

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, 2010

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, 2010. 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.

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

TABLE OF CONTENTS

	<u>Page</u>
General Description	2
Services	3
Other Information	3
Valuation Information	4
Relevance of Financial Statements	5
Appendix	6
Financial Statements.....	7

First Investors Life Insurance Company.

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

Name	FIL Office	Principal Occupation for Last Five Years
Jay G. Baris	Director	Partner, Kramer Levin Naftalis & Frankel LLP, New York, Attorneys.
Carol Lerner Brown	Secretary	Assistant Secretary, FIC; Secretary, FIMCO and FICC.
Glenn T. Dallas	Director	Retired since April 1996.
William H. Drinkwater	Senior Vice President, Chief Actuary and Director	Senior Vice President, Chief Actuary since August 2003 and Director, FIL.
Lawrence M. Falcon	Senior Vice President and Comptroller	Senior Vice President and Comptroller, FIL.
Lawrence A. Fauci	Director	Consultant and Director, FIC.
Robert M. Flanagan	Vice President and Director	Vice President FIL since June 2001; President, FIC; Senior Vice President FIC 2000-2001; Vice President FICC since June 1997.
Richard H. Gaebler	Director	Retired January, 2000.
Kathryn S. Head	Chairman and Director	Chairman, President and Director, FICC, FIMCO and ADM; Chairman, CEO and Director, FIC; Chairman and Director, First Investors Federal Savings Bank.
Jason Helbraun	Assistant Vice President	Assistant Vice President, FIL since May 2006; Corporate Actuary, FIL July 2005 – May 2006; Financial Actuary at Inviva, Inc., 2003 to 2005.
Scott Hodes	Director	Partner, Bryan Cave LLP, Chicago, Illinois since 2003.
William M. Lipkus	Vice President, Chief Financial Officer, Treasurer and Director	Chief Financial Officer, FIC since December 1997 and, FICC since June 1997; Vice President, FIL since May 1996; Chief Financial Officer since May 1998; Chief Accounting Officer since June 1992.
Glen Mueller	Vice President and Chief Underwriter	Vice President and Chief Underwriter, FIL; Vice President and Life Chief Underwriter, C.N.A. November 2002-June 2004.
Jackson Ream	Director	Retired since January 1999.
Nelson Schaenen Jr.	Director	Retired since January 2002.
David Schimmel	Assistant Vice President	Assistant Vice President, FIL since July 2006; Manager, FIL January 2001 – July 2006.
Carol E. Springsteen	President and Director	President and Director, FIL; Vice President, Individual Policy Services, New York Life Insurance Company until August, 2003.
John Shey	Assistant Vice President	Assistant Vice President, FIL since May 2006; Actuary, FIL January 2002 – April 2006.
Clark D. Wagner	Director	Director of Fixed Income, FIMCO; Vice President, First Investors Multi-State Insured Tax Free Fund, First Investors New York Insured Tax Free Fund, Inc., First Investors Government Fund, Inc., First Investors Series Fund, First Investors Insured Tax Exempt Fund, Inc, First Investors Insured Tax Exempt Fund II, and First Investors Insured Intermediate Tax Exempt Fund.

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, 2007, 2008, and 2009, FIC received fees of \$ 199,948, \$ 175,711 and \$193,639 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 National Association of Securities Dealers.

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, 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

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**

Unit Value = A x 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

Then, the Unit Value = \$1.46328760 x 1.01430274 = \$1.484216622

Financial Statements
as of
December 31, 2009

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, 2009, and the related statements of operations for the year then ended and of changes in net assets for the years ended December 31, 2009 and 2008 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, 2009 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, 2009, 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, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.


TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
March 9, 2010**

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

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2009

	<u>Cash Management</u>	<u>High Yield</u>	<u>Growth & Income</u>	<u>Discovery</u>
ASSETS				
Investments at net asset value (Note 3):				
First Investors Life Series Fund	\$205,774	\$721,495	\$2,321,360	\$1,382,802
LIABILITIES				
Payable to First Investors Life Insurance Company	-	-	-	-
NET ASSETS	<u>\$205,774</u>	<u>\$721,495</u>	<u>\$2,321,360</u>	<u>\$1,382,802</u>
Net assets represented by Contracts in accumulation period	<u>\$205,774</u>	<u>\$721,495</u>	<u>\$2,321,360</u>	<u>\$1,382,802</u>

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

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

December 31, 2009

	<u>Blue Chip</u>	<u>International</u>	<u>Select Growth</u>	<u>Government</u>
ASSETS				
Investments at net asset value (Note 3):				
First Investors Life Series Fund	\$1,063,462	\$1,352,197	\$260,287	\$623,189
LIABILITIES				
Payable to First Investors Life Insurance Company	-	-	-	-
NET ASSETS	<u>\$1,063,462</u>	<u>\$1,352,197</u>	<u>\$260,287</u>	<u>\$623,189</u>
Net assets represented by Contracts in accumulation period	<u>\$1,063,462</u>	<u>\$1,352,197</u>	<u>\$260,287</u>	<u>\$623,189</u>

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

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

December 31, 2009

	<u>Investment Grade</u>	<u>Value</u>	<u>Target Maturity 2010</u>	<u>Target Maturity 2015</u>
ASSETS				
Investments at net asset value (Note 3):				
First Investors Life Series Fund	\$1,134,884	\$1,839,551	\$24,058	\$368,032
LIABILITIES				
Payable to First Investors Life Insurance Company	-	-	-	-
NET ASSETS	<u>\$1,134,884</u>	<u>\$1,839,551</u>	<u>\$24,058</u>	<u>\$368,032</u>
Net assets represented by Contracts in accumulation period	<u>\$1,134,884</u>	<u>\$1,839,551</u>	<u>\$24,058</u>	<u>\$368,032</u>

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

STATEMENT OF OPERATIONS

Year ended December 31, 2009

	<u>Cash Management</u>	<u>High Yield</u>	<u>Growth & Income</u>	<u>Discovery</u>
INVESTMENT INCOME				
Income:				
Dividends	\$ 306	\$ 53,044	\$ 32,262	\$ 13,302
Expenses:				
Mortality and expense risks (Note 5)	<u>5,278</u>	<u>9,825</u>	<u>31,078</u>	<u>18,985</u>
NET INVESTMENT INCOME (LOSS)	<u>(4,972)</u>	<u>43,219</u>	<u>1,184</u>	<u>(5,683)</u>
REALIZED GAINS ON INVESTMENTS				
Realized gain distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Beginning of year	-	(180,360)	(1,040,897)	(427,770)
End of year	<u>-</u>	<u>(69,443)</u>	<u>(604,989)</u>	<u>(135,875)</u>
Change in unrealized depreciation on investments	<u>-</u>	<u>110,917</u>	<u>435,908</u>	<u>291,895</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u><u>\$(4,972)</u></u>	<u><u>\$ 154,136</u></u>	<u><u>\$ 437,092</u></u>	<u><u>\$ 286,212</u></u>

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

**STATEMENT OF OPERATIONS
(Continued)**

Year ended December 31, 2009

	<u>Blue Chip</u>	<u>International</u>	<u>Select Growth</u>	<u>Government</u>
INVESTMENT INCOME				
Income:				
Dividends	\$ 16,935	\$ 44,241	\$ -	\$21,036
Expenses:				
Mortality and expense risks (Note 5)	<u>14,349</u>	<u>18,347</u>	<u>2,934</u>	<u>9,934</u>
NET INVESTMENT INCOME (LOSS)	<u>2,586</u>	<u>25,894</u>	<u>(2,934)</u>	<u>11,102</u>
REALIZED GAINS ON INVESTMENTS				
Realized gain distributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Beginning of year	(274,843)	(549,819)	(42,731)	25,546
End of year	<u>(117,271)</u>	<u>(350,177)</u>	<u>(21,189)</u>	<u>27,717</u>
Change in unrealized appreciation (depreciation) on investments	<u>157,572</u>	<u>199,642</u>	<u>21,542</u>	<u>2,171</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 160,158</u>	<u>\$ 225,536</u>	<u>\$ 18,608</u>	<u>\$13,273</u>

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

**STATEMENT OF OPERATIONS
(Continued)**

Year ended December 31, 2009

	<u>Investment Grade</u>	<u>Value</u>	<u>Target Maturity 2010</u>	<u>Target Maturity 2015</u>
INVESTMENT INCOME				
Income:				
Dividends	\$ 42,154	\$ 45,455	\$ 3,156	\$ 11,811
Expenses:				
Mortality and expense risks (Note 5)	<u>13,471</u>	<u>26,701</u>	<u>967</u>	<u>6,071</u>
NET INVESTMENT INCOME	<u>28,683</u>	<u>18,754</u>	<u>2,189</u>	<u>5,740</u>
REALIZED GAINS ON INVESTMENTS				
Realized gain distributions	<u>-</u>	<u>-</u>	<u>742</u>	<u>433</u>
UNREALIZED APPRECIATION (DEPRECIATION) ON INVESTMENTS				
Beginning of year	(98,256)	(472,578)	3,690	52,267
End of year	<u>(2,869)</u>	<u>(197,453)</u>	<u>(310)</u>	<u>33,222</u>
Change in unrealized appreciation (depreciation) on investments	<u>95,387</u>	<u>275,125</u>	<u>(4,000)</u>	<u>(19,045)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 124,070</u>	<u>\$ 293,879</u>	<u>\$ (1,069)</u>	<u>\$ (12,872)</u>

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

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31,

	Cash		High Yield	
	Management			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ (4,972)	\$ (176)	\$ 43,219	\$ 25,848
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>-</u>	<u>-</u>	<u>110,917</u>	<u>(169,827)</u>
Net increase (decrease) in net assets resulting from operations	<u>(4,972)</u>	<u>(176)</u>	<u>154,136</u>	<u>(143,979)</u>
From Contract Transactions				
Net insurance premiums from contract owners	97,662	(78,226)	170,897	146,486
Transfers between sub-accounts	(12,355)	-	(3,901)	(12,067)
Cost of insurance (Note 5)	(3,621)	(3,157)	(5,946)	(5,479)
Transfers for contract benefits and terminations	<u>-</u>	<u>-</u>	<u>(3,312)</u>	<u>(10,209)</u>
Increase (decrease) in net assets derived from contract transactions	<u>81,686</u>	<u>(81,383)</u>	<u>157,738</u>	<u>118,731</u>
Net increase (decrease) in net assets	76,714	(81,559)	311,874	(25,248)
Net Assets				
Beginning of year	<u>129,060</u>	<u>210,619</u>	<u>409,621</u>	<u>434,869</u>
End of year	<u>\$205,774</u>	<u>\$129,060</u>	<u>\$ 721,495</u>	<u>\$ 409,621</u>

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

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

Years ended December 31,

	<u>Growth & Income</u>		<u>Discovery</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ 1,184	\$ (7,605)	\$ (5,683)	\$ (15,258)
Realized gain distributions	-	138,684	-	52,402
Change in unrealized appreciation (depreciation) on investments	<u>435,908</u>	<u>(943,793)</u>	<u>291,895</u>	<u>(483,919)</u>
Net increase (decrease) in net assets resulting from operations	<u>437,092</u>	<u>(812,714)</u>	<u>286,212</u>	<u>(446,775)</u>
From Contract Transactions				
Net insurance premiums from contract owners	484,622	397,476	224,036	348,437
Transfers between sub-accounts	(80,492)	30,859	(1,528)	(3,235)
Cost of insurance (Note 5)	(20,417)	(22,025)	(11,001)	(11,263)
Transfers for contract benefits and terminations	<u>(55,841)</u>	<u>(8,729)</u>	<u>(44,930)</u>	<u>(15,598)</u>
Increase (decrease) in net assets derived from contract transactions	<u>327,872</u>	<u>397,581</u>	<u>166,577</u>	<u>318,341</u>
Net increase (decrease) in net assets	764,964	(415,133)	452,789	(128,434)
Net Assets				
Beginning of year	<u>1,556,396</u>	<u>1,971,529</u>	<u>930,013</u>	<u>1,058,447</u>
End of year	<u>\$2,321,360</u>	<u>\$1,556,396</u>	<u>\$1,382,802</u>	<u>\$ 930,013</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ 2,586	\$ (3,777)	\$ 25,894	\$ (16,978)
Realized gain distributions	-	-	-	128,397
Change in unrealized appreciation (depreciation) on investments	<u>157,572</u>	<u>(336,720)</u>	<u>199,642</u>	<u>(695,905)</u>
Net increase (decrease) in net assets resulting from operations	<u>160,158</u>	<u>(340,497)</u>	<u>225,536</u>	<u>(584,486)</u>
From Contract Transactions				
Net insurance premiums from contract owners	206,211	279,048	268,027	305,617
Transfers between sub-accounts	3,093	3,836	(10,777)	40,341
Cost of insurance (Note 5)	(9,433)	(9,823)	(11,003)	(11,531)
Transfers for contract benefits and terminations	<u>(26,951)</u>	<u>(10,928)</u>	<u>(18,508)</u>	<u>(7,607)</u>
Increase (decrease) in net assets derived from contract transactions	<u>172,920</u>	<u>262,133</u>	<u>227,739</u>	<u>326,820</u>
Net increase (decrease) in net assets	333,078	(78,364)	453,275	(257,666)
Net Assets				
Beginning of year	<u>730,384</u>	<u>808,748</u>	<u>898,922</u>	<u>1,156,588</u>
End of year	<u>\$1,063,462</u>	<u>\$730,384</u>	<u>\$1,352,197</u>	<u>\$ 898,922</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ (2,934)	\$ (1,617)	\$ 11,102	\$ 9,135
Realized gain distributions	-	693	-	-
Change in unrealized appreciation (depreciation) on investments	<u>21,542</u>	<u>(53,452)</u>	<u>2,171</u>	<u>12,737</u>
Net increase (decrease) in net assets resulting from operations	<u>18,608</u>	<u>(54,376)</u>	<u>13,273</u>	<u>21,872</u>
From Contract Transactions				
Net insurance premiums from contract owners	118,030	105,636	181,593	140,170
Transfers between sub-accounts	723	9,502	(49,643)	(32,630)
Cost of insurance (Note 5)	(1,388)	(906)	(7,156)	(5,954)
Transfers for contract benefits and terminations	<u>(2,910)</u>	<u>(5,599)</u>	<u>(1,435)</u>	<u>(5)</u>
Increase (decrease) in net assets derived from contract transactions	<u>114,455</u>	<u>108,633</u>	<u>123,359</u>	<u>101,581</u>
Net increase in net assets	133,063	54,257	136,632	123,453
Net Assets				
Beginning of year	<u>127,224</u>	<u>72,967</u>	<u>486,557</u>	<u>363,104</u>
End of year	<u>\$ 260,287</u>	<u>\$ 127,224</u>	<u>\$ 623,189</u>	<u>\$ 486,557</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ 28,683	\$ 19,182	\$ 18,754	\$ 1,292
Realized gain distributions	-	-	-	-
Change in unrealized appreciation (depreciation) on investments	<u>95,387</u>	<u>(108,544)</u>	<u>275,125</u>	<u>(565,875)</u>
Net increase (decrease) in net assets resulting from operations	<u>124,070</u>	<u>(89,362)</u>	<u>293,879</u>	<u>(564,583)</u>
From Contract Transactions				
Net insurance premiums from contract owners	261,538	205,356	286,264	320,750
Transfers between sub-accounts	158,285	(24,670)	(47,902)	(3,519)
Cost of insurance (Note 5)	(9,705)	(7,853)	(18,082)	(19,380)
Transfers for contract benefits and terminations	<u>(5,912)</u>	<u>(4,097)</u>	<u>(51,212)</u>	<u>(6,321)</u>
Increase (decrease) in net assets derived from contract transactions	<u>404,206</u>	<u>168,736</u>	<u>169,068</u>	<u>291,530</u>
Net increase (decrease) in net assets	528,276	79,374	462,947	(273,053)
Net Assets				
Beginning of year	<u>606,608</u>	<u>527,234</u>	<u>1,376,604</u>	<u>1,649,657</u>
End of year	<u>\$1,134,884</u>	<u>\$ 606,608</u>	<u>\$1,839,551</u>	<u>\$ 1,376,604</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Increase (Decrease) in Net Assets				
From Operations				
Net investment income (loss)	\$ 2,189	\$ 1,729	\$ 5,740	\$ 5,681
Realized gain distributions	742	178	433	-
Change in unrealized appreciation (depreciation) on investments	<u>(4,000)</u>	<u>1,129</u>	<u>(19,045)</u>	<u>29,071</u>
Net increase (decrease) in net assets resulting from operations	<u>(1,069)</u>	<u>3,036</u>	<u>(12,872)</u>	<u>34,752</u>
From Contract Transactions				
Net insurance premiums from contract owners	1,000	1,000	75,436	10,359
Transfers between sub-accounts	-	-	(556)	(8,417)
Cost of insurance (Note 5)	(519)	(512)	(5,337)	(4,684)
Transfers for contract benefits and terminations	<u>(33,740)</u>	<u>-</u>	<u>-</u>	<u>(21)</u>
Increase (decrease) in net assets derived from contract transactions	<u>(33,259)</u>	<u>488</u>	<u>69,543</u>	<u>(2,763)</u>
Net increase (decrease) in net assets	(34,328)	3,524	56,671	31,989
Net Assets				
Beginning of year	<u>58,386</u>	<u>54,862</u>	<u>311,361</u>	<u>279,372</u>
End of year	<u>\$ 24,058</u>	<u>\$ 58,386</u>	<u>\$ 368,032</u>	<u>\$ 311,361</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

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, Target Maturity 2010, and Target Maturity 2015.

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, 2010, 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, 2009

NOTE 3 — INVESTMENTS

Investments consist of the following at December 31, 2009:

	<u>Shares</u>	<u>Net Asset Value</u>	<u>Market Value</u>	<u>Cost</u>
First Investors Life Series Fund				
Cash Management	205,774	\$ 1.00	\$ 205,774	\$ 205,774
High Yield	115,541	6.24	721,495	790,937
Growth & Income	94,002	24.69	2,321,360	2,926,349
Discovery	55,260	25.02	1,382,802	1,518,677
Blue Chip	55,061	19.31	1,063,462	1,180,733
International	91,831	14.72	1,352,197	1,702,374
Select Growth	39,083	6.66	260,287	281,476
Government	60,537	10.29	623,189	595,473
Investment Grade Value	109,694 136,708	10.35 13.46	1,134,884 1,839,551	1,137,753 2,037,004
Target Maturity 2010	1,803	13.35	24,058	24,368
Target Maturity 2015	23,821	15.45	368,032	334,810

The cost of purchases and proceeds from sale of investments for the year ended December 31, 2009 were as follows:

	<u>Purchases</u>	<u>Sales</u>
Cash Management	\$ 97,969	\$ 21,254
High Yield	223,941	22,984
Growth & Income	516,884	187,828
Discovery	237,338	76,444
Blue Chip	226,239	50,733
International	312,268	58,635
Select Growth	118,753	7,232
Government	202,628	68,168
Investment Grade	461,977	29,088
Value	331,720	143,897
Target Maturity 2010	4,898	35,225
Target Maturity 2015	87,669	11,954

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

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

December 31, 2009

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 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including Separate Account E’s own assumptions in determining the fair value of investments)

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, 2009 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	\$ 205,774	\$ 205,774	\$ -	\$ -
High Yield	721,495	721,495	-	-
Growth & Income	2,321,360	2,321,360	-	-
Discovery	1,382,802	1,382,802	-	-
Blue Chip	1,063,462	1,063,462	-	-
International	1,352,197	1,352,197	-	-
Select Growth	260,287	260,287	-	-
Government	623,189	623,189	-	-
Investment Grade	1,134,884	1,134,884	-	-
Value	1,839,551	1,839,551	-	-
Target maturity 2010	24,058	24,058	-	-
Target Maturity 2015	<u>368,032</u>	<u>368,032</u>	<u>-</u>	<u>-</u>
	<u>\$11,297,091</u>	<u>\$11,297,091</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

December 31, 2009

NOTE 4 — CHANGES IN UNITS

The changes in units outstanding for the years ended December 31, 2009 and 2008 were as follows:

	2009			2008		
	Units Issued	Units Redeemed	Net Increase (Decrease)	Units Issued	Units Redeemed	Net Increase (Decrease)
Cash Management	193,598	(186,806)	6,791	181,744	(189,382)	(7,638)
High Yield	18,796	(3,473)	15,323	14,750	(4,102)	10,648
Growth & Income	47,783	(14,696)	33,087	41,992	(5,832)	36,160
Discovery	23,981	(9,523)	14,458	30,814	(5,320)	25,494
Blue Chip	25,037	(7,583)	17,454	26,923	(5,034)	21,889
International	28,596	(6,977)	21,619	28,097	(3,395)	24,702
Select Growth	16,025	(874)	15,151	12,784	(1,080)	11,704
Government	10,871	(1,526)	9,344	12,284	(4,003)	8,281
Investment Grade	37,745	(3,347)	34,398	19,885	(5,291)	14,594
Value	27,979	(11,355)	16,624	30,345	(5,626)	24,719
Target Maturity 2010	86	(3,001)	(2,915)	88	(133)	(45)
Target Maturity 2015	6,359	(1,251)	5,108	906	(1,582)	(676)

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, 2009

NOTE 6 — FINANCIAL HIGHLIGHTS TABLE

	Net Assets			Investment Income Ratio ¹	Expense Ratio ²	Total Return ³
	Units	Unit Value	(000s)			
<u>Cash Management</u>						
December 31,						
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%
2005	27,766	\$10.093	\$ 280	0.50%	0.00%	0.93%
<u>High Yield</u>						
December 31,						
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%
2005	1,059	\$9.926	\$ 11	0.00%	0.00%	(0.74%)
<u>Growth & Income</u>						
December 31,						
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%
2005	2,239	\$10.216	\$ 23	0.00%	0.00%	2.16%
<u>Discovery</u>						
December 31,						
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%
2005	4,248	\$10.051	\$ 43	0.00%	0.00%	0.51%
<u>Blue Chip</u>						
December 31,						
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%
2005	4,226	\$10.196	\$ 43	0.00%	0.00%	1.96%

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

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

December 31, 2008

	Net Assets			Investment Income Ratio ¹	Expense Ratio ²	Total Return ³
	<u>Units</u>	<u>Unit Value</u>	<u>(000s)</u>			
<u>International</u>						
December 31,						
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%
2005	3,856	\$10.235	\$ 39	0.00%	0.00%	2.35%
<u>Select Growth</u>						
December 31,						
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%
<u>Government</u>						
December 31,						
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%
<u>Investment Grade</u>						
December 31,						
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%
2005	2,705	\$ 9.946	\$ 27	0.00%	0.00%	(0.54%)
<u>Value</u>						
December 31,						
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%
2005	3,876	\$10.085	\$ 39	0.00%	0.00%	0.85%

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

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

December 31, 2009

	<u>Net Assets</u>			<u>Investment</u>	<u>Expense</u>	<u>Total</u>
	<u>Units</u>	<u>Unit</u>	<u>(000s)</u>	<u>Income</u>	<u>Ratio²</u>	<u>Return³</u>
		<u>Value</u>		<u>Ratio¹</u>		
<u>Target Maturity 2010</u>						
December 31,						
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%
<u>Target Maturity 2015</u>						
December 31,						
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 The 2005 amounts represent the total return for the period September 1, 2005 (commencement of operations) to December 31, 2005, including changes in value of the underlying fund, and expenses assessed through the reduction of unit values. These ratios do not include any expenses assessed through the redemption of units.

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, 2009 and 2008, and the related statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2009. 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, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, 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, 2010

**FIRST INVESTORS LIFE INSURANCE COMPANY
BALANCE SHEET**

ASSETS

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Investments (note 2):		
Available-for-sale securities	\$262,634,603	\$218,993,984
Held-to-maturity securities	2,399,978	4,471,745
Short term investments	5,903,648	12,829,629
Policy loans	<u>64,114,432</u>	<u>62,109,444</u>
Total investments	335,052,661	298,404,802
Cash	2,035,564	4,101,861
Premiums and other receivables	6,277,624	7,779,951
Accrued investment income	5,096,411	4,816,279
Deferred policy acquisition costs (note 6)	37,820,576	35,041,621
Deferred Federal income taxes (note 7)	--	1,592,000
Furniture, fixtures and equipment, at cost, less accumulated depreciation of \$1,076,858 in 2009 and \$994,479 in 2008	93,021	175,400
Other assets	409,788	436,616
Separate account assets	<u>792,736,645</u>	<u>680,327,324</u>
Total assets	<u>\$1,179,522,290</u>	<u>\$1,032,675,854</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:

Policyholder account balances (note 6)	\$214,806,300	\$200,092,891
Claims and other contract liabilities	11,845,842	12,806,505
Accounts payable and accrued liabilities	4,231,529	3,373,065
Deferred Federal income taxes (note 7)	5,914,000	--
Separate account liabilities	<u>792,736,645</u>	<u>680,327,324</u>
Total liabilities	<u>1,029,534,316</u>	<u>896,599,785</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)	2,702,000	(7,441,000)
Retained earnings	<u>138,251,631</u>	<u>134,482,726</u>
Total stockholder's equity	<u>149,987,974</u>	<u>136,076,069</u>
Total liabilities and stockholder's equity	<u>\$1,179,522,290</u>	<u>\$1,032,675,854</u>

See accompanying notes to financial statements.

FIRST INVESTORS LIFE INSURANCE COMPANY
STATEMENT OF INCOME

	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
REVENUES			
Policyholder fees	\$18,539,073	\$20,669,633	\$25,796,409
Premiums	12,440,260	11,563,053	11,297,074
Investment income (note 2)	16,735,874	17,268,657	16,241,366
Realized gain (loss) on investments.....	(2,124,934)	(6,064,091)	853,898
Other income	<u>746,676</u>	<u>891,248</u>	<u>870,745</u>
 Total income	 <u>46,336,949</u>	 <u>44,328,500</u>	 <u>55,059,492</u>
BENEFITS AND EXPENSES			
Benefits and increases in contract liabilities.....	10,887,459	9,680,933	12,424,338
Dividends to policyholders.....	736,104	991,297	1,103,622
Amortization of deferred acquisition costs (note 6) ...	1,218,916	8,914,048	2,640,417
Commissions and general expenses.....	<u>14,259,565</u>	<u>16,728,051</u>	<u>19,096,793</u>
Total benefits and expenses	<u>27,102,044</u>	<u>36,314,329</u>	<u>35,265,170</u>
 Income before Federal income tax	 19,234,905	 8,014,171	 19,794,322
Federal income tax (note 7):			
Current	4,486,000	4,311,000	6,715,000
Deferred	<u>2,280,000</u>	<u>(1,523,000)</u>	<u>169,000</u>
	<u>6,766,000</u>	<u>2,788,000</u>	<u>6,884,000</u>
 Net Income	 <u>\$12,468,905</u>	 <u>\$ 5,226,171</u>	 <u>\$12,910,322</u>
 Income per share, based on 534,350 shares outstanding		 <u>\$23.33</u>	 <u>\$9.78</u>
	<u>\$24.16</u>		

See accompanying notes to financial statements.

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

	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Balance at beginning of year	\$136,076,069	\$140,387,898	\$128,656,576
Net income.....	12,468,905	5,226,171	12,910,322
Other comprehensive income			
Increase (decrease) in unrealized holding gains on available-for-sale securities	10,143,000	(7,538,000)	321,000
Comprehensive income (loss)	22,611,905	(2,311,829)	13,231,322
Dividends Paid	(8,700,000)	(2,000,000)	(1,500,000)
Balance at end of year	<u>\$149,987,974</u>	<u>\$136,076,069</u>	<u>\$140,387,898</u>

STATEMENT OF CASH FLOWS

	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Increase (decrease) in cash:			
Cash flows from operating activities:			
Policyholder fees received.....	\$ 19,083,483	\$ 21,046,129	\$ 25,538,857
Premiums received.....	11,985,168	10,440,845	11,481,998
Amounts received on policyholder accounts	50,925,944	47,916,700	50,879,724
Investment income received	17,268,897	17,689,962	16,827,890
Other receipts.....	336,475	411,947	454,153
Benefits and contract liabilities paid.....	(48,277,349)	(50,117,234)	(50,887,176)
Commissions and general expenses paid.....	(23,472,740)	(27,108,378)	(28,432,982)
Net cash provided by operating activities.....	<u>27,849,878</u>	<u>20,279,971</u>	<u>25,862,464</u>
Cash flows from investing activities:			
Proceeds from sale of investment securities	175,170,176	173,975,184	74,033,607
Purchase of investment securities	(194,377,573)	(190,723,419)	(90,424,772)
Purchase of furniture, equipment and other assets	(3,790)	(100,506)	(427,313)
Net increase in policy loans	(2,004,988)	(1,687,689)	(6,454,589)
Net cash used for investing activities	<u>(21,216,175)</u>	<u>(18,536,430)</u>	<u>(23,273,067)</u>
Cash flows from financing activities:			
Dividends paid.....	(8,700,000)	(2,000,000)	(1,500,000)
Net cash used for financing activities	<u>(8,700,000)</u>	<u>(2,000,000)</u>	<u>(1,500,000)</u>
Net increase (decrease) in cash.....	(2,066,297)	(256,459)	1,089,397
Cash			
Beginning of year	<u>4,101,861</u>	<u>4,358,320</u>	<u>3,268,923</u>
End of year	<u>\$ 2,035,564</u>	<u>\$ 4,101,861</u>	<u>\$ 4,358,320</u>

The Company paid Federal income taxes of \$2,733,000 in 2009, \$5,526,000 in 2008 and \$6,508,000 in 2007.

See accompanying notes to financial statements.

FIRST INVESTORS LIFE INSURANCE COMPANY

STATEMENT OF CASH FLOWS

	<u>Year ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Reconciliation of net income to net cash provided by operating activities:			
Net income.....	\$ 12,468,905	\$ 5,226,171	\$ 12,910,322
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	114,948	113,636	74,044
Amortization of deferred policy acquisition costs	1,218,916	8,914,048	2,640,417
Realized investment (gains) losses	2,124,934	6,064,091	(853,898)
Amortization of premiums and discounts on investments	813,155	662,657	694,094
Deferred Federal income taxes	2,280,000	(1,523,000)	169,000
Other items not requiring cash - net	36,403	24,411	(6,633)
(Increase) decrease in:			
Premiums and other receivables, net	1,520,361	(1,651,072)	342,456
Accrued investment income	(280,132)	(241,352)	(107,570)
Deferred policy acquisition costs, exclusive of amortization.....	(7,056,871)	(3,888,541)	(3,600,070)
Other assets.....	(1,951)	(130,218)	1,450
Increase (decrease) in:			
Policyholder account balances.....	14,713,409	7,763,293	12,392,529
Claims and other contract liabilities	(960,663)	(568,898)	398,658
Accounts payable and accrued liabilities.....	<u>858,464</u>	<u>(485,255)</u>	<u>807,665</u>
	<u>\$ 27,849,878</u>	<u>\$ 20,279,971</u>	<u>\$ 25,862,464</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, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Interest on fixed maturities	\$ 13,451,617	\$ 13,221,034	\$ 12,535,859
Interest on short term investments	38,539	393,143	732,024
Dividends on preferred stock	--	498,260	--
Interest on policy loans	<u>3,780,707</u>	<u>3,761,330</u>	<u>3,500,012</u>
 Total investment income	 17,270,863	 17,873,767	 16,767,895
Investment expense	<u>534,989</u>	<u>605,110</u>	<u>526,529</u>
 Net investment income	 <u>\$16,735,874</u>	 <u>\$ 17,268,657</u>	 <u>\$ 16,241,366</u>

FIRST INVESTORS LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

The amortized cost and estimated market values of investments at December 31, 2009 and 2008 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, 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>
 <u>December 31, 2008</u>				
U.S. Treasury Securities and obligations of U.S. Government Corporations and Agencies	\$ 84,059,066	\$ 2,100,561	\$ 2,635	\$ 86,156,992
Debt Securities issued by States of the U.S.....	7,124,488	524,671	86,063	7,563,096
Corporate Debt Securities	121,466,314	849,561	15,793,121	106,522,754
Preferred Stock.....	2,886,010	--	1,131,510	1,754,500
Other Debt Securities	<u>17,040,106</u>	<u>714,407</u>	<u>757,871</u>	<u>16,996,642</u>
	<u>\$232,575,984</u>	<u>\$ 4,189,200</u>	<u>\$ 17,771,200</u>	<u>\$218,993,984</u>

At December 31, 2009 and 2008, Unrealized Gains (Losses) on Available-For-Sale Securities of \$2,702,000 and (\$7,441,000), 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 \$10,143,000, (\$7,538,000) and \$321,000 net of deferred income taxes (benefit) and amortization of deferred acquisition costs of \$8,285,000, (\$6,078,000) and \$257,000 for 2009, 2008 and 2007, respectively is reported as other comprehensive income in the Statement of Stockholder's Equity.

Held-To-Maturity Securities

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>

December 31, 2008

U.S. Treasury Securities and obligations of U.S. Government Corporations and Agencies*	\$ 4,471,745	\$ 108,134	\$ --	\$ 4,579,879
	<u>\$ 4,471,745</u>	<u>\$ 108,134</u>	<u>\$ --</u>	<u>\$ 4,579,879</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, 2009, 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	\$ —	\$ —	\$ 16,831,599	\$ 17,098,931
Due after one year through five years	—	—	58,312,095	60,138,656
Due after five years through ten years.....	2,399,978	2,200,517	123,368,899	125,802,360
Due after ten years.....	—	—	59,275,990	59,594,656
	<u>\$ 2,399,978</u>	<u>\$ 2,200,517</u>	<u>\$257,788,583</u>	<u>\$262,634,603</u>

Proceeds from sales of investments in fixed maturities were \$168,297,467, \$167,085,232 and \$74,033,607 in 2009, 2008 and 2007, respectively. 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. Gross gains of \$1,408,497 and gross losses of \$554,599 were realized on those sales in 2007. 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.* Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 9, 2010, have been evaluated in the preparation of the financial statements.

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 – Quoted prices in active markets for identical securities

Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

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.

FIRST INVESTORS LIFE INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

The summary of inputs used to value the Company's assets that are carried at fair value as of December 31, 2009 and 2008 is as follows:

	2009			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>	--	--
Total assets accounted for at fair value	<u>\$1,063,127,951</u>	<u>\$792,736,645</u>	<u>\$270,391,306</u>	\$ --

	2008			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Available-for-sale securities.....	\$218,993,984	\$ 2,987,660	\$216,006,324	\$ --
Held-to-maturity securities.....	4,471,745	--	4,471,745	--
Short-term investments (1).....	12,246,303	1,474,503	10,771,800	--
Separate account assets (2).....	<u>680,327,324</u>	<u>680,327,324</u>	--	--
Total assets accounted for at fair value	<u>\$916,039,356</u>	<u>\$684,789,487</u>	<u>\$231,249,869</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.

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, 2009, 2008 and 2007, the Company charged operations approximately \$13,000, \$200,000 and \$159,000 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 42%, 41% and 39% of its net life insurance in force at December 31, 2009, 2008 and 2007. The Company also had assumed reinsurance amounting to approximately 19%, 18% 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, 2009, 2008 and 2007, the Company paid approximately \$2,763,000, \$2,965,000 and \$3,095,000, respectively, for these services. In addition, the Company reimbursed an affiliate approximately \$5,262,000 in 2009, \$4,173,000 in 2008, and \$5,410,000 in 2007 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 \$611,000 at December 31, 2009 and \$1,124,000 at December 31, 2008.

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, 2009, 2008 and 2007 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.

	Net Income			Capital Shares and Surplus		
	Year Ended December 31			at December 31		
	2009	2008	2007	2009	2008	2007
Reported on a statutory basis.....	\$ 9,737,351	\$ 8,756,781	\$12,174,023	\$120,027,241	\$119,664,009	\$113,027,491
Adjustments:						
Deferred policy acquisition costs (b).....	5,837,955	(5,025,507)	959,653	37,820,576	35,041,621	37,873,128
Future policy benefits (a).....	20,842	2,515,737	408,024	(1,835,187)	(1,856,029)	(4,371,766)
Deferred income taxes	(2,280,000)	1,523,000	(796,000)	(8,778,000)	(1,388,000)	(5,945,000)
Premiums due and deferred (e).....	(424,701)	(341,440)	(265,853)	(3,762,884)	(3,338,183)	(2,996,743)
Non-admitted assets	—	—	—	611,329	710,249	580,633
Asset valuation reserve.....	—	—	—	1,058,899	609,872	1,686,653
Interest maintenance reserve.....	383,372	177,105	61,380	—	—	499,502
Gross unrealized holding gains (losses) on available-for-sale securities.....	—	—	—	4,846,000	(13,367,470)	34,000
Net realized capital gains (losses)	(1,165,926)	(3,568,324)	549,187	—	—	—
Other	360,012	1,188,819	(180,092)	—	—	—
	<u>2,731,554</u>	<u>(3,530,610)</u>	<u>736,299</u>	<u>29,960,733</u>	<u>16,412,060</u>	<u>27,360,407</u>
In accordance with generally accepted accounting principles.....	<u>\$ 12,468,905</u>	<u>\$ 5,226,171</u>	<u>\$12,910,322</u>	<u>\$149,987,974</u>	<u>\$136,076,069</u>	<u>\$140,387,898</u>
Per share, based on 534,350 shares outstanding.....	<u>\$23.33</u>	<u>\$9.78</u>	<u>\$24.16</u>	<u>\$280.69</u>	<u>\$254.66</u>	<u>\$262.73</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>2009</u>	<u>2008</u>	<u>Years of Issue</u>	<u>Interest</u>	<u>Mortality Table</u>	<u>Withdrawal</u>
Non-par:					
\$ 727,512	\$ 758,674	1962-1967	4½%	1955-60 Basic Select plus Ultimate	Linton B
3,010,708	3,126,905	1968-1988	5½%	1955-60 Basic Select plus Ultimate	Linton B
447,722	502,971	1984-1988	7½%	85% of 1965-70 Basic Select plus Ultimate	Modified Linton B
252,982	244,716	1989-Present	7½%	1975-80 Basic Select plus Ultimate	Linton B
2,114	13,149	1989-Present	7½%	1975-80 Basic Select plus Ultimate	Actual
10,342	11,892	1989-Present	8%	1975-80 Basic Select plus Ultimate	Actual
66,642,190	62,376,049	1985-Present	4.5%	Accumulation of Funds	—
Par:					
131,790	131,421	1966-1967	4½%	1955-60 Basic Select plus Ultimate	Linton A
11,368,630	11,620,208	1968-1988	5½%	1955-60 Basic Select plus Ultimate	Linton A
1,030,598	1,044,732	1981-1984	7¼%	90% of 1965-70 Basic Select plus Ultimate	Linton B
5,037,591	5,071,808	1983-1988	9½%	80% of 1965-70 Basic Select plus Ultimate	Linton B
30,113,927	29,536,275	1990-Present	8%	66% of 1975-80 Basic Select plus Ultimate	Linton B
Annuities:					
22,130,028	14,813,461	1976-Present	4%	Accumulation of Funds	—
Miscellaneous:					
75,701,985	72,489,271	1962-Present	2½%-3½%	1958-CSO	None

* The above amounts are before deduction of deferred premiums of \$1,801,819 in 2009 and \$1,648,641 in 2008.

(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 \$1,218,916 in 2009, \$8,914,048 in 2008 and \$2,640,417 in 2007 was charged to operations.

(c) Participating business represented 1.8% and 2.1% of individual life insurance in force at December 31, 2009 and 2008, 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 \$110,992,899, \$110,629,667 and \$103,993,099 at December 31, 2009, 2008 and 2007, 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 (2006 – 2008) or expected to be taken on the Company's 2009 tax return.

Retained earnings at December 31, 2009 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>2009</u>	<u>2008</u>
Deferred Tax Assets:		
Policyholder dividend provision.....	\$ (247,182)	\$ (340,085)
Non-qualified agents' pension plan reserve	(24,913)	(28,389)
Future policy benefits	(2,615,829)	(2,625,353)
Unrealized holding losses on Available-For-Sale Securities.....	--	(3,833,000)
Write down of securities.....	(873,518)	(873,518)
Other	<u>(453,226)</u>	<u>(393,752)</u>
Total Deferred Tax Assets	<u>(4,214,668)</u>	<u>(8,094,097)</u>
Deferred Tax Liabilities:		
Deferred policy acquisition costs	8,651,834	6,459,865
Bond discount.....	83,834	42,232
Unrealized holding gains on Available-For-Sale Securities.....	<u>1,393,000</u>	<u>--</u>
Total Deferred Tax Liabilities	<u>10,128,668</u>	<u>6,502,097</u>
Net Deferred Tax (Assets) Liabilities	<u>\$ 5,914,000</u>	<u>\$ (1,592,000)</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, 2009 and 2008 the net amount of risk on the above GMDB was approximately \$13.0 million and \$42.1 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 (\$122 million in 2009; \$115 million in 2008), equity (\$269 million in 2009; \$245 million in 2008) and money market (\$8 million in 2009; \$11 million in 2008) mutual funds.