

REPORT ON EXAMINATION
OF THE
INVESTORS INSURANCE CORPORATION
AS OF
DECEMBER 31, 2008

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

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The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner.

Dated this 9th day of July, 2010

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

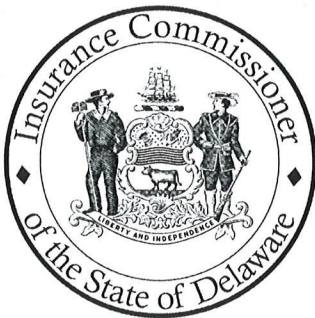
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2008 of the

INVESTORS INSURANCE CORPORATION

is a true and correct copy of the document filed with this Department.

Attest By: *Sonia C. Harris*

Date: 9 July 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 9th day of July 2010.

[Handwritten signature]

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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May 17, 2010

SALUTATION

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Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 09.022, dated June 3, 2009, an examination has been made of the affairs, financial condition and management of the

INVESTORS INSURANCE CORPORATION

hereinafter referred to as “Company” or “Investors”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at The Brandywine Building,

17th Floor, 1000 West Street, Wilmington, Delaware. The examination was conducted at the principal offices of the Company located at 2970 Hartley Road, Suite 300, Jacksonville, FL 32257. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was as of December 31, 2004. This examination covers the four (4) year period from January 1, 2005, through December 31, 2008, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2008. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). The NAIC Handbook requires that the examination is planned and performed to evaluate the financial condition and identify prospective risks by obtaining information about the Company including; corporate governance and key activities, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing principles used, and significant estimates made, by management, as well as evaluating 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. The examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Ernst & Young, LLP. Certain auditor workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

In addition to items hereinafter incorporated as a part of the written report, the following were reviewed without material exception and made a part of the work papers of this examination:

- Conflict of Interest Statements
- Legal Actions
- NAIC Ratios
- All asset and liability items not mentioned

SUMMARY OF SIGNIFICANT FINDINGS

Examination findings and recommendations, as of December 31, 2008, consisted of the following:

Management and Control

- It is again recommended that the Company comply with 18 Del. C. §4919 and promptly notify the Delaware Commissioner of Insurance of changes in its officers and directors. (Page 10)
- It is again recommended that the Company ensure that any changes to its charter, bylaws, or articles of incorporation, during the year be noted in the Company's Annual Statement, General Interrogatories, Part 1, Common Interrogatories, Question 2.1. (Page 10)
- It is again recommended that the Company follow *NAIC Annual Statement Instructions for Life, Accident and Health Insurance Companies* and correctly list the full names of officers and directors on the Annual Statement jurat page to comply with 18 Del. C. §526(a), which requires that the Company's Annual Statement be prepared in accordance with the NAIC instructions. (Page 10)
- It is recommended that the Company correctly respond to each of the questions that are part of the Annual Statement Interrogatories, Part 2 – Life Interrogatories, Questions 4.1 and 4.2. Question 4.1 asks if personnel or facilities of this entity are used by another entity and Question 4.2 requires the amount of reimbursement collected. (Page 12)
- It is also again recommended that the Company properly report all transactions with affiliates as required in the *NAIC Annual Statement Instructions for Life, Accident and Health Insurance Companies*. (Page 12)

Management and Service Agreement

- It is recommended that the Company reduce to writing an agreement with BNP Paribas that covers options trading, as required by Statement of Statutory Accounting Principles 86, Paragraphs 34-36. (Page 14)

Schedule E, Part 3 – Special Deposits

- It is again recommended that reconciliation be completed annually between the amounts shown on Schedule E, Part 3 – Special Deposits with the various sections of Schedules D, DA and Schedule E, Part 1 and 2. (Page 21)

Asset Adequacy Analysis

It is recommended that future Actuarial Opinion Memorandums (AOM):

- Discuss the appropriateness and adequacy of assets allocated to each liability, for each of the asset adequacy testing methods, and for those not tested. This is a carryover recommendation from the previous examination.
- Include a thorough discussion of all significant risks associated with major actuarial liabilities of the Company. This is a carryover recommendation from the previous examination.
- Include a table showing the types and amounts of assets allocated to each liability. This is a carryover suggestion from the previous examination.
- Incorporate the testing of apportioned dividends as part of the GPV, by treating them as expense. (Page 27)

It is also recommended that;

- Future valuations of the 20-pay life block be calculated in compliance with NAIC Actuarial Guideline 32. This is a carryover recommendation from the previous examination.
- The Company should modify its procedures with regard to the processing of and financial accounting for claims. Such modification include the following:
 - Correct the calculation of liabilities for due & unpaid and in course of settlement life claims to remove the adjustment for reserve held, since such claims are now removed from the reserve listing.

- Establish liabilities for the due and unpaid and in course of settlement equity indexed annuities segment to include all pending death claim liabilities, and reduce corresponding reserves to zero.
- Calculate life and annuity IBNR claims using claim amounts net of appropriate reserves.
- Modify IBNR methodology to incorporate the use of more than a single year of claim data.

SUBSEQUENT EVENTS

On March 6, 2009, Yves Corcos resigned as Director, President, and Chief Executive Officer of the Company. Michael W. Pado was elected as Mr. Corcos' replacement until the Company's next annual meeting. The following changes in officers also occurred during 2009:

- Michael Shumrak, SVP, resigned July 28 and was replaced temporarily by Lloyd Foster (Chief Risk Officer).
- Roger Laxton, VP, CFO and Treasurer resigned July 28 and was replaced by Cheryl Rogers.
- Francis Nketia, VP and Chief Actuary, resigned and Frank Clapper was named VP, Chief Actuary on August 3, 2009.

In July 2009, SCOR Global Life U.S. Re Insurance Company, the Company parent and a wholly owned subsidiary of the SCOR Group, reached a definitive agreement to acquire XL Re Life America, Inc., a subsidiary of XL Capital Ltd.

COMPANY HISTORY

The Company was incorporated on June 22, 1987 under the state laws of Delaware as Investors Insurance Corporation of Delaware (Investors of Delaware). Since its inception, the Company has undergone a name change and several organizational restructuring changes.

In November 1987, Investors of Delaware merged with Investors of Oregon, to become one entity known as Investors Insurance Corporation. The ultimate parent at the time was

Investors Insurance Group (IIG). In 1993, IIG obtained a note, secured by the stock of the Company from National Heritage Life Insurance Company (NHL). On March 31, 1997, due to default on the note, NHL foreclosed on the collateral and became the owner of the Company.

On November 21, 1995, NHL went into liquidation. The Delaware Insurance Commissioner approved the purchase of 100% of the voting securities of the Company by Winterthur Life Re Insurance Company (Winterthur) on August 20, 1998, and the subsequent sale of Winterthur to Partner Re U.S. Corporation on December 18, 1998.

On August 2, 2000, the Company and its parent were purchased by SCOR Global Life U.S. Re Insurance Company (SGLUS, previously SCOR Life U.S. Re Insurance Company). SGLUS is a Texas company and, as of December 31, 2008, is a wholly-owned subsidiary of Revios US Holding, Inc. The ultimate parent company is SCOR SE, a stock company domiciled in Paris, France.

The Company's Certificate of Authority in Delaware was issued January 20, 1988, and authorizes the Company to transact the business of life insurance, including annuities, variable annuities, and health insurance.

During the period covered by this examination, gross paid-in and contributed surplus increased by a net of \$10,049,962 from \$22,709,605 in 2004 to \$32,759,567 in 2008. Common capital stock did not change during the period covered by this examination. The increase in gross paid-in and contributed surplus is illustrated in the following schedule:

	Gross Paid-in & Contributed Surplus	Common Capital Stock
Ending Balance as of December 31, 2004	\$22,709,605	\$ 2,550,000
2005: Capital Contribution from SGLUS	49,962	0
2006: Stock Dividend to SGLUS	(1,700,000)	0
2007: Capital Contribution from SGLUS	11,700,000	0
2008:	0	0
Ending Balance as of December 31, 2008	\$32,759,567	\$2,550,000

Capital contributions were reported to and approved prior to payment by the Delaware Insurance Department in accordance with 18 Del. C. §5005. The stock dividend of \$1.7 million to SGLUS was paid before being approved by the Delaware Insurance Department. The Delaware Insurance Department, after notification, approved the stock dividend.

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investments.

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property, business, and affairs of the Company are managed by its Board of Directors (Board). The bylaws provide that more than

one member shall constitute the whole Board. Each director shall be elected at the annual meeting of the shareholder and shall be elected to serve until his successor shall be elected.

The Board may, by resolution, designate one or more committees, each committee to consist of two or more of the directors. The Board has designated an Executive and Finance Committee. The bylaws provide that committees shall keep regular minutes of their meetings and the findings of the committee shall be reported to the Board.

Dividends upon the capital stock may be declared by the Board at any regular or special meeting. Dividends may be paid in cash, property or in shares of capital stock.

The Board of Directors, duly elected in accordance with the Company's bylaws and serving as of December 31, 2008, is as follows:

<u>Name</u>	<u>Principal Occupation</u>
Norbert Adolf Pyhel	Chairman of the Board of Directors of the Company and Deputy CEO of SCOR Global Life SE
Yves Isidore Corcos	President and CEO of the Company
Susan Frances Powell	Executive Vice President and COO of the Company

The bylaws state that the officers of the corporation shall be a President, Vice-President, Secretary and Treasurer, and such other officers as may from time to time be chosen by the Board. The following persons were elected as officers of the Company and were serving in that capacity at December 31, 2008:

<u>Name</u>	<u>Office</u>
Yves Isidore Corcos	President and Chief Executive Officer
Lucy Diaz Telles	Assistant Secretary
Roger Kevin Laxton	Vice President, Chief Financial Officer and Treasurer
Francis Yaw Berkoh Nketia	Vice President and Chief Actuary
Susan Frances Powell	Executive Vice President and Chief Operating Officer
Glenn Allan Thigpen	Senior Vice President
Maxine Hilary Verne	Senior Vice President, General Counsel and Secretary
Harold Michael Shumrak	Senior Vice President
Debra Dressel Fraser	Vice President
Karen Olinto Smith	Vice President

The Company did not give written notice to the Delaware Department of Insurance for all the changes in directors and officers in a timely manner as required by 18 Del. C. §4919. This has been a finding in the previous two examinations (2000 and 2004). Therefore:

It is again recommended that the Company notify the Delaware Department of Insurance in a timely manner, of all changes in directors and officers as required by 18 Del. C. §4919.

The Company did not note changes in the bylaws in the Annual Statement General Interrogatories. Therefore:

It is again recommended that the Company ensure that any changes to its charter, bylaws, or articles of incorporation, during the year be noted in the Company's Annual Statement, General Interrogatories, Part 1, Common Interrogatories completed for that year.

The Company did not list directors and officers using their full name on the jurat page of the Company's Annual Statement. Therefore:

It is recommended that the Company follow the NAIC Annual Statement Instructions for Life, Accident and Health Insurance Companies to comply with 18 Del. C. §526(a), which requires that the Company's Annual Statement be prepared in accordance with NAIC instructions.

The following is the principal internal Board committee and its members as of December 31, 2008.

Executive and Finance Committee

Yves Isidore Corcos

Susan Frances Powell

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined under Chapter 50, “Insurance Holding Companies” of the Delaware Insurance Code. The parent of the Company, SCOR Global Life U.S. Re Insurance Company is 100% owned as of December 31, 2008 by Revios US Holdings, Inc. a Delaware corporation. SCOR SE, domesticated in France is the ultimate parent. The Company owns 100% of Investors Marketing Group, Inc. domiciled in Florida. The following organizational chart depicts the Company’s relationship within the holding company system at December 31, 2008.

SCOR SE (Paris, France)

 SCOR Global Investments SE (France)

 SCOR Global Life SE (France)

 Revios US Holdings Inc (United States) (DE)

 SCOR Global Life U.S. Re Insurance Company (TX)

 SCOR Global Life Re Company of Texas (TX)

Investors Insurance Corporation (DE)

 Investors Marketing Group, Inc. (FL)

AFFILIATED AGREEMENTS

The following agreements were in effect between the Company and its affiliates at December 31, 2008.

Intercompany Service Agreement

Effective January 1, 1998, the Company and its subsidiary, Investors Marketing Group (IMG), entered into a Management Service Agreement whereby the Company will provide senior management, accounting, general administrative, and insurance administrative services to IMG. This agreement was approved by the Delaware Department of Insurance by letter dated January 16, 1998. In an amendment dated March, 2001, IMG appointed the Company as administrator for certain business written in the State of Florida.

The Company failed to correctly respond to the Annual Statement Interrogatories, Part 2 – Life Interrogatories, Questions 4.1 and 4.2. Question 4.1 asks if personnel or facilities of this entity are used by another entity and Question 4.2 requires the amount of reimbursement collected. Therefore:

It is recommended that the Company correctly respond to each of the questions that are part of the Annual Statement General Interrogatories, both Part 1 and Part 2.

It is also again recommended that the Company properly report all transactions with affiliates as required by the NAIC Annual Statement Instructions for Life, Accident & Health Insurance Companies.

Service and Expense Allocation Agreement

A Service and Expense Allocation Agreement between SCOR Global Life U.S. Re Insurance Company, the Company, and several other affiliates was approved by the Delaware Department of Insurance on July 16, 2001. Under the agreement, SCOR Global Life U.S. Re Insurance Company will provide administrative and management services at a cost not to exceed what the individual parties would have incurred in providing the services individually.

Tax Sharing Agreement

Effective December 23, 1998, the Company entered into a Tax Allocation Agreement with SCOR Global Life U.S. Re Insurance Company. Under the Tax Allocation Agreement, the tax charge to this Company shall not be more than the Company would have paid if it had filed on a separate return basis.

Intercompany Reinsurance Agreements

The Company is party to several intercompany reinsurance agreements. See the Reinsurance section of this examination report for detail.

NON-AFFILIATED AGREEMENTS

Investment Advisory Agreement

On December 17, 1991, the Company entered into an Investment Advisory Agreement. Per this agreement investment decisions require prior approval of the Company, except where specific investment parameters are agreed to in advance. This agreement was renewed and updated November 7, 2003, and January 21, 2005. It was noted that the Board of Directors reviewed and approved the investment guidelines several times during the examination period and thereafter.

Custodial Agreement

By agreement effective August 21, 1998, the Company appointed a bank as custodian of all securities. A review of this agreement indicated that it complies with the requirements specified in the *NAIC Financial Condition Examiners Handbook*.

Reinsurance Agreement

Refer to the Reinsurance Section of this examination report for discussion of the one non-affiliated reinsurance agreement.

Marketing and Administrative Services Agreements

The Company entered into both marketing and administrative agreements with Legacy Marketing Group (LMG), effective June 5, 2002. Under the marketing agreement, LMG is responsible for the marketing of the Company annuity products. Under the administrative services agreement, LMG was responsible for policy administration of annuity products including; contract issuance, policyholder service, maintenance of policyholder records, data processing, agent compensation, premium accounting, accounting services, actuarial services, collection and disposition of funds, settlements and reports, and claim payments. The administrative services agreement was mutually terminated on October 17, 2007.

Administrative Services Agreement

Effective October 17, 2007, the Company entered into an Administrative Services Agreement with Transaction Applications Group, Inc. (TAG). This agreement provides administrative services for annuity products previously provided by LMG.

Options Trading Arrangement

The Company has a long standing options trading arrangement with BNP Paribus Bank which is not supported by written agreement. As of December 31, 2008, the Company reported 'Options' with a Statement value of \$1,773,504, representing .07% of invested assets and reflected under the line item 'Aggregate Write-ins for Invested Assets'.

It is recommended that the Company reduce to writing its options trading arrangement with BNP Paribus, as required by SSAP 86, paragraph 34-36.

CORPORATE GOVERNANCE

The Company operates under a corporate governance environment that includes the oversight and corporate direction of a Board and management. While the Company does have a Chief Risk Officer, it does not have a formalized Corporate Governance Policy for proactively addressing and mitigating risk, including prospective business risks.

The Company's governance process establishes the role of the Board. The Board is responsible for overseeing internal controls over financial reporting established by management and the process by which management satisfies itself that controls are working effectively. Board meetings are held at least quarterly with additional special meetings as needed. The Board is apprised of the Company's financial position, operating results, objectives and strategies, investigations, and improper acts in a sufficient and timely manner.

The Company does not have a dedicated internal audit department. The internal audit department resides at SCOR SE and no audits were performed which pertained to the Company during the examination period. The Company does perform regular audits of both LMG and TAG that are overseen by a management team composed of the Chief Operating Officer, Senior Vice President Administration, Vice President Claims and Disbursements, and Vice President Marketing and Compliance. The internal audits conducted are either desk reviews or performed on-site audits, and are conducted on a semiannual basis.

FIDELITY BONDS AND OTHER INSURANCE

The Company's suggested minimum amount of fidelity insurance recommended by the *NAIC Financial Condition Examiners Handbook* is \$1 million. The Company is covered under a

fidelity policy issued to SCOR SE and its subsidiaries in the amount of 10 million Euros, which is above the NAIC's minimum suggested amount for SCOR SE of \$6 million.

The Company also maintained Commercial and Liability coverage, including Workers' Compensation and Employees Liability.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

Company employees participate in deferred contribution and 401 (k) retirement plans sponsored by an affiliated company, SCOR Global Life U.S. Re Insurance Company.

TERRITORY AND PLAN OF OPERATION

At December 31, 2008, the Company was licensed in 40 states. The states with the largest premium volume are California, Texas, Florida, Arkansas, and Louisiana. The Company has focused primarily on flexible premium deferred annuities since 1990.

As described in the Non-Affiliated Agreements section of this report, marketing and administration of Company products are performed through a third party TAG.

Annuity contracts written before 2002 are administered in Jacksonville, FL by the employees of the Company.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the four year period since the previous examination, as of December 31, 2004:

<u>Capital and</u>	Net Premium
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<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus</u>	<u>Written</u>	<u>Net Income</u>
2008	\$246,924,026	\$28,350,667	\$30,534,241	\$626,699
2007	245,173,032	31,698,830	6,275,354	3,761,592
2006	248,015,862	21,592,266	112,319,510	(3,112,642)
2005	255,610,298	24,660,301	18,787,861	(46,257)
2004	230,510,953	24,603,949	37,275,661	(1,120,264)

Net premiums written reflect the 80% quota-share reinsurance agreement with the parent company, SGLUS. Since December 31, 2004, the Company's financial results were as follows.

- Approximately 7.1% increase in admitted assets. This is primarily due to capital contributions and net income.
- Approximately 15% increase in capital and surplus. There was an \$11,700,000 capital contribution in 2007 and a \$1,700,000 stock dividend paid in 2006. The remainder of the change is primarily from increases in net income.
- Approximately 155.9% increase in net income. The change in net income is primarily due to investment income earned adjusted by the volatile market conditions during the period.

REINSURANCE

Assumed

The Company assumed no premium during the examination period.

Ceded

The Company ceded business to three different reinsurers, including two affiliates, under the provisions of five different agreements. The following is a summary of premiums, affected by the various reinsurance contracts whereby risks were ceded as of December 31, 2008:

Direct premiums	\$152,704,981
Assumed	0
Ceded	<u>(122,170,740)</u>
Net premiums	<u>\$30,534,241</u>

The majority of the Company's business was individual annuity business and was ceded to SGLUS. The remaining business was ordinary life insurance and was less than 1 percent of the Company's written premium.

The following are both affiliated and non-affiliated reinsurance agreements in place.

SCOR Global Life US Re (formerly ceded to SCOR Life Insurance Company f/k/a Republic Vanguard)

Effective October 1, 1991, this agreement is an automatic coinsurance agreement with an authorized reinsurer. This agreement was amended to increase the coinsurance from 80% to 100%, with approval by the Delaware Department of Insurance. At the inception of this agreement in 1991, the companies were not affiliates. In 2008 SCOR Life Insurance Company was sold as a shell company to an unrelated third party and this coinsurance agreement was, with the approval of the Delaware and Texas Departments of Insurance, novated from SCOR Life Insurance Company to SCOR Global Life US Re. No new business has been ceded under this agreement since June of 2001.

SCOR Global Life US Re (formerly Winterthur Life)

Effective May 1, 1993, this agreement provided 80% automatic coinsurance on accelerated benefit life insurance policies issued on or after May 1, 1993. At the inception of this agreement in 1993, the companies were not affiliates. No new business has been ceded under this agreement since 1994.

SCOR Global Life US Re Insurance Company

Effective June 1, 2002, the Company entered into an 80% automatic reinsurance agreement with SGLUS on annuity policies issued or accepted by the Company on or after June 1, 2002. The Delaware Insurance Department approved the agreement on April 9, 2003.

On December 13, 2003, the Delaware Department approved a second agreement, a 10% automatic quota share reinsurance agreement between the same parties on the same business with the same effective date, in relation to a portion of the remaining 20% retained by the Company. This second agreement was terminated in 2006.

New Era Life Insurance Company

Effective December 31, 1995, the Company entered into reinsurance agreements with New Era Life Insurance Company consisting of a master reinsurance agreement and four sub-agreements. The agreements provided for 100% coinsurance of a certain block of annuity business written by the Company from September 1, 1990, to September 30, 1996, followed by the assumption of that business.

The agreements provided that, if required regulatory approval for assumption could not be obtained with respect to a coinsured contract, the coinsured contract would continue to be reinsured by New Era. Eight policies (three supplemental and five deferred) continue to be reinsured under those provisions. These policies are administered by New Era, along with all other policies assumed.

ACCOUNTS AND RECORDS

The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included Company computer systems, accounting processes, organizational structure, and related controls over these.

The Company's general ledger and accounts payable systems do not interface with either the insurance or investments systems. All journal entries are created outside the general ledger and manually posted each month. Supporting documentation for each month's activity is filed with that month's final general ledger and summary trial balance. The Company uses extensive Lotus and Excel workbooks to accumulate data and prepare monthly journal entries.

Significant portions of the Company's various transactions are processed offsite with different accounting systems. Under the terms of agreements described under the Non-Affiliated Agreements section of this Report, premiums, withdrawals/surrenders, and some reinsurance reporting/financial transactions are processed by third party administrators, LMG or TAG.

Under the terms of the Service and Expense Allocation Agreement described in the Management and Service Agreements section of this Report, investments, federal income taxes, allocated expenses, and other employee benefit transactions are processed by SGLUS in Dallas, Texas. SGLUS also processes portions of reinsurance and operating expense transactions.

The independent certified public accounting firm, Ernst and Young, LLP, audited the Company's records for the period covered by this examination. Audit reports and applicable work papers were made available for the examiners' use.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested, and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The primary systems used in the operations of the Company were also evaluated. The consulting firm of INS Services, Inc. performed a limited scope review of Company responses to the Evaluation of Controls in Information Systems Questionnaire (Exhibit C). Results of the evaluation were noted in the Information Technology Report provided to the Company.

During the course of the examination, the Company's books and records were reviewed and compared to reported items and values in the Annual Statements. No material discrepancies were noted during this review.

STATUTORY DEPOSITS

The following Statutory Deposits were reported by the Company in its 2008 Annual Statement:

<u>State</u>	<u>Description</u>	<u>Book Value</u>	<u>Fair Value</u>
DE	Various Bonds and Notes	\$4,003,251	\$3,857,808
	Total for Benefit of All Policyholders	<u>\$4,003,251</u>	<u>\$3,857,808</u>
AR	Cash	\$ 105,000	\$ 105,000
FL	Cash	2,070,000	2,070,000
LA	Cash and US Treasury Note	40,562	42,202
MA	US Treasurer Note	499,868	682,656
NC	Cash and US Treasury Note	410,221	419,992
OR	US Treasurer Bond	849,776	1,160,515
SC	Certificates of Deposit	<u>150,000</u>	<u>150,000</u>
	Total All Other Special Deposits	<u>\$4,125,427</u>	<u>\$ 4,630,365</u>

It was noted however, that the statutory deposit schedule was not correct. Specifically, the Company failed to list a special deposit held by New Mexico (\$100,000), and incorrectly described two deposits in Arkansas and Florida as being held as Short Term Investments that were, in fact, held as Cash. The incorrect reconciliation of Special Deposits was also a finding in the previous examination. Therefore:

It is again recommended that reconciliation be completed annually between the amounts shown on Schedule E, Part 3 – Special Deposits with the various sections of Schedules D, DA and Schedule E, Part 1 and 2.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2008.

Assets
 Liabilities, Surplus and Other Funds
 Summary of Operations
 Reconciliation of Capital and Surplus
 Analysis of Changes in Financial Statements

Any dollar differences noted are due to rounding.

ASSETS

Assets	Ledger Assets	NonAdmitted Assets	Net-Admitted Assets	Notes
Bonds	\$197,304,541		\$197,304,541	1
Preferred stock	8,062,601		8,062,601	
Common stock	185,161	45,323	139,838	
Mortgage loans - first liens	7,258,254		7,258,254	
Cash, cash equivalents, and ST investments	27,696,810		27,696,810	
Contract loans	500,366		500,366	
Aggregate write-ins for invested assets	1,773,504		1,773,504	
Investment income due and accrued	1,978,547		1,978,547	
Current federal income tax recoverable	1,108,113		1,108,113	
Net deferred tax asset	2,674,200	1,572,748	1,101,452	
Aggr. write-ins for other than invested assets	7,131	7,131	0	
Total Assets	\$248,549,228	\$1,625,202	\$246,924,026	

LIABILITIES, SURPLUS AND OTHER FUNDS

		Notes
Aggregate reserve for life contracts	\$194,113,990	2
Liability for deposit-type contracts	14,228,821	2
Contract claims - life	508,727	
Dividends apportioned for payment	61,814	
Interest maintenance reserve	551,355	
General expenses	282,125	
Taxes, licenses and fees	146,652	
Amounts withheld or retained by company as agent	115,740	
Remittances and items not allocated	4,059,844	
Asset valuation reserve	132,016	
Payable to parent, subsidiaries and affiliates	20,943	
Aggregate write-ins for liabilities	4,351,335	
Total Liabilities	<u>\$218,573,362</u>	
Common capital stock	2,550,000	
Gross paid in and contributed surplus	32,759,567	
Unassigned funds (surplus)	(6,958,900)	
Total Capital and Surplus	<u>\$28,350,667</u>	
Total liabilities, surplus and other funds	<u><u>\$246,924,029</u></u>	

SUMMARY OF OPERATIONS

Underwriting Income

Premiums and annuity considerations	\$30,534,242
Considerations and supplementary contracts with life contingencies	135,220
Net investment income	11,540,411
Amortization of IMR	100,058
Commissions and expense allowances on reinsurance ceded	14,153,288
Aggregate write-ins for miscellaneous income	(4,493,719)
Totals	51,969,500

Deductions

Death benefits	167,882
Annuity benefits	7,349,982
Surrender benefits and withdrawal for life contracts	18,409,548
Interest and adjustments on contract or deposit-type contract funds	260,184
Payments on supplementary contracts with life contingencies	114,705
Increase in aggregate reserves for life and accident and health contracts	2,481,686
Sub total	28,783,987

Commissions on premiums, annuity considerations and deposit-type contract funds	17,708,762
General insurance expenses	1,717,546
Insurance taxes, licenses and fees, excluding income taxes	191,136
Totals	48,401,431

Net gain from operations before dividends and federal income tax	3,568,067
Dividends to policyholders	59,479
Net gain from operations after dividends and before federal income taxes	3,508,588
Federal income taxes incurred	(809,772)
Net gain from operations, before realized capital gains or (losses)	4,318,360
Net realized capital gains (losses)	(3,691,661)
Net income	626,699

RECONCILIATION OF CAPITAL AND SURPLUS

Capital and Surplus Account

Capital and Surplus, December 31, 2007	\$31,698,830
Net Income	626,698
Change in net unrealized capital gains(losses)	(5,018,122)
Change in net deferred income tax	729,146
Change in non-admitted assets and related items	(538,958)
Change in asset valuation reserve	853,073
Capital paid in	0
Surplus paid in	0
Change change in capital and surplus for the Year	(3,348,163)
Capital and Surplus, December 31, 2008	\$28,350,667

ANALYSIS OF CHANGES IN CAPITAL AND SURPLUS

There were no financial adjustments to the Company's financial statements as a result of this examination.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Bonds

\$197,304,541

The Company's bond holdings totaled \$197.3 million and were approximately 79.9% of total admitted assets, and 91.8% of invested assets. A review of the security composition of bonds showed that all were U.S. Government holdings and rated as Class 1 securities by the NAIC.

Note 2: Aggregate Reserve for Life Contracts	<u>\$194,113,990</u>
Liability for Deposit-Type Contracts	<u>14,228,821</u>
Contract Claims – Life	<u>508,727</u>
Policyholder Dividends Apportioned for Payment	<u>61,814</u>

The above captioned amounts are the same as that reported by the Company in its 2008 Annual Statement.

The Department's consulting actuary INS Consultants, Inc. (INS) was retained and performed an independent analysis of the Company's reserving methodologies and adequacy, and reviewed the above listed Annual Statement items. The actuarial staff at the Company's parent, SCOR Global Life U.S. Reinsurance Insurance Company (SGLUS) provided the consulting actuary with the statement of actuarial opinion, supporting actuarial data and documents of the Company. Additional data, as requested by the INS actuaries was also provided by SGLUS actuaries pertaining to the Company.

The period under examination covered calendar years 2005, 2006, 2007 and 2008, with the primary emphasis of the examination being balance sheet items as of December 31, 2008. INS determined that reserve and claim amounts reported by the Company were found to be acceptable.

INS actuaries' findings and recommendations are presented, followed by a description of the balance sheet items and the examination work performed thereon.

Based on INS' review of the Company's Actuarial Opinion Memorandum (AOM), which is contained in Appendix A, it is recommended that future AOMs:

- Discuss the appropriateness and adequacy of assets allocated to each liability, for each of the asset adequacy testing methods, and for those not tested. This is a carryover recommendation from the previous examination.

- Include a thorough discussion of all significant risks associated with major actuarial liabilities of the Company. This is a carryover recommendation from the previous examination.
- Include a table showing the types and amounts of assets allocated to each liability. This is a carryover suggestion from the previous examination.
- Incorporate the testing of apportioned dividends as part of the GPV, by treating them as expense.

It is also recommended that:

- Future valuations of the 20-pay life block be calculated in compliance with NAIC Actuarial Guideline 32. This is a carryover recommendation from the previous examination.
- The Company should modify its procedures with regard to the processing of and financial accounting for claims. INS recommends this modification include the following:
 - Correct the calculation of liabilities for due & unpaid and in course of settlement life claims to remove the adjustment for reserve held, since such claims are now removed from the reserve listing.
 - Establish liabilities for the due and unpaid and in course of settlement EIA segment to include all pending death claim liabilities, and reduce corresponding reserves to zero.
 - Calculate life and annuity IBNR claims using claim amounts net of appropriate reserves.
 - Modify IBNR methodology to incorporate the use of more than a single year of claim data.

It is also suggested that:

The Annual Statement Exhibit 5 labeling for the 20-pay life block should be corrected to show ANB, instead of ALB.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Company has taken the necessary actions to comply with the comments made in the 2004 examination report issued by the Delaware Department of Insurance, except as follows.

As noted earlier in this Report, the Company did not give written notice to the Delaware Department of Insurance for all the changes in directors and officers in a timely manner as required by 18 Del. C. §4919.

As noted earlier in this Report, the Company failed to correctly respond to Questions 4.1 and 4.2 of the Annual Statement General Interrogatories, Part 2 - Life Interrogatories.

As noted earlier in this Report, the Company does not have an agreement with BNP Paribas for options trading as required by Statement on Statutory Accounting Principles 86, Paragraphs 34-36.

As noted earlier in this Report, changes in bylaws, or articles of incorporation were not properly disclosed in the Annual Statement General Interrogatories and such changes were not filed with the Delaware Insurance Department.

As noted earlier in this Report, the Company failed to correctly prepare Schedule E, Part 3 – Special Deposits.

As noted earlier in this Report, the Company did not correctly list the officers and directors full names on the Annual Statement jurat page for 2005-2008. *NAIC Annual Statement Instructions for Life, Accident and Health Insurance Companies* require that the full name be shown, not initials, on the jurat page of the Annual Statement.

As noted earlier in this Report in Note 1, the prior examination noted that the AOM did not:

- Include a discussion of the risks involved with all major actuarial liabilities of the Company,
- Include a tabular presentation of the initial balance sheet used for CFT analysis; if the projection begins on a date other than December 31st, also include a comparison of the liabilities as of both dates and a statement that the conclusions drawn would remain the same,
- Include details of projected cash flow items.
- Identify and discuss the adequacy of the assets supporting liabilities tested by methods other than CFT analysis. Also identify the assets that are intended to support liabilities that are excluded from asset adequacy analysis.

As noted earlier in this Report in Note 1, the prior examination recommended:

- Future valuations of the 20-pay life block be calculated in compliance with NAIC Actuarial Guidelines 32.
- Future income annuity extract files include data pertaining to annuity form, issue age, gender, first payment date, and benefit payment amount and mode.
- Liabilities for life and annuity IBNR claims be established and reviewed annually. This is a carryover recommendation from the previous two examinations. Company officers have asserted that the financial effect of establishing liabilities for life and annuity claims is minimal because of the reinsurance agreements in place. Nevertheless, in connection with the 2004 examination, Company officers had assured the contracted actuary such claims would be established and reported in the December 31, 2005 Annual Statement.
- The Company should strengthen its procedures with regard to the processing of financial accounting for claims.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

<u>Description</u>	<u>December 31, 2008</u>	<u>December 31, 2004</u>	<u>Change</u>
Assets	\$246,924,026	\$230,510,953	\$16,413,073
Liabilities	<u>218,573,362</u>	<u>205,907,005</u>	<u>(12,666,357)</u>
Capital and Surplus	<u>28,350,664</u>	<u>24,603,948</u>	<u>3,746,716</u>

The assistance of the consulting firms, INS Consultants, Inc. and INS Services, Inc. is acknowledged.

Respectfully submitted,



Michael A. Davis, CFE
Examiner In-Charge
State of Delaware