

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

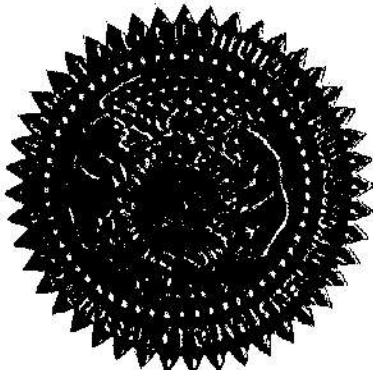
RE: Examination Report of United Investors Life Insurance Company as of December 31,
2007

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.



A handwritten signature in black ink, reading "John M. Huff", with a horizontal line extending to the right.

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:

<u>Name and Address</u>	<u>Business Affiliation</u>
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
Danny H. Almond

President and Chief Executive Officer
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
Kristin Patterson
David K. Carlson

Assistant Secretary
Assistant Secretary
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