

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Sunset Life Insurance Company of America

ORDER

After full consideration and review of the report of the financial examination of Sunset Life Insurance Company of America 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.

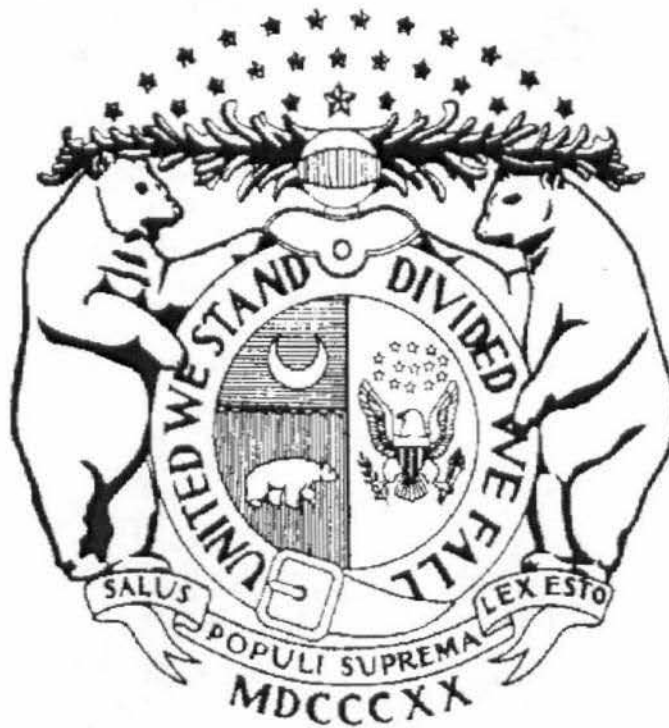


John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF
**SUNSET LIFE INSURANCE
COMPANY OF AMERICA**

AS OF
DECEMBER 31, 2009

FILED
APR 09 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

Sunset Life Insurance Company of America

hereinafter referred to as such, as Sunset Life, 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 Sunset Life Insurance Company of America 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, Old American Insurance Company (Old American), 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 Sunset Life 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

Sunset Life Insurance Company of America was incorporated as a stock life insurance company under the laws of the State of Washington on May 12, 1937. The Company was a wholly owned subsidiary of American Underwriters Corporation (AUC), until AUC was voluntarily dissolved in October 1960. Upon dissolution, Sunset Life's shares of stock were distributed to the owners of AUC.

In early 1974, Kansas City Life made a tender offer for all of the outstanding common stock of Sunset Life. As of December 31, 1975, 96.8% of the stock had been purchased. A capital restructuring was completed in December 1990, which resulted in Kansas City Life owning 100% of the outstanding common stock of the Company.

Capital Stock

The Company is authorized to issue 325 shares of \$20,000 par value common stock. As of December 31, 2009, 266 shares were issued and outstanding, resulting in a total par value of \$5,320,000 in the Company's common capital stock account.

Dividends

Cash dividends declared and paid to the sole shareholder, Kansas City Life during the period under examination were as follows: 2006 - \$9,550,000, 2007 - \$9,205,000, 2008 - \$9,465,000 and 2009 - \$8,210,000.

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 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.

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 Board of Directors should consist of nine (9) and no more than twenty one (21) members. The Board of Directors elected and serving as of December 31, 2009, were as follows:

<u>Name</u>	<u>Address</u>	<u>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
Charles R. Duffy, Jr.	Independence, Missouri	Senior Vice President, Kansas City Life
Donald E. Krebs	Overland Park, Kansas	Vice President, Kansas City Life
Nancy Bixby Hudson	Lander, Wyoming	Director, Kansas City Life
Daryl D. Jensen	Olympia, Washington	Vice Chairman of the Board, Sunset Life
Tracy W. Knapp	Overland Park, Kansas	Senior Vice President, Kansas City Life
Mark A. Milton	Leawood, Kansas	Senior Vice President and Actuary, Kansas City Life
Richard D. Ropp	Kansas City, Missouri	Vice President, Kansas City Life
Matthew R. O'Connor♦	Kansas City, Missouri	Secretary, Sunset Life

♦ Matthew R. O'Connor was elected as a Director at the July 24, 2009 Board meeting, to fill the unexpired term of James Aldrich, who retired in May 2009. In addition, Mr. O'Connor was appointed as Secretary and a member of the Executive Committee of the Company.

Committees

The Company's Bylaws authorize an Executive Committee and any other committees that may be needed. 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
Daryl D. Jensen
Matthew R. O'Connor

Nominating Committee

R. Philip Bixby
Daryl D. Jensen
Walter Bixby

Wealth Building and Opportunity Planning Committee

David A. Laird
James R. Wilcox
Jill M. Worstell

Officers

The following senior officers were elected at the April 24, 2009 annual Board of Directors meeting and, unless noted were, serving as of December 31, 2009:

R. Philip Bixby	President and Chairman of the Board
Daryl D. Jensen	Vice Chairman of the Board
David A. Laird	Vice President and Controller
Donald E. Krebs	Vice President - Marketing and Sales
Robert J. Milroy	Vice President – Insurance Services
Mark A. Milton	Vice President and Actuary
Richard D. Ropp	Vice President – Policy Administration
Robert W. Nagel	Treasurer
Matthew O'Connor	Secretary

Holding Company, Subsidiaries and Affiliates

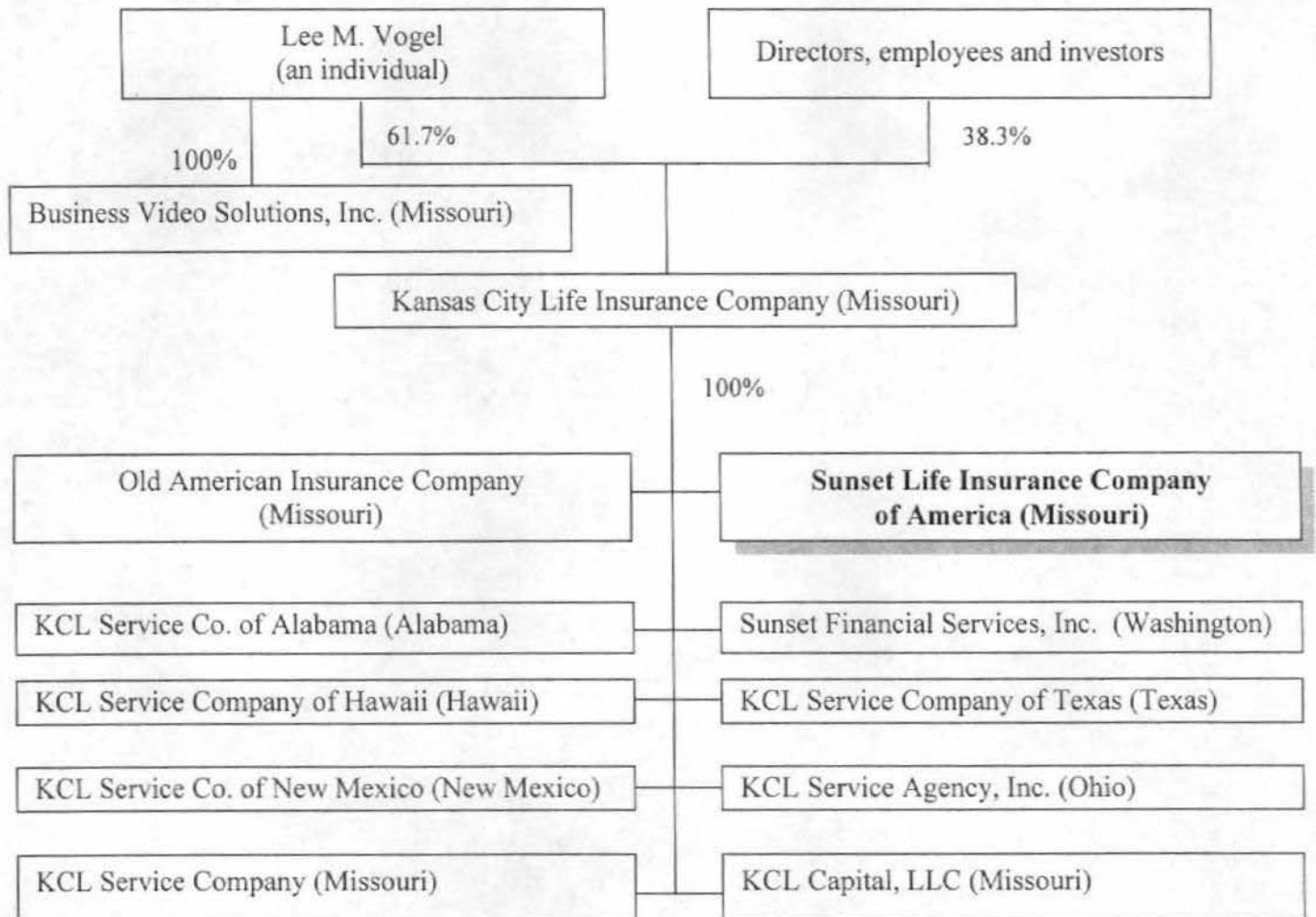
Sunset Life Insurance Company of America is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the parent, Kansas City Life, for each year of the examination period on behalf of itself and its subsidiaries, including Sunset Life. Sunset Life 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, Old American, 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 Kansas City Life'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, Old American, 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: Intercompany Affiliated Service Agreement

Affiliate: Kansas City Life

Effective: August 1, 2009. This agreement is a restatement of the original Cost Sharing Agreement effective May 1992 and is intended to supersede the original Agreement.

Terms: The agreement is effective for five years unless otherwise terminated upon 30 days notice by either party prior to the expiration. Services to be performed include, but are not limited to: accounting, tax, auditing, underwriting, claims, investments, and functional support services. Indirect and shared expenses shall be allocated in accordance with a method of cost allocation in conformity with SSAP 70. Within 30 days after a calendar quarter invoices are to be submitted and are to be paid within 30 days of receipt. Each party to this Agreement is responsible for maintaining full and accurate accounting records of all services performed and facilities used under this Agreement. The Agreement may be terminated by either party providing 30 days written notice.

3. Type: Guarantee

Affiliate: Kansas City Life Insurance Company

Effective: August 4, 1999

Terms: Kansas City Life has guaranteed the capital and surplus of Sunset Life will not fall below the required minimum for the State of Ohio.

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

Affiliate: Kansas City Life and Old American

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.

Sunset Life has reinsurance agreements with Kansas City Life effective January 1, 1991 and September 1, 1993, for all of the life business up to \$2,450,000 of face value per policy on policies issued since 1976, max retention by Kansas City Life of \$350,000. Beginning in 1994, Kansas City Life no longer reinsured any of Sunset Life's term life products but universal life products are still being reinsured.

Kansas City Life has also issued guarantees for minimum amounts of capital and surplus for Sunset Life. These guarantees were necessary for Sunset Life's licensure in the three states. A written guarantee was executed June 18, 1998 for the State of Ohio. Guarantees for Connecticut and Iowa were made in the form of Board of Directors' resolutions that were documented in the April 26, 1999, minutes of Kansas City Life.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Intercompany Affiliated Service Agreement:				
Received from Kansas City Life	(\$709,019)	\$2,231,377	\$3,497,456	\$4,128,969
Federal Income Tax Allocation Agreement:				
Paid to Kansas City Life	2,600,000	2,250,000	3,400,000	2,580,000

Intercompany Retained Asset Program	16,294,188	19,057,648	15,366,832	577,993
Dividends:				
Paid to Kansas City Life:	<u>8,210,000</u>	<u>9,465,000</u>	<u>9,205,000</u>	<u>9,550,000</u>
Net Amount Paid or (Received)	<u>\$26,395,169</u>	<u>\$33,004,025</u>	<u>\$31,469,288</u>	<u>\$16,836,962</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.

Sunset Life 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

Sunset Life does not have any employees. All Company functions are performed by employees of the parent company, Kansas City Life. Sunset Life's percentage of employee benefit costs are allocated under an Intercompany Affiliated Services Agreement, which was approved by the DIFP.

A variety of standard benefits are provided to 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 Kansas City Life under the Intercompany Affiliated Services Agreement, are made monthly and no additional legal liability existed as of the end of the examination period. The Company appears to have properly accounted for its allocated employee benefit costs in the financial statements.

TERRITORY AND PLAN OF OPERATION

Sunset Life Insurance Company of America is licensed by the Missouri Department of Insurance, Financial Institution and Professional Registration under Chapter 376 RSMo (Life, Health and Accident Insurance) to provide the following kinds of insurance: life, accident and health (A&H), and variable contracts. As of December 31, 2009, the Company was licensed to transact business in 43 states and the District of Columbia.

Sunset Life is a member of the Kansas City Life Insurance Group. The Kansas City Life Insurance Group primarily consists of three life insurance companies. Kansas City Life is the parent company with Sunset Life and Old American as wholly-owned subsidiaries. Other than for statutory financial statements reporting, the business operations of Sunset Life are combined with the Individual Insurance business segment of Kansas City Life. With this structure, Sunset Life maintains its current block of business but does not produce new sales. Any renewals of existing policies are renewed on Kansas City Life's paper.

Company Growth

As indicated, Sunset Life is now part of the Individual Insurance segment of Kansas City Life as it no longer writes new business. Accordingly, total assets and total premium income has declined during the period under examination. Capital and surplus also declined during the examination period from \$37.7 million in 2006 to \$34.9 million at year-end 2009.

The Company reported a Risk-based Capital (RBC) ratio of 855.1% at year-end 2009, a decrease from 894.6% at year-end 2008. Over the last five-year period, the RBC ratio has fluctuated from a high of 1,109% in 2007 to 855.1% at year-end 2009.

Loss Experience

Sunset Life reported an operating gain of 27.5% at year-end 2009, a decrease from 30.6% at year-end 2008 and 32.7% 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's benefits and expenses ratio (total benefits and expenses/premium and deposit premium) improved to 200.9% in 2009 from 213.2% at year-end 2008. However, over the last five-year period, the benefits and expenses paid/premium ratio fluctuated from 174.2% to 213.2%. The Accident & Health loss ratio has ranged from 11% to 97% over the same period on immaterial volume.

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	\$26,732,591	\$24,535,781	\$26,517,025	\$31,177,754
Reinsurance Assumed	0	0	0	0
Reinsurance Ceded:	(13,017,542)	(13,468,504)	(13,816,252)	(14,196,524)
Net Written Premiums	<u>\$13,715,049</u>	<u>\$11,067,277</u>	<u>\$12,700,773</u>	<u>\$16,981,230</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.

Reinsurance is primarily used to reinsure mortality risks in excess of the Company's retention and also to help manage statutory capital. In addition, reinsurance is ceded on a facultative basis to utilize the underwriting expertise of the reinsurer along with additional capacity. The maximum retention on an individual life is \$350,000.

Historically, mortality risks exceeding the Company's retention have been ceded to a reinsurance pool. In 2001, new universal life plans were reinsured on a quota-share yearly-renewable-term (YRT) basis whereby the Company ceded up to 80% of the mortality risk. Effective January 1, 2002, Sunset Life reinsured 80% of the retained mortality risk on the in-force block under a YRT reinsurance agreement to a pool of four reinsurers.

In 1994, the Company introduced a series of level term products. These plans were coinsured on a quota-share basis whereby the Company ceded 80% of the business. The primary purpose was to reduce the capital impact of the associated reserves. Beginning in 2000, the level term plans were ceded on a 90% quota-share basis.

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	\$5,000,000	\$5,053,905	\$5,002,066

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	\$150,000	\$156,703	\$150,879
Georgia	FNMA	35,000	35,503	34,988
Massachusetts	U.S. Treasury Note	100,000	103,539	100,624
New Mexico	U.S. Treasury Note	150,000	148,898	150,133
North Carolina	U.S. Treasury Note	<u>400,000</u>	<u>413,356</u>	<u>404,794</u>
Total		<u>\$835,000</u>	<u>\$857,999</u>	<u>\$841,418</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	\$12,702,072	\$12,746,465	\$12,728,531
FHLB Member Activity Stock	<u>576,600</u>	<u>576,600</u>	<u>576,600</u>
Total	<u>\$13,278,672</u>	<u>\$13,323,065</u>	<u>\$13,305,131</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 Sunset Life 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	\$326,525,960		\$326,525,960
Preferred Stocks	808,000		808,000
Common Stocks	576,600		576,600
Mortgage Loans on Real Estate	33,442,546		33,442,546
Cash and Short-term Investments	15,267,485		15,267,485
Contract Loans	10,394,933	\$899	10,394,034
Other Invested Assets	5,100,877	2,114,875	2,986,002
Investment Income Due and Accrued	4,420,294	4,078	4,416,216
Uncollected Premiums and Agents' Balances in Course of Collection	286,926	154,007	132,919
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and not yet Due	3,122,045		3,122,045
Amounts Recoverable from Reinsurers	356,322		356,322
Other Amounts Receivable Under Reinsurance	286,414		286,414
Federal Income Tax Recoverable	812,404		812,404
Net Deferred Tax Asset	6,525,612	3,382,907	3,142,705
Guaranty Funds Receivable or on Deposit	34,233		34,233
Receivable from Parent, Subs and Affiliates	47,101		47,101
Aggregate Write-Ins for other than Invested Assets: Other Assets	<u>103,486</u>	<u>77,321</u>	<u>26,165</u>
TOTAL ASSETS	<u>\$408,111,238</u>	<u>\$5,734,087</u>	<u>\$402,377,151</u>

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	\$340,366,904
Aggregate Reserve for Accident and Health Contracts	43,186
Liability for Deposit-type Contracts	5,827,799
Contract Claims – Life	802,981
Contract Claims – Accident and Health	17,450
Policyholders' Dividend and Coupon Due and Accrued	4,173
Provision for Policyholders' Dividends Apportioned for Payment	65,800
Premiums and Annuity Considerations Received in Advance	36,045
Other Amounts Payable on Reinsurance	1,337,344
Interest Maintenance Reserve	3,266,925
Commissions to Agents Due or Accrued	154,863
General Expenses Due or Accrued	348,000
Taxes, Licenses and Fees Due or Accrued	275,276
Unearned Investment Income	62,772
Amounts Withheld or Retained	10,476,366
Remittances and Items Not Allocated	108,445
Liability for Benefits for Employees and Agents	1,407,352
Asset Valuation Reserve	2,700,000
Aggregate Write-Ins for Liabilities:	
Uncashed Checks Pending Escheatment	144,878
TOTAL LIABILITIES	\$367,446,559
Common Capital Stock	5,320,000
Gross Paid in and Contributed Surplus	12,717,600
Aggregate Write-ins for Special Surplus Funds	1,664,541
Unassigned Funds (Surplus)	15,228,453
Capital and Surplus	<u>\$34,930,594</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$402,377,153</u>

Summary of Operations

Premiums and Annuity Considerations	\$13,715,048
Considerations for Supplementary Contracts with Life Contingencies	703,275
Net Investment Income	22,154,515
Amortization of Interest Maintenance Reserve	242,095
Commission and Expense Allowances on Reinsurance Ceded	359,824
Miscellaneous Income	<u>687</u>
TOTAL	\$37,175,444
Death Benefits	4,507,158
Matured Endowments	107,926
Annuity Benefits	11,038,435
Disability Benefits and Benefits Under Accident & Health Policies	128,630
Coupons, Guaranteed Endowments and Similar Benefits	3,891
Surrender Benefits and Withdrawals for Life Contracts	14,327,978
Interest and Adjustments on Contract and Deposit-type Contract Funds	452,413
Payments on Supplementary Contracts with Life Contingencies	687,821
Increase in Aggregate Reserves for Life and Accident & Health Policies	(8,212,438)
Commissions on Premiums and Annuity Considerations	660,982
General Insurance Expenses	3,327,140
Insurance Taxes, Licenses and Fees	505,210
Increase in Loading on Deferred and Uncollected Premiums	(45,990)
Aggregate Write-Ins for Deductions:	
Interest on Deferred Compensation	<u>66,538</u>
TOTAL	<u>\$27,555,694</u>
 NET GAIN FROM OPERATIONS	 \$9,619,750
Dividends to Policyholders	84,353
Federal Income Taxes Incurred	2,683,621
Net Realized Capital Gains and (Losses)	<u>(1,614,376)</u>
NET INCOME	<u>\$5,237,400</u>

Capital and Surplus Account

Capital and Surplus, December 31, 2008	\$34,893,633
Net Income or (Loss)	5,237,400
Change in Net Unrealized Capital Gains or (Losses)	29,250
Change in Net Deferred Income Tax	(939,674)
Change in Asset Valuation Reserve	(200,000)
Change in Nonadmitted Assets	1,294,495
Change in Reserve on Account of Change in Valuation Basis	38,812
Cumulative Effect of Change in Accounting Principles	1,122,129
Dividends to Stockholders	(8,210,000)
Aggregate Write-ins for Surplus:	
Adoption of SSAP #10R	<u>1,664,541</u>
Net Change in Capital and Surplus	<u>\$36,953</u>
CAPITAL AND SURPLUS, DECEMBER 31, 2009	<u>\$34,930,586</u>

CHANGES IN FINANCIAL STATEMENTS RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENTS

None

SUMMARY OF RECOMMENDATIONS

None

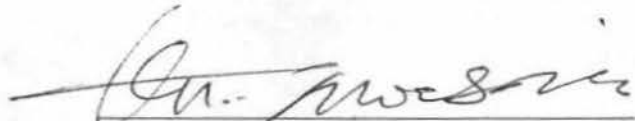
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Sunset Life Insurance Company of America 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.

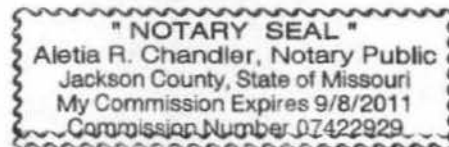


Levi N. Nwasoria, CPA, MSA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

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

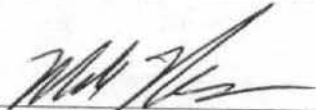
My commission expires: 9/8/2011

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