

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended **March 31, 2010**  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **0-5486**

**Presidential Life Corporation**

**Delaware**  
(State of incorporation)

**13-2652144**  
(IRS Employer Identification No.)

**69 Lydecker Street, Nyack, NY**  
(Address of principal executive offices)

**10960**  
(Zip Code)

Registrant's telephone number, including area code:

**(845) 358-2300**

Securities registered pursuant to Section 12(b) of the Act: **Not applicable.**

Securities registered pursuant to Section 12(g) of the Act:

<u>Title of Each Class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.01 per share	Nasdaq

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of registrant's common stock outstanding as of May 10, 2010 was 29,574,697.

## INDEX

Part I	Financial Information	<u>Page No.</u>
Item 1.	Consolidated Financial Statements	
	Consolidated Balance Sheets March 31, 2010 (Unaudited) and December 31, 2009	3
	Consolidated Statements of Operation (Unaudited) For the Three months ended March 31, 2010 and 2009	4
	Consolidated Statements of Shareholders' Equity (Unaudited) - For the Three months ended March 31, 2010 and 2009	5
	Consolidated Statements of Cash Flows (Unaudited) - For the Three months ended March 31, 2010 and 2009	6
	Notes to Consolidated Financial Statements (Unaudited)	7-20
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21-31
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	32
Item 4.	Controls and Procedures	32
Part II -	Other Information	33
	Item 1. Legal Proceedings	
	Item 1A. Risk Factors	
	Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	
	Item 3. Defaults Upon Senior Securities	
	Item 4. Other Information	
	Item 5. Exhibits	
Signatures		34
Certification of Chief Executive Officer		35
Certification of Chief Financial Officer		36
Certification of Chief Executive Officer		37
Certification of Chief Financial Officer		38

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share data)

	March 31, <u>2010</u> (Unaudited)	December 31, <u>2009</u> (Audited)
<b>ASSETS:</b>		
Investments:		
Fixed maturities:		
Available for sale at market (Amortized cost of \$3,111,901 and \$3,043,757 respectively)	\$ 3,223,363	\$ 3,087,021
Common stocks (Cost of \$476 and \$475, respectively)	2,016	1,947
Derivative instruments, at fair value	-	390
Real estate	415	415
Policy loans	18,814	18,959
Short-term investments	227,722	293,136
Other long-term investments	204,133	196,191
Total Investments	3,676,463	3,598,059
Cash and cash equivalents	2,472	8,763
Accrued investment income	42,932	41,281
Deferred policy acquisition costs	65,802	76,762
Furniture and equipment, net	425	447
Amounts due from reinsurers	15,575	15,056
Federal income taxes recoverable	16,525	18,313
Deferred federal income taxes, net	-	4,855
Other assets	1,507	1,506
<b>TOTAL ASSETS</b>	<b>\$ 3,821,701</b>	<b>\$ 3,765,042</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Liabilities:		
Policy Liabilities:		
Policyholders' account balances	\$ 2,440,168	\$ 2,444,984
Future policy benefits:		
Annuity	647,031	645,801
Life and accident and health	77,562	76,457
Other policy liabilities	11,563	10,592
Total Policy Liabilities	3,176,324	3,177,834
Deposits on policies to be issued	1,458	1,905
General expenses and taxes accrued	2,074	2,461
Deferred federal income taxes, net	14,034	-
Amounts due from security transactions	5,995	-
Other liabilities	12,242	14,462
Total Liabilities	3,212,127	\$ 3,196,662
Commitments and Contingencies		
Shareholders' Equity:		
Capital stock (\$.01 par value; authorized 100,000,000 shares outstanding, 29,574,697 and 29,574,697 shares, respectively)	296	296
Additional paid in capital	6,783	6,639
Accumulated other comprehensive gain (loss)	36,243	(4,448)
Retained earnings	566,252	565,893
Total Shareholders' Equity	609,574	568,380
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,821,701</b>	<b>\$ 3,765,042</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except share data)

	THREE MONTHS ENDED MARCH 31, (UNAUDITED)	
	<u>2010</u>	<u>2009</u>
<b>REVENUES:</b>		
Insurance Revenues:		
Premiums	\$ 4,583	\$ 3,759
Annuity considerations	10,135	4,216
Universal life and investment type policy fee income	525	606
Net investment income	50,468	35,840
Realized investment losses	(327)	(3,451)
Other income	990	129
	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>66,374</b>	<b>41,099</b>
	<hr/>	<hr/>
<b>BENEFITS AND EXPENSES:</b>		
Death and other life insurance benefits	4,460	3,606
Annuity benefits	20,397	19,457
Interest credited to policyholders' account balances	26,590	26,901
Interest expense on notes payable	-	753
Other interest and other charges	339	264
Increase (decrease) in liability for future policy benefits	1,982	(3,964)
Commissions to agents, net	1,812	3,129
Costs related to consent revocation solicitation and related matters	968	-
General expenses and taxes	5,271	4,995
Change in deferred policy acquisition costs	1,185	(1,165)
	<hr/>	<hr/>
<b>TOTAL BENEFITS AND EXPENSES</b>	<b>63,004</b>	<b>53,976</b>
	<hr/>	<hr/>
Income (loss) before income taxes	3,370	(12,877)
	<hr/>	<hr/>
Provision (benefit) for income taxes:		
Current	1,788	(6,164)
Deferred	(625)	1,721
	<hr/>	<hr/>
	1,163	(4,443)
	<hr/>	<hr/>
<b>NET INCOME (LOSS)</b>	<b>\$ 2,207</b>	<b>\$ (8,434)</b>
	<hr/>	<hr/>
Earnings per common share, basic	\$ .07	\$ (.29)
Earnings per common share, diluted	\$ .07	\$ (.29)
	<hr/>	<hr/>
Weighted average number of shares outstanding during the period, basic	29,574,697	29,574,315
Weighted average number of shares outstanding during the period, diluted	29,574,697	29,574,315
	<hr/>	<hr/>
<b>Supplemental disclosures:</b>		
Net realized loss on investments:		
Total other-than-temporary impairment losses	\$ -	\$ (5,377)
Portion of loss recognized in other comprehensive income (loss)	-	-
Net impairment losses recognized in earnings	-	\$ (5,377)
Other investments (losses) gains	(327)	1,926
Total realized investment losses	<hr/>	<hr/>
	\$ (327)	\$ (3,451)
	<hr/>	<hr/>

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(in thousands, except per share data)  
(unaudited)

	Capital Stock	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2009	\$ 296	\$ 5,851	\$ 571,067	\$ (137,160)	\$ 440,054
Comprehensive Income (Loss):					
Net Loss			(8,434)		(8,434)
Net Unrealized Investment Losses				(47,365)	<u>(47,365)</u>
Comprehensive Loss					(55,799)
Share Based Compensation		219			219
Dividends paid to Shareholders (\$0.0625 per share)			<u>(1,848)</u>		<u>(1,848)</u>
Balance at March 31, 2009	<u>\$ 296</u>	<u>\$ 6,070</u>	<u>\$ 560,785</u>	<u>\$ (184,525)</u>	<u>\$ 382,626</u>
Balance at January 1, 2010	\$ 296	\$ 6,639	\$ 565,893	\$ (4,448)	\$ 568,380
Comprehensive Income:					
Net Income			2,207		2,207
Net Unrealized Investment Gains				40,691	<u>40,691</u>
Comprehensive Income					42,898
Share Based Compensation		144			144
Dividends paid to Shareholders (\$0.0625 per share)			<u>(1,848)</u>		<u>(1,848)</u>
Balance at March 31, 2010	<u>\$ 296</u>	<u>\$ 6,783</u>	<u>\$ 566,252</u>	<u>\$ 36,243</u>	<u>\$ 609,574</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

THREE MONTHS ENDED  
MARCH 31,  
(UNAUDITED)

	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 2,207	\$ (8,434)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (benefit) for deferred income taxes	(625)	1,721
Depreciation and amortization	33	130
Stock option expense	144	219
Amortization of fixed maturity discounts and premiums	(4,000)	(4,190)
Realized investment losses	327	3,451
Changes in:		
Accrued investment income	(1,651)	(1,311)
Deferred policy acquisition costs	1,185	(1,165)
Federal income tax recoverable	1,788	(5,390)
Liability for future policy benefits	2,335	(3,685)
Other items	(51)	4,756
	\$ 1,692	\$ (13,898)
<b>INVESTING ACTIVITIES:</b>		
Fixed Maturities:		
Available for Sale:		
Acquisitions	(104,525)	(65,110)
Sales	40,444	41,237
Decrease in short-term investments and policy loans	65,559	90,352
Other long-term investments:		
Additions to other long-term investments	(8,504)	(8,957)
Distributions from other long-term investments	2,476	16,341
Amount due on security transactions	5,995	12,516
	\$ 1,445	\$ 86,379
<b>FINANCING ACTIVITIES:</b>		
Decrease in policyholders' account balances	(4,816)	(2,507)
Bank overdrafts	(2,317)	(1,463)
Deposits on policies to be issued	(447)	2,095
Retirement of Senior Notes	-	(66,500)
Dividends paid to shareholders	(1,848)	(1,848)
	\$ (9,428)	\$ (70,223)
(Decrease) Increase in Cash and Cash Equivalents	(6,291)	2,258
Cash and Cash Equivalents at Beginning of Period	8,763	3,820
	\$ 2,472	\$ 6,078
<b>Supplemental Cash Flow Disclosure:</b>		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ 2,618

The accompanying notes are an integral part of these Consolidated Financial Statements.

**PRESIDENTIAL LIFE CORPORATION AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Business**

Presidential Life Corporation (the "Company"), through its wholly owned subsidiary Presidential Life Insurance Company ("the Insurance Company"), is engaged in the sale of annuity contracts, life insurance and accident and health insurance. The Insurance Company has assets of approximately \$3.8 billion and shareholders' equity of \$594.6 million as of December 31, 2009 and is licensed in all 50 states and the District of Columbia.

**B. Basis of Presentation and Principles of Consolidation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to stock life insurance companies for interim financial statements and in accordance with the requirements of Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP applicable to stock life insurance companies for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Interim results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. Management believes that, although the disclosures are adequate, these consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on Form 10-K on March 11, 2010.

**C. Segment Reporting**

The Company has one reportable segment and therefore, no additional disclosures are required in accordance with current FASB guidance. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

We manage and report our business as a single segment in accordance with FASB guidance, which views certain qualitative and quantitative criteria for determining whether different lines of business should be aggregated for financial reporting purposes. Substantially all of the Company's business is divided between annuities (approximately 83%), life insurance (approximately 11%), and accident and health insurance (approximately 6%). The nature of these product lines is sufficiently similar to permit their aggregation as a single reporting segment.

Approximately 71% of our life insurance liabilities reflect single premium universal life policies, which bear similar economic and business characteristics to our single premium deferred annuity products. Both products are funded by initial single premiums, both maintain accreting fund values credited with interest as earned, both are surrenderable before maturity with surrender charges in the early years and the Company does not make mortality charges on either product. Moreover, the two products generate similar returns to the Company and carry similar risks of early surrender by the product holder. Both are marketed and distributed by the same independent agents. The products are administered and managed within the same administrative facility, with overlapping administrative functions. The products are also directed at a similar market, namely mature consumers seeking financial protection for secure future cash streams for themselves and their heirs and associated tax benefits. The regulatory frameworks for the products are also substantially the same, as both Insurance Company and its independent agents sell these products under single licenses issued by various state insurance departments. The remaining business of the Company is not material to the overall performance of the Company.

**D. Investments**

Fixed maturity investments available for sale represent investments that may be sold in response to changes in various economic conditions. These investments are carried at fair value and net unrealized gains (losses), net of the effects of amortization of deferred policy acquisition costs and deferred federal income taxes, if any, are credited or charged directly to shareholders' equity, unless a decline in market value is considered to be other than temporary in which case the investment is reduced to its fair value and the portion related to credit loss is recorded in the income statement. Equity securities include common stocks and non-redeemable preferred stocks and are carried at market value, with the related unrealized gains and losses, net of deferred federal income tax effect, if any, charged or credited directly to shareholders' equity, unless a decline in market value is deemed to be other than temporary in which case the investment is reduced to its fair value and the loss is recorded in the income statement.

"Other long-term investments" are recorded using the equity method and primarily include interests in limited partnerships, which principally are engaged in real estate, international opportunities, acquisitions of private growth companies, debt restructuring and merchant banking and substantially all of their investments are at fair value. In general, risks associated with such limited partnerships include those related to their underlying investments (i.e., equity securities, debt securities and real estate), plus a level of illiquidity, which is mitigated by the practice of many of the partnerships, with the exception of hedge fund limited partnerships, to typically make quarterly distributions (to the extent that distributions are available) of partnership earnings. Investment income from limited partnerships is recorded based on the

Company's share of earnings reported in the partnership's most recent audited financial statements and income distributed by the partnerships. Management considers the quarterly financial information received from the limited partnerships to be unreliable or insufficient to record investment income, other than from distributions, on a quarterly basis. Management estimates the classification of cash distributions received between investment income and return of capital based on correspondence from the respective partnerships. The Company adjusts its estimate of investment income recorded during the year to the actual realized gains and other income reported in the limited partnerships' most recent annual audited financial statements, which are generally received in the second quarter of the subsequent year. As a result, there is generally a reporting lag of up to one year for recording investment income that is not distributed during the year, which may result in significant adjustments in the subsequent year. During periods of rapid growth in the economy, or rapid declines, the delayed impact on market values, either positive or negative, may be more pronounced. The adjustments to its estimates of investment income recorded during the preceding year ("true-up") for the three month periods ended March 31, 2010 and March 31, 2009 resulted in an increase in net investment income of approximately \$1.8 million and a decrease of approximately \$8.4 million, respectively. The Company records its share of net unrealized gains and losses (net of taxes) from the audited financial statements of the limited partnerships. As a result, there is also generally a one-year reporting lag for reporting unrealized gains and losses, which may result in significant adjustments to other comprehensive income in 2010. Net unrealized losses (cumulative, after tax effects) totaled approximately \$26.3 million at March 31, 2010 and \$27.5 million at December 31, 2009 and are included in the balance sheet under other comprehensive income. To evaluate the appropriateness of the carrying value of a limited partnership interest, management maintains ongoing discussions with the investment manager and considers the limited partnership's operation, its current and near term projected financial condition, earnings capacity, and distributions received by the Company during the year. Because it is not practicable to obtain an independent valuation for each limited partnership interest, for purposes of disclosure the market value of a limited partnership interest is estimated at book value based on the most recent available audited financial statements plus capital contributions subsequently made by the Company less subsequent distributions received from the partnerships. Other long term investments totaled approximately \$204.1 million as of March 31, 2010 and \$196.2 million as of December 31, 2009. As of March 31, 2010, the Company was committed to contribute, if called upon, an aggregate of approximately \$83.1 million of additional capital to certain of these limited partnerships. Commitments of \$12.1 million, \$27.1 million, \$38.4 million and \$5.5 million will expire in 2010, 2011, 2012 and 2013, respectively. The commitment expirations are estimates based upon the commitment periods of each of the partnerships. Certain partnerships provide, however, that in the event capital from the investments are returned to the limited partners prior to the end of the commitment period (generally 3-5 years) the capital may be recalled.

The Company is invested in six hedge fund limited partnerships with a carrying value of \$64.6 million as of March 31, 2010. These partnerships each contain liquidity provisions which allow the Company to withdraw amounts equal to the total capital account balance at least annually with notice requirements of 30-90 days. These withdrawals may be subject to a holdback of 5-10%, with final distributions pending the completion of the partnership's annual audit. The Company has two hedge fund positions with private special investments, which currently range from approximately 15-30% of its carrying value, which would be excluded from the withdrawal process.

In evaluating whether an investment security or other investment has suffered an impairment in value that is deemed to be other than temporary, management considers all available evidence. When a decline in the value of an investment security or other investment is considered to be other than temporary, the investment is reduced to its fair value (which contemplates the price that can be obtained from the sale of such asset in the ordinary course of business), which becomes the new cost basis. The amount of reduction is recorded in the income statement as a realized loss. A recovery from the adjusted cost basis is recognized as a realized gain only at sale.

Realized gains and losses on disposal of investments are determined for fixed maturities, other long-term investments and equity securities by the specific identification method.

Investments in short-term securities, which consist primarily of commercial paper and corporate debt issues maturing in less than one year, are recorded at amortized cost, which approximates market value. Policy loans are stated at their unpaid principal balance.

The Company's investments in real estate consist of two acres of undeveloped land and two buildings in Nyack, New York, which are occupied entirely by the Company. The investments are carried at cost less accumulated depreciation. Both buildings are fully depreciated and have no depreciation expense.

The Company accounts for its derivative financial instruments under ASC 815-10 which requires all derivative instruments to be recorded in the balance sheet at fair value. Changes in the fair value of derivative instruments are recorded as other income (loss) in the period in which they arise. The Company has not designated its derivatives related to marketable securities as hedges, in accordance with ASC 815-10. Accordingly, the change in fair value of derivatives is recognized as a component of realized investment gains and losses in earnings as described above. The Company does not hold or issue any derivative financial instruments for speculative trading purposes.

## **E. Deferred Policy Acquisition Costs**

The costs of acquiring new business (principally commissions and certain underwriting, agency and policy issue expenses), all of which vary with the production of new business, have been deferred. Deferred policy acquisition costs are subject to recoverability testing at time of policy issue and loss recognition testing at the end of each year.

For immediate annuities with life contingencies, deferred policy acquisition costs are amortized over the life of the contract in proportion to expected future benefit payments.

For traditional life policies, deferred policy acquisition costs are amortized over the premium paying periods of the related policies using assumptions that are consistent with those used in computing the liability for future policy benefits. Assumptions as to anticipated premiums are estimated at the date of policy issue and are consistently applied during the life of the contracts. For these contracts, the amortization periods generally are for the scheduled life of the policy, not to exceed 30 years.

Deferred policy acquisition costs (DAC) are amortized over periods ranging from 15 to 25 years for universal life products and investment type products as a constant percentage of estimated gross profits arising principally from surrender charges and interest and mortality margins based on historical and anticipated future experience, updated regularly. The effects of revisions to reflect actual experience on previous amortization of deferred policy acquisition costs, subject to the limitation that the outstanding DAC asset can never exceed the original DAC plus accrued interest, are reflected in earnings in the period estimated gross profits are revised. DAC is also adjusted for the impact of unrealized gains or losses on investments as if these gains or losses had been realized with corresponding credits or charges included in accumulated other comprehensive income. For that portion of the business where acquisition costs are not deferred, (i.e., medical stop loss business) management believes the expensing of policy acquisition costs is immaterial.

## **F. Future Policy Benefits**

Future policy benefits for traditional life insurance policies are computed using a net level premium method on the basis of actuarial assumptions as to mortality, persistency and interest established at policy issue. Assumptions established at policy issue as to mortality and persistency are based on anticipated experience, which, together with interest and expense assumptions, provide a margin for adverse deviation. Benefit liabilities for deferred annuities during the accumulation period are equal to accumulated contract holders' fund balances and, after annuitization, are equal to the present value of expected future payments.

## **G. Policyholders' Account Balances**

Policyholders' account balances for universal life and investment type contracts are equal to the policy account values. The policy account values represent an accumulation of gross premium payments plus credited interest less mortality and expense charges and withdrawals.

## **H. Federal Income Taxes**

The Company and its subsidiaries file a consolidated federal income tax return. The asset and liability method in recording income taxes on all transactions that have been recognized in the financial statements is used. FASB guidance provides that deferred income taxes are adjusted to reflect tax rates at which future tax liabilities or assets are expected to be settled or realized.

## **I. Earnings Per Common Share ("EPS")**

Basic EPS is computed based upon the weighted average number of common shares outstanding during the first three months. Diluted EPS is computed based upon the weighted average number of common shares including contingently issuable shares and other dilutive items. The weighted average number of common shares used to compute diluted EPS for the three months ended March 31, 2010 and 2009 was 29,574,697 and 29,574,315, respectively. The dilution from the potential exercise of stock options outstanding did not reduce EPS during the three months ended March 31, 2010 or 2009.

Options totaling 699,948 and 1,166,886 shares of common stock for the three months ended March 31, 2010 and March 31, 2009, respectively were not included in the computation of weighted average shares because the impact of these options was antidilutive.

## **J. New Accounting Pronouncements**

### *Adoption of new accounting pronouncements*

On January 1, 2010, the Company adopted the new guidance on transfers of financial assets. This new guidance amends the derecognition guidance and eliminates the exemption from consolidation for qualifying special-purpose entities. The adoption of this new guidance did not have an impact on the Company's financial position or results of operations.

On January 1, 2010, the Company adopted the new guidance on the accounting for a variable interest entity ("VIE"). This new guidance amends the consolidation guidance applicable to VIEs to require a qualitative assessment in the determination of the primary beneficiary of the VIE, to require an ongoing reconsideration of the primary beneficiary, to amend the events that trigger a reassessment of whether an entity is a VIE and to change the consideration of kick-out rights in determining if an entity is a VIE. The adoption of this new guidance did not have an impact on the Company's financial position or results of operations.

### *New Accounting pronouncements issued during 2010 impacting the Company are as follows:*

In February 2010, the FASB issued ASU No. 2010-09, "*Amendments to Certain Recognition and Disclosure Requirements*", that amends guidance on subsequent events. This amendment removes the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. However, the date-disclosure exemption does not relieve management of an SEC filer from its responsibility to evaluate subsequent events through the date on which financial statements are issued. This standard became effective for the Company upon issuance. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.

In January 2010, the FASB issued ASU No. 2010-06, "*Fair Value Measurements and Disclosures*," that requires entities to make new disclosures about recurring or nonrecurring fair-value measurements and provides clarification of existing disclosure requirements. For assets and liabilities that are measured at fair value on a recurring basis, the ASU requires disclosure of significant transfers between Levels 1 and 2, and transfers into and out of Level 3 of the fair value hierarchy and the reasons for those transfers. Significant transfers into each level must be disclosed and discussed separately from transfers out of each level. Significance is judged with respect to earnings, total assets, total liabilities or total equity. An accounting policy must be determined and disclosed as to when transfers between levels are recognized; (1) actual date, (2) beginning of period or (3) end of period. The ASU amends the reconciliation of the beginning and ending balances of Level 3 recurring fair value measurements to present information about purchases, sales, issuances and settlements on a gross basis rather than as a net number. The ASU amends ASC 820 to require fair value measurement disclosures for each class of assets and liabilities and clarifies that a description of the valuation technique and inputs used to measure fair value is required for both recurring and nonrecurring fair value measurements. This standard became effective this quarter, except for the requirement to provide the Level activity of purchases, sales, issuances and settlement on a gross basis, which will be effective for us beginning in the first quarter of fiscal year 2011. Since this standard impacts disclosure requirements only, its adoption did not have a material impact on our Consolidated Financial Statements.

## 2. INVESTMENTS

There were no investments in any one issuer that totaled 10% or more of Shareholders' Equity as of March 31, 2010.

The following information summarizes the components of net investment income:

	For the three months ended March 31, 2010 (in thousands)	For the three months ended March 31, 2009 (in thousands)
Fixed maturities	\$ 48,853	\$ 49,067
Limited Partnerships	2,358	(11,698)
Common stocks	10	7
Short-term investments	94	338
Other investment income	582	448
	<u>51,897</u>	<u>38,162</u>
Less investment expenses	<u>1,429</u>	<u>2,322</u>
Net investment income	<u>\$ 50,468</u>	<u>\$ 35,840</u>

The following table presents fair value and gross unrealized losses for fixed maturities and common stock where the estimated fair value had declined and remained below amortized cost at March 31, 2010:

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
US Treasury obligations and direct obligations of US Government Agencies	\$ -	\$ -	\$ 2,005	\$ 280	\$ 2,005	\$ 280
Corporate Bonds	194,090	7,713	444,737	54,059	638,827	61,771
Preferred Stocks	606	40	63,955	10,613	64,561	10,654
Subtotal Fixed Maturities	<u>194,696</u>	<u>7,753</u>	<u>510,697</u>	<u>64,952</u>	<u>705,393</u>	<u>72,705</u>
Common Stock	<u>60</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>60</u>	<u>20</u>
Total Temporarily Impaired Securities	<u>\$ 194,756</u>	<u>\$ 7,773</u>	<u>\$ 510,697</u>	<u>\$ 64,952</u>	<u>\$ 705,453</u>	<u>\$ 72,725</u>

The following table presents the fair value and gross unrealized losses for fixed maturities and common stock where the estimated fair value had declined and remained below amortized cost at December 31, 2009:

Description of Securities	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in thousands)					
US Treasury obligations and direct obligations of US Government Agencies	\$ 1,841	\$ 482	\$ -	\$ -	\$ 1,841	\$ 482
Corporate Bonds	243,428	13,654	563,197	73,100	806,625	86,754
Preferred Stocks	1,942	109	61,407	15,525	63,349	15,634
Subtotal Fixed Maturities	247,211	14,245	624,604	88,625	871,815	102,870
Common Stock	1	4	-	-	1	4
Total Temporarily Impaired Securities	<u>\$ 247,212</u>	<u>\$ 14,249</u>	<u>\$ 624,604</u>	<u>\$ 88,625</u>	<u>\$ 871,816</u>	<u>\$ 102,874</u>

The following table presents the total gross unrealized losses for fixed maturities where the estimated fair value had declined and remained below amortized cost by March 31, 2010.

	Gross Unrealized Losses	% Of Total
	(in thousands)	
Less than twelve months	\$ 7,753	10.66
Twelve months or more	64,952	89.34
Total	<u>\$ 72,705</u>	<u>100.00</u>

The following table presents the total gross unrealized losses for fixed maturities where the estimated fair value had declined and remained below amortized cost by December 31, 2009.

	Gross Unrealized Losses	% Of Total
	(in thousands)	
Less than twelve months	\$ 14,245	13.85
Twelve months or more	88,625	86.15
Total	<u>\$ 102,870</u>	<u>100.00</u>

As of March 31, 2010 and December 31, 2009, the Company had approximately \$184.2 million and \$146.1 million, respectively, of gross unrealized gains in fixed maturities.

The Company's investments are concentrated in fixed income securities that are exposed to a variety of risks, including interest rate and credit risk, which can significantly impact fluctuations in overall market valuation. During the first three months of 2010, the portfolio experienced an improvement in market value caused by a tightening of corporate bond spreads, particularly in BBB-rated and high-yield bonds, against comparable U.S. Treasuries. Spreads on 10-year, BBB-rated industrial bonds tightened from 198 basis points higher than 10-year Treasuries at December 31, 2009 to 177 over the 10-year Treasury at March 31, 2010, as evidenced by the Banc of America/Merrill Lynch Corporate Spline Index. BBB-rated financial bonds tightened from 381 basis points higher than the 10-year Treasury yield at year-end 2009 to 304 over the U.S Treasury yield at March 31, 2010. This tightening in corporate spreads produced a rise in market value for the Company's fixed income portfolio, resulting in a corresponding increase in the Company's book value.

If an Other than Temporary Impairment (“OTTI”) exists and we have the intent to sell the security, we conclude that the entire OTTI is credit-related and the amortized cost for the security is written down to current fair value with a corresponding charge to realized loss on our Consolidated Statements of Operations. If we do not intend to sell a fixed maturity security or it is not more likely than not we will be required to sell a fixed maturity security before recovery of its amortized cost basis but the present value of the cash flows expected to be collected is less than the amortized cost of the fixed maturity security (referred to as the credit loss), we conclude that an OTTI has occurred and the amortized cost is written down to the estimated recovery value with a corresponding charge to realized loss on our Consolidated Statements of Operations, as this is also deemed the credit portion of the OTTI. The remainder of the decline to fair value is recorded to other comprehensive income (“OCI”), as an unrealized OTTI loss on our Consolidated Balance Sheets, as this is considered a noncredit (i.e. recoverable) impairment.

To determine the recovery period of a fixed maturity security, we consider the facts and circumstances surrounding the underlying issuer including, but not limited to, the following:

- Historic and implied volatility of the security;
- Length of time and extent to which the fair value has been less than amortized cost;
- Adverse conditions specifically related to the security or to specific conditions in an industry or geographic area;
- Failure, if any, of the issuer of the security to make scheduled payments; and
- Recoveries or additional declines in fair value subsequent to the balance sheet date.

For all fixed maturities securities evaluated for OTTI, we consider the timing and amount of the cash flows. When evaluating whether our collateralized mortgage obligations (“CMOs”) are other-than-temporarily impaired, we also examine the characteristics of the underlying collateral, such as delinquency, loss severities and default rates, the quality of the underlying borrower, the type of collateral in the pool, the vintage year of the collateral, subordination levels within the structure of the collateral pool, the quality of any credit guarantors, the susceptibility to variability of prepayments, our intent to sell the security and whether it is more likely than not we will be required to sell the security before the recovery of its amortized cost basis. In assessing corporate fixed maturities securities for OTTI, we evaluate the ability of the issuer to meet its debt obligations and the value of the company or specific collateral securing the debt position including the fundamentals of the issuer to determine what we would recover if they were to file bankruptcy versus the price at which the market is trading; fundamentals of the industry in which the issuer operates; expectations regarding defaults and recovery rates; and changes to the rating of the security by a rating agency.

For an equity security, if we do not have the ability and intent to hold the security for a sufficient period of time to allow for a recovery in value, we conclude that an OTTI has occurred, and the cost of the equity security is written down to the current fair value, with a corresponding change to realized gain (loss) in our Consolidated Statements of Operations. We base our review on a number of factors including, but not limited to, the severity and duration of the decline in fair value of the equity security as well as the cause of the decline, the length of time we have held the equity security, any third party research reports or analysis, and the financial condition and near-term prospects of the security’s issuer, taking into consideration the economic prospects of the issuer’s industry and geographical location. The Company had no write-downs attributable to other than temporary impairments for the three months ended March 31, 2010. For the three months ended March 31, 2009, the Company had approximately \$5.4 million and \$3.8 million in write-downs attributable to other than temporary impairments in fixed maturities and other long term investments.

### **3. NOTES PAYABLE**

The Company’s 7 7/8% Senior Notes (“Senior Notes”) were paid in full on February 17, 2009. This was financed through the sale of short-term commercial paper, fixed maturities and an upstream dividend payment from the Insurance Company in January 2009 in the amount of \$16 million.

### **4. SHAREHOLDERS' EQUITY**

During 2009 and the first quarter of 2010, the Board of Directors maintained a quarterly dividend of \$.0625 per share. During 2009 and through the first quarter of 2010, the Company had not purchased or retired shares of its common stock. The Company is authorized pursuant to a resolution of the Board of Directors to purchase 385,000 shares of common stock.

## 5. NET UNREALIZED INVESTMENT GAINS/(LOSSES)

	Pre Tax Amount	Tax (Expense)/ Benefit	After-Tax Amount
(in thousands)			
For the Three months ended March 31, 2010:			
Net unrealized gains on investment securities:			
Net unrealized holding gains arising during year	\$ 52,954	\$ (18,534)	\$ 34,420
Plus: reclassification adjustment for losses realized in net income	(327)	114	(213)
Change related to deferred policy acquisition costs	9,975	(3,491)	6,484
Net unrealized investment gains	<u>\$ 62,602</u>	<u>\$ (21,911)</u>	<u>\$ 40,691</u>
For the Three months ended March 31, 2009:			
Net unrealized losses on investment securities:			
Net unrealized holding losses arising during year	\$ (63,722)	\$ 22,302	\$ (41,420)
Plus: reclassification adjustment for losses realized in net income	(3,451)	1,208	(2,243)
Change related to deferred policy acquisition costs	(5,696)	1,994	(3,702)
Net unrealized investment losses	<u>\$ (72,869)</u>	<u>\$ 25,504</u>	<u>\$ (47,365)</u>

## 6. EMPLOYEE BENEFIT AND DEFERRED COMPENSATION PLANS

### Employee Savings Plan

The Company adopted an Internal Revenue Code (IRC) Section 401(k) plan for its employees effective January 1, 1992. Under the plan, participants may contribute up to the dollar limit as prescribed by IRC Section 415(d). In January 2005, the Company's Board of Directors approved an annual contribution to the 401(k) plan equal to 4% of all employees' salaries, allocated to each of the Company's employees without regard to the amounts, if any, contributed to the plan by the employees. Beginning January 1, 2010, the Board of Directors approved an increase to 5% in the Company's contribution. The Company contribution is subject to a vesting schedule. The Company contributed approximately \$103,300 and \$80,000 into this plan during the three months ended March 31, 2010 and March 31, 2009, respectively.

## 7. INCOME TAXES

Income taxes represent the net amount of income taxes that the Company expects to pay to or receive from various taxing jurisdictions in connection with its operations. The Company provides for federal and state income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. The Company's accounting for income taxes represents management's best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, (b) operating loss carry forwards, and (c) a valuation allowance. A significant portion of the deferred tax assets relate to unrealized losses in the Company's bond portfolio. If the Company determines that any of its deferred income tax assets will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that are not expected to be realized. Upon review, the Company's management concluded that it is "more likely than not" that the net deferred income tax assets will be realized. The Company does not record a tax valuation allowance relating to the net unrealized losses on investments, excluding stocks, because it is more likely than not that these losses would reverse or be utilized in future periods. The Company has the ability and it is the Company's intent to fully recover the principal, which could allow the Company to hold these securities until their maturity; therefore, the Company considers the impairment to be temporary.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. In the United States, the Company is no longer subject to federal income tax examinations by tax authorities, generally for the years prior to 2005. For 2004 and 2005, however, the Company may be subject to tax examinations because the IRS and the Company extended the statute of limitations due to the amended returns filed by the Company. While the Company cannot predict the outcome of the current IRS examination, any adjustments are not expected to be material. The examination is expected to be concluded during 2010.

In order to calculate income tax expense the Company estimates an annual effective income tax rate based on projected results for the year and applies this projected rate to income before taxes to calculate income tax expense. Any refinements made, due to subsequent information that affects the estimated annual effective income tax rate, are reflected as adjustments in the current period. The Company currently estimates the annual effective income tax rate from continuing operations as of March 31, 2010 to be 34.5%.

The Company applied FASB guidance relating to accounting for uncertainty in income taxes. The balance of the unrecognized tax benefits was \$712,149 at December 31, 2009 and \$733,499 as of March 31, 2010. If recognized, this entire adjustment would reduce the effective tax rate.

The Company recognizes interest and penalties accrued on unrecognized tax benefits as well as interest received from favorable settlements within income tax expense. The total amount of accrued interest and penalties included in the uncertain tax liability above was \$392,000 as of December 31, 2009 and \$414,000 as of March 31, 2010.

As of March 31, 2010, the Company is not aware of any positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

## **8. COMMITMENTS AND CONTINGENCIES**

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. As of March 31, 2010, the Company is not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on the Company's financial condition or results of operations.

## **9. FAIR VALUE MEASUREMENTS**

The following estimated fair value disclosures of financial instruments have been determined using available market information, current pricing information and appropriate valuation methodologies. If quoted market prices were not readily available for a financial instrument, management determined an estimated fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

For fixed maturities and common stocks, estimated fair values were based primarily upon quoted market prices. For a limited number of privately placed securities, where quoted market prices are not available, the Company estimates market values using a matrix pricing model, based on the issuer's credit standing and the security's interest rate spread over U.S. Treasury bonds.

The Company determines the fair value of its limited partnership investments based upon financial reports and valuations provided by the general partners. During 2009, the Company's unrealized gain from its limited partnership investments decreased by \$82.0 million (pre-tax), ending the year with an unrealized loss, which carried a book value of \$196.2 million at December 31, 2009. In the first three months of 2010, the Company's unrealized loss of \$42.4 million at December 31, 2009 decreased by \$1.9 million (pre-tax) to an unrealized loss of \$40.5 million at March 31, 2010. The limited partnership investments carried a book value of \$204.1 million at March 31, 2010.

The market value of short-term investments and policy loans is estimated to approximate the carrying value.

Estimated fair values of policyholders' account balances for investment type products (i.e., deferred annuities, immediate annuities without life contingencies and universal life contracts) are calculated by projecting the contract cash flows and then discounting them back to the valuation date at an appropriate discount rate. For immediate annuities without life contingencies, the cash flows are defined contractually. For all other products, projected cash flows are based on an assumed lapse rate and crediting rate (based on the current treasury yield curve), adjusted for any anticipated surrender charges. The discount rate is based on the current duration matched treasury curve, plus an adjustment to reflect the anticipated spread above treasuries on investment grade fixed maturity securities, less an expense and profit spread.

The following represents the fair value of financial assets and liabilities that are not required to be carried at fair value as of the dates indicated:

<u>March 31, 2010</u>	<b>Carrying Value</b>	<b>Estimated Fair Value</b>
<i>Assets</i>	(in thousands)	
Policy Loans	18,814	18,814
<i>Liabilities</i>		
Policyholders' Account Balances	\$ 2,440,168	\$ 2,532,592
<u>December 31, 2009</u>	<b>Carrying Value</b>	<b>Estimated Fair Value</b>
<i>Assets</i>	(in thousands)	
Policy Loans	18,959	18,959
<i>Liabilities</i>		
Policyholders' Account Balances	\$ 2,444,984	\$ 2,520,480

Effective January 1, 2008, we adopted ASC 820-10 (formerly SFAS No. 157), *Fair Value Measurements*. ASC 820-10 clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. As of January 1, 2009, ASC 820-10, "Fair Value Measurements," applies to both the Company's financial assets and liabilities and non-financial assets and liabilities. ASC 820-10 provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurements. The Company did not have any fair value measurements for its non-financial assets and liabilities during 2009 or the first three months of 2010. The adoption of ASC 820-10 did not have a material impact on our fair value measurements.

Beginning January 1, 2008, assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820-10, are as follows:

<b>Level Input:</b>	<b>Input Definition:</b>
Level 1	Observable inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks and cash and cash equivalents.
Level 2	Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date. Most debt securities, preferred stocks, certain equity securities, short-term investments and derivatives are model priced using observable inputs and are classified with Level 2.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The Company's Level 3 assets include investments in limited partnerships.

### ***Valuation of Investments***

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Company receives the quoted market prices from a third party, nationally recognized pricing service (pricing service). When quoted market prices are unavailable, the Company utilizes a pricing service to determine an estimate of fair value, which is mainly for its fixed maturity investments. The fair value estimates provided from this pricing service are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Company secures an estimate of fair value from brokers who utilize valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The following section describes the valuation methods used by the Company for each type of financial instrument it holds that is carried at fair value.

## *Fixed Maturities*

The Company utilizes an independent third-party pricing service to estimate fair value measurements for approximately 99% of its fixed maturities. The majority of the remaining fair value measurements are based on non-binding broker prices. The pricing service utilizes market quotations for fixed maturity securities that have quoted prices in active markets, such as U.S. Treasury Securities. Since fixed maturities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications and models which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. The priced developed is an “evaluated price”, representing a “bid”-side valuation for the security as of 3:00 PM on the closing date of the quarterly financial statements. Additionally, the pricing service uses an Option Adjusted Spread model to develop prepayment and interest rate scenarios for issues that have early redemption features.

The pricing service evaluates each asset class based on relevant market information, relevant credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data and industry and economic events. If the pricing service discontinues pricing an investment due to the lack of objectively verifiable data, the Company would be required to produce an estimate of fair value using some of the same methodologies as the pricing service, but would have to make assumptions for market based inputs that are unavailable due to market conditions.

The fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturities, other than U.S. Treasury securities, provided by the pricing service are included in the amount disclosed in Level 2 of the hierarchy. The estimated fair value of U.S. Treasury securities are included in the amount disclosed in Level 1 as the estimates are based on unadjusted market prices.

The Company holds privately placed corporate bonds and estimates the fair value of these bonds using an internal matrix that is based on market information regarding interest rates, credit spreads and liquidity. The underlying source data for calculating the matrix of credit spreads relative to the U.S. Treasury curve are the Merrill Lynch U.S. Corporate Index and the Merrill Lynch High Yield BB Rated Index. The Company includes the fair value estimates of these corporate bonds in Level 2 since all significant inputs are market observable.

The Company holds privately placed securities and estimates the fair value of these bonds using either an internal matrix that is based on market information regarding interest rates, credit spreads and liquidity or a discounted cash flow model. The Company includes the fair value estimates of these securities in Level 3.

## *Equities*

For public common and preferred stocks, the Company receives prices from a nationally recognized pricing service that are based on observable market transactions and includes these estimates in the amount disclosed in Level 1. When current market quotes in active markets are unavailable for certain non-redeemable preferred stocks held by the Company, the Company receives an estimate of fair value from the pricing service that provides fair value estimates for the Company’s fixed maturities. The service utilizes some of the same methodologies to price the non-redeemable preferred stocks as it does for the fixed maturities. The Company includes the estimate in the amount disclosed in Level 2.

For private equity, the Company adjusts its estimate of investment income recorded during the year to the actual realized gains and other income reported in the limited partnerships’ most recent annual audited financial statements, which are generally received in the second quarter of the subsequent year. As a result, there may be up to a one year reporting lag for recording investment income that is not distributed during the year, which may result in significant adjustments. The Company records its share of net unrealized gains and losses (net of taxes) from the audited financial statements of the limited partnerships. As a result, there may be up to a one year reporting lag for reporting unrealized gains and losses, which may result in significant adjustments to other comprehensive income in 2009. Because it is not practicable to obtain an independent valuation for each limited partnership interest, for purposes of disclosure the market value of a limited partnership interest is estimated at book value based on the most recent available audited financial statements. Due to the significant unobservable inputs in these valuations, the Company includes the total fair value estimate for all of these investments at March 31, 2010 in the amount disclosed in Level 3.

## Derivatives

Valuations are secured monthly from each Counterparty which is a major money center bank for the Payor Swaption owned by the Insurance Company. Factors considered in the valuation include interest rate volatility, decay (remaining life of the Swaption before expiration), delta (duration), gamma (convexity), Swap rates and Swap spreads against U.S. Treasuries. Each dealer has its own proprietary software that evaluates each of these components to determine the Swaption valuation at the end of each month. Presidential Life also obtains a competing valuation from its consultant, Milliman Inc., which uses its own proprietary valuation software called MG Hedge-Information Dashboard. The Company compares the two valuations and generally selects the valuation of the bank, as each Counterparty is responsible for settling for cash with Presidential Life if the Payor Swaption expires with value. All of the factors noted are observable inputs; consequently the Company includes the Swaption Valuations in Level 2.

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

(\$ in thousands)

<b>Fair Value Measurements Using</b>				
Description	As of 3/31/2010	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
<b>Fixed Maturities:</b>				
U.S. government and agencies	256,392	228,773	26,530	1,089
States and municipalities	146,120	-	146,120	-
Corporate debt securities	2,524,815	-	2,510,314	14,501
Mortgage backed securities	190,036	-	190,000	36
Preferred Stock	106,000	-	102,502	3,498
<b>Fixed Maturities</b>	<b>3,223,363</b>	<b>228,773</b>	<b>2,975,466</b>	<b>19,124</b>
Common Stock	2,016	771	-	1,245
Cash and cash equivalents	2,472	2,472	-	-
Short-Term investments	227,722	-	227,722	-
Other Long-Term Investments	204,133	-	-	204,133
<b>Total</b>	<b>3,659,706</b>	<b>232,016</b>	<b>3,203,188</b>	<b>224,502</b>

(\$ in thousands)

<b>Fair Value Measurements Using</b>				
Description	As of 12/30/2009	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
<b>Fixed Maturities:</b>				
U.S. government and agencies	254,878	227,937	22,398	4,543
States and municipalities	99,856	-	99,856	-
Corporate debt securities	2,435,429	-	2,419,252	16,177
Mortgage backed securities	197,189	-	182,210	14,979
Preferred Stock	99,669	-	96,211	3,458
<b>Fixed Maturities</b>	<b>3,087,021</b>	<b>227,937</b>	<b>2,819,927</b>	<b>39,157</b>
Common Stock	1,947	703	-	1,244
Derivatives	390	-	390	-
Cash and cash equivalents	8,763	8,763	-	-
Short-Term investments	293,136	-	293,136	-
Other Long-Term Investments	196,191	-	-	196,191
<b>Total</b>	<b>3,587,448</b>	<b>237,403</b>	<b>3,113,453</b>	<b>236,592</b>

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs is as follows:

(\$ in thousands)	<b>Recurring Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>			
	Other Long-Term Investments	Common Stock	Fixed Maturities	Total
<b>For the Three months ended March 31, 2010</b>				
Beginning Balance at December 31, 2009	\$ 196,191	\$ 1,244	\$ 39,157	\$ 236,592
Total gains or losses (realized/unrealized)				
Included in earnings	-	-	(1)	(1)
Included in other comprehensive income	1,914	1	(213)	1,702
Purchases	8,504	-	-	8,504
Sales	(2,476)	-	(546)	(3,022)
Transfers in and /or out of Level 3	-	-	(19,273)	(19,273)
Ending Balance at March 31, 2010	\$ 204,133	\$ 1,245	\$ 19,124	\$ 224,502

During the three months ended March 31, 2010, certain fixed maturity securities were transferred into Level 2 from Level 3 as a result of the availability of market observable quoted prices received from an independent third-party pricing service.

The table below summarizes the fair value and balance sheet location of the Company's outstanding derivatives at March 31, 2010 and December 31, 2009.

#### Fair Values of Derivative Instruments

(\$ in thousands)	Asset Derivatives			
	As of March 31, 2010		As of December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Payor Swaptions	Derivative Instruments	\$ -	Derivatives Instruments	\$ 390
<b>Total derivatives not designated as hedging instruments</b>		<b>\$ -</b>		<b>\$ 390</b>
<b>Total derivatives</b>		<b>\$ -</b>		<b>\$ 390</b>

The table below summarizes the fair value and income statement location of the Company's outstanding derivatives at March 31, 2010 and March 31, 2009.

Derivatives Not Designated as Hedging Instruments (\$ in thousands)	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		Three months ended March 31, 2010	2009
Payor Swaptions	Realized investment (losses) gains	\$ (390)	\$ 99
Total		\$ (390)	\$ 99

## **10. CONSENT REVOCATION SOLICITATION**

In October 2009, the Company's former Chairman, Herbert Kurz, filed a Schedule 13-D amendment indicating his intention to commence a consent solicitation to replace members of the Company's Board of Directors. In December 2009, Mr. Kurz commenced a solicitation of stockholder consents for the purpose of, among other things, removing from office, without cause, all of the current directors (other than Mr. Kurz) and electing in their place a slate of nominees proposed by Mr. Kurz. Mr. Kurz further stated that, upon their election, his proposed directors would re-install Mr. Kurz as CEO, purportedly on an "interim" basis. The independent directors of the Company determined that it was in the best interests of all of the Company's stockholders to oppose Mr. Kurz's consent solicitation. In that regard, the Company engaged the services of special counsel, a proxy soliciting firm and a financial public relations firm, as is customary. In addition, in connection with the Company's due diligence review of Mr. Kurz and his consent solicitation, the independent directors discovered several irregularities relating to the 2007 tax return for the Kurz Family Foundation, Ltd. (the "Foundation") filed by Mr. Kurz as part of an application that he submitted to the New York State Insurance Department ("NYSID") seeking the NYSID's approval of (i) the Foundation's acquisition of a controlling interest of the Insurance Company, and (ii) continuing treatment of Mr. Kurz individually as a controlling person of the Insurance Company. Mr. Kurz is an officer and director of the Foundation, which is a separate entity from the Company. A special committee of the independent directors of the Company commenced an internal investigation into the circumstances surrounding the 2007 Foundation tax return and related matters. The special committee retained independent counsel to lead the investigation. All of the foregoing resulted in approximately \$2.5 million of expenses in 2009 and an additional \$968,000 of expenses for the first three months of 2010, as reflected in the Company's Consolidated Statements of Operations.

On February 12, 2010, Mr. Kurz notified the Company of his intention to nominate, for election at the next annual shareholders' meeting, the same slate of nominees that he had proposed in his unsuccessful consent solicitation. Mr. Kurz further indicated that he may initiate a proxy contest in connection with those nominations.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **General**

Presidential Life Corporation (the "Corporation" or "Company") is an insurance holding company that, through its wholly-owned subsidiary, Presidential Life Insurance Company (the "Insurance Company"), manages and reports as a single segment whose products are divided among annuities, life insurance and accident and health. Unless the context otherwise requires, the "Corporation" or "Company" shall be deemed to include Presidential Life Corporation and its subsidiaries. The Corporation was founded in 1969 and, through the Insurance Company, is licensed to market its product in all 50 states and the District of Columbia. Our revenues are derived primarily from considerations received from the sale of annuity contracts, premiums received from the sale of life and accident and health insurance products and gains (or losses) from our investment portfolio.

For financial statement purposes, our revenues from the sale of whole life and term life insurance products and annuity contracts with life contingencies are treated differently from our revenues from the sale of annuity contracts without life contingencies, deferred annuities and universal life insurance products. Revenues from the sale of whole or term life insurance products and life contingency annuities are reported as income on our financial statements. Revenues from the sale of deferred annuities, universal life insurance products and annuities without life contingencies are not reported as revenues, but rather are reported as additions to policyholders' account balances. From these products, revenues are recognized over time in the form of policy fee income, surrender charges and mortality and other charges deducted from policyholders' account balances.

Profitability in the Insurance Company's individual annuities and individual life insurance depends largely on the size of its inforce block, the adequacy of product pricing and underwriting discipline, the efficiency of its claims and expense management, and the performance of the investment portfolio.

When we use the term "We," "Us" and "Our" we mean Presidential Life Corporation, a Delaware Corporation, and its consolidated subsidiaries.

In this discussion we have included statements that may constitute "forward-looking statements" within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. These statements may relate to our future plans and objectives. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results may differ, possibly materially, from the results indicated in these forward-looking statements.

### **Executive Overview**

#### **Results**

The Corporation's earnings per share were \$0.07 for the first quarter of 2010, as compared to a loss of \$0.29 for the same period in 2009. The improved results in 2010 primarily reflect an increase in investment income. Our total revenues in the first quarter of 2010 were \$66.4 million, compared to \$41.1 million in the first quarter of 2009. Benefits and expenses in the first three months in 2010 were \$63 million, compared to \$54 million for the same three month period in 2009. Net income in the first quarter of 2010 was \$2.2 million as compared to a loss of \$8.4 million for the same period in 2009.

#### **Pricing**

Management believes that the Company is able to offer its products at competitive prices to its targeted markets as a result of: (i) maintaining relatively low issuance costs by selling through the independent general agency system; (ii) minimizing home office administrative costs; and (iii) utilizing appropriate underwriting guidelines.

The long-term profitability of sales of life and most annuity products depends on the degree of margin of the actuarial assumptions that underlie the pricing of such products. Actuarial calculations for such products, and the ultimate profitability of sales of such products, are based on four major factors: (i) persistency; (ii) rate of return on cash invested during the life of the policy or contract; (iii) expenses of acquiring and administering the policy or contract; and (iv) mortality.

Persistency is the rate at which insurance policies remain in force, expressed as a percentage of the number of policies remaining in force over the previous year. Policyholders sometimes do not pay premiums/annuity considerations, thus causing their policies/annuity contracts to lapse.

The assumed rate of return on invested cash and desired spreads during the period that insurance policies or annuity contracts are in force also affects pricing of products and currently includes an assumption by the Company of a specified rate of return and/or spread on its investments for each year that such insurance or annuity product is in force.

## **Investments**

The Company's principal investments are in fixed maturities, all of which are exposed to at least one of three primary sources of investment risk: credit, interest rate and market valuation. The financial statement risks are those associated with the recognition of impairments and income, as well as the determination of fair values. See Note 2 of the Notes to the Consolidated Financial Statements "Investments" for a discussion of the evaluation of available-for-sale securities holdings in accordance with our impairment policy, whereby we evaluate whether such investments are other-than-temporarily impaired and factors considered by security classification in the OTTI evaluation. In addition, the earnings on certain investments are dependent upon market conditions, which could result in prepayments and changes in amounts to be earned due to changing interest rates or equity markets. The determination of fair values in the absence of quoted market values is based on valuation methodologies, securities the Company deems to be comparable, and assumptions deemed appropriate given the circumstances. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

The Company derives a major portion of its total revenues from investment income. The Company manages most of its investments internally. All investments made on behalf of the Company are governed by the general requirements and guidelines established and approved by the Company's investment committee (the "Investment Committee") and by qualitative and quantitative limits prescribed by applicable insurance laws and regulations. The Investment Committee meets regularly to set and review investment policy and to approve current investment plans. The actions of the Investment Committee are subject to review and approval by the Board of Directors of the Insurance Company. The Company's investment policy must comply with New York State Insurance Department ("NYSID") regulations and the regulations of other applicable regulatory bodies.

The Company's investment philosophy generally focuses on purchasing investment grade securities with the intention of holding such securities to maturity. The Company's investment philosophy is focused on the intermediate longer-term horizon and is not oriented towards trading. However, as market opportunities, liquidity, or regulatory considerations may dictate, securities may be sold prior to maturity. The Company has categorized all fixed maturity securities as available for sale and carries such investments at market value.

The Company manages its investment portfolio to meet the diversification, yield and liquidity requirements of its insurance policy and annuity contract obligations. The Company's liquidity requirements are monitored regularly so that cash flow needs are sufficiently satisfied. Adjustments are made periodically to the Company's investment policies to reflect changes in the Company's short and long-term cash needs, as well as changing business and economic conditions.

The Company seeks to manage its investment portfolio in part to reduce its exposure to interest rate fluctuations. In general, the market value of the Company's fixed maturity portfolio increases or decreases in an inverse relationship with fluctuations in interest rates, and the Company's net investment income increases or decreases in direct relationship with interest rate changes. For example, if interest rates decline, the Company's fixed maturity investments generally will increase in market value, while net investment income will decrease as fixed income investments mature or are sold and proceeds are reinvested at the declining rates. Management is aware that prevailing market interest rates frequently shift and, accordingly, the Company has adopted strategies that are designed to address either an increase or decrease in prevailing rates.

The primary market risk in the Company's investment portfolio is interest rate risk and to a lesser degree, equity price risk. The Company's exposure to foreign exchange risk is not significant. The Company has no direct commodity risk. Changes in interest rates can potentially impact the Company's profitability. In certain scenarios where interest rates are volatile, the Company could be exposed to disintermediation risk and reduction in net interest rate spread or profit margin. To help address this risk, the Company has entered into a series of Payor Swaption investments designed to protect the Company against an instantaneous rise in the interest rates of 300 basis points. (See the discussion below in "Asset/Liability Management" for additional information related to the Company's payor swaption investments.)

## **Risk-Based Capital**

Under the NAIC's risk-based capital formula, insurance companies must calculate and report information under a risk-based capital formula. The standards require the computation of a risk-based capital amount, which then is compared to a company's actual total adjusted capital. The computation involves applying factors to various financial data to address four primary risks: asset default, adverse insurance experience, disintermediation and external events. This information is intended to permit insurance regulators to identify and require remedial action for inadequately capitalized insurance companies, but is not designed to rank adequately capitalized companies. The NAIC formula provides for four levels of potential involvement by state regulators for inadequately capitalized insurance companies, ranging from a requirement for an insurance company to submit a plan to improve its capital (Company Action Level) to regulatory control of the insurance company (Mandatory Control Level). At December 31, 2009, the Insurance Company's Company Action Level was \$72.3 million and the Mandatory Control Level was \$25.3 million. The Insurance Company's adjusted capital at December 31, 2009 was \$280.5 million, which exceeds all four action levels. The Company's RBC ratio as of December 31, 2009 was 388%.

## Agency Ratings

Ratings are an important factor in establishing the competitive position in the insurance and financial services marketplace. There can be no assurance that the Corporation's or the Insurance Company's ratings will continue for any given period of time or that they will not be changed. In the event the ratings are downgraded, the level of revenues or the persistency of the Insurance Company's business may be adversely impacted.

In December 2009, A.M. Best Company reaffirmed the Insurance Company's rating at "B+" (Good) and placed the Company under review with negative implications. According to A.M. Best, the rating actions primarily reflect the lack of clarity regarding the Company's future management structure and the future strategic direction of the Company. The Company's ratings will remain under review while A.M. Best conducts further discussions with management and gains a better understanding of the future make-up of the management team and any changes in strategic direction. In addition, A.M. Best will continue to monitor the financial performance of the Company.

At the time of the B+ rating, publications of A.M. Best indicated that the "B+" rating was assigned to those companies that, in A.M. Best's opinion, have achieved a very good overall performance when compared to the norms of the insurance industry and that generally have demonstrated a good ability to meet their respective policyholder and other contractual obligations over a long period of time. The B+ rating is within A.M. Best's "Secure" classification, along with A++, A+, A, A-, and B++ ratings.

In evaluating a company's statutory financial and operating performance, A.M. Best reviews the Company's profitability, leverage and liquidity, as well as the company's book of business, the adequacy and soundness of its reinsurance, the quality and estimated market value of its assets, the adequacy of its reserves and the experience and competency of its management.

A.M. Best's rating is based on factors which primarily are relevant to policyholders, agents and intermediaries and is not directed towards the protection of investors, nor is it intended to allow investors to rely on such a rating in evaluating the financial condition of the Insurance Company.

In February 2009, the Company repaid its corporate debt in full. The senior notes had been rated by Standard and Poor's (S&P) and Moody's at the time of repayment at B+ (positive) and B1 (positive), respectively. In consideration of this repayment the Company decided that it was no longer necessary to retain the rating services and ongoing credit surveillance by S&P and Moody's. Due to the repayment of the corporate debt, Fitch Ratings also withdrew its evaluation of the Company. The Company will maintain the Financial Strength Rating services of A.M. Best & Company.

## **Results of Operations - Comparison of First Quarter 2010 and First Quarter 2009.**

### A. Revenues

#### **Annuity Considerations and Life Insurance Premiums**

Total annuity considerations and life and accident and health insurance premiums increased from approximately \$8.0 million for the three months ended March 31, 2009 to approximately \$14.7 million for the three months ended March 31, 2010. Life insurance and accident and health premiums were \$4.6 million, and \$3.8 million for the first quarters of 2010 and 2009, respectively. Annuity considerations were approximately \$10.1 million for the three months ended March 31, 2010 as compared to approximately \$4.2 million for the three months ended March 31, 2009. The increase is primarily due to increased sales in our immediate annuities with life contingencies. These amounts do not include consideration from the sales of deferred annuities or immediate annuities without life contingencies. Under GAAP, such sales are reported as additions to policyholder account balances. Consideration from such sales was approximately \$24.1 million and \$56.8 million in the first quarters of 2010 and 2009, respectively. The decrease was primarily due to the low interest rate environment that continued into the first quarter of 2010.

#### **Policy Fee Income**

Universal life and investment type policy fee income was approximately \$0.5 million for the three-month period ended March 31, 2010 and approximately \$0.6 million for the three-month period ended March 31, 2009.

#### **Net Investment Income**

Net investment income totaled approximately \$50.5 million during the first three months of 2010, as compared to approximately \$35.8 million during the first three months of 2009. This represents an increase of approximately \$14.7 million. This increase is primarily due to an increase in income from limited partnerships of approximately \$14.1 million. The Company's ratios of net investment income to average cash and invested assets (based on book value) for the three month periods ended March 31, 2010 and March 31, 2009 were 5.7% and 4.0%, respectively. Without taking into account the returns on the Company's limited partnership investments, the ratio for the first quarter of 2010 would have been 5.8% versus 5.7% in the 2009 comparable period.

#### **Net Realized Investment Gains and Losses**

Realized investment losses amounted to approximately \$0.3 million during the first three months of 2010, as compared to realized investment losses of approximately \$3.5 million during the first three months of 2009. The improvement of approximately \$3.2 million was primarily due to realized gains on fixed maturities of approximately \$63 thousand in the first quarter of 2010 as opposed to realized losses on fixed maturities of approximately \$3.6 million in the first quarter of 2009. During the first quarters of 2010 and 2009, payor swaptions had realized losses of \$390 thousand and realized gains of \$99 thousand, respectively. The change in the fair value of the derivative instruments is reflected in the income statement as a realized loss or gain.

### B. Benefits and Expenses

#### **Interest Credited and Benefits to Policyholders**

Interest credited and benefits paid to policyholders amounted to \$53.8 million in the first quarter of 2010 as compared to \$46.3 million in the first quarter of 2009. This represents an increase of approximately 16%. This increase was primarily due to an increased liability for future policy benefits.

In the first quarter of 2010, the Insurance Company's average credited rate for reserves and account balances was less than the Company's ratio of net investment income to mean assets (based on book value) for the same period. In the first quarter of 2009, the average credited rate was greater than the Company's ratio of net investment income to mean assets (based on book value). There can be no assurance that the difference in the Company's ratio of net investment income to book value mean assets and the average credited rate for reserves and account balances (the "spread") will not decline in future periods or that such decline will not have a material adverse effect on the Company's financial condition and results of operations. Depending, in part, upon competitive factors affecting the industry in general, and the Company in particular, the Company may, from time to time, change the average credited rates on certain of its products. There can be no assurance that the Company will be able to reduce such rates or that any such reductions will broaden the Spread. The actual Spread, excluding capital gains, for the three months ended March 31, 2010 and March 31, 2009 was 0.61% and (1.34%), respectively.

### **Interest Expense on Notes Payable**

The Company had no interest expense on notes payable for the three months ended March 31, 2010, and approximately \$0.8 million for the three months ended March 31, 2009. On February 17th, 2009, the Corporation retired the remaining \$67 million of its 7 7/8%, \$100 million Senior Note.

### **General Expenses and Taxes, Commissions, Costs Related to Consent Revocation Solicitation and Related Matters**

General expenses, taxes and commissions to agents and costs related to the Company's consent revocation solicitation totaled approximately \$8.1 million for the three months ended March 31, 2010, as compared to approximately \$8.1 million for the three months ended March 31, 2009. Excluding the costs of the consent revocation solicitation and related matters, these expenses would have decreased by \$1.0 million or 12.8%, compared to the same period in 2009. This decrease primarily resulted from decreased commissions paid to agents based upon decreased sales of deferred annuities.

### **Change in Deferred Policy Acquisition Costs ("DAC")**

The change in the net DAC for the three months ended March 31, 2010 resulted in a charge of approximately \$1.2 million, as compared to a benefit of approximately \$1.2 million for the three months ended March 31, 2009. Changes in DAC consist of three elements: deferred costs associated with product sales, amortization of the DAC on deferred annuity business and amortization of the DAC on the remainder of the Company's business. Deferred costs consisted of credits of \$1.6 million and \$3.0 million for the first three months of 2010 and 2009, respectively. Amortization of the DAC on deferred annuity business consisted of charges of \$1.5 million and \$0.5 million in the first three months of 2010 and 2009, respectively. Amortization of the DAC on the remainder of the Company's business consisted of charges of \$1.2 million in the first quarter of 2010 and \$1.3 million in the first quarter of 2009.

Under applicable accounting rules, DAC related to deferred annuities is amortized in proportion to the estimated gross profits over the estimated lives of the contracts. Essentially, as estimated profits of the Insurance Company related to these assets increase, the amount and timing of amortization is accelerated. The higher level of amortization in the first quarter of 2010 relates primarily to unrealized capital gains reported as of March 31, 2010.

#### **C. Income (Loss) Before Income Taxes**

For the reasons discussed above, income (loss) before income taxes amounted to approximately \$3.4 million for the three months ended March 31, 2010, as compared to approximately (\$12.9) million for the three months ended March 31, 2009.

#### **D. Income Taxes**

Income tax expense (benefit) was approximately \$1.2 million for the three months ended March 31, 2010 as compared to (\$4.4) million for the three months ended March 31, 2009. The income tax expense was attributable to a net income in the first quarter 2010 while the income tax benefit was attributable to a net loss in the first quarter of 2009.

In order to calculate income tax expense the Company estimates an annual effective income tax rate based on projected results for the year and applies this projected rate to income before taxes to calculate income tax expense. Any refinements made, due to subsequent information that affects the estimated annual effective income tax rate, are reflected as adjustments in the current period. The Company currently estimates the annual effective income tax rate from continuing operations as of March 31, 2010 and March 31, 2009 to be 34.5%.

#### **E. Net Income**

For the reasons discussed above, the Company had a net income of approximately \$2.2 million during the three months ended March 31, 2010 and a net loss of approximately \$8.4 million during the three months ended March 31, 2009.

### **Accumulated Other Comprehensive Income**

Accumulated other comprehensive income increased from a loss of approximately \$4.4 million at December 31, 2009 to a gain of \$36.2 million at March 31, 2010. The increase was due to an increase in net unrealized investment gains, net of taxes, during the first three months of the year of approximately \$40.7 million. General economic and market conditions were the primary reasons for the increase.

## **Liquidity and Capital Resources**

The Company is an insurance holding company and its primary uses of cash are operating expenses and dividend payments. The Company's principal sources of cash are interest on its investments, dividends from the Insurance Company, and rent from its real estate. During the first quarter of 2010, the Company's Board of Directors declared quarterly cash dividends of \$0.0625 per share payable on April 1, 2010. During the first three months of 2010 the Company did not purchase or retire any shares of common stock.

The Insurance Company is subject to various regulatory restrictions on the maximum amount of payments, including loans or cash advances, which it may make to the Company without obtaining prior regulatory approval. Under the New York Insurance Law, the Insurance Company is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to the Company as long as the aggregate amount of all such dividends in any calendar year does not exceed the lesser of (i) 10% of its surplus as of the immediately preceding calendar year or (ii) its net gain from operations for the immediately preceding calendar year (excluding realized capital gains and losses). The Insurance Company will be permitted to pay a stockholder dividend to the Company in excess of the lesser of such two amounts only if it files notice of its intention to declare such a dividend and the amount thereof with the Superintendent and the Superintendent does not disapprove the distribution. Under the New York Insurance Law, the Superintendent has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders. The New York State Insurance Department has established informal guidelines for such determinations. The guidelines, among other things, focus on the insurer's overall financial condition and profitability under statutory accounting practices. Management of the Company cannot provide assurance that the Insurance Company will have statutory earnings to support payment of dividends to the Company in an amount sufficient to fund its cash requirements and pay cash dividends or that the Superintendent will not disapprove any dividends that the Insurance Company must submit for the Superintendent's consideration. In 2009, the Insurance Company made \$24.8 million in dividend payments to the Company. The Insurance Company has not made any dividends payment to the Company during the first quarter of 2010. The Board of Directors passed a resolution to upstream up to \$23 million in 2010, if necessary.

The key need for liquidity in the Insurance Company is the need to fund policy benefit payments on surrendered or expired annuities. Approximately 43.6% of the deferred annuities held by the Company have provisions that allow the purchaser to surrender the policy in exchange for the payment of a surrender fee. In an environment of flat or falling interest rates, surrender activity is generally low, as annuitants prefer to lock in the higher rates obtained. In an environment of rising interest rates, or even in an environment where interest rates are decreasing at the same time surrender charges are expiring, surrender activity would be expected to increase, as investors seek to place their money in higher interest rate instruments. In 2009, annuity surrenders and death claims outpaced new sales causing a minor decline in total annuity income. In 2010, the Company believes that surrenders and death claim activity combined with the challenging low interest rate environment for annuity sales, total annuities income may decline slightly. Policyholder account balance surrenders totaled approximately \$28.9 million and \$56.4 million for the three-month periods ending March 31, 2010 and 2009, respectively. In 2010, approximately 3.9% of account values have expiring surrender charges. This allows the annuitant to terminate or withdraw funds from his or her annuity contract without incurring substantial penalties in the form of surrender charges. The existing surrender charges act as a disincentive to surrender, as the annuitant must take into account the cost of surrender in calculating the likelihood of higher post-surrender returns, although, if interest rates climb sufficiently, such fees may not have a significant deterrent effect. Also, the Company's ability to increase the interest rate on certain of these policies can act as a disincentive to surrender. On the other hand, a significant reduction in the credited rates at the same time the surrender charge is expiring can result in an increase in surrenders. The Company has operated in the annuity business throughout rising and falling interest rate periods and has consistently managed this business regardless of the rate trends. The Company's ratio of surrenders to average reserves on its deferred annuity business for the first three months of 2010 is approximately 5.4% on an annualized basis. As of December 31, 2009, the Company's ratio of surrenders to average reserves on its deferred annuity business was 7.6%.

The Company conducts testing of its cash flow needs based on varying interest rate scenarios. These tests are conducted pursuant to the New York State Insurance Department requirements and are filed with that Department. Recent testing indicates that in a moderately increasing interest rate environment, annuity surrenders would not materially alter the Company's liquidity needs. This is partially due to the fact that the Company's average annuity credited rate is somewhat higher than the market average. The Company's blend of deferred and immediate annuities and its payor swaption investments have operated as a buffer to the Company against the impact of interest sensitive surrenders in a rising interest rate environment.

The Company's life and accident and health insurance liabilities are actuarially calculated on a regular basis and the Company is capable of meeting such liabilities. Reserves for such business are carefully monitored and regulated by the New York State Insurance Department. Because life and accident and health insurance products represent a relatively small percentage of the Company's product mix and because the business is heavily reinsured, it is not anticipated that any spike in life and accident and health insurance claims would have a material impact on the Company's liquidity.

The Company's asset/liability management process is designed to limit the duration mismatch of its assets and liabilities. For the three year period ending with December 31, 2009, investments have been largely short-term in an effort to mitigate interest rate risk in the event that a substantial call on liabilities required the Company to liquidate some investments. In such event, the Company would experience a decline in overall investment income due to the sale of higher yielding invested assets. The Company would attempt to minimize the loss of income by the selection for sale of those shorter-term assets, which would produce the highest possible price. Moreover, the mix of the Company's products between deferred and immediate annuities provides the Company with some protection against excessive calls on liabilities.

The Company does not currently rely on credit facilities to fund its liquidity needs for the payment of policyholder withdrawals or claims and does not anticipate such a need in the coming year. Moreover, based on projected trends within the Company and in the economy as a whole and on the Company's financial condition, the Company does not anticipate the need to liquidate a material amount of its investment portfolio to meet surrender and policy claim liabilities in the coming year.

Principal sources of funds at the Insurance Company are premiums and other considerations paid, contract charges earned, net investment income received and proceeds from investments called, redeemed or sold. The principal uses of these funds are the payment of benefits on life insurance policies and annuity contracts, operating expenses and the purchase of investments. Net cash provided by (used in) the Company's operating activities (reflecting principally: (i) premiums and contract charges collected less (ii) benefits paid on life insurance and annuity products plus (iii) income collected on invested assets, less (iv) commissions and other general expenses paid) was approximately \$1.7 million and (\$13.9) million during the three months ended March 31, 2010 and 2009, respectively. Net cash provided by the Company's investing activities (principally reflecting investments purchased less investments called, redeemed or sold) was approximately \$1.4 million, and \$86.4 million during the three months ended March 31, 2010 and 2009, respectively.

For purposes of the Company's consolidated statements of cash flows, financing activities relate primarily to sales and surrenders of the Company's universal life insurance and annuity products. The payment of dividends by the Company is also considered to be a financing activity. Net cash used in the Company's financing activities amounted to approximately (\$9.4) million and (\$70.2) million during the three months ended March 31, 2010 and 2009, respectively. Under GAAP, consideration from single premium annuity contracts without life contingencies, universal life insurance products and deferred annuities are not reported as premium revenues, but are reported as additions to policyholder account balances, which are liabilities on the Corporation's consolidated balance sheet.

Given the Insurance Company's historic cash flow and current financial results, management believes that, for the next twelve months and for the reasonably foreseeable future, the Insurance Company's cash flow from investments and operating activities will provide sufficient liquidity for the operations of the Insurance Company, as well as provide sufficient funds to the Company, so that the Company will be able to pay its other operating expenses. Due to the extraordinary nature of the current economic climate, the Company can make no reasonable assurances with respect to the payment of future dividends.

To meet its anticipated liquidity requirements, the Company purchases investments taking into account the anticipated future cash flow requirements of its underlying liabilities. In managing the relationship between assets and liabilities, the Company analyzes the cash flows necessary to correspond with the expected cash needs on the underlying liabilities under various interest rate scenarios. In addition, the Company invests a portion of its total assets in short-term investments (approximately 6.0% and 7.8% as of March 31, 2010 and December 31, 2009, respectively). The effective duration of the Company's debt portfolio was approximately 5.1 years and 4.5 years as of March 31, 2010 and March 31, 2009, respectively. The Company's fixed maturity investments are all classified as available for sale and may be sold in response to, among other things, changes in market interest rates, changes in the security's prepayment risk, the Company's need for liquidity and various other economic conditions.

Fixed maturity investments available for sale represent investments that may be sold in response to changes in various economic conditions. These investments are carried at fair value and net unrealized gains (losses), net of the effects of amortization of deferred policy acquisition costs and deferred federal income taxes, if any, are credited or charged directly to shareholders' equity, unless a decline in market value is considered to be other than temporary in which case the investment is reduced to its fair value and the loss is recorded in the income statement. Equity securities include common stocks and non-redeemable preferred stocks and are carried at market value, with the related unrealized gains and losses, net of deferred federal income tax effect, if any, charged or credited directly to shareholders' equity, unless a decline in market value is deemed to be other than temporary in which case the investment is reduced to its fair value and the loss is recorded in the income statement.

The Insurance Company is subject to Regulation 130 adopted and promulgated by the New York State Insurance Department ("NYSID"). Under this Regulation, the Insurance Company's ownership of below investment grade debt securities is limited to 20.0% of total admitted assets, as calculated under statutory accounting practices. As of March 31, 2010 and December 31, 2009, approximately 5.5% and 5.7%, respectively, of the Insurance Company's total admitted assets were invested in below investment grade debt securities.

The Company's portfolio includes below investment grade fixed maturity debt securities, of which approximately 99.95% were originally purchased as investment grade investments. All of these are classified as available for sale and reported at fair value. As of March 31, 2010 and December 31, 2009, the carrying value of these securities was approximately \$199.6 million and \$201.0 million, respectively, (representing approximately 5.4% and 5.5% of the Company's investment portfolio, respectively).

Investments in below investment grade securities have different risks than investments in corporate debt securities rated investment grade. Risk of loss upon default by the borrower is significantly greater with respect to below investment grade securities than with other corporate debt securities because below investment grade securities generally are unsecured and often are subordinated to other creditors of the issuer. Also, issuers of below investment grade securities usually have high levels of indebtedness and often are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. Typically, there is only a thinly traded market for such securities and recent market quotations may not be available for some of these securities. Market quotes generally are available only from a limited number of dealers and may not represent firm bids of such dealers or prices for actual sales. The Company attempts to reduce the overall risk in its below investment grade portfolio, as in all of its investments, through careful credit analysis, investment policy limitations, and diversification by company and by industry. Below investment grade debt investments, as well as other investments, are being monitored on an ongoing basis.

As of March 31, 2010, the carrying value of the Company's limited partnerships was approximately \$204.1 million or 5.5% of the Company's total invested assets. Pursuant to NYSID regulations, the Company's investments in equity securities, including limited partnership interests, may not exceed 20% of the Company's total invested assets. At March 31, 2010, the Company's investments in equity securities, including limited partnership interests, were approximately 5.5% of the Company's total invested assets. Such investments are included in the Company's consolidated balance sheet under the heading "Other long-term investments." The Company is committed, if called upon during a specified period, to contribute an aggregate of approximately \$83.1 million of additional capital to certain of these limited partnerships. However, management does not expect the entire amount to be drawn down, as certain of these limited partnerships are nearing the end of the period during which investors are required to make contributions. Commitments of \$12.1 million, \$27.1 million, \$38.4 million, and \$5.5 million will expire in 2010, 2011, 2012 and 2013, respectively. The commitment expirations are estimates based upon the commitment periods of each of the partnerships. Certain partnerships provide, however, that in the event capital from the investments are returned to the limited partners prior to the end of the commitment period (generally 3-5 years) the capital may be recalled. The Company may make selective investments in additional limited partnerships as opportunities arise. In general, risks associated with such limited partnerships include those related to their underlying investments (i.e., equity securities, debt securities and real estate), plus a level of illiquidity, which is mitigated by the ability of the Company to typically take quarterly distributions (to the extent that distributions are available) of partnership earnings, except for hedge fund limited partnerships. There can be no assurance that the Company will continue to achieve the same level of returns on its investments in limited partnerships as it has historically or that the Company will achieve any returns on such investments at all. Further, there can be no assurance that the Company will receive a return of all or any portion of its current or future capital investments in limited partnerships. The failure of the Company to receive the return of a material portion of its capital investments in limited partnerships, or to achieve historic levels of return on such investments, could have a material adverse effect on the Company's financial condition and results of operations.

The Company is invested in six hedge fund limited partnerships with a carrying value of \$64.6 million as of March 31, 2010. These partnerships each contain liquidity provisions which allow the Company to withdraw amounts equal to the total capital account balance at least annually with notice requirements of 30-90 days. These withdrawals may be subject to a holdback of 5-10%, with final distributions pending the completion of the partnership's annual audit. The Company has two hedge fund positions with private special investments, which currently range from approximately 15-30% of its carrying value, which would be excluded from the withdrawal process.

All 50 states of the United States and the District of Columbia have insurance guaranty fund laws requiring all life insurance companies doing business within the jurisdiction to participate in guaranty associations that are organized to pay contractual obligations under insurance policies (and certificates issued under group insurance policies) issued by impaired or insolvent life insurance companies. These associations levy assessments (up to prescribed limits) on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired or insolvent insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. These assessments may be deferred or forgiven under most guaranty laws if they would threaten an insurer's solvency. The amount of these assessments in prior years has not been material. However, the amount and timing of any future assessment on the Insurance Company under these laws cannot be reasonably estimated and are beyond the control of the Company and the Insurance Company. Recent failures of substantially larger insurance companies could result in future assessments in material amounts.

## **Market Risk**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The following is a discussion of the Company's primary market risk exposures and how those exposures are currently managed as of March 31, 2010.

We believe that a portfolio composed principally of fixed-rate investments that generate predictable rates of return should back our fixed-rate liabilities. We do not have a specific target rate of return. Instead, our rates of return vary over time depending on the current interest rate environment, the slope of the yield curve, the spread at which fixed-rate investments are priced over the yield curve, and general economic conditions. Our portfolio strategy is designed to achieve adequate risk-adjusted returns consistent with our investment objectives of effective asset-liability matching, liquidity and safety.

The market value of the Company's fixed maturity portfolio changes as interest rates change. In general, rate decreases cause asset prices to rise, while rate increases cause asset prices to fall.

## **Asset/Liability Management**

A persistent focus of the Insurance Company's management is maintaining the appropriate balance between the duration of its invested assets and the duration of its contractual liabilities to its annuity holders and credit suppliers. Towards this end, at least quarterly, the investment department of the Company determines the duration of the Company's invested assets in coordination with the Company's actuaries, who are responsible for calculating the liability duration. In the event it is determined that the duration gap between its assets and liabilities exceeds target levels, the Company may re-position its assets through the sale of invested assets or the purchase of new investments.

Another element of the asset liability management strategy has been to hedge against the risks posed by a rapid and sustained rise in interest rates by entering into a form of derivative transaction known as a Payor Swaption. The effect of this transaction would be to lessen the negative impact on the Insurance Company of a significant increase in interest rates. As noted below, the Company's Payor Swaption contract is due to expire in June 2010. The Company's management is currently determining if current market conditions warrant extending its payor swaption program beyond June of 2010.

The Company has established an International Swaps and Derivatives Association "ISDA" Credit Support Agreement with its counterparty against whom it holds the Swaption currently held by the Company. The counterparty is a major money center bank that carries credit ratings of Aa3 by Moody's and A+ by S&P. The ISDA Credit Support Agreement requires the counterparty to post collateral in the event that the bank credit rating falls below A3 by Moody's and A- by S&P. This contract expires in June 2010 at a strike rate based on the 10-year swap rate. The Company has determined that the Payor Swaption represents a "non-qualified hedge". The aggregate market value of the Payor Swaption as of March 31, 2010 was \$348. A variety of factors affect the value of the Payor Swaptions. These include overall Treasury interest rate levels, swap spreads, overall market volatility and the length of time remaining before the expiration of a Payor Swaption. This investment is classified on the balance sheet as a "Derivative Instrument". The value of the Payor Swaptions is recognized at "fair value" (market value), with any resulting change in fair value reflected in the statement of income as a realized loss or gain. The change in market value for the first quarter of 2010 was a loss of \$389,622. The Company has determined that the average fair value for the first quarter of 2010 was \$19,576.

The Insurance Company conducts periodic cash flow tests assuming different interest rates scenarios in order to demonstrate the reserve adequacy. If a test reveals a potential deficiency, the Insurance Company may be required to increase its reserves to satisfy its statutory accounting requirements. Based on testing as of December 31, 2009, the Insurance Company held a reserve of \$46.2 million.

## Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet financing arrangements and has made no financial commitments or guarantees with any unconsolidated subsidiary or special purpose entity. All of the Company's subsidiaries are wholly owned and their results are included in the accompanying consolidated financial statements.

## Contractual Obligations

The following presents a summary of the Company's significant contractual obligations.

### CONTRACTUAL OBLIGATIONS TABLE

Payment Due By Period (in thousands)

<u>Contractual Obligations</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>4-5 Years</u>	<u>After 5 Years</u>	<u>Total</u>
Unfunded Limited Partnership Commitments (1)	\$ 12,110	\$ 70,978	\$ -	\$ -	\$ 83,088
FIN 48 Liabilities	\$ -	\$ 733	\$ -	\$ -	\$ 733
Policy Liabilities (2)	\$ 482,316	\$ 904,147	\$ 728,652	\$ 2,578,732	\$ 4,693,847

<sup>(1)</sup> See Note 1(C) "Summary of Significant Accounting Policies, Investments", of the consolidated financial statements

<sup>(2)</sup> The difference between the recorded liability of \$3,176.3 million, and the total payment obligation amount of \$4,693.8 million, is \$1,517.5 million and is comprised of (i) future interest to be credited; (ii) the effect of mortality discount for those payments that are life contingent; and (iii) the impact of surrender charges on those contracts that have such charges.

Of the total payment of \$4,693.8 million, \$3,052.1 million, or 65.0%, is from the Company's deferred annuity, life, and accident and health business. Determining the timing of these payments involves significant uncertainties, including mortality, morbidity, persistency, investment returns, and the timing of policyholder surrender. Notwithstanding these uncertainties, the table reflects an estimate of the timing of such payments.

## Effects of Inflation and Interest Rate Changes

In a rising interest rate environment, the Company's average cost of funds would be expected to increase over time as it prices its new and renewing annuities to maintain a generally competitive market rate. In addition, the market value of the Company's fixed maturity portfolio decreases resulting in a decline in shareholders' equity. Concurrently, the Company would attempt to place new funds in investments that were matched in duration to, and higher yielding than, the liabilities associated with such annuities. Management believes that the liquidity necessary in such an interest rate environment to fund withdrawals, including surrenders, would be available through income, cash flow, and the Company's cash reserves or from the sale of short-term investments.

In a declining interest rate environment, the Company's cost of funds would be expected to decrease over time, reflecting lower interest crediting rates on its fixed annuities. Should increased liquidity be required for withdrawals in such an interest rate environment, management believes that the portion of the Company's investments which are designated as available for sale in the Company's consolidated balance sheet could be sold without materially adverse consequences in light of the general strengthening in market prices which would be expected in the fixed maturity security market.

Interest rate changes also may have temporary effects on the sale and profitability of our universal life and annuity products. For example, if interest rates rise, competing investments (such as annuity or life insurance products offered by the Company's competitors, certificates of deposit, mutual funds and similar instruments) may become more attractive to potential purchasers of the Company's products until the Company increases the rates credited to holders of its universal life and annuity products. In contrast, as interest rates fall, we would attempt to lower our credited rates to compensate for the corresponding decline in net investment income. As a result, changes in interest rates could materially adversely affect the financial condition and results of operations of the Company depending on the attractiveness of alternative investments available to the Company's customers. In that regard, in the current interest rate environment, the Company has attempted to maintain its credited rates at competitive levels designed to discourage surrenders and also to be considered attractive to purchasers of new annuity products. Because the level of prevailing interest rates impacts the Company's competitors in the same fashion, management does not believe that the current interest rate environment will materially affect the Company's competitive position vis a vis other life insurance companies that emphasize the sale of annuity products.

Notwithstanding the foregoing, if interest rates continue at current levels or decline, there can be no assurance that this segment of the life insurance industry would not experience increased levels of surrenders and reduced sales and thereby be materially adversely affected. Conversely, if interest rates rise, competing investments (such as annuity or life insurance products offered by the Company's competitors, certificates of deposit, mutual funds and similar investments) may become more attractive to potential purchasers of the Company's products until the Company increases its credited rates.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements. In applying these accounting policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Insurance Company's business operations. The accounting policies considered by management to be critically important in the preparation and understanding of our financial statements and related disclosures are presented in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2009.

### **New Accounting Pronouncements**

See Note 1 of the consolidated financial statements for a full description of the new accounting pronouncements including the respective dates of adoption and the effects on the results of operations and financial condition.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

For a discussion of market risks, refer to the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. During the first three months of 2010, there were no material changes or developments that would materially alter the market risk assessment performed as of December 31, 2009.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Management of the Company is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rules 13a-15(e) of the Securities Exchange Act of 1934. As of March 31, 2010, the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of such disclosure controls and procedures. Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, as appropriate to allow timely decisions regarding required disclosure. During or subsequent to the three month period ended March 31, 2010, there were no changes in our internal controls that have materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

On December 30, 2009, an alleged stockholder plaintiff, Alan R. Kahn (the "Plaintiff"), filed a derivative action (the "Kahn Action"), for the purported benefit of the Company, against Mr. Kurz and the Company's other directors, and the Company itself (as a nominal defendant). Plaintiff alleges that Mr. Kurz and the other directors breached their fiduciary duties and wasted the Company's assets by authorizing the continued payment of compensation and fringe benefits to Mr. Kurz after he resigned as President of the Company and CEO of the Insurance Company, and in view of Mr. Kurz's failure to disclose that, as he later represented in the 2008 tax return for the Kurz Family Foundation (the "Foundation"), he allegedly spent 40 hours a week working as a director of the Foundation; that Mr. Kurz pledged his support for Donald Barnes around and before the time of the annual stockholders' meeting in May 2009, but then, in statements filed in October and November 2009, disclosed that he was commencing a consent solicitation to remove, without cause, Mr. Barnes and the other directors (except for himself); that in or around December 2009, the directors (other than Mr. Kurz) disclosed, allegedly belatedly, that they did not believe that Mr. Kurz, at his advanced age of nearly 90, could effectively serve in a management capacity for a public company, that an Independent Committee of the Board had uncovered a pattern of self-dealing by Mr. Kurz that included, among other things; misuse of the Company's health insurance plan and Kurz's use of charitable assets, of the Foundation, for non-charitable purposes, and that the New York State Insurance Department has instituted an official investigation into the affairs, conduct and practices of the Foundation. In addition to the fiduciary and waste claims asserted against the directors, Plaintiff also brought a claim for unjust enrichment against Mr. Kurz alone, demanding that he disgorge all purported unearned compensation. Plaintiff also demands that the directors account to the Company for all damages and return all remuneration paid to them while they were allegedly in breach of their duties. Plaintiff also seeks to enjoin the Company from continuing to pay compensation and benefits to Mr. Kurz, as well as attorneys' fees and other relief that the Court may deem proper. The Company and the directors (other than Mr. Kurz) have filed motions to dismiss based on failure to state a claim and failure to make a demand on the board. Management does not believe that this action will have a material effect on the Company's financial condition or results of operations.

### Item 1A. Risk Factors

The Company's business is subject to certain risks and events that, if they occur, could adversely affect the financial condition and results of operations and the trading price of our common stock. For a discussion of these risks, please refer to the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009. In connection with its preparation of this quarterly report, management has reviewed and considered these risk factors and has determined that there have been no material changes to the Company's risk factors since the date of filing the Annual Report.

Under the current economic environment, the Company's Enterprise Risk Management ("ERM") program has become more critical in supporting executive decision making regarding capital management, investment decisions, and other key decisions, contributing to preserve and enhance shareholder value. In 2007, the Company adopted an ERM policy as a methodology and process for the Company to actively manage risks. Management adopted the use of robust capital modeling to help optimize executives' key decisions. Management has developed a structured ERM framework in order to identify, monitor, and mitigate major risks. Status on key risk management initiatives, as well as risk dashboard reports, is provided to the Board of Directors quarterly. The framework also allows the Company to clarify corporate governance structure, ensure clear accountability and identify any potential gaps that may emerge in current risk management practices.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

### Item 3. Defaults Upon Senior Securities

None

### Item 4. Other Information

None

### Item 5. Exhibits and Reports on Form 8-K

#### a) Exhibits

- 31.1 Certification of Chief Executive Officer
- 31.2 Certification of Chief Financial Officer
- 32.1 Certification of Chief Executive Officer
- 32.2 Certification of Chief Financial Officer

#### b) Reports on Form 8-K

None

PRESIDENTIAL LIFE CORPORATION  
May 10, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Presidential Life Corporation  
(Registrant)

Date: May 10, 2010

/s/ Donald L. Barnes  
Donald L. Barnes, President and Duly  
Authorized Officer of the Registrant

Date: May 10, 2010

/s/ Dominic D'Adamo  
Dominic D'Adamo, Acting Chief Financial  
Officer of the Registrant

Exhibit 31.1

Certification of Chief Executive Officer  
Pursuant to Exchange Act Rule 13a-15f

I, Donald L. Barnes, Chief Executive Officer of Presidential Life Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Presidential Life Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 10, 2010

/s/Donald L. Barnes

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Donald L. Barnes  
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer  
Pursuant to Exchange Act Rule 13a-15f

I, Dominic D'Adamo, Acting Chief Financial Officer and Treasurer of Presidential Life Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of Presidential Life Corporation,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 10, 2010

/s/Dominic D'Adamo  
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Dominic D'Adamo  
Acting Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Presidential Life Corporation (the "Company") on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald L. Barnes, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Donald L. Barnes

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Donald L. Barnes  
Chief Executive Officer  
May 10, 2010

CERTIFICATION PURSUANT TO

18 U.S.C SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Presidential Life Corporation (the "Company") on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dominic D'Adamo, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Dominic D'Adamo

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Dominic D'Adamo  
Acting Chief Financial Officer  
May 10, 2010