

STATE OF NEW YORK INSURANCE DEPARTMENT
REPORT ON EXAMINATION
OF THE
BANKERS LIFE INSURANCE COMPANY OF NEW YORK
AS OF
DECEMBER 31, 2000

DATE OF REPORT:

MARCH 1, 2002

EXAMINER:

EUGENE THUMMEL

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

March 1, 2002

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

Sir:

In accordance with instructions contained in Appointment No. 21737, dated June 12, 2001 and annexed hereto, an examination has been made into the condition and affairs of Bankers Life Insurance Company, hereinafter referred to as "the Company," at its home office located at 65 Froehlich Farm Boulevard, Woodbury, New York 11797.

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

The Company violated Section 1308(f)(1) of the New York Insurance Law by not obtaining the Superintendent's permission prior to entering into an agreement reinsuring a substantial portion of its existing annuities. The Company also violated Section 127.2(c) of Department Regulation No. 102 for not filing the agreement with the Superintendent within 30 days from its date of execution. The examiner recommends that the Company file the agreement with the Superintendent forthwith. (See item 3E of this report)

The Company violated Section 3201(b)(1) of the New York Insurance Law by using a form not filed with and approved by the Superintendent. (See item 6B of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. This examination covers the period from January 1, 1998 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
- 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 8 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of the State of New York on April 17, 1958, and was licensed and commenced business on November 25, 1958, as the Gotham Life Insurance Company of New York. The Company changed its name to Bankers Life and Casualty Company of New York in 1979. In March 1994, the Company changed its name to its present name, Bankers Life Insurance Company of New York. The Company is a subsidiary of Indianapolis Life Group of Companies (“IL Group”), which is the downstream holding company of Indianapolis Life Insurance Company (“ILICO”).

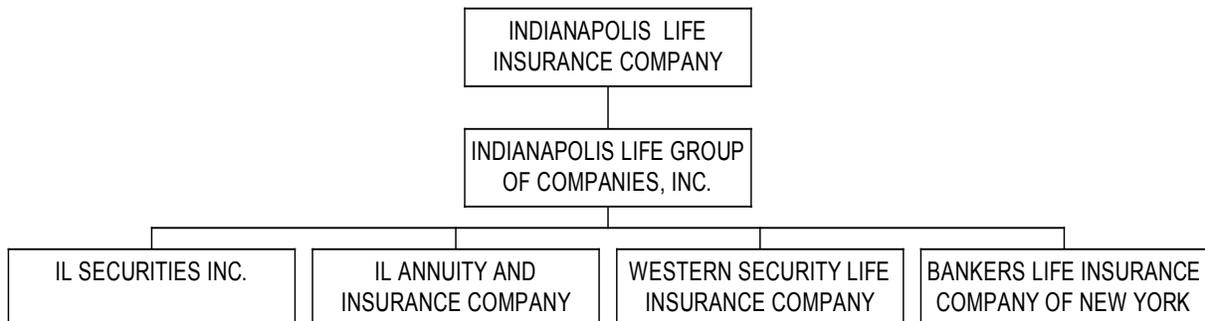
On May 18, 2001, ILICO became a wholly owned subsidiary of AmerUS Group Company. AmerUS Group Company was formed as a result of a merger between American Mutual Holding Company and its subsidiary, AmerUS Life Holdings, Inc., following their demutualization in September 2000.

As of December 31, 2000, the Company’s capital structure consisted of capital of \$2,002,306 and paid-in and contributed surplus of \$13,774,663.

B. Holding Company

The Company is a wholly owned subsidiary of IL Group, a stock life holding company domiciled in Indiana.

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



The Company had three service agreements in effect as of December 31, 2000. One agreement calls for ILICO to provide the Company with legal, corporate secretarial, accounting, tax, administrative and human resources services. Another agreement calls for the Company to provide ILICO with administrative services with respect to universal life policies issued by ILICO. Under the third agreement, investment services are provided to the Company by another affiliate, Amerus Capital Management Group Inc.

Prior to 1999, the Company filed tax returns on a consolidated basis. Beginning with the taxable year 1999, the Company has filed separate tax returns.

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 13 directors, as may be determined from time to time by the board. Directors are elected for a period of one year at the annual meeting of the stockholders held on the second Thursday of May of each year. As of December 31, 2000, the board of directors consisted of ten members. Meetings of the board are held four times a year.

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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
John Fahrenbach Lebanon, IN	Senior Vice President and Chief Financial Officer Indianapolis Life Insurance Company	1995
Richard Freije, Jr. Indianapolis, IN	Senior Vice President and Chief Administrative Officer Indianapolis Life Insurance Company	2000
William Loveday* Indianapolis, IN	President and Chief Executive Officer Clarion Health Partners	2000
Andrew Paine, Jr.* Indianapolis, IN	President and Chief Executive Officer NBD Indiana Inc.	1995
Larry Prible Carmel, IN	Chairman of the Board and Chief Executive Officer Indianapolis Life Insurance Company	1995

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Garret Ryan Carmel, IN	Senior Vice President and Chief Management Officer Indianapolis Life Insurance Company	1995
Gene Sease* Camby, IN	Chairman Sease, Gerig and Associates	1995
Stephen Shorrock Northport, NY	President and Chief Operating Officer Bankers Life Insurance Company of New York	1990
George Thiel* Mineola, NY	Retired	1969
William Walsh* East Northport, NY	Retired	1990

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

On May 10, 2001, four directors were replaced and membership in the board was increased by two directors. The replaced directors were John Fahrenbach, George Theil, Andrew Paine, Jr., and William Walsh. The six new members of the board included Gerald Bepko (unaffiliated with the Company), Ralph Cargiulo, Michael Frazier, Thomas Godlasky, James Kerwin, and Elizabeth Kraft-Meek. Michael Frazier passed away on May 30, 2001. Richard Freije, Jr. resigned from the board on July 30, 2001. George McPhail and Roger Brooks were elected to the board on August 16, 2001.

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, 2000:

<u>Name</u>	<u>Title</u>
Stephen Shorrock	President and Chief Operating Officer
James Kerwin*	Vice President
Valerie Margolin	Vice President
Paul Mariboe	Vice President
Maryann Ellis	Vice President
Kenneth Roman	Treasurer
Lisa Foxworthy-Parker	Secretary
Jonathan Clark	Actuary

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

On May 31, 2001, Peter Birkey was appointed Vice President and Chief Investment Officer.

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in ten states, namely Connecticut, Florida, Illinois, Massachusetts, Michigan, Nevada, New Jersey, New York, Pennsylvania, and Rhode Island. In 2000, 84.3% of life premiums, 98.7% of accident and health premiums, and 99.4% of deposit type funds were received from New York. Policies are written on both a participating and non-participating basis.

The Company's business is concentrated in individual life and individual annuity products. The products include universal life, interest sensitive whole life, group universal life, survivor universal life, term life, and single and flexible premium deferred annuities.

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

E. Reinsurance

As of December 31, 2000, the Company had 43 reinsurance treaties in effect with 19 companies, of which 15 were authorized or accredited. The Company's individual and group life insurance is ceded on a coinsurance and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts was \$100,000 prior to December 31, 2000. Effective January 1, 2001, the retention limit was raised to \$200,000. The total face amount of life insurance ceded as of December 31, 2000 was \$5,986,805,087, which represents 73.7% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$101,296,856, was supported by letters of credit, trust agreements, and funds withheld from reinsurers.

The total face amount of life insurance assumed as of December 31, 2000, was \$289,713,215.

Section 1308(f)(1) of the New York Insurance Law states, in part:

“Unless the superintendent permits: (A) No domestic life insurance company shall . . . reinsure a substantial portion of its life insurance in force. . . .”

Section 127.2(c) of Department Regulation No. 102 states:

“Any reinsurance agreement entered into after the effective date of this Part which involves the reinsurance of insurance policies issued prior to the effective date of the agreement, and every amendment thereto, shall be filed by the ceding insurer with the superintendent within 30 days from its date of execution. Each filing shall include data detailing the financial impact of the transaction.”

The Company entered into a funds withheld coinsurance agreement with Reassurance Company of Hannover in December 1999, covering 77% of the Company's annuities. The Company did not obtain the Superintendent's permission to enter into the agreement which involved the reinsurance of policies issued prior to the effective date of the agreement.

The Company violated Section 1308(f)(1) of the New York Insurance Law by not obtaining the Superintendent's permission prior to entering into an agreement reinsuring a substantial portion of its existing annuities. The Company also violated Section 127.2(c) of Department Regulation No. 102 for not filing the agreement with the Superintendent within 30

days from its date of execution. The examiner recommends that the Company file the agreement with the Superintendent forthwith.

4. SIGNIFICANT OPERATING RESULTS

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

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

	<u>December 31,</u> <u>1997</u>	<u>December 31,</u> <u>2000</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$284,098,882</u>	<u>\$382,852,091</u>	<u>\$98,753,209</u>
Liabilities	<u>\$259,567,665</u>	<u>\$359,157,267</u>	<u>\$99,589,602</u>
Common capital stock	\$ 2,002,306	\$ 2,002,306	\$ 0
Gross paid in and contributed surplus	13,774,663	13,774,663	0
Special surplus funds	31,436	31,436	0
Unassigned funds (surplus)	<u>8,722,812</u>	<u>7,886,419</u>	<u>(836,393)</u>
Total capital and surplus	<u>\$ 24,531,217</u>	<u>\$ 23,694,824</u>	<u>\$ (836,393)</u>
Total liabilities, capital and surplus	<u>\$284,098,882</u>	<u>\$382,852,091</u>	<u>\$98,753,209</u>

The Company's invested assets as of December 31, 2000, were mainly comprised of bonds (93%) and policy loans (5%).

The majority (98.2%) of the Company's bond portfolio as of December 31, 2000 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>1998</u>	<u>1999</u>	<u>2000</u>
Ordinary:			
Life insurance	\$ (165)	\$1,034,528	\$2,563,336
Individual annuities	4,823	51,560	(909,653)
Supplementary contracts	<u>125</u>	<u>12,010</u>	<u>(32,239)</u>
Total ordinary	<u>\$ 4,783</u>	<u>\$1,098,098</u>	<u>\$1,621,444</u>
Group:			
Life	\$ 6,150	\$ 220,080	\$ (237,340)
Annuities	<u>26</u>	<u>2,625</u>	<u>31,850</u>
Total group	<u>\$ 6,176</u>	<u>\$ 222,705</u>	<u>\$ (205,490)</u>
Accident and health:			
Group	\$ 271	\$ (2,054)	\$ (15,653)
Other	<u>(1,979)</u>	<u>18,606</u>	<u>(176,882)</u>
Total accident and health	<u>\$(1,708)</u>	<u>\$ 16,552</u>	<u>\$ (192,535)</u>
Total	<u>\$ 9,251</u>	<u>\$1,337,355</u>	<u>\$1,223,419</u>

The change in the gain from operations between 1998 and 1999 for the ordinary life insurance line of business is attributable to an increase in premium income, an increase in net investment income, and an increase in commissions and expense allowances on reinsurance ceded. The gain reported for individual annuities for 1999 included a one-time pre-tax reinsurance allowance of \$1.6 million; the net loss for individual annuities in the year 2000 reflects the absence of this allowance.

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	\$329,975,821
Common stocks	192,005
Mortgage loans, first liens	34,322
Policy loans	17,971,144
Cash and short term investments	4,808,652
Receivable for securities	1,838,537
Reinsurance ceded:	
Amounts recoverable from reinsurers	5,066,531
Commissions and expense allowances due	761,797
Other amounts receivable under reinsurance contracts	12,224,761
Electronic data processing equipment	794,969
Federal income tax recoverable	416,425
Life insurance premiums and annuity considerations	
deferred and uncollected on in force business	1,954,132
Accident and health premiums due and unpaid	(134,650)
Investment income due and accrued	5,376,312
Receivable from parent, subsidiaries and affiliates	1,334,456
Surrender value – life insurance	185,693
Due from non-affiliates	36,184
Security deposit	<u>15,000</u>
 Total admitted assets	 <u>\$382,852,091</u>

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	\$189,941,940
Aggregate reserve for accident and health policies	1,867,008
Supplementary contracts without life contingencies	237,537
Policy and contract claims:	
Life	2,931,996
Accident and health	37,379
Policyholders' dividend and coupon accumulations	2,771,805
Provision for policyholders' dividends and coupons	
Payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	1,163,955
Premiums and annuity considerations received in advance	(27,807)
Liability for premium and other deposit funds:	
Policyholder premiums	57,259
Other contract deposit funds	64,359,563
Policy and contract liabilities:	
Surrender values on canceled policies	13,033
Other amounts payable on reinsurance assumed	6,334,803
Commissions to agents due or accrued	10,067
Commissions and expense allowances payable on reinsurance assumed	197,022
General expenses due or accrued	938,735
Taxes, licenses and fees due or accrued	523,921
Cost of collection on premiums and annuity considerations	
deferred and uncollected in excess of total loading thereon	1,215,952
Unearned investment income	587,069
Amounts withheld or retained by company as agent or trustee	48,836
Amounts held for agents' account	116,344
Remittances and items not allocated	889,681
Liability for benefits for employees and agents	430,367
Miscellaneous liabilities:	
Asset valuation reserve	1,355,288
Funds held under reinsurance treaties with unauthorized reinsurers	82,825,610
Payable to parent, subsidiaries and affiliates	<u>329,904</u>
 Total liabilities	 <u>\$359,157,267</u>
 Common capital stock	 \$ 2,002,306
Gross paid in and contributed surplus	13,774,663
Group life contingency reserve	31,436
Unassigned funds (surplus)	<u>7,886,419</u>
 Total capital, surplus and other funds	 <u>\$ 23,694,824</u>
 Total liabilities, capital, surplus and other funds	 <u>\$382,852,091</u>

B. CONDENSED SUMMARY OF OPERATIONS

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Premiums and considerations	\$50,201,973	\$(57,413,637)	\$ 66,062,683
Investment income	19,270,393	21,744,796	23,448,010
Commissions and reserve adjustments on reinsurance ceded	5,079,095	9,639,264	10,209,849
Miscellaneous income	<u>376,283</u>	<u>383,156</u>	<u>311,980</u>
Total income	<u>\$74,927,744</u>	<u>\$(25,646,421)</u>	<u>\$100,032,522</u>
Benefit payments	\$27,140,628	\$ 32,456,131	\$ 27,700,870
Increase in reserves	30,308,297	(84,578,333)	42,410,427
Commissions	6,296,081	9,867,617	12,708,590
General expenses and taxes	9,350,571	12,385,599	13,160,838
Increase in loading and cost of collection	<u>36,641</u>	<u>379,507</u>	<u>80,106</u>
Total deductions	<u>\$73,132,218</u>	<u>\$(29,489,479)</u>	<u>\$ 96,060,831</u>
Net gain (loss)	\$ 1,795,526	\$ 3,843,058	\$ 3,971,691
Dividends	1,019,613	1,103,667	1,145,818
Federal income taxes	<u>766,659</u>	<u>1,402,028</u>	<u>1,602,459</u>
Net gain (loss) from operations before net realized capital gains	\$ 9,254	\$ 1,337,363	\$ 1,223,414
Net realized capital gains (losses)	<u>104,989</u>	<u>(96,771)</u>	<u>(24,397)</u>
Net income	<u>\$ 114,243</u>	<u>\$ 1,240,592</u>	<u>\$ 1,199,017</u>

The decrease in premiums, considerations and reserves in 1999 is attributable to the Company entering into a funds withheld coinsurance agreement with Reassurance Company of Hannover in December 1999, covering 77% of the Company's annuities. Reserve credit taken under the treaty as of December 31, 1999 was \$104,320,325.

C. CAPITAL AND SURPLUS ACCOUNT

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Capital and surplus, December 31, prior year	<u>\$24,531,218</u>	<u>\$24,517,718</u>	<u>\$23,721,049</u>
Net income	\$ 114,243	\$ 1,240,592	\$ 1,199,017
Change in net unrealized capital gains (losses)	(58,267)	11,060	(760,789)
Change in nonadmitted assets and related items	372,602	554,114	(177,682)
Change in reserve valuation basis	0	0	1,316,274
Change in asset valuation reserve	(154,384)	(180,468)	422,056
Surplus adjustments:			
Change in surplus as a result of reinsurance	0	(1,149,887)	(908,572)
Dividends to stockholders	0	0	(1,300,000)
Prior year adjustment – policy loans	(190,420)	0	0
Prior year tax allocation	(97,255)	(95,167)	183,484
Rounding adjustment	(19)	1	0
Prior year reserve correction	0	(540,108)	0
Prior year expense adjustment	0	(100,679)	0
Prior year software correction	<u>0</u>	<u>(536,127)</u>	<u>0</u>
Net change in capital and surplus	\$ <u>(13,500)</u>	\$ <u>(796,669)</u>	\$ <u>(26,212)</u>
Capital and surplus, December 31, current year	<u>\$24,517,718</u>	<u>\$23,721,049</u>	<u>\$23,694,837</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.

Section 3201(b)(1) of the New York Insurance Law states, in part:

"No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements of this chapter and not inconsistent with law. . . ."

The review of underwriting files disclosed that the Company uses a form, BL-062, entitled "Financial Underwriting – Confidential Statement." The form contains, among other things, the following language:

"The following financial disclosures are made for the purposes of establishing insurability in connection with a pending Life Insurance Application on my life. They are furnished as a true and accurate statement of my financial condition on this day of _____ Year _____"

"I understand that the Company will rely on the above statements in determining the need and justification for the insurance applied for, and I represent that all answers are true and accurate statements to the best of my knowledge and belief as of the date of application for life insurance. A photographic copy of this statement may be attached to and made part of any insurance contract issued."

The form was not filed with and approved by the Superintendent. The Company violated Section 3201(b)(1) of the New York Insurance Law by using a form not filed with and approved by the Superintendent.

C. Treatment of Policyholders

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

Section 3227 of the New York Insurance Law states, in part:

“(a) Interest . . . shall be payable by life insurers . . . upon: (1) the value of policies surrendered by policyholders for cash values, including the rollover of annuity funds to other entities, and (2) the funds disbursed as policy loans. Such interest payment shall be added to and be a part of the total sum paid or be paid separately at the option of the insurer.

(b) The interest calculated on amounts described in paragraphs one and two of subsection (a) hereof shall be calculated from the date the documentation necessary to complete the transaction is received by the insurer and shall be payable if the funds are not mailed or delivered by the insurer within ten working days of said receipt.

(c) No interest need be payable pursuant to this section unless the amount of such interest is at least twenty-five dollars or if the payment of benefits by the insurer has been deferred pursuant to other provisions of this chapter. . . .”

A review was made of a sample of policies surrendered during the period under examination. The review disclosed that the Company did not pay interest on surrendered policies as required by Law.

The Company violated Section 3227 of the New York Insurance Law by not paying interest on the proceeds of cash surrenders in accordance with the Law.

As a result of this examination, the Company reviewed policies surrendered during the examination period. The Company paid policyholders the interest that was due in accordance with Section 3227 of the New York Insurance Law.

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 reported that it reviewed all rate charts, mortality tables, underwriting and agent manuals, applications and policy form filings. As a result of its review, the Company concluded that it has never engaged in any business or acquired any books of business where underwriting practices included race-based pricing of premiums.

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. OUTSTANDING CHECKS

A review of the Company's outstanding checks disclosed that the Company had approximately 400 outstanding checks covering the period 1995 through 1997 wherein the address or whereabouts of the person or persons entitled to the checks could not be ascertained. Section 700 of the New York Abandoned Property Law states that any moneys held or owing by life insurance companies which shall have remained unclaimed for three years shall be deemed abandoned property.

The examiner recommends that the Company institute procedures to remit the proceeds of checks outstanding for more than three years to the New York State Comptroller, Office of Unclaimed Funds or other appropriate jurisdiction.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations and comments 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>Meetings of the board of directors were not well attended by one member.</p> <p>A review of the minutes of the board of directors for the period under examination indicated that meetings were well attended by all members of the board.</p>
B	<p>The Company did not correctly allocate investment income by line of business in 1997.</p> <p>The Company took corrective action in December 2000, and a filing was made with the Department. Investment income is now being allocated correctly.</p>
C	<p>The Company violated Section 4227(e) of the New York Insurance Law by failing to obtain a suspension of the new annuity business limits for the year 1997.</p> <p>Section 4227 of the New York Insurance Law was repealed in July 1998.</p>
D	<p>The Company violated Section 3214(c) of the New York Insurance Law by not paying interest on matured endowment claims.</p> <p>A review of matured endowment claims indicated that the Company has automated its policyholders services system to generate and mail the proceeds of a matured endowment on the date the policy matures thereby eliminating the time period that any interest may accrue. However, this report contains a violation of Section 3227 of the New York Insurance Law for failing to pay interest on the proceeds of cash surrenders.</p>

9. SUMMARY AND CONCLUSIONS

Following are the violations and the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Company violated Section 1308(f)(1) of the New York Insurance Law by not obtaining the Superintendent's permission prior to entering into an agreement reinsuring a substantial portion of its existing annuities. The Company also violated Section 127.2(c) of Department Regulation No. 102 for not filing the agreement with the Superintendent within 30 days from its date of execution.	8
B	The examiner recommends that the Company file the coinsurance agreement with the Superintendent forthwith.	8
C	The Company violated Section 3201(b)(1) of the New York Insurance Law by using a form not filed with and approved by the Superintendent.	15 – 16
D	The Company violated Section 3227 of the New York Insurance Law by not paying interest on the proceeds of cash surrenders.	16
E	The examiner recommends that the Company remit the proceeds of checks outstanding for more than three years to the State Comptroller, Office of Unclaimed Funds or other appropriate jurisdiction.	18

Respectfully submitted,

_____/s/_____
Eugene Thummel
Associate Insurance Examiner

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

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

_____/s/_____
Eugene Thummel

Subscribed and sworn to before me

this _____ day of _____ 2002.

APPOINTMENT NO. 21737

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:

EUGENE THUMMEL

as a proper person to examine into the affairs of the

BANKERS LIFE INSURANCE COMPANY OF NEW YORK

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 12th day of June, 2001



GREGORY V. SERIO

Superintendent of Insurance

[Handwritten Signature]
Superintendent