

Report on Examination
of
Great Atlantic
Life Insurance Company

West Palm Beach, Florida

as of

December 31, 2005

By The
State of Florida
Office of Insurance Regulation

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Tallahassee, Florida

June 7, 2007

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Commissioners McCarty and Gross and Director Kitzman:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (F.S.), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2005, of the financial condition and corporate affairs of:

**Great Atlantic Life Insurance Company
2000 Palm Beach Lakes Blvd., Suite 301
West Palm Beach, Florida 33409**

hereinafter referred to as the "Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2003 through December 31, 2005. The Company was last examined by the Florida Office of Insurance Regulation (the "Office") as of December 31, 2002.

Planning for the current examination began on December 11, 2006. The fieldwork commenced on December 19, 2006 and concluded on March 22, 2007. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This was a statutory financial condition examination conducted in accordance with the *NAIC Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual, and Annual Statement Instructions* as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (F.A.C.), with due regard to the requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value, and integrity of the statement assets and the determination of liabilities, as they affect the Company's solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC Insurance Regulatory Information System (IRIS) ratio results, *Best's Insurance Reports*, the Company's independent audit reports, and certain work papers prepared by the Company's independent certified public accountant (CPA) were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the Company's assets and liabilities as reported by the Company in its 2005 annual statement. Transactions subsequent to December 31, 2005 were reviewed where relevant and deemed significant to the Company's financial condition.

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

After considering the Company's control environment and the materiality level set for this examination, we relied on work performed by the Company's CPA in the area of commitments and contingent liabilities.

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2002, along with resulting action taken by the Company in connection therewith.

Authorization of Investments

There was no evidence that the Company's investments were approved by its board of directors or by an authorized committee of its board of directors as required by Section 625.304, F.S. Resolution: The required approval was not documented in the minutes of the Board or an authorized committee of the Board for the three-year period of the current examination. However, during 2006 the Board retroactively approved prior investment transactions.

Fidelity Bond Coverage

The Company had no fidelity bond coverage on December 31, 2002. Resolution: On October 8, 2003, the Company obtained fidelity bond coverage of up to \$150,000, which adequately covered the suggested minimum amount recommended by the NAIC, and has since then maintained that coverage.

Asset Valuation Reserve

The Company incorrectly calculated its asset valuation reserve as of December 31, 2002. Resolution: The Company subsequently corrected the error and correctly reported its asset valuation reserve in accordance with the NAIC *Annual Statement Instructions*.

HISTORY

GENERAL

The Company was incorporated in Florida on May 2, 1955, and commenced business on May 5, 1955.

As of the date of this examination, the Company was authorized to transact the following insurance coverage in Florida, in accordance with Section 624.401, F.S.: life, group life and annuities, credit life, and credit disability.

Neither the Company's articles of incorporation nor its bylaws were amended during the period covered by this examination.

CAPITAL STOCK

As of December 31, 2005, the Company's capitalization was as follows:

Number of authorized common capital shares	1,200,000
Number of shares issued and outstanding	415,000
Total common capital stock	\$415,000
Par value per share	\$1.00

At December 31, 2005, the Company was wholly-owned and controlled by the Roger H. Dean Revocable Trust (the "Trust").

The Company reported in its 2005 annual statement that it had 1.2 million shares of common stock outstanding. However, only 415,000 shares were outstanding according to the Company's stock ledger. Accordingly, \$785,000 has been reclassified from common capital stock to unassigned funds. An abbreviated organizational chart appears on page 9.

PROFITABILITY

For the period of this examination, the Company reported the following:

(In thousands)	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net premiums	\$440.7	\$577.3	\$791.3
Total revenues	\$945.0	\$1,071.8	\$1,216.9
Net income (loss)	\$178.4	\$644.6	(\$1,169.9)
Total capital and surplus	\$10,710.7	\$10,434.7	\$9,886.8

DIVIDENDS

The Company did not pay any shareholder dividends during the period of this examination.

MANAGEMENT

The annual shareholder meeting for the election of directors was held in accordance with Section 607.0701, F.S. Directors serving as of December 31, 2005 were:

Directors

Name and Location	Principal Occupation
Michele A. Barkman West Palm Beach, Florida	Office Manager, Universal Warranty Corporation
Patricia B. Dean West Palm Beach, Florida	Owner, Robert Dean Enterprises, Inc.
Judith M. Parker-Glover West Palm Beach, Florida	Claims Director of the Company
Julie M. Sothen West Palm Beach, Florida	Comptroller, Roger Dean Chevrolet, Inc.
Michael J. Whalen West Palm Beach, Florida	Executive Manager of the Company

At December 31, 2005, members of the principal committees of the Board were:

**Investment & Audit
Committees**

Patricia B. Dean
Judith M. Parker-Glover
Julie M. Sothen

The following were the Company's senior officers as of December 31, 2005, as appointed by its board of directors in accordance with the Company's bylaws:

Senior Officers

Name	Title
Patricia B. Dean	President
Julie M. Sothen	Vice President and Treasurer
Judith M. Parker-Glover	Secretary

CONFLICT OF INTEREST PROCEDURE

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with Section 607.0832, F.S. One director did not sign a conflict of interest statement for each of the three years under review and one director and officer did not reveal a mortgage loan with the Company on a conflict of interest statement.

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors, and Investment and Audit Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings. Approval by the Board or a committee of the Board of the Company's investment acquisitions was not documented in the minutes of the meetings thereof during the period of this examination as required by Sec. 625.304, F.S. However, during 2006, the Board retroactively approved investment transactions occurring in prior periods. A review of the Office's prior report of examination was documented in the minutes of the Board.

REORGANIZATION

At December 31, 2005, the Company was wholly-owned and controlled by the Trust. The Company had been a wholly-owned subsidiary of Roger Dean Enterprises, Inc., which was 100% owned by Roger H. Dean. Upon the death of Roger H. Dean on April 3, 1999, ownership of Roger Dean Enterprises, Inc. passed to the Trust. On September 1, 2003, the Company was spun off and became directly owned by the Trust.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 690-143.045(3), F.A.C. However, during the period of the examination, the Company did not file a holding company registration statement with the Office, as required by Section 628.801, F.S., and Rule 690-143.046, F.A.C.

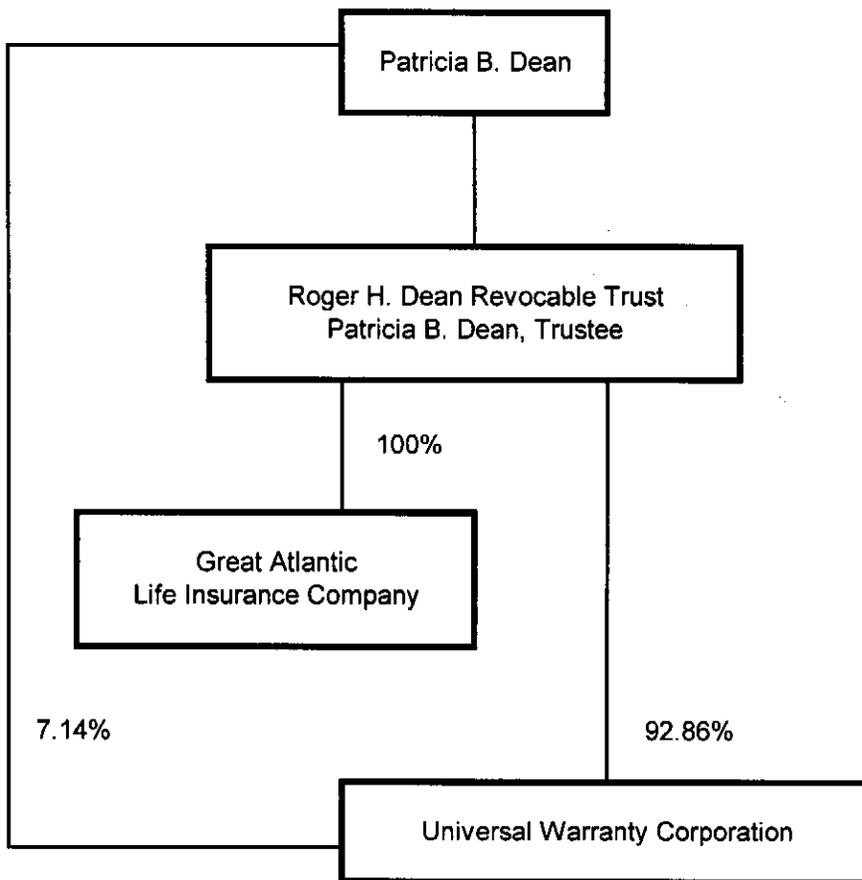
The following agreement was in force between the Company and its affiliates on December 31, 2005:

CONSULTING AGREEMENT

Automotive Management & Consulting, L.L.C. provided consulting and management services to the Company pursuant to an April 30, 1999 agreement in return for fees which amounted to \$120,000 in years 2003, 2004, and 2005.

An abbreviated organizational chart as of December 31, 2005 reflecting the holding company system is shown below. Schedule Y of the Company's 2005 annual statement provided the names of all related companies in the holding company group.

**Great Atlantic Life Insurance Company
Organizational Chart
December 31, 2005**



FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage of up to \$150,000 with a deductible of \$15,000 which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$125,000.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company provided fringe benefits to eligible employees to include: group life insurance, medical and dental insurance, paid vacations and sick leave, and participation in a 401(k) retirement plan.

STATUTORY DEPOSITS

The Company maintained a cash deposit of \$300,000 with the State of Florida as required by Section 624.411, F.S.

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company marketed credit life and credit accident and health products through licensed agents located in automobile dealerships.

TERRITORY AND PLAN OF OPERATION

At December 31, 2005, the Company was authorized to transact insurance solely in the State of Florida.

TREATMENT OF POLICYHOLDERS

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

ASSUMED

The Company assumed credit life insurance in prior years from Protective Life Insurance Company; however, no business had been assumed from Protective Life Insurance Company since 1999.

CEDED

The Company did not cede any insurance during the period under review.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory-basis financial statements annually for years 2003, 2004, and 2005, pursuant to Section 624.424(8), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C.

The Company's accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

The Company's main administrative office was located in West Palm Beach, Florida, where this examination was conducted.

RISK-BASED CAPITAL

The Company reported its risk-based capital at an adequate level.

INFORMATION SYSTEMS CONTROLS

The Company did not have a written business contingency plan for use in the event of disaster, nor had it arranged for an off-site records storage facility.

The following agreements were in effect between the Company and non-affiliates:

INVESTMENT MANAGEMENT ACCOUNT AND CUSTODIAL AGREEMENT

Mellon Private Asset Management provided investment services to the Company pursuant to a January 22, 2003 agreement. Fees for the services were \$43,286, \$49,685, and \$51,496 in years 2003, 2004, and 2005, respectively.

INVESTMENT ADVISOR AND CUSTODIAL AGREEMENT

SEI Investment Management provided investment services to the Company pursuant to a January 20, 2003 agreement. Fees for the services were \$10,757, \$12,186, and \$13,301 in years 2003, 2004, and 2005, respectively.

INDEPENDENT AUDITOR AGREEMENT

On December 6, 2005, the Company contracted with McCurry & Ingalls, LLC to conduct an audit of its statutory-basis financial statements. The fee related to this agreement was \$15,000.

SYSTEMS LICENSE AND MAINTENANCE AGREEMENT

StoneEagle Insurance System, Inc. granted to the Company a license to use computer software, leased computer hardware to the Company, and provided systems maintenance, support, and related services to the Company pursuant to an October 1, 1998 agreement, in return for fees which amounted to \$27,489, \$28,138, and \$28,709 in years 2003, 2004, and 2005, respectively.

FINANCIAL STATEMENTS PER EXAMINATION

The following four pages contain statements of the Company's financial position at December 31, 2005, as determined by this examination, and the results of its operations for the year then ended as reported by the Company.

Great Atlantic Life Insurance Company
Assets
December 31, 2005

	Per Company	Examination Adjustments	Per Examination
Bonds	\$8,622,162	\$0	\$8,622,162
Common stocks	1,138,278	0	1,138,278
Mortgage loans on real estate - first liens	753,600	0	753,600
Cash, cash equivalents, and short-term investments	3,180,586	0	3,180,586
	<u>13,694,626</u>	<u>0</u>	<u>13,694,626</u>
Investment income due and accrued	67,790	0	67,790
Uncollected premiums and agents' balances	37,869	0	37,869
Current federal and foreign income tax recoverable	28,288	0	28,288
Net deferred tax asset	2,668	0	2,668
	<u>2,668</u>	<u>0</u>	<u>2,668</u>
Totals	<u>\$13,831,241</u>	<u>\$0</u>	<u>\$13,831,241</u>

Great Atlantic Life Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2005

Liabilities	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$1,799,045	\$0	\$1,799,045
Aggregate reserve for accident and health contracts	820,027	0	820,027
Contract claims - life	67,228	0	67,228
Contract claims - accident and health	28,436	0	28,436
Interest maintenance reserve	243,624	0	243,624
Commissions and expense allowances payable	9,801	0	9,801
Current federal and foreign income taxes	(1,685)	0	(1,685)
Amounts withheld or retained by company	3,114	0	3,114
Asset valuation reserve	150,990	0	150,990
Total liabilities	<u>3,120,580</u>	<u>0</u>	<u>3,120,580</u>
Capital and Surplus			
Gross paid in and contributed surplus	129,890	0	129,890
Unassigned funds (surplus)	9,380,771	785,000	10,165,771
Surplus	<u>9,510,661</u>	<u>785,000</u>	<u>10,295,661</u>
Common capital stock	1,200,000	(785,000)	415,000
Totals of capital and surplus	<u>10,710,661</u>	<u>0</u>	<u>10,710,661</u>
Totals	<u>\$13,831,241</u>	<u>\$0</u>	<u>\$13,831,241</u>

Great Atlantic Life Insurance Company
Summary of Operations
For The Year Ended December 31, 2005

Premiums and annuity considerations		\$440,654
Net investment income		495,215
Amortization of interest maintenance reserve		<u>9,100</u>
		944,969
Death benefits	\$126,117	
Disability benefits and benefits under A&H contracts	63,423	
Increase in aggregate reserves for life and A&H contracts	<u>(621,315)</u>	
	(431,775)	
Commissions on premiums	220,237	
General insurance expenses	441,689	
Insurance taxes, licenses and fees	75,317	
Increase in loading on deferred and uncollected premiums	<u>6,392</u>	
		<u>311,860</u>
		633,109
Federal and foreign income taxes incurred		<u>465,013</u>
Net gain from operations before capital gains		168,096
Net realized capital gains		<u>10,258</u>
Net income		<u><u>\$178,354</u></u>

**Great Atlantic Life Insurance Company
Capital and Surplus Account
For The Year Ended December 31, 2005**

Capital and surplus - December 31, 2004		\$10,434,699
Net income	\$178,354	
Change in net unrealized capital gains or (losses)	100,896	
Change in net deferred income tax	1,088	
Change in nonadmitted assets and related items	1,557	
Change in asset valuation reserve	(4,230)	
Aggregate write-ins for gains and losses in surplus	(1,703)	
Examination adjustments	<u>0</u>	<u>275,962</u>
Capital and surplus - December 31, 2005		<u><u>\$10,710,661</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Bonds	\$8,622,162
Common stocks	\$1,138,278

During 2004 and 2005, the Company's bond portfolio, which consisted mainly of U.S. government and special revenue bonds, and its stock portfolio, were actively traded.

Aggregate reserve for life contracts	\$1,799,045
Aggregate reserve for accident and health contracts	\$820,027
Contract claims - life	\$67,228
Contract claims - accident and health	\$28,436

The Company's appointed actuary rendered an opinion that the amounts carried in the Company's balance sheet as of December 31, 2005 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. The Office actuary reviewed work papers provided by the Company and concurred with this opinion. Based on the results of the Office actuary's review and analysis of work papers and data provided by the Company, we concluded that the aggregate liability was not materially misstated.

Great Atlantic Life Insurance Company
Comparative Analysis of Changes in Capital and Surplus
December 31, 2005

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2005 - per annual statement			\$10,710,661
	<u>Per Company</u>	<u>Per Exam</u>	<u>Increase (Decrease) In Surplus</u>
Total assets	\$13,831,241	\$13,831,241	\$0
Total liabilities	\$3,120,580	\$3,120,580	<u>\$0</u>
Net change in capital and surplus			<u>0</u>
Capital and surplus, December 31, 2005 - per examination			<u><u>\$10,710,661</u></u>

SUBSEQUENT EVENTS

On December 10, 2006, the Company ceased writing new business. Since then, all of its business has been on a run-off basis.

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS DIRECTIVES

The Company has taken the necessary actions to comply with the comments contained in the 2002 examination report issued by the Office.

CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2005.

CAPITAL STOCK

As reported on page 4, the Company reported in its 2005 annual statement that it had 1.2 million shares of common stock outstanding. However, only 415,000 shares were outstanding according to the Company's stock ledger. Accordingly, \$785,000 has been reclassified from common capital stock to unassigned funds. **We recommend that, in its annual statements, the Company accurately report the value of its common stock and the correct number of its outstanding common shares, as required by the NAIC *Annual Statement Instructions*.**

CONFLICT OF INTEREST STATEMENT

As reported on page 6, one director did not sign a conflict of interest statement for each of the three years under review and one director and officer did not reveal a mortgage loan with the Company on a conflict of interest statement. **We recommend that the Company ensure that all directors disclose all potential conflicts of interest.**

HOLDING COMPANY REGISTRATION STATEMENT

As reported on page 8, during the period of the examination, the Company did not file a holding company registration statement with the Office, as required by Section 628.801, F.S., and Rule 690-143.046, F.A.C. **We recommend that the Company file a holding company registration statement with the Office, as required by Section 628.801, F.S., and Rule 690-143.046, F.A.C.**

INFORMATION SYSTEMS CONTROLS

As reported on page 12, the Company did not have a written business contingency plan for use in the event of disaster, nor had it arranged for an off-site records storage facility. **We recommend that the Company develop a written business contingency plan for use in the event of disaster and arrange for an off-site records storage facility.**

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Great Atlantic Life Insurance Company** as of December 31, 2005, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total capital and surplus was \$10,710,661, which was in compliance with Section 624.408, F.S. Its required minimum capital and surplus at December 31, 2005 was \$1.5 million.

In addition to the undersigned, the following participated in this examination: Kerry A. Krantz, Actuary; Darlene L. Lenhart-Schaeffer, Financial Examiner/Analyst; and David C. Schleit, CFE, CPA, Financial Examiner/Analyst Supervisor.

Respectfully submitted,

Walter F. Banas, CIE
Financial Specialist
Florida Office of Insurance Regulation