

**SUPPLEMENT DATED JANUARY 31, 2012  
TO THE STATEMENT OF ADDITIONAL INFORMATION FOR THE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE INSURANCE POLICY  
OFFERED BY  
FIRST INVESTORS LIFE INSURANCE COMPANY  
THROUGH  
FIRST INVESTORS LIFE SEPARATE ACCOUNT E  
DATED MAY 1, 2011**

The second paragraph under the heading “Services” on page 3 of the Statement of Additional Information is deleted in its entirety and replaced with the following:

**Independent Registered Public Accounting Firm.** KPMG LLP, 345 Park Avenue, New York, NY 10154, has been selected as the independent registered public accounting firm for Separate Account E. First Investors Life pays KPMG LLP a fee for serving as the independent registered public accounting firm for Separate Account E, which is set by the Audit Committee of the Board of Directors of First Investors Life. We include the financial statements in reliance upon the authority of said firm as experts in accounting and auditing.

ESAI 1-12

**MODIFIED SINGLE PREMIUM VARIABLE LIFE INSURANCE  
POLICY**

**OFFERED BY**

**FIRST INVESTORS LIFE INSURANCE COMPANY**

**THROUGH**

**FIRST INVESTORS LIFE SEPARATE ACCOUNT E**

**Statement of Additional Information dated May 1, 2011**

This Statement of Additional Information (“SAI”) supplements the information in the Prospectus for the individual Modified Single Premium Variable Life Insurance Policy offered by First Investors Life Insurance Company through First Investors Life Separate Account E. This SAI is not a Prospectus and should be read in conjunction with the Prospectus for the Policy dated May 1, 2011. The Prospectus for the Policy may be obtained at no cost by writing to First Investors Life Insurance Company, Raritan Plaza 1, Edison, NJ 08837, by telephoning (800) 832-7783, or by visiting our website at [www.firstinvestors.com](http://www.firstinvestors.com).

Terms used in this SAI have the same meanings as in the Prospectus.

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## GENERAL DESCRIPTION

**First Investors Life Insurance Company.** First Investors Life Insurance Company, 110 Wall Street, New York, New York 10005 (“FIL” or “First Investors Life”), a stock life insurance company incorporated under the laws of the State of New York in 1962, writes life insurance and annuities. First Investors Consolidated Corporation (“FICC”), a holding company, owns all of the voting common stock of First Investors Management Company, Inc. (“FIMCO” or “Adviser”) and all of the outstanding stock of First Investors Life, First Investors Corporation (“FIC” or “Underwriter”) and Administrative Data Management Corp., the transfer agent for First Investors Life Series Funds (“Life Series Funds”). The Independent Order of Foresters (“Foresters”) controls FICC and, therefore, the Adviser and First Investors Life. Foresters is a Canadian fraternal benefit society with operations in Canada, the United States and the United Kingdom and its principal business address is 789 Don Mills Road, Toronto, Canada M3C 1T9.

The following chart provides information about the Officers and Directors of First Investors Life.

Name	FIL Office	Principal Occupation for Last Five Years
Bernard E. Bloom	Director	Director Foresters since 2000; Director Foresters Life Limited since 2000.
Carol Lerner Brown	Secretary	Assistant Secretary FIC since 1989; Secretary FIMCO since 1989, Secretary FICC 1989-2011, Assistant Secretary FICC since 2011.
William H. Drinkwater	Senior Vice President and Chief Actuary	Senior Vice President and Chief Actuary FIL since 2003.
Lawrence M. Falcon	Senior Vice President and Comptroller	Senior Vice President and Comptroller FIL since 1990.
Richard M. Freeborough	Director	Chairman of the Board since 2009 and Director Foresters since 2005; Director ResMor Trust Company since 2009; Independent Review Committee Member Acuity Investment Funds since 2007; Chairman of the Board and Director Seniors Money Limited since 2007; Director RGA Life Reinsurance Company of Canada since 2006; Governor University of Guelph since 2005; Director ACE INA Insurance from 2005 to 2010; Director Triad Guaranty Insurance Corporations Canada from 2006 to 2008.
Richard H. Gaebler	Director	Retired January 2000.
Sharon T. Giffen	Director	Senior Vice President and Chief Financial Officer Foresters since 2009; Senior Vice President and Chief Actuary, Vice President Actuarial, Vice President Product Management Foresters from 2000 to 2009.
Jason Helbraun	Assistant Vice President	Assistant Vice President FIL since 2006; Corporate Actuary FIL 2005 – 2006.
William M. Lipkus	Vice President, Chief Financial Officer, Treasurer and Director	Chief Financial Officer FIC and FICC since 1997; Vice President FIL since 1996; Chief Financial Officer FIL since 1998; Treasurer FIL since 2008.
Louise H. L. McCormick	Director	Director Foresters since 2005; Director Duncaster, Inc. since 2005; Trustee and Board President Hartford Art School, Inc. since 2005; Director Heska, Inc. since 2000.
George S. Mohacsi	Director	President and Chief Executive Officer Foresters since 2005.

Glen Mueller	Vice President and Chief Underwriter	Vice President and Chief Underwriter FIL since 2005.
Christopher H. Pinkerton	Chairman and Director	President and Director FICC; Chairman, President and Director FIMCO and Administrative Data Management Corp. since 2011; Chairman and Director FIL and FIC since 2011; President Foresters US Division since 2008, Chairman Foresters Equity Services since 2007, and Chairman Foresters Financial Partners since 2006; Senior Vice President Foresters North American Sales and Marketing from 2005 to 2007.
David Schimmel	Assistant Vice President	Assistant Vice President FIL since 2006; Manager FIL 2001 – 2006.
John B. Scott	Director	Director Foresters since 2009; Director Trustmark Insurance from 2000 to 2009.
John Shey	Assistant Vice President	Assistant Vice President FIL since 2006; Actuary FIL 2002-2006.
Carol E. Springsteen	President and Director	President and Director FIL since 2003.

### SERVICES

**Custodian.** First Investors Life, subject to applicable laws and regulations, is the custodian of the securities of the Subaccounts of Separate Account E. We maintain the records and accounts of Separate Account E.

**Independent Registered Accounting Firm.** Tait, Weller & Baker, LLP, 1818 Market Street, Philadelphia, PA 19103, an independent registered accounting firm, has been selected as the independent accountants for Separate Account E. First Investors Life pays Tait, Weller & Baker a fee for serving as the independent accountants for Separate Account E, which is set by the Audit Committee of the Board of Directors of First Investors Life. We include the financial statements in reliance upon the authority of said firm as experts in accounting and auditing.

**Underwriter.** First Investors Life and Separate Account E have entered into an Underwriting Agreement with First Investors Corporation (“FIC”). FIC, an affiliate of First Investors Life and of First Investors Management Company, Inc. (“FIMCO” or “Adviser”), has its principal business address and executive offices at 110 Wall Street, New York, New York 10005. For the fiscal years ending December 31, 2008, 2009 and 2010, FIC received fees of \$175,711, \$193,639 and \$206,644 respectively in connection with the distribution of the Policy. First Investors Life anticipates continuing to offer the Policy, but reserves the right to discontinue the offering.

**Distribution of Policy.** We sell the Policy solely through individuals who, in addition to being licensed insurance agents appointed to sell our products (i.e., who are “First Investors representatives”), are registered representatives of FIC. FIC is a registered broker-dealer under the Securities Exchange Act of 1934, and a member of the Financial Industry Regulation Authority.

We pay FIC a commission on Policies sold of 7.175% of premium payments. Commissions paid on the Policies are not charged directly to Policyowners or the Separate Account. FIC is, in turn, responsible for paying First Investors representatives all commissions and other compensation that may due to them for selling the Policy. First Investors representatives may sell other variable life insurance and annuity products as to which they receive more or less compensation than they do for selling the Policies.

### OTHER INFORMATION

**Reports.** At least once each Policy year, we mail a report to the Policyowner within 31 days after the Policy anniversary. We mail the report to the last address known to us. The report shows (1) the death benefit at the beginning and end of the policy year, (2) the Accumulation Value and

surrender value at the beginning and end of the policy year, (3) policy loan activity (4) all transactions which have occurred during the policy year, and (5) other information as may be required by applicable law or regulation. The report also shows your allocation among the Subaccounts and/or the Fixed Account on that anniversary.

**State Regulation.** We are subject to the laws of the State of New York governing insurance companies and to regulations of the New York State Insurance Department. We file an annual statement in a prescribed form with the Insurance Department each year covering our operations for the preceding year and our financial condition as of the end of such year. Our books and accounts are subject to review by the New York State Insurance Department at any time. The Department conducts a full examination of our operations periodically. The Department does not engage in any supervision of our management or investment practices or policies, except to determine compliance with the requirements of the New York Insurance Law. We also are subject to regulation under the insurance laws of other jurisdictions in which we may operate.

### VALUATION INFORMATION

**Value of a Unit.** For each Subaccount of Separate Account E, the value of a Unit was arbitrarily initially set at \$10.00. The value of a Unit for any subsequent Valuation Period is determined by multiplying the value of a Unit for the immediately preceding Valuation Period by the Net Investment Factor for the Valuation Period for which the Unit Value is being calculated (see Appendix I, Example B). The investment performance of each Fund, and expenses and deductions of certain charges affect the Unit Value. The value of a Unit for the Subaccounts may increase or decrease from Valuation Period to Valuation Period.

**Net Investment Factor.** The Net Investment Factor for each Subaccount for any Valuation Period is determined by dividing (a) by (b) where:

- (a) is the net result of:
  - (1) the net asset value per share of the applicable Fund determined at the end of the current Valuation Period, plus
  - (2) the per share amount of any dividend or capital gains distributions made by the applicable Fund if the "ex-dividend" date occurs during the current Valuation Period.
- (b) is the net asset value per share of the applicable Fund determined as of the end of the immediately preceding Valuation Period.

The Net Investment Factor may be greater or less than one, and therefore, the Unit value of any Subaccount may increase or decrease. (For an illustration of this calculation, see Appendix I, Example A.)

### RELEVANCE OF FINANCIAL STATEMENTS

The values of the interests of Policyowners under the Policies will be affected by the investment results of the Subaccounts and the returns on any amounts they allocate to the Fixed Account. The financial statements of First Investors Life as contained herein should be considered only as bearing upon First Investors Life's ability to meet its obligations to Policyowners under the Policies, including, but not limited to, the minimum and any declared excess interest credited on accumulation values in the Fixed Account, and they should not be considered as bearing on the investment performance of the Subaccounts.

**APPENDIX I**

**EXAMPLE A**

**Formula and Illustration for Determining  
the Net Investment Factor of a Subaccount  
of Separate Account E**

$$\text{Net Investment Factor} = \frac{A + B}{C}$$

Where:

A = The Net Asset Value of a Fund share as of the end of the current Valuation Period.

Assume ..... = \$8.51000000

B = The per share amount of any dividend or capital gains distribution since the end of the immediately preceding Valuation Period.

Assume ..... = \$0

C = The Net Asset Value of a Fund share as of the end of the immediately preceding Valuation Period.

Assume ..... = \$8.39000000

$$\text{Then, the Net Investment Factor} = \frac{8.51000000 + 0}{8.39000000} = \$1.01430274$$

**EXAMPLE B**

**Formula and Illustration for Determining  
Unit Value of a Subaccount  
of Separate Account E**

$$\text{Unit Value} = A \times B$$

Where:

A = The Unit Value for the immediately preceding Valuation Period.

Assume ..... = \$1.46328760

B = The Net Investment Factor for the current Valuation Period.

Assume ..... = \$1.01430274

$$\text{Then, the Unit Value} = \$1.46328760 \times 1.01430274 = \$1.484216622$$

Financial Statements  
as of  
December 31, 2010

*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**The Board of Directors**  
**First Investors Life Insurance Company**  
**New York, New York**

We have audited the accompanying statement of assets and liabilities of each of the individual sub-accounts disclosed in Note 1 which comprise Modified Single Premium Variable Life Insurance (a separate account of First Investors Life Insurance Company, registered as a unit investment trust under the Investment Company Act of 1940) ("Separate Account E"), as of December 31, 2010, and the related statements of operations for the year then ended and of changes in net assets for the years ended December 31, 2010 and 2009 for each of the individual sub-accounts which comprise Separate Account E. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Separate Account E's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Separate Account E's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned at December 31, 2010 by correspondence with Separate Account E's custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the individual sub-accounts which comprise Separate Account E as of December 31, 2010, and the results of their operations for the year then ended for each of the individual sub-accounts and the changes in their net assets for the years ended December 31, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

  
**TAIT, WELLER & BAKER LLP**

**Philadelphia, Pennsylvania**  
**March 9, 2011**

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENT OF ASSETS AND LIABILITIES**

**December 31, 2010**

	<u>Cash Management</u>	<u>High Yield</u>	<u>Growth &amp; Income</u>	<u>Discovery</u>
<b>ASSETS</b>				
Investments at net asset value (Note 3):				
First Investors Life Series Fund	\$ 337,579	\$ 939,745	\$ 3,019,420	\$ 1,893,227
<b>LIABILITIES</b>				
Payable to First Investors Life Insurance Company	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
<b>NET ASSETS</b>	<u>\$ 337,579</u>	<u>\$ 939,745</u>	<u>\$ 3,019,420</u>	<u>\$ 1,893,227</u>
Net assets represented by				
Contracts in accumulation period	<u>\$ 337,579</u>	<u>\$ 939,745</u>	<u>\$ 3,019,420</u>	<u>\$ 1,893,227</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENT OF ASSETS AND LIABILITIES  
(Continued)**

**December 31, 2010**

	<u><b>Blue Chip</b></u>	<u><b>International</b></u>	<u><b>Select Growth</b></u>	<u><b>Government</b></u>
<b>ASSETS</b>				
Investments at net asset value (Note 3):				
First Investors Life Series Fund	\$1,302,485	\$1,566,346	\$499,177	\$838,050
<b>LIABILITIES</b>				
Payable to First Investors Life Insurance Company	-	-	-	-
<b>NET ASSETS</b>	<u>\$1,302,485</u>	<u>\$1,566,346</u>	<u>\$499,177</u>	<u>\$838,050</u>
Net assets represented by Contracts in accumulation period	<u>\$1,302,485</u>	<u>\$1,566,346</u>	<u>\$499,177</u>	<u>\$838,050</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENT OF ASSETS AND LIABILITIES  
(Continued)**

**December 31, 2010**

	<u>Investment Grade</u>	<u>Value</u>	<u>Target Maturity 2015</u>
<b>ASSETS</b>			
Investments at net asset value (Note 3):			
First Investors Life Series Fund	\$1,578,966	\$2,201,007	\$389,045
<b>LIABILITIES</b>			
Payable to First Investors Life Insurance Company	-	-	-
<b>NET ASSETS</b>	<u>\$1,578,966</u>	<u>\$2,201,007</u>	<u>\$389,045</u>
Net assets represented by			
Contracts in accumulation period	<u>\$1,578,966</u>	<u>\$2,201,007</u>	<u>\$389,045</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENT OF OPERATIONS**

**Year ended December 31, 2010**

	<u>Cash Management</u>	<u>High Yield</u>	<u>Growth &amp; Income</u>	<u>Discovery</u>
INVESTMENT INCOME				
Income:				
Dividends	\$ -	\$ 56,786	\$ 26,032	\$ 12,538
Expenses:				
Mortality and expense risks (Note 5)	<u>5,659</u>	<u>13,874</u>	<u>44,991</u>	<u>26,763</u>
NET INVESTMENT INCOME (LOSS)	<u>(5,659)</u>	<u>42,912</u>	<u>(18,959)</u>	<u>(14,225)</u>
REALIZED GAINS ON INVESTMENTS				
Realized gain distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Beginning of year	-	(69,443)	(604,989)	(135,875)
End of year	<u>-</u>	<u>(26,568)</u>	<u>(215,277)</u>	<u>237,401</u>
Change in unrealized appreciation (depreciation) on investments	<u>-</u>	<u>42,875</u>	<u>389,712</u>	<u>373,276</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u><u>\$(5,659)</u></u>	<u><u>\$ 85,787</u></u>	<u><u>\$ 370,753</u></u>	<u><u>\$ 359,051</u></u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENT OF OPERATIONS  
(Continued)**

**Year ended December 31, 2010**

	<u>Blue Chip</u>	<u>International</u>	<u>Select Growth</u>	<u>Government</u>
INVESTMENT INCOME				
Income:				
Dividends	\$ 17,408	\$ -	\$ 519	\$27,251
Expenses:				
Mortality and expense risks (Note 5)	<u>20,549</u>	<u>24,941</u>	<u>6,037</u>	<u>13,244</u>
NET INVESTMENT INCOME (LOSS)	<u>(3,141)</u>	<u>(24,941)</u>	<u>(5,518)</u>	<u>14,007</u>
REALIZED GAINS ON INVESTMENTS				
Realized gain distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Beginning of year	(117,271)	(350,177)	(21,189)	27,717
End of year	<u>(13,989)</u>	<u>(166,617)</u>	<u>56,898</u>	<u>33,371</u>
Change in unrealized appreciation (depreciation) on investments	<u>103,282</u>	<u>183,560</u>	<u>78,087</u>	<u>5,654</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 100,141</u>	<u>\$ 158,619</u>	<u>\$ 72,569</u>	<u>\$19,661</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENT OF OPERATIONS  
(Continued)**

**Year ended December 31, 2010**

	<u>Investment Grade</u>	<u>Value</u>	<u>Target Maturity 2010</u>	<u>Target Maturity 2015</u>
INVESTMENT INCOME				
Income:				
Dividends	\$59,726	\$ 39,716	\$ 3,188	\$15,227
Expenses:				
Mortality and expense risks (Note 5)	<u>24,033</u>	<u>34,456</u>	<u>454</u>	<u>6,794</u>
NET INVESTMENT INCOME	<u>35,693</u>	<u>5,260</u>	<u>2,734</u>	<u>8,433</u>
REALIZED GAINS ON INVESTMENTS				
Realized gain distributions	-	-	416	1,804
Realized gain (loss) on investments	<u>-</u>	<u>-</u>	<u>(3,950)</u>	<u>-</u>
Realized gains (losses)	<u>-</u>	<u>-</u>	<u>(3,534)</u>	<u>1,804</u>
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Beginning of year	(2,869)	(197,453)	(310)	33,222
End of year	<u>52,126</u>	<u>45,883</u>	<u>-</u>	<u>47,615</u>
Change in unrealized appreciation (depreciation) on investments	<u>54,995</u>	<u>243,336</u>	<u>310</u>	<u>14,393</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$90,688</u>	<u>\$ 248,596</u>	<u>\$ (490)</u>	<u>\$24,630</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENTS OF CHANGES IN NET ASSETS**

**Years ended December 31,**

	<b>Cash</b>		<b>High Yield</b>	
	<b>Management</b>			
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ (5,659)	\$ (4,972)	\$ 42,912	\$ 43,219
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>-</u>	<u>-</u>	<u>42,875</u>	<u>110,917</u>
Net increase (decrease) in net assets resulting from operations	<u>(5,659)</u>	<u>(4,972)</u>	<u>85,787</u>	<u>154,136</u>
From Contract Transactions				
Net insurance premiums from contract owners	87,956	97,662	231,021	170,897
Transfers between sub-accounts	58,215	(12,355)	6,836	(3,901)
Cost of insurance (Note 5)	(3,418)	(3,621)	(8,154)	(5,946)
Transfers for contract benefits and terminations	<u>(5,289)</u>	<u>-</u>	<u>(97,240)</u>	<u>(3,312)</u>
Increase in net assets derived from contract transactions	<u>137,464</u>	<u>81,686</u>	<u>132,463</u>	<u>157,738</u>
Net increase in net assets	131,805	76,714	218,250	311,874
Net Assets				
Beginning of year	<u>205,774</u>	<u>129,060</u>	<u>721,495</u>	<u>409,621</u>
End of year	<u>\$337,579</u>	<u>\$205,774</u>	<u>\$ 939,745</u>	<u>\$ 721,495</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENTS OF CHANGES IN NET ASSETS  
(Continued)**

**Years ended December 31,**

	<u>Growth &amp; Income</u>		<u>Discovery</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ (18,959)	\$ 1,184	\$ (14,225)	\$ (5,683)
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>389,712</u>	<u>435,908</u>	<u>373,276</u>	<u>291,895</u>
Net increase in net assets resulting from operations	<u>370,753</u>	<u>437,092</u>	<u>359,051</u>	<u>286,212</u>
From Contract Transactions				
Net insurance premiums from contract owners	550,957	484,622	320,912	224,036
Transfers between sub-accounts	(16,288)	(80,492)	(51,740)	(1,528)
Cost of insurance (Note 5)	(29,455)	(20,417)	(15,397)	(11,001)
Transfers for contract benefits and terminations	<u>(177,907)</u>	<u>(55,841)</u>	<u>(102,401)</u>	<u>(44,930)</u>
Increase in net assets derived from contract transactions	<u>327,307</u>	<u>327,872</u>	<u>151,374</u>	<u>166,577</u>
Net increase in net assets	698,060	764,964	510,425	452,789
Net Assets				
Beginning of year	<u>2,321,360</u>	<u>1,556,396</u>	<u>1,382,802</u>	<u>930,013</u>
End of year	<u>\$3,019,420</u>	<u>\$2,321,360</u>	<u>\$1,893,227</u>	<u>\$ 1,382,802</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENTS OF CHANGES IN NET ASSETS  
(Continued)**

**Years ended December 31,**

	<u>Blue Chip</u>		<u>International</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ (3,141)	\$ 2,586	\$ (24,941)	\$ 25,894
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>103,282</u>	<u>157,572</u>	<u>183,560</u>	<u>199,642</u>
Net increase in net assets resulting from operations	<u>100,141</u>	<u>160,158</u>	<u>158,619</u>	<u>225,536</u>
From Contract Transactions				
Net insurance premiums from contract owners	230,254	206,211	226,442	268,027
Transfers between sub-accounts	(31,071)	3,093	(18,940)	(10,777)
Cost of insurance (Note 5)	(13,805)	(9,433)	(15,250)	(11,003)
Transfers for contract benefits and terminations	<u>(46,496)</u>	<u>(26,951)</u>	<u>(136,722)</u>	<u>(18,508)</u>
Increase in net assets derived from contract transactions	<u>138,882</u>	<u>172,920</u>	<u>55,530</u>	<u>227,739</u>
Net increase in net assets	239,023	333,078	214,149	453,275
Net Assets				
Beginning of year	<u>1,063,462</u>	<u>730,384</u>	<u>1,352,197</u>	<u>898,922</u>
End of year	<u>\$1,302,485</u>	<u>\$1,063,462</u>	<u>\$1,566,346</u>	<u>\$1,352,197</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENTS OF CHANGES IN NET ASSETS  
(Continued)**

**Years ended December 31,**

	<u>Select Growth</u>		<u>Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ (5,518)	\$ (2,934)	\$ 14,007	\$ 11,102
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>78,087</u>	<u>21,542</u>	<u>5,654</u>	<u>2,171</u>
Net increase in net assets resulting from operations	<u>72,569</u>	<u>18,608</u>	<u>19,661</u>	<u>13,273</u>
From Contract Transactions				
Net insurance premiums from contract owners	135,840	118,030	166,304	181,593
Transfers between sub-accounts	33,283	723	60,879	(49,643)
Cost of insurance (Note 5)	(2,786)	(1,388)	(9,754)	(7,156)
Transfers for contract benefits and terminations	<u>(16)</u>	<u>(2,910)</u>	<u>(22,229)</u>	<u>(1,435)</u>
Increase in net assets derived from contract transactions	<u>166,321</u>	<u>114,455</u>	<u>195,200</u>	<u>123,359</u>
Net increase in net assets	238,890	133,063	214,861	136,632
Net Assets				
Beginning of year	<u>260,287</u>	<u>127,224</u>	<u>623,189</u>	<u>486,557</u>
End of year	<u>\$ 499,177</u>	<u>\$ 260,287</u>	<u>\$ 838,050</u>	<u>\$ 623,189</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENTS OF CHANGES IN NET ASSETS  
(Continued)**

**Years ended December 31,**

	<u>Investment Grade</u>		<u>Value</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ 35,693	\$ 28,683	\$ 5,260	\$ 18,754
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>54,995</u>	<u>95,387</u>	<u>243,336</u>	<u>275,125</u>
Net increase in net assets resulting from operations	<u>90,688</u>	<u>124,070</u>	<u>248,596</u>	<u>293,879</u>
From Contract Transactions				
Net insurance premiums from contract owners	445,787	261,538	324,189	286,264
Transfers between sub-accounts	12,577	158,285	(32,979)	(47,902)
Cost of insurance (Note 5)	(15,882)	(9,705)	(23,501)	(18,082)
Transfers for contract benefits and terminations	<u>(89,088)</u>	<u>(5,912)</u>	<u>(154,849)</u>	<u>(51,212)</u>
Increase in net assets derived from contract transactions	<u>353,394</u>	<u>404,206</u>	<u>112,860</u>	<u>169,068</u>
Net increase in net assets	444,082	528,276	361,456	462,947
Net Assets				
Beginning of year	<u>1,134,884</u>	<u>606,608</u>	<u>1,839,551</u>	<u>1,376,604</u>
End of year	<u>\$1,578,966</u>	<u>\$1,134,884</u>	<u>\$2,201,007</u>	<u>\$ 1,839,551</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**STATEMENTS OF CHANGES IN NET ASSETS  
(Continued)**

**Years ended December 31,**

	<u>Target Maturity 2010</u>		<u>Target Maturity 2015</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ 2,734	\$ 2,189	\$ 8,433	\$ 5,740
Realized gain distributions	416	742	1,804	433
Realized loss on investments	(3,950)	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>310</u>	<u>(4,000)</u>	<u>14,393</u>	<u>(19,045)</u>
Net increase (decrease) in net assets resulting from operations	<u>(490)</u>	<u>(1,069)</u>	<u>24,630</u>	<u>(12,872)</u>
From Contract Transactions				
Net insurance premiums from contract owners	6,951	1,000	6,477	75,436
Transfers between sub-accounts	(30,215)	-	(4,199)	(556)
Cost of insurance (Note 5)	(304)	(519)	(5,889)	(5,337)
Transfers for contract benefits and terminations	<u>-</u>	<u>(33,740)</u>	<u>(6)</u>	<u>-</u>
Increase (decrease) in net assets derived from contract transactions	<u>(23,568)</u>	<u>(33,259)</u>	<u>(3,617)</u>	<u>69,543</u>
Net increase (decrease) in net assets	(24,058)	(34,328)	21,013	56,671
Net Assets				
Beginning of year	<u>24,058</u>	<u>58,386</u>	<u>368,032</u>	<u>311,361</u>
End of year	<u>\$ -</u>	<u>\$ 24,058</u>	<u>\$389,045</u>	<u>\$368,032</u>

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2010**

**NOTE 1 — ORGANIZATION**

First Investors Modified Single Premium Variable Life (“*Separate Account E*”), a unit investment trust registered under the Investment Company Act of 1940 (the 1940 Act), is a segregated investment account established by First Investors Life Insurance Company (“*FIL*”) and exists in accordance with the regulations of the New York State Insurance Department. Assets of Separate Account E have been used to purchase shares of First Investors Life Series Fund (the “*Fund*”), an open-end diversified management investment company registered under the 1940 Act. The contract holder directs the deposits into the sub-accounts that comprise Separate Account E and bear the investment risk that the sub-accounts may not meet their stated investment objectives. The sub-accounts invest in the following underlying fund portfolios: Cash Management, High Yield, Growth & Income, Discovery, Blue Chip, International, Select Growth, Government, Investment Grade, Value, and Target Maturity 2015. In 2010, Target Maturity 2010 ceased operations and remaining funds were transferred to the Cash Management Fund.

**NOTE 2 — SIGNIFICANT ACCOUNTING PRACTICES**

***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***SUBSEQUENT EVENTS***

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 9, 2011, were evaluated in the preparation of the financial statements.

***INVESTMENTS***

Shares of the Funds held by Separate Account E are valued at net asset value per share of such Funds, which value its investment securities at fair value. All distributions received from the Funds are reinvested to purchase additional shares of the Funds at net asset value.

***INVESTMENT INCOME***

Investment income consists of dividends declared by the Funds and is recognized on the ex-dividend date.

***FEDERAL INCOME TAXES***

Separate Account E is not taxed separately because its operations are part of the total operations of FIL, which is taxed as a life insurance company under the Internal Revenue Code. Separate Account E will not be taxed as a regulated investment company under Subchapter M of the Code. Under existing Federal income tax law, no taxes are payable on the investment income or on the capital gains of Separate Account E.

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**December 31, 2010**

**NOTE 3 — INVESTMENTS**

Investments consist of the following at December 31, 2010:

	<u>Shares</u>	<u>Net Asset Value</u>	<u>Market Value</u>	<u>Cost</u>
First Investors Life Series Fund				
Cash Management	337,579	\$ 1.00	\$ 337,579	\$ 337,579
High Yield	143,766	6.54	939,745	966,313
Growth & Income	106,429	28.37	3,019,420	3,234,697
Discovery	60,309	31.39	1,893,227	1,655,826
Blue Chip	62,188	20.94	1,302,485	1,316,474
International	93,773	16.70	1,566,346	1,732,963
Select Growth	62,032	8.05	499,177	442,279
Government	80,989	10.35	838,050	804,679
Investment Grade	147,065	10.74	1,578,966	1,526,840
Value	146,184	15.06	2,201,007	2,155,124
Target Maturity 2015	24,278	16.02	389,045	341,430

The cost of purchases and proceeds from sale of investments for the year ended December 31, 2010 were as follows:

	<u>Purchases</u>	<u>Sales</u>
Cash Management	\$ 146,171	\$ 14,366
High Yield	294,643	119,271
Growth & Income	576,989	268,641
Discovery	333,450	196,301
Blue Chip	247,662	111,921
International	226,442	195,853
Select Growth	169,642	8,839
Government	254,434	45,227
Investment Grade	518,090	129,003
Value	363,905	245,785
Target Maturity 2010	10,555	30,973
Target Maturity 2015	23,508	16,888

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**December 31, 2010**

Separate Account E utilizes various methods to measure the fair value of its financial instruments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that Separate Account E has the ability to access.

Level 2 – observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – unobservable inputs for the asset and liability, to the extent relevant inputs are not available, representing Separate Account E’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The summary of inputs used to value Separate Account E’s investments assets that are carried at fair value as of December 31, 2010 is as follows:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Cash Management	\$ 337,579	\$ 337,579	\$ -	\$ -
High Yield	939,745	939,745	-	-
Growth & Income	3,019,420	3,019,420	-	-
Discovery	1,893,227	1,893,227	-	-
Blue Chip	1,302,485	1,302,485	-	-
International	1,566,346	1,566,346	-	-
Select Growth	499,177	499,177	-	-
Government	838,050	838,050	-	-
Investment Grade	1,578,966	1,578,966	-	-
Value	2,201,007	2,201,007	-	-
Target Maturity 2015	<u>389,045</u>	<u>389,045</u>	<u>-</u>	<u>-</u>
	<u>\$14,565,047</u>	<u>\$14,565,047</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2010.

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**December 31, 2010**

**NOTE 4 — CHANGES IN UNITS**

The changes in units outstanding for the years ended December 31, 2010 and 2009 were as follows:

	2010			2009		
	Units Issued	Units Redeemed	Net Increase (Decrease)	Units Issued	Units Redeemed	Net Increase (Decrease)
Cash Management	194,544	(182,841)	11,703	193,598	(186,807)	6,791
High Yield	29,455	(19,859)	9,596	18,796	(3,473)	15,323
Growth & Income	60,207	(32,500)	27,707	47,783	(14,696)	33,087
Discovery	28,417	(18,549)	9,868	23,981	(9,523)	14,458
Blue Chip	22,940	(11,140)	11,800	25,037	(7,583)	17,454
International	22,561	(20,039)	2,522	28,596	(6,977)	21,619
Select Growth	21,038	(1,903)	19,135	16,025	(874)	15,151
Government	20,398	(5,854)	14,544	10,871	(1,527)	9,344
Investment Grade	43,945	(17,091)	26,854	37,745	(3,347)	34,398
Value	33,562	(25,627)	7,935	27,979	(11,355)	16,624
Target Maturity 2010	85	(2,138)	(2,053)	86	(3,001)	(2,915)
Target Maturity 2015	1,121	(1,910)	(789)	6,359	(1,251)	5,108

**NOTE 5 – SEPARATE ACCOUNT CHARGE AND DEDUCTIONS**

In consideration for its assumption of the mortality and expense risks connected with the Modified Single Premium Variable Life Contracts, FIL computes the charge at an effective annual rate of 1.75% of the Subaccount Accumulation Value. This deduction is assessed through a reduction of units.

A monthly charge is also made to Separate Account E for the cost of insurance protection. This amount varies with the age and sex of the insured and the net amount of insurance at risk and is assessed through the redemption of units. For further discussion, see “Cost of Insurance Protection” in the Prospectus.

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**December 31, 2010**

**NOTE 6 — FINANCIAL HIGHLIGHTS TABLE**

	Net Assets			Investment Income Ratio <sup>1</sup>	Expense Ratio <sup>2</sup>	Total Return <sup>3</sup>
	Units	Unit Value	(000s)			
<b><u>Cash Management</u></b>						
December 31,						
2010	29,963	\$11.263	\$ 338	0.00%	0.00%	0.00%
2009	18,260	\$11.263	\$ 206	0.13%	0.00%	0.17%
2008	11,469	\$11.244	\$ 129	2.21%	0.00%	2.03%
2007	19,107	\$11.020	\$ 211	4.15%	0.00%	4.63%
2006	35,450	\$10.533	\$ 373	0.96%	0.00%	4.36%
<b><u>High Yield</u></b>						
December 31,						
2010	75,063	\$12.547	\$ 940	7.18%	0.00%	13.71%
2009	65,467	\$11.034	\$ 721	9.37%	0.00%	35.15%
2008	50,144	\$ 8.164	\$ 410	7.24%	0.00%	(25.86%)
2007	39,496	\$11.011	\$ 435	6.54%	0.00%	1.06%
2006	26,763	\$10.896	\$ 292	0.51%	0.00%	9.77%
<b><u>Growth &amp; Income</u></b>						
December 31,						
2010	262,448	\$11.483	\$3,019	1.03%	0.00%	16.19%
2009	234,741	\$ 9.883	\$2,321	1.81%	0.00%	28.04%
2008	201,654	\$ 7.718	\$1,556	1.36%	0.00%	(35.22%)
2007	165,494	\$11.914	\$1,972	0.43%	0.00%	1.98%
2006	111,543	\$11.682	\$1,303	0.03%	0.00%	14.35%
<b><u>Discovery</u></b>						
December 31,						
2010	130,397	\$14.504	\$1,893	0.82%	0.00%	26.57%
2009	120,529	\$11.459	\$1,383	1.22%	0.00%	30.76%
2008	106,071	\$ 8.763	\$ 930	0.37%	0.00%	(33.25%)
2007	80,577	\$13.128	\$1,058	0.14%	0.00%	6.62%
2006	53,453	\$12.313	\$ 659	0.01%	0.00%	22.51%
<b><u>Blue Chip</u></b>						
December 31,						
2010	117,610	\$11.074	\$1,302	1.51%	0.00%	10.22%
2009	105,810	\$10.047	\$1,063	2.07%	0.00%	21.61%
2008	88,356	\$ 8.262	\$ 730	1.32%	0.00%	(32.08%)
2007	66,467	\$12.164	\$ 809	0.89%	0.00%	4.21%
2006	40,455	\$11.673	\$ 472	0.10%	0.00%	14.49%

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**December 31, 2010**

	Net Assets			Investment Income Ratio <sup>1</sup>	Expense Ratio <sup>2</sup>	Total Return <sup>3</sup>
	<u>Units</u>	<u>Unit Value</u>	<u>(000s)</u>			
<b><u>International</u></b>						
December 31,						
2010	121,849	\$12.858	\$1,566	0.00%	0.00%	13.45%
2009	119,327	\$11.333	\$1,352	4.19%	0.00%	23.24%
2008	97,708	\$ 9.196	\$ 899	0.18%	0.00%	(41.89%)
2007	73,006	\$15.825	\$1,157	2.44%	0.00%	20.99%
2006	45,869	\$13.080	\$ 601	0.07%	0.00%	27.79%
<b><u>Select Growth</u></b>						
December 31,						
2010	51,894	\$ 9.623	\$ 499	0.15%	0.00%	21.10%
2009	32,759	\$ 7.946	\$ 260	0.00%	0.00%	9.90%
2008	17,608	\$ 7.230	\$ 127	0.11%	0.00%	(41.47%)
2007	5,904	\$12.352	\$ 73	0.72%	0.00%	11.41%
2006	5,001	\$11.087	\$ 55	0.00%	0.00%	9.47%
<b><u>Government</u></b>						
December 31,						
2010	64,853	\$12.979	\$ 838	3.59%	0.00%	4.82%
2009	50,309	\$12.382	\$ 623	3.73%	0.00%	4.28%
2008	40,965	\$11.874	\$ 487	3.80%	0.00%	6.93%
2007	32,684	\$11.104	\$ 363	4.83%	0.00%	6.55%
2006	29,517	\$10.421	\$ 308	0.32%	0.00%	3.80%
<b><u>Investment Grade</u></b>						
December 31,						
2010	124,131	\$12.749	\$1,579	4.34%	0.00%	9.26%
2009	97,277	\$11.669	\$1,135	5.44%	0.00%	20.94%
2008	62,879	\$ 9.648	\$ 607	4.94%	0.00%	(11.60%)
2007	48,285	\$10.914	\$ 527	4.33%	0.00%	5.52%
2006	31,325	\$10.344	\$ 324	0.68%	0.00%	3.99%
<b><u>Value</u></b>						
December 31,						
2010	184,882	\$11.883	\$2,201	2.05%	0.00%	13.84%
2009	176,947	\$10.394	\$1,840	2.99%	0.00%	21.03%
2008	160,323	\$ 8.588	\$1,377	1.84%	0.00%	(29.41%)
2007	135,604	\$12.165	\$1,650	1.34%	0.00%	(0.66%)
2006	97,854	\$12.246	\$1,198	0.14%	0.00%	21.43%

**FIRST INVESTORS LIFE  
MODIFIED SINGLE PREMIUM VARIABLE LIFE**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**December 31, 2010**

	Net Assets			Investment Income Ratio <sup>1</sup>	Expense Ratio <sup>2</sup>	Total Return <sup>3</sup>
	<u>Units</u>	<u>Unit Value</u>	<u>(000s)</u>			
<b><u>Target Maturity 2010</u></b>						
December 31,						
2010	-	\$ -	\$ -	5.46%	0.00%	(0.17%)
2009	2,053	\$11.723	\$ 24	6.07%	0.00%	(0.22%)
2008	4,968	\$11.749	\$ 58	4.81%	0.00%	7.33%
2007	5,013	\$10.947	\$ 55	5.08%	0.00%	8.35%
2006	4,090	\$10.103	\$ 41	0.00%	0.00%	2.02%
<b><u>Target Maturity 2015</u></b>						
December 31,						
2010	28,779	\$13.515	\$ 389	3.94%	0.00%	8.58%
2009	29,568	\$12.447	\$ 368	3.43%	0.00%	(2.22%)
2008	24,460	\$12.730	\$ 311	3.73%	0.00%	14.56%
2007	25,136	\$11.112	\$ 279	3.48%	0.00%	9.70%
2006	17,218	\$10.129	\$ 174	0.04%	0.00%	1.85%

- 1 These amounts represent the dividends, excluding distributions of capital gains, received by the sub-account from the underlying mutual fund, net of management fees assessed by the fund manager, divided by the average net assets. These ratios exclude those expenses, such as the separate account charge, that are assessed against contract owner accounts either through reductions in unit values or redemption of units. The recognition of investment income by the sub-account is affected by the timing of the declaration of dividends by the underlying fund in which the sub-account invests.
- 2 These amounts represent the annualized contract expenses of the separate account, for the periods indicated. These ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through redemption of units and expenses of the underlying fund have been excluded.
- 3 Target Maturity 2010 ceased operations on December 14, 2010. Total return represents period January 1, 2010 to December 14, 2010.

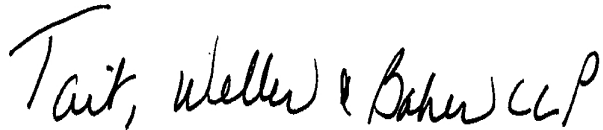
## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
First Investors Life Insurance Company  
New York, New York

We have audited the accompanying balance sheets of First Investors Life Insurance Company as of December 31, 2010 and 2009, and the related statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Investors Life Insurance Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Tait, Weller & Baker LLP". The signature is written in a cursive, flowing style.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
March 9, 2011

**FIRST INVESTORS LIFE INSURANCE COMPANY  
BALANCE SHEET**

**ASSETS**

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Investments (note 2):		
Available-for-sale securities.....	\$211,576,283	\$262,634,603
Held-to-maturity securities.....	2,540,833	2,399,978
Short term investments.....	4,790,869	5,903,648
Policy loans.....	<u>68,640,117</u>	<u>64,114,432</u>
Total investments.....	287,548,102	335,052,661
Cash.....	3,043,570	2,035,564
Premiums and other receivables.....	6,923,467	6,277,624
Accrued investment income.....	4,862,630	5,096,411
Deferred policy acquisition costs (note 6).....	41,436,300	37,820,576
Furniture, fixtures and equipment, at cost, less accumulated depreciation of \$1,128,586 in 2010 and \$1,076,858 in 2009.....	48,327	93,021
Other assets.....	377,870	409,788
Separate account assets.....	<u>858,059,574</u>	<u>792,736,645</u>
Total assets.....	<u>\$1,202,299,840</u>	<u>\$1,179,522,290</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**LIABILITIES:**

Policyholder account balances (note 6).....	\$255,599,846	\$214,806,300
Claims and other contract liabilities.....	10,910,198	11,845,842
Accounts payable and accrued liabilities.....	4,043,742	4,231,529
Payable for securities purchased.....	151,209	--
Deferred Federal income taxes (note 7).....	7,851,000	5,914,000
Separate account liabilities.....	<u>858,059,574</u>	<u>792,736,645</u>
Total liabilities.....	<u>1,136,615,569</u>	<u>1,029,534,316</u>

**STOCKHOLDER'S EQUITY:**

Common Stock, par value \$4.75; authorized, issued and outstanding 534,350 shares.....	2,538,163	2,538,163
Additional paid in capital.....	6,496,180	6,496,180
Accumulated other comprehensive income (note 2).....	4,166,000	2,702,000
Retained earnings.....	<u>52,483,928</u>	<u>138,251,631</u>
Total stockholder's equity.....	<u>65,684,271</u>	<u>149,987,974</u>
Total liabilities and stockholder's equity.....	<u>\$1,202,299,840</u>	<u>\$1,179,522,290</u>

See accompanying notes to financial statements.

**FIRST INVESTORS LIFE INSURANCE COMPANY**  
**STATEMENT OF INCOME**

	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
<b>REVENUES</b>			
Policyholder fees .....	\$19,920,593	\$18,539,073	\$20,669,633
Premiums .....	15,953,070	12,440,260	11,563,053
Investment income (note 2) .....	16,207,172	16,735,874	17,268,657
Realized gain (loss) on investments.....	7,289,334	(2,124,934)	(6,064,091)
Other income .....	<u>464,386</u>	<u>746,676</u>	<u>891,248</u>
 Total income .....	 <u>59,834,555</u>	 <u>46,336,949</u>	 <u>44,328,500</u>
<b>BENEFITS AND EXPENSES</b>			
Benefits and increases in contract liabilities.....	17,052,796	10,887,459	9,680,933
Dividends to policyholders .....	762,433	736,104	991,297
Amortization of deferred acquisition costs (note 6) ...	4,535,005	1,218,916	8,914,048
Commissions and general expenses.....	<u>14,065,024</u>	<u>14,259,565</u>	<u>16,728,051</u>
Total benefits and expenses .....	<u>36,415,258</u>	<u>27,102,044</u>	<u>36,314,329</u>
 Income before Federal income tax .....	 23,419,297	 19,234,905	 8,014,171
Federal income tax (note 7):			
Current .....	5,003,000	4,486,000	4,311,000
Deferred .....	<u>1,184,000</u>	<u>2,280,000</u>	<u>(1,523,000)</u>
	<u>6,187,000</u>	<u>6,766,000</u>	<u>2,788,000</u>
 Net Income .....	 <u>\$17,232,297</u>	 <u>\$ 12,468,905</u>	 <u>\$ 5,226,171</u>
 Income per share, based on 534,350 shares outstanding		 <u>\$32.25</u>	 <u>\$23.33</u>
<u>\$9.78</u>			

See accompanying notes to financial statements.

**FIRST INVESTORS LIFE INSURANCE COMPANY**  
**STATEMENT OF STOCKHOLDER'S EQUITY**

	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
Balance at beginning of year .....	\$149,987,974	\$136,076,069	\$140,387,898
Net income.....	17,232,297	12,468,905	5,226,171
Other comprehensive income			
Increase (decrease) in unrealized holding gains on available-for-sale securities .....	<u>1,464,000</u>	<u>10,143,000</u>	<u>(7,538,000)</u>
Comprehensive income (loss) .....	18,696,297	22,611,905	(2,311,829)
Dividends Paid .....	<u>(103,000,000)</u>	<u>(8,700,000)</u>	<u>(2,000,000)</u>
Balance at end of year .....	<u>\$ 65,684,271</u>	<u>\$149,987,974</u>	<u>\$136,076,069</u>

**STATEMENT OF CASH FLOWS**

	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
Increase (decrease) in cash:			
Cash flows from operating activities:			
Policyholder fees received.....	\$ 19,501,574	\$ 19,083,483	\$ 21,046,129
Premiums received.....	16,131,337	11,985,168	10,440,845
Amounts received on policyholder accounts .....	66,256,908	50,925,944	47,916,700
Investment income received .....	17,695,158	17,268,897	17,689,962
Other receipts.....	230,496	336,475	411,947
Benefits and contract liabilities paid.....	(43,932,436)	(48,277,349)	(50,117,234)
Commissions and general expenses paid.....	<u>(28,218,729)</u>	<u>(23,472,740)</u>	<u>(27,108,378)</u>
Net cash provided by operating activities.....	<u>47,664,308</u>	<u>27,849,878</u>	<u>20,279,971</u>
Cash flows from investing activities:			
Proceeds from sale of investment securities .....	187,138,555	175,170,176	173,975,184
Purchase of investment securities .....	(126,679,862)	(194,377,573)	(190,723,419)
Purchase of furniture, equipment and other assets ....	(7,034)	(3,790)	(100,506)
Net increase in policy loans .....	<u>(4,525,685)</u>	<u>(2,004,988)</u>	<u>(1,687,689)</u>
Net cash provided by (used for) investing activities..	<u>55,925,974</u>	<u>(21,216,175)</u>	<u>(18,536,430)</u>
Cash flows from financing activities:			
Dividends paid.....	<u>(102,582,276)</u>	<u>(8,700,000)</u>	<u>(2,000,000)</u>
Net cash used for financing activities .....	<u>102,582,276)</u>	<u>(8,700,000)</u>	<u>(2,000,000)</u>
Net increase (decrease) in cash.....	1,008,006	(2,066,297)	(256,459)
Cash			
Beginning of year .....	<u>2,035,564</u>	<u>4,101,861</u>	<u>4,358,320</u>
End of year .....	<u>\$ 3,043,570</u>	<u>\$ 2,035,564</u>	<u>\$ 4,101,861</u>

The Company paid Federal income taxes of \$6,046,000 in 2010, \$2,733,000 in 2009 and \$5,526,000 in 2008.

See accompanying notes to financial statements.

**FIRST INVESTORS LIFE INSURANCE COMPANY**

**STATEMENT OF CASH FLOWS**

	<u>Year ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
Reconciliation of net income to net cash provided by operating activities:			
Net income.....	\$ 17,232,297	\$ 12,468,905	\$ 5,226,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	83,646	114,948	113,636
Amortization of deferred policy acquisition costs	4,535,005	1,218,916	8,914,048
Realized investment (gains) losses .....	(7,289,334)	2,124,934	6,064,091
Amortization of premiums and discounts on investments .....	1,254,205	813,155	662,657
Deferred Federal income taxes .....	1,184,000	2,280,000	(1,523,000)
Other items not requiring cash - net .....	129,199	36,403	24,411
(Increase) decrease in:			
Premiums and other receivables, net .....	(663,877)	1,520,361	(1,651,072)
Accrued investment income .....	233,781	(280,132)	(241,352)
Deferred policy acquisition costs, exclusive of amortization.....	(8,704,729)	(7,056,871)	(3,888,541)
Other assets.....	--	(1,951)	(130,218)
Increase (decrease) in:			
Policyholder account balances.....	40,793,546	14,713,409	7,763,293
Claims and other contract liabilities .....	(935,644)	(960,663)	(568,898)
Accounts payable and accrued liabilities.....	<u>(187,787)</u>	<u>858,464</u>	<u>(485,255)</u>
	<u>\$ 47,664,308</u>	<u>\$ 27,849,878</u>	<u>\$ 20,279,971</u>

See accompanying notes to financial statements.

# FIRST INVESTORS LIFE INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### *Note 1 — Basis of Financial Statements*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). Such basis of presentation differs from statutory accounting practices permitted or prescribed by insurance regulatory authorities primarily in that:

- (a) policy reserves are computed according to the Company's estimates of mortality, investment yields, withdrawals and other benefits and expenses, rather than on the statutory valuation basis;
- (b) certain expenditures, principally for furniture and equipment and agents' debit balances, are recognized as assets rather than being non-admitted and therefore charged to retained earnings;
- (c) commissions and other costs of acquiring new business are recognized as deferred acquisition costs and are amortized over the premium paying period of policies and contracts, rather than charged to current operations when incurred;
- (d) income tax effects of temporary differences, relating primarily to policy reserves and acquisition costs, are provided;
- (e) the statutory asset valuation and interest maintenance reserves are reported as retained earnings rather than as liabilities;

### *Note 2 — Other Significant Accounting Practices*

(a) *Accounting Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(b) *Depreciation.* Depreciation is computed on the useful service life of the depreciable asset using the straight line method of depreciation over three to seven years.

(c) *Investments.* Investments in equity securities that have readily determinable fair values and all investments in debt securities are classified in separate categories and accounted for as follows:

#### **Held-to-Maturity Securities**

Debt securities in which the Company has the positive intent and ability to hold to maturity are recorded at amortized cost.

#### **Available-For-Sale Securities**

Debt securities not classified as held to maturity securities and equity securities are recorded at fair value with unrealized gains and losses excluded from earnings and reported as "accumulated other comprehensive income" in stockholder's equity.

Short term investments are reported at market value which approximates cost.

Gains and losses on sales of investments are determined using the specific identification method.

Investment income for the years indicated consists of the following:

	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
Interest on fixed maturities .....	\$ 12,679,583	\$ 13,451,617	\$ 13,221,034
Interest on short term investments .....	19,106	38,539	393,143
Dividends on preferred stock .....	--	--	498,260
Interest on policy loans .....	<u>4,049,495</u>	<u>3,780,707</u>	<u>3,761,330</u>
 Total investment income .....	 16,748,184	 17,270,863	 17,873,767
Investment expense .....	<u>541,012</u>	<u>534,989</u>	<u>605,110</u>
 Net investment income .....	 <u>\$16,207,172</u>	 <u>\$ 16,735,874</u>	 <u>\$ 17,268,657</u>

**FIRST INVESTORS LIFE INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

The amortized cost and estimated market values of investments at December 31, 2010 and 2009 are as follows:

	<u>Amortized</u> <u>Cost</u>	<u>Gross</u> <u>Unrealized</u> <u>Gains</u>	<u>Gross</u> <u>Unrealized</u> <u>Losses</u>	<u>Estimated</u> <u>Market</u> <u>Value</u>
<u>Available-For-Sale Securities</u>				
<u>December 31, 2010</u>				
U.S. Treasury Securities and obligations of U.S. Government Corporations and Agencies .....	\$ 28,360,345	\$ 1,055,874	\$ 34,579	\$ 29,381,640
Debt Securities issued by States of the U.S.....	21,919,439	100,227	889,947	21,129,719
Corporate Debt Securities .....	<u>153,679,499</u>	<u>8,467,035</u>	<u>1,081,610</u>	<u>161,064,924</u>
	<u>\$203,959,283</u>	<u>\$ 9,623,136</u>	<u>\$ 2,006,136</u>	<u>\$211,576,283</u>
 <u>December 31, 2009</u>				
U.S. Treasury Securities and obligations of U.S. Government Corporations and Agencies .....	\$ 78,191,518	\$ 935,758	\$ 186,536	\$ 78,940,740
Debt Securities issued by States of the U.S.....	6,593,845	132,695	--	6,726,540
Corporate Debt Securities .....	<u>173,003,220</u>	<u>6,395,610</u>	<u>2,431,507</u>	<u>176,967,323</u>
	<u>\$257,788,583</u>	<u>\$ 7,464,063</u>	<u>\$ 2,618,043</u>	<u>\$262,634,603</u>

At December 31, 2010 and 2009, Unrealized Gains (Losses) on Available-For-Sale Securities of \$4,166,000 and \$2,702,000, net of applicable deferred income taxes and amortization of deferred acquisition cost is included as accumulated other comprehensive income in Stockholder's Equity. The change in the Unrealized Gains (Losses) of \$1,464,000, \$10,143,000 and (\$7,538,000) net of deferred income taxes (benefit) and amortization of deferred acquisition costs of \$1,307,000, \$8,285,000 and (\$6,078,000) for 2010, 2009 and 2008, respectively is reported as other comprehensive income in the Statement of Stockholder's Equity.

Held-To-Maturity Securities

December 31, 2010

U.S. Treasury Securities and obligations of U.S. Government Corporations and Agencies* .....	\$ 2,540,833	\$ --	\$ 40,837	\$ 2,499,996
	<u>\$ 2,540,833</u>	<u>\$ --</u>	<u>\$ 40,837</u>	<u>\$ 2,499,996</u>

December 31, 2009

U.S. Treasury Securities and obligations of U.S. Government Corporations and Agencies* .....	\$ 2,399,978	\$ --	\$ 199,461	\$ 2,200,517
	<u>\$ 2,399,978</u>	<u>\$ --</u>	<u>\$ 199,461</u>	<u>\$ 2,200,517</u>

\*These securities are on deposit for various state insurance departments and are therefore restricted as to sale.

# FIRST INVESTORS LIFE INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS (Continued)

The amortized cost and estimated market value of debt securities at December 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held to Maturity		Available For Sale	
	Amortized	Estimated	Amortized	Estimated
	Cost	Market Value	Cost	Market Value
Due in one year or less .....	\$ —	\$ —	\$ 8,390,030	\$ 8,595,950
Due after one year through five years .....	—	—	34,823,647	36,854,527
Due after five years through ten years.....	2,540,833	2,499,996	119,097,983	125,169,193
Due after ten years.....	—	—	41,647,623	40,956,613
	<u>\$ 2,540,833</u>	<u>\$ 2,499,996</u>	<u>\$203,959,283</u>	<u>\$211,576,283</u>

Proceeds from sales of investments in fixed maturities were \$186,553,704, \$168,297,467 and \$167,085,232 in 2010, 2009 and 2008, respectively. Gross gains of \$7,532,336 and gross losses of \$243,963 were realized on those sales in 2010. Gross gains of \$3,884,570 and gross losses of \$6,009,504 were realized on those sales in 2009. Gross gains of \$815,814 and gross losses of \$6,891,791 were realized on those sales in 2008. During 2008, the Company determined that \$2,495,767 of unrealized losses were other than temporarily impaired on available-for-sale securities.

### (d) *Recognition of Revenue, Policyholder Account Balances and Policy Benefits*

#### **Traditional Ordinary Life and Health**

Revenues from the traditional life insurance policies represent premiums that are recognized as earned when due. Health insurance premiums are recognized as revenue over the time period to which the premiums relate. Benefits and expenses are associated with earned premiums so as to result in recognition of profits over the lives of the contracts. This association is accomplished by means of the provision for liabilities for future policy benefits and the deferral and amortization of policy acquisition costs. Contract benefit claims are charged to expense in the period that the claims are incurred.

#### **Universal Life and Variable Life**

Revenues from universal life and variable life policies represent amounts assessed against policyholders. Included in such assessments are mortality charges, surrender charges and policy service fees.

Policyholder account balances on universal life consist of the premiums received plus credited interest ranging from 4 ½ percent to 5 percent, less accumulated policyholder assessments. Amounts included in expense represent benefits in excess of policyholder account balances. The value of policyholder accounts on variable life is included in separate account liabilities as discussed below.

#### **Annuities**

Revenues from annuity contracts represent amounts assessed against contractholders. Such assessments are principally sales charges, administrative fees, and in the case of variable annuities, mortality and expense risk charges. The carrying value and fair value of fixed annuities are equal to the policyholder account balances, which represent the net premiums received plus accumulated interest.

(e) *Separate Accounts.* Separate account assets and the related liabilities, both of which are valued at market, represent segregated variable annuity and variable life contracts maintained in accounts to meet specific investment objectives of contractholders who bear the investment risk. All investment income (gains and losses of these accounts) accrues directly to the contractholders and therefore does not affect net income of the Company. The assets supporting the variable portion of the variable annuity and variable life contracts are carried at fair value and are reported as summary total separate assets with an equivalent summary total reported for liabilities. Amounts assessed against the contractholders for mortality, administrative and other services are included in policyholder benefits in the Statement of Income.

# FIRST INVESTORS LIFE INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS (Continued)

(f) *Minimum Guarantees.* The Company issues variable annuity contracts through separate accounts where the Company contractually guarantees to the contractholder (1) total deposits made to the contract less any partial withdrawals and (2) the account balance on a specified anniversary date adjusted for deposits less partial withdrawals since the specified anniversary date. This guarantee includes benefits that are payable in the event of death.

(g) *Business Risks and Uncertainties.* The development of liabilities for future policy benefits for the Company's products requires management to make estimates and assumptions regarding mortality, morbidity, lapse, expense, persistency and investment experience. Such estimates are primarily based on historical experience and future expectations of mortality, morbidity, lapse, expense, persistency and investment assumptions. Actual results could differ materially from these estimates. Management monitors actual experience and, if circumstances warrant, revises its assumptions and related future policy benefit estimates. The Company's investments are primarily comprised of both short term and long term fixed maturity securities. Significant changes in prevailing interest rates and geographic conditions may adversely affect the timing and amount of cash flows on such investments and their related values. A significant decline in the fair values of these investments could have an adverse effect on the Company's balance sheet.

(h) *Comprehensive Income.* Comprehensive income includes net income and unrealized gains and losses on available-for-sale securities and is presented in the Statement of Stockholder's Equity. Accumulated other comprehensive income is a component of stockholder's equity and consists of unrealized gains and losses on available-for-sale securities.

(i) *Subsequent Events.* In September 2010, First Investors Consolidated Corporation ("FICC"), the parent of the Company, entered into an agreement with The Independent Order of Foresters ("Foresters"), a Fraternal Benefit Society in Canada under which Foresters will acquire 100% of the outstanding stock of FICC after the spin-off of certain subsidiaries which are primarily engaged in banking and real estate. The transaction closed on January 19, 2011. On January 18, 2011, FICC spun-off the banking and real estate subsidiaries, which were not part of the sales, in a taxable exchange.

### Note 3 — Fair Value of Financial Instruments

The carrying amounts for cash, short-term investments and policy loans as reported in the accompanying balance sheet approximate their fair values. Short-term investments are carried primarily at amortized cost. The fair values for fixed maturity and equity-securities are based upon quoted market prices, where available or are estimated using values from independent pricing services.

The carrying amounts for the Company's liabilities under investment - type contracts approximate their fair values because interest rates credited to account balances approximate current rates paid on similar investments and are generally not guaranteed beyond one year. Fair values for the Company's insurance contracts other than investment - type contracts are not required to be disclosed. However, the fair values of liabilities for all insurance contracts are taken into consideration in the overall management of interest rate risk, which minimizes exposure to changing interest rates.

The Company utilizes various methods to measure the fair value of its financial instruments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

# FIRST INVESTORS LIFE INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS (Continued)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as level 2.

The summary of inputs used to value the Company's assets that are carried at fair value as of December 31, 2010 and 2009 is as follows:

	<b>2010</b>			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities.....	\$ 211,576,283	\$ --	\$211,576,283	\$ --
Held-to-maturity securities.....	2,540,833	--	2,540,833	--
Short-term investments .....	4,790,869	--	4,790,869	--
Separate account assets (2).....	<u>858,059,574</u>	<u>858,059,574</u>	<u>--</u>	<u>--</u>
Total assets accounted for at fair value .....	<u>\$1,076,967,559</u>	<u>\$858,059,574</u>	<u>\$218,907,985</u>	<u>\$ --</u>

	<b>2009</b>			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities.....	\$ 262,634,603	\$ --	\$262,634,603	\$ --
Held-to-maturity securities.....	2,399,978	--	2,399,978	--
Short-term investments (1).....	5,356,725	--	5,356,725	--
Separate account assets (2).....	<u>792,736,645</u>	<u>792,736,645</u>	<u>--</u>	<u>--</u>
Total assets accounted for at fair value .....	<u>\$1,063,127,951</u>	<u>\$792,736,645</u>	<u>\$270,391,306</u>	<u>\$ --</u>

(1) – Excludes an investment in an affiliate, which is carried at equity.

(2) – The total value of separate account liabilities is set to equal the fair value of the separate account assets.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2010 and 2009.

### *Note 4 — Retirement Plans*

The Company participates in a non-contributory profit sharing plan for the benefit of its employees and those of other wholly-owned subsidiaries of its parent. The profit sharing plan provides for retirement benefits based upon earnings. Vesting of benefits is based upon years of service. For the years ended December 31, 2010, 2009 and 2008, the Company charged operations approximately \$103,000, \$13,000 and \$200,000 respectively for its portion of the contribution.

In addition, the Company participates in a 401(k) savings plan covering all of its eligible employees and those of other wholly-owned subsidiaries of its parent whereby employees may voluntarily contribute a percentage of their compensation with the Company matching a portion of the contributions of certain employees. Contributions to this plan were not material.

### *Note 5 — Commitments and Contingent Liabilities*

The Company has agreements with affiliates and non-affiliates as follows:

(a) The Company's maximum retention on any one life is \$250,000. The Company reinsures a portion of its risk with other insurance companies and reserves are reduced by the amount of reserves for such reinsured risks. The Company is liable for any obligations that any reinsurance company may be unable to meet. The Company had reinsured approximately 53%, 42% and 41% of its net life insurance in force at December 31, 2010, 2009 and 2008. The Company also had assumed reinsurance amounting to approximately 0%, 19% and 18% of its net life insurance in force at the respective year-ends. None of these transactions had any material effect on the Company's operating results.

(b) The Company and certain affiliates share office space, data processing facilities and management personnel. Charges for these services are based upon the Company's proportionate share of: space occupied, usage of data processing facilities and time allocated to management. During the years ended December 31, 2010, 2009 and 2008, the Company paid approximately \$2,748,000, \$2,763,000 and \$2,965,000, respectively, for these services. In addition, the Company reimbursed an affiliate approximately \$6,681,000 in 2010, \$5,262,000 in 2009, and \$4,173,000 in 2008 for commissions relating to the sale of its products.

The Company maintains a checking account with a financial institution, which is also a wholly-owned subsidiary of its parent. The balance in this account was approximately \$348,000 at December 31, 2010 and \$611,000 at December 31, 2009.

## FIRST INVESTORS LIFE INSURANCE COMPANY

### NOTES TO FINANCIAL STATEMENTS (Continued)

(c) The Company is subject to certain claims and lawsuits arising in the ordinary course of business. In the opinion of management, all such claims currently pending will not have a material adverse effect on the financial position of the Company or its results of operations.

#### *Note 6 — Adjustments Made to Statutory Accounting Practices*

Note 1 describes some of the common differences between statutory practices and generally accepted accounting principles. The effects of these differences for the years ended December 31, 2010, 2009 and 2008 are shown in the following table in which net income and capital shares and surplus reported therein on a statutory basis are adjusted to a GAAP basis.

	<b>Net Income</b>			<b>Capital Shares and Surplus</b>		
	<b>Year Ended December 31</b>			<b>at December 31</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Reported on a statutory basis.....	\$10,064,626	\$ 9,737,351	\$8,756,781	\$28,474,789	\$120,027,241	\$119,664,009
Adjustments:						
Deferred policy acquisition costs (b).....	4,169,724	5,837,955	(5,025,507)	41,436,300	37,820,576	35,041,621
Future policy benefits (a).....	(2,300,058)	20,842	2,515,737	(4,135,245)	(1,835,187)	(1,856,029)
Deferred income taxes .....	(1,184,000)	(2,280,000)	1,523,000	(9,879,000)	(8,778,000)	(1,388,000)
Premiums due and deferred (e).....	1,444,020	(424,701)	(341,440)	(2,318,864)	(3,762,884)	(3,338,183)
Non-admitted assets.....	—	—	—	531,346	611,329	710,249
Asset valuation reserve.....	—	—	—	1,146,121	1,058,899	609,872
Interest maintenance reserve.....	12,811	383,372	177,105	2,811,824	—	—
Gross unrealized holding gains (losses) on available-for-sale securities.....	—	—	—	7,617,000	4,846,000	(13,367,470)
Net realized capital gains (losses) .....	7,369,149	(1,165,926)	(3,568,324)	—	—	—
Other .....	(2,343,975)	360,012	1,188,819	—	—	—
	<u>7,167,671</u>	<u>2,731,554</u>	<u>(3,530,610)</u>	<u>37,209,482</u>	<u>29,960,733</u>	<u>16,412,060</u>
In accordance with generally accepted accounting principles.....	<u>\$ 17,232,297</u>	<u>\$12,468,905</u>	<u>\$12,910,322</u>	<u>\$65,684,271</u>	<u>\$149,987,974</u>	<u>\$136,076,069</u>
Per share, based on 534,350 shares outstanding.....	<u>\$32.25</u>	<u>\$23.33</u>	<u>\$24.16</u>	<u>\$122.92</u>	<u>\$280.69</u>	<u>\$254.66</u>

# FIRST INVESTORS LIFE INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS (Continued)

The following is a description of the significant policies used to adjust the net income and capital shares and surplus from a statutory to a GAAP basis.

(a) Liabilities for future policy benefits have been computed primarily by the net level premium method with assumptions as to anticipated mortality, withdrawals and investment yields. The composition of the policy liabilities and the more significant assumptions pertinent thereto are presented below:

<u>Distribution of Liabilities*</u>			<u>Basis of Assumptions</u>		
<u>2010</u>	<u>2009</u>	<u>Years of Issue</u>	<u>Interest</u>	<u>Mortality Table</u>	<u>Withdrawal</u>
Non-par:					
\$ 691,384	\$ 727,512	1962-1967	4½%	1955-60 Basic Select plus Ultimate	Linton B
2,830,733	3,010,708	1968-1988	5½%	1955-60 Basic Select plus Ultimate	Linton B
294,671	447,722	1984-1988	7½%	85% of 1965-70 Basic Select plus Ultimate	Modified Linton B
265,680	252,982	1989-2008	7½%	1975-80 Basic Select plus Ultimate	Linton B
2,348	2,114	1989-2008	7½%	1975-80 Basic Select plus Ultimate	Actual
9,468	10,342	1989-2008	8%	1975-80 Basic Select plus Ultimate	Actual
71,958,984	66,642,190	1985-Present	4-4½%	Accumulation of Funds	—
2,126,971	-	2009-2010	4½%	Percentage of 2001 Valuation Basic Table Select plus Ultimate	Actual
Par:					
134,698	131,790	1966-1967	4½%	1955-60 Basic Select plus Ultimate	Linton A
11,106,610	11,368,630	1968-1988	5½%	1955-60 Basic Select plus Ultimate	Linton A
1,048,260	1,030,598	1981-1984	7¼%	90% of 1965-70 Basic Select plus Ultimate	Linton B
4,821,818	5,037,591	1983-1988	9½%	80% of 1965-70 Basic Select plus Ultimate	Linton B
30,489,037	30,113,927	1990-2008	8%	66% of 1975-80 Basic Select plus Ultimate	Linton B
Annuities:					
44,691,178	20,551,136	1976-Present	4-4¼%	Accumulation of Funds	—
5,855,510	1,578,892	2009-Present	4-4½%	95% A2000 Basic Table with Projection Scale G	—
Miscellaneous:					
80,747,677	74,123,093	1962-Present	2½%-5¼%	1958-CSO/1980-CSO/2001-CSO	None

\* The above amounts are before deduction of deferred premiums of \$1,475,181 in 2010 and \$1,801,819 in 2009.

(b) The costs of acquiring new business, principally commissions and related agency expenses, and certain costs of issuing policies, such as medical examinations and inspection reports, all of which vary with and are primarily related to the production of new business, have been deferred. Costs deferred on universal life and variable life are amortized as a level percentage of the present value of anticipated gross profits resulting from investment yields, mortality and surrender charges. The assumptions used in the estimation of future gross profits are based on the Company's current best estimate of future events and are reviewed annually by the Company. Costs deferred on traditional ordinary life and health are amortized over the premium-paying period of the related policies in proportion to the ratio of the annual premium revenue to the total anticipated premium revenue. Anticipated premium revenue was estimated using the same assumptions that were used for computing liabilities for future policy benefits. Amortization of \$4,535,005 in 2010, \$1,218,916 in 2009 and \$8,914,048 in 2008 was charged to operations.

(c) Participating business represented 2.0% and 1.8% of individual life insurance in force at December 31, 2010 and 2009, respectively.

The Board of Directors annually approves a dividend formula for calculation of dividends to be distributed to participating policyholders.

The portion of earnings of participating policies that can inure to the benefit of shareholders is limited to the larger of 10% of such earnings or \$.50 per thousand dollars of participating insurance in force. Earnings in excess of that limit must be excluded from shareholders' equity by a charge against operations. No such charge has been made, since participating business has operated at a loss to date on a statutory basis. It is anticipated, however, that the participating lines will be profitable over the lives of the policies.

(d) New York State insurance law prohibits the payment of dividends to stockholders from any source other than the statutory unassigned surplus. The amount of said surplus was \$19,440,447, \$110,992,899 and \$110,629,667 at December 31, 2010, 2009 and 2008, respectively.

(e) Statutory due and deferred premiums are adjusted to conform to the expected premium revenue used in computing future benefits and deferred policy acquisition costs. In this regard, the GAAP due premium is recorded as an asset and the

GAAP deferred premium is applied against future policy benefits.

**FIRST INVESTORS LIFE INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

*Note 7 — Federal Income Taxes*

The Company joins with its parent company and other affiliated companies in filing a consolidated Federal income tax return. The provision for Federal income taxes is determined on a separate company basis. Management has analyzed the Company's tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state and local income tax returns for all open tax years (2007 – 2009) or expected to be taken on the Company's 2010 tax return.

Retained earnings at December 31, 2010 included approximately \$146,000 which is defined as "policyholders' surplus" and may be subject to Federal income tax at ordinary corporate rates under certain future conditions, including distributions to stockholders.

Deferred tax liabilities (assets) are comprised of the following:

	<u>2010</u>	<u>2009</u>
Deferred Tax Assets:		
Policyholder dividend provision.....	\$ (242,740)	\$ (247,182)
Non-qualified agents' pension plan reserve .....	(153,598)	(24,913)
Future policy benefits .....	(3,574,691)	(2,615,829)
Write down of securities.....	--	(873,518)
Other.....	<u>(508,918)</u>	<u>(453,226)</u>
Total Deferred Tax Assets .....	<u>(4,479,947)</u>	<u>(4,214,668)</u>
Deferred Tax Liabilities:		
Deferred policy acquisition costs .....	10,111,374	8,651,834
Bond discount.....	73,573	83,834
Unrealized holding gains on Available-For-Sale Securities.....	<u>2,146,000</u>	<u>1,393,000</u>
Total Deferred Tax Liabilities .....	<u>12,330,947</u>	<u>10,128,668</u>
Net Deferred Tax (Assets) Liabilities .....	<u>\$ 7,851,000</u>	<u>\$ 5,914,000</u>

*Note 8 — Variable Annuity Contracts*

The Company maintains traditional variable annuity contracts through its separate accounts, for which investment income (gains and losses of these accounts) accrues directly to, and investment risk is borne by, the contractholder. The Company provides a guarantee to benefit the related contractholder or GMDB. The GMDB provides a specified minimum return upon death. The Company offers two primary GMDB types:

- Return of premium – provides the greater of account value or total deposits made to the contract less any partial withdrawals.
- Reset – provides the greater of a return of premium death benefit or the anniversary (the seventh year) account value adjusted for withdrawals.

As of December 31, 2010 and 2009 the net amount of risk on the above GMDB was approximately \$4.5 million and \$13.0 million; respectively. The net amount at risk is calculated on a seriatim basis and represents the greater of the respective guaranteed benefit less the account value. The account balance of contracts with guarantees were invested in fixed income (\$116 million in 2010; \$122 million in 2009), equity (\$277 million in 2010; \$269 million in 2009) and money market (\$10 million in 2010; \$8 million in 2009) mutual funds.