
AMENDED FILING EXPLANATION

Subsequent to filing the 2012 Statutory Annual Statement, the Company identified an error in the calculation of reserves on certain specified disease contracts due to missing reserve factors on policies in excess of thirty years in duration. SSAP No. 3 *Accounting Changes and Corrections of Errors*, requires that corrections of errors related to prior periods be reported as adjustments to unassigned surplus.

The Company corrected this error in 2012 by increasing future policy benefit reserves by \$3,802,922 and recording an adjustment to unassigned surplus in the accompanying financial statements, net of applicable federal income taxes, of \$411,084. As a result of this correction, total capital and surplus for 2012 has been reduced by \$3,391,838.

As a result, the following pages were amended: 2, 3, 4, 6, 11, 14, 18, 19, 21,22, 23, 37, 38, 39, and 41.



ANNUAL STATEMENT

For the Year Ended December 31, 2012
of the Condition and Affairs of the

Loyal American Life Insurance Company

NAIC Group Code.....0901, 0901 (Current Period) (Prior Period)	NAIC Company Code..... 65722	Employer's ID Number..... 63-0343428
Organized under the Laws of Ohio	State of Domicile or Port of Entry Ohio	Country of Domicile US
Incorporated/Organized..... May 18, 1955	Commenced Business..... July 4, 1955	
Statutory Home Office	1300 East Ninth Street..... Cleveland OH US 44114 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	11200 Lakeline Blvd., Suite 100..... Austin TX US..... 78717 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	(512)451-2224 <i>(Area Code) (Telephone Number)</i>
Mail Address	11200 Lakeline Blvd., Suite 100..... Austin TX US 78717 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	11200 Lakeline Blvd., Suite 100..... Austin TX US 78717 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	(512)451-2224 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address	www.loyalamerican.com	
Statutory Statement Contact	Jesse Navarrete <i>(Name)</i> CSBFinRpt@cigna.com <i>(E-Mail Address)</i>	512-807-4801 <i>(Area Code) (Telephone Number) (Extension)</i> (512) 467-1399 <i>(Fax Number)</i>

OFFICERS

Name	Title	Name	Title
1. Bradley Allen Wolfram	President	2. Brenda Weigilia Hardison	Secretary
3. Byron Keith Buescher	Treasurer	4. James Monroe Garvin III #	Appointed Actuary

OTHER

Paul Adolph Severt	Chief Financial Officer	Tracy Eugene Maples	Chief Actuary
David Lawrence Chambers	Vice President	Michael Kenneth Brown #	Vice President
Maureen Hardiman Ryan #	Assistant Treasurer	Barry Richard McHale #	Assistant Treasurer

DIRECTORS OR TRUSTEES

Bradley Allen Wolfram	Paul Adolph Severt	Thomas Barton Richards #	Eric Paul Palmer #
Frank Sataline Jr. #			

State of..... Texas
County of..... Williamson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) Bradley Allen Wolfram	_____ (Signature) Brenda Weigilia Hardison	_____ (Signature) Byron Keith Buescher
1. (Printed Name) President	2. (Printed Name) Secretary	3. (Printed Name) Treasurer
_____ (Title)	_____ (Title)	_____ (Title)

Subscribed and sworn to before me
This _____ day of August 2013

a. Is this an original filing?	Yes [] No [x]
b. If no	
1. State the amendment number	1
2. Date filed	08/15/2013
3. Number of pages attached	15

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	179,384,566		179,384,566	387,381,174
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....	5,436,804		5,436,804	16,748,695
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....1,345,290, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....15,910,867, Schedule DA).....	17,256,157		17,256,157	195,647
6. Contract loans (including \$.....0 premium notes).....			.0	18,128,986
7. Derivatives (Schedule DB).....			.0	
8. Other invested assets (Schedule BA).....			.0	
9. Receivables for securities.....			.0	32,702
10. Securities lending reinvested collateral assets (Schedule DL).....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	202,077,527	.0	202,077,527	422,487,204
13. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	2,292,486		2,292,486	4,465,240
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	52,425,663	5,547	52,420,116	(643,533)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	1,105,880
15.3 Accrued retrospective premiums.....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	2,554,175		2,554,175	1,756,045
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....	2,158,639		2,158,639	1,178,120
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	6,681,700		6,681,700	
18.2 Net deferred tax asset.....	70,955,369	57,885,369	13,070,000	8,027,000
19. Guaranty funds receivable or on deposit.....	167,684		167,684	522,379
20. Electronic data processing equipment and software.....	84,830		84,830	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	1,387,276	1,387,276	.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	779,938		779,938	29,310
24. Health care (\$.....0) and other amounts receivable.....	2,466,416	2,466,416	.0	
25. Aggregate write-ins for other than invested assets.....	541,384	541,384	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	344,573,087	62,285,992	282,287,095	438,927,645
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. TOTALS (Lines 26 and 27).....	344,573,087	62,285,992	282,287,095	438,927,645

DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Other Receivables and Prepaid Expenses.....	541,384	541,384	.0	
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	541,384	541,384	.0	.0

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$.....0 (Exhibit 5, Line 999999) less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve).....		222,238,520
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve).....	116,361,443	19,119,979
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$.....0 Modco Reserve).....	9,939	13,418,246
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11).....		3,476,412
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11).....	57,537,059	8,892,643
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid (Exhibit 4, Line 10).....		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco).....		40,000
6.2 Dividends not yet apportioned (including \$.....0 Modco).....		
6.3 Coupons and similar benefits (including \$.....0 Modco).....		
7. Amount provisionally held for deferred dividend policies not included in Line 6.....		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.....0 discount; including \$.....2,768,911 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14).....	2,768,911	1,229,805
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts.....		
9.2 Provision for experience rating refunds, including the liability of \$.....0 accident and health experience rating refunds of which \$.....0 is for medical loss ratio rebate per the Public Health Service Act.....		
9.3 Other amounts payable on reinsurance, including \$.....4,091,294 assumed and \$.....1,172,806 ceded.....	5,264,100	1,768,929
9.4 Interest Maintenance Reserve (IMR, Line 6).....	7,432,125	
10. Commissions to agents due or accrued - life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0.....	241,523	770,491
11. Commissions and expense allowances payable on reinsurance assumed.....	5,613,168	
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 6).....	3,382,271	451,138
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances).....		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5).....	727,583	1,278,292
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses).....		548,579
15.2 Net deferred tax liability.....		
16. Unearned investment income.....		522,037
17. Amounts withheld or retained by company as agent or trustee.....	17,884	60,707
18. Amounts held for agents' account, including \$.....0 agents' credit balances.....		19,093
19. Remittances and items not allocated.....	660,794	703,044
20. Net adjustment in assets and liabilities due to foreign exchange rates.....		
21. Liability for benefits for employees and agents if not included above.....		
22. Borrowed money \$.....0 and interest thereon \$.....0.....		
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve (AVR Line 16, Col. 7).....	974,111	1,178,762
24.02 Reinsurance in unauthorized and certified (\$.....0) companies.....		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$.....0) reinsurers.....		120,842,629
24.04 Payable to parent, subsidiaries and affiliates.....	836,466	222,496
24.05 Drafts outstanding.....		
24.06 Liability for amounts held under uninsured plans.....		
24.07 Funds held under coinsurance.....		
24.08 Derivatives.....		
24.09 Payable for securities.....		
24.10 Payable for securities lending.....		
24.11 Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	2,212,865	1,338,510
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25).....	204,040,242	398,120,312
27. From Separate Accounts Statement.....		
28. Total liabilities (Line 26 and 27).....	204,040,242	398,120,312
29. Common capital stock.....	5,640,000	5,640,000
30. Preferred capital stock.....		
31. Aggregate write-ins for other than special surplus funds.....		
32. Surplus notes.....		
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1).....	89,994,712	27,937,739
34. Aggregate write-ins for special surplus funds.....		2,682,565
35. Unassigned funds (surplus).....	(17,387,859)	4,547,029
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 29 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 30 \$.....0).....		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement).....	72,606,853	35,167,333
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55).....	78,246,853	40,807,333
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3).....	282,287,095	438,927,645

DETAILS OF WRITE-INS

2501. Escheat.....	1,703,629	1,078,510
2502. Deferred Lease Liability.....	325,000	260,000
2503. Other Liabilities.....	184,236	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,212,865	1,338,510
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page.....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above).....	0	0
3401. SSAP 10R Additional Surplus.....		2,660,000
3402. Subsidiary SSAP 10R Additional Surplus.....		22,565
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	2,682,565

Annual Statement for the year 2012 of the **Loyal American Life Insurance Company**
SUMMARY OF OPERATIONS

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11).....	(80,153,142)	103,290,042
2. Considerations for supplementary contracts with life contingencies.....	(452,887)	.....
3. Net investment income (Exhibit of Net Investment Income, Line 17).....	19,089,909	24,262,766
4. Amortization of Interest Maintenance Reserve (IMR) (Line 5).....	866,108	310,083
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....	.....	.....
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1).....	4,589,963	6,261,735
7. Reserve adjustments on reinsurance ceded.....	.....	.....
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts.....	.....	.....
8.2 Charges and fees for deposit-type contracts.....	.....	.....
8.3 Aggregate write-ins for miscellaneous income.....	17,463,491	652,669
9. Totals (Lines 1 to 8.3).....	(38,596,558)	134,777,295
10. Death benefits.....	(1,007,606)	1,786,789
11. Matured endowments (excluding guaranteed annual pure endowments).....	121,994	8,173
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8).....	2,860,656	7,736,500
13. Disability benefits and benefits under accident and health contracts.....	121,620,462	71,823,164
14. Coupons, guaranteed annual pure endowments and similar benefits.....	(102,380)	1,167
15. Surrender benefits and withdrawals for life contracts.....	11,698,407	20,603,132
16. Group conversions.....	.....	.....
17. Interest and adjustments on contract or deposit-type contract funds.....	(4,502,888)	400,939
18. Payments on supplementary contracts with life contingencies.....	50,907	74,565
19. Increase in aggregate reserves for life and accident and health contracts.....	(245,746,068)	(18,589,971)
20. Totals (Lines 10 to 19).....	(115,006,516)	83,844,458
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1).....	22,077,614	21,987,004
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1).....	5,615,654	1,560
23. General insurance expenses (Exhibit 2, Line 10, Columns 1, 2, 3 and 4).....	16,238,848	12,257,028
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3).....	4,932,243	3,019,974
25. Increase in loading on deferred and uncollected premiums.....	88,044	(83,727)
26. Net transfers to or (from) Separate Accounts net of reinsurance.....	.....	.....
27. Aggregate write-ins for deductions.....	3,983,592	6,962,624
28. Totals (Lines 20 to 27).....	(62,070,521)	127,988,921
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	23,473,963	6,788,374
30. Dividends to policyholders.....	11,988	36,575
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	23,461,975	6,751,799
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....	58,093,886	3,231,574
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	(34,631,911)	3,520,225
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....(9,795,397) (excluding taxes of \$.....13,133,249 transferred to the IMR).....	12,432,689	(692,460)
35. Net income (Line 33 plus Line 34).....	(22,199,222)	2,827,765
CAPITAL AND SURPLUS ACCOUNT		
36. Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2).....	40,807,333	37,883,946
37. Net income (Line 35).....	(22,199,222)	2,827,765
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....2,008,063.....	(4,584,014)	77,560
39. Change in net unrealized foreign exchange capital gain (loss).....	.....	.....
40. Change in net deferred income tax.....	59,994,348	851,566
41. Change in nonadmitted assets.....	(52,371,897)	267,586
42. Change in liability for reinsurance in unauthorized and certified companies.....	.....	.....
43. Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 9999999, Col. 4).....	.....	.....
44. Change in asset valuation reserve.....	204,651	91,599
45. Change in treasury stock, (Page 3, Lines 36.1 and 36.2 Col. 2 minus Col. 1).....	.....	.....
46. Surplus (contributed to) withdrawn from Separate Accounts during period.....	.....	.....
47. Other changes in surplus in Separate Accounts Statement.....	.....	.....
48. Change in surplus notes.....	.....	.....
49. Cumulative effect of changes in accounting principles.....	.....	.....
50. Capital changes:		
50.1 Paid in.....	.....	.....
50.2 Transferred from surplus (Stock Dividend).....	.....	.....
50.3 Transferred to surplus.....	.....	.....
51. Surplus adjustment:		
51.1 Paid in.....	62,056,974	.....
51.2 Transferred to capital (Stock Dividend).....	.....	.....
51.3 Transferred from capital.....	.....	.....
51.4 Change in surplus as a result of reinsurance.....	(224,053)	(1,418,638)
52. Dividends to stockholders.....	.....	.....
53. Aggregate write-ins for gains and losses in surplus.....	(5,437,267)	225,949
54. Net change in capital and surplus for the year (Lines 37 through 53).....	37,439,520	2,923,387
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38).....	78,246,853	40,807,333

DETAILS OF WRITE-INS

08.301. Interest on Agent's Balances.....	225,945	302,294
08.302. Express Script Rebates.....	76,754	28,631
08.303. Other Miscellaneous Income.....	63,394	1,265
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	17,097,398	320,479
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	17,463,491	652,669
2701. Interest on Debt.....	3,982,331	6,959,592
2702. Penalties.....	1,261	3,032
2703. ....	.....	.....
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	3,983,592	6,962,624
5301. SSAP 10R Additional Surplus.....	(2,660,000)	255,000
5302. Subsidiary SSAP 10R Additional Surplus.....	(22,565)	(29,051)
5303. GALAC Contribution to GALAC Holding.....	637,136	.....
5398. Summary of remaining write-ins for Line 53 from overflow page.....	(3,391,838)	0
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	(5,437,267)	225,949

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Industrial Life	Ordinary			6 Credit Life (Group and Individual)	Group		Accident and Health			12 Aggregate of All Other Lines of Business
			3 Life Insurance	4 Individual Annuities	5 Supplementary Contracts		7 Life Insurance(a)	8 Annuities	9 Group	10 Credit (Group and Individual)	11 Other	
1. Premiums and annuity considerations for life and accident and health contracts.....	(80,153,142)		(153,931,186)	(210,644,757)			27,608		7,030,402		277,364,791	
2. Considerations for supplementary contracts with life contingencies.....	(452,887)				(452,887)							
3. Net investment income.....	19,089,909		6,846,597	8,392,350	20,312		2,018	39,557	87,622		3,701,453	
4. Amortization of Interest Maintenance Reserve (IMR).....	866,108		(52,412)	(64,245)	(155)		(15)	(303)	22,737		960,501	
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....	0											
6. Commissions and expense allowances on reinsurance ceded.....	4,589,963		606,984	16,721			986		789,118		3,176,154	
7. Reserve adjustments on reinsurance ceded.....	0											
8. Miscellaneous Income:												
8.1 Fees associated with income from investment management, administration and contract guarantees from S/A.....	0											
8.2 Charges and fees for deposit-type contracts.....	0											
8.3 Aggregate write-ins for miscellaneous income.....	17,463,491	0	13,012,608	15,684,692	33,711	0	3,387	0	(498,819)	0	(10,772,088)	0
9. Totals (Lines 1 to 8.3).....	(38,596,558)	0	(133,517,409)	(186,615,239)	(399,019)	0	33,984	39,254	7,431,060	0	274,430,811	0
10. Death benefits.....	(1,007,606)		(1,039,099)				31,493					
11. Matured endowments (excluding guaranteed annual pure endowments).....	121,994		121,994									
12. Annuity benefits.....	2,860,656			2,769,590				91,066				
13. Disability benefits and benefits under accident and health contracts.....	121,620,462		1,862						2,192,541		119,426,059	
14. Coupons, guaranteed annual pure endowments and similar benefits.....	(102,380)		(102,380)									
15. Surrender benefits and withdrawals for life contracts.....	11,698,407		635,982	11,062,425								
16. Group conversions.....	0											
17. Interest and adjustments on contract or deposit-type contract funds.....	(4,502,888)		95,176	(4,600,760)	2,724				(13)		(15)	
18. Payments on supplementary contracts with life contingencies.....	50,907				50,907							
19. Increase in aggregate reserves for life and accident and health contracts.....	(245,746,068)		(141,396,744)	(198,667,482)	(433,522)		(14,279)	(23,462)	3,821,645		90,967,776	
20. Totals (Lines 10 to 19).....	(115,006,516)	0	(141,683,209)	(189,436,227)	(379,891)	0	17,214	67,604	6,014,173	0	210,393,820	0
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only).....	22,077,614		281,131	21,637			3,777		749,022		21,022,047	
22. Commissions and expense allowances on reinsurance assumed.....	5,615,654		2,380						165,717		5,447,557	
23. General insurance expenses.....	16,238,848		1,320,751	9,836			23,648		175,947		13,372,393	1,336,273
24. Insurance taxes, licenses and fees, excluding federal income taxes.....	4,932,243		196,113	58,449			3,209		50,349		4,624,123	
25. Increase in loading on deferred and uncollected premiums.....	88,044		(460,238)				(1,706)		19,075		530,913	
26. Net transfers to or (from) Separate Accounts net of reinsurance.....	0											
27. Aggregate write-ins for deductions.....	3,983,592	0	3,982,435	1	0	0	2	0	15	0	1,139	0
28. Totals (Lines 20 to 27).....	(62,070,521)	0	(136,360,637)	(189,346,304)	(379,891)	0	46,144	67,604	7,174,298	0	255,391,992	1,336,273
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	23,473,963	0	2,843,228	2,731,065	(19,128)	0	(12,160)	(28,350)	256,762	0	19,038,819	(1,336,273)
30. Dividends to policyholders.....	11,988		11,790	198								
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	23,461,975	0	2,831,438	2,730,867	(19,128)	0	(12,160)	(28,350)	256,762	0	19,038,819	(1,336,273)
32. Federal income taxes incurred (excluding tax on capital gains).....	58,093,886		(2,527,824)	(1,648,847)	(11,185)		(18,574)	(30,383)	825,810		61,972,585	(467,696)
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	(34,631,911)	0	5,359,262	4,379,714	(7,943)	0	6,414	2,033	(569,048)	0	(42,933,766)	(868,577)

DETAILS OF WRITE-INS

08.301. Interest on Agent's Balances.....	225,945										225,945	
08.302. Express Script Rebates.....	76,754										76,754	
08.303. Other Miscellaneous Income.....	63,394										63,394	
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	17,097,398	0	13,012,608	15,684,692	33,711	0	3,387	0	(498,819)	0	(11,138,181)	0
08.399. Total (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	17,463,491	0	13,012,608	15,684,692	33,711	0	3,387	0	(498,819)	0	(10,772,088)	0
2701. Interest on Debt.....	3,982,331		3,982,331									
2702. Penalties.....	1,261		104		1		2		15		1,139	
2703.	0											
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0	0	0	0	0	0	0	0	0	0	0
2799. Total (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	3,983,592	0	3,982,435	1	0	0	2	0	15	0	1,139	0

(a) Includes the following amounts for FEGLI/SGLI: Line 1.....0 Line 10.....0 Line 16.....0 Line 23.....0 Line 24.....0

EXHIBIT 2 - GENERAL EXPENSES

	Insurance				5 Investment	6 Total
	1 Life	Accident and Health		4 All Other Lines of Business		
		2 Cost Containment	3 All Other			
1. Rent.....	43,381		706,629	13,333		763,343
2. Salaries and wages.....	731,111		8,303,660	591,429		9,626,200
3.11 Contributions for benefit plans for employees.....	113,340		1,309,429			1,422,769
3.12 Contributions for benefit plans for agents.....						0
3.21 Payments to employees under non-funded benefit plans.....						0
3.22 Payments to agents under non-funded benefit plans.....						0
3.31 Other employee welfare.....	11,736		142,982	678		155,396
3.32 Other agent welfare.....						0
4.1 Legal fees and expenses.....	577		34,928	36,279		71,784
4.2 Medical examination fees.....			102,578			102,578
4.3 Inspection report fees.....						0
4.4 Fees of public accountants and consulting actuaries.....	54,420		174,666			229,086
4.5 Expense of investigation and settlement of policy claims.....	12,300		708,260			720,560
5.1 Traveling expenses.....	5,529		57,671	48,021		111,221
5.2 Advertising.....			125,695	49,354		175,049
5.3 Postage, express, telegraph and telephone.....	24,193		1,162,115	529		1,186,837
5.4 Printing and stationery.....	5,846		257,131	58,081		321,058
5.5 Cost or depreciation of furniture and equipment.....	151		75,728	5,302		81,181
5.6 Rental of equipment.....	47,365		185,000			232,365
5.7 Cost or depreciation of EDP equipment and software.....	23,022		161,825	1,727		186,574
6.1 Books and periodicals.....	4,198		43,577			47,775
6.2 Bureau and association fees.....	2,664		5,420			8,084
6.3 Insurance, except on real estate.....	20,603		45,884			66,487
6.4 Miscellaneous losses.....	(807)		144,422	336,533		480,148
6.5 Collection and bank service charges.....	34,723		156,394			191,117
6.6 Sundry general expenses.....	(37,180)		(2,564,734)	192,180		(2,409,734)
6.7 Group service and administration fees.....	2,212		10,763			12,975
6.8 Reimbursements by uninsured plans.....						0
7.1 Agency expense allowance.....			428			428
7.2 Agents' balances charged off (less \$.....3,024 recovered).....						0
7.3 Agency conferences other than local meetings.....	93		236,652			236,745
9.1 Real estate expenses.....						0
9.2 Investment expenses not included elsewhere.....				226,337		226,337
9.3 Aggregate write-ins for expenses.....	254,758	0	1,961,237	2,827	0	2,218,822
10. General expenses Incurred.....	1,354,235	0	13,548,340	1,336,273	226,337	(a).....16,465,185
11. General expenses unpaid December 31, prior year.....	111,231		339,907			451,138
12. General expenses unpaid December 31, current year.....			3,382,271			3,382,271
13. Amounts receivable relating to uninsured plans, prior year.....						0
14. Amounts receivable relating to uninsured plans, current year.....						0
15. General expenses paid during year (Lines 10 + 11 - 12 - 13 + 14).....	1,465,466	0	10,505,976	1,336,273	226,337	13,534,052

DETAILS OF WRITE-INS

09.301. EDP Expenses.....	254,758		1,718,480	77		1,973,315
09.302. TPA Services Fees.....			242,757	2,750		245,507
09.303.....						0
09.398. Summary of remaining write-ins for Line 9.3 from overflow page.....	0	0	0	0	0	0
09.399. Totals (Lines 09.301 thru 09.303 plus 09.398)(Line 9.3 above).....	254,758	0	1,961,237	2,827	0	2,218,822

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT 3 - TAXES, LICENSES AND FEES (EXCLUDING FEDERAL INCOME TAXES)

	Insurance			4 Investment	5 Total
	1 Life	2 Accident and Health	3 All Other Lines of Business		
1. Real estate taxes.....					0
2. State insurance department licenses and fees.....	15,919	178,405			194,324
3. State taxes on premiums.....	117,964	3,651,228			3,769,192
4. Other state taxes, including \$.....0 for employee benefits.....	11,796	156,726			168,522
5. U.S. Social Security taxes.....	74,009	540,131			614,140
6. All other taxes.....	38,083	147,982			186,065
7. Taxes, licenses and fees incurred.....	257,771	4,674,472	0	0	4,932,243
8. Taxes, licenses and fees unpaid December 31, prior year.....	126,038	1,152,254			1,278,292
9. Taxes, licenses and fees unpaid December 31, current year.....		727,583			727,583
10. Taxes, licenses and fees paid during year (Lines 7 + 8 - 9).....	383,809	5,099,143	0	0	5,482,952

EXHIBIT 4 - DIVIDENDS OR REFUNDS

	1	2
	Life	Accident and Health
1. Applied to pay renewal premiums.....	271	
2. Applied to shorten the endowment or premium-paying period.....		
3. Applied to provide paid-up additions.....	1,976	
4. Applied to provide paid-up annuities.....		
5. Total Lines 1 through 4.....	2,247	0
6. Paid-in cash.....	6,581	
7. Left on deposit.....	3,161	
8. Aggregate write-ins for dividend or refund options.....	0	0
9. Total Lines 5 through 8.....	11,989	0
10. Amount due and unpaid.....		
11. Provision for dividends or refunds payable in the following calendar year.....		
12. Terminal dividends.....		
13. Provision for deferred dividend contracts.....		
14. Amount provisionally held for deferred dividend contracts not included in Line 13.....		
15. Total Lines 10 through 14.....	0	0
16. Total from prior year.....	40,000	
17. Total dividends or refunds (Lines 9 + 15 - 16).....	(28,011)	0

DETAILS OF WRITE-INS

0801.....		
0802.....		
0803.....		
0898. Summary of remaining write-ins for Line 8 from overflow page.....	0	0
0899. Totals (Line 0801 thru 0803 plus 0898) (Line 8 above).....	0	0

EXHIBIT 6 - AGGREGATE RESERVES FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	Other Individual Contracts				
					5	6	7	8	9
	Total	Group Accident and Health	Credit Accident and Health (Group and Individual)	Collectively Renewable	Non- Cancelable	Guaranteed Renewable	Non-Renewable for Stated Reasons Only	Other Accident Only	All Other
ACTIVE LIFE RESERVE									
1. Unearned premium reserves.....	17,655,745	208,814		60,626	166,025	17,072,622	137,734		9,924
2. Additional contract reserves (a).....	83,564,356	3,758,180		362,152	4,244,323	75,122,420	561		76,720
3. Additional actuarial reserves - Asset/Liability analysis.....	0								
4. Reserve for future contingent benefits.....	0								
5. Reserve for rate credits.....	0								
6. Aggregate write-ins for reserves.....	0	0	0	0	0	0	0	0	0
7. Totals (Gross).....	101,220,101	3,966,994	0	422,778	4,410,348	92,195,042	138,295	0	86,644
8. Reinsurance ceded.....	7,384,218	5,864				7,378,354			
9. Totals (Net).....	93,835,883	3,961,130	0	422,778	4,410,348	84,816,688	138,295	0	86,644
CLAIM RESERVE									
10. Present value of amounts not yet due on claims.....	22,549,711	49,187		10,794	12,300,760	9,749,202			439,768
11. Additional actuarial reserves - Asset/Liability analysis.....	0								
12. Reserve for future contingent benefits.....	0								
13. Aggregate write-ins for reserves.....	0	0	0	0	0	0	0	0	0
14. Totals (Gross).....	22,549,711	49,187	0	10,794	12,300,760	9,749,202	0	0	439,768
15. Reinsurance ceded.....	24,151					24,151			
16. Totals (Net).....	22,525,560	49,187	0	10,794	12,300,760	9,725,051	0	0	439,768
17. TOTALS (Net).....	116,361,443	4,010,317	0	433,572	16,711,108	94,541,739	138,295	0	526,412
18. TABULAR FUND INTEREST.....	2,315,481	60,484		15,712	252,015	1,980,666			6,604

DETAILS OF WRITE-INS

0601.....									
0602.....									
0603.....									
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0	0	0	0
1301.....									
1302.....									
1303.....									
1398. Summary of remaining write-ins for Line 13 from overflow page.....	0	0	0	0	0	0	0	0	0
1399. Totals (Lines 1301 thru 1303 + 1398) (Line 13 above).....	0	0	0	0	0	0	0	0	0

(a) Attach statement as to valuation standard used in calculating this reserve, specifying reserve bases, interest rates and methods.

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Derivatives (Schedule DB).....			.0
8. Other invested assets (Schedule BA).....			.0
9. Receivables for securities.....			.0
10. Securities lending reinvested collateral assets (Schedule DL).....			.0
11. Aggregate write-ins for invested assets.....	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.0	.0	.0
13. Title plants (for Title insurers only).....			.0
14. Investment income due and accrued.....			.0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	5,547	59,484	53,937
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
15.3 Accrued retrospective premiums.....			.0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....		114,892	114,892
16.2 Funds held by or deposited with reinsured companies.....			.0
16.3 Other amounts receivable under reinsurance contracts.....			.0
17. Amounts receivable relating to uninsured plans.....			.0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
18.2 Net deferred tax asset.....	57,885,369	3,611,000	(54,274,369)
19. Guaranty funds receivable or on deposit.....			.0
20. Electronic data processing equipment and software.....			.0
21. Furniture and equipment, including health care delivery assets.....	1,387,276		(1,387,276)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
23. Receivables from parent, subsidiaries and affiliates.....			.0
24. Health care and other amounts receivable.....	2,466,416	2,025,942	(440,474)
25. Aggregate write-ins for other than invested assets.....	541,384	522,779	(18,605)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	62,285,992	6,334,097	(55,951,895)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
28. TOTALS (Lines 26 and 27).....	62,285,992	6,334,097	(55,951,895)

DETAILS OF WRITE-INS

1101.....			.0
1102.....			.0
1103.....			.0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0
2501. Other Receivables and Prepaid Expenses.....	541,384	75,687	(465,697)
2502. Disallowed IMR.....		447,092	447,092
2503.....			.0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	541,384	522,779	(18,605)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Accounting Practices and Procedures

The financial statements of Loyal American Life Insurance Company ("LALIC" or "the Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures* manual, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Ohio.

b. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

c. Accounting Policy

Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. The Company pays dividends to participating policyholders.

The Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans with an NAIC rating 1 through 5 are stated at amortized cost using the interest method; those rated 6 are stated at lower of cost or market.
- (3) Common stocks are stated at market, except investments in stocks of wholly owned subsidiaries, which are carried on the equity basis, in accordance with SSAP No. 97.
- (4) – (5) Not applicable
- (6) Loan-backed securities with an NAIC rating of 1 through 5 are stated at amortized cost using the interest method; securities rated 6 are stated at the lower of amortized cost or market. Certain residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and loan-backed and structured securities (LBASS) are subject to the two-step process based on the price point determined by a third party financial model to properly reflect the expected loss from the securities which in turn determines the Book Adjusted Carrying Value method and a final NAIC designation. Those RMBS, CMBS and LBASS securities that are not modeled but receive a current year Acceptable Rating Organizations (ARO) rating are subject to the two-step Modified FE process based on the price point determined by the NAIC which in turn determines the Book Adjusted Carrying Value method and a final NAIC designation. For loan-backed bonds and structured securities, dealer modified anticipated prepayment assumptions are used at the date of purchase to determine effective yields. Significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis.
- (7) Investments in subsidiaries, controlled and affiliated companies are valued using the equity method, in accordance with SSAP No. 97.
- (8) - (9) Not applicable
- (10) The Company utilizes anticipated investment income as a factor in the premium deficiency calculation.
- (11) Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) – (13) Not applicable

2. Accounting Changes and Corrections of Errors – Not applicable

3. Business Combinations and Goodwill – Not applicable.

4. Discontinued Operations – Not applicable.

5. Investments

a. – c. Not applicable

d. Loan-Backed Securities

- (1) The Company uses dealer-modeled prepayment assumptions for mortgage-backed and asset-backed securities at the date of purchase to determine effective yields; significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis.
- (2) The Company does not currently hold any securities with a recognized other-than-temporary ("OTTI") impairment where there is an intent to sell or an inability or lack of intent to hold the securities for a sufficient period of time necessary to recover the

NOTES TO FINANCIAL STATEMENTS

amortized cost basis of the securities.

(3) The following table shows each security with an other-than-temporary ("OTTI") impairment recognized during 2012:

CUSIP	Amortized Cost Before OTTI	Present Value of Projected Cash Flows	OTTI Charge Recognized in Income Statement	Amortized Cost After OTTI	Fair Value	Date Reported
47232DAK8	14,188	11,421	2,767	11,421	10,516	3/31/12
47232VAJ1	18,920	12,035	6,885	12,035	21,182	3/31/12
47232VCN0	58,105	52,338	5,767	52,338	21,212	3/31/12
47232VGK2	107,523	73,172	34,351	73,172	95,660	3/31/12

(4) The Company did not have any loan-backed securities with an unrealized loss.

(5) Based on cash flow projections received from independent sources (which reflect loan to collateral values, subordination, vintage and geographic concentration), implied cash flows inherent in security ratings and analysis of historical payment data, management believes that the Company will recover its cost basis in all securities with unrealized losses at December 31, 2012. The Company has the intent to hold such securities until they recover in value or mature.

e. - g. Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies – Not applicable

7. Investment Income – Not applicable

8. Derivative Instruments – Not applicable

9. Income Taxes

The Company's deferred tax assets (DTA) and liabilities (DTL) are determined by identifying its temporary differences. These temporary differences are measured using a balance sheet approach by comparing statutory and tax basis balance sheets for the Company.

SSAP 101 became effective from January 1, 2012 and included revised disclosure requirements. Calendar year 2011 data has been revised to follow the SSAP 101 disclosure requirements to allow for better comparison. In revising the calendar year 2011 information no amounts have been recalculated or changed.

a. The components of the net deferred tax asset (DTA)/liability (DTL) at December 31, 2012 are as follows:

(1)

(in Thousands)	December 31, 2012			December 31, 2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Gross DTA	71,927	-	71,927	11,357	2,528	13,885	60,570	(2,528)	58,042
(b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
(c) Adjusted gross DTA (1a - 1b)	71,927	-	71,927	11,357	2,528	13,885	60,570	(2,528)	58,042
(d) Nonadmitted DTA	(57,885)	-	(57,885)	(3,611)	-	(3,611)	(54,274)	-	(54,274)
(e) Subtotal Net Admitted DTA (1c - 1d)	14,042	-	14,042	7,746	2,528	10,274	6,296	(2,528)	3,768
(f) DTL	(972)	-	(972)	(1,589)	(658)	(2,247)	617	658	1,275
(g) Net admitted DTA (1e - 1f)	13,070	-	13,070	6,157	1,870	8,027	6,913	(1,870)	5,043

(2)

(in Thousands)	December 31, 2012			December 31, 2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission calculation under ¶11.a.-¶11.c									
(a) Admitted pursuant to ¶11.a. (loss carrybacks)	3,534	-	3,534	4,446	296	4,742	(912)	(296)	(1,208)
(b) Admitted pursuant to ¶11.b. (realization)	9,536	-	9,536	1,063	2,222	3,285	8,473	(2,222)	6,251
1. Realization per ¶11.b.i.	12,957	-	12,957	1,063	2,222	3,285	11,894	(2,222)	9,672
2. Limitation per ¶11.b.ii.	-	-	-	-	-	-	-	-	-
(c) Admitted pursuant to ¶11.c.	972	-	972	1,589	658	2,247	(617)	(658)	(1,275)
(d) Total admitted adjusted gross deferred tax asset (2a+2b+2c)	14,042	-	14,042	7,098	3,176	10,274	6,944	(3,176)	3,768

(3)

Used in ¶11.b.	December 31, 2012	December 31, 2011
(a) Applicable ratio for realization limitation threshold table	976%	N/A

(4) Impact of tax planning strategies (TPS) on adjusted gross DTAs and net admitted DTAs:

Impact of Tax Planning Strategies	December 31, 2012			December 31, 2011			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0%	0%	0%	0%	18%	18%	0%	-18%	-18%
(b) Net admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0%	0%	0%	0%	31%	31%	0%	-31%	-31%
(c) Do TPS include a reinsurance strategy?			No			No			

b. Temporary differences for which a DTL has not been established

The Company has recognized all of its deferred tax liabilities.

NOTES TO FINANCIAL STATEMENTS

c. Significant components of income taxes incurred

(1) Current income taxes incurred consist of the following major components:

<i>(in Thousands)</i>	December 31, 2012	December 31, 2011
(a) Current federal income tax expense/(benefit)	58,093	3,232
(b) Foreign income tax expense/(benefit)	-	-
(c) Subtotal	58,093	3,232
(d) Tax expense/(benefit) on realized capital gains/(losses)	3,338	296
(e) Utilization of capital loss carry-forwards	-	-
(f) Other, including prior year underaccrual/(overaccrual)	-	-
Federal and foreign income taxes incurred	61,431	3,528

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

(2) DTAs resulting from book/tax differences in:

<i>(in Thousands)</i>	December 31, 2012	December 31, 2011	Change
Other insurance & contract holder liability	2,243	1,103	1,140
Goodwill & intangibles	60,028	-	60,028
Deferred acquisition costs	3,548	9,060	(5,512)
Nonadmitted assets	1,540	797	743
Investment, net	3,052	2,325	727
Other	801	397	404
Deferred intercompany loss	-	203	(203)
Unrealized	715	-	715
Gross DTAs	71,927	13,885	58,042
Statutory valuation adjustment	-	-	-
Nonadmitted ordinary/capital DTAs	(57,885)	(3,611)	(54,274)
Admitted DTA	14,042	10,274	3,768

(3) DTLs resulting from book/tax differences in:

<i>(in Thousands)</i>	December 31, 2012	December 31, 2011	Change
Other insurance & contract holder liability	940	-	940
Investment, net	-	2,042	(2,042)
Other	32	205	(173)
Gross DTL	972	2,247	(1,275)

4. Net Deferred Tax Assets/Liabilities 13,070 8,027 5,043

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the change in nonadmitted assets is reported separately from the change in net deferred income taxes in the surplus section of the annual statement):

<i>(in Thousands)</i>	December 31, 2012	December 31, 2011	Change
Total deferred tax assets	71,927	13,885	58,042
Total deferred tax liabilities	(972)	(2,247)	1,275
Net deferred tax assets/liabilities	70,955	11,638	59,317
Statutory valuation allowance adjustment	-	-	-
Net deferred tax assets/liabilities after SVA	70,955	11,638	59,317
Tax effect of unrealized gains (losses)	-	-	(715)
Statutory valuation allowance adjustment allocated to unrealized	-	-	-
Other intraperiod allocation of deferred tax movement	-	-	-
Change in net deferred income tax	-	-	58,602

d. Reconciliation of total statutory income taxes reported to tax at statutory rate

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes including realized capital gains/losses. The significant items causing this difference are as follows:

<i>(in Thousands)</i>	December 31, 2012	Effective Tax Rate
Provision computed at statutory rate	13,787	35.00%
Non-admitted assets	(743)	-1.89%
IMR	3,213	8.16%
Purchase accounting	(11,336)	-28.78%
Federal benefit of state taxes	(56)	-0.14%
Ceding commission	(45)	-0.11%
Tax exempt interest	(9)	-0.02%
Intercompany dividends	(451)	-1.14%
Prior Period Adjustment	(1,331)	-3.38%
Other permanent differences	(200)	-0.52%
Total	2,829	7.18%
Federal income taxes incurred	61,431	155.95%
Change in deferred income taxes	(58,602)	-148.77%
Total statutory income taxes	2,829	7.18%

e. Carryforwards, recoverable taxes, and IRC Sec. 6603 deposits:

(1) At December 31, 2012, the Company has no net operating loss carry forward and no capital loss carry forward.

(2) Income taxes, ordinary and capital, available for recoupment in the event of future losses include:

Year	Amount
2012	3,749
2011	-
2010	-

(3) Deposits under IRS Code Section 6603 - not applicable

f. Federal or foreign income tax loss contingencies

None

NOTES TO FINANCIAL STATEMENTS

g. Federal income tax return

The Company's federal income tax return is filed on a stand alone basis.

10. Information Concerning Parent, Subsidiaries and Affiliates and Other Related Parties

a, b. & c. Related party transactions for 2012 and 2011 include:

On January 26, 2012, the Company received a cash contribution of \$147,872 from Great American Financial Resources, Inc.

On March 1, 2012, the Company contributed Great American Life Assurance Company's ("GALAC") stock to GALAC Holding Company in preparation to sell GALAC under the terms of a purchase agreement with Presidential Life Insurance Company. On March 20, 2012 and March 27, 2012, the Company received return of capital payments from GALAC Holding in the amounts of \$5,303,602 and \$88,071, respectively, comprised of securities and cash.

On June 21 and 29, 2012, the Company made cash contributions to GALAC Holding in the amounts of \$2,350,000 and 54,000, respectively.

On August 31, 2012 and September 1, 2012, the Company received a contributions in the amount of \$59,898,372 and \$2,010,710, respectively.

d. At December 31, 2012, the Company reported \$779,938 as amounts due from affiliated companies and \$836,466 due to affiliated companies. The terms of the agreements require that these amounts be settled within 90 days.

e. Not applicable

f. Management or service contracts and all cost sharing arrangements involving the Company:

(1) The Company had an agreement with GAFRI, subject to the direction of the finance committee of the Company, whereby GAFRI, along with the services provided by American Money Management, provides for money management and accounting services related to the investment portfolio. That agreement was terminated on August 31, 2012, as a result of the sale to Cigna.

(2) Certain administrative, management, underwriting, claims, accounting, data processing, collection and investment services are provided under agreements between the Company and affiliates at charges not unfavorable to the Company or the affiliate.

g. All of the Company's outstanding common stock is directly owned by Cigna Health and Life Insurance Company, a Connecticut domiciled insurance company, whose ultimate parent in Cigna Corporation, a Delaware domiciled insurance holding company.

h. – i. Not applicable

11. Debt – Not applicable

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Post-retirement Benefit Plans.

a. – c. Not applicable

d. Consolidated/Holding Company Plans:

Participation in the various employee benefit plans of GAFRI referred to below terminated effective December 31, 2012. Participation in similar plans maintained by Cigna becomes effective on January 1, 2013. No cost related to the Cigna plans has been recognized in the accompanying statements.

(1) Employees' Retirement Plan:

(a) All employees meeting minimum requirements are eligible to participate in an Employee Stock Ownership Retirement Plan ("Plan") established by GAFRI for employees of GAFRI and its participating subsidiaries. The Plan is a defined contribution plan in which participating employees are entitled to share in contributions made by GAFRI on their behalf. The benefits are based on an employee's years of service and eligible compensation for each year of participation. Funding is determined annually. Each participating employer contributes an amount based upon the relationship of its total eligible compensation to total eligible compensation under the Plan. The Company's contribution for the plan was \$168,907 in 2012 and \$97,307 in 2011.

(b) Plan costs are funded as they accrue and vested benefits are fully funded. Contributions to the Plan are subject to the discretion of the Board of Directors of the Company, and the Company has no liability for future contributions under the Plan.

(c) The Company's parent, GAFRI, sponsors a 401(k) retirement plan for all eligible employees of GAFRI and its participating subsidiaries. Effective January 1, 2001, GAFRI and participating subsidiaries began making matching contributions to the 401(k) plan. Company contributions are based on the amount of the participating employees' contributions. The Company recognized expenses of \$270,594 for its contribution to the plan in 2012 and \$182,515 in 2011.

(2) Deferred Compensation Plans:

The Company offers to its officers and selected employees the opportunity to defer receipt of a specific percentage of income. Amounts deferred are credited with interest at either a rate set by the Board of Directors or based on the performance of the common stock of AFG, as chosen by individual participants.

(3) Post Retirement Benefits – Not applicable

e. Post-Employment Benefits and Compensated Absences:

The Company accrues obligations for post employment benefits and compensated absences in accordance with SSAP No. 11.

NOTES TO FINANCIAL STATEMENTS

f. The Medicare Modernization Act

(1) In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act") became law. Under the Act, starting in 2006, retirees will have the ability to obtain prescription drug benefits through a new Medicare Part D program and companies that continue to provide postretirement prescription drug benefits to their retirees may be eligible to receive a new federal subsidy.

(2) The Medicare Modernization Act had no impact on the Company's postretirement benefits.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.

a. The Company has 2,500 shares authorized and 1,800 shares issued and outstanding. All shares are class A shares.

b. – d. Not applicable

e. The maximum amount of dividends that can be paid to stockholders by life insurance companies domiciled in the State of Ohio without prior approval of the Insurance Commissioner is the greater of 10% of surplus as regards to policyholders or net income as of the preceding December 31, but only to the extent of earned surplus as of the preceding December 31. The maximum amount of dividends payable in 2013 without prior approval is \$0 based on negative earned surplus.

f. – h. Not applicable

i. At December 31, 2012, the Company recognized a decrease in special surplus funds of 2,682,565 related to SSAP 10R from the prior year and an increase of \$637,136 related to the Company's contribution of its former subsidiary, Great American Life Assurance Company to GALAC Holding.

j. The portion of unassigned funds (surplus) represented or (reduced) by unrealized gains was (\$439,418) at December 31, 2012.

k. – m. Not applicable

14. Contingencies

a. Contingent Commitments – Not applicable

b. Assessments

From time to time, insurance companies may be assessed by various state insurance guaranty funds to help pay for the cost of other insurance company insolvencies. These assessments are generally recoverable in most states over a 3 to 10 year period through reduction in future premium tax liabilities. The Company periodically adjusts its accrual for future assessments utilizing information provided by the National Organization of Life and Health Insurance Guaranty Associations. At December 31, 2012, the Company held a liability for future assessments of \$108,531. The Company also holds an asset for premium tax offsets related to guaranty fund assessments paid or accrued.

Assets recognized from paid and accrued tax offsets for the year ended December 31, 2012, are as follows:

Balance, beginning of year	\$ 522,379
Premium tax offsets accrued	85,015
Premium tax offsets applied	(393,171)
Allowance for unrealizability	(46,539)
	<u>\$ 167,684</u>

c. – e. Not applicable

15. Leases

Effective January 17, 2008, the Company entered into a fifteen year non-cancellable operating lease for home office facilities which are shared among several affiliated companies. The lease may be renewed for two additional five year terms at market rates then in effect. Minimum annual rentals under the lease are as follows:

Years 1 – 5	\$1,007,500
Years 6 – 10	1,072,500
Years 11 – 14	1,137,500

16. Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk -- Not applicable

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities -- Not applicable

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans -- Not applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators --Not applicable

20. Fair Value Measurements

a. The Company does not have any assets or liabilities carried at fair value.

b. Not applicable.

NOTES TO FINANCIAL STATEMENTS

- c. The fair value, statement value and fair value level in which they are included of all financial instruments for which it is practicable to estimate fair value (excluding cash and equivalents) is presented below:

Description	Total Fair Value	Statement Value	Fair Value		
			Level 1	Level 2	Level 3
Assets:					
Bonds:					
U.S. Government and government agencies	\$ 4,828,402	\$ 4,645,125	\$ -	\$ 4,828,402	\$ -
States, municipalities and political subdivisions	5,142,305	5,184,225		5,142,305	
All other bonds	179,245,815	169,555,216		179,245,815	
Total Bonds	<u>\$189,216,522</u>	<u>\$179,384,566</u>	<u>\$ -</u>	<u>\$189,216,522</u>	<u>\$ -</u>

- d. Not applicable.

21. Other Items

- a. – b. Not applicable
c. Other disclosures

Assets in the amount of \$128,052,315 and \$111,759,019 at December 31, 2012 and 2011, respectively, were on deposit with government authorities or trustees as required by law or in accordance with the terms of various reinsurance agreements.

- d. – h. Not applicable

22. Events Subsequent

Management has evaluated the financial statements for subsequent events through February 20, 2013, the date financial statements were available to be issued.

23. Reinsurance

- a. Ceded Reinsurance Report

(1) Section 1 - General Interrogatories

- (a) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?
Yes () No (X)

If yes, give full details.

- (b) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?
Yes () No (X)

If yes, give full details.

(2) Section 2 - Ceded Reinsurance Report - Part A

- (a) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?
Yes () No (X)

(i) If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. \$ _____

(ii) What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? \$ _____

- (b) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?
Yes () No (X)

If yes, give full details.

(3) Section 3 - Ceded Reinsurance Report - Part B

- (a) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$ _____

NOTES TO FINANCIAL STATEMENTS

- (b) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes (X) No ()

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$367,448,597

- b. Uncollectible Reinsurance – No reinsurance recoverables were written off.
c. Commutation of Ceded Reinsurance Reflected in Income and Expenses

The Company recorded a gain of \$760,207 due to the recapture of the reinsurance agreement with Hannover Life Reassurance (Ireland) LTD.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination -- Not applicable

25. Change in Incurred Losses and Loss Adjustment Expenses:

Reserves as of December 31, 2011 were \$32,553,058 which includes adjustments for reserves acquired through a new reinsurance arrangement entered into during 2012. As of December 31, 2012 \$6,674,097 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$25,694,323 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Medicare Supplement, cancer treatment and disability income lines of insurance. Therefore, there has been a \$184,638 favorable prior year development since December 31, 2011 to December 30, 2012. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements -- Not applicable

27. Structured Settlements -- Not applicable

28. Health Care Receivables -- Not applicable

29. Participating Policies

- a. Participating policies represent approximately 5.4% of the total life insurance inforce at December 31, 2012.
b. Policyholder dividends are recognized on the policy's anniversary.
c. Dividends to policyholders in 2012 were \$11,988.
d. No additional income was allocated to participating policyholders.

30. Premium Deficiency Reserves -- Not applicable

31. Reserves for Life Contracts and Annuity Contracts

- a. The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.
b. Extra premiums are charged for substandard lives. Reserves are based on a combination of mean reserves for substandard lives and the gross premiums charged for such.
c. As of December 31, 2012, the Company had \$0 of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of Ohio.
d. Tabular interest less actual reserves released, and tabular cost have been determined by formula as described in the instructions.
e. For the determination of tabular interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as one hundredth of the product of such valuation rate of interest times the mean of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.
f. The decrease in reserves on the Analysis of Increase in Reserves, Page 7, line 7, due to a reinsurance transaction are as follows:

	Column	Amount
Life reserves	3	\$ 22,510,494
Individual Annuity reserves	4	188,444,366
Supplementary Contracts reserves	5	419,176
Group Annuity reserves	8	885,487

The change in reserves in Exhibit 7, Line 4, Column 3 of \$1,054,391 is due to internal rollovers. The changes in column 5 of \$206,344 and Column 6 of (\$162,020) are primarily due to account reconciliations/reclassification adjustments net of the reinsurance agreement with Great American Life Insurance Company effective August 31, 2012.

NOTES TO FINANCIAL STATEMENTS

32. Analysis of Annuity Actuarial Reserves and Deposit Type Liabilities by Withdrawal Characteristics

Withdrawal Characteristics of Annuity Actuarial Reserves and Deposit-Type contract Funds and Other Liabilities Without Life or Disability Contingencies

	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
a. Subject to discretionary withdrawal:					
(1) With fair value adjustment	\$ 88,691,162	\$ -	\$ -	\$ -	36.2%
(2) At book value less current surrender charge of 5% or more	24,638,404	-	-	-	10.1%
(3) At fair value	-	-	-	-	-
(4) Total with adjustment or at fair value (total of 1 through 3)	113,329,566	-	-	-	46.3%
(5) At book value without adjustment (minimal or no charge or adjustment)	123,923,666	-	-	-	50.6%
b. Not subject to discretionary withdrawal	7,605,543	-	-	-	3.1%
c. Total (gross: direct + assumed)	244,858,775	-	-	-	100.00%
d. Reinsurance Ceded	(244,848,836)	-	-	-	
e. Total Net (net)* c. – d.	<u>\$ 9,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities.

	Amount
f.	
Life & Accident & Health Annual Statement:	
1. Exhibit 5, Annuities Section, Total (net)	\$ -
2. Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net)	-
3. Exhibit 7, Deposit-Type Contracts, Line 14, Column 1	9,939
4. Subtotal	<u>9,939</u>
Separate Accounts Annual Statement:	
5. Exhibit 3, Line 0299999, Column 2	-
6. Exhibit 3, Line 0399999, Column 2	-
7. Policyholder divided and coupon accumulations	-
8. Policyholder premiums	-
9. Guaranteed interest contracts	-
10. Other contract deposit funds	-
11. Subtotal	-
12. Combined Total	<u>\$ 9,939</u>

33. Premium and Annuity Considerations Deferred and Uncollected

a. Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2012, were as follows:

Type	Gross	Net of Loading
(1) Industrial	\$ (2,047)	\$ (2,047)
(2) Ordinary new business	-	-
(3) Ordinary renewal	(1,700,712)	(1,700,712)
(4) Credit Life	-	-
(5) Group Life	(28,502)	(28,502)
(6) Group Annuity	-	-
(7) Totals	<u>\$ (1,731,261)</u>	<u>\$ (1,731,261)</u>

34. Separate Accounts -- Not applicable

35. Loss/Claim Adjustment Expenses

At December 31, 2011, reserves for loss adjustment expenses (LAE) of \$227,174 were included as a component of Contract Claim Liabilities. In connection with the acquisition of the Company by Cigna at August 31, 2012, LAE was reclassified from Contract Claim Liabilities to General Expenses Due and Accrued. At December 31, 2012, reserves for LAE included in General Expense Due and Accrued totaled \$1,993,512.

The Company incurred \$2,501,627 and paid \$2,708,209 of loss adjustment of loss adjustment expenses in the current year of which \$553,658 of the paid amount was attributable to insured events of prior years.

As a result of favorable claims development the Company decreased its provision for LAE related to insured events of prior year by \$28,915.

GENERAL INTERROGATORIES

PART 2 - LIFE INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only \$.....99,416,273
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$.....0
- 1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$.....0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$.....66,657,154

- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned \$.....57,087,265
- 1.62 Total incurred claims \$.....38,481,811
- 1.63 Number of covered lives29,251

- All years prior to most current three years:
- 1.64 Total premium earned \$.....42,329,008
- 1.65 Total incurred claims \$.....28,175,343
- 1.66 Number of covered lives16,202

- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned \$.....0
- 1.72 Total incurred claims \$.....0
- 1.73 Number of covered lives0

- All years prior to most current three years:
- 1.74 Total premium earned \$.....0
- 1.75 Total incurred claims \$.....0
- 1.76 Number of covered lives0

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	...129,808,515	...92,087,998
2.2 Premium Denominator.....	...148,859,558	...103,290,042
2.3 Premium Ratio (2.1/2.2).....	.....87.2	.....89.2
2.4 Reserve Numerator.....	...75,192,803	...13,745,350
2.5 Reserve Denominator.....	...173,898,502	...252,560,719
2.6 Reserve Ratio (2.4/2.5).....	.....43.2	.....5.4

- 3.1 Does this reporting entity have Separate Accounts? Yes No
- 3.2 If yes, has a Separate Accounts statement been filed with this Department? Yes No N/A
- 3.3 What portion of capital and surplus funds of the reporting entity covered by assets in the Separate Accounts statement, is not currently distributable from the Separate Accounts to the general account for use by the general account?
- 3.4 State the authority under which Separate Accounts are maintained:

- 3.5 Was any of the reporting entity's Separate Accounts business reinsured as of December 31? Yes No
- 3.6 Has the reporting entity assumed by reinsurance any Separate Accounts business as of December 31? Yes No
- 3.7 If the reporting entity has assumed Separate Accounts business, how much, if any, reinsurance assumed receivable for reinsurance of Separate Accounts reserve expense allowances is included as a negative amount in the liability for "Transfers to Separate Accounts due or accrued (net)?"

- 4.1 Are personnel or facilities of this reporting entity used by another entity or entities or are personnel or facilities of another entity or entities used by this reporting entity (except for activities such as administration of jointly underwritten group contracts and joint mortality or morbidity studies)? Yes No

- 4.2 Net reimbursement of such expenses between reporting entities:
- 4.21 Paid \$.....7,409,166
- 4.22 Received \$.....1,524,235

- 5.1 Does the reporting entity write any guaranteed interest contracts? Yes No
- 5.2 If yes, what amount pertaining to these items is included in:
- 5.21 Page 3, Line 1
- 5.22 Page 4, Line 1

6. For stock reporting entities only:
- 6.1 Total amount paid in by stockholders as surplus funds since organization of the reporting entity: \$.....89,994,713

7. Total dividends paid stockholders since organization of the reporting entity:
- 7.11 Cash \$.....171,293,877
- 7.12 Stock \$.....0

GENERAL INTERROGATORIES

PART 2 - LIFE INTERROGATORIES

8.1 Does the company reinsure any Workers' Compensation Carve-Out business defined as: Yes [] No [X]
 Reinsurance (including retrocessional reinsurance) assumed by life and health insurers of medical, wage loss and death benefits of the occupational illness and accident exposures, but not the employers liability exposures, of business originally written as workers' compensation insurance.

8.2 If yes, has the reporting entity completed the Workers' Compensation Carve-Out Supplement to the Annual Statement? Yes [] No []

8.3 If 8.1 is yes, the amounts of earned premiums and claims incurred in this statement are:

	1 Reinsurance Assumed	2 Reinsurance Ceded	3 Net Retained
8.31 Earned premium.....
8.32 Paid claims.....
8.33 Claim liability and reserve (beginning of year).....
8.34 Claim liability and reserve (end of year).....
8.35 Incurred claims.....

8.4 If reinsurance assumed included amounts with attachment points below \$1,000,000, the distribution of the amounts reported in Lines 8.31 and 8.34 for Col. (1) are:

	1 Earned Premium	2 Claim Liability and Reserve
8.41 < \$25,000.....
8.42 \$25,000 – 99,999.....
8.43 \$100,000 – 249,999.....
8.44 \$250,000 – 999,999.....
8.45 \$1,000,000 or more.....

8.5 What portion of earned premium reported in 8.31, Col. 1 was assumed from pools?

9.1 Does the company have variable annuities with guaranteed benefits? Yes [] No [X]

9.2 If 9.1 is yes, complete the following table for each type of guaranteed benefit.

Type		3 Waiting Period Remaining	4 Account Value Related to Col. 3	5 Total Related Account Values	6 Gross Amount of Reserve	7 Location of Reserve	8 Portion Reinsured	9 Reinsurance Reserve Credit
1 Guaranteed Death Benefit	2 Guaranteed Living Benefit							

10. For reporting entities having sold annuities to another insurer when the insurer purchasing the annuities has obtained a release of liability from the claimant (payee) as the result of the purchase of an annuity from the reporting entity only:

10.1 Amount of loss reserves established by these annuities during the current year? \$.....0

10.2 List the name and location of the insurance company purchasing the annuities and the statement value on the purchase date of the annuities.

1 P&C Insurance Company and Location	2 Statement Value on Purchase Date of Annuities (i.e., Present Value) \$

11.1 Do you act as a custodian for health savings account? Yes [] No [X]

11.2 If yes, please provide the amount of custodial funds held as of the reporting date.

11.3 Do you act as an administrator for health savings accounts? Yes [] No [X]

11.4 If yes, please provide the balance of the funds administered as of the reporting date.

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

Show amounts of life insurance in this exhibit in thousands (omit \$000)

	1 2012	2 2011	3 2010	4 2009	5 2008
Life Insurance in Force (Exhibit of Life Insurance)					
1. Ordinary - whole life and endowment (Line 34, Col. 4).....	465,988	501,348	547,363	598,382	637,788
2. Ordinary - term (Line 21, Col. 4, less Line 34, Col. 4).....	139,813	151,782	165,538	178,543	199,168
3. Credit life (Line 21, Col. 6).....					
4. Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4).....	12,090	14,912	17,210	18,797	19,997
5. Industrial (Line 21, Col. 2).....					
6. FEGLI/SGLI (Lines 43 & 44, Col. 4).....					
7. Total (Line 21, Col. 10).....	617,891	668,042	730,111	795,722	856,953
New Business Issued (Exhibit of Life Insurance)					
8. Ordinary - whole life and endowment (Line 34, Col. 2).....	159	34	124	22,615	4,578
9. Ordinary - term (Line 2, Col. 4, less Line 34, Col. 2).....	2	3	8	31	558
10. Credit life (Line 2, Col. 6).....					76
11. Group (Line 2, Col. 9).....		80		30	155
12. Industrial (Line 2, Col. 2).....					
13. Total (Line 2, Col. 10).....	161	117	132	22,676	5,367
Premium Income - Lines of Business (Exhibit 1-Part 1)					
14. Industrial life (Line 20.4, Col. 2).....					
15.1 Ordinary life insurance (Line 20.4, Col. 3).....	(153,931,185)	1,759,552	1,928,755	2,375,226	1,474,686
15.2 Ordinary individual annuities (Line 20.4, Col. 4).....	(210,644,757)	412,253	1,449,050	1,600,301	78,108,546
16. Credit life (group and individual) (Line 20.4, Col. 5).....					825
17.1 Group life insurance (Line 20.4, Col. 6).....	27,608	107,436	121,536	144,870	162,272
17.2 Group annuities (Line 20.4, Col. 7).....					
18.1 A&H - group (Line 20.4, Col. 8).....	7,030,402	127,178	142,579	167,790	279,328
18.2 A&H - credit (group and individual) (Line 20.4, Col. 9).....					
18.3 A&H - other (Line 20.4, Col. 10).....	277,364,789	100,883,623	83,802,994	48,640,185	27,192,371
19. Aggregate of all other lines of business (Line 20.4, Col. 11).....					
20. Total.....	(80,153,143)	103,290,042	87,444,914	52,928,372	107,218,028
Balance Sheet (Pages 2 and 3)					
21. Total admitted assets excluding Separate Accounts business (Page 2, Line 26, Col. 3).....	282,287,095	438,927,645	452,928,452	465,848,601	483,898,561
22. Total liabilities excluding Separate Accounts business (Page 3, Line 26).....	204,040,242	398,120,312	415,044,506	432,518,494	446,200,556
23. Aggregate life reserves (Page 3, Line 1).....		222,238,520	240,142,087	257,131,032	268,598,384
24. Aggregate A&H reserves (Page 3, Line 2).....	116,361,443	19,119,979	19,806,384	20,036,848	31,449,607
25. Deposit-type contract funds (Page 3, Line 3).....	9,939	13,418,246	13,470,506	13,803,826	12,774,630
26. Asset valuation reserve (Page 3, Line 24.01).....	974,111	1,178,762	1,270,361	870,394	1,282,242
27. Capital (Page 3, Lines 29 & 30).....	5,640,000	5,640,000	5,640,000	5,640,000	5,640,000
28. Surplus (Page 3, Line 37).....	72,606,853	35,167,333	32,243,946	27,690,107	32,058,005
Cash Flow (Page 5)					
29. Net Cash from operations (Line 11).....	(232,416,139)	(14,749,981)	(15,162,326)	(8,521,534)	60,307,225
Risk-Based Capital Analysis					
30. Total adjusted capital.....	86,286,042	42,024,407	39,174,307	34,248,668	39,098,037
31. Authorized control level risk-based capital.....	7,252,296	4,473,042	4,520,185	4,085,794	5,549,068
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Line No. /Page 2, Line 12, Col. 3) x 100.0					
32. Bonds (Line 1).....	88.8	91.7	90.4	85.2	83.3
33. Stocks (Lines 2.1 and 2.2).....	2.7	4.0	4.0	3.6	3.1
34. Mortgage loans on real estate (Lines 3.1 and 3.2).....					
35. Real estate (Line 4.1, 4.2 and 4.3).....					
36. Cash, cash equivalents and short-term investments (Line 5).....	8.5	0.0	1.3	6.5	9.1
37. Contract loans (Line 6).....		4.3	4.3	4.7	4.5
38. Derivatives (Line 7).....				XXX	XXX
39. Other invested assets (Line 8).....					
40. Receivables for securities (Line 9).....		0.0		0.0	
41. Securities lending reinvested collateral assets (Line 10).....				XXX	XXX
42. Aggregate write-ins for invested assets (Line 11).....					
43. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0

FIVE-YEAR HISTORICAL DATA

(continued)

	1 2012	2 2011	3 2010	4 2009	5 2008
Investments in Parent, Subsidiaries and Affiliates					
44. Affiliated bonds (Sch. D Summary, Line 12 Col. 1).....					
45. Affiliated preferred stocks (Sch. D Summary, Line 18 Col. 1).....					
46. Affiliated common stocks (Sch. D Summary, Line 24 Col. 1).....	5,436,805	13,766,185	13,481,767	13,342,773	13,807,583
47. Affiliated short-term investments (subtotal included in Sch. DA, Verif. Col. 5, Line 10).....					
48. Affiliated mortgage loans on real estate.....					
49. All other affiliated.....					
50. Total of above Lines 44 to 49.....	5,436,805	13,766,185	13,481,767	13,342,773	13,807,583
51. Total investment in parent included in Lines 44 to 49 above.....					
Total Nonadmitted and Admitted Assets					
52. Total nonadmitted assets (Page 2, Line 28, Col. 2).....	62,285,992	6,334,097	6,856,682	8,640,189	6,623,859
53. Total admitted assets (Page 2, Line 28, Col. 3).....	282,287,095	438,927,645	452,928,452	465,848,601	483,898,561
Investment Data					
54. Net investment income (Exhibit of Net Investment Income).....	19,089,909	24,262,766	24,444,027	24,398,651	26,523,421
55. Realized capital gains (losses) (Page 4, Line 34, Column 1).....	12,432,689	(692,460)	(62,935)	(934,730)	(6,764,669)
56. Unrealized capital gains (losses) (Page 4, Line 38, Column 1).....	(4,584,014)	77,560	1,033,862	332,064	1,381,329
57. Total of above Lines 54, 55 and 56.....	26,938,584	23,647,866	25,414,954	23,795,985	21,140,081
Benefits and Reserve Increase (Page 6)					
58. Total contract benefits - life (Lines 10, 11, 12, 13, 14 and 15 Col. 1 less Lines 10, 11, 12, 13, 14 and 15, Cols. 9, 10 & 11).....	13,572,933	30,142,632	30,983,575	25,525,092	39,079,544
59. Total contract benefits - A&H (Lines 13 & 14, Cols. 9, 10 & 11).....	121,618,600	71,816,293	57,407,634	29,391,029	14,939,903
60. Increase in life reserves - other than group and annuities (Line 19, Cols. 2 & 3).....	(141,396,744)	(94,247)	(434,474)	(320,044)	(638,036)
61. Increase in A&H reserves (Line 19, Cols. 9, 10 & 11).....	94,789,421	(686,404)	(207,477)	1,221,990	2,564,361
62. Dividends to policyholders (Line 30, Col 1).....	11,988	36,575	(12,192)	38,378	39,649
Operating Percentages					
63. Insurance expense percent (Page 6, Col. 1, Lines 21, 22, & 23 less Line 6)/(Page 6 Col. 1, Line 1 plus Exhibit 7, Col. 2, Line 2) x 100.00.....	(49.1)	27.1	26.4	39.7	12.4
64. Lapse percent (ordinary only) [(Exhibit of Life Insurance, Col. 4, Lines 14 & 15) / 1/2 (Exhibit of Life Insurance, Col. 4, Lines 1 & 21)] x 100.00.....	5.3	6.7	6.3	8.2	7.3
65. A&H loss percent (Schedule H, Part 1, Lines 5 & 6, Col. 2).....	75.0	70.3	67.7	61.2	64.3
66. A&H cost containment percent (Schedule H, Part 1, Line 4, Col. 2).....					
67. A&H expense percent excluding cost containment expenses (Schedule H, Part 1, Line 10, Col. 2).....	15.3	29.0	33.8	42.8	46.0
A&H Claim Reserve Adequacy					
68. Incurred losses on prior years' claims - group health (Sch. H, Part 3, Line 3.1, Col. 2).....	330,312	6,421	8,974	12,870	33,546
69. Prior years' claim liability and reserve - group health (Sch. H, Part 3, Line 3.2, Col. 2).....	76,209	48,189	49,260	79,247	124,423
70. Incurred losses on prior years' claims - health other than group (Sch. H, Part 3, Line 3.1, Col. 1 less Col. 2).....	32,038,108	7,866,028	6,472,667	4,590,437	4,158,774
71. Prior years' claim liability and reserve - health other than group (Sch. H, Part 3, Line 3.2, Col. 1 less Col. 2).....	32,476,849	9,505,634	7,864,747	5,295,201	5,720,987
Net Gains From Operations After Federal Income Taxes by Lines of Business (Page 6, Line 33)					
72. Industrial life (Col. 2).....					
73. Ordinary - life (Col. 3).....	5,359,262	272,813	7,217,445	171,367	927,696
74. Ordinary - individual annuities (Col. 4).....	4,379,714	3,242,096	4,312,153	3,104,929	1,485,464
75. Ordinary - supplementary contracts (Col. 5).....	(7,943)	(7,336)	(149,766)	(31,169)	55,535
76. Credit life (Col. 6).....				655	716
77. Group life (Col. 7).....	6,414	(62,938)	(22,473)	(15,761)	(87,524)
78. Group annuities (Col. 8).....	2,033	(36,018)	(44,322)	(5,487)	(12,012)
79. A&H - group (Col. 9).....	(569,048)	56,361	138,208	94,281	163,596
80. A&H - credit (Col. 10).....					
81. A&H - other (Col. 11).....	(42,933,766)	55,247	(766,252)	(130,951)	(489,834)
82. Aggregate of all other lines of business (Col. 12).....	(868,577)				
83. Total (Col. 1).....	(34,631,911)	3,520,225	10,684,993	3,187,864	2,043,637

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain: