CERTIFICATION

June 21, 2013

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

Financial Examination Report of

Liberty National Life Insurance Company

as of

December 31, 2011

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

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

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 21 2013

FILED

Bruce R. Ramge

DIRECTOR OF INSURANCE

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

LIBERTY NATIONAL LIFE INSURANCE COMPANY

as of

December 31, 2011

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McKinney, Texas
May 8, 2013

Honorable Joseph Torti, III
Chairman, Financial Condition (E) Committee, NAIC
Deputy Director and Superintendent of Insurance
Rhode Island Division of Insurance
1511 Pontiac Avenue, Bldg #69-2
Cranston, Rhode Island 02920

Honorable John M. Huff
Chair, Midwestern Zone, NAIC
Director of Insurance
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

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

Dear Sirs:

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

LIBERTY NATIONAL LIFE INSURANCE COMPANY

which has its Statutory Home Office located at

10306 Regency Parkway Dr.
Omaha, NE 68114

with its Principal Executive Office located at

3700 S. Stonebridge Drive
McKinney, TX 75070

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

INTRODUCTION

The Company was last examined as of December 31, 2009 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2011, and includes such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's affiliates, Globe Life and Accident Insurance Company and United American Insurance Company.

SCOPE OF EXAMINATION

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

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

The fidelity bond and other insurance coverages protecting the Company’s property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company’s general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company’s method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared Deloitte & Touche, LLP, the Company’s external auditors, during their audit of the Company’s accounts for the years ended December 31, 2010 and 2011. Portions of the auditor’s workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

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

DESCRIPTION OF COMPANY

HISTORY

The Company, under the name Heralds of Liberty, was incorporated under the laws of the state of Alabama and commenced business on August 31, 1900. The incorporation of the Company was confirmed by a special act of the General Assembly of Alabama on February 12, 1901.

On October 5, 1925, the Declaration, Articles and Certificate of Incorporation were amended to change the corporate name from Heralds of Liberty to Liberty Life Assurance Society and to change the location of the principal office from Huntsville, Alabama to Birmingham, Alabama.

On September 6, 1927, the Alabama Legislature adopted an act designed to authorize and regulate the conversion of fraternal benefit societies into stock life insurance companies or mutual life insurance companies. Pursuant to this act, the Supreme Lodge of the Company, which was the supreme governing or legislative body, adopted a resolution on March 29, 1929, authorizing the conversion of the Company into a stock life insurance company, changing the corporate name from Liberty Life Assurance Society to Liberty National Life Insurance Company and providing for proper amendments to the Declaration, Articles and Certificate of Incorporation.

The object of the Company, as stated in the Certificate of Incorporation, as amended, was to issue insurance upon the lives of persons and every insurance appertaining thereto or connected therewith, as permitted by the laws of the State of Alabama.

The Company began operations as a stock company on July 1, 1929, with paid-up capital of $216,830 and paid-in surplus of $108,415. The authorized capital stock at the date of conversion to a stock company was $306,125, comprised of 61,225 shares of common stock with a par value of $5 per share.

The Company re-domiciled from the state of Alabama to Nebraska on March 28, 2008.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. The Company is a wholly owned subsidiary of Torchmark Corporation, a Delaware corporation. The following organization chart shows the affiliates in the holding company. Each corporation is 100 percent owned by its immediate parent.

- Torchmark Corporation
  - Liberty National Life Insurance Company
    - Brown-Service Funeral Homes Company, Inc.
    - Liberty National Auto Club, Inc.
  - Globe Life and Accident Insurance Company
    - American Income Life Insurance Company
      - National Income Life Insurance Company
      - AILIC Receivables Corporation
      - American Income Marketing Services, Inc.
      - Union Heritage Life Assurance Company Limited
    - Globe Marketing Services, Inc.
    - Globe Insurance Agency, Inc.
    - Globe Marketing and Advertising Distributors, LLC
  - Torchmark Insurance Agency, Inc.
  - TMK Building Corp.
    - TMK Properties, LP (General Partner)
      - Torchmark Corporation (Limited Partner)
  - TMK Re, Ltd
  - Torchmark Capital Trust III *

United American Life Insurance Company
First United American Life Insurance Company

* Special purpose business trust

Shareholder

The Amended and Restated Articles of Incorporation authorize the Company to issue 2,000,000 shares of preferred capital stock and 10,500,000 shares of common stock, each with par value of $1 and $4, respectively. As of December 31, 2011, there were 1,330,000 preferred and 10,265,177 common shares of stock issued and outstanding. All of the outstanding preferred and common shares of the Company are held by the parent, Torchmark Corporation, a financial services holding company.

During the period under review the Company declared ordinary dividends on its preferred capital stock to Liberty National Life Insurance Company in the following amounts:

Date	Amount
December 2, 2011	$3.99M
July 27, 2011	3.99M
June 8, 2011	3.99M
March 4, 2011	3.99M
November 1, 2010	3.99M
September 21, 2010	3.99M
June 22, 2010	3.99M
March 31, 2010	3.99M

During the period under review the Company also declared ordinary dividends on its common capital to Torchmark Corp. stock in the following amounts:

Date	Amount
December 2, 2011	$ 41.66M
July 27, 2011	41.66M
June 8, 2011	41.66M
March 4, 2011	346.66M
December 30, 2010	8.45M
December 19, 2010	15.17M
October 6, 2010	23.04M

Surplus Notes

The Company issued a surplus note in the amount of $50,000,000 on December 23, 2009 at an interest rate of 9.25% to Torchmark Corporation. The maturity date on the surplus note is December 23, 2039. The surplus note may only be repaid, in principal and/or interest, when the Company's reported surplus in excess over all liabilities is double the amount of any principal and/or interest being paid. In addition, surplus note payments can only be made by the Company upon prior approval being received from the Director of the Nebraska Department of Insurance. The surplus note calls for semi-annual interest payments due in April and October. Nebraska Cause Number C-1800, filed on December 21, 2009, authorized the Company to issue surplus notes not to exceed $100,000,000 bearing an interest rate of note more than 9.25%Nebraska Cause Number C-1800, filed on December 21, 2009, authorized the Company to issue surplus notes in an amount not to exceed $100,000,000 bearing an interest rate of not more than 9.25%.

Board of Directors

The Company's Restated By-Laws state, "the number of Directors shall be five (5) but may, by resolution of the Board of Directors, be increased to any greater number of Directors. The Directors shall be elected at the annual meeting of the stockholders and each Director shall be elected to serve until his successor shall be elected and shall qualify."

Members of the Company's Board of Directors at December 31, 2011 are as follows:

Name and Resident	Principal Occupation
Roger C. Smith Plano, Texas	President of the Company
Anthony L. McWhorter Birmingham, Alabama	Chief Executive Officer of the Company

Name and Resident	Principal Occupation
Gary L. Coleman Plano, Texas	Co-Chief Executive Officer Torchmark Corporation
Larry M. Hutchinson Duncanville, Texas	Co-Chief Executive Officer Torchmark, Corporation
Frank J. Barrett Omaha, Nebraska	General Counsel Lamson, Dugan & Murray, LLP

According to the Article III, Section 6 of the Restated By-Laws, "regular meetings of the Directors may be held without notice at such places and times as shall be determined from time to time by resolution of the Directors. Special meetings of the Board of Directors may be called by the Chief Executive Officer, the President or by the Secretary, upon the written request of the following: the Chairman of the Board, the Chief Executive Officer, the President or any two (2) Directors, on at least twelve hours' notice to each Director, and shall be held at such place or places as may be determined by the Directors."

Section 9 of Article III states, "any action required or permitted to be taken at any of meeting the Board of Directors or any committee thereof, may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee."

Officers

According to the Restated By-Laws Article IV, Section 1, "the Officers of the Corporation shall be President and a Secretary, who shall be elected by the Board of Directors and who shall hold office until their successors are elected and qualified. In addition, the Board of Directors may elect one or more Vice Presidents, a Treasurer and such Assistant Secretaries and Assistant Treasurers as they deem proper. More than one office may be held by the same person. The Officers are elected at the first meeting of the Board of Directors after each annual meeting of the shareholders."

A partial listing of Senior Officers elected or appointed and serving the Company at December 31, 2011 is as follows:

Name	Title
Roger C. Smith	President, Chief Executive Officer
Danny H. Almond	Executive Vice President, Chief Financial Officer, Treasurer
Steven J. DiChiaro	Executive Vice President, Chief Agency Officer
Douglas L Gockel	Executive Vice President
Jon A. Adams	Senior Vice President, Financial Reporting and Controller
John K. Hall	Senior Vice President
Alan S. Hintz	Senior Vice President, Investments
Susan D. Huff	Senior Vice President of Sales Administration
Ben W. Lutek	Senior Vice President, Actuary
Brenda K. Martin	Senior Vice President
Dawn D. Mitchell	Senior Vice President of Policy Benefits
R. Brian Mitchell	Senior Vice President, General Counsel
Larry M. Hutchison	Vice President, Secretary
James S. Hawke	Vice President, Appointed Actuary

Committees

During the period covered by this examination, the Company did not appoint committees of the Board of Directors. Board committees are appointed at the holding company level and perform centralized duties for all of the companies in the group. The following committees are in place at the holding company level: in place at the holding company level: audit, compensation, as well as governance, & nominating.

TRANSACTIONS WITH AFFILIATES

On December 31, 2010, the Company closed the sale of its wholly owned subsidiary United Investors Life Insurance Company (United Investors), to Protective Life Insurance

Company for approximately $364 Million. Prior to the closing, approximately $305 Million of assets were distributed from United Investors to the Company through an extraordinary dividend.

The Company and each of the subsidiaries of Torchmark Corp. (Torchmark) are parties to a tax allocation agreement effective January 1, 1989. The agreement allocates the federal income tax liability in an amount equal to that which would have been reported had separate tax returns been filed.

Effective June 1, 1994, the Company entered into a master service agreement with its ultimate parent, Torchmark. Under this contract, each party agrees to provide each other on request the following services: executive, financial, legal, accounting and other services. For all services provided by Torchmark, the service fee is a portion of Torchmark's total operating expenses for the immediately preceding calendar year determined as a percentage of salary and benefits of the Company to the consolidated salaries and benefits of Torchmark under the contract. During 2011, the total amount paid under this agreement was approximately $5,088,000. The agreement includes an investment management arrangement with Torchmark. The Company is charged a fee based on the total value of the securities managed. During 2011, total investment management fees paid under this agreement was approximately $4,416,000.

Effective January 25, 1995, the Company entered into an administrative services agreement with Globe Life and Accident Insurance Company (Globe). Pursuant to the agreement, Globe agrees to perform such administrative health claim services as the Company requests.

Effective November 1, 2005 the Company entered into a bill payment service agreement with affiliates United American Insurance Company (UA), Globe, and American Income Life Insurance Company (AIL), whereby each of the companies may, from time to time, elect to perform bill-paying services for one or more of the other companies. The cost incurred by each of the companies in providing these bill paying services is nominal and, thus such cost shall not be reimbursable.

Effective March 1, 2006, the Company entered into a recruiting agreement which provides that Globe will furnish agent recruiting services to UA and AIL, and the Company. Each of the respective companies agreed to pay their respective proportionate share of salary and/or wage expenses incurred by Globe's employees in connection with providing such agent recruiting services.

Effective January 1, 2008, UA and the Company entered into an information technology and data processing service agreement. This agreement includes programming, processing, report preparation, data files, check writing, and such other information technology and data services as the parties may agree to from time to time.

Effective January 1, 2011, the Company entered into a services agreement with affiliates AIL, Globe, and UA. Under the terms of this agreement, these affiliates, all being subsidiaries of Torchmark, incur various costs which benefit not only the purchaser, but all of the affiliates. The agreement outlines terms by which these affiliates, who desire to establish ongoing terms for the provision of such services and allocation of costs, share costs amongst the service providers and service beneficiaries. These services include, underwriting, marketing, travel, sales support, quality assurance, agent supplies, information technology agency support, telecommunications, compliance, actuarial, and such additional services as the affiliates from time to time shall mutually agree.

As of December 31, 2011 the Company had several outstanding loan balances due from affiliated entities. On December 15, 2011 the Company loaned $9M to affiliate AIL and $24.5M to AILIC Receivables Corporation, both at an interest rate of 3.25%. The loaned amounts were repaid in full on January 10th and 11th, 2012 respectively. On December 23, 2011 the Company loaned $3.5M to affiliate Torchmark Re, Ltd. at an interest rate of 3.25%. The loaned amount was scheduled to be repaid by Torchmark Re, Ltd. as of March 8, 2012. Torchmark affiliates borrow money within the Holding Company periodically throughout the year to meet cash flow needs which arise as a result of various investment opportunities.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to write life and accident and health insurance in the District of Columbia, Guam, and all states of the United States, except New York.

The Company markets term and whole life insurance products and supplemental health policies primarily through home and workplace marketing methods. The majority of the Company's premium production is created though two distribution channels: Liberty National Exclusive Agency and Liberty National General Agency. Liberty National Exclusive Agency's distribution system sells life and health insurance, primarily in the seven-state area of Alabama, Florida, Georgia, Tennessee, Mississippi, South Carolina and North Carolina.

In 2009, the Company began combining selected United American Exclusive Agency Branch Offices with the Liberty National Exclusive Agency to expand its footprint outside of its historical geographical areas listed above and to improve office efficiencies. At year-end 2011, the Company had 1,345 producing agents between the two agency distribution systems, down from 2,471 in 2009. The decrease in agent count has been due in part to the closing of several offices which had low production. Late in 2009, the Company modified compensation incentives to place more emphasis on the persistency of newly issued policies. Historically, these agents were employees of the Company and were primarily compensated by commissions based on sales and salaries. Beginning in 2011, all new hires are independent contractors and are not eligible for employee benefits. These changes resulted in the departure of less productive agents. While these modifications caused a loss of agents, it resulted in improved persistency.

The Company has an agreement with First Command Financial Services to sell the Company's products predominately to military personnel. First Command Financial Services' sales force is comprised of former commissioned and non-commissioned military officers who sell exclusively to commissioned and non-commissioned military officers and their families. This business is comprised of whole life products with term insurance riders.

The Company continues to market flexible premium deferred annuity product with rates that are declared monthly. The product This product has a 6-year surrender charge period, and is sold through banks by the Midwood General Agency. This product is intended to provide the bank's customers with an alternative to a Certificate of Deposit.

REINSURANCE

Assumed

The Company has an agreement with Security Benefit Life Company (SBLIC) which covers both bulk assumption and all future issues of SBLIC on a block of individual whole life and term insurance policies. The effective date of the treaty was December 31, 1995. On September 23, 1998 a successor trustee agreement naming Sterne, Agee, & Leach as successor trustee was issued without objection by SBLIC.

Effective October 1, 2010, the Company entered into an Annuity Coinsurance Agreement with an affiliate, United American Insurance Company (UA), whereby the Company is assuming 100% of UA's liability on a coinsurance with funds withheld basis. The Company is liable for all benefits payable under the policies which are in-force on the effective date including, with limitation, surrenders, death benefits, and benefits due under a policy where annuitization has begun on or prior to the effective date. The funds withheld as of December 31, 2011 is $863,816,859.

Pursuant to a stock purchase agreement entered into between the Company's parent, Torchmark Corporation and Protective Life Insurance Company, for the sale of United Investors Insurance Company (United Investors) dated September 13, 2010, the Company and United Investors have entered into a Coinsurance and administrative services agreement. The terms of the agreement specify that the Company shall reinsure, on an indemnity coinsurance basis, 100% of the coinsured liabilities arising under coinsured business which consists of all non-variable life insurance policies, binders, slips, contracts, certificates, endorsements, supplements, riders, and all amendments thereto. This business is categorized as that which was sold either through the Direct Response (including certain agent-sold business) or Liberty National Exclusive Agency Distribution systems of the Company's affiliates.

Ceded - Affiliates

The Company entered into an agreement with Globe Life and Accident Insurance Company (Globe) on July 1, 1981, whereby the Company cedes 100% of the gross premiums on all direct mail non-participation modified whole life insurance to Globe. Globe has full authority to administer and settle all claims and is responsible for holding and maintaining the required reserves. The contract was amended January 1, 2003 to include a 3.31% ceding commission on all premiums collected.

The Company entered into a modified coinsurance agreement with TMK Re, Ltd. (TMK Re) effective January 1, 2000. This agreement provides 100% coverage on both individual and group life insurance benefits on a block of whole life policies. TMK Re does not participate in policy loans on the policies. The Company is responsible for claim settlements and maintains records to support its claim payments. The Company administers the policies reinsured and performs all accounting for the policies. TMK Re pays an experience refund when the formula described in the agreement produces a positive amount. When the formula produces a negative amount, the experience refund is zero and the remaining amount is carried forward and is offset against any future positive experience refund.

Ceded – Non-Affiliates

Effective October 1, 1985, the Company entered into a reinsurance agreement with United Investors. According to the terms of the agreement, United Investors assume on coinsurance basis, 100% of all subject business classified as non-participating individual life insurance policies, issued through agents and wholesale general agents issued on or after the effective date.

Effective September 1, 1989, the Company entered into a coinsurance agreement with The Lincoln National Life Insurance Company. Under the terms of this agreement the Company cedes and Lincoln National Life Insurance Company assumes individual ordinary Life Insurance with face amounts less than $500,000, submitted on a facultative basis.

The Company entered to an automatic and facultative YRT agreement with RGA Reinsurance Company (RGA) effective July 1, 2004 that covers mortality risk on specific term policies. Claims covered include only death claims. RGA must automatically accept reinsurance when all of the stipulations set-forth in the agreement are met. The Company must send copies of all information pertinent to the insurability of the risk to RGA. Premiums are increased by any flat extra premium or substandard premium as defined in the agreement. RGA receives a proportionate share of any premiums for additional benefits, based on the ratio between the amount at risk and the total initial benefits insured.

The Company entered into an agreement with First Command Life Insurance Company (First Command) effective July 1, 2001 whereby First Command assumes a 3% quota share of preliminary term insurance, including riders and supplemental benefits. First Command participates in policy loans made but does not participate in any other reinsurance that the Company may have on the policies. The Company is responsible for benefit payments to policyholders and claimants, and the Company maintains records to support these payments.

The Company is a party to other reinsurance agreements which are not noted here due to the fact they are in various stages of runoff, and for which limited reserve credit is taken.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

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

	2010	2011
Bonds	$4,731,045,136	$4,813,296,765
Admitted assets	6,954,204,736	6,802,845,676
Aggregate reserves for life contracts	5,541,796,306	5,747,960,261
Aggregate reserves for accident and health contracts	225,173,401	226,545,450
Total liabilities	6,001,014,083	6,180,475,850
Capital and surplus	953,190,653	622,369,825
Premium and annuity considerations	569,231,698	537,962,303
Net investment income	667,665,239	345,306,707
Death benefits	173,135,882	169,228,869
Net income	487,475,801	175,900,783

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflects the financial condition of the Company at December 31, 2011, and its transactions during the year 2011, as determined through this examination. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT

December 31, 2011

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$4,813,296,765		$4,813,296,765
Preferred stocks	313,330,956		313,330,956
Common stocks	551,321	$ 245,475	305,846
Real estate occupied by company	155,037		155,037
Real estate held for production of income	203,336		203,336
Real estate held for sale	2,612,313		2,612,313
Cash, cash equivalents, and short-term investments	86,062,066		86,062,066
Contract loans	226,296,987	377,625	225,919,362
Other invested assets	254,577,775	34,973,903	219,603,872
Subtotals, cash and invested assets	$5,697,086,556	$ 35,597,003	$5,661,489,553
Investment income due and accrued	91,599,043		91,599,043
Uncollected premiums and agents' balances	2,868,366		2,868,366
Deferred premiums and agents' balances	16,026,258		16,026,258
Amounts recoverable from reinsurers	3,855		3,855
Funds held by or deposited with reinsured companies	863,816,859		863,816,859
Other amounts receivable under reinsurance contracts	31,259,637		31,259,637
Current federal income tax recoverable	11,593,971		11,593,971
Net deferred tax asset	133,575,000	17,168,000	116,407,000
Guaranty funds receivable	275,410		275,410
Electronic data processing equipment	192,748		192,748
Furniture and equipment	175,946	175,946	
Receivables from parent, subsidiaries and affiliates	336,837		336,837
Health care and other amounts receivable	19,207,561	19,207,561	
Prepaid pension contribution	54,090,914	54,090,914	
SERP rabbi trust – COLI cash value	5,970,962		5,970,962
Supplies, printed materials and loans on personal property	861,640	861,640	
Receivable for service agreement	1,005,177		1,005,177
Prepaid premium taxes	847,071	847,071	
Remittances and items not allocated	1,412,970	1,412,970	
Totals	$6,932,206,781	$129,361,105	$6,802,845,676

Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	$5,747,960,261
Aggregate reserve for accident and health contracts	226,545,450
Liability for deposit-type contracts	5,334,180
Life contract claims	29,823,001
Accident and health contract claims	23,563,000
Policyholders' dividends	288
Policyholders' dividends apportioned for payment	20,000
Premiums and annuity considerations received in advance	9,226,060
Other amounts payable on reinsurance	30,578,414
Interest maintenance reserve	33,786,324
General expenses due or accrued	15,486,003
Unearned investment income	2,070,663
Amounts withheld or retained by company as agent or trustee	6,358,279
Remittances and items not allocated	1,742,748
Asset valuation reserve	45,709,135
Payable to parent, subsidiaries and affiliates	2,272,044
Total liabilities	$6,180,475,850
Common capital stock	$ 41,060,708
Preferred capital stock	1,330,000
Incremental deferred tax asset	3,075,000
Surplus notes	50,000,000
Gross paid in and contributed surplus	114,629,174
Unassigned funds (surplus)	412,274,943
Surplus	$ 579,979,117
Total capital and surplus	$ 622,369,825
Total liabilities, capital and surplus	$6,802,845,676

SUMMARY OF OPERATIONS- 2011

Premium and annuity considerations	$537,962,303
Net investment income	345,306,707
Amortization of interest maintenance reserve	2,218,251
Commissions and expense allowances on reinsurance ceded	46,467,761
Reserve adjustments on reinsurance ceded	(8,531,626)
Miscellaneous income (expense)	(984,452)
Amortize fain on inforce business ceded	7,706,723
Investment income on funds withheld	59,385,755
Gain (loss) on sale of fixed assets	(979,913)
Total	$988,551,509
Death benefits	$169,228,869
Matured endowments	1,207,945
Annuity benefits	75,041,883
Disability benefits and benefits under accident and health contracts	66,915,720
Surrender benefits and withdrawals for life contracts	51,916,777
Interest and adjustments on contract or deposit-type contract funds	759,911
Payments on supplementary contracts with life contingencies	95,531
Increase in aggregate reserves for life and accident and health contracts	207,536,005
Subtotal	$572,702,641
Commissions on premiums, annuity considerations, and deposit-type contract funds	$ 92,304,373
Commissions and expense allowances on reinsurance assumed	3,577,242
General insurance expenses	60,056,470
Insurance taxes, licenses and fees	16,883,578
Increase in loading on deferred and uncollected premiums	(100,066)
Total	$745,424,238
Net gain before dividends to policyholders and federal income taxes	$243,127,271
Dividends to policyholders	9,545
Federal and foreign income taxes incurred	72,273,102
Net gain after dividends to policyholders and federal income taxes	$170,844,624
Net realized capital gains or (losses)	5,056,159
Net income	$175,900,783

CAPITAL AND SURPLUS ACCOUNT

	2010	2011
Capital and surplus, beginning	$721,609,466	$ 953,190,653
Net Income	$487,586,801	$ 175,900,783
Change in net unrealized capital gains or (losses)	(135,218,439)	5,433,776
Change in net deferred income tax	(22,200,000)	1,565,000
Change in non-admitted	(21,399,770)	5,034,054
Change in asset valuation reserve	(12,441,754)	(22,819,568)
Change in surplus as a result of reinsurance		(7,706,723)
Dividends to stockholders	(62,668,000)	(487,586,000)
Adjust book value of Low Income Housing Credits	(748,651)	
Change in executive benefit plan	506,853	(642,150)
Net change in capital and surplus for the year	$231,581,187	$(330,820,828)
Capital and surplus, ending	$953,190,653	$ 622,369,825

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

There were no changes to the unassigned funds (surplus) of the Company as a result of this examination. Unassigned funds (surplus) in the amount of $412,274,943, is accepted for purposes of this examination.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

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

> **Investment Review** - It is recommended that the Company comply with Nebraska Insurance Statute §44-5105(3)(a) which states, "on no less than a quarterly basis, and more often if deemed appropriate, the board of directors or committee of the board of directors shall receive and review a summary report on the insurer's investment portfolio, investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan."

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

Custodial Agreement - It is recommended that the Company amend its custodial agreement be amended to show Nebraska as the domiciliary state. It is also recommended that the Company amend its custodial agreement to comply with provisions included in Nebraska Department of Insurance Rules Title 210, Chapter 81.

Action: The Company has complied.

Affiliated Agreements - It is recommended that the Company amend noted affiliated agreements it's with affiliates to include specific settlement dates as required by NAIC Accounting Practices & Procedures Manual SSAP No. 25, paragraph 6.

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

Premium and Annuity Considerations - It is recommended that the Company correctly identify the residence of all policyholder premiums and annuity considerations and report all premiums and annuity considerations by state or territory.

Action: The Company has complied.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Investment Review

The Company's Board of Directors minutes from 2010 to 2011 did not include evidence showing that the investment transaction had been approved on a quarterly basis. Nebraska Insurance Statute §44-5105(3)(a) states, "on no less than a quarterly basis, and more often if deemed appropriate, the Board of Directors or committee of the Board of Directors shall receive and review a summary report on the insurer's investment portfolio, investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan." Therefore it is again recommended that the Company comply with Nebraska Insurance Statute §44-5105(3)(a).

Affiliate Agreements

Review of intercompany service contracts revealed an instance in which contract verbiage required by SSAP 25, Paragraph 6 was not included. The recruiting agreement where Globe Life and Accident Company provides services to the Company, United American Insurance Company and American Income Life Insurance Company, did not include verbiage required by SSAP 25, Paragraph 6, which states, "the written agreement must provide for timely settlement of amounts owed, with a specified due date." It is recommended that the Company amend the noted agreement to comply with SSAP No. 25, Paragraph 6. Furthermore, once the Company has made these changes, it is requested that the amended agreement be submitted to the Nebraska Department of Insurance in accordance with Neb. Rev. Statute 44-2133(2)(d).

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Investment Review - Nebraska Insurance Statute §44-5105(3)(a) states, "on no less than a quarterly basis, and more often if deemed appropriate, the board of directors or committee of the board of directors shall receive and review a summary report on the insurer's investment portfolio, investment activities, and investment practices engaged in under delegated authority, in order to determine whether the investment activity of the insurer is consistent with its written plan." It is again recommended that the Company comply with Nebraska Insurance Statute §44-5105(3)(a).

Affiliate Agreements - The recruiting agreement where Globe Life and Accident Company provides services to the Company, United American Insurance Company and American Income Life Insurance Company, did not include verbiage required by SSAP 25, Paragraph 6. It is recommended that the Company amend the noted agreement to comply with SSAP No. 25, Paragraph 6, and ensure all subsequent agreements contain adequate settlement provisions. Furthermore, once the Company has made these changes, it is requested that the amended agreement be submitted to the Nebraska Department of Insurance in accordance with Neb. Rev. Statute 44-2133(2)(d).

ACKNOWLEDGEMENT

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

In addition to the undersigned, Andrea Szwanek, CFE, Linda Scholl, CFE, Erin Marsh, and Kim Shannon, Financial Examiners; Bill R. Schmid, Information Systems Examiner; and Dan Eckstein, ASA, MAAA, Actuarial Examiner, all with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

Tadd K. Wegner

Tadd K. Wegner, CFE
Supervisory Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Liberty National Life Insurance Company.

2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report, and the examination of Liberty National Life Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Tadd K. Wegner

Examiner-in-Charge's Signature

Subscribed and sworn before me by Susan D. Williams on this 8th day of May, 2013.

(SEAL) GENERAL NOTARY - State of Nebraska SUSAN D. WILLIAMS My Comm. Exp. Sept. 16, 2013

Susan D. Williams

Notary Public

My commission expires 9/16/2013 [date].