

REPORT OF EXAMINATION
OF THE
CENTRAL UNITED LIFE INSURANCE COMPANY
HOUSTON, TEXAS
AS OF
DECEMBER 31, 2006

NAIC #61883

TABLE OF CONTENTS

Salutation	2
Introduction	3
Scops of Examination	3
History	3
Management and Control	4
Corporate Records	4
Conflict of Interest	5
Affiliated Company Relationships	5
Fidelity Bond and Other Insurance	5
Statutory Deposit	5
Territory and Plan of Operation	6
Growth of the Company	7
Reinsurance	7
Insurance Products and Related Practices	18
Accounts and Records	18
Independent Auditor Report	19
Risk-Based Capital	19
Financial Statements	19
Statement of Assets, Liabilities, Surplus and Other Funds	20
Assets	20
Liabilities, Surplus and Other Funds	21
Summary Operations	22
Capital and Surplus Account	23
Conclusion	23
Acknowledgement	24

Arkansas Insurance Department

Mike Beebe
Governor



Julie Benafield Bowman
Commissioner

May 8, 2008

Honorable Alfred W. Gross
Chairman, Financial Condition (E) Committee, NAIC
Bureau of Insurance
Commonwealth of Virginia
Richmond, Virginia 23218

Honorable Scott Richardson
Secretary, Southeastern Zone
Department of Insurance
State of South Carolina
Columbia, South Carolina, 29202

Honorable Julie Benafield Bowman
Insurance Commissioner
State of Arkansas
Little Rock, Arkansas 72201

Dear Commissioners:

Pursuant to your instructions and in compliance with Arkansas Code Annotated Section 23-61-201, an examination has been made of the corporate affairs and financial condition of

**Central United Life Insurance Company
Houston, Texas**

hereinafter referred to as the Company. The examination was conducted at the Company's office located at 10700 North West Freeway, Houston, Texas 77092. The report of findings is herewith respectfully submitted.

INTRODUCTION

This examination of the Company, NAIC number 61883, covers the intervening period since the last examination, through and including December 31, 2006. This examination was conducted in accordance with the procedures recommended by the Financial Condition (E) Committee of the National Association of Insurance Commissioners. The previous examination of the Company was conducted as of December 31, 2002, by the Texas Department of Insurance.

SCOPE OF EXAMINATION

This examination included tests of recorded income and disbursement items, a review of the corporate records and accounting procedures, an inspection of other records pertinent to the Company's operating practices and policies, including treatment of policyholders, a verification and valuation of its assets, and a determination of liabilities as of December 31, 2006.

Office copies of annual statements, as well as the previous examination report, were reviewed including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This examination report is confined to comments on matters involving departures from laws, regulations, bulletins or which are deemed to require explanation or description.

HISTORY

In 1965, The Company changed its name from Key Life Insurance Company of Iowa to Circle Key Life Insurance Company before adopting its present company name on April 30, 1971. In 1993, the Company re-domesticated from Iowa to Texas. In September 1996, the Company acquired all outstanding shares of Christian Mutual Life Insurance Company following its demutualization. All contracts related to Christian Mutual Life Insurance Company, approximately \$4.5 million of reserves and related liabilities, were transferred to the Company

along with \$7.2 million of assets. In the fourth quarter of 1998, the Company contributed all of the outstanding shares of Christian Mutual Life Insurance Company to Manhattan Insurance Group as part of a recapitalization plan for the Company. On May 15, 2006, the Company re-domesticated from Texas to Arkansas.

MANAGEMENT AND CONTROL

Board of Directors

The members of the Board of Directors serving the Company as of December 31, 2006, were as follows:

David Harris	Chief Executive Officer
Dan George	President and Treasurer
John McGettigan	General Counsel
Mary Lou Rainey	Secretary

Officers

The following persons were serving as officers of the Company at December 31, 2006:

Dan George	President
Mary Lou Rainey	Secretary and Vice President
Kent Lamb	Chief Financial Officer
Lee Ann Blakey	Vice President
Thomas Luchetta	Vice President
John McGettigan	Vice President
David Parsons	Vice President
Frances Tiemeyer	Vice President

CORPORATE RECORDS

The minutes of the Stockholders and Board of Directors meetings held during the examination period and to date were reviewed without exception. As the Company became an Arkansas domestic only last year, it had not yet begun using pages with the Department seal in its minutes books.

CONFLICT OF INTEREST

The Company has an internal procedure for a written statement of disclosure of any conflicts of interest by the Directors, Officers and key personnel of the Company.

AFFILIATED COMPANY RELATIONSHIPS

The Company is a wholly owned subsidiary of Harris Insurance Holdings, Inc., a Delaware corporation. Harris Insurance Holdings is owned by the officers of the Company with David Harris owning 93.3%, Dan George 4.8%, Kent Lamb 0.8% and John McGettigan 0.8%. The Company owns 51% of Manhattan Insurance Group, Inc., a Connecticut insurance holding company which owns The Manhattan Life Insurance Company, a New York life insurance company and Manhattan Insurance Statutory Trust 2003, a trust. The Company owns 100% of Investors Consolidated Insurance Company, a New Hampshire insurance company, Worksite Solutions, Inc., a Texas incorporated agency, and LOA Administrators, Inc., a Delaware corporation.

FIDELITY BOND AND OTHER INSURANCE

The Company purchases and maintains insurance policies which would provide protection for the Company's interests and property.

The Company's employees are bonded and covered by a financial institution blanket bond with a \$5,000,000 single loss limit and a \$100,000 deductible. The National Association of Insurance Commissioners' suggested amount of fidelity insurance for a company this size is \$1,000,000.

STATUTORY DEPOSIT

As of December 31, 2006, the Company had U.S. Treasury securities with a total value of \$1,650,000, held under joint custody agreement with the Insurance Commissioner of the State of

Arkansas. The securities were held in custody at Bank of America, NA, Little Rock, Arkansas. The deposit was verified by written confirmation received direct from the Securities Administrator at the Arkansas Insurance Department. The Company also had deposits with the following state insurance departments with the values noted:

Florida	\$503,400
Georgia	\$49,936
Massachusetts	\$535,585
Michigan	\$98,285
New Mexico	\$147,428
North Carolina	\$509,582
South Carolina	\$214,234
Texas	\$4,932,860
Virginia	\$97,852

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the State of Arkansas under certificate of authority number 1151 for the business of life and disability insurance. The Company's primary method of growing its business over the years has been by bulk assumption of blocks of business from other companies. The Company also has agents licensed and authorized to write direct business. The Company is licensed in the following 41 states:

Alabama	Arizona	Arkansas	California
Colorado	Florida	Georgia	Idaho
Illinois	Indiana	Iowa	Kansas
Kentucky	Louisiana	Maine	Maryland
Massachusetts	Minnesota	Mississippi	Missouri
Montana	Nebraska	Nevada	New Hampshire
New Mexico	North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania	South Carolina
South Dakota	Tennessee	Texas	Utah
Virginia	Washington	West Virginia	Wisconsin
Wyoming			

GROWTH OF THE COMPANY

The following data, taken from the office copies of the annual statements for the year indicated and previous examination reports, reflects the growth of the Company.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>
2002*	\$280,230,163	\$248,191,969	\$32,038,193
2003	\$290,049,766	\$254,983,651	\$35,066,114
2004	\$380,512,699	\$345,075,751	\$35,436,948
2005	\$371,426,237	\$334,793,920	\$36,632,317
2006*	\$350,237,790	\$317,958,886	\$32,278,904

*from examination reports

REINSURANCE

All the agreements resulting from the reinsurance contracts listed in the annual statement Schedule S were reviewed during the examination. The review indicated no financial reinsurance, or such features as retrospective premium adjustments, sliding scale commissions, loss corridors or aggregate retentions that would be indications of a lack of risk transfer or a partial risk transfer. The Contract Actuary also reviewed the Company's reinsurance agreements for compliance with Arkansas laws, compliance with SSAP No.61, paragraphs 17, 18, 19, and 20 for life companies, and transfer of risk. The following is a summary of the Company's reinsurance agreements:

The Company completed an assumption reinsurance agreement on April 1, 2006, with Selective Life Insurance Company of America. The Company assumed primarily all of the disability insurance of Selective Life. The acquisition resulted in goodwill of \$50,000.

On November 2, 2005, the Company completed an assumption reinsurance agreement with Life Insurance Company of Georgia. The Company assumed primarily all of the Medicare supplement insurance of Life of Georgia. The acquisition resulted in goodwill of \$848,838.

Ceded: Life

Reinsurer: General USA Life Reassurance Company, Kansas City, Missouri
Type of Contract: Yearly Renewable Term

Class of Business: All insureds whose surnames begin with letters A to Z for plans SL-1001, SPWL-1003, and WL500 & letters A through L for plan UL-85.
Company Retention: Ages 1-59 Standard \$50,000 Substandard \$50,000 to \$20,000 60 & Over Substandard \$5,000; Monthly Disability \$3,600
Reinsurer Limit: Life Benefits up to nine times retention not to exceed \$10,000,000; Accidental Death \$150,000 not to exceed \$300,000; Payor Benefits up to four times retention.
Required Clauses Present: Insolvency, Arbitration, Termination
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Connecticut General Life Insurance Company, Bloomfield, Connecticut
Type of Contract: Yearly Renewable Term Indemnity
Class of Business: Deferred Whole Life Plan #03-1221-1185
Company Retention: 50% up to \$50,000
Reinsurer Limit: Face Amount Ceded
Required Clauses Present: Errors and Omissions, Intermediary, Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Employers Reassurance Corporation, Overland Park, Kansas
Type of Contract: Yearly Renewable Term
Class of Business: Individual Life and Group Life
Company Retention: \$75,000
Reinsurer Limit: \$1,000,000 on any one life
Required Clauses Present: Errors and Omissions, Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Munich American Reassurance Company, Atlanta, Georgia
Type of Contract: Yearly Renewable Term Self Administered Automatic with Facultative
Class of Business: Standard and Substandard Life and Waiver of Premium Disability
Company Retention: Ages 1-59 Standard \$50,000 Substandard \$50,000 to \$20,000 60 & Over \$20,000 Substandard \$5,000; Monthly Disability \$3,600
Reinsurer Limit: \$1,500,000 sum in force on any one life
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Fairmont Premier Insurance Company (Innovative Re), Martinez, Cal
Type of Contract: Major Medical Expense Excess of Loss
Class of Business: Policy Form CME03 with life
Company Retention: deductible of \$400,000
Reinsurer Limit: 100% in excess of \$400,000 deductible up to lifetime max of \$600,000
Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Swiss Re Life and Health which became Life Reassurance Corporation of America, Stamford, Connecticut

Type of Contract: Yearly Renewable Term Automatic with Facultative
Class of Business: Life and Waiver of Premium Disability
Company Retention: \$5,000 standard and sub-standard Life, \$150 per month accident and Sickness
Reinsurer Limit: Equal to or less than 400% of retention life, \$350 per month accident and sickness
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Optimum Re, Dallas, Texas
Type of Contract: Yearly Renewable Term Automatic and Facultative
Class of Business: Life and Waiver of Premium Excesses
Company Retention: \$70,000
Reinsurer Limit: Excess of Company's retention not to exceed \$30,000
Required Clauses Present: Errors and Omissions, Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Optimum Re, Dallas, Texas
Type of Contract: Yearly Renewable Term Automatic and Facultative
Class of Business: Universal Life Surnames A-L
Company Retention: Ages 0-59 Standard \$50,000, Substandard \$50,000, 60+ Standard \$20,000, Substandard \$5,000 to \$20,000, Waiver Premium \$50,000 per life
Reinsurer Limit: Auto 9 times Retention to maximum of \$450,000, Waiver Premium Max \$450,000 per life, ADB \$150,000, Fac \$5,000,000, Waiver Premium \$1,000,000, ADB \$300,000, Jumbo \$2,000,000, ADB \$300,000
Required Clauses Present: Errors and Omissions Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Optimum Re, Dallas, Texas
Type of Contract: Yearly Renewable Term Automatic with Facultative
Class of Business: Life, Term Riders, Waiver of Premium Disability, Additional Indemnity for AD&D, associated Riders
Company Retention: Ages 0-59 \$50,000 standard, sub-standard \$50,000 - \$20,000
Ages 60 and over \$20,000 standard, sub-standard \$5,000 - \$20,000
Reinsurer Limit: Total death benefit less retention divided by total death benefit
Required Clauses Present: Errors and Omissions Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Scottish Re, Charlotte, North Carolina
Type of Contract: Quota Share Co-insurance and Modified Co-insurance
Class of Business: Life Policy Forms listed in the agreement
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Amendment No. 1 allows for Reinsurer participation in capital gains and losses of the Company. Amendments pertaining to reserve calculations

makes the appearance that reserves were not transferred. Based on the above, a transfer of risk is not apparent in the reinsurance agreements with Scottish Re, however, the Agreement was terminated in 2005, according to Company personnel.

Trust Agreement: Not Applicable

Reinsurer: Swiss Re Life and Health formerly Life Reassurance formerly General Reassurance Corporation, Hartford, Connecticut

Type of Contract: Yearly Renewable Term Automatic with Facultative

Class of Business: Life, Waiver of Premium Disability and AD&D Rider

Company Retention: 50% of guaranteed issue amount

Reinsurer Limit: 50% of guaranteed issue amount, 100% of AD&D

Required Clauses Present: Errors and Omissions, Arbitration, Insolvency

Transfer of Risk Apparent: Yes

Trust Agreement: Not Applicable

Reinsurer: Hanover Life Reassurance Company of America, Orlando, Florida

Type of Contract: Yearly Renewable Term Automatic Indemnity with Facultative

Class of Business: Universal Life Classic and Elite, Waiver of Premium Disability, Term Rider

Company Retention: First Dollar Quota Share 40% up to \$400,000

Reinsurer Limit: Maximum Automatic \$625,000 up to \$1,250,000, 40% first dollar up to retention and 66.7% of each policy over that up to binding limit maximums

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration

Transfer of Risk Apparent: Yes

Trust Agreement: Not Applicable

Reinsurer: Hanover Life Reassurance Company of America, Orlando, Florida

Type of Contract: Yearly Renewable Term Automatic Indemnity with Facultative

Class of Business: Global Term Life 10, 15, and 20 year

Company Retention: \$400,000

Reinsurer Limit: 66.7% excess of the retention up to maximum of automatic binding limits of \$625,000 up to \$1,250,000 depending on country risk

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration

Transfer of Risk Apparent: Yes

Trust Agreement: Not Applicable

Reinsurer: Hanover Life Reassurance Company of America, Orlando, Florida

Type of Contract: 100% Quota Share

Class of Business: Accidental Death and Accidental Death & Dismemberment

Company Retention: 0%

Reinsurer Limit: 100% of maximum issue limit of \$250,000

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration

Transfer of Risk Apparent: Yes

Trust Agreement: Not Applicable

Reinsurer: Transamerica Occidental Life Insurance Company, Cedar Rapids, Iowa

Type of Contract: Yearly Renewable Term Automatic Indemnity with Facultative

Class of Business: Universal Life Classic and Elite, Waiver of Premium Disability, Term Rider

Company Retention: First Dollar Quota Share 40% up to \$400,000
Reinsurer Limit: Maximum Automatic \$625,000 up to \$1,250,000, 20% first dollar up to retention and 33.3% of each policy over that up to binding limit maximums
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Transamerica Occidental Life Insurance Company, Cedar Rapids, Iowa
Type of Contract: Yearly Renewable Term Automatic Indemnity with Facultative
Class of Business: Global Term Life 10, 15, 20, and 30 year
Company Retention: \$400,000
Reinsurer Limit: 33.3% excess of the retention up to maximum of automatic binding limits of \$625,000 up to \$1,250,000 depending on country risk
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Lincoln National Life, Fort Wayne, Indiana
Type of Contract: Co-insurance
Class of Business: 10 year accidental death annuity marketing agreement
Company Retention: 50%
Reinsurer Limit: 50%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Ceded: Accident and Health

Reinsurer: Lincoln National Life, Fort Wayne, Indiana
Type of Contract: Co-insurance Automatic and Facultative
Class of Business: Guaranteed Renewable Disability Income, Cancellable Disability Income plus Accident and Sickness addended
Company Retention: \$500 to \$300 for sickness of 37 months or more, \$500 to \$300 for sickness of 36 months or less, Females and Female Executives \$300 to \$200 for 36 months or less.
 Addended to: Accident 1 year \$500, 5 years \$400, Life \$300
 Sickness 1 year \$500, 2 years \$500, 5 years \$400, 10 years \$350, to age 65 \$300
Reinsurer Limit: \$1,250 to \$800 for sickness of 37 months or more, \$1,250 to \$1,000 for sickness of 36 months or less, Females and Female Executives \$800, Business Overhead \$1,500 per month.
Required Clauses Present: Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Reassure America, Dallas, Texas including Lone Star Life Agreement
Type of Contract: Co-insurance with Automatic and Facultative
Class of Business: Income Replacement with Cost of Living and Additional Insurance Option Rider

Non-cancellable and Guaranteed Renewable Disability Income
 Guaranteed Renewable at Option of Company and Cancer
Company Retention: \$2,000 first two years of claims and \$1,000 thereafter
 50% to a maximum of \$500 per month
Reinsurer Limit: Maximum of \$2,000 on monthly income
 Excess to a maximum of \$6,000 per month
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Fairmont Premier Insurance Company, Martinez, California
Type of Contract: Co-insurance Expense Excess of Loss
Class of Business: Major Medical
Company Retention: 100% up to \$200,000
Reinsurer Limit: 100% excess of \$200,000 per insured per year up to maximum
 life time indemnification of \$800,000 for any one insured.
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Swiss Re Life & Health America, Stamford, Connecticut
Type of Contract: Co-insurance Automatic and Facultative
Class of Business: Guaranteed Renewable to Age 65 Disability, Guaranteed Renewable
 Decreasing Term Disability, Non-cancellable and Guaranteed
 Renewable
 Accident and Sickness Disability
Company Retention: \$500 to \$300 per benefit period
 \$750 per month based on income up to maximum issue of \$10,000
 \$1,000 to \$300 per month based on annual income
Reinsurer Limit: \$500 to \$700 per benefit period
 \$750 per month plus excess on facultative basis
 \$200 to \$1,200 per month based on annual income
Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Lincoln National Life, Fort Wayne, Indiana
Type of Contract: Co-insurance Automatic and Facultative
Class of Business: Long Term Care and Nursing Home
Company Retention: 2 and 5 year benefits 50%, 10 year benefits 20%
Reinsurer Limit: 2 and 5 year benefits 50%, 10 year benefits 80%
Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Lincoln National Life, Fort Wayne, Indiana
Type of Contract: Co-insurance Automatic and Facultative
Class of Business: Disability Income, Return of Premium Rider and Accident
 Disability Income
Company Retention: \$3,000 to \$500 per life co-insurance
Reinsurer Limit: \$4,000 monthly indemnity

Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Reassure America, Dallas, Texas
Type of Contract: Co-insurance with Automatic and Facultative
Non-cancellable guaranteed renewable Accident, Accident and
Class of Business: Sickness, Medical Expense, and
Renewable at the Option of the Company
Company Retention: 50% of each risk from \$50 to max of \$200 per month
AD&D 50% of each risk to a max of \$20,000, Hospital Income 50% of
each risk
Reinsurer Limit: 50% of each risk to a max of \$200 per month and 100% of excess
AD&D 50% of each risk to a max of \$20,000 and 100% of excess
Hospital Income 50% of each risk

Required Clauses Present: Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Swiss Re Life & Health America, Stamford, Connecticut
Type of Contract: Co-insurance Automatic and Facultative
Class of Business: Non-cancellable and Guaranteed Renewable to age 65, Disability
Income, Cost of Living Rider, Lifetime Accident Indemnity Rider, Lifetime
Indemnity Rider, Additional Monthly Indemnity Rider, Future Purchase
Option Rider
Company Retention: \$700 per month up to \$5,000 depending on duration and form
Reinsurer Limit: \$800 per month on Lifetime, \$500 per month to age 65, excess
on other forms.

Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Swiss Re Life and Health America, Stamford, Connecticut
Type of Contract: Yearly Renewable Term
Class of Business: Non-cancellable and guaranteed renewable to age 65 Disability
Income, Guaranteed Renewable to Age 65 Disability Income,
Lifetime Accident Indemnity Rider, Lifetime Sickness Indemnity Rider
Company Retention: \$100 per month up to \$2,500 depending on duration and form
Reinsurer Limit: Excess of \$600 per month up to excess of \$900 per month
depending on duration and form

Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Lincoln National, Fort Wayne, Indiana
Type of Contract: Co-insurance Automatic with Facultative
Class of Business: Income Replacement, Cost of Living Adjustment Rider, Additional
Insurance Option Rider
Company Retention: \$10,000 to \$2,500 dependent on age and occupation class
Cost of Living Adj proportionate with reinsurer, Waiver of Premium
100%,

Income Replacement \$2,000 for first two years and \$1,000 thereafter
Additional Purchase proportionate with reinsurer
Reinsurer Limit: Excess of Retention Limits and in proportion as outlined above
Required Clauses Present: Error and Oversight, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Lincoln National, Fort Wayne, Indiana
Type of Contract: Co-insurance Automatic with Facultative
Class of Business: Accident and Sickness Monthly Indemnity, Principal Sums Benefit,
Company Retention: Monthly Indemnity \$400, Principal Sum \$10,000 - 25% of issue
dependent on policy form
Reinsurer Limit: Excess of Retention within specified issue limits
Required Clauses Present: Oversights, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Genworth Financial, Wilmington, Delaware
Type of Contract: Co-insurance on a Quota share basis Automatic with Facultative
Class of Business: Long term Care and Nursing Home
Company Retention: 2 and 5 year 50%, 10 year 20%
Reinsurer Limit: 2 and 5 year 50%, 10 year 80%
Required Clauses Present: Errors, Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsurer: Reliastar Life Insurance Company, Minneapolis, Minnesota
Type of Contract: Health Quota Share
Class of Business: Long Term Care
Company Retention: 20%
Reinsurer Limit: 80%
Required Clauses Present: Arbitration, Insolvency
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Assumed: Life

Reinsured: SCOR Re, Dallas, Texas
Type of Contract: Co-Insurance Automatic
Class of Business: Individual Life with Waiver of Premium Disability and Indemnity for
Accidental Death - YRT-99 Plan on surnames A through L
Company Retention: Ages 0-59 \$50,000 standard, \$50,000 to \$20,000 substandard,
60 & over \$20,000 standard, \$20,000 substandard
Retroceded and addended to 52.5% Co-insurance
Reinsurer Limit: Not to exceed 6.5 times the Company's retention or \$325,000 which-
ever is less.
Retroceded and addended to 47.5% Co-insurance in 2001
Required Clauses Present: Errors and Omissions, Arbitration, Insolvency
Transfer of Risk Apparent: Yes

Trust Agreement: Not Applicable

Reinsured: Life Insurance Company of Georgia, Atlanta, Georgia
Type of Contract: 100% Quota Share Assumption
Class of Business: Policies as defined in the original Co-insurance agreement
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Not in execution copy document provided for review
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Assumed: Accident and Health

Reinsured: Beneficial Standard Life Insurance Company, Los Angeles, California
Type of Contract: Assumption preceded by 100% Co-insurance
Class of Business: Accident and Health Indemnity
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Security Life Insurance Company of America, Minnetonka, Minnesota
Type of Contract: Assumption preceded by 90% Co-insurance
Class of Business: Accident and Health
Company Retention: 0-10%
Reinsurer Limit: 90-100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Midland National Life, Sioux Falls, South Dakota
Type of Contract: Assumption preceded by 100% Co-insurance
Class of Business: Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Monarch National Life, Springfield, Massachusetts
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Hospital Income
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: United Fidelity/Victory Life, Topeka, Kansas
Type of Contract: Assumption with Stand-by 100% Co-insurance
Class of Business: Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Connecticut General Life Insurance Company, Bloomfield, Connecticut
Type of Contract: Assumption with Stand-by 100% Co-insurance
Class of Business: Individual Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: UNUM Life Insurance Company of America, Portland, Maine
Type of Contract: Assumption preceded by Co-insurance
Class of Business: Individual Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: First UNUM Life Insurance Company, Tarrytown, New York
Type of Contract: Assumption preceded by Co-insurance
Class of Business: Individual Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: American States Insurance Company, Indianapolis, Indiana
Type of Contract: Co-insurance 100% Quota Share
Class of Business: Disability Income and Major Medical
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Dixie National Life Insurance Company, Jackson, Mississippi
Type of Contract: Assumption preceded by Quota Share Co-Insurance
Class of Business: Cancer, Hospital Indemnity, Disability, and Accident
Company Retention: 0%
Reinsurer Limit: 100%

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Connecticut General Life Insurance Company, Hartford, Connecticut
Type of Contract: Retrocession 100% Quota Share Co-insurance
Class of Business: Individual Disability Income
Company Retention: 0%
Reinsurer Limit: 100%

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Colonial Life & Accident Insurance Company, Columbia, South Carolina
Type of Contract: Assumption preceded by 100% Co-insurance
Class of Business: Cancer
Company Retention: 0%
Reinsurer Limit: 100%

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Companion Life Insurance Company, Columbia, South Carolina
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Supplemental Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%

Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Nationwide Life Insurance Company, Columbus, Ohio
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Accident & Health
Company Retention: 0%
Reinsurer Limit: 100%

Required Clauses Present: Insolvency, Misunderstandings and Oversights
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Life Insurance Company of Georgia, Atlanta, Georgia
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Cancer and Other Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%

Required Clauses Present: Insolvency, Misunderstandings and Oversights
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: General American Life Insurance Company, St. Louis, Missouri
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Insolvency, Misunderstandings and Oversights
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Life Insurance Company of Georgia, Atlanta, Georgia
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Long Term Care, Cancer, Medicare Supplemental, DVH, Disability
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Insolvency, Misunderstandings and Oversights, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

Reinsured: Selective Insurance Company of America, Branchville, New Jersey
Type of Contract: Assumption preceded by 100% Quota Share Co-insurance
Class of Business: Accident and Health
Company Retention: 0%
Reinsurer Limit: 100%
Required Clauses Present: Errors and Omissions, Insolvency, Arbitration
Transfer of Risk Apparent: Yes
Trust Agreement: Not Applicable

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company's business practices and treatment of policyholders were reviewed and examined in the following areas: Marketing and Sales, Producer Licensing, Policyholder Services, Underwriting and Rating, Claims, Complaints, and payment of actual charges on cancer indemnity policies. There were no exceptions noted in any areas during the examination process.

ACCOUNTS AND RECORDS

The Company's accounts and records are produced and maintained primarily through the use of electronic data processing equipment.

The Company's general ledger trial balances and accrual entries were matched to the annual statements for years 2003, 2004, 2005, and 2006.

INDEPENDENT AUDIT REPORT

Pursuant to Arkansas Rule 25, the Company retained the services of Deloitte & Touche LLP, independent auditors, to audit the statutory financial statements of the Company for the calendar year ending December 31, 2006. The audit was completed during the examination. The independent auditors issued an unqualified audit report for the years of the examination period.

Certain work papers were requested from the auditors and utilized in the completion of the examination.

RISK BASED CAPITAL

The Company filed a risk based capital report under the terms of the Risk Based Capital Act for the reporting period ending December 31, 2006. Based on this filing, no level of action was required.

FINANCIAL STATEMENTS

The following financial statements were prepared in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual as reflected in the Company's accounting records and include the valuations and determinations made during the course of this examination for the period ending December 31, 2006.

STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2006

	Assets	Not	Net
	<u>Assets</u>	<u>Admitted</u>	<u>Admitted</u>
Bonds	\$216,102,355		\$216,102,355
Common Stocks	29,298,207		29,298,207
Mortgage Loans on Real Estate	1,751,263		1,751,263
Property Occupied by the Company	5,894,522		5,894,522
Property Held for Income	5,190,500		5,190,500
Cash and Short Term Investments	26,683,733		26,683,733
Contract Loans	8,476,856		8,476,856
Investment Income Due and Accrued	3,248,764		3,284,764
Uncollected Premiums	2,558,166	\$711,390	1,846,776
Deferred Premiums	935,428		935,428
Amounts Recoverable from Reinsurers	279,988		279,988
Funds Held By Reinsured Companies	46,193,922		46,193,922
Income Tax Recoverable	222,029		222,029
Net Deferred Tax Asset	2,293,891	682,240	1,611,651
Guaranty Funds Receivable	42,227		42,227
EDP Equipment	102,934	42,962	59,972
Furniture and Equipment	1,352,767	1,352,767	0
Receivable from Subsidiaries and Affiliates	505,048		505,048
Aggregate Write-in for Other Assets	2,086,249	191,700	1,894,549
	<hr/>		
Total	<u>\$353,218,849</u>	<u>\$2,981,059</u>	<u>\$350,237,790</u>

Liabilities, Surplus and Other Funds

Aggregate Reserves for Life Contracts	\$120,972,759
Aggregate Reserves for A&H Contracts	149,281,463
Liability for Deposit Type Contracts	4,089,050
Contract Claims Life	1,567,393
Contract Claims A&H	34,352,129
Dividends Apportioned for Payment	371,199
Premiums Received in Advance	624,421
Interest Maintenance Reserve	3,794,509
Commission and Allowances Payable on Reinsurance	43,836
General Expenses Due or Accrued	207,857
Taxes, Licenses and Fees Due	598,333
Unearned Investment Income	72,008
Amounts Withheld or Retained for Others	387,214
Remittances and Items Not Allocated	61,260
Dividends to Stockholders Declared and Unpaid	200,000
Asset Valuation Reserve	1,047,854
Amounts Due to Parents and Subsidiaries	287,601

Total Liabilities	\$317,958,886
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Common Capital Stock	\$2,500,000
Preferred Capital Stock	200,000
Surplus Note	15,000,000
Gross Paid In and Contributed Surplus	3,236,734
Unassigned Surplus	11,342,170
Total Capital and Surplus	32,278,904

Total	\$350,237,790
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SUMMARY OF OPERATIONS
DECEMBER 31, 2006

Premiums and Annuity Considerations		\$106,738,990
Net Investment Income		11,029,968
Amortization of Interest Maintenance Reserve		1,107,854
Commissions and Expense Allowances on Reinsurance		52,808
Aggregate Write-in for Miscellaneous Income		<u>6,512,300</u>
Total		\$125,441,920
Death Benefits	\$5,585,358	
Matured Endowments	153,227	
Annuity Benefits	134,498	
Disability Benefits	95,447,383	
Surrender Benefits	3,802,954	
Interest and Adjustments to Deposit Type Contracts	437,195	
Payments on Supplementary Contracts	282,855	
Increase in Aggregate Reserves for Accident and Health	(12,436,765)	
Commissions on Premiums	9,813,729	
Commissions and Expense Allowances on Reinsurance	1,978,788	
General Insurance Expenses	15,491,844	
Insurance Taxes, Licenses and Fees	2,822,239	
Increase in Loading on Uncollected Premiums	<u>(97,012)</u>	
Total Deductions		<u>123,416,293</u>
Net Gain From Operations Before Dividends and Taxes		\$2,025,627
Dividends to Policyholders		<u>372,396</u>
Net Gain From Operations Before Realized Capital Gains		\$1,653,231
Net Realized Capital Gains		<u>38,552</u>
Net Income		<u>\$1,691,783</u>

CAPITAL AND SURPLUS ACCOUNT
DECEMBER 31, 2006

Capital and Surplus December 31, 2005	\$36,632,317.
Net Income	1,691,783
Change in Net Unrealized Capital Gains	(2,595,263)
Change in Net Deferred Income Tax	773,237
Change in Non-admitted Assets	(556,073)
Change in Reserve for Valuation Basis	1,842,819
Change in Asset Valuation Reserve	84,017
Surplus Paid In	40,000
Change in Surplus Due to Reinsurance	(3,924,933)
Dividends to Stockholders	(1,300,000)
Audit Adjustments	<u>(409,000)</u>
Capital and Surplus December 31, 2006	<u>\$32,278,904</u>

CONCLUSION

The examination found that as of December 31, 2006, the Company's assets were \$350,237,790. The Company's liabilities were \$317,958,886 and its capital and surplus was \$32,278,904.

ACKNOWLEDGMENT

Milliman USA, St. Louis, Missouri, performed an examination and review of the methods and calculations utilized by the Company for its actuarial reserve items.

Steven Williams CPA, CFE, Reba Evans, Market Conduct Examiner, and Earl Norton, CPA, CFE, AES, Information Systems Examiner, participated in the examination.



Roy B. Ridings, Jr., CFE
Arkansas Insurance Department

Arkansas Insurance Department

Mike Beebe
Governor



Julie Benafield Bowman
Commissioner

Honorable Julie Benafield Bowman
Commissioner of Insurance
State of Arkansas
Little Rock, AR

Dear Madam:

Pursuant to authority vested in Certificate of Authority dated April 4, 2007 an examination has been made of the affairs and conditions of Central United Life Insurance Company. The report of such verified examination is attached hereto.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Roy Hedinger", is written over a horizontal line.

Examiner in Charge

Arkansas Insurance Department

Mike Beebe
Governor



Julie Benafield Bowman
Commissioner

I hereby certify that the attached verified
report of examination dated
May 8, 2008 and filed with
this Department shows the conditions
and affairs of the
Central United Life Insurance Company
as of December 31, 2006.

William J. Woodall, Jr.
William J. Woodall, Jr., C.F.E., C.G.F.M.
Chief Examiner
Finance Division

Dated this 9th day of May 2008

Arkansas Insurance Department

Mike Beebe
Governor



Julie Benafield Bowman
Commissioner

STATE OF ARKANSAS)
)SS
COUNTY OF PULASKI)

VERIFICATION

Roy Ridings, Jr. being first duly sworn, upon his oath deposes and says;

That he/she is an Examiner employed by the Insurance Department of the State of Arkansas;

That an examination was made of the affairs of the

Central United Life Insurance Company

organized and authorized under the laws of the State of Arkansas, pursuant to authority vested in a Certificate of Authority issued by Julie Benafield Bowman, Insurance Commissioner of the State of Arkansas; That he/she was the Examiner in Charge of said examination and that the attached report of examination is a true and complete report of the condition of the above named Company on December 31, 2006 as determined by the examiners.

TERRY SCOTT
NOTARY PUBLIC-STATE OF ARKANSAS
PULASKI COUNTY
My Commission Expires 12-12-2012

Roy Ridings, Jr.
Examiner in Charge

Subscribed and sworn to before me this

9th day of May, A.D. 2008.

Terry Scott
Notary Public