STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Lewer Life Insurance Company as of December 31, 2006

ORDER

After full consideration and review of the report of the financial examination of Lewer Life Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, 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 Lewer 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 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 September 26, 2007.

DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions
and Professional Registration

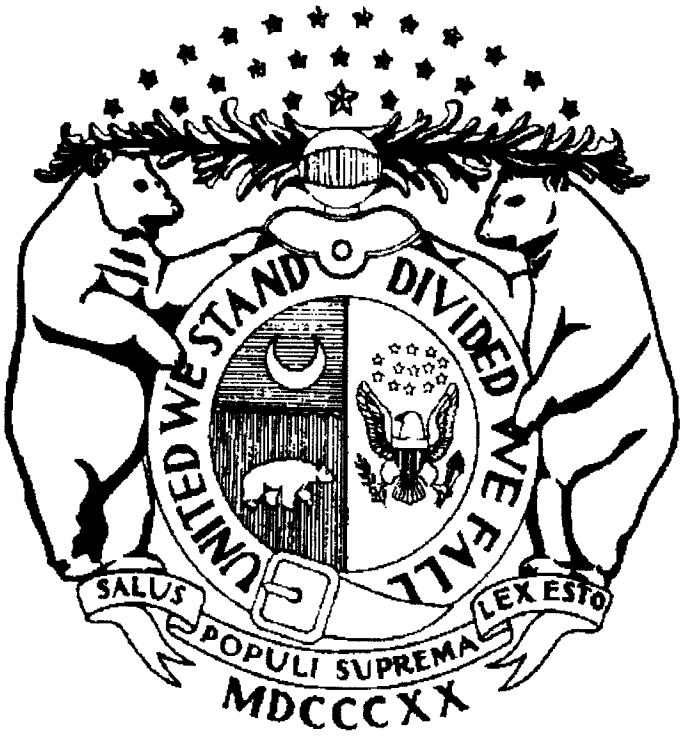
REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

LEWER LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2006



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Kansas City, Missouri
July 6, 2007

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman of Financial Condition (EX4) Subcommittee
Southeastern Zone Secretary

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

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Gentlemen:

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

Lewer Life Insurance Company

hereinafter referred to as such, 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. This examination began on April 16, 2007, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Lewer Life was made as of December 31, 2003, 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 zones participating.

The current full scope association financial examination covered the period from January 1, 2004, through December 31, 2006, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zones participating.

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, 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 examiners were unable to rely upon information supplied by the Company's independent auditor, Meara, King & Company, of Kansas City, Missouri, for its audit covering the period from January 1, 2006, through December 31, 2006 due to timing. As at the time of the examination fieldwork, the Company's CPAs were at the preliminary stage of its audit. However, the examiners were able to obtain documentation of tests of controls, and narrative descriptions of processes and controls and fraud review workpapers prior to the completion fieldwork.

Comments - Previous Examination

Listed below are comments, recommendations and notes of the previous examination report dated as of December 31, 2003, and the subsequent response or action taken by the Company.

Custodial Agreements

Comment: The Company's custodial agreements with Commerce Bank of Kansas City, N.A and Chase Bank of Texas, N.A. were determined to be missing several of the safeguards and controls that are specified in the NAIC Financial Condition Examiners Handbook, Part 1 – General, Section IV.J. The Company was directed to amend these custodial agreements or enter into new custodial agreements that will contain all of the recommended safeguards and controls from the NAIC Financial Condition Examiners Handbook. Until such time that the agreements are

sufficiently amended or new agreements are executed, the Company was directed to complete Investment General Interrogatory 23.02 of the Annual Statement for non-compliant custodial agreements.

Company's Response: The Company agreed to comply with the recommendation.

Current Findings: The custodial agreements provided by the Company during the course of this examination contained all the necessary safeguards and controls as required by the NAIC Handbook.

HISTORY

General

Lewer Life Insurance Company was incorporated on June 24, 1987, and commenced business on October 1, 1987. The Company merged with Presidential Life Insurance Company of America on September 30, 1987, with Lewer Life being the surviving entity. The Company 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).

Capital Stock

The authorized share capital stock of the Company was changed effective on December 21, 2004, from 1,200,000 shares of $1 par value common capital stock to a combination of 12,000 shares of Class A Voting common stock and 1,188,000 shares of Class B non-voting common stock, each with a par value of $1. As of December 31, 2006, all of the 12,000 Class A Voting common shares and all of the 1,188,000 non-voting common shares were issued and outstanding for a total common capital stock account of $1,200,000.

In prior years, the share capital of the Company was 100% owned by Dorvon C. Lewer, the Founder of the Company. However, on December 21, 2004, the ownership of the shares of the Company was changed pursuant to a recapitalization plan arising out of a plan of reorganization initiated by Mr. Lewer in a family plan of succession. Pursuant to this recapitalization and succession plans, the ownership of the share capital, both voting and nonvoting, were divided as follows:

- Dorvon C. Lewer transferred one half of the Voting shares of stock (6,000 shares) and one-half of the non-voting shares (594,000 shares) by gift to his wife, Mary L. Lewer.
- Dorvon C. Lewer and Mary L. Lewer thereafter retained two-thirds of the Voting stock (4,000 shares each).
- Dorvon C. Lewer and Mary L. Lewer each transferred by gift one-third of the voting stock (2,000 each, for a total of 4,000 shares) to Michael D. Lewer.
- Dorvon C. Lewer and Mary L. Lewer subsequently transferred ownership of the nonvoting shares (594,000 each) to **Lewer Financial Services, L.P.**, (Lewer

Financial), a Missouri limited partnership that is owned 0.33% each by Dorvon C. Lewer, Mary L. Lewer and Michael D. Lewer, approximating 1.00% of the General Partnership interest of Lewer Financial and 49.50% each by Dorvon C. Lewer and Mary L. Lewer, comprising 99.00% of the Limited Partnership interests, for a combined total of 100% ownership of Lewer Financial. Michael D. Lewer is the Managing General partner of Lewer Financial.

Based on the above detail summary, as of December 31, 2006, Lewer Life was wholly owned by the Lewer Family, comprising of Dorvon C. Lewer, Mary L. Lewer and Michael D. Lewer, all individuals, who in combination own 100% of the Voting stock of the Company. Lewer Financial Services, L.P., which in turn, is 100% owned by the Lewer Family, owns 100% of the issued and outstanding shares of the nonvoting stock of the Company.

Dividends

No dividends were declared or paid during the examination period.

Management

The Company's Articles of Incorporation state that nine Directors shall be elected to the Board of Directors. Those Directors elected and serving as of December 31, 2006, were as follows:

Name	Address	Principal Occupation and Business Affiliation
Dorvon C. Lewer	Kansas City, Missouri	Chairman of the Board and Treasurer, Lewer Life and The Lewer Agency, Inc. (TLA)
Michael D. Lewer	Leawood, Kansas	President and CEO, Lewer Life and TLA
Michael L. Dlugolecki	Shawnee, Kansas	Vice President and Secretary, Lewer Life and Senior VP and General Manager, TLA
Charles W. Everly	Camdenton, Missouri	Retired Senior Vice President, TLA
Gregory P. Lewer	Kansas City, Missouri	Vice President of Operations, TLA
John M. Owens	Kansas City, Missouri	Vice President of Special Markets, TLA
Albert G. Sowders, Jr.	Kansas City, Missouri	Attorney, Private Practice
Stephen S. Shahlari	Kansas City, Missouri	Controller, Lewer Life and TLA
Rene Saint-Marie	Quebec, Canada	President, Lewer Insurance Agency, Ontario, Canada

The Company's Bylaws allow for an Executive Committee of the Board of Directors. Lewer Life's Board has an Executive Investment Committee that reviews and approves the Company's investments. As of December 31, 2006, the members of this committee were as follows:

Investment Executive Committee
Dorvon C. Lewer, Chairman
Michael D. Lewer
Michael L. Dlugolecki
Albert G. Sowders, Jr.

The senior officers elected and serving as of December 31, 2006, were as follows:

Dorvon C. Lewer	Chairman of the Board and Treasurer
Michael D. Lewer	President and Chief Executive Officer
Michael L. Dlugolecki	Vice President and Secretary
Stephen S. Shahlari	Controller

Conflict of Interest

Lewer Life requires its directors, officers, and key employees to annually complete a conflict of interest statement. Completed conflict of interest statements were reviewed for all directors and officers for the examination period. No material conflicts were noted.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. The Bylaws were not amended, however, the Articles of Incorporation were amended as follows:

- Paragraph 1 of Article V of the Articles of Incorporation was amended whereby the authorized share capital of the Company was changed from 1,200,000 shares of $1 par value common capital stock to 12,000 shares of Class A Voting common stock and 1,188,000 shares of Class B non-voting common stock, each with a par value of $1.

- Paragraph 3 of Article V was amended to state that "Each share of voting stock issued and outstanding shall be entitled to one vote which may be cast in all stockholders' meetings and each issued and outstanding share of voting or nonvoting stock shall participate equally in the earnings and profits of the Company".

The minutes of the Board of Directors' meetings, committee meetings, and stockholders' meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

The Company was neither involved nor party to any acquisitions or mergers during the examination period. However, the shareholders of the Company, collectively the Lewer Family, changed the capital structure of the Company whereby the capital stock was divided into Voting and nonvoting shares. [See additional details in the Capital Stock section of this report].

Pursuant to the change in the capital structure of the Company as indicated, the Lewer Family organized a limited partnership, Lewer Financial Services, L.P. (Lewer Financial), a Missouri limited partnership and contributed all the issued and outstanding nonvoting stock of the Company to Lewer Financial, effective December 22, 2004.

Surplus Debentures

No surplus debentures were issued or outstanding for the period under examination.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Lewer Life for itself for each year of the examination period.

In prior years, the share capital of the Company was 100% owned by Dorvon C. Lewer, the Founder of the Company. However, on December 21, 2004, the ownership of the shares of the Company was changed pursuant to a recapitalization plan arising out of a plan of reorganization initiated by Mr. Lewer in a family plan of succession. Following the recapitalization and succession plans, as of December 31, 2006, Lewer Life was wholly owned by the Lewer Family, comprising of Dorvon C. Lewer, Mary L. Lewer and Michael D. Lewer, all individuals, who in combination, own 33.3% each for a total of 100% of the Voting stock of the Company. Lewer Financial Services, L.P., which in turn, is 100% owned by the Lewer Family, owns 100% of the issued and outstanding shares of the nonvoting stock of the Company. Lewer Financial Services, L.P. (Lewer Financial) is a Missouri limited partnership organized to develop, lease, sell and exchange real and personal property and to engage in any activity allowed by the limited partnership Act.

Subsequently thereafter, on March 16, 2005, pursuant to a Form A filing and hearing, the Director of Missouri Department of Insurance, Financial Institutions and Professional Registration approved an Order allowing Michael D. Lewer to acquire one-third ownership in the outstanding and Voting common stock of the Company and became the Managing General Partner of Lewer Financial Services, L.P. By virtue of this transaction, Michael D. Lewer is the ultimate controlling person within the holding company system of the Company.

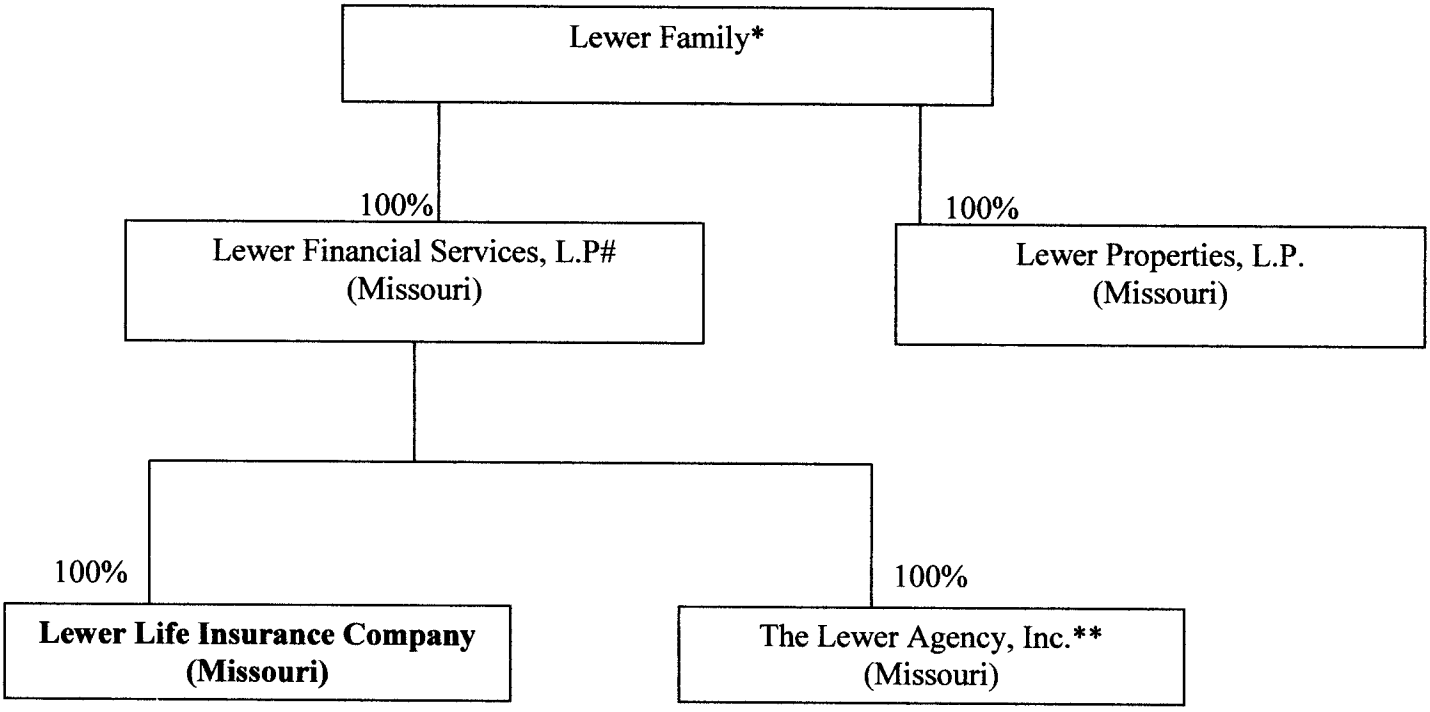
Dorvon C. Lewer is also the Founder of The Lewer Agency, Inc. (TLA), an insurance agency that has been in operation since 1956. TLA is a niche marketing organization that provides individual and group life and health benefit programs to small businesses and educational institutions. TLA is the producing agent for 100% of the business that is assumed or directly written by Lewer Life. TLA is in combination owned by Dorvon C. Lewer, Mary L. Lewer and Michael D. Lewer, all individuals, who in combination own 33.3% each for a total of 100% of its Voting stock. Lewer Financial owns 100% of the nonvoting stock of TLA.

The Company is also affiliated and has a business relationship with Lewer Properties, L.P. (Lewer Properties), a limited partnership organized under the laws of the State of Missouri that

owns, manages and leases real estate properties. Lewer Properties is also wholly owned by the Lewer Family. Dorvon C. Lewer also has ownership interests in other agencies that do not have any transactions with Lewer Life. Lewer Life does not own any subsidiaries.

Organizational Chart

The following organizational chart depicts the ownership and affiliates of Lewer Life, as of December 31, 2006. Only those affiliates that have a direct relationship and business affiliation with the Company are shown.



* The Lewer Family as represented here is comprised of Dorvon C. Lewer, Mary L. Lewer and Michael D. Lewer who in combination, own 33.3% each for a total of 100% of the Voting stock of the Company.

Lewer Financial Services, L.P., which in turn, is 100% owned by the Lewer Family, owns 100% of the issued and outstanding shares of the nonvoting stock of the Company.

** The Voting stock of The Lewer Agency, Inc., is 100% owned by the Lewer Family as defined above in the same proportions, with Lewer Financial Services, L.P. owning 100% of the nonvoting stock.

Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2006, are outlined below.

1. **Type:** Expense Agreement

   Affiliate: 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). 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

   Affiliate: 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

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

	2006	2005	2004
Expense Agreement – TLA:			
Paid to TLA	$720,557	$706,120	$677,946
Third-Party Administrator Agreement – TLA:			
Paid to TLA	11,295	11,266	22,290
Lease Agreement – Lewer Properties:			
Paid to LewerProperties	65,007	54,173	Not in Effect
Total Net Amount Paid or (Received)	**$796,859**	**$771,559**	**$700,236**

The Company also indirectly paid significant amounts of commissions to TLA during the examination period. The Company reported Commissions and Expense Allowances on Reinsurance Assumed of $1,043,471 in 2006 and similar levels for prior years. Most of these commissions were paid to TLA from Lewer Life via ceding companies, pursuant to reinsurance agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured along with TLA, an affiliate, on a financial institution bond. The bond provides employee fidelity coverage with a liability limit of $500,000 and a $10,000 deductible. This level of coverage complies with the suggested minimum amount of fidelity insurance, according to NAIC guidelines.

Lewer Life is also a named insured along with TLA on workers compensation, commercial package policy (business liability, auto liability, employment practices, business property, etc.) and directors' and officers' liability insurance coverages. There were other coverages noted, however the underlying policy only covered TLA or another affiliate limited partnership entity.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Lewer Life does not have any direct employees. All of the operational 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 insurance, dental insurance, life insurance, accidental death and disability insurance, and worker's compensation insurance. Employees are also provided with a 401(k) retirement savings plan.

The Company appears to have properly accounted for its allocated share of employee benefits in the financial statements.

STATUTORY AND OTHER DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institution and Professional Registration as of December 31, 2006, 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, 2006, were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Notes	$1,570,000	$ 1,520,958	$ 1,576,737

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 cedes 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, 2006, listed by ceding company, were as follows:

Ceding Company	Par Value	Fair Value	Statement Value
American General Life Insurance Company	$3,912,735	$3,997,193	$3,979,557
Fidelity Security Life Insurance Company	291,985	293,985	293,333
Great-West Life & Annuity Insurance Co.	759,119	754,769	760,987
Kansas City Life Insurance Company	9,632,070	9,920,980	9,823,783
Reliastar Life Insurance Company	4,742,002	4,743,584	4,768,306
Revios Reinsurance U.S. Inc.	396,667	396,518	396,518
Total	$19,734,578	$20,107,029	$20,022,484

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

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 do business in the following kinds of insurance: life, annuities and endowments, and accident and health. The Company is also licensed in the following seven **additional** states: Arizona, Illinois, Kansas, Oklahoma, Oregon, South Dakota, and Texas.

The Company is primarily a reinsurer and only has limited amount of direct written business. Total direct written premiums were only $51,282 in 2006, while assumed premiums totaled $4,094,048. The major lines of business for Lewer Life are Group Accident and Health and Ordinary Life insurance, which represented 81% and 11%, respectively, of net earned premium as of December 31, 2006.

The Company's affiliate, The Lewer Agency, Inc., is the sole source for producing business for Lewer Life on a direct and assumed reinsurance basis. TLA had a captive agency force of 19 agents at year-end, 2006. TLA's business model is to produce business that is underwritten by third-party insurers and partly assumed by Lewer Life, other business not reinsured by Lewer Life, and minor amounts of insurance underwritten by Lewer Life. The products currently marketed by TLA that involve the Company are as follows:

- Universal life policies (Lewer Max) with annuity riders that are underwritten by Kansas City Life.
- Medical insurance policies for international students studying in the United States and U.S. students studying overseas underwritten by Great-West Life & Annuity Insurance Company.
- Low limit medical insurance policies (Value Med and Value Health) and worksite whole life (Value Life) policies underwritten both by Lewer Life and Fidelity Security Life Insurance Company.

During 2006, the Company added some enhancements to the existing products including adding a PPO (Preferred Provider Organization) network to the Value Med and Value Health policies and an expansion of the international student medical insurance program into domestic student coverage. The Company now offers such coverage to students in a certain university in Missouri and has added a new plan, J. Preferred plan, designed to take advantage of the mandate by the U.S. Federal Government that requires all visiting students and scholars holding J visas to have appropriate health insurance.

Pursuant to a Third-Party Administrator Agreement, TLA performs various services for the above policies sold by Lewer Life. 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.

Policy Forms & Underwriting
Advertising & Sales Materials
Treatment of Policyholders

The DIFP has a market conduct staff that performs a review of these issues and generates a separate market conduct report. There has not been any DIFP market conduct examination reports issued for the examination period.

REINSURANCE

General

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

	2006	2005	2004
Direct Business	$48,513	$49,260	$66,352
Reinsurance Assumed:			
Affiliates	-0-	-0-	-0-
Non-affiliates	4,108,634	3,032,888	2,776,685
Reinsurance Ceded:			
Affiliates	-0-	-0-	-0-
Non-affiliates	(101,865)	(78,338)	(80,213)
Net Premiums Earned	**$4,055,282**	**$3,003,810**	**$2,762,824**

Assumed

The significant assumed reinsurance agreements entered into by the Company as of December 31, 2006, are summarized below:

The Company has a life reinsurance agreement, effective April 1, 1991, with Kansas City Life Insurance Company. Under the terms of this agreement, Lewer Life assumes 50% of universal life policies with annuity riders on a coinsurance basis. The maximum face value per policy that may be issued and subject to reinsurance under this agreement is $2,450,000. At year-end 2006, assumptions under this agreement accounted for 82% of Lewer Life's Amount-in-force for life insurance and annuities. Funds of the Company are held in a custodial account for the benefit of the reinsured pursuant to the terms of the reinsurance agreement.

Lewer Life assumes most of its 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 under the agreement to Great-West Life & Annuity Insurance Company (Great-West). The Company assumes 50% of health insurance policies that cover international students attending colleges and universities in the United States. The Company's maximum assumed risk per insured is $125,000 per an amendment, effective as of June 1, 2004. Lewer Life and Great-West further amended this reinsurance agreement to include a special provision to assume student health insurance coverage provided to Washington University, St. Louis, Missouri (Washington University) students, effective August 1, 2006. Pursuant to the terms of this amendment, the Company assumes 25% of all Washington University policies. The Company's maximum risk per insured is limited to $125,000. This agreement, as amended, accounted for 97% of total A&H premiums assumed in 2006 and 77% of all premiums assumed in 2006. Funds of the Company are held in a custodial account for the benefit of the reinsured pursuant to the reinsurance agreement.

Lewer Life assumes its remaining A&H business pursuant to a reinsurance agreement, effective as of January 1, 2002, with Fidelity Security Life Insurance Company (Fidelity Security). The Company assumes Low Limit Health Indemnity policies (Value Med and Value Health), with a maximum risk per insured of $35,000. The underlying policies are underwritten by Fidelity Security and Lewer Life, with the companies reinsuring each other. Effective March 1, 2003, the agreement was amended to achieve compliance with aspects of the Gramm Leach Bliley Act and HIPAA Privacy Law, without affecting the reinsurance obligations of the parties. The agreement was further amended effective February 1, 2006, to include an additional Low Limit Health Indemnity policy. Funds of the Company are held in a custodial account for the benefit of the reinsured, however; this is not a requirement of the reinsurance agreement.

The reinsurance agreements with the following reinsureds are in run-off: American General Life Insurance Company, ReliaStar Life Insurance Company, and Revios Reinsurance U.S. Inc. These reinsurance agreements with these companies represent the majority of the Company's remaining assumed life and annuity business.

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 cession activity. Total ceded premiums in 2006 were only $101,865 and ceded reserves, as of December 31, 2006, were only $46,966. The Company cedes and retrocedes risks above $25,000 per insured on all direct and assumed life policies.

ACCOUNTS AND RECORDS

General

The Company's financial statements were audited by the CPA firm, Meara, King & Co., of Kansas City, Missouri, for all years in the examination period.

Contract and claim reserves were reviewed and certified by Christopher H. Hause, FSA, MAAA, of Hause Actuarial Solutions, Inc., of Overland Park, Kansas for the years 2006 and 2005. James Merwald, Jr., FSA, MAAA, of Actuarial Resources Corporation, Overland Park, Kansas reviewed and certified the contract and claim reserves for 2004.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Lewer Life for the period ending December 31, 2006. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements." 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 "Notes to the Financial Statements." 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 Annual Statement item.

Assets

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$22,418,101		$22,418,101
Cash and Short-term Investments	3,349,374		3,349,374
Contract Loans	494,705		494,705
Investment Income Due and Accrued	318,596		318,596
Uncollected Premiums and Agents' Balances in Course of Collection	116,745	150	116,595
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and not yet Due	39,227		39,227
Other Amounts Receivable Under Reinsurance	51,281		51,281
Net Deferred Tax Asset	659,318	612,830	46,488
Furniture and Equipment	1,219	1,219	0
Receivable from Parent, Subsidiaries and Affiliates	52,589	0	52,589
TOTAL ASSETS	**$27,501,155**	**$614,199**	**$26,886,956**

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	$16,917,763
Aggregate Reserve for Accident and Health Contracts	371,339
Liability for Deposit-type Contracts	76,923
Contract Claims – Life	25,000
Contract Claims – Accident and Health	688,425
Premiums and Annuity Considerations Received in Advance	2,072
Other Amounts Payable on Reinsurance	644,444
Interest Maintenance Reserve	745,427
Commissions and Expense Allowances Payable on Reinsurance	52,907
General Expenses Due or Accrued	64,322
Taxes, Licenses and Fees Due or Accrued	64,438
Unearned Investment Income	3,320
Amounts Withheld or Retained by Company as Agent or Trustee	1,576
Amounts Held for Agents' Account	(43)
Asset Valuation Reserve	124,116
Payable to Parent, Subsidiaries and Affiliates	4,308
TOTAL LIABILITIES	**$19,786,337**
Common Capital Stock	1,200,000
Gross Paid In and Contributed Surplus	723,915
Unassigned Funds (Surplus)	5,176,703
Capital and Surplus	**$7,100,618**
TOTAL LIABILITIES AND SURPLUS	**$26,886,955**

Summary of Operations

Premiums and Annuity Considerations	$4,055,282
Net Investment Income	1,446,052
Amortization of Interest Maintenance Reserve	98,006
Commission and Expense Allowances on Reinsurance Ceded	32,492
Miscellaneous Income	32,762
TOTAL	**$5,664,594**
Death Benefits	227,281
Matured Endowments	114
Annuity Benefits	97,651
Disability Benefits and Benefits Under Accident & Health Policies	2,000750
Surrender Benefits and Withdrawals for Life Contracts	1,506,393
Interest and Adjustments on Contract and Deposit-type Contract Funds	2,008
Increase in Aggregate Reserves for Life and Accident & Health Policies	(433,130)
Commissions on Premiums and Annuity Considerations	11,756
Commissions and Expense Allowances on Reinsurance Assumed	1,043,471
General Insurance Expenses	1,081,871
Insurance Taxes, Licenses and Fees	83,170
Increase in Loading on Deferred and Uncollected Premiums	(2,637)
TOTAL	**$5,618,698**
NET GAIN FROM OPERATIONS	**$45,896**
Dividends to Policyholders	0
Federal Income Taxes Incurred	(1,360)
Net Realized Capital Gains and (Losses)	0
NET INCOME	**$47,256**

Capital and Surplus Account

Capital and Surplus, December 31, 2005	$7,019,318
Net Income	47,255
Change in Net Deferred Income Tax	1,235
Change in Non-Admitted Assets	10,138
Change in Asset Valuation Reserve	22,669
Aggregate Write-ins for Gains and Losses in Surplus	3
Net Change in Capital and Surplus	**$81,300**
CAPITAL AND SURPLUS, DECEMBER 31, 2006	**$7,100,618**

NOTES TO THE FINANCIAL STATEMENTS

None

EXAMINATION CHANGES

None

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None

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, Leslie Nehring, CFE, examiner for the Missouri Department of Insurance, Financial Institutions and Professional Registration also participated in this examination. Angela Campbell CFE, Computer Audit Specialist for the Missouri Department of Insurance, Financial Institutions and Professional Registration performed a review of the information system environment. The actuarial firm, Milliman also participated as consulting actuaries.

VERIFICATION

State of Missouri)
)
County of)

I, Levi N. Nwasoria, 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 the 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.

Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 9th day of July, 2007.

My commission expires: 03/17/2008

Notary Public

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires March 17, 2008

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.

Frederick G. Heese, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial Institutions and Professional Registration