STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of United Investors Life Insurance Company as of December 31, 2007

ORDER

After full consideration and review of the report of the financial examination of United Investors Life Insurance Company for the period ended December 31, 2007, 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 United Investors 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 June 15, 2009.

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

REPORT OF

FINANCIAL EXAMINATION

United Investors Life Insurance Company

AS OF

DECEMBER 31, 2007

FILED
JUN 25 2009
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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Birmingham, Alabama
April 24, 2009

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

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

United Investors Life Insurance Company

also referred to as "United Investors" and the "Company." The examination was conducted at the Company's office at 2001 Third Avenue South, Birmingham, Alabama 35233-0000, telephone number (205)-325-4317. This examination began on July 14, 2008, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of United Investors Life Insurance Company was performed as of December 31, 2004. The examination 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 covers the period from January 1, 2005, through December 31, 2007. The examination was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC. Lewis & Ellis, Inc., Actuaries & Consultants, reviewed reserves and related actuarial items pursuant to a contract with the Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination also included material transactions and/or events occurring after December 31, 2007.

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 Department of Insurance, Financial Institutions and Professional Registration and statutes of the state of Missouri prevailed.

Comments Previous Examination

The general comments and recommendations in the previous examination report and the Company's response and/or subsequent action taken by the Company are listed below.

1. Comment: Intercompany transactions

United Investors participated in a number of intercompany loans during the examination period which appear to have been adequately documented with a reasonable rate of interest charged. The Company did not, however, file one required Form D "Request for Prior Approval" and the necessary Form B amendments. The Company should make all required statutory filings on its lending activity going forward.

Company's Response:

The Company indicated that they would file a Form B amendment for any month in which United Investors is either a borrower or lender in an intercompany loan transaction.

Current Findings:

The Company has consistently filed Form B amendments showing intercompany loan activity.

2. Comment: Territory and Plan of Operations

The Company does not prepare financial projections for future years or a long-range business plan on a stand-alone basis or as a clearly identified component of a corporate plan. It is recommended that the Company complete a detailed business plan covering the next three to five years.

Company's Response:

The Company indicated that it does prepare financial projections on existing business in the form of its Asset Adequacy Analysis which tests the adequacy of reserves on existing business. The Company is now anticipating merging with its parent corporation, Liberty National Life Insurance Company during 2009.

Current Findings:

As the Company expects to be merged out of existence the prior comment regarding the need for a detailed long term plan will become moot and will not be repeated in this examination.

3. Comment: Accounts and Records-Accounting System

It is recommended the Company evaluate its current system and consider whether initial costs required to replace or update it would be warranted by future savings in personnel and examination time as well as increased functionality. In any case, the Company is directed to either implement additional controls to address the weaknesses or eliminate the weakness through increased integration and other system enhancements.

Company's Response:

The Company's ultimate parent, Torchmark Corporation, has licensed Lawson technology for its accounting system. It is anticipated that the Company will be converted to the new system by June 2009.

Current Findings:

The implementation of the new Lawson accounting system is scheduled to begin in mid March and be complete by year end 2009. Implementation of the new system will satisfy the examination comment.

HISTORY

General

The Company, under the name of United Merger Insurance Company, was organized and incorporated in August 1981 as a subsidiary of Liberty National Life Insurance Company (Liberty National), a wholly owned subsidiary of Torchmark Corporation (Torchmark).

On October 26, 1981, the Company merged with Continental Investment Corporation (parent of Waddell & Reed, Inc. and United Investors Life Insurance Company). On March 31, 1982, United Investors Life Insurance Company was merged into the Company. United Merger Insurance Company, the surviving company, simultaneously changed its name to United Investors Life Insurance Company.

In 1984, the Company moved to Birmingham, Alabama to share home office facilities with Torchmark and Liberty National. On March 31, 1986, Liberty National contributed all the issued and outstanding shares of the Company to Torchmark Financial Services Company; which in turn contributed all the Company's stock to LibFin Company. LibFin Company successively changed its name to TMK/United, Inc. (1986); United Investors Management Company (1988); and Waddell & Reed Financial, Inc. (1997). On October 1, 1993, Torchmark acquired the outstanding shares (approximately 19 percent) of Waddell & Reed Financial, Inc. (known then as United Investors Management Company) previously held by the public for approximately $234 million.

On March 3, 1998, Waddell & Reed Financial, Inc. contributed the common stock of their wholly owned subsidiary, the Company, pro rata to Liberty National (81.2%) and Torchmark Corporation (18.8%), based on their ownership percentage of Waddell & Reed Financial, Inc. Later in 1998, Waddell & Reed Financial, Inc. became a separate unrelated entity through a combination of a March 4, 1998 initial public offering and a November 6, 1998 tax-free spin-off

distribution to Torchmark common shareholders of all Torchmark's remaining 64% stock interest in Waddell & Reed Financial, Inc.

In 2001, Waddell & Reed, Inc, a subsidiary of Waddell & Reed Financial, Inc., terminated its sales agreements with the Company.

Capital Stock

As of December 31, 2007, the Company was authorized to issue 500,000 shares of common stock with a par value of $6 per share. All authorized shares were issued and outstanding. Effective October 1, 2006, Torchmark Corporation contributed the 94,098.5 shares it owned to Liberty National, who already owned 405,901.5 shares. This resulted in Liberty National owning all 500,000 shares for a total of $3 million in the Company's common capital stock account.

Dividends

Since 1981, the Company has paid cash dividends of $652,623,963 to its stockholders. Dividends paid during the examination period were $54.4 million, $74 million, and $66.9 million for the years 2005, 2006, and 2007, respectively.

Management

The Board of Directors of the Company generally consists of nine members as authorized by the Articles of Incorporation and Bylaws. One seat was vacant at December 31, 2007, due to the resignation of Board member, Tony G. Brill, on November 27, 2007. The members elected and serving as of December 31, 2007, were as follows:

Name and Address	Business Affiliation
William Thomas Aycock Birmingham, Alabama	Senior Vice President & Chief Actuary United Investors Life Insurance Company
Gary Lee Coleman Richardson, Texas	Executive Vice President and Chief Financial Officer Torchmark Corporation
Terry Wayne Davis *** Birmingham, Alabama	Senior Vice President, Administration United Investor Life Insurance Company
Larry Mac Hutchison Duncanville, Texas	Executive Vice President & General Counsel Torchmark Corporation
John Hartridge Livingston Birmingham, Alabama	Secretary & Counsel United Investors Life Insurance Company
Michael J. Klyce *** Birmingham, Alabama	Vice President and Treasurer United Investors Life Insurance Company

Carol Ann McCoy Birmingham, Alabama	Assistant Secretary United Investors Life Insurance Company
Anthony Leon McWhorter Birmingham, Alabama	President and Chief Executive Officer United Investors Life Insurance Company

*** Terry Wayne Davis and Michael J. Klyce were replaced as board members by Thomas E. Hamby and Susan D. Huff, who were elected to the Board of Directors on January 15, 2008. E. Duncan Hamilton was also elected at that time to replace Tony G. Brill, who resigned on November 27, 2007.

The Company's board of directors had no active committees during the examination period.

Article IV of the bylaws states that, "The officers of the Corporation shall be a President and a Secretary...the Board of Directors may elect one or more Vice Presidents, a Treasurer and such Assistant Secretaries and Assistant Treasurers as they may deem proper."

The officers elected and serving as of December 31, 2007, were as follows:

Anthony L. McWhorter	President and Chief Executive Officer
Danny H. Almond	Executive Vice President, Chief Financial Officer and Assistant Treasurer
W.Thomas Aycock	Senior Vice President, Chief Actuary, Illustration Actuary and Appointed Actuary
Terry Davis	Senior Vice President-Administration
Susan J. Huff	Vice President-Administration
Karen McLaughlin	Senior Vice President-Policy Benefits
Michael J. Klyce	Vice President and Treasurer
Thomas E. Hamby	Vice President
Alan S. Hintz	Vice President
James L. Mayton, Jr.	Vice President
W. Michael Pressley	Vice President
James Edward Gentile	Vice President Agent Recruiting
Mary Elizabeth Franklin	Second Vice President Marketing
Margaret G. Chandler	Second Vice President
Constenzo LaRussa	Second Vice President
Cathy C. Pilcher	Second Vice President -Compliance
Harold A. Phillips, Jr.	Second Vice President-First Command Underwriting
Anastasia Pederson	Manager of Claims
Sharon Garrison	Manager of Claims
Jack Davis Wells, Jr.	Second Vice President
John H. Livingston	Secretary and Counsel
Brian Mitchell	Associate General Counsel
Elizabeth H. Gardner	Assistant Secretary
Carol A. McCoy	Assistant Secretary

Teresa S. McCollum	Assistant Secretary
Kristin Patterson	Assistant Secretary
David K. Carlson	Director of Tax

On January 2, 2008 Ben Lutek was elected as Senior Vice President and Actuary.

Conflict of Interest

The Company has a comprehensive Corporate Compliance Program which includes a Conflict of Interest Policy, as well as a Code of Business Conduct and Ethics and a Code of Ethics for the CEO and Financial Officers. Conflict of Interest Forms were reviewed for directors and officers for the period under examination with no material conflicts noted.

Corporate Records

The Company amended its Articles of Incorporation changing the Company's registered office. There were no current amendments to the Bylaws during the period under examination. The minutes of the Board of Directors provided sufficient documentation of major corporate transactions.

Acquisitions, Mergers, and Major Corporate Events

The Company was involved in no acquisitions or mergers during the examination period.

Surplus Debentures

None

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

United Investors Life Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is wholly owned by Liberty National Life Insurance Company ("Liberty National"), which re-domesticated from Alabama to Nebraska effective March 28, 2008. Liberty National is a wholly owned subsidiary of Torchmark Corporation ("Torchmark"), which is the ultimate controlling entity of the United Investors insurance holding company system. United Investors intends to merge with its parent Liberty National Life Insurance Company.

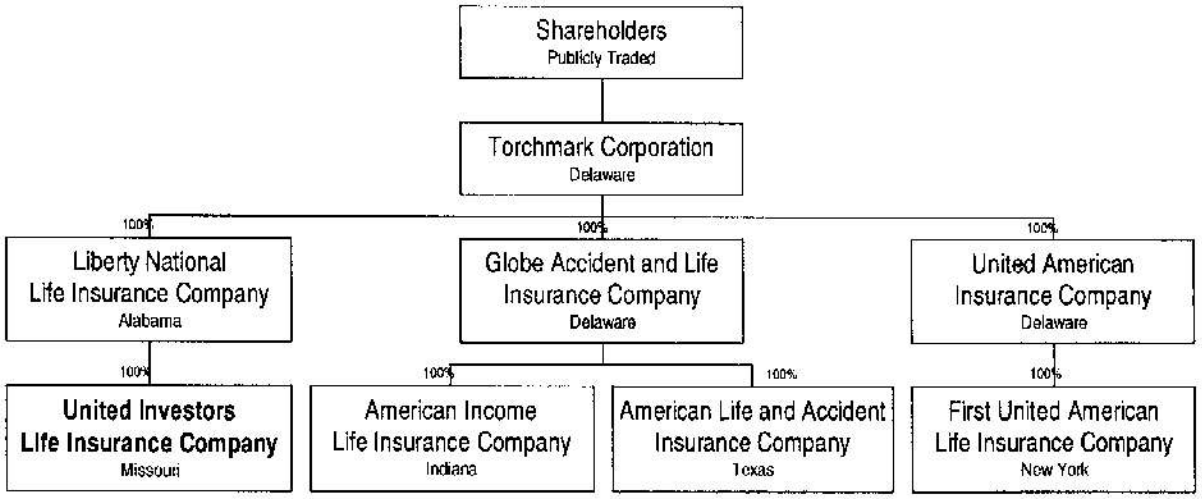
Torchmark Corporation is a publicly traded insurance and financial services holding company, and is listed on the New York Stock Exchange under the ticker symbol TMK. Insurance subsidiaries of Torchmark offer nonparticipating ordinary life products, traditional whole life, interest-sensitive whole life products, term life insurance, supplemental health insurance products, single premium annuities, flexible premium annuities, and variable annuities.

Organizational Chart

The following organizational chart partially depicts the holding company system of United Investors Life Insurance Company as of December 31, 2007. There are other direct and indirect

subsidiaries of Torchmark. However, these subsidiaries were too numerous to depict in the organizational chart. A complete organizational chart is included in the Company's Annual Statement.

Organizational Chart



Intercompany Agreements

During the period under examination the Company was party to the following intercompany agreements.

Service Agreement - United Investors and Torchmark Corporation

In the Service Agreement effective January 1, 1991, the companies agreed to provide management expertise to each other as needed in such areas as strategic planning, financial, legal, accounting, employee benefits, treasury, investments, and other matters agreed upon by both companies.

Torchmark charged the Company a percentage of Torchmark's operating expenses for management assistance other than treasury and investment, and a percentage of the Company's total investments for the treasury and investment assistance. In addition, both companies were responsible to reimburse the other company for any direct expenses paid on their behalf.

An amendment effective December 31, 1998, assigned Torchmark's investment service obligations to Waddell & Reed Asset Management Company ("Waddell & Reed"). Another amendment, effective January 1, 2001, re-established Torchmark as the investment service provider and established new compensation terms. United Investors pays Torchmark investment fees equal to 30 basis points for the first $100 million in bond investments, 20 basis points for the next $400 million, and 15 basis points for bond investments over $500 million. In addition, United Investors pays Torchmark investment fees equal to 30 basis points for all equity

investments. The investment fees are based on the statutory value of bond and equity investments.

Service Agreement - United Investors and Liberty National Life Insurance Company
The Service Agreement effective January 1, 1985, provides that Liberty National will furnish home office space for United Investors in Birmingham, Alabama and will provide administrative, professional, technical and other home office services including accounting, actuarial services, cash management, policyholder services, claims administration, data processing, mail distribution and processing, legal, personnel, policy issue, records maintenance, payroll, purchasing, internal audit, employee benefit administration, premium billing and collection, word processing and agent licensing.

An amendment effective September 1, 1998, changed the compensation paid by United Investors to Liberty National to a fixed monthly amount of $42,400 plus the existing charge per policy in force at the beginning of each month between $.20 and $.65, depending on the type of policy.

An amendment effective January 1, 1998, allowed United Investors to use Liberty National's captive agency force to sell United Investors' "Select Term Series" life insurance products. In return, United Investors agreed to pay Liberty National commissions of 80% of the first year premiums received and 15% of the premiums received for the following years. The commission rates were revised in an amendment dated May 1, 2002, to 85% of the first year premiums, 7.5% of premiums received for policy years 2 – 10, and 3% of premiums received for policy years eleven and beyond.

Consolidated Tax Allocation Agreement
Effective January 1, 1989, the Company consolidated its federal income tax return with its ultimate parent, Torchmark Corporation, and its subsidiaries.

Each member of the affiliated group computes and pays its tax liability as if it had filed a separate tax return. The computation is consistent with the provisions of Internal Revenue Code Regulation Section 1.1552-1(a)(2)(ii), and provides that the carryover of any tax attribute from a prior taxable year, which is not available in determining the consolidated tax liability of the group for such taxable period, shall be disregarded.

Intercompany tax balances are settled by the IRS due date for corresponding tax payments or upon receipt of a refund. Torchmark is required to disburse any excess payments to the subsidiaries within fifteen days after filing the consolidated federal tax return for the applicable year.

Marketing Agreement – United Investors and Globe Life & Accident Insurance Company
Pursuant to the marketing agreement effective January 1, 1998, Globe Life & Accident Insurance Company ("Globe Life"), provided services related to United Investors' direct mail term insurance products.

Services provided included solicitation of direct mail applications to facilitate the marketing, issuance and administration of direct mail term insurance products.

United Investors reimbursed Globe Life at a billing rate based on the average acquisition expense per policy issued for the combined direct response business of Globe Life and its sister companies, including direct response overhead costs. Although this agreement remains in force, sales of direct mail term insurance products were discontinued in April 2004, and the last service fees were billed in July 2004.

Medical Records Agreement – United Investors and American Income Life Insurance Company
Per the Medical Records Agreement effective February 1, 2007, American Income Life Insurance Company obtains medical records for use in United Investors' underwriting and claims investigation processes. United Investors pays for the actual cost of the medical records from the provider plus a service fee of $11 per set of medical records requested. Fees are billed on the first day of each calendar month.

Information Technology Agreement United Investors and United American Insurance Company.
Pursuant to the agreement effective January 1, 2008, United American Insurance Company ("United American") provides information technology and computer mainframe resources to process United Investors' policy issuance, underwriting, policy and annuity administration, premium billing and collection, claims, commissions, accounting, marketing, agent licensing and customer correspondence systems.

United Investors shares United American's data processing costs proportionately with all Torchmark insurance subsidiaries for which United American provides data processing. In addition United Investors reimburses United American for direct expenses incurred on behalf of United Investors in the provision of these services. The Company is billed quarterly with payment required within 30 days of the invoice.

The following are the amounts incurred under the service and marketing agreements above. Income Tax payments are not included.

	($000's omitted)			
	2004	2005	2006	2007
Torchmark:				
Service Agreement (Management Fees)	$504	$396	$252	$192
Service Agreement (Investment Fees)	1,704	1,716	2,028	2,124
Liberty National				
Service Agreement	1,683	1,630	1,610	1,542
American Income Life				
Medical Records Agreement	0	0	0	3
Globe Life & Accident				
Marketing Agreement	379	0	0	0
Totals	$4,270	$3,742	$3,890	$3,861

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured, along with other subsidiaries of Torchmark Corporation, on a financial institution bond that covers losses resulting from dishonest or fraudulent acts of employees. The bond has a liability limit of $10 million and a single loss limit of $5 million with a $100,000 deductible. The coverage limit meets the minimum limits suggested under the NAIC guidelines.

The Company also has the following types of insurance protection: property, general liability, automobile liability, umbrella liability, workers' compensation, foreign liability, directors and officers' liability, mail bond, funeral directors liability, health club liability, fiduciary liability and excess liability. It appears that the Company has adequate coverage for protection of its assets.

EMPLOYEE BENEFITS

The Company, through its affiliates, provides a variety of standard benefits to its employees including a cafeteria plan, contributory medical plan, group life and disability plan, sick leave, paid vacations and holidays. Also offered, beginning in April 2007, was a Long-Term Compensation Plan, which is essentially a stock option incentive plan intended to motivate, attract, and retain the services of employees, officers, directors and consultants.

The Company' employees are offered a chance to participate in a 401k savings plan, a profit sharing plan and are included in the Torchmark Corporation Pension Defined Benefit Pension plan. The Company also provides post-retirement life insurance benefits for its employees who retire prior to age of 65 until they turn 65

It appears that adequate provision was made in the financial statements regarding the Company's obligations.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2007, as reflected below, were deemed sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with Section 376.290 RSMo (Trust Deposits).

Security	Par Value	Market Value	Statement Value
U.S. Treasury Notes	$1,750,000	$1,763,807	$1,748,999

Deposits with Other States and Territories

The Company also has funds on deposit with various other states. Those funds on deposit as of December 31, 2007, were as follows:

State	Security	Par Value	Market Value	Statement Value
Arkansas	U.S. Treasury Note	$150,000	$159,726	$150,634
Georgia	U.S. Treasury Note	$105,000	$105,828	$104,940
Massachusetts	GE Capital Corp.	$250,000	$283,835	$258,258
New Mexico	GE Capital Corp	$110,000	$124,887	$113,634
North Carolina	U.S. Treasury Note	$400,000	$403,500	$399,468
	Total	$1,015,000	$1,077,776	$1,026,934

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

United Investors Life Insurance Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to Chapter 376 RSMo (Life and Accident Insurance) to do the business of life insurance, annuities, endowments, accident and health insurance, and variable contracts in the state of Missouri. The Company is also licensed in the District of Columbia and all states except New York.

The Company currently markets individual life insurance and individual annuities through its general account activities. As of May 1, 2008, the Company no longer markets deferred variable annuities or variable life contracts and as of December 31, 2008, the Company no longer markets interest sensitive whole life.

The Company sells its products primarily through independent channels. United Investors had 2,363 independent general agents and 567 United American Insurance Company branch agents as of the end of 2007, but discontinued using the United American Insurance Company branch agents after 2008.

The Company anticipates merging with its parent company, Liberty National Life Insurance Company, sometime in 2009. Liberty National Life Insurance Company is expected to assume all the Company's inforce business and become sponsor to all the Company's variable separate accounts.

Policy Forms & Underwriting; Advertising & Sales Materials and Treatment of Policyholders

The Missouri Department of Insurance, Financial Institutions and Professional Registration has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. The most recent Missouri Market Conduct Examination covered the period from July 1, 2001 through December 31, 2001. No problems were disclosed in the examination report that would have a material impact on the Company. There has been no market conduct examination during the current years under examination.

REINSURANCE

General

The Company's premium income on a direct written, assumed and ceded basis for the current examination period was as follows:

	2007	2006	2005
Direct Business	$ 105,226,398	$ 114,640,563	$ 117,286,592
Reinsurance Assumed	137,403,658	92,412,607	32,859,212
Reinsurance Ceded	(3,117,452)	(3,198,494)	(3,339,004)
rounding		36	
Net Premiums	$ 239,512,604	$ 203,854,712	$ 146,806,800

Assumed

Effective January 1, 1997, United Investors assumed, on a 100% coinsurance - funds withheld basis, from its affiliate, United American Insurance Company (UAIC), all UAIC annuity policies in force as of December 31, 1996, and all annuities issued by UAIC subsequent to December 31, 1996. Premiums relating to these assumed annuities were $32.6 million, $92.2 million, and $137.2 million for 2005, 2006, and 2007 respectively. As of December 31, 2007, funds withheld under this coinsurance agreement were $546 million.

United Investors also had a 100% coinsurance agreement with another affiliate, Liberty National Life Insurance Company, for certain term and whole life products written during the period from October 1, 1985 to December 31, 1987. As of December 31, 2007, the face value of policies in force under this agreement was $22.3 million and reserves were $5.3 million.

Ceded

United Investors does not cede any annuity business or any group life business. As of December 31, 2007, less than 5% of the in-force amount of United Investors' individual life business was reinsured. As of December 31, 2007, $29.3 million, or 6%, of the ceded inforce reinsurance coverage was related to survivor life business which is 100% ceded to Indianapolis Life Insurance Company. This agreement was entered into late in 1996. Indianapolis Life Insurance Company provides the underwriting and a portion of the administration for these policies.

For all other individual life products, United Investors cedes 100% of the coverage amount in excess of its per life retention to seven authorized reinsurers through a number of different reinsurance contracts. In general, United Investors retains between $100,000 and $500,000 per life, depending upon the age of the insured: $500,000 on ages 0 to 60, $250,000 on ages 61 to 70, and $100,000 over 70. On older policies, United Investors' retention may be as low as $50,000 and on certain specialty life products; United Investors retains only the first $100,000 to $200,000.

The Company has not entered into any new reinsurance agreements, either assumed or ceded, during the examination period.

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 should fail to perform its obligations under its reinsurance agreement with the Company

ACCOUNTS AND RECORDS

An independent accounting firm audits the Company annually. The Company's 2007 financial statements were audited by the CPA firm, Deloitte & Touche LLC. Their workpapers were used in the course of this examination as deemed appropriate.

Reserves and related actuarial items reported in the financial statements were reviewed and certified by W. Thomas Aycock, F.S.A., M.A.A.A., Senior Vice President, and Chief Actuary, United Investors Life Insurance Company.

Pursuant to a contract with the Department of Insurance, Financial Institutions and Professional Registration, the actuarial firm of Lewis & Ellis, Inc., reviewed the actuarial assumptions and methods used by the Company in determining all actuarial reserves and related items as shown in the Statement of Actuarial Opinion and concluded they were fairly stated and meet the requirements of the insurance laws and regulations of the state of Missouri.

Andrew Balas, the Information Systems Examination Specialist with the Department of Insurance, Financial Institutions and Professional Registration reviewed the Company's information systems with no major problems noted. The Company has a disaster recovery plan in place.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2007, and the results of operations for the fiscal period then ended. 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," which follow the financial statements.

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 in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual financial statement item.

ASSETS

	Amounts Per Annual Statement			Notes	Examination Findings	
	Assets	Assets Not Admitted	Net Admitted Assets		Examination Adjustments	Net Admitted Assets
Bonds	$761,488,238		$761,488,238			$761,488,238
Preferred stocks	299,734,216	85,631,605	214,102,611			214,102,611
Cash and short-term investments	3,287,629		3,287,629			3,287,629
Contract loans	28,327,073	31,891	28,295,182			28,295,182
Receivable for securities	7,005,381		7,005,381			7,005,381
Subtotal Cash and Invested Assets	$1,099,842,537	$85,663,496	$1,014,179,041			$1,014,179,041
Investment income due and accrued	$15,604,356		$15,604,356			$15,604,356
Uncollected premiums and agents balances	1,067,256		1,067,256			1,067,256
Deferred premiums and agents balances	53,078,496		53,078,496			53,078,496
Amounts recoverable from reinsurers	19,867		19,867			19,867
Funds held by or deposited with reinsurers	546,074,402		546,074,402			546,074,402
Other amounts receivable - reinsurance contracts	413,689		413,689			413,689
Current federal income taxes	3,346,602		3,346,602			3,346,602
Guaranty funds	31,461	31,461				-
EDP Equipment	1,559	1,559				-
Furniture and Equipment	43,462	43,462				-
Intercompany receivables	967,458		967,458			967,458
Health care receivaables	1,693,348	1,693,348				-
Prepaid pension contribution	735,530	735,530				-
Supplies	80,545	80,545				-
Other receivables	2,203	2,203				-
Separate accounts	1,423,620,766		1,423,620,766			1,423,620,766
Total Assets	$3,146,623,537	$88,251,604	$3,058,371,933			$3,058,371,933

LIABILITIES, SURPLUS AND OTHER FUNDS

	Amounts Per Annual Statement	Notes	Examination Adjustments	Amounts Per Examination
Aggregate reserve for life contracts	$1,208,509,295			$1,208,509,295
Liability for deposit type contracts	261,294			261,294
Contract claims - life	10,566,000			10,566,000
Premiums received in advance	98,352			98,352
Interest maintenance reserve	3,502,898			3,502,898
Commissions payable	227,039			227,039
General expenses	804,671			804,671
Transfers to separate accounts	(15,816,368)			(15,816,368)
Taxes, licenses and fees	(836,251)			(836,251)
Net deferred tax liability	21,604,000			21,604,000
Unearned investment income	4,875			4,875
Amounts withheld or retained by company	69,458			69,458
Remittances and items not allocated	815,338			815,338
Asset valuation reserve	7,395,427			7,395,427
Intercompany payables	7,902,869			7,902,869
From separate accounts	1,423,620,766			1,423,620,766
Total Liabilities	$2,668,729,663			$2,668,729,663
Common capital stock	$3,000,000			$3,000,000
Gross paid in surplus	52,000,000			52,000,000
Unassigned funds	334,642,270			334,642,270
Surplus as regards policyholders	$389,642,270			$389,642,270
Totals	$3,058,371,933			$3,058,371,933

STATEMENT OF INCOME

	Notes	Examination Adjustments	Amounts Per Annual Statement
Premiums earned			$239,512,604
Net investment income			102,823,852
Amortization of IMR			511,001
Commissions on reinsurance			76,007
Income from fees associated with separate accounts			31,515,198
Aggregate write-in for miscellaneous income			3,597,176
Totals			$378,035,838
Death benefits			$50,111,595
Annuity benefits			99,299,447
Disability benefits			763,738
Surrender benefits			55,352,429
Interest adjustments on contracts			352,465
Increase in aggregate reserves for life and a&h contracts			81,831,493
Totals			$287,711,167
Commissions on premiums			6,974,601
Commissions on reinsurance assumed			7,946,282
General insurance expenses			6,795,219
Taxes, licenses and fees			2,435,142
Increased loading on deferred and uncollected premium			(532,278)
Net transfers to (from) separate accounts			(26,208,228)
Aggregate write-ins for deductions			2,138,441
Totals			$287,260,346
Net gain from operations before dividends and FIT			90,775,492
Federal and foreign income taxes			28,297,027
Net gain from operations after dividends and FIT			62,478,465
Net realized capital gains (losses)			263,359
Net Income			$62,741,824
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year			$386,733,849
Net Income			62,741,824
Change in net deferred income tax			3,486,000
Change in non-admitted assets			5,873,111
Change in AVR			(2,070,708)
Dividends to stockholders			(66,900,000)
Aggregate write-ins of gains and losses in surplus			(221,806)
Change in surplus as regards policyholders for the year			2,908,421
Surplus as regards policyholders			389,642,270

NOTES TO FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by United Investors Life Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Richard Stamper, CFE; Richard Hayes, CFE; Vasco Stoyanoff and Andrew T. Balas, AES, CFE, CPA examiners for the Department of Insurance, Financial Institutions and Professional Registration participated in this examination. Leon L. Langlitz, FSA, MAAA, of Lewis & Ellis, Inc., Actuaries & Consultants, reviewed the actuarial assumptions and methods used by the Company in determining policy reserves and related actuarial items.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I swear on my oath 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.

Wyatt R. Sample

Wyatt R. Sample, CFE
Examiner-in-Charge
DIFP/Insurance

CHARLOTTE L. CHRISTIAN
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: July 17, 2009
Commission #05500475

Sworn to and subscribed before me this 11 day of March 2007
My commission expires:

7/17/09

Charlotte L. Christian
Notary Public

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 the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager
DIFP/Insurance