STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

Standard Life and Casualty Insurance Company

of

Salt Lake City, Utah

as of

June 30, 2003

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June 7, 2004

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Pursuant to your instructions and in compliance with Utah Code Annotated (U.C.A.) Title 31A, an examination, as of June 30, 2003, has been made of the financial condition and business affairs of:

Standard Life and Casualty Insurance Company
Salt Lake City, Utah

a stock life insurance company, hereinafter referred to in this report as the Company, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last financial examination of the Company was conducted as of December 31, 1999. The current examination covers the period from January 1, 2000, through June 30, 2003, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

Examination Procedure Employed

The examination included a general review and analysis of the Company's operations, the manner in which its business was conducted, and a determination of its financial condition as of June 30, 2003. Material assets were valued and ownership verified. Liabilities were determined in accordance with laws, rules, and procedures prescribed by the state of Utah. The examination was conducted in accordance with generally accepted standards and procedures of regulatory authorities relating to such examinations. It included tests of the accounting records and a review of the Company's affairs and practices to the extent deemed necessary.

The Company retained the services of a certified public accounting (CPA) firm to audit its financial and operating records for the 2000, 2001, and 2002 annual statement reporting periods. Working papers, generated by the audits, were made available for the examiners' use. Limited reliance was placed on the working papers, because the date of this examination was as of June 30, 2003, and the most recent CPA audited financial statement date was as of December 31, 2002.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

Status of Prior Examination Findings

The previous examination was performed by the South Carolina Department of Insurance as of December 31, 1999. Adverse findings noted in the prior report of examination were addressed by the Company or were identified as repeat exceptions in this report.

HISTORY

General

The Company was incorporated on October 1, 1946, and it commenced business on October 1, 1948. The Company is authorized to conduct the following lines of business: accident & health, annuities, disability and life.

The Company amended its articles of incorporation on July 6, 2001, and filed them with the Utah Department of Insurance on October 9, 2001. The articles of incorporation were amended "for the purpose of considering (a) a change of domicile of the corporation from South Carolina to Utah; (b) amendments to the articles of incorporation of the corporation, as contained in the Articles of Amendment to the Articles of Incorporation; (c) restated articles of incorporation to reflect the change of domicile; and (d) repeal of the corporation's bylaws and adoption of new bylaws." The new bylaws were adopted to "conduct an operation of a life insurance company under the laws of the state of Utah" on July 6, 2001.

Capital Stock

The number of shares of common stock authorized by the Company was 400,000 with a par value of $7.50 per share. The number of shares issued and outstanding was 200,000 as of the date of this report.

The Company became a member of an insurance holding company system on December 12, 1980. American Investors Assurance Company (AIA), a Utah corporation, acquired control of the Company by purchasing 189,778 shares of the issued and outstanding shares of common stock. AIA acquired 100% of the Company's issued and outstanding stock resulting from this purchase.

Fidelity Ventures, Inc. (Fidelity), a Utah corporation, became part of the holding company system in November 1988. The addition of Fidelity had no effect on the control of AIA or the Company. A total of 204,306 shares of the stock of AIA, representing 90.07% of the outstanding stock, were exchanged for shares of Fidelity and the same persons who controlled AIA then controlled Fidelity. John F. Piercey, who had owned 82.7% of AIA before the exchange, owned 91.85% of Fidelity after the exchange, and Fidelity owned 90.07% of AIA. AIA's ownership in the Company before the formation of Fidelity was reduced to 98.77%. The remaining 1.23% of the insurer was owned by Fidelity with Mr. Piercey in control of Fidelity, AIA and the Company. On December 31, 1993, AIA was merged into the Company with the approval of the Florida Department of Insurance and the Utah Department of Insurance. As a result of the merger, Fidelity controls the Company through ownership of 97.286% of its stock. Fidelity's ownership of the Company increased from approximately 94% at the end of 1994 to 97. 286% in a transaction entered into in 1995 in which Fidelity purchased 3.5% of the stock from a former president of the Company. Mr. Piercey remains in control of Fidelity through ownership of 100% of its stock.

Dividends to Stockholders

Dividends were paid to the stockholders in the amounts of $195,856 and $49,236, in the year 2002 and in the first six months of 2003, respectively. There were no extraordinary dividends paid during the examination period.

Management

Directors serving as of June 30, 2003, were as follows (including location and principal occupation):

Name	Principal Occupation
John Francis Piercey Salt Lake City, Utah	Chairman of the Board of Directors Standard Life and Casualty Insurance Company
John Bradley Piercey Salt Lake City, Utah	President Standard Life and Casualty Insurance Company
Melvin David Piercey Savoy, Illinois	Doctoral Student University of Illinois

The board of directors consisted of three members elected by the stockholders as of December 30, 2002. There were no outside directors. The Company was not in compliance with Article V of its bylaws, which requires "not less than five nor more than ten" directors. Delyle Hamilton Condie and George Ray Hale, two former outside directors, were elected as board members in the annual meeting of the stockholders held on December 22, 2003. Mr. Condie resides in Salt Lake City, Utah, and he is an attorney at law with the firm Romney & Condie. Mr. Hale resides in Salt Lake City, Utah. Mr. Hale is retired and the former owner and president of Action Distribution/Construction.

Officers of the Company as of June 30, 2003, were as follows:

Principal Officer	Office
John Francis Piercey	Chairman
John Bradley Piercey	President
Grant Alan Mortensen	Secretary/Treasurer/Controller

The board of directors did not elect a vice president in its meeting held on December 30, 2002, which did not comply with Article V, paragraph 3 of the bylaws. John Francis Piercey was elected vice president by the board of directors in the meeting held December 22, 2003.

Conflict of Interest Procedure

The Company had an established procedure for disclosing to its board of directors any material affiliation on the part of its officers, directors, or responsible employees, which is likely to conflict with the individual's official duties. Each person was required to file an annual statement disclaiming or disclosing any material conflict of interest. No exceptions to the established procedure were noted by the examination.

Corporate Records

Minutes of the meetings of the stockholders and board of directors were reviewed. The minutes indicated the Company operates within the scope of its authority and the directors are properly informed of and participate in Company affairs. Generally, at each annual board meeting, a detailed report of investment transactions since the previous meeting was presented and approved. The report of the examination of the Company generated by the South Carolina Department of Insurance as of December 31, 1999, was distributed to the board of directors on August 25, 2000.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance

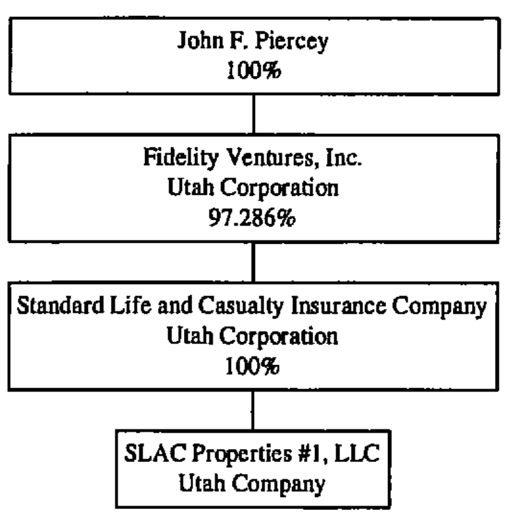
The Company was not involved in any acquisitions, mergers, disposals, dissolutions, or purchases or sales through reinsurance during the examination period.

Surplus Debentures

No surplus debentures were issued or were outstanding during the examination period.

AFFILIATED COMPANIES

The following organizational chart identifies the Company's relationship with its subsidiary as of June 30, 2003:



Transactions with Affiliates

The Company entered into a consolidated Tax Allocation Agreement with Fidelity in August 2000. Fidelity's income and expenses were not significant, therefore, the Company paid all federal income taxes due and incurred.

FIDELITY BOND AND OTHER INSURANCE

The Company was insured for commercial general liability coverage for $2,000,000 as of the examination date. It had fidelity bond coverage with a $250,000 single loss limit of liability and a $10,000 deductible. The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for a life and disability insurer of the Company's size and premium volume is not less than $200,000. The Company was also a named insured under policies providing coverage for loss from business property and liability risks.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any of the following plans for it employees as of June 30, 2003: defined pension plan, profit sharing plan, bonus plan, or deferred compensation plan. It provided its employees with health insurance benefits. South Carolina employees were eligible to purchase the Company's products offered in that state, such as life, short-term disability and cancer insurance.

STATUTORY DEPOSITS

The Company was required to maintain a deposit in the amount of its minimum capital requirement pursuant to U.C.A. § 31A-4-105. The Company's minimum capital requirement was $400,000 according to U.C.A. § 31A-5-211(2)(a). Securities on deposit with the state of New Mexico Department of Insurance were being held in the name of the Company's predecessor, AIA. Special deposits held for the primary benefit of all policyholders as of June 30, 2003 were as follows:

State	Description	Par Value	Fair Value
Arizona	USTNTS - Bond	$ 140,000	$ 140,831
Florida	VA Elec & Power - Bond	223,000	223,896
Georgia	USTNTS - Bond	30,000	30,178
Montana	USTNTS - Bond	75,000	77,367
North Carolina	USTNTS - Bonds	550,000	571,656
New Mexico	FHLB - Bond	50,000	50,000
New Mexico	USTNTS - Bond	55,000	55,046
Nevada	Bellsouth Telephone - Bond	200,000	199,497
Nevada	Coca Cola Enterprise - Bond	200,000	253,344
South Carolina	USTNTS - Bond	50,000	50,297
Tennessee	USTNTS - Bond	125,000	128,593
Texas	FHLB - Bond	125,000	134,155
Texas	Southwestern Bell Comm Cap Corp. - Bond	25,000	30,042
Utah	USTNTS - Bond	115,000	115,683
Utah	FHLB - Bond	200,000	101,063
Utah	FHLMC - Bond	200,000	201,216
Utah	FNMA - Bond	100,000	100,219
Utah	SLMA - Bond	200,000	235,996
Utah	Weyerhaeuser Company - Bond	200,000	223,726
Utah	FFCB - Bond	200,000	234,738
Utah	Intl Bk Rec & Dev Med - Bond	200,000	249,264
Utah	Merrill Lynch and Co. - Bond	200,000	232,068
Total		$ 3,463,000	$ 3,638,875

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting

The Company's core business consisted of policies written by the former AIA, which merged into the Company in 1993. No policy forms were filed with the Utah Department of Insurance during the examination period. The majority of the policies were issued in the states of North Carolina and South Carolina. Risk retention limits are as follows:

Policy Type	Maximum
Term Life	$50,000
Whole Life	$50,000
Student Accident	$10,000
Accident and Sickness Disability Income	$2,000 per month
Accidental Death	$10,000
Accidental Dismemberment	$2,500
Accident Medical Expense	$100 per accident
Hospital Income Rider	$50 daily benefit
Hospital Confinement Indemnity Coverage	$100 per day up to 100 days

Simple underwriting was performed for most policy applications. Medical examinations were not required for life policies unless information in the application indicated a substandard risk, except for the Term-for-Life policy, which did require medical examinations, blood work, etc. The Term-for-Life policies were not being marketed as of June 30, 2003.

Territory and Plan of Operation

The Company was licensed in thirteen states as of June 30, 2003, as follows:

Alabama	Louisiana	Tennessee
Colorado	Mississippi	Texas
Florida	North Carolina	Utah
Georgia	Nevada	
Kentucky	South Carolina	

The Company marketed its products under a combined agent and broker agency plan. The Company's agency force consisted of approximately 32 agents as of June 30, 2003. Most of the Company's active agents produced in the states of North Carolina and South Carolina.

Advertising and Sales Material

General sales materials were distributed to consumers through general agencies and subagents. The Company used no other form of advertising.

Treatment of Policyholders

The Company had no formal policy regarding policyholder complaints. One formal complaint was filed with the Utah Department of Insurance during the examination period, which was determined to be unjustified.

REINSURANCE

The Company's reinsurance program consisted of coverage for its disability, accidental death benefit and yearly renewable term life risks. It provided reinsurance on term life and whole life risks. Significant reinsurance contracts in effect as of June 30, 2003, are discussed in the Assumed and Ceded section of this report.

Business written above the retention limits was ceded on a conditional automatic coinsurance basis. The maximum reinsurance coverage provided was $4,000,000. The Company's maximum assumed liability was $50,000.

Assumed

The Company reinsured life policies for Cincinnati Life Insurance Company on an automatic coinsurance basis. The treaty was effective on July 1, 1970. Reinsurance was on an 80/20 percentage basis, with the Company assuming 20% of all risks under automatic cases.

Effective February 1, 1969, the Company provided reinsurance for Protective Life Insurance Company "Protective" (formerly Conseco Variable Insurance Company) and Conseco Life Insurance Company "Conseco" on an automatic coinsurance basis. The Company coinsured 20% of the face amount of the life insurance written by Protective and Conseco. The business covered by the Company was split. Texas policies were placed with Conseco Life Insurance Company, and all other policies were left in Conseco Variable Insurance Company. The treaty was in its original form, and it did not reflect the company changes.

The Company provided reinsurance to Equitable Life and Casualty Insurance Company on an automatic coinsurance basis. The treaty was effective December 1, 1964. Equitable retained $10 per $1,000 of insurance, 65% of the pro-rata gross premium, plus the commission on such pro-rata premium for its modified whole life policies insured for $10,000.

Ceded

The Company obtained reinsurance with Optimum Re effective February 1, 1999, on a conditional automatic coinsurance basis to cover its renewable term life plan for face amounts between $25,000 and $1,000,000. The Company's retention was 50% to a maximum of $50,000, with a minimum cession of $1,000. Optimum Re's facultative reinsurance limit per life and jumbo limit was $4,000,000.

ACCOUNTS AND RECORDS

The Company's accounting system consisted of a general ledger, journals, registers, and statistical records normally maintained by a life insurance company. Most of the records were maintained on a mainframe electronic data processing system. Data from the mainframe was used by the Company to prepare annual and quarterly statement exhibits, schedules, and other financial statements. Subsidiary records were maintained in commercial software applications on stand-alone personal computers.

An examination trial balance, as of June 30, 2003, was prepared from an electronic copy of the Company's computerized general ledger. Account balances were traced to annual statement exhibits and schedules without exception. Individual account balances for the examination period were examined as deemed necessary.

Item eleven of the general section of the *Annual Statement Instructions* promulgated by the NAIC states, "If the report does not contain the information asked for in the blanks or is not prepared in accordance with these instructions, it will not be considered filed."

Some of the annual statement reports, exhibits, and schedules were determined to be deficient or improperly prepared. Items of significance are listed below.

1. The custodial agreement with Wachovia Bank did not contain all the provisions required by Utah Annotated Code (U.A.C.) Rule R590-178-4. Wachovia Bank added an addendum to the custodial agreement at the completion of the examination, which brought it into compliance.

2. The Company recorded bond acquisitions and disposals on the settlement date instead of the trade date, which did not comply with SSAP No. 26, paragraph 4.

3. The examination found several NAIC designation reporting differences between those reported in Schedule D as of December 31, 2002, and the NAIC designations on file with the NAIC Securities Valuation Office (SVO). No record was maintained evidencing that market values were obtained from a Nationally Recognized Statistical Rating Organization (NRSRO) for securities with PE designations, which were not required to be reported to the SVO according to the SVO Manual Part Four: Administrative Procedures Section 1(a)(ii).

4. The valuation for one property held for the production of income was not in compliance with Statement of Statutory Accounting Principles (SSAP) No. 40, paragraph 12, because it did not have an appraisal that was no more than five years old as of June 30, 2003. The Company obtained an appraisal prior to the completion of the examination, and the current fair value was determined to be reasonable according to SSAP No. 40, paragraph 11.

5. Agents' balances greater than ninety days old were incorrectly reported on Line 12.2 instead of Line 12.1 of the June 30, 2003 asset page.

6. The Company did not comply with SSAP No. 10, paragraph 10, because it did not report gross deferred tax assets.

7. The Company reported a negative liability in the amount of $5,789 for federal income taxes recoverable, which should be categorized as an asset. This did not comply with the *Annual Statement Instructions*.

8. Immaterial interest related realized gains and losses were not amortized and recorded in the interest maintenance reserve in all three years under examination according to the *Annual Statement Instructions*. Instead, the Company chose a more conservative approach by recording the realized gains and losses in the asset valuation reserve.

9. Capital improvement expenditures on a carport for the Mackinnon Meadows property were not disclosed in the 2002 Schedule A - Part 1 Column 13. Also, changes in encumbrances during the year 2002 were not reported in Column 13.

10. The rate of interest was not reported in Column 2 of Schedule E - Part 1 in the 2002 annual statement and the 2003 quarterly statement.

11. There were discrepancies on Schedule S - Part 3 Section 2 in the 2002 annual statement. The Company reported an immaterial amount of ceded reinsurance, but the assuming Company did not report it. Similar discrepancies were noted in the prior examination report dated December 31, 1999.

12. A capital contribution made in the year 2002, to SLAC Properties No. 1, LLC, for $350,773 was not reported in Schedule Y - Part 2 Column 5.

FINANCIAL STATEMENTS

The Company's financial condition as of June 30, 2003, and the results of its operations during the six months then ended, as determined by the examination, are reported in the following financial statements:

BALANCE SHEET as of June 30, 2003

SUMMARY OF OPERATIONS for the Six Months Ended June 30, 2003

RECONCILIATION OF CAPITAL AND SURPLUS - 2000 through June 30, 2003

The accompanying NOTES TO FINANCIAL STATEMENTS are an integral part of the financial statements.

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
BALANCE SHEET
as of June 30 2003

ASSETS

	Net Admitted Assets	Notes
Bonds	$ 12,252,788	
Preferred stocks	1,152,464	
Common stocks	68,803	
Mortgage loans on real estate: First liens	68,426	
Properties occupied by the company	49,323	
Properties held for the production of income	1,108,947	
Properties held for sale	171,208	(1)
Cash and short term investments	2,754,847	
Contract loans	1,013,718	
Other invested assets	476,043	
Lien on policyholder cash values	72,875	
Investment income due and accrued	178,672	
Uncollected premiums and agents' balances in course of collection	122,479	(2)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	106,192	(3)
Current federal and foreign income tax recoverable and interest thereon	25,000	
Electronic data processing equipment and software	22,854	
Total net admitted assets	$ 19,644,639	

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
BALANCE SHEET
as of June 30 2003

LIABILITIES

		Notes
Aggregate reserve for life contracts	$ 13,435,986	(4)
Aggregate reserve for accident and health contracts	756,782	
Liability for deposit-type contracts	1,360,847	
Life (contract claims)	95,148	
Accident and health (contract claims)	215,332	
Dividends not yet apportioned	27,659	
Amount provisionally held for deferred dividend policies	12,899	
Premiums and annuity considerations for life and accident and health contracts received in advance	22,278	(5)
Interest maintenance reserve	52,917	
Commissions to agents due or accrued-life and annuity contracts	43,304	
General expenses due or accrued	37,643	
Taxes, licenses or fees due or accrued excluding federal income taxes	47,070	
Current federal and foreign income taxes	(5,789)	
Amounts withheld or retained by company as agent or trustee	7,098	
Remittances and items not allocated	46,360	
Asset valuation reserve	167,014	
Reserve for unclaimed property	11,730	
Total liabilities	16,334,278	

CAPITAL AND SURPLUS

Common capital stock	1,500,000	
Gross paid in and contributed surplus	5,000	
Unassigned funds (surplus)	1,805,361	
Total capital and surplus	3,310,361	(6)
Total liabilities, capital and surplus	$ 19,644,639	

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Six Months Ended June 30, 2003

INCOME

		Amount	Notes
Premiums and annuity considerations for life and accident and health contracts	$	1,672,312	(5)
Considerations for supplementary contracts with life contingencies		15,821	
Net investment income		483,156	
Amortization of Interest Maintenance Reserve (IMR)		8,634	
Commissions and expense allowance on reinsurance ceded		141	
Totals		2,180,064	
BENEFITS			
Death benefits		413,574	(4)
Matured endowments		1,000	
Annuity benefits		71,193	
Disability and death benefits under accident and health contracts		907,479	
Surrender benefits and other fund withdrawals for life contracts		111,836	
Interest and adjustments on contract or deposit-type contract funds		17,011	
Payments on supplementary contracts with life contingencies		14,233	
Increase in aggregate reserves for life and accident and health contracts		(178,412)	
Totals		1,357,914	
EXPENSES			
Commissions on premuims and annuity considerations and deposit-type funds		255,312	
Commissions and expense allowances on reinsurance assumed		845	
General insurance expenses		649,516	
Insurance taxes, licenses and fees excluding federal income taxes		120,409	
Increase in loading on deferred and uncollected premiums		(11,932)	
Aggregate write-ins for deductions		1,319	
Total benefits and expenses		2,373,383	
Net gain (loss) from operations before federal income taxes		(193,319)	
Dividends to policyholders		19,387	
Net gain (loss) from operations after dividends to policyholders and before federal income taxes		(212,706)	
Federal income taxes incurred		(22,610)	
Net gain (loss) from operations after federal income taxes and before realized capital gains (losses)		(190,096)	
Net realized capital gains or (losses)		(6,325)	
Net gain (loss)	$	(196,421)	

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2000 through June 30, 2003

	2000	2001	2,002	Per Exam 06/30/03	Notes
Capital and surplus, December 31, prior year	$ 3,764,204	$ 3,506,413	$ 3,778,680	$ 3,630,924	
Net gain (loss)	(459,406)	226,720	135,704	(196,421)	(4), (5)
Change in net unrealized capital gains (losses)	(8,958)	(5,047)	(29,595)	(34,597)	
Change in net deferred income tax		(14,086)			
Change in nonadmitted assets and related items	(163,427)	120,994	56,061	(24,689)	(1)
Change in asset valuation reserve	44,181	(64,840)	(67,977)	(15,620)	
Cumulative effect of changes in accounting principles		8,526			
Dividend to stockholders	329,819		(195,856)	(49,236)	
Prior period adjustment			(46,093)		
Net change in capital and surplus for the year	(257,791)	272,267	(147,756)	(320,563)	
Capital and surplus end of reporting year	$ 3,506,413	$ 3,778,680	$ 3,630,924	$ 3,310,361	

NOTES TO FINANCIAL STATEMENTS

(1) Properties held for sale $171,208

The examination non-admitted two parcels of land held for sale, in the amount of $32,249, which were not appraised within five years of the examination date as required by SSAP No. 40, paragraph 12. The fair value of another property was reduced to the value for which it was sold subsequently, because it had not been appraised prior to its sale.

(2) Uncollected premiums and agents' balances in course of collection $122,479

The examination reclassified deferred life insurance premiums (net of loading) in the amount of $106,192, reported on Page 2 Line 12.1 of the June 30, 2003 quarterly statement, to Line 12.2 to comply with the *Annual Statement Instructions.*

(3) Deferred premiums, agents' balances and installments booked but deferred and not yet due $106,192

Deferred premiums were increased by $106,192 to reflect a reclassification from uncollected premiums according to the *Annual Statement Instructions.*

(4) Aggregate reserve for life contracts $13,435,986

The examination increased the aggregate reserve for life contracts by $61,000 from $13,374,986, reported as of June 30, 2003, to $13,435,986 to comply with SSAP No. 51, paragraph 14. The adjustment was to establish statutory policy reserves for policies with missing reserves and policies with incorrect reserves. Similar discrepancies were noted in the prior examination report dated December 31, 1999.

(5) Premiums and annuity considerations for life and accident and health contracts received in advance $22,278

Premiums and annuity considerations for life and accident and health contracts received in advance was decreased by $10,988, to adjust for a clerical transposition of data taken from the consulting actuary's calculation and transferred to the liability page of the quarterly statement.

(6) Capital and surplus $3,310,361

The Company's capital and surplus was determined to be $3,310,361, or $82,261 less than reported for the quarter ended June 30, 2003.

Description	Annual Statement Dr (Cr)	Per Examination	Change in Surplus Inc. (Dec.)
Aggregate reserve for life contracts	$ (13,374,986)	$ (13,435,986)	$ (61,000)
Properties held for sale	203,457	171,208	(32,249)
Premiums received in advance	(33,266)	(22,278)	10,988
Total examination changes			$ (82,261)
Total capital and surplus per Company			3,392,622
Total capital and surplus per Examination			$ 3,310,361

The Company's minimum capital requirement was $400,000 pursuant to U.C.A. § 31A-5-211. The examination determined total adjusted capital was $3,491,205 as of June 30, 2003, as defined by U.C.A. § 31A-17-601. The Company had total adjusted capital of $3,796,349, as of December 31, 2002, which exceeded the authorized control level risk-based capital (RBC) requirement of $578,881 by $3,217,468. The RBC was not calculated as of the examination date. Total adjusted capital as of December 31, 2003 was $3,306,197, which exceeded the RBC requirement of $678,067 by $2,628,130.

SUMMARY OF EXAMINATION FINDINGS

Items of significance commented on in this report are summarized below:

1. Several errors and omissions occurred during the preparation of the quarterly statement as of June 30, 2003. The annual statement and quarterly statements should be prepared according to the NAIC *Annual Statement Instructions* to be considered filed, as stated in item nine of the general section. U.C.A. § 31A-2-202(6) requires all information submitted to the commissioner be accurate and complete. Determination of account balances and disclosures should be made in accordance with the NAIC *Annual Statement Instructions*, *Accounting Practices and Procedures Manual,* and *Valuation of Securities* manual. (ACCOUNTS AND RECORDS)

2. The aggregate reserve for life contracts was increased to establish statutory policy reserves for policies with missing reserves and policies with incorrect reserves to comply with SSAP No. 51, paragraph 14. This exception was noted in the prior reports of examination as of December 31, 1999 and December 31, 1995. (NOTES TO FINANCIAL STATEMENTS)

3. The Company's capital and surplus was decreased by $82,261 to $3,310,361, for the quarter ended June 30, 2003. The Company's minimum capital requirement was $400,000 pursuant to U.C.A. § 31A-5-211. The examination determined total adjusted capital was $3,491,205 as of June 30, 2003, as defined by U.C.A. § 31A-17-601. The Company had total adjusted capital of $3,796,349 as of December 31, 2002, which exceeded the authorized control level RBC requirement of $578,881 by $3,217,468. The RBC was not calculated as of the examination date. Total adjusted capital as of December 31, 2003 was

$3,306,197, which exceeded the RBC requirement of $678,067 by $2,628,130. (NOTES TO FINANCIAL STATEMENTS)

CONCLUSION

Faanu Laufiso, Financial Examiner, participated in the examination representing the Utah Insurance Department. Robert D. MacLennan, FSA, MAAA, Senior Consulting Actuary with Taylor-Walker & Associates, conducted the actuarial phases of the examination. 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, which is sincerely appreciated.

Respectfully Submitted,

Colette M Reddoor

Colette M. Reddoor, CFE, CPM
Examiner-in-Charge
Utah Insurance Department