STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

GREAT WESTERN INSURANCE COMPANY

of

Ogden, Utah

as of

December 31, 2012

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March 3, 2014

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Pursuant to your instructions and in compliance with statutory requirements, a multi-state examination, as of December 31, 2012, has been made of the financial condition and business affairs of:

GREAT WESTERN INSURANCE COMPANY
Ogden, Utah

hereinafter referred to in this report as GWIC or the Company, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last examination was conducted as of December 31, 2009. This examination covers the period of January 1, 2010 through December 31, 2012, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Examination Procedure Employed

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook.* The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the company 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. An examination also includes 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.

Status of Prior Examination Findings

The previous examination report as of December 31, 2009, dated September 30, 2010, was distributed to the board of directors on February 24, 2011.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Items of significance in this report are summarized below:

1. The Company made certain investments in mortgage loans, in the amount of $12,232,271 as of December 31, 2012, that are nonqualified assets as a result of this examination. Also, the Company entered into additional investments in mortgage loans that were transferred to the books of Preneed Insurance Company (PIC), an affiliated pure captive insurance company, in the amount of $12,941,225, that are also nonqualified assets as a result of this examination. These investments are not in compliance with Utah Code Annotated (U.C.A.) § 31A-18-106(2)(b)(i), which states that the amount of a loan secured by a mortgage or deed of trust may not exceed 80% of the value of the real estate mortgaged.

   Subsequent to December 31, 2012, the Company made additional investments in mortgage loans that are nonqualified assets as a result of this examination, some of which were transferred to the books of PIC. These investments are not in compliance with U.C.A. § 31A-18-106(2)(b)(i).

   The Company will be allowed a reasonable time for disposal of these unqualified assets, in cooperation with the Utah Insurance Department, in accordance with U.C.A. § 31A-18-107(2), which provides that the commissioner may allow a reasonable time during which an investment which is not a qualified asset may be characterized as one, but only if the investment was made by mistake or if the forced sale of the asset would be contrary to the interests of the insureds, creditors, or the Utah public. (COMMENTS ON FINANCIAL STATEMENTS, SUBSEQUENT EVENTS)

2. The bylaws of the Company indicate the number of directors shall be five (5), or any number larger if approved by the board. The board of directors as of December 31, 2012 was comprised of six (6) directors. In 2013, the number of directors was reduced to four (4). U.C.A § 16-10a-803(1)(c) states, "The number of directors shall be specified in or fixed in accordance with the bylaws" and U.C.A. § 16-10a-803(1)(d) provides that the number of directors may be increased or decreased from time to time by amendment to the bylaws.

   We recommend that the number of directors be adjusted to comply with the bylaws or that the bylaws be amended to reflect the current desired number of directors in accordance with U.C.A. § 16-10a-803. (MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE)

3. The Company's fidelity bond coverage of $1,025,000 is significantly less than the NAIC suggested minimum amount of $5,000,000 or greater.

   We recommend that the Company increase its fidelity bond coverage to the suggested NAIC amount of $5,000,000 or greater. (FIDELITY BONDS AND OTHER INSURANCE)

4. The Company originated two mortgage loans in the first quarter of 2012 and then subsequently, in the third and fourth quarters of 2012, entered into loan participation agreements with its captive, Preneed Insurance Company (PIC), to shift the outstanding loan amounts to PIC by allowing it to participate in investing in 100% of the original loans. These loans were not reported in the Company's 2012 Annual Statement in Schedule B – Part 2 and Schedule B – Part 3 to disclose the Company's ownership and the transactions associated with these loans during 2012.

   We recommend that the Company's accountants take steps to ensure that mortgage loan investments and transactions are properly reported in the Annual Statement. (ACCOUNTS AND RECORDS)

SUBSEQUENT EVENTS

Investments in Mortgage Loans

Subsequent to December 31, 2012, the Company made additional investments in mortgage loans. New loans entered into through October 2013 in the amount of $3,328,451 are nonqualified assets as a result of this examination. In addition, the Company entered into additional investments in mortgage loans that were immediately or subsequently transferred to the books of its captive, Preneed Insurance Company (PIC). Investments in mortgage loans, recorded as assets of PIC, made through October 2013 in the amount of $6,986,687 are also nonqualified assets as a result of this examination.

Based on a review of supporting documentation, these investments are not in compliance with U.C.A. § 31A-18-106(2)(b)(i), which states that the amount of a loan secured by a mortgage or deed of trust may not exceed 80% of the value of the real estate mortgaged. Subsequent to December 31, 2012, there were multiple loans made in which the amount of the loan exceeded 80% of the value of the real estate.

The above-described nonqualified assets will be allowed as assets of the Company and its captive insurance company, PIC, subsequent to December 31, 2012, in accordance with U.C.A. § 31A-18-107(2), which provides that the commissioner may allow a reasonable time during which an investment which is not a qualified asset may be characterized as one, but only if the investment was made by mistake or if the forced sale of the asset would be contrary to the interests of the insureds, creditors, or the Utah public. The Company will be allowed a reasonable time for the disposal of these nonqualified assets in cooperation with the Utah Insurance Department.

Reinsurance – Ceded

The reinsurance treaty with Preneed Insurance Company (PIC), an affiliated Utah captive insurer, dated November 30, 2010 (see REINSURANCE section of this report) was further amended on September 1, 2013 (Amendment No. 5) to include all policies and associated riders newly issued to the Lindquist Agency, (a related party) and seven other independent agencies, including some agencies added in previous amendments. The amendment also provided an expense allowance to be paid in addition to all other agent commission (including renewals) and charge backs for premiums collected and for any direct expenses of the reinsurer (PIC) paid by the Ceding Insurer (GWIC) to be reimbursed at least quarterly. Amendment No. 5 also provided for an annual ceding allowance to be paid by the Company to the assuming company, PIC. This amendment also requires that PIC pay an acquisition expense allowance to GWIC.

An additional amendment to the original reinsurance agreement with PIC was made on December 1, 2013 (Amendment No. 6) to include all policies and associated riders newly issued to the Lindquist Agency (a related party) and five other independent agencies, including some agencies added in previous amendments.

As of December 31, 2013, the reinsurance agreement between the Company and PIC and the subsequent amendments covered $383 million of death benefit in force and $257 million of reserves.

In December 2013, the Company made the decision to discontinue the practice of reinsuring its policies with PIC.

In 2014, PIC and GWIC reached a decision in which PIC will retrocede all reinsured policies to GWIC by June 30, 2014.

COMPANY HISTORY

General

The Company was incorporated as a stock life insurance company under the laws of the state of Utah on March 1, 1983. A Certificate of Authority was issued by the Utah Insurance Department to write life and disability insurance on April 26, 1983. The Articles of Incorporation provide for a perpetual corporate existence.

In May 1989, the Company's parent corporation, Lindquist & Sons, sold 50% interest of the company to Desert Lawn, Inc., of Las Vegas, Nevada. On December 17, 1992, the remaining shares owned by Lindquist & Sons were sold to JAMEL Ltd., an affiliated organization. On March 18, 1996, Desert Lawn, Inc. and Palm Memorial Estate Plans, Inc. merged to form Palm Mortuary, Inc.

In December of 1998, the Company purchased a small inactive company, Great Western Life Insurance Company (GWLIC), domiciled in the state of Montana.

On May 7, 2008, Palm Mortuary, Inc. sold its fifty percent (50%) interest in the Company. Fifty percent (50%) of the Palm Mortuary, Inc. proceeds were used to return to treasury stock and fifty percent (50%) to John E. Lindquist personally. This was not considered a change in control as John E. Lindquist is the Founder, President and Chief Executive Officer and leads the active management of the Company. In May 2009, John E. Lindquist sold the shares he owned back to the Company to return to the Company treasury.

The Company owns fifty percent (50%) of the stock of Preneed Insurance Company, a Utah captive insurer, with which it has a reinsurance agreement. Preneed Insurance Company was formed in December 2010.

As of December 31, 2012, JAMEL Ltd., a Utah Limited Partnership, owns one hundred percent (100%) of the Company's outstanding shares. John E. Lindquist is the General Partner and thirty three and one third percent (33.3%) owner of JAMEL Ltd., making him the ultimate controlling person.

Dividends and Capital Contributions

There were no dividends declared or paid to shareholders during the examination period. There were no capital contributions to the Company during the examination period.

Mergers and Acquisitions

There were no mergers or acquisitions during the period of this examination.

CORPORATE RECORDS

The previous examination report as of December 31, 2009, dated September 30, 2010, was distributed to the board of directors on February 24, 2011. The minutes of meetings of stockholders, directors, and board committees were reviewed for compliance and adequately approve and support the Company's transactions and events.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

The bylaws of the Company indicate the number of directors shall be five (5), or any number larger if approved by the board. The board of directors as of December 31, 2012 was comprised of six (6) directors.

The following persons served as directors of the Company as of December 31, 2012:

Name and Location	Title and Principal Occupation
Richard F. Fairbanks II Ogden, UT	President, Fairbanks, Inc.
John A. Lindquist Ogden, UT	Chairman of the Board, Retired
John A. Lindquist II Ogden, UT	Chief Operating Officer, Great Western Insurance Company
John E. Lindquist Ogden, UT	President and Chief Executive Officer, Great Western Insurance Company
Fred L. Meese Ogden, UT	Chief Financial Officer, Great Western Insurance Company
Thomas H. Johnson Phoenix, AZ	Chairman, Johnson Consulting Group

In 2013, the number of directors was reduced to four (4) after the retirement of one director and the death of another. Utah Code Annotated (U.C.A.) § 16-10a-803(1)(c) states, "The number of directors shall be specified in or fixed in accordance with the bylaws" and U.C.A. § 16-10a-803(1)(d) provides, "The number of directors may be increased or decreased from time to time by amendment to the bylaws." We recommend that the number of directors be adjusted to comply with the bylaws or that the bylaws be amended to reflect the current desired number of directors in accordance with U.C.A. § 16-10a-803.

The Company's bylaws provide for officers to consist of President, Secretary, and Treasurer. Other officers can be elected as deemed necessary.

The officers of the Company as of December 31, 2012, were as follows:

Name	Title
John E. Lindquist	President
Nathan D. Felix	Secretary
John A. Lindquist II	Treasurer

The Company's committees and the respective committee members as of December 31, 2012 were as follows:

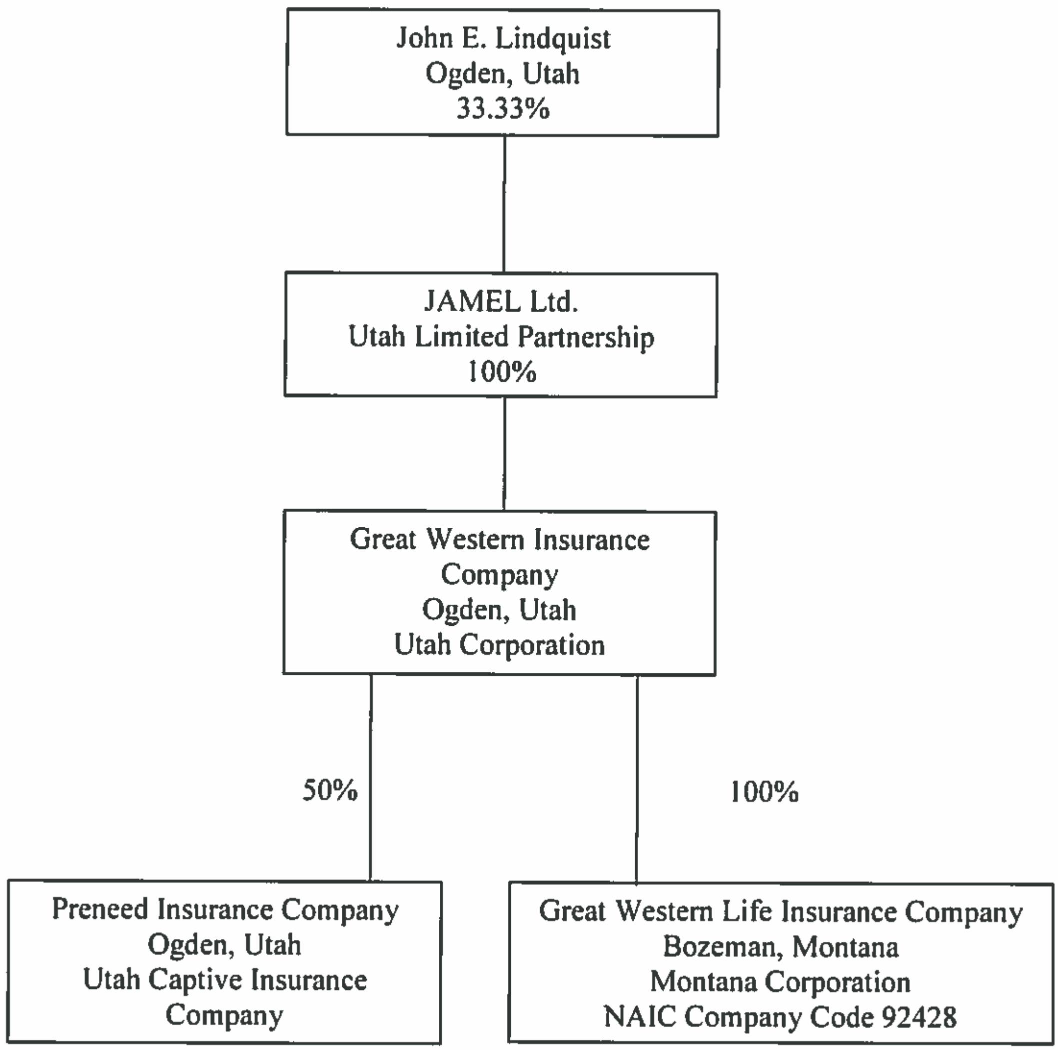
Audit Committee

Name	Title and Principal Occupation
John A. Lindquist II, Committee Chair	Chief Operating Officer, Great Western Insurance Company
Richard F. Fairbanks II	President, Fairbanks, Inc.
Thomas H. Johnson	Chairman, Johnson Consulting Group

Holding Company

The Company is owned by a partnership, JAMEL Ltd. (100,000 shares), the ultimate control of the registrant lies with John E. Lindquist, General Partner and 33.33% owner of JAMEL Ltd. An organizational chart illustrating the holding company system follows:

Holding Company Organization



On January 1, 1999, the Company entered into an administrative services agreement with its subsidiary, Great Western Life Insurance Company, to provide investment and accounting services. The Company granted a Mortgage in November 2005 to CJA Lindquist Inc., an affiliate of JAMEL Ltd. The company purchased 50% of the outstanding stock of Preneed Insurance Company, a Utah captive insurance company, on December 9, 2010. In third quarter 2011, the company sold its home office as part of a reinsurance-ceded transaction to Preneed Insurance Company.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for the Company's size and premium volume is $5,000,000. As of the examination date, the Company had fidelity bond coverage totaling $1,025,000.

We recommend that the Company increase its fidelity bond coverage to the suggested NAIC amount of $5,000,000 or greater.

The Company also had additional insurance protection against loss including: directors and officers liability, general operations, and businessowners liability.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers a 401(k) profit sharing plan with matching contributions up to 5% to its employees that work at least 1,000 hours per year. Employees may contribute up to the IRS limits on yearly contributions. The Company also makes a profit sharing contribution to the 401(k) plan annually based on the profitability of the Company. Participation in these programs is optional for employees.

In addition, the Company offers health insurance, a health reimbursement arrangement (HRA), dental insurance, group life insurance, long-term disability insurance, and workers compensation. A funeral services benefit is also offered that provides employee discounts for funeral services and plans.

TERRITORY AND PLAN OF OPERATION

The Company was licensed and authorized to transact life, accident and health insurance in the following 45 states and the District of Columbia as of December 31, 2012:

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

As of December 31, 2012, the Company marketed its products under a general agency plan. A home office sales staff is maintained to service existing general agents and solicit additional general agents as determined by the marketing department.

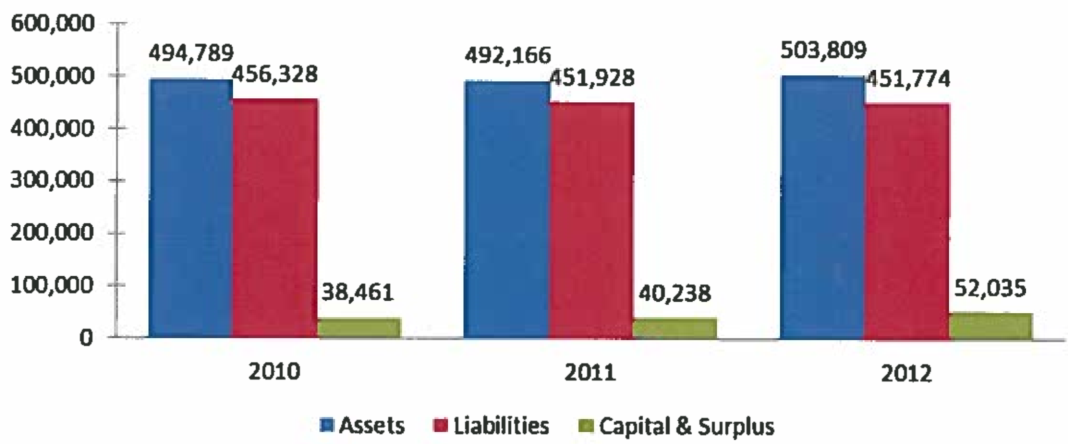
Premiums were written in 37 states, with the largest concentration of premiums as follows:

State	Direct Premium
California	$ 24,726,857
Utah	12,490,091
Arizona	9,286,809
Tennessee	8,803,271
Minnesota	8,535,479
Subtotal	$ 63,842,507
All Other States	81,560,120
Total Direct Premium	$145,402,627

GROWTH OF COMPANY

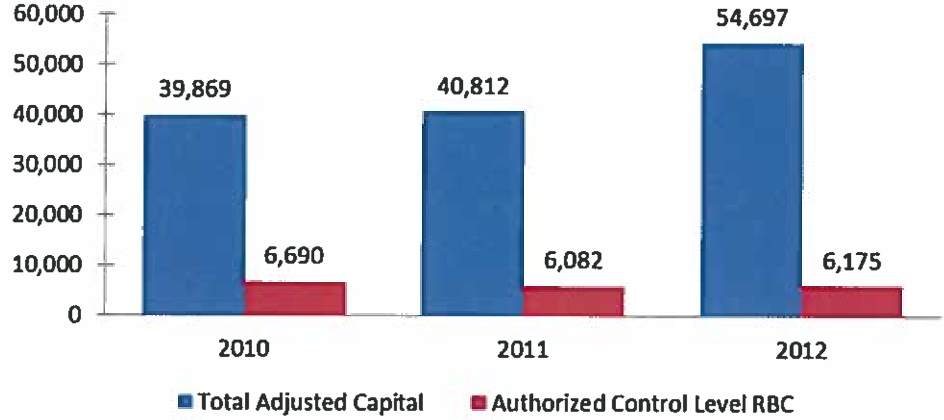
The Company's total admitted assets increased 2% from 2010 to 2012. Liabilities decreased 1%. Capital and surplus increased 35% from 2010 to 2012, largely due to insurance policies ceded to the Company's captive insurance company (PIC).

Total Admitted Assets, Liabilities and Capital & Surplus (in thousands of dollars)



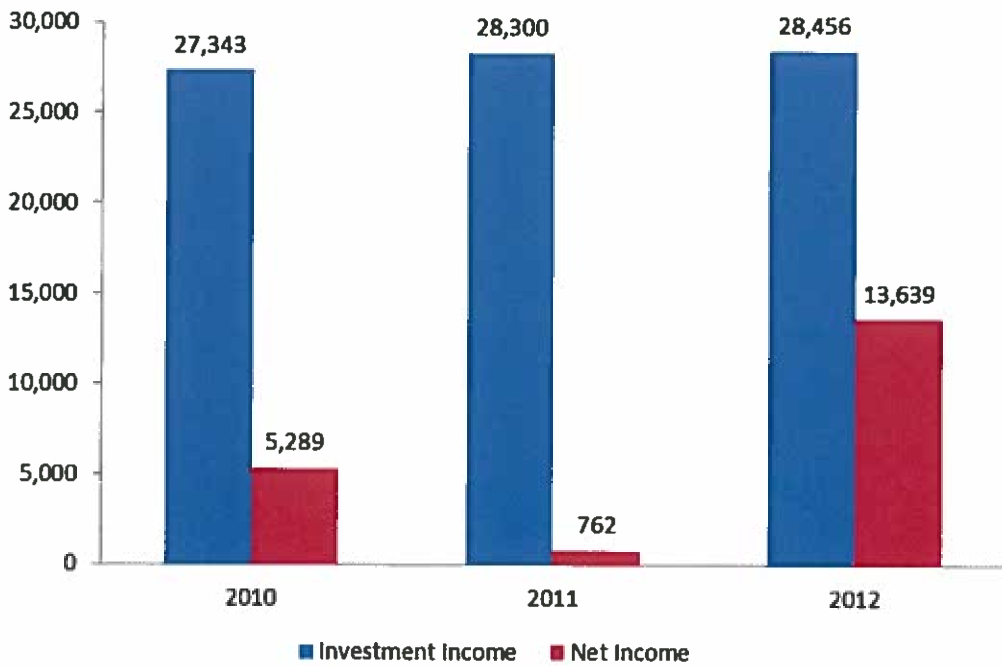
Total adjusted capital increased 37% from 2010 to 2012. This large increase is primarily due to insurance policies ceded to PIC.

Total Adjusted Capital / Authorized Control Level RBC
(in thousands of dollars)

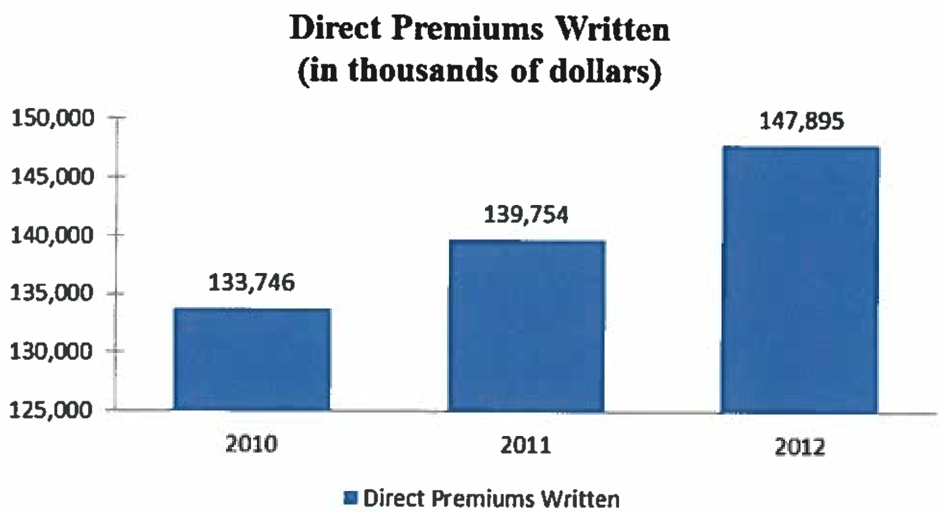


Investment income increased 4% from 2010 to 2012. Net income decreased 86% from 2010 to 2011, due to a net capital loss, then increased 1,690% from 2011 to 2012 due to decreased expenses, increased realized capital gains, and the effect of reinsurance transactions with PIC.

Investment Income and Net Income
(in thousands of dollars)

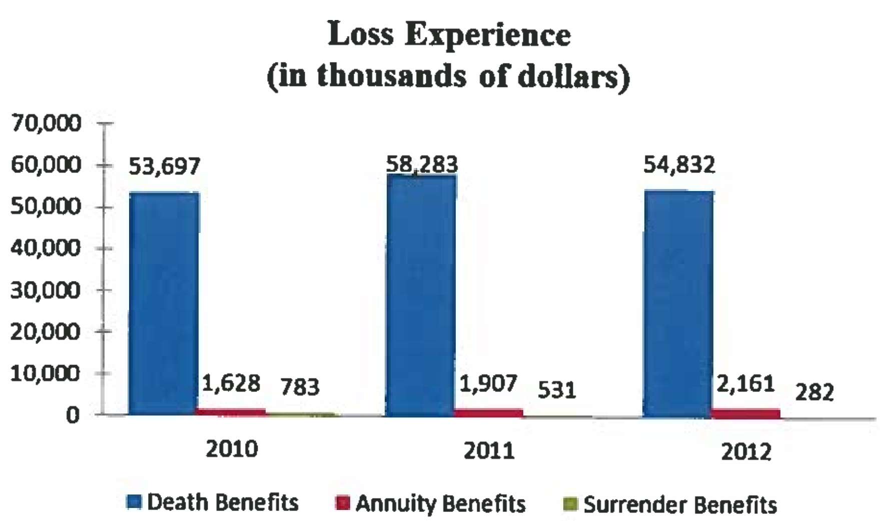


Direct premiums written increased 11% from 2010 to 2012, reflecting the Company's continuing growth.



MORTALITY AND LOSS EXPERIENCE

Death benefits paid increased 9% from 2010 to 2011, then decreased 6% from 2011 to 2012. Annuity benefits increased 33% from 2010 to 2012, while surrender benefits and withdrawals for life contracts activity has been minimal and declined 64% over the same period.



REINSURANCE

Assumed

As of July 11, 2001, the Company began assuming premiums from Southern Financial Life Insurance Company, a non-affiliated insurer. Under provisions contained in the reinsurance agreement, the Company assumed 100% of the net written premium with a 6% ceding fee. The maximum amount of loss coverage was $20,000. As of December 31, 2012, this treaty covered $17 million of death benefit in force, and $12 million of reserves.

Ceded

On February 18, 2009, the Company entered into a reinsurance treaty with Ability Re. The agreement ceded 75% of gross premium for all policies written in 2006, 2007, and 2008 and still in force as of January 1, 2009. The treaty provided commissions to the Company from the assuming company. The treaty was effective in reducing liabilities and improving the Company's financial position.

Effective January 1, 2012, Alpha Re was substituted as the assuming reinsurer under the reinsurance treaty with Ability Re through a novation agreement. Ability Re assigned all rights, privileges and benefits under the reinsurance contract to Alpha Re. The novation agreement included an amended and restated trust agreement, in conformance with Utah Administrative Code (U.A.C.), R590-173-9. In addition, the novation agreement established a supplementary trust account in an amount which exceeds the requirements imposed by Utah law upon Utah domiciled insurers seeking to take credit for reinsurance cessions to unauthorized reinsurers. As of December 31, 2012, this treaty covered $215 million of death benefit in force and $150 million of reserves.

On November 30, 2010, the Company entered into a reinsurance treaty with Preneed Insurance Company (PIC), an affiliated Utah captive insurer. The original agreement ceded 100% of gross premium for all policies sold by the Lindquist Agency (a related party) with an effective date in 2009 or prior, except those issued in 2006 - 2008, and all riders attached to those policies regardless of effective date. The agreement provided an expense allowance to reimburse the Company for premium taxes, commissions and other expenses incurred in issuing and administering the policies, paid quarterly by the assuming company, PIC.

The original agreement with PIC was amended on September 30, 2011 (Amendment No. 1) to include all policies sold by two additional independent agencies with an effective date of December 31, 2010 or prior, except those issued in 2006 - 2008, and all riders attached to those policies regardless of effective date. In accordance with the terms of the original agreement, 100% of gross premium was ceded for these policies. The amendment also provided an expense allowance to reimburse the Company for commissions and other expenses associated with these additional policies, paid quarterly by the assuming company, PIC. This amendment, Amendment No. 1, was immediately amended on September 30, 2011 (Amendment No. 2) to change the amount of additional premium paid to the assuming company, PIC, with all other terms of the original agreement and Amendment No. 1 remaining the same.

The original agreement with PIC was further amended on December 31, 2011 (Amendment No. 3) to include all policies sold by the Lindquist Agency (a related party) with an effective date in 2010 and all riders attached to those policies regardless of effective date. In accordance with the terms of the original agreement, 100% of gross premium was ceded for these policies.

An additional amendment was made to the original agreement with PIC on August 31, 2012 (Amendment No. 4) to include all policies sold by the Lindquist Agency (a related party) and four other independent agencies (including the two independent agencies added in Amendment No. 1), which are not otherwise reinsured, and all riders attached to those policies. In accordance with the terms of the original agreement, 100% of gross premium was ceded for these policies. The amendment also provided an expense allowance to reimburse the Company for commissions and other expenses associated with these additional policies, paid quarterly by the assuming company, PIC. Amendment No. 4 also provided for an annual ceding allowance to be paid by the Company to the assuming company, PIC, over a five year period. This amendment also provided for an acquisition expense allowance to be paid to the Company by the assuming company, PIC.

The reinsurance agreement between the Company and PIC and the subsequent amendments effectively reduced the Company's liabilities and improved the Company's financial position. As of December 31, 2012, this treaty covered $260 million of death benefit in force and $170 million of reserves.

ACCOUNTS AND RECORDS

The Company's accounting systems were maintained on a local area network. Subsidiary records were maintained in commercial software applications on stand-alone personal computers.

An independent certified public accounting firm audited the Company's records during the period covered by this examination. Audit reports generated by the auditors for the years 2010 through 2012 were made available for the examiner's use.

The following issue was identified in the review of the Company's accounts and records:

1. The Company originated a mortgage loan on January 6, 2012 in the amount of $3.3 million. On August 31, 2012, the Company entered into a loan participation agreement with its captive, Preneed Insurance Company (PIC), to shift $1.2 million of the outstanding loan amount to PIC by allowing it to participate in investing in the original loan. On December 31, 2012, the Company entered into a revised loan participation agreement with its captive, PIC, to shift the entire

outstanding loan balance to PIC by allowing it to participate in investing in 100% of the original loan.

The Company originated another mortgage loan on March 1, 2012 in the amount of $347,000. On June 30, 2012 the Company entered into a loan participation agreement with its captive, PIC, to shift the entire outstanding loan balance to PIC by allowing it to participate in investing in 100% of the original loan.

These loans were not reported in the Company's 2012 Annual Statement in Schedule B – Part 2 (Showing all Mortgage Loans ACQUIRED AND ADDITIONS MADE During the Current Year) and were not reported in Schedule B – Part 3 (Showing all Mortgage Loans DISPOSED, Transferred or Repaid During the Current Year) as they should have been to disclose GWIC's ownership during 2012 and the transactions associated with these loans during 2012.

STATUTORY DEPOSITS

Pursuant to U.C.A. § 31A-4-105, the Company was required to maintain a deposit in the amount equal to its minimum capital requirement. The minimum capital requirement was $400,000, pursuant to U.C.A. § 31A-5-211(2)(a).

The special deposit, consisting of a U.S. Treasury Note maintained by the domiciliary state for the benefit of all policyholders, as of December 31, 2012, was as follows:

State	Statement Value	Fair Value
Utah	$513,303	$504,281

The special deposits for various state insurance departments not held for the benefit of all policyholders, as of December 31, 2012, were as follows:

State	Statement Value	Fair Value
Georgia	$ 30,000	$ 30,000
Massachusetts	100,000	114,962
New Hampshire	477,931	586,316
New Mexico	150,000	151,938
North Carolina	400,648	397,332
Total	$1,158,579	$1,280,548

The total amount of special deposits for the benefit of policyholders in all other states is $1,158,579.

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination. The accompanying COMMENTS ON FINANCIAL STATEMENTS are an integral part of the financial statements.

GREAT WESTERN INSURANCE COMPANY
BALANCE SHEET (ASSETS)
as of December 31, 2012

	Net Admitted Assets	Comments
Bonds	$421,994,840	
Preferred stocks	4,379,150	
Common stocks	8,248,219	
Mortgage loans on real estate - first liens	29,377,920	(1)
Real estate - properties held for sale	87,000	
Cash and short-term investments	12,815,532	
Contract loans	749,820	
Receivables for securities	3,765,330	
Investment income due and accrued	5,893,574	
Uncollected premiums and agents' balances	241,012	
Deferred premiums and agents' balances	5,506,117	
Reinsurance - amounts recoverable from reinsurers	1,614,472	
Reinsurance - Funds held by or deposited with reinsured companies	2,459,891	
Net deferred tax asset	6,676,470	
Total Assets	$503,809,348	

GREAT WESTERN INSURANCE COMPANY
BALANCE SHEET (LIABILITIES, SURPLUS AND OTHER FUNDS)
as of December 31, 2012

	Current Year	Comments
Aggregate reserve for life contracts	$427,282,857	
Contract claims: Life	1,704,083	
Premium and annuity considerations received in advance	384,683	
Interest maintenance reserve (IMR)	13,414,850	
Commissions to agents due or accrued	138,270	
General expenses due or accrued	1,381,173	
Taxes, licenses and fees due or accrued	756,649	
Current federal and foreign income taxes	719,987	
Amounts withheld or retained by company as agent or trustee	18,021	
Amounts held for agents' account, including agents' credit balances	1,892,987	
Remittances and items not allocated	719,821	
Asset valuation reserve (AVR)	2,653,353	
Payable to parent, subsidiaries and affiliates	9,114	
Payable for securities	697,823	
Total liabilities	451,773,670	
Common capital stock	2,500,000	
Gross paid in and contributed surplus	4,000,000	
Unassigned funds (surplus)	51,535,678	
Less treasury stock, at cost	(6,000,000)	
Total capital and surplus	52,035,678	(2)
Total liabilities, surplus and other funds	$503,809,348	

GREAT WESTERN INSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2012

	Current Year
Premiums and annuity considerations	$54,090,318
Net investment income	28,456,327
Amortization of Interest Maintenance Reserve (IMR)	1,472,185
Commissions and expense allowances on reinsurance ceded	5,960,851
Total income	89,979,681
Death benefits	54,832,314
Annuity benefits	2,160,724
Surrender benefits and withdrawals for life contracts	281,779
Increase in aggregate reserves for life contracts	(11,743,030)
Total benefits and reserves	45,531,787
Commissions on premiums, annuity considerations and deposit-type contract funds	20,951,512
Commissions and expense allowances on reinsurance assumed	104,366
General insurance expenses	9,548,356
Insurance taxes, licenses and fees, excluding federal income taxes	3,921,440
Increase in loading on deferred and uncollected premiums	(1,324,921)
Total expenses	33,200,753
Total expenses, benefits and reserves	78,732,540
Net gain before dividends to policyholders and federal income taxes	11,247,141
Dividends to policyholders	0
Net gain after dividends to policyholders and before federal income taxes	11,247,141
Federal and foreign income taxes incurred	2,800,628
Net gain after dividends and taxes and before realized capital gains (losses)	8,446,513
Net realized capital gains (losses)	5,192,823
Net income	$13,639,336

GREAT WESTERN INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2010 through 2012

	2010*	2011*	Per Exam 2012
Surplus as regards policyholders, prior year	$34,307,615	$38,461,615	$40,238,405
Net income (loss)	5,288,648	761,853	13,639,336
Change in net unrealized capital gains (losses)	253,998	(710,399)	963,294
Change in net deferred income tax	(847,797)	719,677	(1,148,046)
Change in nonadmitted assets	41,012	174,015	429,853
Change in asset valuation reserve	(581,862)	831,644	(2,087,164)
Change in surplus as regards policyholders	4,153,999	1,776,790	11,797,273
Surplus as regards policyholders, December 31, current year	$38,461,615	$40,238,405	$52,035,678

* Per the regulatory financial statements filed with the Utah Insurance Department.

COMMENTS ON FINANCIAL STATEMENTS

(1) Mortgage loans on real estate - first liens $29,377,920

Certain investments in mortgage loans, as recorded in the above balance as of December 31, 2012, in the amount of $12,232,271 are nonqualified assets as a result of this examination. Also, the Company entered into additional investments in mortgage loans that were immediately or subsequently transferred to the books of its captive insurance company, PIC, through loan participation agreements. As of December 31, 2012, those investments in mortgage loans recorded as assets of PIC in the amount of $12,941,225 are also nonqualified assets as a result of this examination.

Based on a review of supporting documentation, these investments are not in compliance with Utah Code Annotated (U.C.A.) § 31A-18-106(2)(b)(i), which states that the amount of a loan secured by a mortgage or deed of trust may not exceed 80% of the value of the real estate mortgaged. For the year ended December 31, 2012, there were multiple instances in which the amount of the loan exceeded 80% of the value of the real estate and one instance where the investment did not qualify as a mortgage loan or any other type of investment within the permitted classes of investments in U.C.A. § 31A-18-105.

The above-described nonqualified assets are allowed as assets of the Company and its captive insurance company, PIC, as of the examination date, December 31, 2012, in accordance with U.C.A. § 31A-18-107(2), which provides that the commissioner may allow a reasonable time during which an investment which is not a qualified asset may be characterized as one, but only if the investment was made by mistake or if the forced sale of the asset would be contrary to the interests of the insureds, creditors, or the Utah public. A reasonable time will be allowed for the disposal of the nonqualified assets.

(2) Capital and surplus $52,035,678

The Company's capital and surplus was determined to be the same as reported in the Company's annual statement as of December 31, 2012. The Company's minimum capital requirement was $400,000 as defined in U.C.A. § 31A-5-211(2)(a). As defined by U.C.A. § 31A-17 Part 6, the Company had total adjusted capital of $54,696,988, which exceeded the authorized control level risk-based capital (RBC) requirement of $6,175,056 by $48,521,932.

The nonqualified assets described above, if not allowed as assets as of December 31, 2012, would reduce the Company's capital and surplus by a corresponding amount.

ACKNOWLEDGEMENT

Scott Garduno, FSA, MAAA, of the actuarial firm of Taylor-Walker & Associates, Inc., performed the actuarial phases of the examination. Joe Detrick, CFE, AES, CISA, CPA, IT Specialist, of Jennan Enterprises, LLC, performed the information systems review. Aaron Phillips, MBA, CFE, Audit Manager, supervised the examination. In addition, Joseph Boyle, Financial Examiner, and D. Shane Sadler, MPA, AFE, PIR, Financial Examiner, participated in the examination representing the Utah Insurance Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully Submitted,

David L. Flores, CPA, CFE, APIR
Examiner-in-Charge
Utah Insurance Department