CERTIFICATION

June 15, 2011

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

Report of Examination of Financial Condition

West Coast Life Insurance Company

Omaha, Nebraska

as of

December 31, 2009

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.

DEPARTMENT OF INSURANCE STATE OF NEBRASKA SEAL

EQUALITY BEFORE THE LAW

Bruce R. Ramge

DIRECTOR OF INSURANCE

WEST COAST LIFE INSURANCE COMPANY

2801 Highway 280

South Birmingham, Alabama 35233

Report of Association

Financial Condition Examination

as of

December 31, 2009

States Participating

Alabama
Delaware
Nebraska
Tennessee

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South Birmingham, Alabama
May 16th, 2011

Honorable Joseph Torti, III
Chair, Financial Condition (E) Committee, NAIC
Superintendent of Insurance & Banking
Rhode Island Division of Insurance
1511 Pontiac Avenue, Bldg. #69-2
Cranston, RI 02920

Honorable James J. Wrynn
Chair, Northeastern Zone,
Superintendent of Insurance
New York State Insurance Department
25 Beaver Street
New York, NY 10004-2319

Honorable Jim L. Ridling
Chair, Southeastern Zone
Commissioner of Insurance
Department of Insurance
State of Alabama
PO Box 303351
Montgomery, AL 36130-3351

Honorable Merle D. Scheiber
Chair, Midwestern Zone
Director of Insurance
South Dakota Division of Insurance
445 East Capitol Avenue
Pierre, SD 57501-3185

Honorable Linda S. Hall
Chair, Western Zone
Director of Insurance
State of Alaska
Division of Insurance
550 West 7th Avenue, Suite 1560
Anchorage, AK 99501-3567

Honorable Bruce Ramge
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 401
Lincoln, NE 68508

Madam and Sirs:

Pursuant to your instruction and authorizations, and pursuant to Neb. Rev. Stat. §44-5904 (1), an Association Examination has been conducted of the financial condition and business affairs of the

WEST COAST LIFE INSURANCE COMPANY

which has its Statutory Home Office located at

10306 Regency Parkway Drive
Omaha, Nebraska 68113

with its Principal Executive Offices located at

2801 Highway 280
South Birmingham, Alabama 35233

and the report of such examination is respectfully presented herein.

INTRODUCTION

West Coast Life Insurance Company, hereinafter referred to as the Company, was last examined as of December 31, 2007, by Noble Consulting Services, Inc. and examiners from the State of Nebraska, representing the Midwestern Zone, N.A.I.C. The current financial condition examination covered the intervening period to and including the close of business on December 31, 2009, and incorporated such subsequent events and transactions as were deemed pertinent to this report. The State of Nebraska, representing the Midwestern Zone, N.A.I.C., participated in the examination and the preparation of this report.

This examination was completed under coordination of the holding company group examination approach. Representatives from the Alabama Department of Insurance, the Delaware Insurance Department, and the Tennessee Department of Commerce and Insurance participated in the examination of Protective Life Insurance Company and its affiliated insurance companies, including West Coast Life Insurance Company.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook and Section 44-5904(1) of the Nebraska Insurance Statutes. 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 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, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

The examination was called as of December 31, 2009 on a coordinated basis involving the Tennessee Department of Commerce and Insurance as the coordinating state and the other states in which Protective Life Insurance Company (PLICO), the Company's parent, has domiciled one or more insurers. The subsidiaries of PLICO benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applied procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination included the use of the Company's Section 404 of Sarbanes-Oxley documentation in regards to internal controls and a review of workpapers prepared by Pricewaterhouse Coopers, the Company's independent auditors, in their examination of the Company's accounts for the year ended December 31, 2009. A portion of the auditors' working papers have been incorporated into the working papers of the examiners and have been utilized in determining the scope and areas of emphasis for the purposes of this examination in accordance with the provisions contained in the Handbook.

DESCRIPTION OF COMPANY

HISTORY

Founded April 2, 1906, the Company merged with San Francisco Life on February 8, 1915 and incorporated as West Coast-San Francisco Life Insurance Company, with the present title, West Coast Life Insurance Company adopted in 1920. During 2002, the Company was re-domesticated from California to Nebraska.

Control of the Company was held from 1938 until 1964 under a voting trust agreement. During 1964, ownership was acquired by Nationwide Corporation, a holding company, which held a majority position with 78.2% of outstanding shares until December 1973. On December 24, 1973, W.L. Acquisition Corporation, a wholly-owned subsidiary of Nationwide Corporation, was merged into the Company. As a result of the merger, Nationwide Corporation became the sole stockholder with former minority stockholders being paid $18 per share. Nationwide Corporation is owned 100% by Nationwide Mutual and Nationwide Mutual Fire. In 1986, Michigan Life Insurance Company was merged into the Company. Nationwide Corporation contributed the ownership of the Company to Nationwide Life Insurance Company on December 31, 1993. The Company merged with Farmland Life Insurance Company in 1995. Nationwide Life Insurance Company contributed the ownership of the Company to Nationwide Corporation on January 1, 1997.

On June 3, 1997, 100% ownership of the Company was acquired by Protective Life Insurance Company (PLICO), Birmingham, Alabama. The Company is a wholly-owned subsidiary of PLICO, an insurance company domiciled in Tennessee. PLICO is a wholly-owned and principal operating subsidiary of Protective Life Corporation (PLC), an insurance holding company whose common stock is traded on the New York Stock Exchange (Symbol: PL). The Company changed its State of Domicile from California to Nebraska as of December 20, 2002.

The Company is licensed to transact direct business in 49 states and the District of Columbia. The Company operates with independent marketing and underwriting offices which serve the brokerage marketplace. All executive, HR, legal, financial, actuarial, investment, technology infrastructure, customer service and agent licensing activities are provided by PLICO and PLC.

The Company operates from PLICO's main administrative offices in Birmingham, AL and Brentwood, TN, but with underwriting (including all administrative and IT) and marketing offices in San Francisco, CA; Atlanta, GA; Omaha, NE; Kansas City, MO; Richmond, VA; and Wixom, MI.

The Articles of Incorporation provide that the Company shall have perpetual existence. Under provisions of its current charter, and in conformity with Nebraska Statutes, the Company is authorized to write the kinds of insurance prescribed in Section 44-201, Subsections (1) and (4), of the Nebraska Insurance Statutes (life and sickness and accident).

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. Following is an organizational listing flowing from the parent. Subsidiaries are wholly owned unless otherwise indicated:

- Protective Life Insurance Company
  - Citizen's Accident & Health Insurance Company
  - Golden Gate Captive Insurance Company
  - Golden Gate II Captive Insurance Company
  - Investors Brokerage Services, Inc.
  - Lyndon Insurance Group, Inc.
    - First Protection Company
      - First Protection Corporation of Florida
    - National Warranty of Florida, Inc.
      - Prizm Administrative Services of Wisconsin, Inc.
    - Acceleration National Service Corporation
    - Lyndon-DFS Administrative Services, Inc.
    - Protective Administrative Services, Inc.
    - Warranty Business Services Corporation
    - Western General Dealer Services, Inc.
    - Western General Warranty Corporation
    - Western General Warranty, Inc.
  - Lyndon Property Insurance Company
    - Kuhn Sway Enterprises, LLC
    - Lyndon Financial Corporation
  - Protective Life and Annuity Insurance Company
  - Protective Finance Corporation
  - Protective Finance Corporation II
  - Protective Finance Corporation IV
  - Tower Captive Insurance Company
  - West Coast Life Insurance Company
    - Protective Life Insurance Company of New York
  - Western Diversified Services, Inc.
    - The Advantage Warranty Corporation

Shareholders

Article IV, entitled "Capital Stock," of the Company's Articles of Incorporation state that "the Corporation is authorized to issue one million (1,000,000) shares of stock, five dollars ($5.00) par value per share. All such shares are to be of one class and shall be designated as Common Stock." At the current date, Company records indicate that 1,000,000 shares are issued and outstanding for a paid up capital of $5,000,000, and are all owned by Protective Life Insurance Company. As of the examination date the Company's paid-in surplus is $713,928,559. The paid-in surplus has nearly doubled in the two years since the previous examination, with capital contributions of $158,433,790 in 2008 and $195,000,000 in 2009. There were no dividends paid during this examination period.

The By-Laws state that the Annual Meeting of the stockholders will be held for the purpose of electing directors and for the transaction of such other business as may come before the meeting. The Annual Meeting shall be held at such date and time during the calendar year except as otherwise provided by law as shall be specified by resolution of the Board of Directors. Written or printed notice shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting.

Directors

Article III of the Amended By-Laws provide that the Company shall be managed by a Board of Directors consisting of not less than one (1), nor more than twenty (20) members with one of the Directors being a Nebraska resident. Each Director shall hold office until the next Annual Meeting of shareholders and until his or her successor has been elected and qualified.

Members of the Company's Board of Directors at December 31, 2009 were as follows:

Name and Residence	Principal Occupation
Richard J. Bielen Birmingham, AL	CFO and Vice Chairman of Protective Life Corporation
John D. Johns Birmingham, AL	CEO, President and Chairman of Protective Life Corporation
Deborah J. Long Birmingham, AL	Executive Vice President, Secretary and General Counsel of Protective Life Corporation
Carl S. Thigpen Birmingham, AL	Executive Vice President and Chief Investment Officer of Protective Life Corporation
Carolyn M. Johnson Birmingham, AL	COO and Executive Vice President of Protective Life Corporation
Paul N. Kibler Omaha, NE	2nd VP, Underwriting of West Coast Life Insurance Company

According to the By-Laws, the shareholders may provide, by resolution, the time and place for the holding of Board of Director regular meetings without other notice than such resolution.

Special meetings may be called by or at the request of the President, the Chief Executive Officer, or any two Directors.

Officers

According to the By-Laws, "the officers of the Company shall be a President, a Secretary, and a Treasurer, and in the discretion of the Board of Directors which may leave one or more offices vacant from time to time, may include a Chairman of the Board, one or more Executive Vice Presidents, Senior Vice Presidents, Vice Presidents, Second Vice Presidents, a Treasurer, one or more Assistant Secretaries and Assistant Treasurers and other such officers and assistant officers as may be deemed necessary by the Board. All such officers shall be elected for a term of one year and shall be subject to removal by the Board of Directors at its pleasure." The same individual may simultaneously hold two (2) or more offices in the Company if consistent with the current laws of the State of Nebraska.

Officers elected and serving the Company at December 31, 2009, include, but are not limited to, the following:

Name	Office
John D. Johns	Chairman of the Board/Chief Executive Officer
Deborah J. Long	Secretary, Executive Vice President and General Counsel
Lance P. Black	Treasurer, Senior Vice President
Kevin B. Borie	Appointed Actuary
Edward M. Berko	Executive Vice President/Chief Risk Officer
Richard J. Bielen	Vice Chairman/Chief Financial Officer
Mark Cyphert	Senior Vice President, Chief Information Officer-IT
John B. Deremo	Senior Vice President, Chief Distribution Officer
Kevin J. Howard	Senior Vice President, Chief Product Actuary
Carolyn M. Johnson	President
Carolyn King	Senior Vice President, Acquisitions and Corporate Development
Philip E. Passafiume	Senior Vice President, Director of Fixed Income
Charles M. Prior	Senior Vice President, Mortgage Loans
Wayne E. Stuenkel	Senior Vice President
Carl S. Thigpen	Executive Vice President/Chief Investment Officer
Steven G. Walker	Senior Vice President, Chief Accounting Officer and Controller

Committees

The Company's By-Laws provide that the Board of Directors may designate one or more committees, which shall consist of at least two (2) Directors, except for the Finance/Investment Committee, which may include one or more members who are not members of the Board of Directors. The committees, to the extent provided in such resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Company.

Members of the Executive Committee serving the Company at December 31, 2009 were John D. Johns and Richard J. Bielen. Besides the Executive Committee, the Board of Directors has elected to establish one other standing committee at December 31, 2009. The Audit Committee consists of the members of the Board of Directors and exists exclusively to oversee the implementation of the Model Audit Rule.

TRANSACTIONS/AGREEMENTS WITH AFFILIATES

Agreement for Investment Services

This agreement was entered into by and between Protective Life Corporation (PLC) and the Company. The Company granted authority to PLC to provide investment services including, but not limited to: research and analysis of investment opportunities, execute purchases or sales, collect and transmit any and all amounts paid on investments, and provide and maintain necessary documentation for renewable twelve month terms beginning on July 1, 1997. The fees for the services are settled monthly in accordance with the following schedule (does not include third party fees):

Bonds:	5.5% of interest income collected
Mortgages:	5.5% of income collected on loans serviced of WCL and additional fee of 1.5% of the initial asset value of each new loan added to the mortgage portfolio
Preferred Stocks:	5.5% of dividends collected
Common Stocks:	quarterly fee of .125% of market value of WCL common stock portfolio
Real Estate:	5.5% of income received on real estate serviced for WCL
Other Invested Assets:	5.5% of income received

Agreement for Data Center Services

This agreement was entered into by and between Protective Life Corporation (PLC) and the Company. The Company grants authority to PLC to provide data services including, but not limited to: provide the computer hardware necessary to run insurance software, make the software accessible, and maintain documentation stating the nature of services provided for a renewable term of twelve months beginning on July 1, 1997. The fees will be settled monthly and will be determined by allocating expenses incurred by PLC for providing services to the Company based upon the percentage of time spent by the Company utilizing such data services multiplied by rates for services.

Agreement for Legal Services

This agreement was entered into by and between Protective Life Corporation (PLC) and the Company. PLC will provide legal services including, but not limited to: general corporate legal work, insurance-related legal work, and contracts to the Company effective July 1, 2004. The Company will reimburse PLC at cost for services provided.

Tax Allocation Agreement

This agreement was entered into by and between Protective Life Corporation (PLC) and its subsidiaries on January 1, 1988. The agreement permitted PLC and its subsidiaries to file a consolidated federal income tax return and to allocate payments for federal income tax between them. The fees will be calculated by preparing a separate federal income tax return for each subsidiary. Amendment allows for a subsidiary to carry-back or carry-forward losses or credits.

Administrative Services Agreements

The first agreement is between Protective Life Insurance Company (PLICO), Empire General Life Assurance Corporation (EGLAC), and the Company and was entered into on November 7, 2005. The providing affiliate agrees to provide administrative services to receiving affiliate. Reimbursement to the providing affiliate will be at cost.

The second agreement was entered into as of September 30, 2004 and amended as of August 26, 2005 between Golden Gate Captive (GGC) and the Company. The Company agreed to provide administrative services to all reinsurance business and any business related to GGC's issuance of surplus notes or other securities designated to fund any of GGC's reinsurance obligations. Reimbursement to the Company would be at cost for services and facilities and would include all direct and indirect allocable expenses.

TERRITORY AND PLAN OF OPERATION

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

The Company primarily writes term insurance and universal life insurance. A small amount of their business consists of interest sensitive whole life, individual annuities and accidental and health insurance. The accident and health business is guaranteed renewable business in run-off.

In 2009, direct life premiums of $716,614,069 were written. The five largest states in premium writing were California 18%, Texas 7%, Florida 6%, Pennsylvania 5% and Illinois 4%.

The Company distributes their products, including bank-owned life insurance, to the middle and affluent marketplace through a brokerage distribution channel. As of year-end 2009, the Company's products were distributed through approximately 101,000 agents.

REINSURANCE

Assumed

For the years 2009 and 2008, the Company assumed individual life and annuity premiums totaling $5.8 million and $5.9 million respectively. Reserve credits assumed for the years 2009 and 2008 were $4.7 million and $4.2 million, respectively. The largest component of this business involves the re-assumption of a portion of the Company's reinsurance ceded to Security Life of Denver Insurance Company. The business is ceded out on a coinsurance basis and then the Company re-assumes a 10% portion on a yearly renewable term (YRT) basis. This block of assumed business accounted for premiums and reserves totaling $4.7 million and $4.2 million respectively in 2009 and 2008.

The Company also assumed modified co-insurance reserves totaling $63.3 million in 2009 and $62.5 million in 2008. These transactions relate to a closed block of life, accident and health and annuity policies assumed from Nationwide Life Insurance Company, the Company's former parent, under agreements effective January 1, 1994. The Company also handles all administrative functions relating to this block of business.

Ceded - Nonaffiliated

The Company has historically maintained reinsurance agreements with other insurance companies for the purpose of diversifying risk and limiting exposure on larger mortality risks. Under the terms of these agreements the Company generally shares in the mortality risk while ceding amounts over a threshold exposure of not more than $1 million per life. In the years 2009 and 2008 respectively the Company ceded a total of $314 million and $310 million in premiums and $2.6 billion and $2.4 billion in reserves pursuant to these reinsurance agreements. As of December 31, 2009, the most significant external reinsurers of the company were Security Life of Denver Insurance Company, Lincoln National Life Insurance Company and Swiss Re Life and Health America, Inc. which accounted for 47%, 35% and 5% respectively of the $2.6 billion in nonaffiliated reserves ceded. No other external reinsurer accounted for more than 5% of the $2.6 billion in reserves ceded by the Company.

The Company reported no significant amounts of reinsurance involving accident and health business in 2009 or 2008.

Ceded - Affiliated

In 2004, the Company entered into a coinsurance agreement with an affiliate, Golden Gate Captive Insurance Company for purposes of securitizing the majority of its "XXX" reserves arising under a block of term life business. Under terms of this agreement the Company retains 10% of its term business under plans having a premium paying term of 25 years and less and 5% of their 30 year term business. During 2009 and 2008, the Company ceded $7.5 million and $7.8 million in premiums and reserves totaling $88.0 million and $80.4 million respectively pursuant to this agreement. As the reinsurer is not licensed in Nebraska, the Company maintains collateral in the form of a reinsurance trust having a value of $90.7 million at December 31, 2009 to secure amounts due under this reinsurance arrangement.

Commencing August 1, 2005, the Company entered into a companion agreement whereby it ceded 100% of its exposure arising under graded premium term business having guaranteed premiums during the level term period to its affiliate, Golden Gate Captive Insurance Company. The Company retains none of the exposure arising under this block of policies. During 2009 and 2008, the Company ceded $169.8 million and $186.5 million in premiums and reserves totaling $534.1 million and $488.0 million respectively pursuant to this agreement. Again, the reinsurer is not licensed in Nebraska and accordingly the Company maintains collateral in the form of a second reinsurance trust having a value of $506.4 million at December 31, 2009 to secure amounts due under this reinsurance arrangement.

On November 1, 2005, the Company entered into an agreement with Tower Captive to reinsure a portion of term life insurance business under a coinsurance treaty. During 2009 and

2008, the Company ceded $1.1 million each year in premiums and reserves totaling $13.1 million and $12.8 million respectively pursuant to this agreement.

During 2005, the Company executed a treaty with Protective Life Insurance Company and began ceding certain new annuity business. During 2008, the Company entered into an agreement to reinsure certain term life insurance liability on a monthly renewable term basis, also with Protective Life. During 2009 and 2008, the Company ceded $72.1 million and $80.3 million in premium and reserves totaling $188.6 million and $136.4 million respectively pursuant to these agreements.

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 for the period under review (000's omitted):

	2008	2009
Admitted assets	$3,400,574	$3,529,519
Total liabilities	3,067,272	2,992,835
Surplus	328,302	520,617
Premium and consideration for life and accident and health contracts	182,067	215,182
Net investment income	177,335	184,942
Total policy and contract benefits	324,472	280,625
Net income	(121,083)	(95,921)

FINANCIAL STATEMENTS

The following statement of admitted assets and liabilities, together with the accompanying summary of operations, reflect the financial condition of the Company at December 31, 2009, and its transactions during the year 2009, 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, 2009

Assets

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$2,353,971,763		$2,353,971,763
Preferred stocks	8,821,000		8,821,000
Common stocks	130,573,583		130,573,583
Mortgage loans on real estate – first liens	736,470,486		736,470,486
Real estate - properties held for sale	713,282		713,282
Cash and short-term investments	156,004,690		156,004,690
Contract loans	37,573,599	$ 2,524,552	35,049,047
Receivables for securities	766		766
Subtotals, cash and invested assets	$3,424,129,170	$ 2,524,552	$3,421,604,618
Investment income due and accrued	35,954,062		35,954,062
Uncollected premiums and agents' balances in course of collection	(67,672,674)	204,884	(67,877,558)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,389,924		2,389,924
Amounts recoverable from reinsurers	45,903,110		45,903,110
Funds held by or deposited with reinsured companies	1,886,357		1,886,357
Other amounts receivable under reinsurance contracts	15,649,247		15,649,247
Current federal and foreign income tax recoverable and interest thereon	7,776,359		7,776,359
Net deferred tax asset	80,346,247	27,952,191	52,394,056
Guaranty funds receivable or on deposit	411,222		411,222
Furniture and equipment	273,566	273,566	
Receivable from parent, subsidiaries and affiliates	136,468		136,468
Health care and other amounts receivable	1,996,213	1,996,213	
Accounts receivable	588,456	281,504	306,952
Insolvency fund	1,916,981		1,916,981
Bills receivable	1,824	1,824	
Total assets excluding Separate Accounts	$3,551,686,533	$33,234,734	$3,518,451,798
From Separate Accounts	11,067,132		11,067,132
Totals	$3,562,753,665	$33,234,734	$3,529,518,931

Liabilities

Aggregate reserve for life contracts	$2,806,423,948
Aggregate reserve for accident and health contracts	582,956
Liability for deposit type contracts	96,639,690
Life contract claims	9,676,325
Policyholders' dividends due and unpaid	11,742
Policyholders' dividends apportioned for payment	1,144,018
Premiums received in advance	1,953,492
Other amounts payable on reinsurance	344,703
Interest maintenance reserve	11,229,505
Commissions to agents due or accrued	8,205,390
Commissions and expense allowances payable on reinsurance assumed	29,730
General expenses due or accrued	4,343,383
Transfers to Separate Accounts due or accrued	(5,343,228)
Taxes, licenses and fees due or accrued	4,637,360
Unearned investment income	1,374,674
Amounts withheld or retained as agent or trustee	1,268,191
Amounts held for agents' account	1,830,277
Remittances and items not allocated	8,401,147
Asset valuation reserve	4,146,819
Payable to parent, subsidiaries and affiliates	11,342,682
Funds held under coinsurance	24,040,063
Deferred lease	552,014
Total liabilities excluding Separate Accounts	$2,992,834,881
From Separate Accounts	11,067,132
Total liabilities	$3,003,902,014
Common capital stock	$ 5,000,000
Gross paid in and contributed surplus	713,928,559
Additional admitted deferred tax assets	16,877,111
Unassigned funds (surplus)	(210,188,752)
Total capital and surplus	$ 525,616,918
Total	$3,529,518,931

SUMMARY OF OPERATIONS - 2009

Premiums and annuity considerations	$215,181,861
Net investment income	184,942,205
Amortization of interest maintenance reserve	1,553,241
Separate Accounts net gain from operations	(32,489)
Commissions and expense allowances on reinsurance ceded	84,286,203
Miscellaneous income from Separate Accounts	3,152
Miscellaneous income	1,372,732
Total	$487,306,905
Death benefits	$ 48,573,940
Matured endowments	377,665
Annuity benefits	170,105
Disability benefits and benefits under accident and health contracts	229,718
Coupons, guaranteed annual pure endowments and similar benefits	385
Surrender benefits and withdrawals for life contracts	258,122,811
Interest on contract or deposit-type contract funds	2,400,126
Payments on supplementary contracts with life contingencies	232,316
Increase in aggregate reserves for life and accident and health contracts	(29,481,794)
Subtotal	$280,625,272
Commissions on premiums and annuity considerations	137,420,987
Commissions and expense allowances on reinsurance assumed	326,559
General insurance expenses	80,904,907
Insurance taxes, licenses and fees	16,217,829
Net transfers to or (from) Separate Accounts net of reinsurance	5,682,537
Tax penalties and interest	12,357
Total	$521,190,449
Net gain or (loss) from operations before dividends and federal income taxes	$ (33,883,544)
Dividends to policyholders	1,619,574
Net gain from operations after dividends to policy holders and before federal income taxes	$ (35,503,118)
Federal income taxes incurred	1,257,308
Net gain from operations before realized gains	$ (36,760,426)
Net realized capital gains or (losses)	(59,161,012)
Net income	$ (95,921,438)

CAPITAL AND SURPLUS ACCOUNT

	2008	2009
Capital and surplus,beginning of year	$299,377,347	$333,302,426
Net income	$(121,083,218)	$ (95,921,438)
Change in net unrealized capital gains or (losses)	(24,035,553)	8,666,227
Change in net deferred income tax	43,668,000	(24,201,454)
Change in nonadmitted assets	(47,660,996)	64,374,871
Change in liability for reinsurance in unauthorized companies	(5,887,671)	5,887,671
Change in reserve on account of change in valuation basis	0	37,600,000
Change in asset valuation reserve	32,127,485	2,694,871
Surplus (contributed to) or withdrawn from Separate Accounts during period	0	(32,489)
Other changes in surplus in Separate Accounts	0	32,489
Surplus adjustment paid in	158,433,790	195,000,000
Change in surplus as a result of reinsurance	(1,636,758)	(1,786,257)
Net change for year	$ 33,925,079	$192,314,492
Capital and surplus, end of year	$333,302,426	$525,616,918

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of $(210,188,752), as reported in the Company's 2009 Annual Statement, has been accepted for purposes of this examination.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

There were no recommendations made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

During the course of the examination, the examination team was notified by other state insurance departments about a potential reserve issue related to Universal Life products with secondary guarantees. A secondary guarantee attached to a Universal Life policy guarantees that the policy will not lapse if the account value is less than zero, subject to a specified premium requirement or the requirement to maintain a separate shadow account greater than zero. The shadow account is based on a different set of charges, expenses and interest credits than the real account value. The premium required to keep the shadow account value greater than zero is less than the premium needed to keep the account value greater than zero. These products also incorporate multiple sets of charges, expenses and interest credits applied to the shadow account with the actual amounts charged dependent upon the level of the shadow account.

The reserve issue that was raised related to the charges being applied to the shadow account and thus the determination of the minimum premium to use in the reserve process. The reserve method for these products is defined by "Valuation of Life Insurance Policies Model Regulation: (Model Regulation) and by Actuarial Guideline 38 (The Application of the Valuation of Life Insurance Policies Model Regulation). Actuarial Guideline 38 is a guideline to provide direction as to the application of the Model Regulation to such products. The reserve issue raised by various states dealt with the calculation of the minimum premium requirement as stated in Actuarial Guideline 38.

According to the Model Regulation, the minimum premium in the reserve calculation is defined as "the premium that, when paid into a policy with a zero account value at the beginning of the policy year, produces a zero account value at the end of the policy year." Actuarial Guideline 38 defines the minimum premium as "the minimum gross premium (determined at issue) that will satisfy the secondary guarantee requirement."

The Company indicated they have been selling this type of product since 2006. As part of the examination, the actuarial specialist required reserve audit trails for ten Universal Life policies with shadow accounts issued by the Company during the period 2006 - 2010. The actuarial specialist reviewed the Company's reserve calculations for these policies and compared the reserve method to those required under the Model Regulation and Actuarial Guideline 38.

Based on the examination, the Company is reserving for these products in accordance with the Model Regulation. Specifically, the Company is determining the minimum premium in the reserve calculation by solving for the minimum premium such that the premium, when paid into a policy with a zero account value at the beginning of the policy year, produces a zero account value at the end of the policy year. The actuarial specialist also noted that Actuarial Guideline 38 does not specifically address how the minimum premium is to be derived. Therefore, there is an interpretation issue related to Actuarial Guideline 38 in determining minimum premium.

Based on the review, the statutory reserves held for these products are adequate. The Life and Health Actuarial Task Force (LAHTF) is currently reviewing this reserve issue. It is recommended that the Company follow any future LAHTF rulings related to Actuarial Guideline 38, as it relates to these types of products.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Reserves – It is recommended that the Company follow any future LAHTF rulings related to Actuarial Guideline 38, as it relates to Universal Life products with secondary guarantees.

ACKNOWLEDGEMENT

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Respectfully submitted,

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