



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
FIRST METLIFE INVESTORS LIFE INSURANCE COMPANY

CONDITION:

DECEMBER 31, 2008

DATE OF REPORT:

JUNE 15, 2012

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EXAMINER:

ANTHONY MAURO

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

August 20, 2013

Honorable Benjamin M. Lawsky  
Superintendent of Financial Services  
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30257, dated October 23, 2008 and annexed hereto, an examination has been made into the condition and affairs of First MetLife Investors Life Insurance Company, hereinafter referred to as “the Company,” at its office located at 27-01 Queens Plaza North, Long Island City, New York 11101.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services. On October 3, 2011, the Insurance Department merged with the Banking Department to create the New York State Department of Financial Services.

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

## 1. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2008 Edition* (the “Handbook”). The examination covers the five-year period from January 1, 2004 through December 31, 2008. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2008 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 6 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners (“NAIC”). The Handbook guidance provides for the establishment of an examination plan based on the examiner’s assessment of risk in the insurer’s operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management’s compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

Information about the Company’s organizational structure, business approach and control environment were utilized to develop the examination approach. The Company’s risks and management activities were evaluated incorporating the NAIC’s nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic

- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2004 through 2008, by the accounting firm of Deloitte & Touche LLP. The Company received an unqualified opinion in all years under review. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 (“SOX”). Where applicable, SOX workpapers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the violations and recommendation contained in the prior report on examination. The results of the examiner’s review are contained in item 9 of this report.

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

## 2. DESCRIPTION OF COMPANY

### A. History

The Company was incorporated as a stock life insurance company under the laws of New York on December 31, 1992, under the name First Xerox Life Insurance Company, and was licensed and commenced business on March 12, 1993.

In April, 1993, Wausau Underwriters Life Insurance Company, a stock life insurance company domiciled in Wisconsin and licensed to write business in Wisconsin and New York, was merged with and into the Company, the Company was the surviving corporation. In May, 1995, the Company and its then direct parent, Xerox Financial Services Life Insurance Company, were purchased by General American Life Insurance Company (“GALIC”). In June, 1995, the names of the Company and its immediate parent were changed to First Cova Life Insurance Company and Cova Financial, respectively.

In January, 2000, GenAmerica Financial Corporation, GALIC’s parent, and all of its holdings were acquired by Metropolitan Life Insurance Company (“MLIC”). In February, 2001, the names of the Company and its immediate parent were changed to First MetLife Investors Life Insurance Company (“FMLIC”) and MetLife Investors Insurance Company (“MLIIC”), respectively.

In December, 2002, GALIC sold Cova Corporation, the parent of MLIIC, to MetLife, Inc. On October 1, 2004, the Company was also sold to MetLife, Inc., by its parent, MLIIC, at which time the Company became a direct subsidiary of MetLife, Inc.

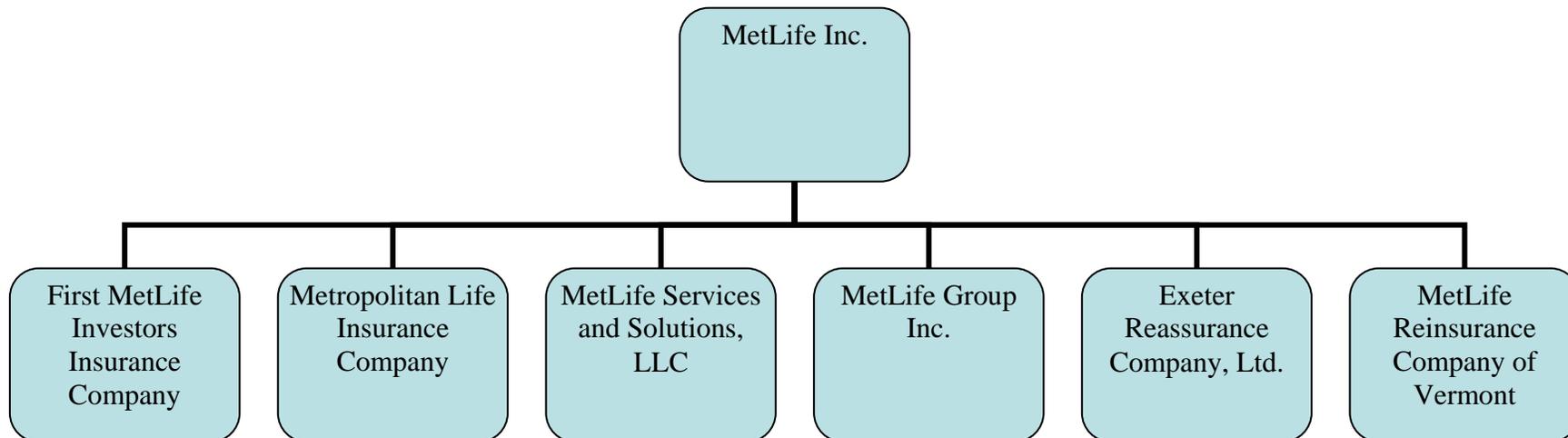
Initial resources of \$6,501,272, consisted of common capital stock of \$2,000,000, including 200,000 shares of common stock with a par value of \$10 per share, and additional paid in and contributed surplus of \$4,501,272. In 2008, the Company received capital contributions of \$170 million. As of December 31, 2008, the Company had capital and paid in and contributed surplus of \$2,000,000 and \$319,215,799, respectively.

### B. Holding Company

The Company is a wholly owned subsidiary of MetLife Inc., a Delaware holding company.

### C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2008 follows:



#### D. Service Agreements

The Company had four investment or administrative service agreements in effect with affiliates during the examination period.

Type of Agreement	Effective Date	Provider of Service(s)	Recipient of Service(s)	Specific Service(s) Covered	Expense for each Year of the Examination
Investment Management	10/1/00	MLIC	The Company	Provide investment management services to the general account of the Company.	2004-\$ (179,845) 2005-\$ (150,477) 2006-\$ (125,678) 2007-\$ (126,276) 2008-\$ (143,150)
Master Services	12/31/02	MLIC	The Company	Provide accounting, tax, auditing, legal, actuarial, sales, electronic data processing, communication and investment management and other services and facilities.	2004-\$ (1,024,430) 2005-\$ (655,770) 2006-\$ (699,387) 2007-\$ (14,215,021) 2008-\$ (10,869,190)
Services	1/1/03 restated 5/1/03	MetLife Group Inc.	The Company	Provide personnel to conduct its operations such as: legal, communications, human resources, broker dealer, general management, controller, investment management, actuarial, treasury, benefits management, information systems technology, claims, underwriting and policyholder services.	2004-\$ 0 2005-\$ 0 2006-\$ (7,725,923) 2007-\$ (6,738,295) 2008-\$ (5,743,901)
Global Services	1/1/07; restated 11/1/08	MetLife Services and Solutions, LLC	The Company	Provide services, facilities and equipment requested by the Company, as reasonably necessary for the conduct of operations.	2007-\$ 0 2008-\$ (43,623)

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

The amounts in the chart were furnished by the Company's corporate governance office and were taken from the "Annual Report filed pursuant to Article 15 of the New York Insurance Law and 11 NYCRR 80-1.4 - Department Regulation No. 52" Filings ("annual report"). The annual report allows for transactions not deemed material, in series or numerous similar transactions, to be reported in aggregate. The Company could not support or reconcile the amounts to the terms of the service agreements.

The examiner recommends that the Company take the necessary corrective action to accurately calculate, capture and report the income or expenses incurred under each of its service agreements.

#### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 18 directors. Directors are elected annually at the annual meeting of the stockholders held in May of each year. As of December 31, 2008, the board of directors consisted of 13 members. Meetings of the board are held periodically by resolution of the board.

The 13 board members and their principal business affiliation, as of December 31, 2008, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Norse N. Blazzard* Fort Lauderdale, FL	President Blazzard and Hasenauer PC	1992
Robert L. Davidow* Greenwich, CT	Consultant Robert Davidow and Associates	2003
Michael K. Farrell New Vernon, NJ	Chairman, President and Chief Executive Officer First MetLife Investors Insurance Company	2002
Elizabeth M. Forget New York, NY	Executive Vice President First MetLife Investors Insurance Company	2002
George Foulke East Hanover, NJ	Vice President MetLife Group, Inc.	2003
Richard A. Hemmings* Winnetka, IL	Chairman, President and Chief Executive Officer Fidelity Life Association	1992

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Jay S. Kaduson Chatham, NJ	Director, Life Distribution MetLife Group, Inc.	2007
Lisa S. Kuklinski New York, NY	Vice President and Senior Actuary MetLife Group, Inc.	2004
Richard C. Pearson* San Marino, CA	Vice President, Associate General Counsel and Secretary First MetLife Investors Insurance Company	2001
Thomas A. Price* West Islip, NY	Retired Former Executive Vice President and Treasurer Bank of New York	1992
Thomas J. Skelly* Lake Forest, IL	Member William Blair and Company	2008
Paul A. Sylvester Randolph, NJ	Senior Vice President MetLife Group, Inc.	2006
Jeffery A. Tupper Irvine, CA	Assistant Vice President First MetLife Investors Insurance Company	2003

\* 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, 2008:

<u>Name</u>	<u>Title</u>
Michael K. Farrell	Chairman, President and Chief Executive Officer
Elizabeth M. Forget	Executive Vice President
Kevin J. Paulson	Senior Vice President
Debora L. Buffington	Vice President, Director of Compliance
Richard C. Pearson	Vice President, Associate General Counsel and Secretary
Jonathan L. Rosenthal	Vice President and Chief Hedging Officer
Patrick D. Studley	Vice President and Appointed Actuary
James J. Reilly	Vice President - Finance
Eric T. Steigerwalt	Treasurer

As of December 31, 2008, David Rupper was the designated consumer services officer per Section 216.4(c) of Department Regulation No. 64. On January 1, 2010, Joanne Logue replaced David Rupper as the designated consumer services officer.

Robert E. Sollmann, Jr. was elected Executive Vice President on October 4, 2010, and retired effective January 27, 2012. Kevin J. Paulson resigned as Senior Vice President on January 27, 2012. Patrick Studley retired December 15, 2010 and was replaced by Patricia Schwartz as Appointed Actuary and Vice President. Eric T. Steigerwalt resigned as Treasurer effective September 9, 2009, and was replaced by Steven J. Goulart on September 10, 2009, who resigned effective June 30, 2011. Marlene B. Debel was then elected Treasurer on July 1, 2011. Richard C. Pearson retired as Secretary effective June 4, 2010 and was replaced by Isaac Torres on June 6, 2010.

### 3. TERRITORY AND PLAN OF OPERATIONS

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 only in New York. In 2008, 97% of life premiums, 99% of annuity considerations and all deposit type funds were received from New York. Policies are written on non-participating basis.

#### A. Statutory and Special Deposits

As of December 31, 2008, the Company had \$1,150,000 (par value) of United States Treasury Bonds on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company.

#### B. Direct Operations

The Company writes term life insurance, universal life insurance, individual variable and single premium deferred annuities.

The Company's agency operations are conducted on a general agency basis. The Company markets its annuity products through banks, broker/dealers and independent financial planners.

#### C. Reinsurance

As of December 31, 2008, the Company had reinsurance treaties in effect with 13 companies, of which 10 were authorized or accredited. The Company's life business is reinsured 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 is \$100,000. The total face amount of life insurance ceded as of December 31, 2008, was \$17 billion which represents 84.5% of the total face amount of life insurance in force.

A reserve credit in the amount of \$374 million, taken for reinsurance ceded to Exeter Reinsurance Company Ltd ("Exeter"), an unauthorized affiliated reinsurer, was supported by letters of credit and trust agreements up to \$274 million. The Company also established a liability for reinsurance with unauthorized companies of \$100 million representing the difference

between the reserve credit taken and the amount of letters of credit and trust agreements for the reinsurance with Exeter. In addition, the Company received a \$100 million capital contribution from its parent in the fourth quarter of 2008 to cover the unauthorized reinsurance liability.

On December 31, 2009, the Company entered into an agreement with MetLife Reinsurance Company of Vermont (“MRV”), under which the Company cedes a percentage of the liabilities for certain level premium term life insurance products, net of other reinsurance, on a coinsurance with funds withheld basis to a designated protected cell established by MRV. As of December 31, 2011, reserve credit taken for reinsurance ceded to MRV totaled \$207.0 million which was supported by letters of credit, trust agreements and miscellaneous balances up to \$107 million. The Company also established a liability for reinsurance with unauthorized companies of \$100 million representing the difference between the reserve credit taken and the amount of letters of credit, trust agreements and miscellaneous balances for the reinsurance with MRV.

#### 4. SIGNIFICANT OPERATING RESULTS

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

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

	<u>December 31,</u> <u>2003</u>	<u>December 31,</u> <u>2008</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$297,916,934</u>	<u>\$2,067,210,558</u>	<u>\$1,769,293,624</u>
Liabilities	<u>\$260,270,475</u>	<u>\$1,993,232,718</u>	<u>\$1,732,962,243</u>
Common capital stock	\$ 2,000,000	\$ 2,000,000	\$ 0
Gross paid in and contributed surplus	11,501,272	319,215,799	307,714,527
Unassigned funds (surplus)	<u>24,145,187</u>	<u>(247,237,959)</u>	<u>(271,383,146)</u>
Total capital and surplus	<u>\$ 37,646,459</u>	<u>\$ 73,977,840</u>	<u>\$ 36,331,381</u>
Total liabilities, capital and surplus	<u>\$297,916,934</u>	<u>\$2,067,210,558</u>	<u>\$1,769,293,624</u>

The majority (73%) of the Company's admitted assets, as of December 31, 2008, was derived from Separate Accounts.

The Company's invested assets as of December 31, 2008, exclusive of separate accounts, were mainly comprised of bonds (54.5%), and cash and short-term investments (37.7%).

The majority (98.6%) of the Company's bond portfolio, as of December 31, 2008, was comprised of investment grade obligations. Paid in and contributed surplus increased during the examination period by \$307,714,527 due to capital contributions from its parent, MetLife, Inc.

The following indicates, for each of the years listed below, the amount of term life insurance issued and in force:

<u>Year</u>	<u>Issued</u>	<u>In Force</u>
2004	\$ 187,246	\$ 187,785
2005	\$2,353,149	\$ 2,522,437
2006	\$4,646,276	\$ 7,048,597
2007	\$6,492,139	\$13,108,150
2008	\$7,726,075	\$20,094,799

In 2006, the Company stopped marketing its individual whole life product. Individual term business has demonstrated consistent growth since its inception in 2004 due to an initiative to increase sales. MetLife Inc. currently offers term insurance to New York residents through the Company and sells to residents outside of New York through a separate affiliate.

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Ordinary:					
Life insurance	\$ (742,961)	\$ (6,898,210)	\$(29,112,070)	\$(35,402,873)	\$(39,174,213)
Individual annuities	(15,046,281)	(9,154,070)	3,200,877	(6,210,546)	(16,631,112)
Supplementary contracts	<u>(300,690)</u>	<u>141,258</u>	<u>116,118</u>	<u>(302,525)</u>	<u>(303,639)</u>
Total	<u>\$(16,089,932)</u>	<u>\$(15,911,022)</u>	<u>\$(25,795,075)</u>	<u>\$(41,915,944)</u>	<u>\$(56,108,964)</u>

Ordinary life losses grew from 2004 through 2008 mainly due to reserve strain caused by the increased issuance of individual term business.

The individual annuity decrease in losses of \$6 million between 2004 and 2005 is mainly due to increased fee income driven by higher average separate account balances. The variance in individual annuities of \$12 million between 2005 and 2006 is mainly due to an \$18 million tax benefit, plus a \$9 million increase in fee income which was driven by higher average separate account balances, plus an increase in premium income of \$6 million partially offset by a \$20 million increase in commissions and general expenses driven by increased sales. The variance in individual annuities of \$9 million between 2006 and 2007 is mainly due to a \$15 million increase in income taxes, a \$3 million decrease in net investment income, an \$8 million increase in commissions and general expenses, driven by higher sales, partially offset by a \$16 million increase in fee income driven by higher average separate account balances. The variance in individual annuities of \$11 million between 2007 and 2008 is mainly due to a \$37 million unfavorable change in the separate account Commissioners Annuity Reserve Valuation Method ("CARVM") due to poor market performance in 2008, which was partially offset by a \$12 million tax benefit and a \$7 million decrease in commissions (net of reinsurance) due to lower sales.

The following table indicates, for the period under review, the limitations imposed by Section 4228 of the New York Insurance Law, with respect to total selling expenses:

Limitation of Total Selling Expenses

Year	Expense Limit*	Expenses	Margin	Ratio
2004	\$ 56,842,449	\$17,220,670	\$ 39,621,779	30.00%
2005	\$ 43,119,005	\$24,858,080	\$ 18,260,925	58.00%
2006	\$ 84,392,753	\$40,820,927	\$ 43,571,826	48.00%
2007	\$ 91,470,189	\$47,010,196	\$ 44,459,993	51.00%
2008	\$658,459,506	\$70,279,633	\$588,179,873	11.00%

\* Agents training allowance subsidy is a component of the expense limit.

Section 4228(e)(3)(A) of the New York State Insurance Law states:

“A company may pay reasonable training allowance subsidies to agents pursuant to a plan of agent compensation, provided that such agents are full-time agents of the company and the principal business activity of such agents is the solicitation of policies and contracts primarily but not necessarily exclusively for the company, and its affiliates, and such agents are not simultaneously receiving training allowance from any other life insurance company.”

The Company’s agents are licensed to sell individual annuities for the Company and are licensed to sell life insurance and other products for MLIC and other MetLife Inc. affiliates. These agents are not full time agents of the Company and, as a result, did not meet the full time agent criteria for a training allowance subsidy.

A verification of the selling expense limits and margins confirmed that the criteria used to calculate the expense limit included part time agents resulting in an overstatement of the selling expense limit. A revised expense limit calculation was provided which excluded part time agents. The result leaves the Company within an acceptable expense range.

The examiner recommends that the Company instruct its licensing area to modify its calculation criteria so that going forward it captures only agents with an appointment to solicit business only with the Company.

The Company has indicated that it will follow this recommendation.

## 5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2008, as contained in the Company's 2008 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, 2008 filed annual statement.

### A. Independent Accountants

The firm of Deloitte & Touche LLP was retained by the Company to audit the combined statutory basis statements of financial position of the Company as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

Deloitte & Touche LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

### B. Net Admitted Assets

Bonds	\$ 241,405,384
Stocks:	
Preferred stocks	6,393,621
Mortgage loans on real estate:	
First liens	19,747,825
Cash, cash equivalents and short term investments	165,212,558
Other invested assets	9,925,790
Aggregate write-ins for invested assets - Miscellaneous	4,542
Investment income due and accrued	2,278,951
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	652,151
Deferred premiums, agents' balances and installments booked but deferred and not yet due	7,022,958
Reinsurance:	
Amounts recoverable from reinsurers	5,240,266
Other amounts receivable under reinsurance contracts	11,577,414
Current federal and foreign income tax recoverable and interest thereon	23,679,639
Net deferred tax asset	2,381,441
Receivables from parent, subsidiaries and affiliates	73,831,050
Other assets	10,613
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>1,497,846,355</u>
<b>Total admitted assets</b>	<b><u>\$2,067,210,558</u></b>

**C. Liabilities, Capital and Surplus**

Aggregate reserve for life policies and contracts	\$ 312,264,640
Liability for deposit-type contracts	4,123,282
Contract claims:	
Life	480,208
Premiums and annuity considerations for life and accident and health contracts received in advance	474,532
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	54,738,634
Interest maintenance reserve	986,439
Commissions to agents due or accrued	(219,090)
General expenses due or accrued	170,150
Transfer to separate accounts due or accrued	(55,323,149)
Amounts withheld or retained by company as agent or trustee	235,035
Remittances and items not allocated	64,440,311
Asset valuation reserve	730,212
Reinsurance in unauthorized companies	100,926,171
Payable to parent, subsidiaries and affiliates	11,349,212
Miscellaneous	9,776
From Separate Accounts statement	<u>1,497,846,355</u>
 Total liabilities	 <u>\$1,993,232,718</u>
 Common capital stock	 \$2,000,000
Gross paid in and contributed surplus	319,215,799
Unassigned funds (surplus)	<u>(247,237,959)</u>
Total capital and surplus	<u>\$ 73,977,840</u>
 Total liabilities, capital and surplus	 <u>\$2,067,210,558</u>

D. Condensed Summary of Operations

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Premiums and considerations	\$ 68,861,185	\$293,346,888	\$553,093,253	\$599,145,957	\$546,759,348
Investment income	9,579,706	9,604,782	9,526,028	8,068,594	9,517,166
Commissions and reserve adjustments on reinsurance ceded	214,594,828	5,278,150	5,282,890	2,698,100	16,043,049
Miscellaneous income	<u>(22,512,365)</u>	<u>12,811,886</u>	<u>21,843,744</u>	<u>38,033,695</u>	<u>44,972,480</u>
Total income	<u>\$270,523,354</u>	<u>\$321,041,706</u>	<u>\$589,745,915</u>	<u>\$647,946,346</u>	<u>\$617,292,043</u>
Benefit payments	\$ 9,230,068	\$ 49,570,714	\$ 87,332,594	\$116,600,701	\$120,135,260
Increase in reserves	31,868,008	237,043	23,358,352	22,057,274	100,395,394
Commissions	26,346,784	19,175,175	37,596,184	41,457,643	48,945,859
General expenses and taxes	5,466,634	7,335,272	16,521,076	26,968,184	25,637,271
Increase in loading on deferred and uncollected premiums	68,242	620,716	634,658	490,742	588,028
Net transfers to separate accounts	210,128,404	260,321,383	466,391,154	488,407,300	398,481,421
Miscellaneous deductions	<u>0</u>	<u>0</u>	<u>488,526</u>	<u>1,954,103</u>	<u>1,954,103</u>
Total deductions	<u>\$283,108,140</u>	<u>\$337,260,303</u>	<u>\$632,322,544</u>	<u>\$697,935,947</u>	<u>\$696,137,336</u>
Net (loss)	\$ (12,584,786)	\$ (16,218,597)	\$ (42,576,629)	\$ (49,989,601)	\$ (78,845,293)
Dividends	0	0	0	0	0
Federal and foreign income taxes incurred	<u>3,505,149</u>	<u>(307,575)</u>	<u>(16,781,554)</u>	<u>(8,073,657)</u>	<u>(22,736,329)</u>
Net (loss) from operations before net realized capital gains	\$ (16,089,935)	\$ (15,911,022)	\$ (25,795,075)	\$ (41,915,944)	\$ (56,108,964)
Net realized capital gains (losses)	<u>687,656</u>	<u>40,452</u>	<u>658,685</u>	<u>(337,459)</u>	<u>(804,998)</u>
Net (loss)	<u>\$ (15,402,279)</u>	<u>\$ (15,870,570)</u>	<u>\$ (25,136,390)</u>	<u>\$ (42,253,403)</u>	<u>\$ (56,913,962)</u>

E. Capital and Surplus Account

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Capital and surplus, December 31, prior year	\$ <u>37,646,459</u>	\$ <u>29,997,148</u>	\$ <u>43,133,991</u>	\$ <u>49,424,500</u>	\$ <u>58,866,910</u>
Net (loss)	\$(15,402,279)	\$(15,870,570)	\$(25,136,390)	\$(42,253,403)	\$(56,913,962)
Change in net unrealized capital gains (losses)	335,152	(407,396)	(16,244)	503,309	(36,015)
Change in net unrealized foreign exchange capital gain (loss)	0	0	0	(684,579)	0
Change in net deferred income tax	728,820	13,696,323	5,036,933	10,243,807	5,841,377
Change in non-admitted assets and related items	(1,016,905)	(13,571,722)	(23,472,243)	(8,187,734)	(3,362,057)
Change in liability for reinsurance in unauthorized companies	(1,428,793)	1,318,401	55,076	(238,484)	(100,632,372)
Change in reserve valuation basis	0	0	0	(227,063)	0
Change in asset valuation reserve	(865,306)	(228,193)	308,850	286,557	213,959
Capital changes:					
Paid in	10,000,000	28,200,000	49,514,527	50,000,000	170,000,000
Net change in capital and surplus for the year	\$ <u>(7,649,311)</u>	\$ <u>13,136,843</u>	\$ <u>6,290,509</u>	\$ <u>9,442,410</u>	\$ <u>15,110,930</u>
Capital and surplus, December 31, current year	\$ <u>29,997,148</u>	\$ <u>43,133,991</u>	\$ <u>49,424,500</u>	\$ <u>58,866,910</u>	\$ <u>73,977,840</u>

## 6. MARKET CONDUCT ACTIVITIES

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

### A. Advertising and Sales Activities

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

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

### B. Underwriting and Policy Forms

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

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

### C. Treatment of Policyholders

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

Section 403(d) of the New York Insurance Law states, in part:

“All applications for commercial insurance, individual, group or blanket accident and health insurance and all claim forms . . . shall contain a notice in a form approved by the superintendent that clearly states in substance the following:  
‘Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.’”

Section 86.4 of Department Regulation No. 95 states, in part:

“(a) . . . all claim forms for insurance . . . shall contain the following statement:  
‘Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.’ . . .

(e) . . . insurers may use substantially similar warning statements provided such warning statements are submitted to the Insurance Frauds Bureau for prior approval.”

A review of the individual life and annuity claim forms utilized by the Company during the examination period revealed that the required New York fraud warning statement was not included on any of its life and annuity claim forms.

The Company violated Section 403(d) of the New York Insurance Law and Section 86.4(e) of Department Regulation No. 95 by failing to include a fraud warning statement on any of its individual life and annuity claim forms.

## 7. FACILITATION

From the outset of the examination, the Company failed to timely provide certain policyholder information and related systems access such that progress on the examination was severely delayed. For additional details concerning the Company's lack of facilitation see the December 31, 2008 Metropolitan Life Insurance Company Report on Market Conduct Examination.

## 8. DATA FILES

Prior to the commencement of the onsite examination, the examiner requested data files containing specific policy level detail for all life and annuity policies that were issued, inforce or terminated as well as claims paid, denied or pending during the period under examination. Upon review of the data files provided, the examiner determined that the data did not support the policy counts and amounts reported in various policy exhibits as reported in the Company's filed annual statements for the period under examination. For additional details concerning the Company's lack of facilitation see the December 31, 2008 Metropolitan Life Insurance Company Report on Market Conduct Examination.

The examiner recommends that the Company implement procedures such that, in the future, it can produce in a timely manner, policy level data that can be reconciled to the various policy exhibits as reported in its filed annual statements for the period under examination.

## 9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Company violated Section 308(a) of the New York Insurance Law by failing to file a copy of its tax allocation agreement with the Department in accordance with Department Circular Letter No. 33 (1979).</p> <p>The Company was added to the consolidated tax allocation agreement for MetLife, Inc. beginning with the 2006 tax year.</p>
B	<p>The Company violated Section 1505(d)(2) of the New York Insurance Law by failing to file six reinsurance treaties with the Superintendent at least 30 days prior to entering into such reinsurance treaties with affiliates.</p> <p>The Company filed the six reinsurance treaties with the Superintendent on June 17, 2005.</p>
C	<p>The Company violated Section 219.5(a) of Department Regulation No. 34-A by failing to maintain an advertising file at its home office and for failing to maintain a notation indicating the manner and extent of distribution of its advertisements.</p> <p>A review of a sample of advertisements revealed compliance with Section 219.5(a) of Department Regulation No. 34-A.</p>
D	<p>The Company violated Section 219.4(p) of Department Regulation No. 34-A by failing to identify the city, town or village of the Company's home office in its advertisements.</p> <p>A review of a sample of advertisements revealed compliance with Section 219.4(p) of Department Regulation No. 34-A.</p>
E	<p>The Company violated Section 51.6(b)(4) of Department Regulation No. 60 for failing to furnish to some insurers whose coverage was being replaced, a copy of any proposal, including the sales material used in the sale of the proposed annuity contract and the completed Disclosure Statement.</p> <p>The review of a sample of Department Regulation No. 60 transactions revealed that the Company furnished a copy of any proposal, including the sales material used in the sale of the proposed annuity contract and the completed Disclosure Statement, to any insurer whose coverage was being replaced.</p>

<u>Item</u>	<u>Description</u>
F	<p>The Company violated Section 4232(a)(2)(iii) of the New York Insurance Law by failing to have written criteria for additional amounts credited to its annuities approved by the board of directors or a committee thereof, for a portion of the examination period.</p> <p>The review revealed that the Company had the written criteria for additional amounts credited to its annuities approved by the board of directors.</p>
G	<p>The examiner recommends that the Company maintain documentation of searches for multiple policies on a decedent's life upon notification of death as required by Sections 2601(a)(3) and 2403 of the New York Insurance Law.</p> <p>The Company now maintains documentation of searches for multiple policies on a decedent's life upon notification of death, as required by Sections 2601(a)(3) and 2403 of the New York Insurance Law.</p>

## 10. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Company take the necessary corrective action to accurately calculate, capture and report the income or expenses incurred under each of its service agreements.	7
B	The examiner recommends that the Company instruct its licensing area to modify its calculation criteria so that going forward it captures only agents with an appointment to solicit business only with the Company. The Company has indicated that it will follow this recommendation.	14
C	The Company violated Section 403(d) of the New York Insurance Law and Section 86.4(e) of Department Regulation No. 95 by failing to include a fraud warning statement on any of its individual life and annuity claim forms.	20
D	The examiner recommends that the Company implement procedures such that, in the future, it can produce in a timely manner, policy level data that can be reconciled to the various policy exhibits as reported in its filed annual statements for the period under examination.	21

Respectfully submitted,

\_\_\_\_\_/s/  
Anthony Mauro  
Associate Insurance Examiner

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

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

\_\_\_\_\_/s/  
Anthony Mauro

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

APPOINTMENT NO. 30257

**STATE OF NEW YORK**  
**INSURANCE DEPARTMENT**

I, ERIC R. DINALLO, Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:

**ANTHONY MAURO**

as a proper person to examine into the affairs of the

**FIRST METLIFE INVESTORS INSURANCE COMPANY**

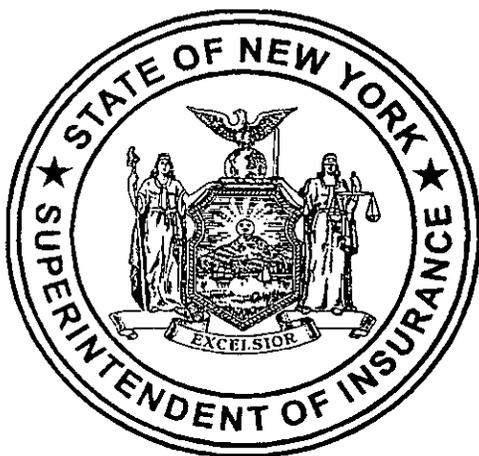
and to make a report to me in writing of the condition of the said

**COMPANY**

with such other information as he shall deem requisite.

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

this 23<sup>rd</sup> day of October, 2008



ERIC R. DINALLO  
Superintendent of Insurance

*Eric Dinallo*  
Superintendent