DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Individual Assurance Company, Life, Health & Accident as of December 31, 2008

ORDER

After full consideration and review of the report of the financial examination of Individual Assurance Company, Life, Health & Accident for the period ended December 31, 2008, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Individual Assurance Company, Life, Health & Accident, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this January 28, 2010.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

FINANCIAL EXAMINATION OF

INDIVIDUAL ASSURANCE COMPANY, LIFE, HEALTH & ACCIDENT

AS OF

DECEMBER 31, 2008

FILED
FEB 07 2010
DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Prairie Village, Kansas
December 9, 2009

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chair, NAIC Financial Condition (E) Committee

Honorable Merle D. Scheiber, Commissioner
South Dakota Division of Insurance
Midwestern Zone Secretary

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Gentlemen:

In accordance with your financial examination warrant, a full scope financial association examination has been made of the records, affairs, and financial condition of

Individual Assurance Company, Life, Health & Accident

hereinafter referred to as Individual Assurance Company, as IAC, or as the Company. Its administrative office is located at 2400 West 75th Street, Prairie Village, Kansas 66208, telephone number (913) 432-1451. This examination began on April 20, 2009 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope association financial examination of Individual Assurance Company. The last examination was completed as of December 31, 2005. This examination covers the period of January 1, 2006 through December 31, 2008 and also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report. Both the current and prior examinations were conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zone participating.

Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook, except where practices, procedures, and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (the MO DIFP) and statutes of the State of Missouri prevailed. The Handbook requires that we 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, inherent risks within the Company, and system controls and procedures used to mitigate those risks. This examination also included 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. Key activities for Individual Assurance Company included: Claims and Reserving, Investments, Premiums and Underwriting, and Reinsurance.

Reliance Upon Others

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, KPMG, LLP, of Kansas City, Missouri, for its audits covering the periods from January 1, 2007, through December 31, 2008. Information relied upon included fraud risk analysis, attorney letters, tests of controls, and narrative descriptions of processes and controls.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2008 through the date of this report.

COMPANY HISTORY

General

Individual Assurance Company was incorporated on October 18, 1973, and commenced business on January 1, 1974, under Chapter 376 RSMo (Life, Health and Accident Insurance).

Capital Contributions

The Company did not receive any capital contributions during the period under examination.

Dividends

No dividends were declared or paid during the period under examination.

Mergers and Acquisitions

There were no acquisitions, mergers, or other major corporate events that occurred during the period under examination.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. Neither the Articles of Incorporation nor the Bylaws were amended during this period.

The minutes of the Board of Directors' meetings, committees' meetings, and shareholder meetings were also reviewed for the period under examination. In general, the minutes appeared to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The Company's Articles of Incorporation specify that the Board of Directors shall consist of ten members, which is in compliance with section 376.060 RSMo (Joint Stock Insurers: Charter Documents). The members of the Board of Directors elected and serving as of December 31, 2008 were as follows:

Name and Address	Business Affiliation
Robert E. Stroud Shawnee Mission, KS	Chairman, Institutional Agencies Corporation Chairman, Westport Life Insurance Company Chairman, Individual Assurance Company
SueAnn S. Wright Shawnee Mission, KS	Vice Chairman and Chief Executive Officer of IAC Group, Inc. Vice President and Director of Highland Financial Company
Michael M. Strickland Overland Park, KS	President, Individual Assurance Company
Charles E. Cain Overland Park, KS	Executive Vice President, Treasurer, and Secretary, IAC

Ronald F. Jones Mission Hills, KS	Senior Vice President, Individual Assurance Company
Robert E. Stroud, Jr. Leawood, KS	Consultant
Thomas D. Morgan Greenville, IL	Retired College Administrator
Robert Fitzpatrick Overland Park, KS	Vice President, First Tennessee Capital Markets
James L. Stroud Independence, MO	President, Acme Products Company
Keith E. Nelson Lenexa, KS	Vice President and Actuary, IAC

The same slate of Directors was re-elected at the shareholders' meeting on June 11, 2009.

Senior Officers

The officers serving as of December 31, 2008 were as follows:

Name	Office
Robert E. Stroud	Chairman
SueAnn Wright	Vice Chairman, Chief Executive Officer
Michael M. Strickland	President
Charles E. Cain	Executive Vice President, Secretary, & Treasurer
Ronald F. Jones	Senior Vice President – Investments
Chris Bryan	Senior Vice President – Sales
Greg Janssen	Senior Vice President – Sales
Keith Nelson [(a)]	Vice President and Actuary
Diana Santellan	Vice President – Business Development
Rick Wolf	Vice President – Sales
Lee Ann Hollister [(b)]	Vice President – Sales
John A. Diebold	Vice President – Finance & Assistant Treasurer
Ladena Keuhn	Vice President – Human Resources
Cathy Shinkle	Vice President – Administration
Coleen Stewart	Vice President – Professional Sales Advisors
Andrea Bower	Vice President – Professional Sales Advisors

[(a)] Keith Nelson was promoted to Executive Vice President - Operations as of June 11, 2009.
[(b)] Lee Ann Hollister is no longer with the Company.

Principal Internal Committees

The elected committees of the Board of Directors are an Executive Committee, an Investment Committee and an Audit Committee. During the examination period, the only actions by the Executive Committee were annual resolutions to set and approve salaries for employees earning above a certain level; the Investment Committee met once or twice per year; and the Audit Committee neither met nor took any actions. These committees operate in accordance with the Company's Bylaws. The members of the committees as of December 31, 2008 were as follows:

Executive Committee	Investment Committee	Audit Committee
Robert E. Stroud, Chairman	Ronald F. Jones, Chairman	Robert E. Stroud
SueAnn S. Wright	Charles E. Cain	Charles E. Cain
Michael M. Strickland	Robert E. Stroud	Michael M. Strickland
Charles E. Cain	SueAnn S. Wright	
	Michael M. Strickland	

Note that Keith Nelson was added as a member to all these committees at the June 11, 2009 Board of Directors meeting. No other changes were made to the committee structure or membership at the June 11th meeting.

IAC also has an informal "white book committee" which provides direction and guidance to the Company on a regular and frequent basis. The committee generally consists of:

Robert Stroud
Charles Cain
Michael Strickland
Keith Nelson

Holding Company, Subsidiaries and Affiliates

Individual Assurance Company is a wholly owned subsidiary of IAC Group, Inc (IAC Group), a holding company. IAC Group has no significant business operations other than its ownership of IAC. The Company's founder, Robert E. Stroud and his daughter, SueAnn S. Wright, own or control the majority of the IAC Group stock. Other Stroud family members also own shares of IAC Group.

IAC owns 100% of the voting stock of Westport Life Insurance Company (Westport), an Arizona domiciled reinsurer of credit life, credit accident and health, and group life business. Two classes of non-voting stock of Westport are owned by a group of approximately 200 banks throughout the United States for purposes of reinsuring risks. The operations of Westport are further discussed in the Reinsurance section of this report.

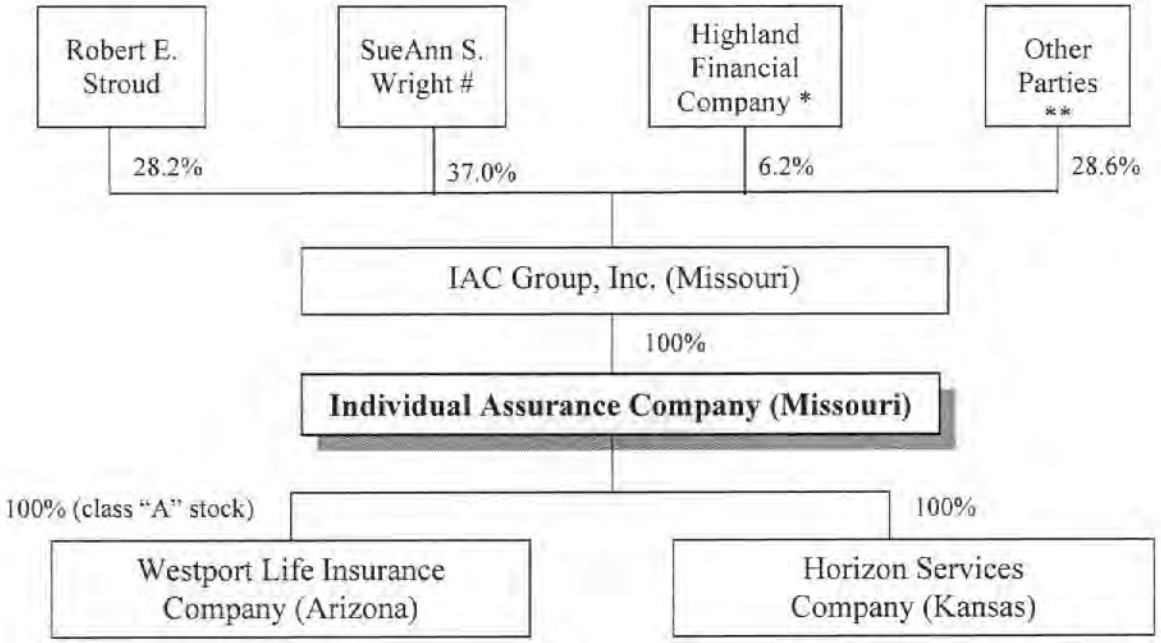
IAC owns 100% of the voting stock of Horizon Services Company (Horizon), a software and administrative company incorporated in the State of Kansas.

The Company is also affiliated with two separate holding companies, Highland Financial Company (Highland) and Institutional Agencies Corporation (Institutional Agencies). The two holding companies are related to IAC through common ownership. SueAnn S. Wright and Robert E. Stroud own or control 70% of Highland stock and over 80% of Institutional Agencies outstanding stock. Six companies are included in the two affiliated holding companies, which are described as follows:

- Highland was the sole agency that marketed IAC's products in the United States. Currently, Highland is a shell holding company that owns Pacific Know How Limited (Pacific Know How), Trans Western Industries, Insured Accounts Company and Highland Ohio Agency, Inc. Highland owned 6.2% of the common stock of IAC Group at December 31, 2008.
- Pacific Know How Limited was the marketing and sales agency for IAC's products in the Pacific island region. Pacific Know How currently has no operations.
- Trans Western Industries, Inc. (TWI) is an insurance broker that places life and health risks, but does not transact business with IAC.
- Insured Accounts Company is a sales agency that promotes insurance companies that sell collateral protection insurance in conjunction with loans issued by financial institutions and also does not transact business with IAC.
- Highland Ohio Agency, Inc. is a flow through agency for a group mortgage policy. It also does not transact business with IAC.
- Institutional Agencies Corporation is a shell holding company that owns Acme Products Company (Acme Products), a non-insurance entity.
- Acme Products is a manufacturer of towing accessories.

Organizational Chart

The following organizational chart depicts the IAC Group holding company structure as of December 31, 2008:



SueAnn S. Wright's percentage of ownership includes shares held by Ms. Wright, shares included in the Voting Trust for which she has the proxy to vote as Trustee, and shares held by the SBW Family Partners, L.P. for which she is the general partner.

* SueAnn S. Wright owns 66% of Highland Financial Company, which gives SueAnn S. Wright effective control to vote all of Highland Financial Company's shares of IAC Group, Inc.

**Comprised of the Company's 401K Plan, employees of the Company, and members of the Stroud Family.

Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2008, are outlined below.

1. **Type:** Management Services Agreement

   Affiliate: Westport Life Insurance Company

   Effective: January 1, 2004

   Terms: IAC will perform the following services on behalf of Westport: accounting, financial reporting, collection and depositing of funds received, payment of

accounts payable, investment managing, and third party expenses for actuarial, information systems, auditing, and legal services. Westport will reimburse the Company for actual and allocated expenses on a monthly basis.

2. **Type:** Joinder Agreement and Amended and Restated Tax Allocation Agreement

   Affiliate: IAC Group and Westport

   Effective: January 1, 1996 until terminated.

   Terms: IAC, IAC Group, and Westport file a consolidated federal income tax return. The allocation of the consolidated tax liability to each company is based upon each company's liability on a stand-alone basis. Intercompany tax settlements are to be made within 90 days after the filing of the tax return.

3. **Type:** Management Services Agreement

   Affiliate: Institutional Agencies Corporation

   Effective: January 1, 2004, Amended January 1, 2007

   Terms: IAC will perform the following services on behalf of Institutional Agencies, accounting, financial reporting, collection and depositing of funds received, payment of accounts payable, investment managing and third party expenses for actuarial, information systems, auditing and legal services. Institutional Agencies will reimburse IAC for actual and allocated costs and expenses incurred with regard to the individual programs administered. IAC will periodically review the allocation method to assure expenses are fairly apportioned.

4. **Type:** Management Services Agreement

   Affiliate: Highland Financial Company and Subsidiaries

   Effective: January 1, 2004, Amended January 1, 2007

   Terms: IAC will perform the following services on behalf of Highland Financial and its subsidiaries: accounting, financial reporting, collection and depositing of funds received, payment of accounts payable, investment managing and third party expenses for actuarial, information systems, auditing and legal services. Highland Financial and its subsidiaries will reimburse IAC for actual and allocated costs and expenses incurred with regard to the individual programs administered. IAC will periodically review the allocation method to assure expenses are fairly apportioned.

5. **Type:** Technology License and Joint Development Agreement

   Affiliate: Horizon Services Company

   Effective: December 26, 2007

   Terms: IAC grants Horizon an exclusive license to use the package of web-based computer software, programs and data and related materials, including

documentation known as "FourPoint". Horizon may utilize the licensed programs solely in connection with the facilitation, marketing, servicing or administration of Debt Protection Programs. IAC retains the exclusive right to utilize the licensed programs in connection with the facilitation, marketing, servicing or administration of any Credit Life Program. Horizon is responsible for the development and associated costs of FourPoint applications relating to Debt Protection Programs and IAC will be responsible for the development and associated costs of FourPoint applications for Credit Life Programs. IAC will retain sole and exclusive ownership of all rights, title and interest in and to the licensed programs and all modification and enhancements thereof. Horizon's license becomes effective December 26, 2007 and shall automatically terminate after 15 years, unless sooner terminated, or the parties agree in writing to extend, modify or renew the agreement.

In addition to the above listed agreements, IAC also has two reinsurance agreements with Westport, which are described in the Reinsurance section of this report.

Intercompany Payments

The following table summarizes the significant amounts earned/incurred (excluding reinsurance and income taxes) between IAC and its affiliates during the examination period.

Related Party	Agreement or Transaction	Net Amount Earned / (Incurred)		
		2008	2007	2006
Westport	Management Services	$292,589	$300,059	$292,045
Institutional Agencies	Management Services	6,525	6,000	5,400
Highland Financial and Subsidiaries	Management Services	-0-	-0-	5,900
Horizon Services	Technology License	400,000	800,000	-0-
Horizon Services	Software Development Reimbursement	361,129	-0-	-0-
Horizon Services	Expense Reimbursement	142,906	-0-	-0-
TOTAL		$1,203,149	$1,106,059	$303,345

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a fidelity bond with a liability limit of $1 million and a $10,000 deductible. This coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a named insured on the following other insurance policies: automobile liability, general liability, property, workers compensation, umbrella coverage, agents E&O coverage, and directors and officers liability coverage. These policies appear sufficient to protect the Company's operations.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

IAC employees are provided standard benefits that include, but are not limited to, medical, dental, life, accidental death and dismemberment insurance, short and long-term disability and a 125 cafeteria plan.

The Company also offers a 401(k) plan with employer matching. It appears the Company's obligations for the plan were properly reported in the annual statements for the period under examination.

TERRITORY AND PLAN OF OPERATION

Individual Assurance Company is licensed by the MO DIFP under Chapter 376 RSMo (Life, Health and Accident Insurance) to write the following lines of business: life, annuities and endowments, and accident and health.

The Company is licensed to write business in 43 states, the District of Columbia, and the U.S. territories of Guam and the Commonwealth of Northern Marianas Islands in the Pacific island region. The seven states in which IAC is not licensed are Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. The Company is also licensed in the Federated States of Micronesia and the Republic of the Marshall Islands, which are two independent nations also located in the Pacific region.

The Company writes credit life and credit accident and health (A&H) policies that are sold in the United States mostly by banks and financial institutions, which act as agencies for IAC. The banks and financial institutions also produce small amounts of ordinary life and group mortgage insurance business for IAC. The credit life and credit A&H lines of business accounted for 25% and 15%, respectively, of direct premiums in 2008. In the United States, the states with the largest percentage of 2008 direct written premiums were Missouri (11%), Pennsylvania (7%), and Arkansas (5%).

The Company provides group term life insurance for the government employees of the U.S. territories and the independent nations in the Pacific island region. The Company also issues universal life insurance to the government employees to supplement the group life insurance coverage. Premiums from the Pacific region accounted for 52% of 2008 direct written premiums. The group life and ordinary life lines of business accounted for 38% and 21%, respectively, of direct premiums in 2008.

IAC has developed a proprietary software program (FourPoint) for processing Debt Protection/Cancellation policies or packages offered by banks and financial institutions. During the period under examination, IAC entered into agreements with banks, financial institutions, and insurance providers to provide third party administrator services for the Debt Protection/Cancellation policies using its FourPoint software. IAC received fees for the services provided; however, IAC does not have any underwriting risks under the agreements reviewed.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company's admitted assets, total capital, and loss ratios have remained relatively stable throughout the examination period. However, premium writings have decreased, significantly so in 2008. This decrease is attributable to the loss of a large contract with the Commonwealth of Northern Marianas Island. Key figures and ratios for the Company are summarized in the schedule below:

	2008	2007	2006
Direct Written Premiums	39,363,100	43,613,287	43,916,399
Net Written Premiums (After Reinsurance Assumed & Ceded)	25,200,174	28,053,880	27,851,813
Total Policyholder Surplus (Capital & Surplus)	11,328,828	11,137,005	11,309,959
Ratio of Direct Premiums Written to Surplus	3.47	3.92	3.88
Ratio of Net Premiums Written to Surplus	2.22	2.52	2.46
Net Losses Incurred to Net Premiums Earned	44.7%	44.8%	44.4%
Total Admitted Assets	45,695,075	45,308,411	44,983,125
Life Insurance in Force	5,695,490	6,641,464	7,141,287
Net income (loss)	(120,694)	156,882	288,953

REINSURANCE

General

The Company's premium activity on a direct earned, assumed and ceded basis, for the period under examination, is detailed below:

	2008	2007	2006
Direct Business	$38,444,967	$43,656,015	$43,952,882
Reinsurance Assumed:			
Affiliates	0	0	0
Non-affiliates	1,553,934	1,938,084	1,855,199
Reinsurance Ceded:			
Affiliates	(4,534,878)	(6,458,342)	(6,967,651)
Non-affiliates	(10,792,319)	(11,111,621)	(10,888,217)
Net Earned Premiums	**$24,671,704**	**$28,024,136**	**$27,952,213**

Assumed

The Company's only significant assumed business is group life insurance assumed from Prudential Insurance Company of America (Prudential) in conjunction with the Servicemen's Group Life Insurance (SGLI) pooling program for military personnel. Prudential is the direct writer for the SGLI program while numerous other companies (including IAC) participate by assuming specific percentages of the total business. Assumed premiums from the SGLI program accounted for 97% of IAC's total assumed premiums in 2008.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

IAC currently has two primary reinsurance coverage programs for the two primary lines of business, the Pacific region business and the credit business. The Pacific region business is ceded via a quota share contract under which the Company retains 50% of the first $100,000 of coverage and cedes 100% of amounts over $100,000. The Company also has catastrophe coverage for losses up to $2.5 million. No catastrophe reinsurance coverage is in place above this level.

For credit life and A&H business, reinsurance coverage is provided three ways. Generally IAC cedes the first $10,000 in life risks and 20% of A&H risks to Westport, an affiliate. Credit life amounts in excess of $25,000 and 60% of all credit A&H risks are generally ceded to Munich American Reassurance Company (Munich Re). Since certain banks have created captive reinsurers, the amounts noted above may vary depending on the amounts ceded to the captives.

IAC has a number of other reinsurance contracts which are in runoff. The Pacific Universal Life business had been previously reinsured with other reinsurers – business written during those periods is still reinsured under those contracts, but all new business is now placed with Munich Re. IAC wrote a large block of funeral service plan (FSP) business that was 100% reinsured by a single entity. This business is no longer being written and the reinsurer, Lincoln Memorial Life Insurance Company, is currently in liquidation; however, there is a trust agreement/account which offsets the required reserves. Also, previously, IAC "fronted" business for several companies and ceded 100% of the business. IAC terminated the fronting contracts earlier this decade, and this "fronted" business is currently in runoff.

During the period under examination, substantially all new IAC policies (with the exception of activity ceded to its subsidiary Westport) are now reinsured with Munich Re, an unaffiliated, third-party reinsurer.

IAC has no other material assumed or ceded reinsurance activity.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the MO DIFP as of December 31, 2008, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities):

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Notes	$1,490,000	$1,504,200	$1,478,808

Deposits with Other States, Territories, and Countries

The Company also has the following deposits with other states and political entities:

State	Type of Security	Par Value	Fair Value	Statement Value
Arkansas	U.S. Treasury Note	$200,000	$209,680	$200,114
Georgia	U.S. Treasury Note	50,000	51,196	50,000
New Mexico	U.S. Treasury Note	150,000	157,307	149,973
North Carolina	U.S. Treasury Note	500,000	558,280	499,825
South Carolina	U.S. Treasury Note	175,000	184,797	174,452
Virginia	U.S. Treasury Note	100,000	117,344	104,722
Other				
Federated States of Micronesia	Certificate of Deposit	105,000	109,173	109,173
Guam	Certificate of Deposit	52,568	52,568	52,568
Total		$1,332,568	$1,440,345	$1,340,827

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Individual Assurance Company for the period ending December 31, 2008. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$28,571,741	$ 0	$28,571,741
Preferred Stocks	85,000	85,000	0
Common Stocks	3,324,647	0	3,324,647
Real Estate – Properties Occupied by the Company	2,802,847	0	2,802,847
Real Estate – Properties Held for Sale	860,816	0	860,816
Cash and Short-term Investments	1,998,245	0	1,998,245
Contract Loans	2,612,837	0	2,612,837
Investment Income Due and Accrued	271,683	0	271,683
Uncollected Premium and Agents' Balances In the Course of Collection	1,506,991	233,585	1,273,406
Deferred Premiums, Agents' Balances and Installments Booked and Not Yet Due	367,476	0	367,476
Amounts Recoverable from Reinsurers	2,938,220	166,559	2,771,661
Other Amounts Receivable Under Reinsurance	300,791	0	300,791
Federal Income Tax Recoverable	197,870	0	197,870
Net Deferred Tax Asset	99,502	0	99,502
Guaranty Funds Receivable	24,791	24,791	0
Electronic Data Processing Equip. and Software	1,763,544	1,681,506	82,038
Furniture and Equipment	19,494	19,494	0
Receivable from Parent and Affiliates	150,052	0	150,052
Aggr. Write-Ins for Other than Invested Assets:			
Prepaid Expenses	69,411	69,411	0
Goodwill on Business Acquisition	9,463	0	9,463
Other Non-admitted Assets	441,157	441,157	0
TOTAL ASSETS	**$48,416,578**	**$2,721,503**	**$45,695,075**

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	$24,062,009
Aggregate Reserve for Accident and Health Contracts	2,006,261
Liability for Deposit-Type Contracts	700,274
Contract Claims – Life	2,083,684
Contract Claims – Accident and Health	1,447,059
Provision for Policyholder Dividends Not Yet Apportioned	5,615
Premiums Received in Advance	14,369
Other Amounts Payable on Reinsurance	2,562,685
Interest Maintenance Reserve	98,487
Commissions to Agents Due or Accrued	5,692
General Expenses Due or Accrued	211,937
Taxes, Licenses and Fees Due or Accrued	176,594
Unearned Investment Income	88,117
Remittances and Items Not Allocated	88,569
Asset Valuation Reserve	477,733
Reinsurance in Unauthorized Companies	20,570
Payable to Parent, Subsidiaries and Affiliates	5,904
Aggregate Write-Ins for Liabilities:	
Unclaimed Property	145,189
Other Payables	165,499
TOTAL LIABILITIES	**$34,366,247**
Common Capital Stock	2,500,000
Gross Paid In and Contributed Surplus	595,420
Unassigned Funds (Surplus)	8,233,408
Capital and Surplus	**$11,328,828**
TOTAL LIABILITIES AND SURPLUS	**$45,695,075**

Summary of Operations

Premiums and Annuity Considerations	$24,671,705
Net Investment Income	1,837,102
Amortization of Interest Maintenance Reserve	9,711
Commission and Expense Allowances on Reinsurance Ceded	2,550,897
Miscellaneous Income	911,051
TOTAL	**$29,980,466**
Death Benefits	10,117,002
Matured Endowments	37,950
Annuity Benefits	4,323
Disability Benefits and Benefits Under Accident and Health Contracts	869,539
Surrender Benefits and Withdrawals for Life Contracts	3,239,734
Interest on Contract or Deposit-Type Funds	17,019
Increase in Aggregate Reserves for Life and Accident & Health Contracts	(220,014)
Commissions on Premiums, Annuity Considerations & Deposit-Type Funds	7,357,803
Commissions and Expense Allowances on Reinsurance Assumed	13,244
General Insurance Expenses	7,376,710
Insurance Taxes, Licenses and Fees	1,373,863
Increase in Loading on Deferred and Uncollected Premiums	(9,751)
TOTAL	**$30,177,422**
Net Gain from Operations	($196,956)
Dividends to Policyholders	4,787
Federal Income Taxes Incurred	(81,049)
NET INCOME	**($120,694)**

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2007	$11,137,005
Net Income	(120,694)
Change in Net Unrealized Capital Gains or (Losses)	62,176
Change in Net Deferred Income Tax	79,093
Change in Non-Admitted Assets	231,008
Change in Liability for Reinsurance in Unauthorized Companies	(20,570)
Change in Asset Valuation Reserve	(39,190)
Examination Change	(0)
Net Change in Capital and Surplus for the Year	**$191,823**
CAPITAL AND SURPLUS, DECEMBER 31, 2008	**$11,328,828**

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Individual Assurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Barbara Bartlett, CFE, Bernie Troop, CFE, and Timothy Carroll, examiners for the MO DIFP, and Jodi Bachelor of the NAIC participated in this examination. The firm of Lewis & Ellis, Inc. also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Vicki L. Denton, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Individual Assurance Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Vicki L. Denton

Vicki L. Denton, CFE
Examiner-In-Charge
MO DIFP

Sworn to and subscribed before me this 8th day of November, 2009.

My commission expires: March 10, 2013

Monica

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

MONICA J. CURLS
My Commission Expires
March 10, 2013
Jackson County
Commission #09679768

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Mark Nance, CFE, CPA
Audit Manager
MO DIFP

IAC

Individual Assurance Company • 2400 W. 75th Street • Prairie Village, KS 66208-3509
800.821.5434 • www.iac-group.com

January 27, 2010

Frederick G. Heese, CFE, CPA
Missouri Division of Insurance Company Regulation
301 West High Street, Room 530
Jefferson City, MO 65102

Re: Examination Report of Individual Assurance Company, Life, Health & Accident as of December 31, 2008

Dear Mr. Heese,

This is our official response to the above mentioned examination conducted by the Missouri Department of Insurance. Our comments may be included in the report as a public document.

We concur with your findings as set forth on page 17 of the examination report as there were no issues, comments and/or recommendations. As always, we appreciate the professional and courteous manner in which your staff conducted the examination.

Should you have any questions, please feel free to contact me.

Sincerely,

Charles E. Cain
Executive Vice President &
Treasurer