

# CERTIFICATION

November 9, 2015

I, Bruce R. Ramage, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

NOV 09 2015

Financial Examination Report of

FILED

**FIRST LANDMARK LIFE INSURANCE COMPANY**

as of

December 31, 2014

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



*Bruce R. Ramage*  
DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

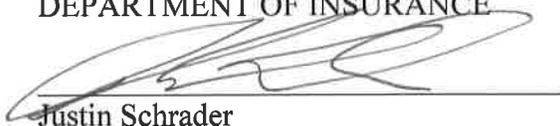
Take notice that the proposed report of the financial examination of

**FIRST LANDMARK LIFE INSURANCE COMPANY**

dated as of December 31, 2014, verified under oath by the examiner-in-charge on September 22, 2015, and received by the company on September 28, 2015, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3)(a).

Dated this 22 day of October, 2015.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE



Justin Schrader  
Chief Financial Examiner

**STATE OF NEBRASKA**

**Department of Insurance**

**EXAMINATION REPORT**

**OF**

**First Landmark Life Insurance Company**

**as of**

**December 31, 2014**



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Lincoln, Nebraska  
August 31, 2015

Honorable Bruce R. Range  
Director of Insurance  
Nebraska Department of Insurance  
941 "O" Street, Suite 400  
Lincoln, Nebraska 68508

Dear Sirs:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**FIRST LANDMARK LIFE INSURANCE COMPANY**

which has its Statutory Home Office located at:

**10206 Regency Parkway Drive  
Omaha, Nebraska 68114**

with its Principal Executive Office located at:

**1219 North West Street  
Wilmington, Delaware 19801**

(hereinafter also referred to as the "Company") and the report of such examination is respectfully presented herein.

**INTRODUCTION**

The Company was last examined as of December 31, 2010 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2014, and includes such subsequent events and transactions as were considered pertinent to this report.

## **SCOPE OF EXAMINATION**

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the shareholder and the Board of Directors held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions and authorizations of salaries were also noted.

Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

## **DESCRIPTION OF COMPANY**

### **HISTORY**

The Company was incorporated under the laws of the State of Nebraska on July 13, 1988, as a capital stock life insurance company, and commenced business on October 1<sup>st</sup> of that same year. Since inception, the Company has been a wholly-owned subsidiary of First Landmark Holdings Co., a Delaware corporation, which in turn was principally owned by First Executive Corporation. A minority interest in First Landmark Holdings Co. was held by agents of an affiliated insurance company indirectly participating in the potential profits and losses through their marketing efforts of a product 50% reinsured by the Company. The reinsurance contract was terminated as of its inception date effective October 1, 1990, by providing a cash settlement equal to the net result of the program to date. The agents' shares were then reacquired by First Executive Corporation leaving it 100% owner of First Landmark Holdings Co.

On April 11, 1991, the Nebraska Director of Insurance placed the Company under the supervision of the Nebraska Department of Insurance through the issuance of a "Determination and Notification of Supervision - List of Requirements to Abate Supervision and Notice of

Hearing". This order stated that the Company's condition was primarily the result of deterioration in the quality of its bond portfolio causing continued operation to be hazardous to the public or holders of its policies or certificates.

On May 13, 1991, First Executive Corporation, the parent of the Company's immediate parent, First Landmark Holdings Co., filed a voluntary petition under Chapter 11, Title 11, United States Court Code, with the United States Bankruptcy Court. The reorganized First Executive Corporation emerged from bankruptcy effective September 10, 1992, pursuant to the Order Confirming Second Amended Joint Plan of Reorganization, as First Lincoln Holdings, Inc. The proposed change in control was reported to the Nebraska Department of Insurance through a Form A filing on August 7, 1992.

On June 23, 1995, the Nebraska Department of Insurance released the Company from the Supervision Order issued April 11, 1991, restoring its right to operate as a Nebraska domestic insurance company.

## **MANAGEMENT AND CONTROL**

### **Holding Company**

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person", as reported in the 2014 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- Marev Holdings, Inc.
- ISO, LLC
- EEO, LLC
- Cedarwood Capital, LLC
- First Lincoln Financial Real Estate Corp.
- Lincoln Indemnity Company

YTO, LLC

Lawrence Financial, LLC  
First Lincoln TPA, Inc.  
FL Assignments Corp.  
FL Admin, Inc.

RMO, LLC

First Landmark Holdings, Inc.  
First Landmark Life Insurance Company  
Kipper Capital, LLC  
50% Limited Partnership  
New Navy Yard Limited Partnership  
LDA Acquisition, LLC  
Building 42 Acquisition, LLC  
Shipyards Quarters Marina, LLC  
AOFL New Navy, LLC  
49% Limited Partnership  
New Navy Yard Limited Partnership  
LDA Acquisition, LLC  
Building 42 Acquisitions, LLC  
Shipyards Quarters Marina, LLC  
FL Capital, LLC  
FL Gateway 95, LLC  
FL Tower, LLC  
FL Financial Group, LLC  
Rhodes Financial, LLC  
Rockaway Turnpike, LLC  
Union Turnpike, LLC

Inwood Land Holdings, Inc.

263 West End 5A, LLC

61 Lawrence Avenue LLC

Flintridge, LLC

FL Gardena, LLC

FL Crown, Inc.

176 West 86<sup>th</sup> Street

Evergreen Acceptance, LLC

Regency Equities Corp.

FL 1219 West Street, LLC

NYRIB, Inc.

First Lincoln Holdings, LLC

878 Education, LLC

### **Shareholder**

Article IV of the Company's Articles of Incorporation states that, “the aggregate number of shares which this Corporation shall have authority to issue is five million (5,000,000) shares

of common stock. The par value of each said shares shall be one dollar (\$1.00) per share.”

Company records indicate that 1,000,000 of said shares were issued and outstanding at the date of this examination. All such shares are held by the Company's sole shareholder, First Landmark Holding Company, which is in turn owned by RMO, LLC, a wholly owned subsidiary of Marev Holdings, Inc.

The Company's By-Laws provide that, “the annual meeting of the shareholders of the corporation shall be held at 10:00 o'clock a.m. on the first Tuesday in the month of April of each year, or at such other time or date as the Board, in its sole discretion, shall determine, for the purpose of electing Directors and for transaction of such other business as may come before the meeting”.

### **Board of Directors**

Article VI of the Company's Articles of Incorporation provides that, “the affairs of the Company shall be conducted by a Board of Directors consisting of not less than five (5) nor more than twenty-one (21) persons, as set forth in the Company's By-Laws. The number of Directors who are Nebraska residents shall be in accordance with the laws of the State of Nebraska. Each Director shall have a term of office for one year and until his successor shall have been elected and qualified.”

Directors elected and serving the Company at December 31, 2014 were as follows:

#### **Name and Residence**

#### **Principal Occupation**

Cecil Bykerk  
Omaha, Nebraska

Actuary and President,  
CD Bykerk Consulting LLC

Alexander Oliner  
Lawrence, New York

Financial Advisor, Wells Fargo Advisors

Charles Oliner  
New York, New York

Physician, New York Presbyterian Hospital

**Name and Residence**

Martin Oliner  
Lawrence, New York

Reva Oliner  
Lawrence, New York

**Principal Occupation**

President of the Company;  
Chairman, President and Chief  
Executive Officer of Marev Holdings, Inc.

Retired Teacher

**Officers**

The By-Laws specify that, “the Executive Officers of the corporation shall be a President, Secretary and Treasurer, and any other Officers as may from time to time be appointed, each of whom shall hold his office during the pleasure of the Board of Directors. The President shall be a member and the Chairman of the Board of Directors. The Officers of the corporation to be elected annually by the Board of Directors at the first meeting of the Board of the Directors held after each annual meeting of the shareholders.” There was no evidence in the Board of Directors written consents that Executive Officers were being annually elected by the Board. It is recommended that the Company’s Board of Directors annually elect the Executive Officers as required in the By-Laws.

Officers serving the Company at December 31, 2014 were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Martin Oliner	President
Reva Oliner	Secretary
Alexander Oliner	Treasurer

**TRANSACTIONS WITH AFFILIATES**

**Tax Sharing Agreement**

The Company is part of a tax-sharing agreement with its ultimate parent, Marev Holdings, and other affiliated companies effective as of January 1, 2002. Under the agreement, Marev Holdings will file a consolidated federal income tax return with the Internal Revenue

Service and each affiliate will either remit or collect the amount of taxes/refund that would have been remitted/received had the affiliate filed a separate federal income tax return.

### **TERRITORY AND PLAN OF OPERATION**

The Company is currently licensed in the states of Indiana, Nebraska, and South Carolina. However, the Company's license is inactive in Indiana. The Nebraska Department of Insurance lifted its order of supervision on June 23, 1995. Details of this order have been set out in this report under the caption, "Description of Company".

The Company did not have any underwriting activity or policy reserve liabilities during the examination period. The Company has indicated that it will submit a business plan prior to the sale of any insurance products.

### **BODY OF REPORT**

#### **GROWTH**

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Admitted assets	\$2,089,107	\$2,054,251	\$2,029,124	\$2,010,486
Total liabilities	318	369	429	475
Capital and surplus	2,088,789	2,053,882	2,028,696	2,010,011
Net investment income	(767)	(3,208)	(2,920)	(4,090)
Net income	(26,539)	(34,854)	(25,128)	(18,637)

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

### **FINANCIAL STATEMENTS** **December 31, 2014**

<b><u>Assets</u></b>	<b><u>Assets</u></b>	<b><u>Assets Not Admitted</u></b>	<b><u>Net Admitted Assets</u></b>
Cash and short-term investments	\$ 1,998,818		\$1,998,818
Other invested assets	<u>12,615,363</u>	<u>\$12,615,363</u>	<u>                    </u>
Subtotal, cash and invested assets	\$14,614,181	\$12,615,363	\$1,998,818
Investment income due and accrued	2,068		2,068
Current federal income tax recoverable	<u>9,600</u>	<u>                    </u>	<u>9,600</u>
Total assets	<u>\$14,625,849</u>	<u>\$12,615,363</u>	<u>\$2,010,486</u>
<b><u>Liabilities, Surplus, and Other Funds</u></b>			
Asset valuation reserve			<u>\$ 475</u>
Total liabilities			<u>\$ 475</u>
Common capital stock			\$1,000,000
Gross paid in and contributed surplus			2,400,000
Unassigned funds (surplus)			<u>(1,389,989)</u>
Total capital and surplus			<u>\$2,010,011</u>
Total liabilities and surplus			<u>\$2,010,486</u>

### **SUMMARY OF OPERATIONS – 2014**

Net investment income	\$ (4,090)
Total	\$ (4,090)
General insurance expenses	\$ 20,945
Insurance taxes, licenses, and fees	<u>3,202</u>
Total	\$ <u>24,147</u>
Net gain from operations before federal income taxes	\$(28,237)
Federal income taxes incurred	(9,600)
Net income	<u>\$(18,637)</u>

### **CAPITAL AND SURPLUS ACCOUNT**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital and surplus, beginning	<u>\$2,115,373</u>	<u>\$2,088,789</u>	<u>\$2,053,882</u>	<u>\$2,028,696</u>
Net income or (loss)	\$ (26,539)	\$ (34,854)	\$ (25,128)	\$ (18,637)
Change in net unrealized capital gains (losses)	(192,887)	(303,890)	(1,397,102)	7,737,690
Change in nonadmitted assets	192,887	303,890	1,397,102	(7,737,690)
Change in asset valuation reserve	<u>(44)</u>	<u>(51)</u>	<u>(60)</u>	<u>(46)</u>
Net change for the year	<u>\$ (26,583)</u>	<u>\$ (34,905)</u>	<u>\$ (25,188)</u>	<u>\$ (18,683)</u>
Capital and surplus, ending	<u>\$2,088,790</u>	<u>\$2,053,884</u>	<u>\$2,028,694</u>	<u>\$2,010,013</u>

### **EXAMINATION CHANGES IN FINANCIAL STATEMENTS**

Unassigned funds (surplus) in the amount of \$1,389,989, as reported in the Company's 2014 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

### **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

**By-Laws** – It is recommended that the Company’s Board of Directors comply with its By-Laws and appoint the appropriate Officers.

**Action:** The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

**Administrative Agreement** – It is recommended that the Service Agreement with First Lincoln Holdings be terminated if expenses are not being allocated.

**Action:** The Company has complied with this recommendation.

**Investment Policy** – It is recommended that the Board of Directors adopt a written plan for investment practices, and this plan be reviewed on at least an annual basis to comply with Neb. Rev. Stat. §44-5105.

**Action:** The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

**Expenses Payable** – It is recommended that the Company book all expenses when incurred and not when payment is made.

**Action:** The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

## **COMMENTARY ON CURRENT EXAMINATION FINDINGS**

### **Custodial Agreement**

The Company holds securities with three different custodians. The custodial agreements for two of these custodians, First National Bank and Merrill Lynch, were to have provisions that are either not present or inadequate to be in compliance with Nebraska Administrative Rules and Regulations Title 210 Chapter 81. It is recommended that the Company obtain and file amended custodial agreements which are in compliance with all aspects to Neb. Title 210, Chapter 81.

### **Fidelity Bond**

The Company's fidelity bond coverage was previously provided under a policy issued to First Landmark Holdings, Inc. which included the Company as a named insured. This policy lapsed during the examination period and was not renewed by First Landmark Holdings. As such, the Company has no fidelity bond policy. It is recommended that the Company obtain a fidelity bond in an amount that reasonably protects the Company's assets.

### **Investment Policy Review**

The prior examination report recommended that the Company adopt a written investment policy and that the policy be reviewed on at least an annual basis. The Company did adopt a written investment policy in 2012 which included a requirement that the Board of Directors annually review the policy. The Board of Directors did approve the initial adoption of the policy, but there was no evidence of subsequent reviews. It is recommended that the Company's Board of Directors review the written investment policy on an annual basis as required in Neb. Rev. Stat. §44-5105(3)(b).

### **Expenses Payable**

It was noted during the examination testing of expenses that expenses were being recorded when payment was made rather than when the expense was incurred. In one instance there was an invoice for services incurred that was not recorded as an expense until over a month later when the amount was actually paid. A review of the Company's journal entries also showed that all expenses were entered on the same date as which payment was also recorded. It is recommended that the Company book all expenses when incurred and not when payment is made.

## **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The following comments and recommendations have been made as a result of this examination:

**By-Laws** – It is again recommended that the Company’s Board of Directors comply with its By-Laws and annually appoint the appropriate Officers.

**Custodial Agreement** – It is recommended that the custodial agreements be amended to be in compliance with all provisions of Nebraska Rules, Title 210, Chapter 81.

**Fidelity Bond** – It is recommended that the Company obtain a fidelity bond in an amount that reasonably protects the Company’s assets.

**Investment Policy Review** – It is recommended that the Company’s Board of Directors review the written investment policy on an annual basis as required in Neb. Rev. Stat. §44-5105(3)(b).

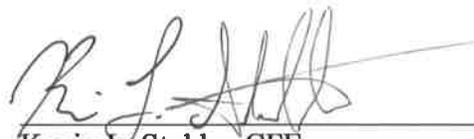
**Expenses Payable** – It is again recommended that the Company book all expenses when incurred and not when payment is made.

## ACKNOWLEDGEMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Linda Scholl, CISA, CFE, Information Systems Specialist with the Nebraska Department of Insurance participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. L. Stubbs", written over a horizontal line.

Kevin L. Stubbs, CFE  
Examiner-in-Charge  
Department of Insurance  
State of Nebraska

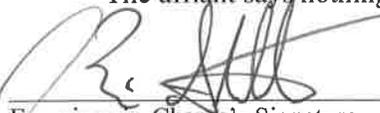
State of Nebraska,

County of Lancaster,

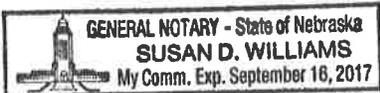
Kevin Stubbs, being duly sworn, states as follows:

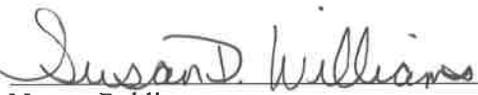
1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of the **First Landmark Life Insurance Company**.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of the **First Landmark Life Insurance Company** was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

  
Examiner-in-Charge's Signature

Subscribed and sworn before me by Kevin Stubbs on this 22 day of September, 2015.

(SEAL) 

  
Notary Public

My commission expires 9/16/2017 [date].