

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Old American Insurance Company

ORDER

After full consideration and review of the report of the financial examination of Old American Insurance Company for the period ended December 31, 2009, 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, 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 30th day of March, 2011.

A handwritten signature in black ink, appearing to read "John M. Huff", written over a horizontal line.

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



REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF

OLD AMERICAN
INSURANCE COMPANY

AS OF
DECEMBER 31, 2009

FILED
APR 0 8 2011
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, Missouri
January 14, 2011

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

Honorable Mary Jo Hudson, Director
Ohio Insurance Department
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 65101

Ladies and 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

Old American Insurance Company

hereinafter referred to as such, as Old American, or as the Company. Its administrative office is located at 3520 Broadway, Kansas City, Missouri 64111, telephone number (816) 753-7000. This examination began on October 28, 2009, and was completed on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Old American Insurance Company was made as of December 31, 2005, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination covered the period from January 1, 2006, through December 31, 2009, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zones participating.

This examination was performed concurrently with the examination of the Company's parent, Kansas City Life Insurance (Kansas City Life) and an affiliate, Sunset Life Insurance Company of America (Sunset Life), collectively constituting the Kansas City Life Insurance Companies.

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 (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 Handbook requires that the DIFP plan and perform the examination to evaluate the financial condition and identify prospective risks of Old American by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating 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, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Key Activities reviewed during the course of the examination included: Investments; Separate Accounts; Premium Growth Strategy; Reinsurance; Corporate Governance and Related Parties; Premium Accounting; Life, Contracts and Accident and Health Reserving; Federal Income Taxes; and General Expenses.

The examiners relied upon information supplied by the Company's independent auditor, KPMG, LLP, of Kansas City, Missouri for its audits covering the period from January 1, 2008, through December 31, 2009. Information relied upon included narrative descriptions of processes and controls with respect to premium accounts, investments accounts, paid losses and loss reserving, attorney letters, and documentation of review of fraud policies and programs, etc.

SUMMARY OF SIGNIFICANT FINDINGS

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

HISTORY

General

Old American Insurance Company was founded by members of Thomas McGee & Sons, a Kansas City based insurance agency. The Company was incorporated on December 11, 1939, and commenced business on December 30, 1939, under the laws of the State of Missouri. The Company currently operates as a stock life insurance company, in accordance with the provisions of Chapter 376, Revised Statutes of Missouri (RSMo) (Life and Accident Insurance).

On November 25, 1986, the Company was purchased by C.S.B.I. Corp., an indirect wholly owned subsidiary of CenTrust Savings Bank, which was a Florida state chartered savings and loan association.

In November 1991, Kansas City Life purchased 100% of the stock of Old American and its subsidiaries, Missouri American Insurance Company and Old American Service Corporation. Subsequently, Missouri American Insurance Company was merged into Old American and Old American Service Corporation was dissolved in December 1992.

Capital Stock

The Company is authorized to issue 800,000 shares of \$5.00 par value stock, which is separated into 192,630 shares of Class A preferred stock, and 303,685 shares of Class B common non-voting stock and 303,685 shares of common voting stock.

As of December 31, 2009, 172,346 shares of Class A preferred non-voting stock, 303,685 shares of Class B common non-voting stock and 299,437 shares of common voting stock were issued and outstanding, resulting in total par values of \$963,150 for the Class A preferred non-voting stock and \$3,036,850 for the combined voting and nonvoting common stock. Treasury stock

consisted of 20,284 shares of Class A preferred stock and 4,248 shares of Class B common stock valued at \$101,420 and \$133,446, respectively.

Dividends

Cash dividends declared and paid to the sole shareholder, Kansas City Life during the period under examination were as follows: 2006 - \$7,080,000, 2007 - \$6,705,000, 2008 - \$5,700,000 and 2009 - \$3,935,000.

Acquisitions, Mergers and Major Corporate Events

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

CORPORATE RECORDS

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

The minutes of the Board of Directors' meetings, committee meetings, and sole shareholder 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.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that is elected by the sole shareholder, Kansas City Life Insurance Company. The Company's Bylaws specify that the number of directors shall be nine (9), however, the Bylaws allow the Board of Directors to change the number of Directors not to exceed twenty-one (21). On July 19, 2001, the Board of Directors passed a resolution stipulating the number of Board of Directors to be ten (10) members. Presented below is the Board of Directors elected and serving as of December 31, 2009:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
R. Philip Bixby	Kansas City, Missouri	President, CEO & Chairman of the Board, Kansas City Life
Walter E. Bixby	Kansas City, Missouri	Vice Chairman, Kansas City Life
John C. Alderton	Kansas City, Missouri	Vice President, Old American
Charles R. Duffy, Jr.	Independence, Missouri	Senior Vice President, Kansas City Life
Gary K. Hoffman	Kansas City, Missouri	Vice President, Associate General Counsel and Secretary, Old American
Nancy B. Hudson	Lander, Wyoming	Director, Kansas City Life
Tracy W. Knapp	Overland Park, Kansas	Senior Vice President, Kansas City Life
Robert J. Milroy	Prairie Village, Kansas	Vice President, Old American
Mark A. Milton	Leawood, Kansas	Senior Vice President, Kansas City Life
Holly A. Ropp	Kansas City, Missouri	Assistant Vice President, Old American

Committees

The Company's Bylaws authorize an Executive Committee, an Investment Committee, and a Nominating and Compensation Committee and any other committees that may be needed. The Investment Committee of Kansas City Life is performing the investment functions for Old American. The Company's Board of Directors properly ratifies and approves the investment transactions made by Kansas City Life's Investment Committee on their behalf. The established committees and the members elected and serving as of December 31, 2009, were as follows:

Executive Committee

R. Philip Bixby
Walter E. Bixby
Gary K. Hoffman
Tracy W. Knapp

Nominating and Compensation Committee

R. Philip Bixby
Walter E. Bixby
Gary K. Hoffman
Tracy W. Knapp

Retirement Committee

Walter E. Bixby
Gary K. Hoffman
Jill M. Worstell

Investment Committee

R. Philip Bixby
Walter E. Bixby
Charles R. Duffy, Jr.
Tracy W. Knapp
Donald E. Krebs
Mark A. Milton
William A. Schalekamp*

*William Schalekamp retired as an officer of Kansas City Life and a member of the Investment Committee effective as of October 31, 2010 and was replaced by A. Craig Mason, Jr. effective as of November 1, 2010.

Officers

The following senior officers were elected at the annual Board of Directors' meeting on January 23, 2009 and, unless otherwise noted, were serving as of December 31, 2009:

R. Phillip Bixby	Chairman of the Board
Walter E. Bixby	President
John C. Alderton	Vice President, Sales
Tracy W. Knapp	Chief Financial Officer
Gary K. Hoffman	Vice President and Secretary
Robert J. Milroy	Vice President, Underwriting and New Business
David A. Laird	Vice President and Controller
Richard D. Ropp	Vice President, Customer Services
David L. Metzler	Chief Actuary

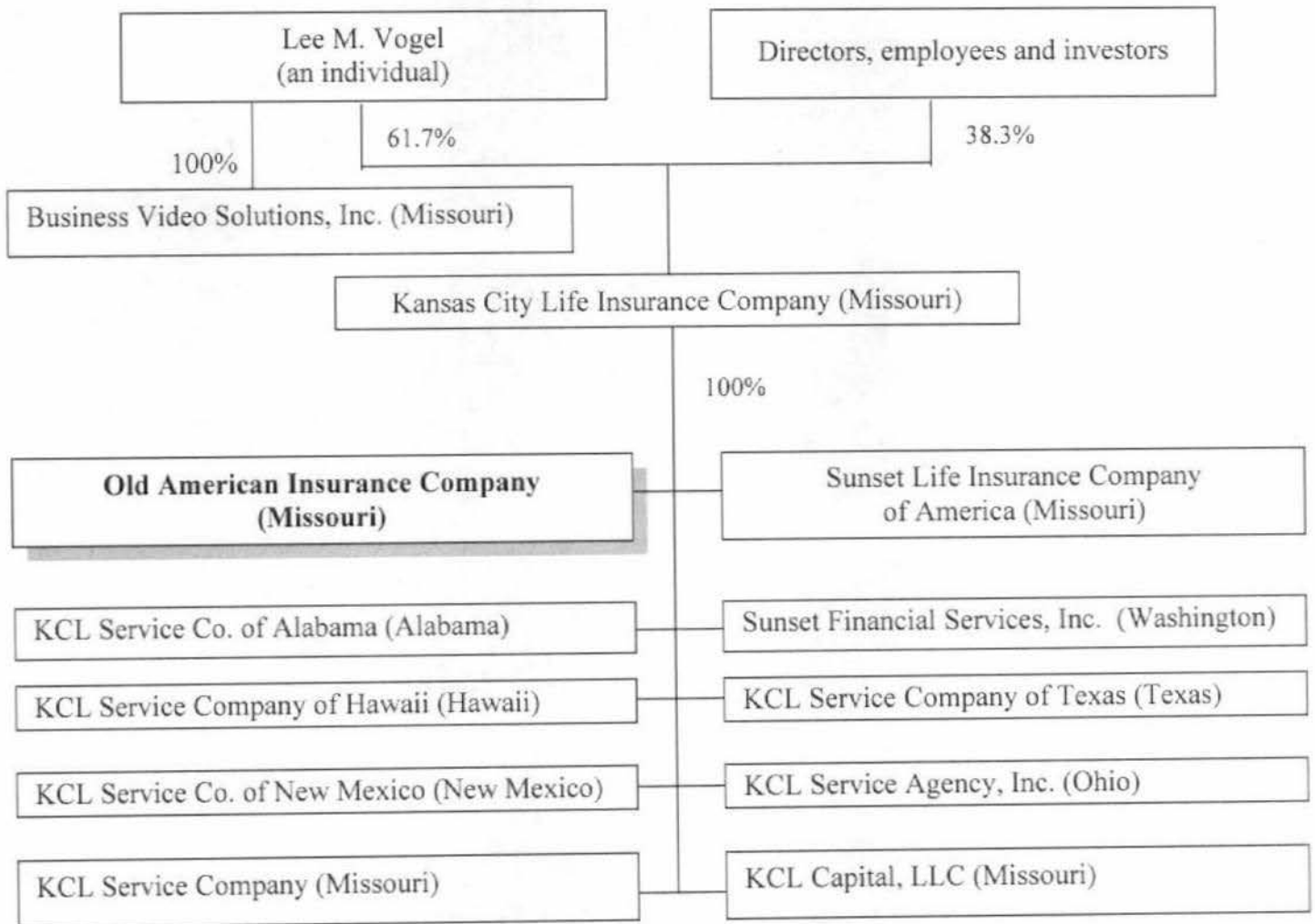
Holding Company, Subsidiaries and Affiliates

Old American Insurance 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 the parent, Kansas City Life, for each year of the examination period on behalf of itself and its subsidiaries, including Old American. Old American is a wholly owned subsidiary of Kansas City Life. Lee M. Vogel, an individual, is the ultimate controlling person within the holding company system of Kansas City Life.

The parent, Kansas City Life, is a life and health insurer organized as a Missouri corporation. The holding company system includes another life and health insurer, Sunset Life, and as of December 31, 2009 eight other affiliates that are related in part or entirely to the insurance operations. Sunset Financial Services, Inc. (SFS), a Missouri corporation, markets all of Kansas City Life's variable products and performs investment services for policyholders. The other subsidiaries are currently inactive, or do not have any significant operations.

Organizational Chart

The following organizational chart depicts Old America’s ownership and holding company structure, as of December 31, 2009:



Intercompany Transactions

The Company is a party to the intercompany agreements outlined below.

- 1. **Type:** Tax Allocation Agreement

Affiliates: Kansas City Life, Sunset Life, Sunset Financial Services, Inc., KCL Service Company of Missouri, KCL Service Company of Texas, KCL Service Company of Alabama, KCL Service Agency, Inc., KCL Service Company of Hawaii and KCL Service Company of New Mexico.

Effective: December 31, 2008. This agreement is a restatement of the original Tax Allocation Agreement effective January 1998 and is intended to supersede the original Agreement.

Terms: A consolidated federal income tax return is filed each year. The portion of the consolidated tax liability that is allocated to each Company is based upon the subsidiary's tax liability on a stand-alone basis. Intercompany tax settlements are made approximately 30 days after the filing of the tax return.

2. Type: Cost Sharing Agreement

Affiliate: Kansas City Life

Effective: October 1, 2008. This agreement is a restatement of the original Cost Sharing Agreement effective May 22, 1992 and is intended to supersede the original Agreement.

Terms: Kansas City Life provides various departmental services for the operation of Old American including but not limited to: financial, including cash management and investments, executive officer services, actuarial, billing, collection, payment of premium fees and other amounts, accounting including preparation of financial statements and other accounting documents and reports, information system, administrative services, claims, customer service, legal services and regulatory and compliance services. The agreement is for a twelve month period which will automatically renew each year unless 30 days notice of termination is provided by either party prior to the expiration. Costs will be determined by an internal cost study to determine time allocations being performed in and between companies. Detailed records of the allocation of all charges and costs will be maintained by Kansas City Life. Additionally, for administrative and efficiency purposes, Kansas City Life will pay certain operating expenses and other specific items on behalf of Old American. Expenses will be invoiced within 20 days of the quarter end, with payment due within 30 days of invoicing.

3. Type: Loan Guarantee

Affiliate: Kansas City Life

Effective: May 31, 2009

Terms: Kansas City Life has guaranteed the indebtedness of Old American on borrowings under the Commerce Bank \$20,000,000 Line of Credit.

4. Type: Inter-Company Retained Asset Program for Benefit Payments

Affiliate: Kansas City Life and Sunset Life

Effective: January 1, 2006

Terms: Certain benefit payments for all parties will be paid through a Kansas City Life corporate account maintained with State Street Bank and BISYS (State Street). Through Kansas City Life's contract with State Street, retained asset checking accounts are established for beneficiaries of death claims, and cash surrenders in excess of \$10,000, for each of the parties to this agreement. Accounts are identified for each company based on branch codes built into the beneficiary's checking account number. When beneficiaries submit checks for payment they are paid from the State Street account. The amounts paid out to the beneficiaries are tracked through the account numbers and shown on each individual Company's account as each Company funds the account for their respective disbursement liabilities. In addition, bank service fees will be paid by each party based on their proportional share of the fees. Fees identified by the respective branch code of the account as being incurred by one party will be paid by that party.

The amounts paid to and (received) from parent during the period under examination under the above agreements were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cost Sharing Agreement – Paid to Kansas City Life	\$5,357,613	\$5,605,777	\$5,631,654	\$5,662,227
Federal Income Tax Allocation Agreement:				
Paid to Kansas City Life	1,100,000	1,295,000	1,310,000	3,075,000
Intercompany Retained Asset Program	10,362,368	11,924,410	9,869,264	356,776
Dividends:				
Payments to Kansas City Life:	<u>3,935,000</u>	<u>5,700,000</u>	<u>6,705,000</u>	<u>7,080,000</u>
Net Amount Paid or (Received)	<u>\$20,754,981</u>	<u>\$24,525,187</u>	<u>\$23,515,918</u>	<u>\$16,174,003</u>

FIDELITY BOND AND OTHER INSURANCE

The Company is a named-insured on a financial institution bond issued to the parent company with a liability limit of \$10,000,000 and a \$150,000 single claim deductible. This coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

Old American is also a named, or by definition, insured party on additional insurance policies that include, but are not limited to, the following: commercial general liability, commercial

property, mortgage protection, workers compensation, commercial umbrella, directors and officers liability, and business automobile.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Old American has employees for the customer service, sales and marketing, new business, claims and legal functions. Pursuant to a Cost Sharing Agreement, all other administrative functions of Old American are performed by the employees of the parent, Kansas City Life. The Company is allocated a percentage of the benefit costs for Kansas City Life employees, under the Cost Sharing Agreement.

A variety of standard benefits are provided to Old American and Kansas City Life employees. These benefits include but are not limited to, vacation and sick pay, health insurance, dental insurance, life insurance, disability insurance, a defined benefit pension plan, a 401(k) savings plan, a deferred compensation plan and a profit sharing plan. Post-retirement health insurance is provided to retirees that meet eligibility requirements.

Agents of Kansas City Life and its subsidiary insurance companies located throughout the United States may qualify for benefits similar to those provided for employees upon meeting production requirements. The pension plan for agents is a defined contribution plan. Qualified agents also are eligible for a deferred compensation plan.

Settlement of the Company's expenses related to the benefits provided by KC Life under the Cost Sharing Agreement, are made monthly. The Company appears to have properly accounted for its direct and allocated employee benefit costs in the financial statements.

TERRITORY AND PLAN OF OPERATION

Old American Insurance Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 376 RSMo (Life, Health and Accident Insurance). As of December 31, 2009, the Company was licensed to transact the business of insurance in 46 states and the District of Columbia.

The Company sells final expense insurance products nationwide through a general agency system, with exclusive territories, using direct response marketing to supply agents with leads.

Company Growth

During the examination period, total assets excluding separate accounts declined from \$246 million as of December 31, 2005 to \$239 million at year-end 2009. During the same period, capital and surplus also declined from \$23.6 million as of December 31, 2005 to \$19.8 million at year-end 2009. Between 2008 and 2009, total assets remained unchanged at \$239 million.

Total premium income declined between 2005 and 2006 and remained flat or declining from 2006 to 2009. New life insurance business issued recorded robust growth during the period under examination.

The Company reported a Risk-based Capital (RBC) ratio of 701.2% at year-end 2009, a decrease from 704.7% at year-end 2008. Over the last five-year period, the RBC ratio has fluctuated from a high of 937.7% in 2006 to 701.2% at year-end 2009.

Loss Experience

Old American reported an operating gain of 23.1% at year-end 2009, a decrease from 31.0% at year-end 2008 and 32.6% at year-end 2007. The Company reported net income in each of the years under examination and its return on equity ratio (net income/capital and surplus) was higher than the industry average in each of the years under examination.

The Company reported total benefits and expenses/premium ratio of 113.6% at year-end 2009, a slight increase from 112.5% at year-end 2008. Over the last five-year period, the total benefits and expenses/premium ratio has fluctuated from 108.4% to 113.6%. The Accident & Health loss ratio has ranged from 29% to 41% over the same period.

REINSURANCE

General

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Direct Business	\$66,767,009	\$64,818,220	\$66,241,657	\$67,507,227
Reinsurance Assumed	0	0	0	0
Reinsurance Ceded	<u>(2,948,763)</u>	<u>(3,332,477)</u>	<u>(3,895,657)</u>	<u>(4,421,509)</u>
Net Written Premiums	<u>\$63,818,246</u>	<u>\$61,485,743</u>	<u>\$62,346,000</u>	<u>\$63,085,718</u>

Assumed

The Company does not assume any business.

Ceded

The Company is contingently liable for all reinsurance losses ceded or retroceded 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.

Effective December 1, 1989, Old American coinsured 100% of a closed block of ordinary life business written from January 1, 1965 through November 30, 1986.

All other individual life policies in excess of Old American's retention of \$100,000 subsequent to 1986 are reinsured on a yearly-renewable-term basis. All individual accidental death benefit risk above \$5,000 is reinsured.

The Company's long-term care business is now 100% coinsured with two equal participating reinsurers.

STATUTORY 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, 2009, as reflected below, were sufficient to meet the minimum capital deposit requirement of \$600,000 for the State of Missouri in accordance with Section 376.290 RSMo (Deposit and transfer of securities). Funds on deposit as of December 31, 2009, are as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Note	\$2,000,000	\$2,038,760	\$1,998,276

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2009, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	FHLB Bond	\$150,000	\$156,703	\$150,879
Georgia	U.S. Treasury Note	100,000	100,383	99,939
Massachusetts	U.S. Treasury Note	100,000	101,566	100,369

New Mexico	U.S. Treasury Note	125,000	128,740	124,936
North Carolina	U.S. Treasury Note	<u>400,000</u>	<u>412,156</u>	<u>404,108</u>
Total		<u>\$875,000</u>	<u>\$899,548</u>	<u>\$880,231</u>

Other Deposits

The Company has also pledged assets to the Federal Home Loan Bank (FHLB) as collateral for future borrowings. The value of these pledged assets as of December 31, 2009 were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Various Bonds & Securities	\$12,018,081	\$11,396,329	\$12,001,530
FHLB Member Activity Stock	<u>363,700</u>	<u>363,700</u>	<u>363,700</u>
Total	<u>\$12,381,781</u>	<u>\$11,760,029</u>	<u>\$12,365,230</u>

ACCOUNTS AND RECORDS

Independent Auditor

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

Appointed Actuary

Policy and claim reserves were reviewed and certified by Stephen A. Bader, FSA, MAAA, in 2006 and 2007. Mr. Bader, who is now retired, was an employee of Kansas City Life at the time of these reports. Karen Dierker, FSA, MAAA, an employee of Kansas City Life was subsequently the appointed actuary who reviewed and certified policy and claim reserves for 2008 and 2009.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Old American for the period ending December 31, 2009. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on 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 "Comments on 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

	<u>Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$176,037,343		\$176,037,343
Preferred Stocks	759,573		759,573
Common Stocks	363,700		363,700
Mortgage Loans on Real Estate	23,818,727		23,818,727
Cash and Short-term Investments	3,654,984		3,654,984
Contract Loans	9,173,019		9,173,019
Other Invested Assets	3,398,810	\$1,717,451	1,681,359
Investment Income Due and Accrued	2,271,621		2,271,621
Uncollected Premiums and Agents' Balances in Course of Collection	505,066	238,316	266,750
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and not yet Due	13,739,187		13,739,187
Amounts Recoverable from Reinsurers	837,038		837,038
Federal Income Tax Recoverable	709,834		709,834
Net Deferred Tax Asset	16,514,602	10,306,621	6,207,981
Guaranty Funds Receivable or on Deposit	205,360		205,360
Electronic Data Processing Equipment and Software	9,603		9,603
Furniture and Equipment	407	407	0
Aggregate Write-Ins for other than Invested Assets: Other Assets	<u>97,718</u>	<u>90,223</u>	<u>7,495</u>
TOTAL ASSETS	<u>\$252,096,592</u>	<u>\$12,353,018</u>	<u>\$239,743,574</u>

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	\$201,671,798
Aggregate Reserve for Accident and Health Contracts	416,055
Liability for Deposit-type Contracts	75,381
Contract Claims – Life	5,237,172
Contract Claims – Accident and Health	206,163
Premiums and Annuity Considerations Received in Advance	183,817
Other Amounts Payable on Reinsurance	449,520
Interest Maintenance Reserve	417,364
Commissions to Agents Due or Accrued	721,343
General Expenses Due or Accrued	1,702,466
Taxes, Licenses and Fees Due or Accrued	740,000
Unearned Investment Income	343,666
Amounts Withheld or Retained	4,050,143
Remittances and Items Not Allocated	1,055,021
Asset Valuation Reserve	1,875,000
Payable to Parent, Subsidiaries and Affiliates	202,532
Aggregate Write-Ins for Liabilities:	
Uncashed Checks Pending Escheatment	615,873
TOTAL LIABILITIES	\$219,963,314
Common Capital Stock	3,036,850
Preferred Capital Stock	963,150
Gross Paid in and Contributed Surplus	93,920
Aggregate Write-ins for Special Surplus Funds	3,555,763
Unassigned Funds (Surplus)	12,365,445
Less Treasury Stock	<u>(234,866)</u>
Capital and Surplus	<u>\$19,780,262</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$239,743,576</u>

Summary of Operations

Premiums and Annuity Considerations	\$63,818,246
Net Investment Income	12,759,983
Amortization of Interest Maintenance Reserve	13,595
Commission and Expense Allowances on Reinsurance Ceded	510,920
<u>Miscellaneous Income</u>	<u>1,100</u>
TOTAL	\$77,103,844
Death Benefits	35,644,980
Matured Endowments	115,918
Annuity Benefits	41,551
Disability Benefits and Benefits Under Accident & Health Policies	281,056
Surrender Benefits and Withdrawals for Life Contracts	4,520,418
Interest and Adjustments on Contract and Deposit-type Contract Funds	131,359
Payments on Supplementary Contracts with Life Contingencies	8,078
Increase in Aggregate Reserves for Life and Accident & Health Policies	114,656
Commissions on Premiums and Annuity Considerations	15,885,068
General Insurance Expenses	12,634,930
Insurance Taxes, Licenses and Fees	1,882,873
Increase in Loading on Deferred and Uncollected Premiums	1,267,004
Aggregate Write-Ins for Deductions:	
Tax Interest	<u>715</u>
TOTAL	<u>\$72,528,606</u>
NET GAIN FROM OPERATIONS	\$4,575,238
Federal Income Taxes Incurred	775,757
Net Realized Capital Gains and (Losses)	<u>(2,722,567)</u>
NET INCOME	<u>\$1,076,914</u>

Capital and Surplus Account

Capital and Surplus, December 31, 2008	\$18,065,224
Net Income or (Loss)	1,076,914
Change in Net Unrealized Capital Gains or (Losses)	(12)
Change in Net Deferred Income Tax	(823,876)
Change in Asset Valuation Reserve	(875,000)
Change in Nonadmitted Assets	700,784
Change in Reserve on Account of Change in Valuation Basis	(40,451)
Cumulative Effect of Change in Accounting Principles	2,055,917
Dividends to Stockholders	(3,935,000)
Aggregate Write-ins for Surplus:	<u>0</u>
Adoption of SSAP #10R	<u>3,555,763</u>
Net Change in Capital and Surplus	<u>\$1,715,039</u>
CAPITAL AND SURPLUS, DECEMBER 31, 2009	<u>\$19,780,263</u>

CHANGES IN FINANCIAL STATEMENTS RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENTS

None

SUMMARY OF RECOMMENDATIONS

None

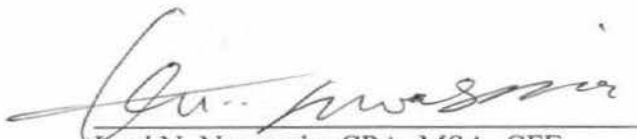
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Old American Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shawn Hernandez, CFE, Barbara Bartlett, CPA, CFE and Valerie Hastings, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration also participated in this examination. Timothy Carroll, Computer Audit Specialist for the Missouri Department of Insurance, Financial Institutions and Professional Registration performed a review of the information system environment. Leon L. Langlitz, FSA, of Lewis & Ellis, Inc. also participated as a consulting actuary.

VERIFICATION

State of Missouri)
)
County of)

I, Levi N. Nwasoria, CPA, MSA, 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.

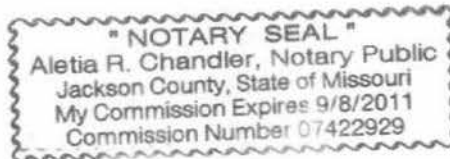


Levi N. Nwasoria, CPA, MSA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 21 day of December, 2010.

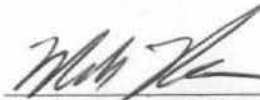
My commission expires: 9/8/2011

Aletia R. Chandler
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 NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Mark Nance, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration