

Report on Examination
of
Bankers Life Insurance Company
St. Petersburg, Florida
as of
December 31, 2005

By The
State of Florida
Office of Insurance Regulation

CONTENTS

SCOPE OF EXAMINATION.....	1
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION.....	2
HISTORY.....	4
GENERAL.....	4
CAPITAL STOCK.....	4
PROFITABILITY.....	5
DIVIDENDS.....	5
MANAGEMENT.....	6
CONFLICT OF INTEREST PROCEDURE.....	8
CORPORATE RECORDS.....	8
AFFILIATED COMPANIES.....	9
COST ALLOCATION AGREEMENT.....	9
SUBLEASE AGREEMENT.....	9
TAX ALLOCATION AGREEMENT.....	10
ORGANIZATIONAL CHART.....	11
FIDELITY BOND AND OTHER INSURANCE.....	12
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	12
STATUTORY DEPOSITS.....	12
INSURANCE PRODUCTS AND RELATED PRACTICES.....	13
TERRITORY AND PLAN OF OPERATION.....	13
TREATMENT OF POLICYHOLDERS.....	13
REINSURANCE.....	14
ASSUMED.....	14
CEDED.....	14
ACCOUNTS AND RECORDS.....	15
RISK-BASED CAPITAL.....	15
INFORMATION SYSTEMS CONTROLS.....	15
CUSTODIAL AGREEMENT.....	16
ACTUARIAL CONSULTING AGREEMENT.....	16
INDEPENDENT AUDITOR AGREEMENT.....	16
ADMINISTRATIVE SERVICES AGREEMENT.....	16

FINANCIAL STATEMENTS PER EXAMINATION..... 17

- ASSETS 18
- LIABILITIES, SURPLUS AND OTHER FUNDS..... 19
- STATEMENT OF OPERATIONS..... 20
- CAPITAL AND SURPLUS ACCOUNT..... 21

COMMENTS ON FINANCIAL STATEMENTS..... 22

COMPARATIVE ANALYSIS OF CHANGES IN CAPITAL AND SURPLUS..... 23

SUMMARY OF FINDINGS..... 24

- COMPLIANCE WITH PREVIOUS DIRECTIVES..... 24
- CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION..... 24

CONCLUSION 25

Tallahassee, Florida

March 27, 2007

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
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Virginia Bureau of Insurance
Chair, NAIC Financial Condition (E) Committee
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South Carolina Department of Insurance
Secretary, NAIC Southeastern Zone
P.O. Box 100105
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Commissioners McCarty and Gross and Director Kitzman:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (F.S.), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2005, of the financial condition and corporate affairs of:

**Bankers Life Insurance Company
360 Central Avenue
St. Petersburg, Florida 33701**

hereinafter referred to as the "Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2003 through December 31, 2005. The Company was last examined by the Florida Office of Insurance Regulation (the "Office") as of June 30, 2002.

Planning for the current examination began on June 29, 2006. The fieldwork commenced on July 5, 2006 and concluded on November 7, 2006. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This was an association zone statutory financial condition examination conducted in accordance with the *NAIC Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual, and Annual Statement Instructions* as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (F.A.C.), with due regard to the requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value, and integrity of the statement assets and the determination of liabilities, as they affect the Company's solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC Insurance Regulatory Information System (IRIS) ratio results, *Best's Insurance Reports*, the Company's independent audit reports, and certain work papers prepared by the Company's independent CPA were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the Company's assets and liabilities as reported by the Company in its 2005 annual statement. Transactions subsequent to December 31, 2005 were reviewed where relevant and deemed significant to the Company's financial condition.

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

After considering the Company's control environment and the materiality level set for this examination, we relied on work performed by the Company's CPA in the area of commitments and contingent liabilities.

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

The following is a summary of significant adverse findings contained in the Office's prior examination report as of June 30, 2002, along with resulting action taken by the Company in connection therewith.

Bonds

The below items, classified as bonds by the Company, were not admitted at June 30, 2002 as a result of the Company's inability to demonstrate that they qualified as admitted assets according to Part II of Chapter 625, F.S. Resolution: No similar adjustments were necessary as of December 31, 2005.

ABC Finance Company of Louisiana	\$225,000
Gallineau Finance LLC	300,000
BKW Tyrone	650,000
	<u>\$1,175,000</u>

Asset Valuation Reserve

The asset valuation reserve was adjusted and decreased by \$18,443 as of June 30, 2002. Resolution: No similar adjustment was warranted as of December 31, 2005.

Reinsurance in Unauthorized Companies

In an effort to remedy deficiencies noted in the Office's financial examination report as of December 31, 2000 in the area of reinsurance credit security, the Company established a trust account with United Trust Company of St. Petersburg, Florida. The trust account, which was effective July 1, 2002, was funded with money market account balances totaling \$833,432 and a \$5 million letter of credit effective June 30, 2002 from Wachovia Bank. The amount required to fund reinsurance credits as of June 30, 2002 was \$5,324,890. The funded amounts in the trust account were accepted by the Office as security for reinsurance credits reported in the June 30, 2002 quarterly statement, even though the trust account was not established until the following day. The July trust account statement did not indicate that the account was being maintained in trust for Bankers Life Insurance Company. As a result, the Company was directed to change the trust account statement to reflect the new grantor/beneficiary/trustee relationship as reflected in the trust agreement. Resolution: The Company complied with the directive.

HISTORY

GENERAL

The Company was incorporated in Florida on April 24, 1973, and commenced business on May 9, 1973.

As of the date of this examination, the Company was authorized to transact the following insurance coverage in Florida, in accordance with Section 624.401, F.S.: life, group life and annuities, credit life, credit disability, and accident and health.

Neither the Company's articles of incorporation nor its bylaws were amended during the period covered by this examination.

CAPITAL STOCK

As of December 31, 2005, the Company's capitalization was as follows:

Number of authorized capital shares	750,000
Number of shares issued and outstanding	750,000
Total capital stock	\$3,000,000
Par value per share	\$4.00

At December 31, 2005, the Company was directly owned and controlled by Bankers Insurance Company, an indirect subsidiary of Bankers International Financial Corporation, Ltd., which was wholly-owned by Bankers International Financial Corporation II Trust, a discretionary charitable trust. The trustee for the trust was Ansbacher (Cayman) Limited. An abbreviated organizational chart appears on page 11.

PROFITABILITY

For the period of this examination, the Company reported the following:

(\$ Millions)	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net premiums	\$2.4	\$4.6	\$13.5
Total revenues	\$13.5	\$12.9	\$19.0
Net income (loss)	\$0.9	\$1.0	(\$2.6)
Total capital and surplus	\$9.1	\$7.5	\$7.4

DIVIDENDS

The Company did not pay any shareholder dividends during the period of this examination.

MANAGEMENT

The annual shareholder meeting for the election of directors was held in accordance with Section 607.0701, F.S. Directors serving as of December 31, 2005 were:

Directors

Name and Location	Principal Occupation
William D. Gunter, Jr. Tallahassee, Florida	CEO of Rogers, Atkins, Gunter & Associates
Edwin C. Hussemann St. Petersburg, Florida	Treasurer of the Company
Brian L. Keefer St. Petersburg, Florida	Executive Vice President & COO of the Company
David K. Meehan St. Petersburg, Florida	President & CEO of the Company
Robert M. Menke Tierra Verde, Florida	Chairman, First Community Bank of America
J. Wayne Mixson Tallahassee, Florida	Director of the Company
David J. Nye Gainesville, Florida	Professor - University of Florida
Douglas B. Pierce Plano, Texas	Consultant - Pierce Consulting
John A. Strong Greensboro, South Carolina	Physician - Moses Cone Hospital
William Van Syckle Stamford, Connecticut	Retired

At December 31, 2005, members of the principal committees of the Board were:

Audit Committee

William D. Gunter, Jr.
J. Wayne Mixson
Donald B. Roberts*
John A. Strong
William Van Syckle

Executive Committee

Edwin C. Hussemann
Brian L. Keefer
David K. Meehan
Robert M. Menke
David J. Nye

Compensation Committee

William D. Gunter, Jr.
David K. Meehan
Robert M. Menke
David J. Nye

Investment Committee

Edito M. Gil*
William M. Gray, II*
Edwin C. Hussemann
Brian L. Keefer
Wayne S. Matthews*
David K. Meehan
Robert M. Menke
David J. Nye

Reinsurance Committee

Edwin C. Hussemann
Brian L. Keefer
Ed LaTour*
David K. Meehan
Robert M. Menke
William Van Syckle

Claims Committee

William D. Gunter, Jr.
Teresa Heller*
Edwin C. Hussemann
Brian L. Keefer
David K. Meehan
John A. Strong
William Van Syckle

Risk Management Committee

Brian L. Keefer
Wayne S. Matthews*
David K. Meehan
Robert M. Menke

Compliance Committee

William D. Gunter, Jr.
J. Wayne Mixson
David J. Nye

* Non-voting member

The Company's senior officers as of December 31, 2005, as appointed by its board of directors in accordance with the Company's bylaws, were:

Senior Officers

Name	Title
David K. Meehan	President & CEO
Brian L. Keefer	Executive Vice President & COO
Edwin C. Hussemann	Treasurer
John T. White	Secretary
Russell A. Fischer	Senior Vice President
Barbara A. Peat	Senior Vice President
William M. Gray, II	Vice President
Edito M. Gil	Vice President
Janet H. Till	Vice President

CONFLICT OF INTEREST PROCEDURE

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with Section 607.0832, F.S. No exceptions were noted during this examination.

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors, and Executive, Investment, Audit, Claims, and Compliance Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 625.304, F.S. A review of the prior report of examination by the Office was documented in the minutes of the Board.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), F.A.C. Its latest holding company registration statement was filed with the State of Florida, as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C., on May 8, 2005.

The following agreements were in force between the Company and its affiliates on December 31, 2005:

COST ALLOCATION AGREEMENT

The Company entered into a cost allocation agreement with Bankers Insurance Company on January 1, 2004. Under the terms of the agreement, Bankers Insurance Company was appointed as the service provider for the Company and was to provide certain executive and administrative functions. Fees paid by the Company pursuant to the agreement amounted to \$334,959 and \$425,374 for years 2004 and 2005, respectively.

SUBLEASE AGREEMENT

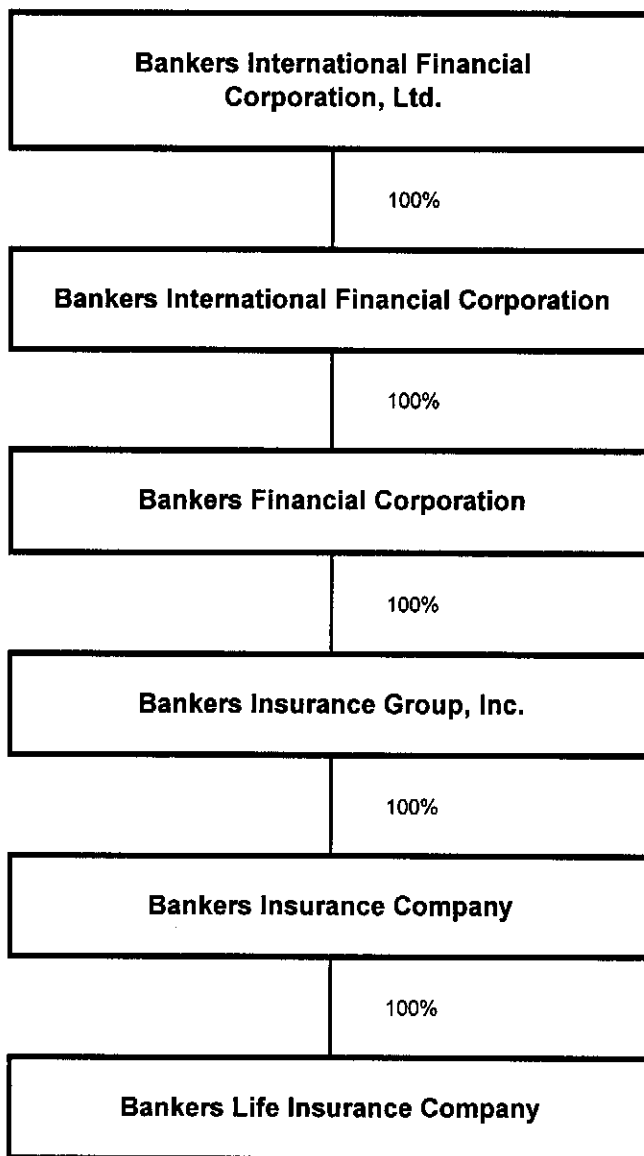
On December 5, 2003, the Company entered into a non-cancelable sublease agreement with Bankers Financial Corporation for office space at approximately \$17.34 per rentable square foot per year. The sublease, which expires on December 31, 2008, calls for a 2% annual increase in base rent during the term of the lease. Amounts paid by the Company pursuant to the agreement were \$57,470 and \$125,907 for 2004 and 2005, respectively.

TAX ALLOCATION AGREEMENT

The results of the Company's operations are included in a consolidated federal income tax return together with certain included affiliates pursuant to a tax sharing agreement dated October 1, 1993. Allocation of income taxes among members of the group is made primarily on a separate return basis, providing a current credit for any net operating losses or other items utilized in the consolidated tax return. Inter-company tax balances are settled annually.

An abbreviated organizational chart as of December 31, 2005 reflecting the holding company system is shown below. Schedule Y of the Company's 2005 annual statement provided the names of all related companies in the holding company group.

**Bankers Life Insurance Company
Organizational Chart
December 31, 2005**



FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage of up to \$1.5 million with a deductible of \$100,000 which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$500,000.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Eligible employees may participate in fringe benefits offered by the Company that include group medical and life insurance coverage, long-term and short-term disability insurance coverage, dental insurance coverage, educational assistance, paid leave, and participation in a 401(k) retirement plan.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with various other governments as required or permitted by law:

Holder	Description	Rate	Due	Par Value	Market Value
Florida	Bethlehem PA Series B	5.25%	11/1/17	\$413,000	\$420,558
Florida	Consolidated Rail Corp.	7.43%	7/1/10	607,000	666,031
Florida	Duke Cap. Corp. NT	8.00%	10/1/19	2,000,000	2,387,100
Florida	Natl Rural Utils COOP Fin	6.50%	11/1/18	115,000	131,481
Total Florida Deposits				3,135,000	3,605,170
Georgia	U.S. Treasury Note	5.00%	8/15/11	35,000	36,125
Indiana	GTE Hawaiian Telephone	7.00%	2/1/06	205,000	204,744
Nevada	Cincinnati Financial Group	6.90%	5/15/28	200,000	224,710
New Mexico	U.S. Treasury Note	5.50%	5/15/08	110,000	112,475
South Carolina	Cincinnati Financial Group	6.90%	5/15/28	340,000	382,007
South Carolina	Consolidated Rail Corp.	7.43%	7/1/10	185,000	202,991
Total Special Deposits				\$4,210,000	\$4,768,222

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company marketed individual annuities through independent agents and marketing organizations.

TERRITORY AND PLAN OF OPERATION

At December 31, 2005, the Company was authorized to transact insurance in the District of Columbia and in the following U.S. states:

Alabama	Kentucky	Oklahoma
Alaska	Louisiana	Pennsylvania
Arizona	Maryland	South Carolina
Arkansas	Mississippi	South Dakota
Delaware	Missouri	Tennessee
Florida	Montana	Texas
Georgia	Nebraska	Utah
Hawaii	Nevada	Washington
Idaho	New Mexico	West Virginia
Indiana	North Dakota	Wyoming
Kansas	Ohio	

TREATMENT OF POLICYHOLDERS

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

ASSUMED

The Company assumed risk primarily on a coinsurance basis from three unaffiliated companies.

CEDED

The Company ceded risk on a quota share basis to Bankers Insurance Company and eight unaffiliated companies. On February 28, 2005, it entered into an assumption agreement with Government Personnel Mutual Life Insurance Company (GPM) to sell its ordinary life business for \$2.6 million. The administration of the business was transferred to GPM on August 14, 2005.

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency and arbitration clauses, transfer of risk, and reporting and settlement deadlines. They were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory-basis financial statements annually for years 2003, 2004, and 2005, pursuant to Section 624.424(8), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C.

The Company's accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

The Company's main administrative office is located in St. Petersburg, Florida, where this examination was conducted.

RISK-BASED CAPITAL

The Company reported its risk-based capital at an adequate level.

INFORMATION SYSTEMS CONTROLS

As part of this financial condition examination, Highland Clark, LLC, a computer audit specialist (CAS) engaged by the Office, conducted an in-depth review of the adequacy of the Company's information systems controls. The review was of controls as documented by the Company in its Exhibit C (Evaluation of Controls in Information Systems Questionnaire), and was conducted in the Company's St. Petersburg, Florida offices. The Company's annuity administration system is referred to as "QuikLife"; its financial accounting and general ledger software is known as "Lawson". The CAS concluded that the Company's information systems general and application controls were generally adequate. It did, however, recommend that the Company require periodic reviews of its end-user access to its QuikLife and Lawson systems, complete the banking and check writing portion of its disaster recovery banking and check writing plan, and ensure that its Internet and e-mail policy is read and acknowledged by all of its employees.

The following agreements were in effect between the Company and non-affiliates:

CUSTODIAL AGREEMENT

The Company entered into a custodial agreement with the Bank of New York on January 15, 1998 for the holding and safekeeping of its stocks, certificates, bonds and other securities. Fees related to this agreement were \$42,637, \$55,126, and \$40,376, in years 2003, 2004, and 2005, respectively.

ACTUARIAL CONSULTING AGREEMENT

On April 1, 2005, the Company entered into an agreement with Wakely Actuarial Services, Inc., an independent actuarial firm, to provide general actuarial support services. Fees related to this agreement were \$123,446 for 2005.

INDEPENDENT AUDITOR AGREEMENT

The Company contracted with Gregory, Sharer & Stuart, P.A. to conduct annual audits of its statutory-basis financial statements. Fees related to this agreement were \$74,113, \$78,145, and \$82,216 in years 2003, 2004, and 2005, respectively.

ADMINISTRATIVE SERVICES AGREEMENT

On February 28, 2005, the Company entered into an administrative services agreement with GPM in connection with the assumption of the Company's ordinary business. Under the terms of the agreement, GPM provides general administrative services, processes commissions, and processes all contract changes regarding the policies assumed under the reinsurance treaty. Fees related to this agreement were \$143,789 in 2005.

FINANCIAL STATEMENTS PER EXAMINATION

The following four pages contain statements of the Company's financial position at December 31, 2005, as determined by this examination, and the results of its operations for the year then ended as reported by the Company. Adjustments resulting from this examination are summarized on page 23.

Bankers Life Insurance Company
Assets
December 31, 2005

	Per Company	Examination Adjustments	Per Examination
Bonds	\$114,766,636	(\$719,677)	\$114,046,959
Common stocks	2,016,319	0	2,016,319
Properties held for the production of income	64,667	0	64,667
Cash, cash equivalents, and short-term investments	746,680	0	746,680
Contract loans	799,231	0	799,231
	<u>118,393,533</u>	<u>(719,677)</u>	<u>117,673,856</u>
Investment income due and accrued	1,434,480	0	1,434,480
Deferred premiums, agents' balances and installments	925	0	925
Amounts recoverable from reinsurers	668,580	0	668,580
Funds held by or deposited with reinsured companies	40,946	0	40,946
Other amounts receivable under reinsurance contracts	120,891	0	120,891
Net deferred tax asset	85,061	0	85,061
Aggregate write-ins for other than invested assets	237,617	0	237,617
Total assets	<u>\$120,982,033</u>	<u>(\$719,677)</u>	<u>\$120,262,356</u>

Bankers Life Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2005

	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$106,362,618	\$0	\$106,362,618
Liability for deposit-type contracts	764,813	0	764,813
Contract claims - life	24,500	0	24,500
Contract claims - accident and health	97,373	0	97,373
Other amounts payable on reinsurance	856,322	0	856,322
Interest maintenance reserve	767,376	0	767,376
Commissions to agents due or accrued	24,733	0	24,733
General expenses due or accrued	281,197	0	281,197
Taxes, licenses and fees due or accrued	64,640	0	64,640
Current federal and foreign income taxes	180,340	0	180,340
Unearned investment income	22,912	0	22,912
Amounts withheld or retained by company	697,959	0	697,959
Asset valuation reserve	713,781	0	713,781
Funds held under reinsurance treaties	42,801	0	42,801
Payable to parent, subsidiaries and affiliates	27,220	0	27,220
Funds held under coinsurance	923,292	0	923,292
Payable for securities	1,431	0	1,431
Total liabilities	<u>111,853,308</u>	<u>0</u>	<u>111,853,308</u>
Gross paid in and contributed surplus	11,123,796	0	11,123,796
Unassigned funds (surplus)	<u>(4,995,071)</u>	<u>(719,677)</u>	<u>(5,714,748)</u>
Total surplus	6,128,725	(719,677)	5,409,048
Common capital stock	<u>3,000,000</u>	<u>0</u>	<u>3,000,000</u>
Totals of capital and surplus	<u>9,128,725</u>	<u>(719,677)</u>	<u>8,409,048</u>
Total liabilities, capital and surplus	<u>\$120,982,033</u>	<u>(\$719,677)</u>	<u>\$120,262,356</u>

Bankers Life Insurance Company
Statement of Operations
For Year Ended December 31, 2005

Premiums and annuity considerations		\$2,425,411
Net investment income		7,398,733
Amortization of interest maintenance reserve		68,910
Commissions and expense allowances on reinsurance ceded		2,943,944
Charges and fees for deposit-type contracts		10,295
Aggregate write-ins for miscellaneous income		<u>640,299</u>
		13,487,592
Death benefits	\$445,342	
Annuity benefits	60,702	
Disability benefits and benefits under accident and health contracts	(1,440,268)	
Surrender benefits and withdrawals for life contracts	7,553,483	
Interest and adjustments on contract or deposit-type contract funds	44,932	
Increase in aggregate reserves for contracts	<u>1,963,381</u>	
	8,627,572	
Commissions on premiums - direct business	1,271,627	
Commissions and expense allowances on reinsurance assumed	2,198	
General insurance expenses	2,387,647	
Insurance taxes, licenses and fees	336,943	
Increase in loading on deferred and uncollected premiums	<u>(438,997)</u>	12,186,990
Net gain before federal income taxes		1,300,602
Federal and foreign income taxes incurred		<u>308,576</u>
Net gain from operations before realized capital losses		992,026
Net realized capital losses		<u>115,547</u>
Net income		<u><u>\$876,479</u></u>

**Bankers Life Insurance Company
Capital and Surplus Account
For Year Ended December 31, 2005**

Capital and surplus - December 31, 2004		\$7,459,917
Net income	\$876,479	
Change in net unrealized capital gains	1,120,594	
Change in net deferred income tax	44,468	
Change in nonadmitted assets and related items	(21,012)	
Change in liability for reinsurance in unauthorized companies	52,293	
Change in asset valuation reserve	(404,014)	
Examination adjustments	<u>(719,677)</u>	
		<u>949,131</u>
Capital and surplus - December 31, 2005		<u><u>\$8,409,048</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Bonds

\$114,046,959

In its 2005 annual statement, the Company reported as admitted assets three bonds in the total amount of \$1,320,989 which were rated "6" by the NAIC Securities Valuation Office. The admitted amount of an insurer's investment in such bonds is limited by Section 625.305(4)(d), F.S., to 0.5% of its admitted assets, or in the case of the Company \$601,312 at December 31, 2005. As a result, we have non-admitted \$719,677 in bonds, representing the difference between the amount reported of \$1,320,989 and the allowable amount of \$601,312.

Aggregate reserve for life contracts and liability for deposit-type contracts

\$107,127,431

An outside actuarial firm appointed by the Board of Directors rendered an opinion that the amounts carried in the Company's balance sheet as of December 31, 2005 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. The Office actuary reviewed work papers provided by the Company and concurred with this opinion. Based on the results of the Office actuary's review and analysis of work papers and data provided by the Company, we concluded that the aggregate liability was not materially misstated.

Bankers Life Insurance Company
Comparative Analysis of Changes in Capital and Surplus
December 31, 2005

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus - December 31, 2005, per annual statement		\$9,128,725															
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%; text-align: center;"><u>Per Company</u></th> <th style="width: 33%; text-align: center;"><u>Per Exam</u></th> <th style="width: 33%; text-align: center;"><u>Increase (Decrease) In Capital & Surplus</u></th> </tr> </thead> <tbody> <tr> <td style="width: 33%;">Bonds</td> <td style="width: 33%; text-align: right;">\$114,766,636</td> <td style="width: 33%; text-align: right;">\$114,046,959</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(\$719,677)</td> </tr> <tr> <td>Net change in capital and surplus</td> <td></td> <td style="text-align: right;"><u>(719,677)</u></td> </tr> <tr> <td>Capital and surplus - December 31, 2005, per examination</td> <td></td> <td style="text-align: right;"><u><u>\$8,409,048</u></u></td> </tr> </tbody> </table>	<u>Per Company</u>	<u>Per Exam</u>	<u>Increase (Decrease) In Capital & Surplus</u>	Bonds	\$114,766,636	\$114,046,959			(\$719,677)	Net change in capital and surplus		<u>(719,677)</u>	Capital and surplus - December 31, 2005, per examination		<u><u>\$8,409,048</u></u>	
<u>Per Company</u>	<u>Per Exam</u>	<u>Increase (Decrease) In Capital & Surplus</u>															
Bonds	\$114,766,636	\$114,046,959															
		(\$719,677)															
Net change in capital and surplus		<u>(719,677)</u>															
Capital and surplus - December 31, 2005, per examination		<u><u>\$8,409,048</u></u>															

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS DIRECTIVES

The Company has taken the necessary actions to comply with the comments contained in the examination report issued by the Office as of June 30, 2002.

CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2005.

Information Systems Controls

As discussed on page 15, the examination resulted in a finding that the Company's information systems general and application controls were generally adequate. **However, we recommend that the Company require periodic reviews of its end-user access to its QuikLife and Lawson systems, complete the banking and check writing portion of its disaster recovery banking and check writing plan, and ensure that its Internet and e-mail policy is read and acknowledged by all of its employees.**

Bonds

As discussed on page 22, the Company reported in its 2005 annual statement as admitted assets three bonds in the total amount of \$1,320,989 which were rated "6" by the NAIC Securities Valuation Office. The cost of an insurer's investment in such bonds is limited by Section 625.305(4)(d), F.S., to 0.5% of its admitted assets, or in the case of the Company \$601,312 at December 31, 2005. As a result, we have non-admitted \$719,677 in bonds, representing the difference between the amount reported of \$1,320,989 and the \$601,312 limitation. **We recommend that the Company comply with the provisions of Section 625.305(4)(d), F.S., and limit the amount of its admitted investments accordingly.**

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Bankers Life Insurance Company** as of December 31, 2005, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total capital and surplus was \$8,409,048, which was in compliance with Section 624.408, F.S.

In addition to the undersigned, the following participated in this examination: Highland Clark, LLC; Kerry A. Krantz, Actuary; Darlene L. Lenhart-Schaeffer, Financial Examiner/Analyst; M. Alison Miele, Financial Examiner/Analyst; and David C. Schleit, CPA, Financial Examiner/Analyst Supervisor.

Respectfully submitted,

Walter F. Banas, CIE, Financial Specialist
Florida Office of Insurance Regulation