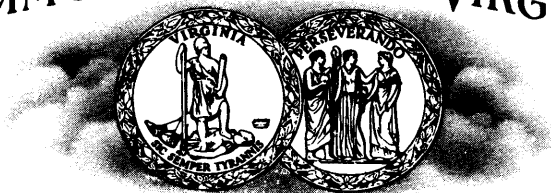


**ASSOCIATION EXAMINATION REPORT**  
**on**  
**FIRST VIRGINIA LIFE INSURANCE COMPANY**  
**Winston-Salem, North Carolina**  
**as of**  
**December 31, 2009**

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

# COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS  
COMMISSIONER OF INSURANCE



P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Alfred W. Gross, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of First Virginia Life Insurance Company as of December 31, 2009, is a true copy of the original report on file with this Bureau.

**IN WITNESS WHEREOF**, I have hereunto set my hand  
and affixed to the original the seal of the Bureau at the City  
of Richmond, Virginia this 26<sup>th</sup> day of August, 2010

A handwritten signature in cursive script that reads "Alfred W. Gross".

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Alfred W. Gross  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
June 4, 2010

Honorable Alfred W. Gross  
Chair, NAIC Financial Condition (E) Committee  
Commissioner of Insurance  
Virginia Bureau of Insurance  
Richmond, Virginia

Honorable James J. Donelon  
Secretary, NAIC Southeastern Zone  
Commissioner of Insurance  
Louisiana Department of Insurance  
Baton Rouge, Louisiana

Dear Commissioners:

Pursuant to your instructions and by authority of § 38.2-1317 of the Code of Virginia, a National Association of Insurance Commissioners (NAIC) Association Examination of the records and affairs of

**FIRST VIRGINIA LIFE INSURANCE COMPANY**  
Winston-Salem, North Carolina

hereinafter referred to as the Company, has been completed. The report thereon is hereby submitted for your consideration.

**DESCRIPTION**

The Company is a stock life insurance company licensed under and subject to the general insurance laws contained in Title 38.2 of the Code of Virginia. The Company was last examined as of December 31, 2006. This examination covers the period from January 1, 2007 through December 31, 2009, and was conducted by representatives from the Virginia State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") representing the Southeastern Zone of the NAIC.

**HISTORY**

The Company was first issued a charter by the Commission on March 23, 1959, under the name of Mt. Vernon Insurance Agency, Inc. The Agency's charter was amended on May 25, 1966, to change the name to First Virginia Insurance Agency, Inc., and again on April 1, 1967, when the name was changed to First Virginia Life Insurance Company. At that time, the articles of incorporation were restated to provide for

transactions of a life insurance company. On June 30, 1994, the Company's license was amended to include life as an additional line of insurance.

Effective July 1, 2003, the Company was acquired by BB&T Corporation (BB&T) through the merger of the Company's direct parent, First Virginia Banks, Inc. with and into BB&T pursuant to an Agreement and Plan of Reorganization and a related Plan of Merger. BB&T obtained Commission approval on June 4, 2003 and also obtained approvals from the Federal Reserve Board and the Maryland Division of Financial Regulation for this transaction. Each share of the Company's stock issued and outstanding as of the effective date was converted into the right to receive shares of BB&T common stock and cash payable in exchange for any fractional shares of BB&T common stock.

The Company is currently running off its existing block of business and is not accepting any new business.

### MANAGEMENT AND CONTROL

The Company's bylaws provide that the business and affairs of the Company shall be managed by a board of four directors, a majority of who shall constitute a quorum for the transaction of business. According to the bylaws, the officers of the Company shall consist of a chairman and a vice chairman of the board, a president, a secretary, a treasurer and other officers as the board of directors may from time to time elect. The president is the principal executive officer of the company and shall supervise and control the management the Company according to the bylaws.

At December 31, 2009, the board of directors and principal officers of the Company were as follows:

<u>Directors</u>	<u>Principal Business Affiliation</u>
Matthew E. Brown	Vice President and Senior Financial Analysis Project Leader BB&T Corporation Winston-Salem, North Carolina
Robert E. Greene	Senior Executive Vice President and Manager of Administrative Services BB&T Corporation Winston-Salem, North Carolina

Christopher L. Henson                      Chief Operating Officer  
 BB&T Corporation  
 Winston-Salem, North Carolina

Edward D. Vest                                Senior Vice President  
 BB&T Corporation  
 Winston-Salem, North Carolina

<u>Officers</u>	<u>Title</u>
Christopher L. Henson	President and Chairman of the Board
Matthew E. Brown	Vice Chairman of the Board
Gayle C. Dowdy	Vice President
Cynthia B. Powell	Controller
Francis B. Jones	Secretary
Edward D. Vest	Treasurer

BB&T is the sole stockholder of the 100,000 shares of common stock outstanding at December 31, 2009, with each share having a par value of \$10. At December 31, 2009, the Company had common capital stock of \$1,000,000 and gross paid in and contributed surplus of \$526,500. Pursuant to § 38.2-1322 of the Code of Virginia, the Company qualifies as a member of an insurance holding company system.

## **TRANSACTIONS WITH AFFILIATES**

### **Service Agreement**

The Company has a service agreement in effect with BB&T. Under the terms of the agreement, BB&T shall provide accounting, auditing, marketing, legal, investment, real estate, personnel, methods and procedures, printing, purchasing, record retention, trust, tax, insurance and corporate planning services. In addition, the Company paid BB&T Trust \$2,040 for administrative and trust fees in 2009.

## **DIVIDENDS TO STOCKHOLDERS**

A cash dividend of \$2,000,000 was paid to BB&T in June 2007. The dividend payment was considered to be an extraordinary dividend and was approved in advance by the Commission.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is listed as a named insured on a financial institutions bond of BB&T. This policy provides fidelity coverage of \$25,000,000 after a deductible of \$10,000,000. Also, the Company maintains a management liability and company reimbursement insurance policy with a \$25,000,000 aggregate limit for each policy period. There is a \$10,000,000 retention for a) losses in which the Company is required to pay indemnification to an insured person as a result of a claim against that insured person and b) losses resulting solely from any securities claim. In addition to these two insurance policies, the Company participates in an inter-company loss sharing agreement with its affiliates whereby losses in excess of \$100,000 incurred by the Company are shared by the participating affiliates in proportion to the percentage of the affiliates' assets compared to the total assets of the holding company. Because the Company is running off its existing block of business and has no employees, it does not carry other typical insurance coverages.

## **TERRITORY AND PLAN OF OPERATION**

The Company is licensed to transact business in Virginia, Tennessee and Maryland. In Virginia, the Company is authorized to transact the business of life, credit life and credit accident and sickness insurance. Until January 1, 1997, the Company functioned as a direct writer. After that date, the Company began providing reinsurance only. Under the terms of a reinsurance treaty with American Bankers Life Assurance Company (American Bankers), the Company reinsured those life and accident and health policies written by American Bankers which named BB&T and/or any of its affiliates as a beneficiary. Effective September 1, 2003, the Company ceased reinsuring and retroceding business and only provides reinsurance for business in effect at this date.

### GROWTH OF THE COMPANY

The following data, obtained from copies of annual statements and from examination reports, reflects the growth of the Company for the ten-year period ending December 31, 2009:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital Stock</u>	<u>Surplus Paid In</u>	<u>Unassigned Funds</u>
2000	\$17,563,542	\$12,638,792	\$1,000,000	\$526,500	\$3,398,250
2001	17,711,605	12,702,097	1,000,000	526,500	3,483,008
2002	16,680,468	11,887,937	1,000,000	526,500	3,266,031
2003	15,570,422	8,757,151	1,000,000	526,500	5,286,771
2004	13,367,141	4,296,860	1,000,000	526,500	7,543,781
2005	9,819,413	3,083,510	1,000,000	526,500	5,209,403
2006	7,945,943	2,018,613	1,000,000	526,500	4,400,830
2007	7,081,333	1,449,860	1,000,000	526,500	4,104,973
2008	6,900,310	1,001,895	1,000,000	526,500	4,371,915
2009	6,700,396	765,473	1,000,000	526,500	4,408,423

### Insurance In Force

<u>Year</u>	<u>Credit Life</u>	<u>Group</u>	<u>Total</u>
2000	\$221,457,000	\$0	\$221,457,000
2001	188,307,000	17,446,000	205,753,000
2002	148,080,000	28,281,000	176,361,000
2003	83,417,000	20,988,000	104,405,000
2004	40,835,000	15,335,000	56,170,000
2005	23,506,000	13,237,000	36,743,000
2006	14,215,000	10,778,000	24,993,000
2007	8,752,000	9,227,000	17,979,000
2008	5,287,000	7,476,000	12,763,000
2009	3,034,000	6,122,000	9,156,000



## **REINSURANCE**

The Company ceased reinsuring and retroceding new business as of September 1, 2003. According to the Company's 2009 Management's Discussion and Analysis, BB&T intends to allow the Company's current book of business to run off. The Company's retention limit is \$35,000 and the excess is retroceded to American Bankers.

The Company's reinsurance agreements were reviewed and found to include insolvency provisions.

## **SCOPE**

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2007 through December 31, 2009. Assets were verified and liabilities established at December 31, 2009.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the Bureau plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company, assess corporate governance, identify and assess inherent risks within the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

**FINANCIAL STATEMENTS**

There follows a statement of financial condition of the Company at December 31, 2009, a summary of operations for the year ended December 31, 2009, a reconciliation of capital and surplus for the period under review and a statement of cash flow for the year ending December 31, 2009. The financial statements are presented in accordance with Statutory Accounting Principles.

**ASSETS**

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash and short-term investments	\$6,553,606		\$6,553,606
Investment income due and accrued	33		33
Current federal income tax recoverable and interest thereon	116,595		116,595
Net deferred tax asset	1,079	894	185
Aggregate write-ins for other than invested assets	<u>29,977</u>	<u>          </u>	<u>29,977</u>
Total assets	<u><u>\$6,701,290</u></u>	<u><u>\$894</u></u>	<u><u>\$6,700,396</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

Aggregate reserve for life contracts	\$531,752
Aggregate reserve for accident and health contracts	15,015
Contract claims:	
Life	25,283
Accident and health	1,488
Commissions and expense allowances payable on reinsurance assumed	5,000
Taxes, licenses and fees due or accrued	922
Payable to parent, subsidiaries and affiliates	130,807
Aggregate write-ins for liabilities	<u>55,206</u>
 Total liabilities	 <u>\$765,473</u>
 Common capital stock	 \$1,000,000
Gross paid in and contributed surplus	526,500
Unassigned funds (surplus)	<u>4,408,423</u>
 Total surplus and other funds	 <u>\$5,934,923</u>
 Total liabilities, capital and surplus	 <u><u>\$6,700,396</u></u>

## SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	(\$17,093)
Net investment income	<u>(16,293)</u>
Total	<u>(\$33,386)</u>
Death benefits	\$40,109
Disability benefits and benefits under accident and health contracts	26,686
Increase in aggregate reserves for life and accident and health contracts	<u>(280,593)</u>
Total	(\$213,798)
Commissions and expense allowances on reinsurance assumed	117,585
General insurance expenses	2,592
Insurance taxes, licenses and fee, excluding federal income taxes	<u>3,776</u>
Total	<u>(\$89,845)</u>
Net gain from operations before federal income taxes	\$56,459
Federal income taxes incurred	<u>19,760</u>
Net income	<u><u>\$36,699</u></u>

**RECONCILIATION OF CAPITAL AND SURPLUS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Capital and surplus, December 31, prior year	* <u>\$5,927,330</u>	<u>\$5,631,473</u>	<u>\$5,898,415</u>
Adjustment for previous examination changes	1,453,144		
Net income	254,812	269,835	36,699
Change in net deferred income tax	(6,626)	(3,077)	(1,643)
Change in nonadmitted assets	2,813	184	1,452
Dividends to stockholders	<u>(2,000,000)</u>		
Net change in capital and surplus	<u>(\$295,857)</u>	<u>\$266,942</u>	<u>\$36,508</u>
Capital and surplus, December 31, current year	<u><u>\$5,631,473</u></u>	<u><u>\$5,898,415</u></u>	<u><u>\$5,934,923</u></u>

\* Adjusted capital and surplus from previous examination report

**CASH FLOW****Cash from Operations**

Premiums collected net of reinsurance	(\$17,093)
Net investment income	12,554
Total	<u>(\$4,539)</u>
Benefit and loss related payments	78,605
Commissions, expenses paid and aggregate write-ins for deductions	123,031
Federal income taxes paid	71,777
Total	<u>\$273,413</u>
Net cash from operations	<u>(\$277,952)</u>

**Cash from Financing and Miscellaneous Sources**

Cash provided (applied):	
Other cash provided	\$118,987
Net cash from financing and miscellaneous sources	<u>\$118,987</u>

**RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS**

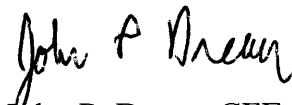
Net change in cash and short-term investments	(\$158,965)
Cash and short-term investments:	
Beginning of the year	6,712,571
End of the year	<u><u>\$6,553,606</u></u>

**CONCLUSION**

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Chris Collins, AFE, David Fiden, Ern Johnson, FSA, MAAA, and Michael Peterson participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "John P. Drean". The signature is written in a cursive style with a large initial "J" and "D".

John P. Drean, CFE  
Senior Insurance Examiner  
Commonwealth of Virginia  
Representing the Southeastern Zone, NAIC



# First Virginia Life Insurance Company

STATE CORP COMMISSION  
BUREAU OF INSURANCE

10 AUG 13 AM 9:23

BB&T Corporation  
150 S. Stratford Road  
Winston-Salem, NC 27104

August 9, 2010

David H. Smith, Chief Examiner  
State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
P.O. Box 1157  
Richmond, VA 23218

Re: First Virginia Life Insurance Company  
Examination Report as of December 31, 2009

Mr. Smith:

I am in receipt of the First Virginia Life Insurance Company's Examination Report as of December 31, 2009. This report has been reviewed and is accepted. We are pleased with the examiner's findings that all accounts and activities of the Company were in accordance with the risk-focused examination process and there are no recommendations for corrective action.

We would like to thank the examiners for their work with this examination.

If you have any questions or require additional information, please feel free to contact me at (336) 733-2294.

Sincerely,



Christopher L. Henson, President  
First Virginia Life Insurance Company