiums and annuity considerations received in advance	5,386
Policy and contract liabilities	
Provision for experience rating refunds	1,733,254
Commissions to agents due or accrued	6,159
Commissions and expense allowances payable on reinsurance assumed	120,524
General expenses due or accrued	3,220,142
Taxes, licenses and fees due or accrued	64,881
Federal income taxes due or accrued	344,874
Amounts withheld or retained by company as agent or trustee	276,382
Miscellaneous liabilities:	
Asset valuation reserve	42,680
Payable to parent, subsidiaries and affiliates	26,596
Contingency reserves for claims experience fluctuation – group life	1,992,231
Group life rerating (experience rating refund)	143,538
Other payables	1,863,510
Total liabilities	$18,720,104
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	3,650,000
Contingency reserves for claims experience fluctuation – group life Non Patron Fund	3,177,222
Unassigned funds (surplus)	4,904,927
Total capital, surplus and other funds	$13,732,149
Total liabilities, capital, surplus and other funds	$32,452,253

B. CONDENSED SUMMARY OF OPERATIONS

	1997	1998	1999	2000
Premiums and considerations	$17,189,540	$17,722,582	$19,184,123	$19,918,340
Investment income	1,313,157	1,418,600	1,488,311	1,599,865
Commissions and reserve adjustments on reinsurance ceded	322,896	1,073,912	0	0
Miscellaneous income	26,465,656	28,318,170	28,010,684	27,933,859
Total income	$45,291,249	$48,533,264	$48,683,118	$49,452,064
Benefit payments	$12,629,513	$13,005,609	$15,385,729	$15,065,906
Increase in reserves	(160,355)	(727,199)	(442,733)	398,046
Commissions	1,025,984	1,235,842	491,610	342,794
General expenses and taxes	4,353,602	4,295,294	4,961,162	4,456,716
Increase in loading and cost of collection	5,973	(5,609)	(11,575)	9,872
Miscellaneous deductions	26,286,997	29,322,736	26,387,708	27,221,906
Total deductions	$44,141,714	$47,126,673	$46,771,901	$47,495,240
Net gain (loss)	$ 1,149,535	$ 1,406,591	$ 1,911,217	$ 1,956,824
Federal income taxes	266,153	216,199	352,721	356,174
Net gain (loss) from operations before net realized capital gains	$ 883,382	$ 1,190,392	$ 1,558,496	$ 1,600,650
Net realized capital gains (losses)	0	142,205	0	0
Net income	$ 883,382	$ 1,332,597	$ 1,558,496	$ 1,600,650

C. CAPITAL AND SURPLUS ACCOUNT

	1997	1998	1999	2000
Capital and surplus, December 31, prior year	$7,785,503	$ 8,744,983	$10,312,791	$12,246,987
Net income	$ 883,382	$ 1,332,597	$ 1,558,496	$ 1,600,650
Change in nonadmitted assets and related items	17,296	252,666	354,816	(108,586)
Change in asset valuation reserve	58,801	(17,455)	20,884	(6,902)
Net change in capital and surplus	$ 959,479	$ 1,567,808	$ 1,934,196	$ 1,485,162
Capital and surplus, December 31, current year	$8,744,982	$10,312,791	$12,246,987	$13,732,149

6. MARKET CONDUCT ACTIVITIES

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

A. Advertising and Sales Activities

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

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

B. Underwriting and Policy Forms

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

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

> "(1) Each domestic insurer . . . shall file with the superintendent its schedules of premium rates, rules and classification of risks for use in connection with the issuance of its policies of group accident, group health or group accident and health insurance . . .
> (3) No such insurer shall issue any policy of group accident, group health or group accident and health insurance the premium rate under which for the first policy year is less than that determined by the schedules of such insurer as then on file with the superintendent . . . "

The review of group accident and health policies disclosed that the premium rates utilized for all group disability policies issued to groups with 50 or more employees were not on file with the Superintendent. The Company issued five group disability policies involving 50 or more employees during the examination period.

The Company violated Sections 4235(h)(1) and (3) of the New York Insurance Law when it charged premium rates, other than those on file with the Superintendent, in connection with the issuance of group disability policies with 50 or more employees. This is a repeat violation from the previous report on examination. (See item 7F of this report)

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, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted in a timely manner 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.

The Company reviewed the following materials to determine if there was a pattern of race-based underwriting: the standard general agent agreement; files from past market conduct audits related to advertising and promotional materials; group life underwriting manuals, policy forms, application forms, renewal documentation, commission schedules and commission payments; and in-force, rejected and terminated individual policies. In summary, the Company’s findings were that the policies, practices and procedures related to individual and group life insurance policies do not indicate any direct or indirect consideration of race, color, creed or national origin of the policyholders or applicants.

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, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The examiner commented that five directors missed a substantial number of board meetings. The examiner's review of the minutes of the meetings of the board of directors during the examination period indicated that there were several directors who did not attend meetings on a regular basis. All such directors have since been replaced.
B	The examiner recommends that the Company replace those directors who fail to attend a majority of the meetings. The examiner's review of the minutes of the meetings of the board of directors during the examination period indicated that there were several directors who did not attend meetings on a regular basis. All such directors have since been replaced.
C	The Company violated Section 219.4(e) of Department Regulation No. 34-A by using advertisements that contained the terms "no cost" or "no additional cost." The Company no longer uses the terms "no cost" and "no additional cost" in its advertisements.
D	The Company violated Section 219.5(a) of Department Regulation No. 34-A by not including all advertisements in its home office file. The Company now maintains a file in its home office containing copies of all advertisements.
E	The Company violated Section 219.5(a) of Department Regulation No. 34-A by not including, in all advertisements, a notation indicating the manner and extent of distribution and the form number of any policy advertised. The Company now includes, in all advertisements, a notation indicating the manner and extent of distribution and the form number of any policy advertised.

Item	Description
F	The Company violated Sections 4235(h)(1) and (3) of the New York Insurance Law when it used premium rates, other than those on file with the Superintendent, in connection with the issuance of group disability policies with 50 or more employees. The violation is repeated in the current report on examination.
G	The Company violated Section 2112(a) of the New York Insurance Law when it failed to appoint agents who sold life insurance. A sample of agents who sold life insurance during the period under examination was selected to ensure that the agents were properly appointed. All of the agents reviewed were appointed.
H	The Company violated Section 2114(a)(1) of the New York Insurance Law when it paid commissions to agents who were not appointed by the Company. A sample of agents who were paid commission during the period under examination was selected to ensure that the agents were properly appointed. All of the agents reviewed were appointed.

8. SUMMARY AND CONCLUSIONS

Following is the violation contained in this report:

Item	Description	Page No(s).
A	The Company violated Sections 4235(h)(1) and (3) of the New York Insurance Law when it charged premium rates, other than those on file with the Superintendent, in connection with the issuance of group disability policies with 50 or more employees.	16 – 17

Respectfully submitted,

/s/
Jacqueline Tucker
Senior Insurance Examiner

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

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

/s/
Jacqueline Tucker

Subscribed and sworn to before me

this__________ day of ____________________ 2002.

APPOINTMENT NO. 21769

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:

JACQUELINE TUCKER

as a proper person to examine into the affairs of the

AMALGAMATED 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 10th day of September, 2001

GREGORY V. SERIO
Superintendent of Insurance

Superintendent