

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

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

Examination of **The State 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 **The State 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 **The State 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 8059

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Examination of The State Life Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of **The State 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:

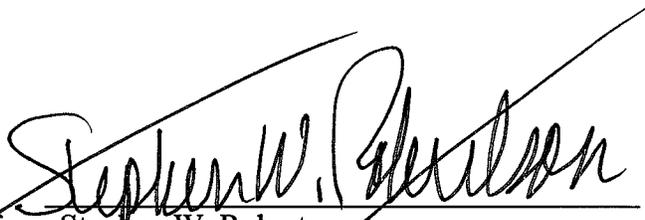
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

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

THE STATE LIFE INSURANCE COMPANY

NAIC Co. CODE 69116

As of

December 31, 2009

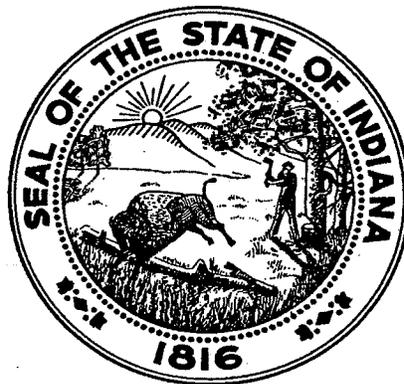


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STATE OF INDIANA

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 3624, an examination has been made of the affairs and financial condition of:

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

hereinafter referred to as the "Company" or "State Life", 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 American United Life Insurance Company (AUL), 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 State Life, AUL, and PML.

The Company was formed in 1894 and became a subsidiary of OneAmerica in December 2004. The policyholders and the IDOI approved this reorganization in 2004. Policyholder membership rights exist at AUMIHC, while the policyholder contract rights remain with State Life.

In October 2005, the Company acquired through an indemnity reinsurance transaction, the Financial Services Division of Golden Rule Insurance Company (GRIC). OneAmerica made a \$110 million capital contribution to the Company in connection with this transaction. In addition, the Company issued a \$30 million surplus note in December 2005 which is held by OneAmerica.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had 30,000 shares of common stock authorized with a par value of \$100 per share, of which 30,000 shares were issued and outstanding. The Company has no preferred stock. The Company paid no dividends during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company markets individual life, annuity, and asset based long term care (Care Solutions) products distributed primarily through a brokerage marketing operation. The Company is licensed to sell life insurance in forty-nine (49) states and the District of Columbia. In 2009, forty-eight percent (48%) of State Life's direct premiums were from the following states: California, Florida, Hawaii, Indiana, Missouri, Ohio, and Texas. No other state accounted for more than five percent (5%) of total direct premiums in 2009. 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 (Loss)</u>
2009	\$3,162,483,291	\$2,952,278,861	\$210,204,430	\$373,479,718	\$27,612,284
2008	2,840,069,942	2,662,183,055	177,886,887	237,356,934	20,498,194
2007	2,504,180,763	2,353,382,137	150,798,626	232,261,606	19,514,558
2006	2,386,102,556	2,254,451,822	131,650,734	207,821,929	25,607,265
2005	2,302,845,027	2,194,467,695	108,377,332	97,460,528	(57,292,601)

During the examination period, all categories noted above increased consistently. The growth was primarily related to the acquired Care Solutions product line. Generally, the Company experienced lower surrenders, improved retention of fixed annuities, and lower death benefits from improved mortality analysis. Fluctuations in Net Income were primarily related to the above noted items. The Net Loss in 2005 was primarily related to the acquisition of Care Solutions business from GRIC.

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:

<u>Name and Address</u>	<u>Principal Occupation</u>
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 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.
Mark A. Wilkerson Indianapolis, IN	Senior Vice President-Individual Operations 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 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.

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

<u>Name</u>	<u>Office</u>
Dayton H. Molendorp	CEO
J. Scott Davison	Chief Financial Officer
Thomas M. Zurek	Secretary and General Counsel
Constance E. Lund	Treasurer
Mark A. Wilkerson	President
Christopher G. Coudret	Executive Vice President
James C. Crampton	Vice President and Tax Director
Bruce E. Moon	Vice President-Marketing
Lloyd M. Spencer	Appointed Actuary
Jay B. Williams	Vice President and Chief Compliance Officer
Douglas W. Collins	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 and Shareholder 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 chart depicts the company's organizational structure:

	<u>NAIC Co.</u> <u>Code</u>	<u>Domiciliary</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 Fee Agreement

Effective November 1, 2004, the Company has a Services and Administrative Fee Agreement with AUL, whereby AUL provides various types of services to State Life. During 2009, State Life paid \$13,269,085 for services provided under this agreement.

Investment Management Services Agreement

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

Loan Agreement

Effective May 2, 2008, the Company, AUL, PML, and OneAmerica entered into a loan agreement whereby 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 the loan agreement as of December 31, 2009.

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	\$125,000	\$130,961
Georgia	50,277	46,032
Massachusetts	100,682	110,031
New Mexico	125,820	133,047
North Carolina	474,968	497,093
For all policyholders:		
Indiana	<u>1,531,850</u>	<u>1,556,463</u>
Total Deposits	<u>\$ 2,408,597</u>	<u>\$ 2,473,627</u>

REINSURANCE

The following describes significant changes to the Company's reinsurance assumed and reinsurance ceded since the examination for the period ended December 31, 2004.

Reinsurance Assumed

In 2005, the Company acquired, through an indemnity reinsurance transaction, the Financial Services

Indiana Department of Insurance
NAIC Accredited

7

The State Life Insurance Company
Financial Examination as of 12/31/2009

Division of GRIC consisting of certain life and annuity contracts. These contracts accounted for \$53.5 million of assumed premiums and \$1,966.6 million of assumed policy reserves at December 31, 2009.

Reinsurance Ceded

In 2006, the Company entered into a reinsurance agreement with Westport Insurance Corporation. This contract accounted for \$0.7 million of ceded premiums and \$8.8 million of ceded policy reserves at December 31, 2009.

RESERVES

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 March 8, 2005, to render an opinion on the statutory-basis reserves and policy and contract claims for life and health policies and contracts for the entire examination period.

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 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.

THE STATE LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
Assets

	As of December 31, 2009			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 2,773,923,691	\$ -	\$ 2,773,923,691	\$ 2,499,664,542
Stocks:				
Preferred stocks	-	-	-	15,797,169
Common stocks	11,365,300	-	11,365,300	10,578,800
Mortgage loans on real estate:				
First liens	207,285,083	-	207,285,083	180,759,432
Real estate:				
Properties occupied by the company	-	-	-	-
Properties held for the production of income	-	-	-	-
Cash, cash equivalents and short-term investments	56,912,864	-	56,912,864	33,602,125
Contract loans	30,493,546	-	30,493,546	29,102,162
Other invested assets	4,268,434	-	4,268,434	4,269,808
Subtotals, cash and invested assets	<u>\$ 3,084,248,918</u>	<u>\$ -</u>	<u>\$ 3,084,248,918</u>	<u>\$ 2,773,774,038</u>
Investment income due and accrued	38,683,144	-	38,683,144	33,984,258
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	2,449,474	-	2,449,474	2,481,579
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,364,356	-	12,364,356	12,897,214
Reinsurance:				
Amounts recoverable from reinsurers	6,245,038	-	6,245,038	6,334,561
Other amounts receivable under reinsurance contracts	8,727	-	8,727	7,581
Current income tax recoverable	87,783	-	87,783	358,919
Net deferred tax asset	18,339,759	-	18,339,759	10,173,557
Guaranty funds receivable or on deposit	47,829	-	47,829	31,023
Electronic data processing equipment and software	-	-	-	-
Receivables from parent, subsidiaries and affiliates	-	-	-	-
Aggregate write-ins for other than invested assets	8,263	-	8,263	27,212
Total Assets, excluding Separate Accounts, Segregated Accounts and Protected Cell Account	3,162,483,291	-	3,162,483,291	2,840,069,942
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	-	-	-	-
Total Assets	<u><u>\$ 3,162,483,291</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,162,483,291</u></u>	<u><u>\$ 2,840,069,942</u></u>

THE STATE 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	\$ 2,636,069,825	\$ -	\$ 2,636,069,825	\$ 2,371,291,848
Aggregate reserve for accident and health contracts	423,404	-	423,404	411,473
Liability for deposit-type contracts	249,778,738	-	249,778,738	234,401,316
Contract Claims:				
Life	8,393,325	-	8,393,325	12,340,941
Accident and health	-	-	-	-
Policyholders' dividends and coupons due and unpaid	-	-	-	724
Provision for policyholder's dividends and coupons payable in following calendar year - estimated amounts:				
Dividends apportioned for payment	2,569,794	-	2,569,794	2,624,576
Coupons and similar benefits	-	-	-	-
Premium & annuity considerations for life & accident & health contracts received in advance less discount, including accident & health premiums	151,236	-	151,236	63,225
Contract liabilities not included elsewhere:				
Surrender values on canceled contracts	-	-	-	-
Other amounts payable on reinsurance, including assumed and ceded	2,750,604	-	2,750,604	3,505,986
Interest Maintenance Reserve	12,687,103	-	12,687,103	12,014,164
Commissions due to agents or accrued - life & annuity contracts, accident & health & deposit-type contract funds	662,588	-	662,588	683,308
Commissions and expense allowances payable on reinsurance assumed	660,000	-	660,000	780,000
General expenses due and accrued	-	-	-	-
Transfers to Separate Accounts due or accrued	-	-	-	-
Taxes, licenses, and fees due or accrued, excluding federal income taxes	1,628,347	-	1,628,347	1,177,692
Current federal and foreign income taxes, including on realized capital gains (losses)	-	-	-	-
Unearned investment income	920,340	-	920,340	881,973
Amounts withheld or retained by company as agent or trustee	15,303,412	-	15,303,412	10,919,570
Amounts held for agents accounts	8,683	-	8,683	11,176
Remittances and items not allocated	7,530,177	-	7,530,177	3,630,365
Liability for benefits for employees and agents if not included above	-	-	-	-
Borrowed money and interest thereon	-	-	-	-
Miscellaneous liabilities:				
Asset valuation reserve	9,768,811	-	9,768,811	4,973,697
Reinsurance in unauthorized companies	6,894	-	6,894	16,906
Funds held under reinsurance treaties with unauthorized reinsurers	-	-	-	-
Payable to parent, subsidiaries and affiliates	1,348,029	-	1,348,029	1,248,835
Drafts outstanding	-	-	-	-
Payable for securities	18,550	-	18,550	1,787
Aggregate write-ins for liabilities	1,599,001	-	1,599,001	1,203,493
Total Liabilities excluding Separate Accounts business	<u>2,952,278,861</u>	<u>-</u>	<u>2,952,278,861</u>	<u>2,662,183,055</u>
From Separate Accounts Statement	-	-	-	-
Total Liabilities	\$ 2,952,278,861	\$ -	\$ 2,952,278,861	\$ 2,662,183,055
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
Surplus notes	30,000,000	-	30,000,000	30,000,000
Gross paid in & contributed surplus	110,550,000	-	110,550,000	110,550,000
Aggregate write-ins for special surplus funds	9,226,822	-	9,226,822	-
Unassigned funds (surplus)	57,427,608	-	57,427,608	34,336,887
Surplus	207,204,430	-	207,204,430	174,886,887
Capital and surplus, December 31	\$ 210,204,430	\$ -	\$ 210,204,430	\$ 177,886,887
Total liabilities, capital and surplus	\$ 3,162,483,291	\$ -	\$ 3,162,483,291	\$ 2,840,069,942

THE STATE LIFE INSURANCE COMPANY
FINANCIAL STATEMENTS
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	\$ 373,479,718	\$ -	\$ 373,479,718	\$ 237,356,934
Considerations for supplementary contracts with life contingencies	-	-	-	43,761
Net investment income	166,225,104	-	166,225,104	140,993,865
Amortization of interest maintenance reserve	1,431,725	-	1,431,725	1,682,436
Commissions and expense allowances on reinsurance ceded	4,878,433	-	4,878,433	5,847,511
Miscellaneous income:				
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	-	-	-	-
Aggregate write-ins for miscellaneous income	6,206	-	6,206	29,094
Total	\$ 546,021,186	\$ -	\$ 546,021,186	\$ 385,953,601
Death benefits	54,652,390	-	54,652,390	58,925,943
Matured endowments	61,523	-	61,523	83,345
Annuity benefits	32,211,780	-	32,211,780	25,096,226
Disability benefits and benefits under accident and health contracts	351,896	-	351,896	315,105
Coupons, guarantee annual pure endowments, and similar benefits	-	-	-	-
Surrender benefits and withdrawals for life contracts	84,101,070	-	84,101,070	106,561,875
Interest and adjustments on contract or deposit-type contract funds	11,311,752	-	11,311,752	3,005,411
Payments on supplementary contracts with life contingencies	548,941	-	548,941	670,369
Increase in aggregate reserves for life & accident & health contracts	264,789,908	-	264,789,908	106,135,351
Totals	\$ 448,029,260	\$ -	\$ 448,029,260	\$ 300,793,625
Commissions on premiums, annuity considerations, and deposit-type contract funds	21,507,263	-	21,507,263	9,881,007
Commissions and expense allowances on reinsurance assumed	2,290,879	-	2,290,879	6,043,817
General insurance expenses	23,439,260	-	23,439,260	21,739,857
Insurance taxes, licenses and fees, excluding federal income taxes	4,515,878	-	4,515,878	3,478,489
Increase in loading on deferred and uncollected premiums	(265,956)	-	(265,956)	842,486
Net transfers to or (from) Separate Accounts net of reinsurance	-	-	-	-
Aggregate write-ins for deductions	1,242,886	-	1,242,886	203,500
Totals	\$ 500,759,470	\$ -	\$ 500,759,470	\$ 342,982,781
Net gain from operations before dividends to policyholders and before federal income taxes	45,261,716	-	45,261,716	42,970,820
Dividends to policyholders	2,449,811	-	2,449,811	2,498,419
Net gain from operations after dividends to policyholders and before federal income taxes	42,811,905	-	42,811,905	40,472,401
Federal and foreign income taxes incurred	14,254,219	-	14,254,219	9,728,583
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	28,557,686	-	28,557,686	30,743,818
Net realized capital gains [losses] less capital gains tax	(945,402)	-	(945,402)	(10,245,624)
Net income	\$ 27,612,284	\$ -	\$ 27,612,284	\$ 20,498,194
Capital and Surplus Account:				
Capital and surplus, December 31, prior year	\$ 177,886,887	\$ -	\$ 177,886,887	\$ 150,798,626
Net income	27,612,284	-	27,612,284	20,498,194
Change in net unrealized capital gains [losses] less capital gains tax	(184,275)	-	(184,275)	-
Change in net deferred income tax	(1,503,823)	-	(1,503,823)	182,305
Change in nonadmitted assets and related items	11,178,461	-	11,178,461	1,625,663
Change in liability for reinsurance in unauthorized companies	10,012	-	10,012	28,094
Change in asset valuation reserve	(4,795,116)	-	(4,795,116)	4,754,005
Net change in capital and surplus for the year	\$ 32,317,543	\$ -	\$ 32,317,543	\$ 27,088,261
Capital and surplus, December 31, current year	\$ 210,204,430	\$ -	\$ 210,204,430	\$ 177,886,887

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 **State 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 **State Life Insurance Company** as of **December 31, 2009**, as determined by the undersigned.

Daniel P. McBay
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: 3/1/11 Wendi R. Mulkey
Notary Public

