

# STATE OF MISSOURI



## DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Lower Life Insurance Company for the period ended December 31, 2010

### ORDER

After full consideration and review of the report of the financial examination of Lower Life Insurance Company for the period ended December 31, 2010, 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 examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Lower Life Insurance Company as of December 31, 2010, be and is hereby ADOPTED as filed and for Lower Life Insurance Company 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, if any, mentioned in the Comments on Financial Statement Items and/or Summary of 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 11th day of June, 2012.



Handwritten signature of John M. Huff in black ink.

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

REPORT OF THE  
FINANCIAL EXAMINATION OF  
**LEWER LIFE INSURANCE COMPANY**

AS OF  
DECEMBER 31, 2010

**FILED**  
JUN 21 2012  
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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Kansas City, MO  
April 30, 2012

Honorable Joseph Torti, III, Deputy Director and  
Superintendent of Banking and Insurance  
Rhode Island Department of Business Regulation  
Chair, NAIC Financial Condition (E) Committee

Honorable Ted Nickel, Commissioner  
Wisconsin Office of the Commission 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

**Lewer Life Insurance Company**

hereinafter referred to as Lewer Life or as the Company. Its administrative office is located at 4534 Wornall Road, Kansas City, Missouri 64111, telephone number 816-753-4390. The fieldwork for this examination began on January 23, 2012, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

We have performed our full scope association financial examination of Lewer Life. The last examination was completed as of December 31, 2006 and was 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. This examination covers the period of January 1, 2007 through December 31, 2010. The examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

### Procedures

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (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, 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 Lewer Life included: Investments, Premiums, Actuarial Reserves and Claims, Federal Income Taxes, Other Underwriting Expenses, and Related Party Transactions.

### 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, BKD, LLC, of Kansas City, Missouri, for its audits covering the period from January 1, 2010 through December 31, 2010. Information relied upon included fraud risk analysis, confirmations, substantive claims testing, and legal representation letters.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There is no evidence that annual stockholder meetings were held during 2009, 2010, and 2011 as required by the Company's Bylaws. There were no other 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, 2010 through the date of this report.

## **CORPORATE HISTORY**

### General

The Company was originally incorporated on June 24, 1987, and commenced business on October 1, 1987, as a stock life and health insurer under the insurance laws of Chapter 376

RSMo (Life, health and accident insurance). The Company merged with Presidential Life Insurance Company of America on September 30, 1987, with Lewer Life being the surviving entity.

The Company has authorized 12,000 shares of voting common stock and 1,188,000 shares of non-voting common stock. Dorvon C. Lewer, Mary L. Lewer, and Michael D. Lewer each own 4,000 shares of the Company's voting stock and all non-voting stock is owned by Lewer Financial Services, L.P. (Lewer Financial). Dorvon C. Lewer, Mary L. Lewer, and Michael D. Lewer are equal general partners with Michael D. Lewer designated as the managing general partner. In 2005, a Form A Statement was filed with the DIFP on behalf of Michael D. Lewer to recognize Michael D. Lewer as the ultimate controlling entity of the Company.

**Capital and Surplus Contributions**

The Company received a \$5,368 surplus contribution during 2010 from Lewer Financial. No other capital or surplus contributions were received by Lewer Life during the examination period.

**Dividends**

Dividends paid to the Company's stockholders as approved by the Board of Directors, are indicated below.

<u>Year Paid</u>	<u>Amount Paid</u>
2010	\$ 176,483
2009	88,278
2008	175,000
2007	-

**Mergers and Acquisition**

No mergers or acquisitions have occurred during the examination period

**CORPORATE RECORDS**

A review was made of the Company's Articles of Incorporation and Bylaws for the period under examination. There were no amendments or changes to the Articles of Incorporation and Bylaws during the examination period.

The minutes of the Company's Board of Directors and all committees were reviewed and in general, appear to properly reflect and approve the corporate transactions and events for the period under examination.

No minutes were retained for the 2009, 2010, and 2011 annual shareholders meeting; therefore, no evidence that the meetings occurred could be obtained. According to Article II, Section 2 of the Bylaws annual shareholder meetings are required to be held the morning of the day of the

annual meeting of the corporation's Board of Directors. Also, according to Article IX of the Articles of Incorporation the Board of Directors shall be elected at the annual shareholder meeting.

**MANAGEMENT AND CONTROL**

**Board of Directors**

The Company's Articles of Incorporation state that nine directors shall be elected to the Board of Directors. The Directors elected and serving as of December 31, 2010, were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Michael L. Dlugolecki, Shawnee, Kansas	Vice President & Secretary for Lewer Life and The Lewer Agency, Inc. (TLA)
Dorvon C. Lewer, Kansas City, Missouri	Chairman & Treasurer for Lewer Life
Gregory P. Lewer, Kansas City, Missouri	Vice President of Operations for TLA
Michael D. Lewer, Leawood, Kansas	President & CEO for Lewer Life and TLA
John M. Owens, Kansas City, Missouri	Vice President of Sales for TLA
Rene Sainte-Marie, Quebec, Canada	President for The Lewer Insurance Agency Limited
Stephen S. Shahlari, Kansas City, Missouri	Vice President & Controller for Lewer Life
Albert G. Sowders, Kansas City, Missouri	Attorney, Private Practice
Richard F. Thomas, Jr., Kansas City, Missouri	Vice President of Marketing for TLA

The Company's Bylaws allow for an Executive Committee of the Board of Directors. The Company has an Executive Investment Committee that reviews and approves the Company's investments. As of December 31, 2010, the members of this committee were as follows:

**Executive Investment Committee**

- Dorvon C. Lewer, Chairman
- Michael D. Lewer
- Michael L. Dlugolecki
- Stephen S. Shahlari

As of January 11, 2011 the Company established an Audit Committee. The members of this committee are as follows:

**Audit Committee**

Michael D. Lewer  
Michael L. Dlugolecki  
Rene Sainte-Marie

The Bylaws specify that the officers of the Company shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, and a Treasurer. The Company may also have one or more Assistant Secretaries and one or more Assistant Treasurers. Any two or more offices may be held by the same individual except the offices of President and Secretary. The officers serving as of December 31, 2010, were as follows:

Dorvon C. Lewer, Chairman and Treasurer  
Michael D. Lewer, President  
Michael L. Dlugolecki, Vice President and Secretary  
Stephen S. Shahlari, Vice President

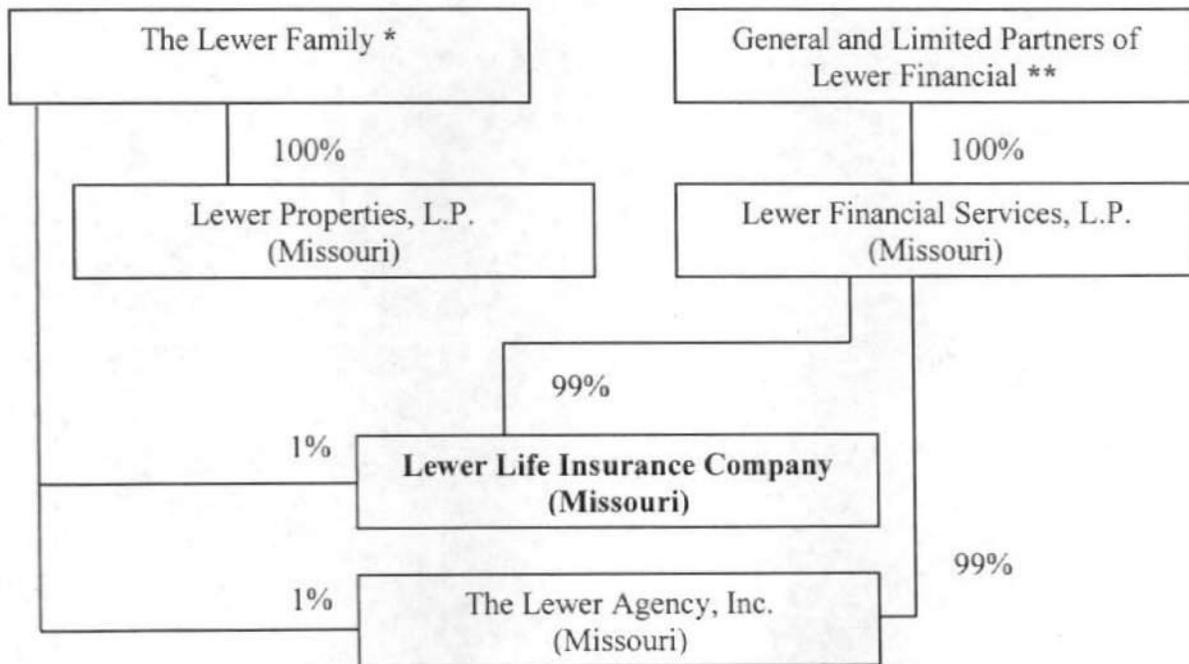
**Holding Company, Subsidiaries and Affiliates**

The Company is a member of an Insurance Holding Company System as defined by 382.010 RSMo (Definitions). The Lewer Family owns 100% of the Company with the voting stock equally split between Dorvon C. Lewer, Mary L. Lewer, and Michael D. Lewer. They are also equal General Partners of Lewer Financial, which owns 100% of the Company's non-voting stock. Michael D. Lewer is considered to be the Ultimate Controlling Person of the Company as he is the Managing General Partner of Lewer Financial.

An Insurance Holding Company System Registration Statement was filed by Lewer Life for itself for each year under examination.

**Organizational Chart**

The following organizational chart depicts the ownership and affiliates of Lewer Life as of December 31, 2010. Only those affiliates which have a direct relationship and business affiliation with the Company are shown below.



\* The Lewer Family is comprised of Dorvon C. Lewer, Mary L. Lewer, and Michael D. Lewer which each own 4,000 shares of the Company's voting stock.

\*\* Dorvon C. Lewer, Mary L. Lewer, and Michael D. Lewer are equal General Partners who collectively own 1.10% of Lewer Financial. The remaining ownership is divided among the Limited Partners. Dorvon C. Lewer and Mary L. Lewer each own an additional 32.47% as Limited Partners.

**Intercompany Transactions**

The Company's intercompany agreements as of December 31, 2010 are outlined below.

- 1. Type:** Expense Agreement
- Parties:** The Lewer Agency, Inc.
- Effective:** January 1, 1981 (assumed by Lewer Life effective September 30, 1987)
- Terms:** The agreement was originally between TLA and Presidential Life Insurance Company of America. Presidential Life was merged into Lewer Life shortly after the Company was organized. TLA agrees to provide equipment and services necessary for the operation of the Company's business. Lewer Life will pay TLA for its allocated share of expenses. The allocation method shall be based upon a "cost basis" in accordance with prudent and generally accepted accounting

principles. This agreement was amended effective March 2005 to allow for the sharing of real property leasehold expenses.

**2. Type:** Third-Party Administrator Agreement

**Parties:** The Lewer Agency, Inc.

**Effective:** January 1, 2002

**Terms:** TLA agrees to perform various services for the group benefit policies sold by Lewer Life. These services include the following: underwriting, maintenance of policy records, claims adjudication, premium billing and collection, and other services. The compensation paid by Lewer Life to TLA for the services provided varies, depending on the policy type, as defined in Schedule A of the agreement.

**3. Type:** Lease Agreement

**Parties:** The Lewer Agency, Inc. and Lewer Properties, L.P. (Lessor)

**Effective:** March 1, 2005, for successive one-year terms

**Terms:** Lewer Life and TLA are the Lessees on a lease agreement entered into with Lessor whereby Lewer Life and TLA jointly share the space, rent and expenses of leasing certain identifiable space and real property provided by the Lessor. The rent for the leased space and real property and the allocation between Lewer Life and TLA is summarized in Schedule A attached to the lease agreement. In addition to rent for buildings and parking, the Lessees are obligated to pay for property insurance, utilities, and repairs other than for reasonable wear and tear. The allocated portion of the rent and expenses to either Lessee shall be based on the estimated time an employee spends performing services for either of the Lessees.

This lease agreement was amended effective March 1, 2007, to reduce the amount of rent paid by the Lessees by one-half, with all other terms and provisions of the lease agreement, including the non-rent aspect of Schedule A remaining unchanged.

The following table summarized the payments made during the examination period, between Lewer Life and its affiliates under the agreements summarized above on a net paid/(received) basis:

	2010	2009	2008	2007
Expense Agreement	\$ 846,897	\$ 838,423	\$ 836,554	\$ 724,589
TPA Agreement	7,245	10,474	7,443	6,623
Lease Agreement	27,809	28,004	32,504	37,921
Total Paid	\$ 881,951	\$ 876,901	\$ 876,501	\$ 769,133

### FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company is a named insured on a Financial Institution Bond, with a liability limit of \$500,000 and a deductible of \$10,000. This level of coverage is sufficient to meet the suggested minimum amount of fidelity insurance coverage according to NAIC guidelines.

Lewer Life is also a named insured along with The Lewer Agency, Inc. on an Errors & Omissions, Directors & Officers Liability, and Fiduciary Liability policy.

### PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Lewer Life does not have any direct employees. All of the operation and administrative functions of Lewer Life are performed by the employees of an affiliate, The Lewer Agency, Inc. The Company is allocated a percentage of the payroll and benefit costs for TLA employees pursuant to an Expense Agreement that is described in the Intercompany Transactions section of this report.

A variety of standard benefits are provided to the TLA employees. These benefits include, but are not limited to, health, dental, life, accidental death and disability, and workers' compensation insurance. Employees are also provided with a 401(k) retirement savings plan.

### INSURANCE PRODUCTS AND RELATED PRACTICES

#### Territory and Plan of Operations

Lewer Life Insurance Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration 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 also licensed in the following nine additional states: Arizona, Illinois, Kansas, Louisiana, Mississippi, Oklahoma, Oregon, South Dakota and Texas.

The Company is primarily a reinsurer and only has a limited amount of direct written business. The major line of business for the Company is Group Accident and Health, which represented 86.7% of net earned premiums as of December 31, 2010. The Company's affiliate, The Lewer Agency, Inc. is the sole source for producing business for the Company on a direct and assumed reinsurance basis. Pursuant to a Third-Party Agreement, TLA performs various services for the policies written or assumed by the Company. These services include underwriting, maintenance of policy records, claims adjudication, premium billing and collection, and other services. TLA is compensated for its services based on specific variables such as policy type, etc.

## GROWTH OF THE COMPANY AND LOSS EXPERIENCE

The Company's capital and surplus has remained relatively stable throughout the examination period, with a total increase of \$1.9 million from December 31, 2006. Benefit and Loss Payments have remained stable during the examination period. Premiums Earned increased during 2008 as the Company grew its student insurance segment. During 2009, the Company lost a large student insurance group resulting in the decrease to Premiums Earned for 2009 and 2010. The growth and loss experience of the Company is summarized in the following schedule.

	2010	2009	2008	2007
Premiums Earned	\$ 4,992,273	\$ 5,332,373	\$ 5,839,290	\$ 5,085,202
Benefit and Loss Payments Incurred	3,721,414	3,758,729	4,332,234	3,735,209
Total Policyholder's Surplus	8,997,157	8,556,408	7,972,790	7,895,759
Premiums Earned to Surplus	55.49%	62.32%	73.24%	64.40%
Benefits Incurred to Premiums Earned	74.54%	70.49%	74.19%	73.45%

## REINSURANCE

### General

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

	2010	2009	2008	2007
Direct Business	\$ 25,540	\$ 31,583	\$ 34,035	\$ 33,337
Reinsurance Assumed:				
Affiliates	-	-	-	-
Non-affiliates	5,029,551	5,410,216	5,955,472	5,171,959
Reinsurance Ceded:				
Affiliates	-	-	-	-
Non-affiliates	(62,818)	(109,426)	(150,217)	(120,094)
<b>Net Earned Premiums</b>	<b>\$4,992,273</b>	<b>\$5,332,373</b>	<b>\$5,839,290</b>	<b>\$5,085,202</b>

### Assumed

The Company has a life reinsurance agreement, effective April 1, 1991, with Kansas City Life Insurance Company. Lewer Life assumes 50% of universal life policies including annuity riders. The maximum face value per policy that may be issued and subject to reinsurance is \$2,450,000. This agreement accounted for 79% of the total amount in force and 62% for reserves assumed at December 31, 2010 for all assumed life business. Funds of the Company are being held in a custodial account for the benefit of the reinsured pursuant to the reinsurance agreement.

Lewer Life assumed accident and health (A&H) business pursuant to a reinsurance agreement, effective June 1, 1991, with General American Life Insurance Company (General American). The agreement was amended, effective January 1, 2001, to assign General American's obligations and interests to Great-West Life & Annuity Insurance Company (Great-West). In 2008, CIGNA acquired Great-West's Accident and Health Division and reports this information under their subsidiary, Connecticut General Life Insurance Company. Lewer Life assumed 50% of health insurance policies that cover international students attending colleges and universities in the United States. The Company's maximum risk per insured is limited to \$125,000 per an amendment, effective June 1, 2004. This agreement accounted for 74% of total A&H premiums assumed by the Company in 2010. Funds of the Company are being held in a custodial account for the benefit of the reinsured pursuant to the reinsurance agreement.

Lewer also assumes additional A&H business from Trustmark Life Insurance Company under an agreement effective March 1, 2009. Similar to the agreement with CIGNA, the agreement with Trustmark provides hard-waiver health benefits to colleges with international students. The Company's maximum risk per insured is limited to \$125,000. The agreement with Trustmark accounts for 23% of total A&H premiums assumed in 2010. Funds of the Company are being held in a custodial account for the benefit of the reinsured pursuant to the reinsurance agreement.

Effective March 1, 2010, Lewer entered into a new reinsurance agreement with National Guardian Life Insurance Company to assume Group Dental Coverage. The reinsurance contract is a 50% coinsurance arrangement with commissions and various expense allowances paid to TLA to market the product. This new contract only had assumed premiums of \$97,773 as of December 31, 2010. Funds of the Company are held in a custodial account for the benefit of the reinsured.

The Company also has a limited number of other assumed reinsurance agreements which are either in run-off or have limited premium production as of December 31, 2010.

### 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.

Lewer Life has limited ceded activity. As of December 31, 2010, total ceded life and annuity premiums were only \$59,841 and ceded reserves were \$47,946.

The Company cedes and retrocedes risks above \$25,000 per insured on all direct and assumed life policies. The majority of these cessions are part of the life reinsurance assumption agreement, effective April 1, 1991, with Kansas City Life Insurance Company.

## ACCOUNTS AND RECORDS

The Company's main processing application is IBM's Genelco Life Support Plus (LSP), which is hosted on an IBM i520 Server. Cash transactions are processed in LSP (premium applications, policy surrenders, death claims, etc.) and downloaded daily. The downloaded file is interfaced with the account software package, Freedom, and uploaded into Freedom's General Ledger. If a check is needed, a second file is downloaded and interfaced with Freedom's Accounts Payable and then processed. The Freedom application is hosted on a Dell PowerEdge 2900 Series Server using a Microsoft Windows 2008 Small Business Server operating system.

Financial statements of the Company were audited as of December 31, 2010 and 2009 by the CPA firm, BKD LLP, of Kansas City, Missouri. Meara, Welch, Browne, of Kansas City, MO, issued audited statutory financial statements of the Company for the years 2008 and 2007.

The actuarial opinions certifying the Company's reserves for the years-end 2007 – 2010 were issued by Christopher H. Hause, FSA, MAAA of Hause Actuarial Solutions, Inc.

## STATUTORY DEPOSITS

### Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2010, 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). The Company's required deposit for Missouri was \$600,000. The funds on deposit as of December 31, 2010, were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Bonds	\$ 1,570,000	\$ 1,696,386	\$ 1,572,510

### Deposits with Other States

The Company does not have funds on deposit with other states.

### Other Deposits

The Company has certain securities in trust accounts for the benefit of ceding companies that cede business to Lewer Life. The trusts are required to be maintained pursuant to the terms of the underlying reinsurance agreements, which are described in the Reinsurance section of this report. The Company's assets in the trust accounts may be withdrawn by the ceding companies upon Lewer Life's default of its obligations under the respective reinsurance agreements. The trust account assets consist of corporate bonds, government bonds, and money market funds. The trust account assets on deposit as of December 31, 2010, listed by ceding company, were as follows:

Ceding Company	Par Value	Fair Value	Statement Value
American General Life Insurance Company	\$ 3,528,784	\$ 3,710,972	\$ 3,528,355
Fidelity Security Life Insurance Company	77,222	77,222	77,222
Great-West Life and Annuity Insurance Co.	526,776	525,775	525,775
Kansas City Life Insurance Company	10,086,016	10,456,550	10,079,685
Reliastar Life Insurance Company	5,118,564	5,376,636	5,110,001
SCOR Global Life Insurance Co. of Texas	396,521	159,521	134,021
Trustmark Life Insurance Company	178,891	178,891	178,891
Total	\$ 19,912,774	\$ 20,485,567	\$ 19,633,950

### FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Lewer Life Insurance Company for the period ending December 31, 2010. 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	\$ 24,540,817	\$ -	\$ 24,540,817
Cash and Short-term Investments	1,651,828	-	1,651,828
Contract Loans	481,631	-	481,631
Investment Income Due and Accrued	300,331	-	300,331
Uncollected Premiums and Agents' Balances in the Course of Collection	678,916	-	678,916
Deferred Premiums, Agent Balances, and Installments Booked and Not Yet Due	34,798	-	34,798
Net Deferred Tax Asset	323,488	267,720	55,768
Furniture and Equipment	861	861	-
<b>TOTAL ASSETS</b>	<b>\$ 28,012,670</b>	<b>\$ 268,581</b>	<b>\$ 27,744,089</b>

**Liabilities, Surplus and Other Funds**

Aggregate Reserves for Life Contracts	\$ 15,551,698
Aggregate Reserves for Accident and Health Contracts	498,923
Liability for Deposit-Type Contracts	51,104
Contract Claims	
Life	69,976
Accident and Health	799,476
Premiums and Annuity Considerations for Life and Accident and Health	
Contracts Received in Advance	2,070
Surrender Values on Canceled Contracts	486,449
Interest Maintenance Reserve	685,449
Commissions and Expense Allowances Payable on Reinsurance Assumed	217,179
General Expenses Due or Accrued	63,474
Taxes, Licenses and Fees Due or Accrued	101,543
Current Federal and Foreign Income Taxes	124,000
Unearned Investment Income	2,748
Amounts Withheld or Retained by Company as Agent or Trustee	393
Remittances and Items Not Allocated	347
Asset Valuation Reserve	75,323
Payable to Parent, Subsidiaries and Affiliates	16,882
<b>TOTAL LIABILITIES</b>	<b>\$ 18,747,032</b>
Common Capital Stock	1,200,000
Gross Paid In and Contributed Surplus	729,283
Unassigned Funds (Surplus)	7,067,774
Capital and Surplus	<b>\$ 8,997,057</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 27,744,089</b>

**Summary of Operations**

Premiums and Annuity Considerations for Contracts	\$ 4,992,273
Net Investment Income	1,389,892
Amortization of Interest Maintenance Reserve	140,699
Commissions and Expense Allowances on Reinsurance Ceded	20,523
Aggregate Write-Ins for Miscellaneous Income	
SIP Administration Fees	29,622
<b>Total</b>	<b>\$ 6,573,009</b>
Death Benefits	\$ 178,908
Matured Endowments	8,617
Annuity Benefits	53,718
Disability Benefits and Benefits under Accident and Health Contracts	2,040,165
Surrender Benefits and Withdrawals for Life Contracts	1,440,006
Interest and Adjustments on Contract or Deposit-Type Contract Funds	1,841
Increase in Aggregate Reserves for Life and Accident and Health Contracts	(407,179)
<b>Total</b>	<b>\$ 3,316,075</b>
Commissions on Premiums, Annuity Considerations and Deposit-Type Contract Funds	\$ 6,873
Commissions and Expense Allowances on Reinsurance Assumed	1,243,781
General Insurance Expenses	1,149,392
Insurance Taxes, Licenses and Fees	79,773
Increase in Loading on Deferred and Uncollected Premiums	3,257
<b>Total</b>	<b>\$ 2,483,076</b>
<b>Net Gain from Operations Before Federal Income Taxes</b>	<b>\$ 773,859</b>
Federal Income Taxes Incurred	153,471
<b>NET INCOME</b>	<b>\$ 620,388</b>

**Capital and Surplus Account**

Surplus as Regards Policyholders, December 31, 2009	\$ 8,556,408
Net Income	620,388
Change in Net Unrealized Capital Gains (Losses)	9,000
Change in Net Deferred Income Tax	35,095
Change in Non-Admitted Assets	(33,455)
Change in Asset Valuation Reserve	(24,164)
Paid In Surplus	5,368
Dividends to Stockholders	(176,483)
Aggregate Write-Ins for Gains and Losses in Surplus	
Change in Prior Year Federal Income Taxes	4,901
Examination Change	-
<b>Net Change in Surplus as Regards Policyholders for 2010</b>	<b>\$ 440,650</b>
<b>Surplus as Regards Policyholders, December 31, 2010</b>	<b>\$ 8,997,057</b>

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None

**SUMMARY OF RECOMMENDATIONS**

There is no evidence that annual stockholder meetings were held during 2009, 2010, and 2011 as required by Article II, Section 2 of the Company's Bylaws. Also, according to Article IX of the Articles of Incorporation the Board of Directors shall be elected at the annual shareholder meeting. The Company should ensure that shareholder meetings are held as required by the Bylaws and minutes are retained noting the election of the Board of Directors.

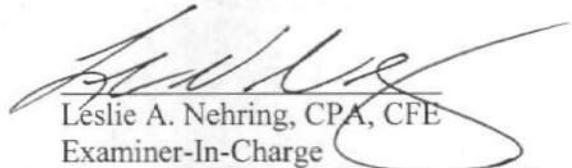
**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Lewer Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, Alvin Garon, CFE, and Timothy Carroll examiners for the DIFP, participated in this examination.

**VERIFICATION**

State of Missouri            )  
County of                    )

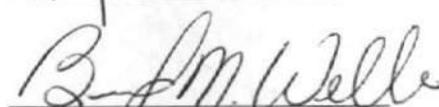
I, Leslie A. Nehring, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Lewer Life Insurance Company, its agents or other persons examined or as 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.



Leslie A. Nehring, CPA, CFE  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 30<sup>th</sup> day of April, 2012.

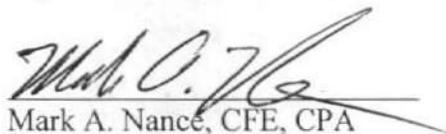
My commission expires: 04/14/2016

  
Notary Public

BEVERLY M. WEBB  
My Commission Expires  
April 14, 2016  
Clay County  
Commission #12464070

### 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, except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.



Mark A. Nance, CFE, CPA

Audit Manager

Missouri Department of Insurance, Financial  
Institutions and Professional Registration



***Lewer Life Insurance Company***

June 8, 2012

Mr. Frederick G. Heese, CPA, CFE, MBA  
Chief Financial Examiner & Division Director  
Missouri Department of Insurance,  
Financial Institutions and Professional Registration  
Division of Insurance Company Regulation  
P.O. Box 690  
Jefferson City, MO 6510-0690

Re: Examination Report of Lewer Life Insurance Company  
for Period Ending December 31, 2010

Dear Mr. Heese:

Please accept this letter as Lewer Life Insurance Company's response to your letter of May 10, 2012 and the referenced report.

I would like to thank you and your staff for the professionalism exhibited in conducting the examination of Lewer Life Insurance Company. We have reviewed the Draft Report and have one comment at this time with regards to the Division's Summary of Recommendations on page 15. The Company's comment may be included in the Report.

The Company appreciates the Division's recommendation and will comply as indicated. The Company would note that annual shareholder meetings are routinely held and minutes are retained. Copies of these minutes are routinely stored offsite in the office of outside counsel. Copies of these minutes have already been collected and submitted electronically to Tammy Rodieck, Exam Coordinator on June 5, 2012. Copies are also being submitted with this response.

We look forward to a continued positive relationship with you and your office.

Sincerely,

Michael D. Lewer  
President & CEO

CC:

Michael L. Dlugolecki, V.P. & Secretary  
Stephen S. Shahlari, V.P. & Controller  
Robert V. Stompoly, General Counsel