

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American United Life Insurance Company)
One American Square)
Indianapolis, Indiana 46282-0001)

**Examination of American United Life Insurance
Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **American United Life Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of **American United Life Insurance Company** shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

4/12/2011
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 8066

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American United Life Insurance Company)
One American Square)
Indianapolis, Indiana 46282-0001)

**Examination of American United Life Insurance
Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **American United Life Insurance Company** (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on January 27, 2011.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 7, 2011 and was received by the Company on March 9, 2011.

On March 26, 2011, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

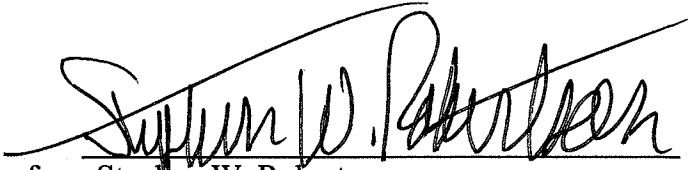
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2009.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 12th day of April, 2011.


Stephen W. Robertson
Insurance Commissioner

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

AMERICAN UNITED LIFE INSURANCE COMPANY

NAIC Co. CODE 60895

As of

December 31, 2009

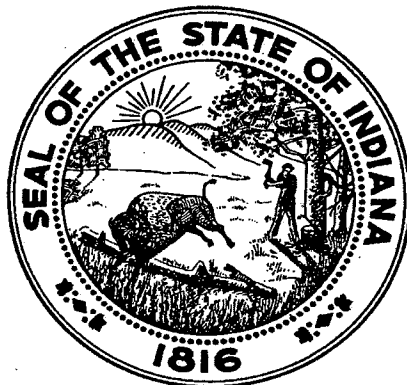


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300

INDIANAPOLIS, INDIANA 46204-2787

TELEPHONE: (317) 232-2385

FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

January 28, 2011

Honorable Joseph Torti, III
Chair, NAIC Financial Condition (E) Committee, NAIC
Superintendent, State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Secretary, Midwestern Zone
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3623, an examination has been made of the affairs and financial condition of:

**American United Life Insurance Company
One American Square
Indianapolis, Indiana 46282-0001**

hereinafter referred to as the "Company" or "AUL", an Indiana domestic insurance company. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2009, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of Noble Consulting Services, Inc. (Noble) as of December 31, 2004. The present coordinated risk-focused examination covered the period from January 1, 2005, through December 31, 2009, and was conducted by Noble in conjunction with the examinations of The State Life Insurance Company (State Life), and Pioneer Mutual Life Insurance Company (PML). The coordinated risk-focused examination was conducted by the states of Indiana and North Dakota with Indiana serving as the lead state. The coordinated risk-focused examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Jeffrey A. Beckley, F.C.A.S., M.A.A.A., of Actuarial Options, LLC, was appointed by the Indiana Department of Insurance (IDOI) and conducted a review of the Company's statutory reserves as of December 31, 2009. There were no actuarial adjustments or recommendations resulting from the review performed by Mr. Beckley.

Additionally, Noble conducted a review of the information systems controls. Although no material findings were noted, a detailed report summarizing the findings and recommendations has been provided to management.

We conducted our coordinated risk-focused examination pursuant to and in accordance with the 2010 NAIC *Financial Condition Examiners Handbook* (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 and 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 working papers prepared by PricewaterhouseCoopers, LLP, the Company's independent auditors, in their audit of the Company's accounts for the years ended December 31, 2009, were reviewed. A portion of the auditor's working papers have been incorporated into the working papers of the Examiners and have been utilized for the purposes of this examination in accordance with the provisions contained in the Handbook.

HISTORY

The Company is an Indiana domiciled insurance company which is wholly-owned by OneAmerica Financial Partners, Inc. (OneAmerica), an intermediate stock holding company. OneAmerica is wholly-owned by American United Mutual Insurance Holding Company (AUMIHC), a mutual insurance holding company. AUMIHC owns three insurance companies including AUL, State Life, and PML.

The Company was formed in 1936 by a merger between American Central Life Insurance Company (ACLIC) and United Mutual Life Insurance Company, which was founded in 1877. The stock of ACLIC was cancelled and participation certificates issued at that time were subsequently purchased by the Company and cancelled in 1951.

On December 17, 2000, AUL reorganized and formed AUMIHC. As part of the reorganization, AUL converted from a mutual to a stock insurance company.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had 50,000 shares of common stock authorized with a par value of \$100 per share, of which 50,000 shares were issued and outstanding. The Company has no preferred stock. Dividends paid by the Company during the examination period are presented below:

<u>Year</u>	<u>Dividends Paid</u>
2009	\$ -
2008	-
2007	35,000,000
2006	40,000,000
2005	35,000,000

TERRITORY AND PLAN OF OPERATION

Since 1877, the Company has provided life insurance products to individuals and businesses. As of December 31, 2009, the Company is licensed to sell life insurance in forty-nine (49) states and the District of Columbia and is an authorized reinsurer in all states. In 2009, fifty percent (50%) of AUL's direct premiums were from the following states: California, Illinois, Indiana, Missouri, Ohio, and Texas. No other state accounted for over four percent (4%) of total direct premiums in 2009. The Company is comprised of the following three product divisions: employee benefit operations, individual operations, and retirement services.

The employee benefits division provides employers and employees with employee benefit plan solutions. This division generates approximately eleven percent (11%) of the Company's total net premium income. The division's priority is to provide customers with simplified plan administration options, disability claim support resources, and responsive service. The division's customer base includes small and medium sized employers. Products offered include traditional and voluntary group life disability, medical stop loss, credit life and disability, and group universal life. These products are marketed through agents, brokers, and regional representatives.

The individual division focuses on helping individuals build and achieve their financial plan based on current and long-term strategies. This division generates approximately fourteen percent (14%) of the Company's net premium income. The division's customer base includes individuals in the middle-income market, the retirement planning market, and the small business market. Products offered include traditional life insurance (whole life and term insurance), variable universal life insurance, and fixed and variable annuities. These products are distributed through its general and career agents.

The retirement services division's primary goal is to assist in retirement preparations. This division accounts for seventy-five percent (75%) of the Company's premium income, is a major contributor to earnings, and is viewed as a core competency. The division's customer base includes employers acting as plan sponsors, employees of those employers sponsoring a plan, and retired individuals. Particular customer strength lies in for-profit, government segments, and non-profit organizations, generally with 100 employees or less. The primary products are full service small case defined contribution pension

plans, which include 401(k), 457, and 403(b) plans. These products are distributed through regional representatives, agents and brokers, and special brokers.

The Company's divisions contract with agents and brokers as they deem necessary to attain the desirable market force to sell their products. The Company maintains current licensing records for all agents and brokers conducting business on behalf of the Company.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company as reported during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2009	\$14,839,167,743	\$14,080,320,251	\$758,847,492	\$2,198,161,378	\$61,344,915
2008	12,526,176,189	11,869,964,236	656,211,953	2,353,546,719	9,406,487
2007	14,032,817,875	13,354,891,269	677,926,606	2,031,357,625	57,060,599
2006	12,879,129,074	12,218,608,059	660,521,015	1,951,831,656	64,011,164
2005	12,122,587,433	11,489,133,311	633,454,122	1,889,187,897	42,112,016

During the examination period, all categories noted above increased consistently. The Company continues to grow its core products through a measured growth strategy. However, Net Income in 2008 was impacted by the 2008 financial crisis; the Company recovered from this downturn in 2009.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (or "Board") consisting of not less than six (6) members and no more than eighteen (18) persons, at least one of which must be a resident of the State of Indiana. The stockholder, at its annual meeting, elects the members of the Board of Directors. The following is a listing of persons serving as Directors at December 31, 2009:

Name and Address

Principal Occupation

Dayton H. Molendorp
Indianapolis, IN

Chairman of the Board, President, and Chief Executive Officer
OneAmerica Financial Partners, Inc.

J. Scott Davison
Zionsville, IN

Senior Vice President and Chief Financial Officer
OneAmerica Financial Partners, Inc.

Thomas M. Zurek
Carmel, IN

Senior Vice President, General Counsel, and Secretary
OneAmerica Financial Partners, Inc.

Constance E. Lund
Indianapolis, IN

Senior Vice President-Corporate Finance and Treasurer
OneAmerica Financial Partners, Inc.

Mark C. Roller
Anderson, IN

Senior Vice President-Human Resources
OneAmerica Financial Partners, Inc.

G. David Sapp
New Palestine, IN

Senior Vice President-Investments
OneAmerica Financial Partners, Inc.

Officers

The Company's Bylaws state the Board of Directors shall elect a Chairman of the Board, a President, a Treasurer, and a Secretary. The Board of Directors may also elect a Chief Executive Officer, a Chief Financial Officer, a General Counsel, a Chief Actuary, one or more Senior Vice Presidents, and one or more Vice Presidents, and such other officers as required by law or as the Board shall from time to time deem necessary or desirable. Any number of offices may be held by the same person, except the offices of President and Secretary, provided that no person holding two such offices shall issue or execute any document acting in both capacities.

The following is a list of other key officers and their respective titles as of December 31, 2009:

<u>Name</u>	<u>Office</u>
Dayton H. Molendorp	Chairman, President, and CEO
J. Scott Davison	Chief Financial Officer
Thomas M. Zurek	Secretary and General Counsel
Constance E. Lund	Senior Vice President and Treasurer
Lloyd M. Spencer Jr.	Appointed Actuary
David A. Brentlinger	Senior Vice President and Chief Actuary
Mark A. Wilkerson	Senior Vice President-Individual Operations
William F. Yoerger	Senior Vice President-Retirement Services
Leonard A. Cavallaro	Vice President-Employee Benefits
Victoria I. Yamaski	Vice President and Chief Risk Officer
Mark C. Roller	Senior Vice President
G. David Sapp	Senior Vice President
Douglas W. Collins	Vice President
James C. Crampton	Vice President
Brian J. Lauber	Vice President
Emet C. Talley	Vice President
Jay B. Williams	Vice President

CONFLICT OF INTEREST

Directors, officers, and employees are required to review and sign Conflict of Interest statements annually. The Officers and Directors listed in the management and control section of this report have reviewed and signed their statements as of year-end 2009.

OATH OF OFFICE

Indiana Code (IC) IC 27-1-7-10(i) stipulates that every Director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. The Examiners noted the oaths of office on file were not updated as of December 31, 2009. The Company subsequently completed an update of the oaths for applicable Directors during the examination.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Company's Articles of Incorporation and Bylaws during this examination period.

Minutes

The Board of Directors, Shareholder, and Audit Committee meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted that the annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The following organization chart shows the upstream affiliates and its wholly-owned subsidiaries:

	<u>NAIC Co.</u>	<u>Domiciliary</u>
	<u>Code</u>	<u>State</u>
American United Mutual Insurance Holding Company		
OneAmerica Financial Partners, Inc. (OneAmerica)		
R.E. Moulton, Inc.		
Pioneer Mutual Life Insurance Company	67911	ND
The State Life Insurance Company	69116	IN
American United Life Insurance Company	60895	IN
AUL Reinsurance Management Services, LLC		
OneAmerica Securities, Inc.		

Affiliated Agreements

The following is a summary of the Company's affiliated agreements and transactions that were disclosed as part of the Form B – Holding Company Registration Statement and were filed as required with the IDOI in accordance with IC 27-1-23-4 and IC 27-6-1.1-5.

Service and Administrative Fees Agreements

Effective September 1, 2004, the Company has a Services and Administrative Fees Agreement with State Life whereby AUL will provide various types of services to State Life. During 2009, AUL received \$13,269,085 for services provided under this agreement.

Effective September 1, 2004, the Company has a Services and Administrative Agreement with PML whereby AUL will provide various types of services for PML. During 2009, AUL received \$4,996,962 for services provided under this agreement.

Effective September 1, 2004, the Company has a Services and Administrative Agreement with AUL Reinsurance Management Services, LLC (RMS) whereby AUL will provide various types of services for RMS. During 2009, AUL received \$433,200 for services provided under this agreement.

Effective September 1, 2004, the Company has a Services and Administrative Agreement with OneAmerica Securities, Inc. (OAS) whereby AUL and OAS will provide each other with various types of services. During 2009, AUL received \$1,864,208 and paid \$1,157,123 for services provided under this agreement.

Effective January 1, 2005, and January 1, 2007, the Company has Services and Administrative Agreements with R.E. Moulton, Inc. (REM) whereby AUL and REM will provide each other with various administrative and/or marketing services. During 2009, AUL received \$800,000 and paid \$15,904,217 for services provided under these agreements.

Investment Management Services Agreement

Effective September 1, 2004, the Company has an Investment Management Services Agreement with State Life whereby AUL acts as the investment manager for State Life. During 2009, AUL received \$3,468,021 for services provided under this agreement.

Effective September 1, 2004, the Company has an Investment Management Services Agreement with Pioneer whereby AUL will act as the investment manager for PML. During 2009, AUL received \$453,701 for services provided under this agreement.

Investment Advisory Agreement

Effective March 8, 1990, (renewed annually), the Company has an Investment Advisory Agreement with AUL American Series Fund, Inc. whereby AUL will provide advisory services for the five portfolios of the Fund: AUL American Equity Portfolio, AUL American Bond Portfolio, AUL American Money Market Portfolio, AUL American Managed Portfolio, and the AUL American Investment Portfolio. During 2009, AUL received \$4,031,530 for services provided under this agreement.

Distribution and Shareholder Services Agreement

Effective February 24, 2006, (amended February 29, 2008), the Company has a Distribution and Shareholder Agreement with AUL American Series Fund, Inc. whereby AUL will provide various administrative support services for the five portfolios of the Fund. During 2009, AUL received \$310,155 for services provided under this agreement.

Lease Agreement

Effective March 19, 2002, the Company has a Lease Agreement with OneAmerica for the lease of office space by AUL from OneAmerica. During 2009, AUL paid \$581,003 for services provided under this agreement.

Tax Sharing Agreement

Effective January 1, 2000, (or the date an affiliate became eligible to be included in the consolidated return with the Company), the Company became a party to a federal tax allocation agreement between AUMIHC and OneAmerica, whereby the Company as a subsidiary of OneAmerica, files a consolidated federal tax return with its parent and other affiliates. Each member's liability is determined as if calculated on a separate basis.

Loan Agreements

Effective May 2, 2008, the Company, State Life, PML, and OneAmerica entered into loan agreements under which they may make certain loans to one another, on an ongoing basis, for liquidity and general corporate purposes. No loans have been made or are outstanding pursuant to these loan agreements as of December 31, 2009.

Capital Contributions

In 2009, AUL contributed capital of \$4,000,000 to RMS and \$1,000,000 to OAS.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employee through a fidelity bond issued by Fidelity and Deposit Company of Maryland. The bond covers the AUMIHC Group for fidelity, forgery and alteration, securities, and computer fraud and has an aggregate loss liability limit of \$30,000,000 with a \$250,000 deductible. With regard to forgery and alteration and securities, there is a single loss limit of liability of \$10,000,000 and a single loss deductible of \$250,000. The fidelity bond exceeds the prescribed minimum coverage specified by NAIC.

The Company had additional types of coverage in-force at December 31, 2009, including, but not limited to, management liability, director's & officer's liability, employer's liability, fiduciary, general liability, property, and worker's compensation.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory deposits comprised of United States Treasury Notes and Bonds at December 31, 2009:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Not for all policyholders:		
Arkansas	\$ 251,385	\$ 230,158
California	19,308,195	18,544,035
Georgia	40,222	36,825
Massachusetts	501,716	503,635
New Mexico	125,356	125,195
North Carolina	399,843	408,834
Vermont	100,285	100,156
For all policyholders:		
Indiana	1,505,619	1,461,875
Total Deposits	<u>\$ 22,232,621</u>	<u>\$ 21,410,713</u>

REINSURANCE

Business sold to Employers Reassurance Corporation

In August 2002, the IDOI approved the sale of substantially all of AUL's assumed reinsurance business to Employers Reassurance Corporation (ERC), which included individual life insurance and long term care (LTC) products previously assumed. The sale included systems and personnel supporting the business being sold, and retained AUL to manage the run-off of the business. At December 31, 2009, the block of business accounts for approximately \$337.9 million in premiums and \$1.5 billion in reserves covering life and A & H reserves.

Pursuant to the terms this transaction, an after tax gain of approximately \$95 million was generated in 2002, and recorded as a deferred gain in surplus. The gain is being amortized into earnings at the rate that earnings on the reinsured business are expected to emerge. The Company reported \$3.6 million and \$4.4 million in deferred gain amortization in 2009, and 2008, respectively. The net deferred gain balance at December 31, 2009, was \$52.0 million.

Pursuant to the terms of the sale, two Trusts were created to secure ERC's performance under the reinsurance sale, one covering life business and the second covering the long-term care business. At December 31, 2009, these Trusts held assets valued at approximately \$1.6 billion. AUL monitors the adequacy of the Trust funding and reviews the overall financial condition of ERC on a quarterly basis.

Business Sold to Securian

In 2006, AUL sold the Financial Institutions reporting unit consisting of CNL Financial Corporation (CNL) and its subsidiaries and all credit-related insurance business issued by AUL. The sale was a stock sale of CNL and an indemnity reinsurance arrangement of the Company's business. In 2006, the transaction resulted in an increase to surplus of approximately \$15 million and a gain of \$10.9 million was recorded as a deferred gain in surplus. The Company reported approximately \$0.4 million and \$1.8

million in deferred gain amortization in 2009, and 2008, respectively.

Reinsurance Assumed

In 2009, AUL reinsured a block of accident and health insurance with Nippon Life Insurance Company of America under a group coinsurance agreement. At December 31, 2009, AUL assumed reserves of \$2.2 million under this agreement.

Reinsurance Ceded

In 2006, AUL reinsured a block of group life insurance with Minnesota Life Insurance under a coinsurance agreement. At December 31, 2009, AUL ceded reserves of \$12.5 million under this agreement.

In 2008, AUL reinsured a block of individual life insurance with SCOR Global Life Insurance Company of Texas under a coinsurance agreement. At December 31, 2009, AUL ceded reserves of \$2.0 million under this agreement.

RESERVES

David A. Brentlinger, F.S.A., M.A.A.A., Senior Vice President and Chief Actuary was appointed by resolution of the Board of Directors on June 28, 2002, to render an opinion on the statutory-basis reserves and policy and contract claims for life and health policies and contracts for the years ended December 31, 2005, through December 31, 2008. Lloyd M. Spencer, Jr., F.S.A., C.E.R.A., Vice President and Corporate Actuary was appointed by resolution of the Board of Directors on September 9, 2009, to render an opinion on the statutory-basis reserves and policy and contract claims for life and health policies and contracts for the year ended December 31, 2009.

The scope of the opinion was to examine the actuarial assumptions and actuarial methods used in determining the reserves and related actuarial items as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials as of December 31, 2009. The actuary made use of an asset adequacy analysis performed for the Company under his direction in forming his opinion as to the adequacy of reserves. Such analysis was based on liability data as of September 30, 2009, asset data as of September 30, 2009, and a model start date as of September 30, 2009.

The 2009, opinion stated that the reserves and related actuarial items concerning the Annual Statement items: 1) are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, 2) are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, 3) meet the requirements of the Insurance Law and regulation of the State of Indiana, are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year end, and 4) include provision for all actuarial reserves and related statement items which ought to be established.

During the examination, it was determined that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2008, and 2009, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2005, through December 31, 2009, were agreed to each year's independent audit report with no exceptions noted. The Company's accounting procedures, practices, and account records were satisfactory.

AMERICAN UNITED LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
Assets

	As of December 31, 2009			December 31, Prior Year
	Per Annual Statement	Exam Adjustments	Per Examination	
Assets:				
Bonds	\$ 6,012,118,348	\$ -	\$ 6,012,118,348	\$ 5,368,093,458
Stocks:				
Preferred stocks	30,150	-	30,150	48,050,139
Common stocks	78,907,585	-	78,907,585	73,538,248
Mortgage loans on real estate:				
First liens	1,220,670,034	-	1,220,670,034	1,170,503,140
Real estate:				
Properties occupied by the company	64,558,648	-	64,558,648	62,931,514
Properties held for the production of income	650,932	-	650,932	698,863
Cash, cash equivalents and short-term investments	64,886,223	-	64,886,223	132,122,436
Contract loans	190,987,230	-	190,987,230	183,921,561
Other invested assets	43,864,086	-	43,864,086	27,861,134
Subtotals, cash and invested assets	<u>\$ 7,676,673,236</u>	<u>\$ -</u>	<u>\$ 7,676,673,236</u>	<u>\$ 7,067,720,493</u>
Investment income due and accrued	87,001,891	-	87,001,891	77,562,314
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	20,111,877	-	20,111,877	21,004,069
Deferred premiums, agents' balances and installments booked but deferred and not yet due	28,221,706	-	28,221,706	26,821,486
Reinsurance:				
Amounts recoverable from reinsurers	12,568,202	-	12,568,202	14,296,073
Other amounts receivable under reinsurance contracts	13,138,373	-	13,138,373	17,208,103
Current income tax recoverable				3,542,640
Net deferred tax asset	41,219,435	-	41,219,435	36,613,086
Guaranty funds receivable or on deposit	1,662,000	-	1,662,000	1,720,724
Electronic data processing equipment and software	3,614,528	-	3,614,528	4,716,893
Receivables from parent, subsidiaries and affiliates	4,013,647	-	4,013,647	2,931,604
Aggregate write-ins for other than invested assets	54,377,318	-	54,377,318	45,261,929
Total Assets, excluding Separate Accounts, Segregated Accounts and Protected Cell Account	7,942,602,213	-	7,942,602,213	7,319,399,414
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	6,896,565,530	-	6,896,565,530	5,206,776,775
Total Assets	<u><u>\$ 14,839,167,743</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,839,167,743</u></u>	<u><u>\$ 12,526,176,189</u></u>

AMERICAN UNITED LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
Liabilities, Surplus and Other Funds

As of December 31, 2009

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Aggregate reserve for life contracts	\$ 5,834,537,629	\$ -	\$ 5,834,537,629	\$ 5,495,676,335
Aggregate reserve for accident and health contracts	214,544,202	-	214,544,202	223,254,796
Liability for deposit-type contracts	801,387,952	-	801,387,952	619,373,642
Contract Claims:				
Life	21,315,248	-	21,315,248	19,368,964
Accident and health	74,032,198	-	74,032,198	76,576,498
Policyholders' dividends and coupons due and unpaid	(27,852)	-	(27,852)	(34,664)
Provision for policyholder's dividends and coupons payable in following calendar year - est. amounts:				
Dividends apportioned for payment	23,774,245	-	23,774,245	23,836,853
Dividends not yet apportioned	1,663,868	-	1,663,868	1,694,137
Premium & annuity considerations for life & accident & health contracts received in advance less discount, including accident & health premiums	257,377	-	257,377	347,128
Contract liabilities not included elsewhere:				
Surrender values on canceled contracts	-	-	-	(124,951)
Other amounts payable on reinsurance, including assumed and ceded	7,471,157	-	7,471,157	11,722,870
Interest Maintenance Reserve	11,152,778	-	11,152,778	7,326,956
Commissions due to agents or accrued - life & annuity contracts, accident & health & deposit-type contract funds	4,599,755	-	4,599,755	5,300,226
Commissions and expense allowances payable on reinsurance assumed	12,640,348	-	12,640,348	16,072,299
General expenses due and accrued	-	-	-	-
Transfers to Separate Accounts due or accrued	(42,088,839)	-	(42,088,839)	(32,647,683)
Taxes, licenses, and fees due or accrued, excluding federal income taxes	8,861,704	-	8,861,704	7,063,923
Current federal and foreign income taxes, including on realized capital gains (losses)	2,997,244	-	2,997,244	-
Unearned investment income	3,844,780	-	3,844,780	3,468,990
Amounts withheld or retained by company as agent or trustee	44,269,607	-	44,269,607	34,102,351
Amounts held for agents accounts	9,363,179	-	9,363,179	9,845,070
Remittances and items not allocated	25,389,933	-	25,389,933	24,504,790
Miscellaneous liabilities:				
Asset valuation reserve	57,742,256	-	57,742,256	37,962,905
Reinsurance in unauthorized companies	92,619	-	92,619	284,987
Funds held under reinsurance treaties with unauthorized reinsurers	601,410	-	601,410	601,413
Payable to parent, subsidiaries and affiliates	4,417,562	-	4,417,562	782,138
Drafts outstanding	211,389	-	211,389	(632)
Payable for securities	113,375	-	113,375	8,553,137
Aggregate write-ins for liabilities	60,589,597	-	60,589,597	68,274,983
Total Liabilities excluding Separate Accounts Business	7,183,754,721	-	7,183,754,721	6,663,187,461
From Separate Accounts Statement	6,896,565,530	-	6,896,565,530	5,206,776,775
Total Liabilities	\$ 14,080,320,251	\$ -	\$ 14,080,320,251	\$ 11,869,964,236
Common capital stock	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 5,000,000
Surplus notes	75,000,000	-	75,000,000	75,000,000
Gross paid in & contributed surplus	550,000	-	550,000	550,000
Aggregate write-ins for special surplus funds	17,841,097	-	17,841,097	-
Unassigned funds (surplus)	660,456,395	-	660,456,395	575,661,953
Surplus	753,847,492	-	753,847,492	651,211,953
Capital and surplus, December 31, current year	\$ 758,847,492	\$ -	\$ 758,847,492	\$ 656,211,953
Total liabilities, capital and surplus	\$ 14,839,167,743	\$ -	\$ 14,839,167,743	\$ 12,526,176,189

Summary of Operations

As of December 31, 2009

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums and annuity considerations for life & accident & health contracts	\$ 2,198,161,378	\$ -	\$ 2,198,161,378	\$ 2,353,546,719
Considerations for supplementary contracts with life contingencies	-	-	-	54,055
Net investment income	431,668,856	-	431,668,856	403,510,769
Amortization of interest maintenance reserve	1,793,141	-	1,793,141	1,399,197
Commissions and expense allowances on reinsurance ceded	84,956,169	-	84,956,169	96,812,028
Reserve adjustments on reinsurance ceded	(738,998)	-	(738,998)	(1,077,281)
Miscellaneous income:				
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	62,650,969	-	62,650,969	73,717,051
Aggregate write-ins for miscellaneous income	28,601,502	-	28,601,502	23,924,451
Total	\$ 2,807,093,017	\$ -	\$ 2,807,093,017	\$ 2,951,886,989
Death benefits	103,509,200	-	103,509,200	94,335,728
Matured endowments	558,177	-	558,177	636,261
Annuity benefits	50,382,919	-	50,382,919	51,724,965
Disability benefits and benefits under accident and health contracts	120,013,055	-	120,013,055	104,610,100
Surrender benefits and withdrawals for life contracts	1,377,992,482	-	1,377,992,482	1,558,318,006
Interest and adjustments on contract or deposit-type contract funds	28,569,170	-	28,569,170	20,318,523
Payments on supplementary contracts with life contingencies	254,768	-	254,768	260,202
Increase in aggregate reserves for life & accident & health contracts	357,898,111	-	357,898,111	415,648,379
Totals	\$ 2,039,177,882	\$ -	\$ 2,039,177,882	\$ 2,245,852,164
Commissions on premiums, annuity considerations, and deposit-type contract funds	99,549,930	-	99,549,930	106,627,944
Commissions and expense allowances on reinsurance assumed	72,498,508	-	72,498,508	78,039,668
General insurance expenses	181,787,794	-	181,787,794	162,966,397
Insurance taxes, licenses and fees, excluding federal income taxes	16,010,241	-	16,010,241	15,740,887
Increase in loading on deferred and uncollected premiums	835,972	-	835,972	(540,497)
Net transfers to or (from) Separate Accounts net of reinsurance	298,162,577	-	298,162,577	292,461,518
Aggregate write-ins for deductions	(4,444,541)	-	(4,444,541)	(10,221,416)
Totals	\$ 2,703,578,363	\$ -	\$ 2,703,578,363	\$ 2,890,926,665
Net gain from operations before dividends to policyholders and before federal income taxes	103,514,654	-	103,514,654	60,960,324
Dividends to policyholders	23,172,645	-	23,172,645	26,155,565
Net gain from operations after dividends to policyholders and before federal income taxes	80,342,009	-	80,342,009	34,804,759
Federal and foreign income taxes incurred	18,408,900	-	18,408,900	11,466,740
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	61,933,109	-	61,933,109	23,338,019
Net realized capital gains [losses] less capital gains tax	(588,194)	-	(588,194)	(13,931,532)
Net income	\$ 61,344,915	\$ -	\$ 61,344,915	\$ 9,406,487
Capital and Surplus Account:				
Capital and surplus, December 31, prior year	\$ 656,211,953	\$ -	\$ 656,211,953	\$ 677,926,606
Net income	\$ 61,344,915	\$ -	\$ 61,344,915	\$ 9,406,487
Change in net unrealized capital gains [losses] less capital gains tax	7,754,775	-	7,754,775	(16,271,410)
Change in net deferred income tax	(17,506,622)	-	(17,506,622)	20,767,649
Change in nonadmitted assets and related items	20,812,256	-	20,812,256	(23,764,730)
Change in liability for reinsurance in unauthorized companies	192,368	-	192,368	97,115
Change in reserve on account of change in valuation basis	29,095,007	-	29,095,007	-
Change in asset valuation reserve	(19,779,351)	-	(19,779,351)	11,703,950
Surplus Adjustment: Change in surplus as a result of reinsurance	(3,949,948)	-	(3,949,948)	(6,224,139)
Aggregate write-ins for gains and losses in surplus	24,672,139	-	24,672,139	(17,429,576)
Net change in capital and surplus for the year	\$ 102,635,539	\$ -	\$ 102,635,539	\$ (21,714,654)
Capital and surplus, December 31, current year	\$ 758,847,492	\$ -	\$ 758,847,492	\$ 656,211,953

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2009, based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered to have a material effect on the financial statements of the Company.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the IDOI.

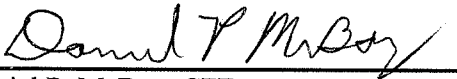
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc. and actuarial assistance from Actuarial Options, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of **American United Life Insurance Company** as of **December 31, 2009**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the 2010 NAIC Financial Condition Examiner's Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of **American United Life Insurance Company** as of **December 31, 2009**, as determined by the undersigned.



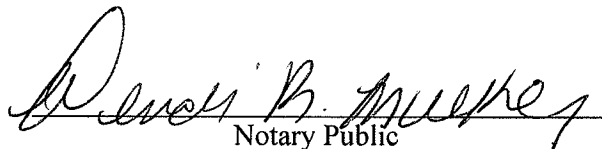
Daniel P. McBay, CFE
Noble Consulting Services, Inc.

State of:
County of:

On this 10 day of February, 2011, before me personally appeared, Daniel P. McBay, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: 3/1/18


Notary Public

