

OHIO DEPARTMENT OF INSURANCE

A MARKET CONDUCT EXAMINATION OF

Amerus Life Insurance Company

NAIC #61689

As Of

December 31, 2004





Ted Strickland, Governor
Mary Jo Hudson, Director

2100 Stella Court, Columbus, OH 43215-1067

(614) 644-2658

www.ohioinsurance.gov

Honorable Mary Jo Hudson
Director
Ohio Department of Insurance
2100 Stella Court
Columbus, Ohio 43215-1067

Director:

Pursuant to your instructions and in accordance with the powers vested under Title 39 of the Ohio Revised Code, a Market Regulation desk examination was conducted on the Ohio business of:

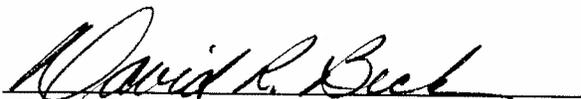
Amerus Life Insurance Company
NAIC Company Code 61689.

The examination was conducted at the Ohio Department of Insurance office located at:

2100 Stella Court
Columbus OH 43215.

A report of the examination is enclosed.

Respectfully submitted,


David R. Beck
Chief, Market Regulation Division


Date



Accredited by the National Association of Insurance Commissioners (NAIC)

Consumer Hotline: 1-800-686-1526

Fraud Hotline: 1-800-686-1527

OSHIIP Hotline: 1-800-686-1578

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FOREWORD

This examination was conducted under authority provided under Ohio Revised Code (“R.C.”) 3901.011.

SCOPE OF EXAMINATION

On May 13, 2005, the Market Conduct Division, Ohio Department of Insurance (“Department”), opened an examination of Amerus Life Insurance Company (“Company”), by sending a call letter and initial request for information.

The examination was restricted to Company replacement activities for individual life insurance from the period of January 1, 2003, through December 31, 2004. This examination report is a report by test and was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and the State of Ohio’s applicable statutes and rules.

Accordingly, the examination included the following areas of the Company’s operations:

- A. Company History
- B. Company Operations
- C. Certificate of Authority
- D. External Replacement Policies
- E. Internal Replacement Policies
- F. Unreported Replacement Policies
- G. Complaint Handling

METHODOLOGY

As part of the examination, the Department’s examiners reviewed the Company’s individual ordinary life insurance policy files and the Company’s corresponding procedures. This information was supplemented, as necessary, with written inquiries to the Company requesting clarification and/or additional information.

Only Ohio policyholders’ files were reviewed. A series of tests were designed and applied to these files to determine the Company’s level of compliance with Ohio’s applicable statutes and rules. These tests are described and the results are noted in this report.

The Examiners used the NAIC standard of:

10% error ratio on policy files (90% compliance rate)

to determine whether or not an apparent pattern or practice of non-compliance existed for any given test.

The results of each test applied to a sample are reported separately. Each test is expressed as a “yes / no” question. A “yes” response indicates compliance and a “no” response indicates a failure to comply. A “no” response may be referred to in this report as an “exception.”

In any instance where errors were noted, the examiners described the apparent error and asked the Company for an explanation. The Company responded to the examiners and either:

- Concurred with the findings,
- Had additional information for the examiners to consider, and/or
- Proposed remedial action(s) to correct the apparent deficiency.

If applicable, the Company's responses and the examiners' recommendations are included in this report.

SAMPLING

Upon request, the Company supplied reports of new policy and replacement policy data in file formats, which could be used on IBM compatible personal computers. Except as otherwise noted, all tests were conducted on a sample of files randomly selected from a given report. The samples were pulled from populations consisting of Ohio policies and were selected using a standard business database application that provides a true random sample since it supplies a random starting point from which to select the sample.

COMPANY HISTORY

The Central Life Assurance Society was chartered in 1896, changing its name in 1912 to Central Life Assurance Company. A fraternal benefit society, the Brotherhood of American Yeomen, was created in 1897. This society later became the American Mutual Insurance Company that merged with Central Life Assurance Company in 1994 under the name American Mutual Life Insurance Company. In 1996, the Company converted from mutual to stock and changed its name to Amerus Life Insurance Company.

COMPANY OPERATIONS

The Company's statutory home office, as well as the primary location of all books, records, and policyholder relation representatives is located in Des Moines, Iowa. The Company's 2003 and 2004 reported direct premiums written and direct incurred losses paid during the examination period are as follows:

Life	Ohio		National	
	Direct Written Premiums	Incurred Losses	Direct Written Premiums	Incurred Losses
2003	\$17,056,179	\$4,172,412	\$359,149,536	\$103,990,661
2004	\$15,322,893	\$3,210,288	\$368,684,250	\$126,306,495

As of December 31, 2004, the officers of the Company were:

President:	Gary Ross McPhail
Vice President	William Jeffrey Heng
Secretary:	James Andrew Smallenberger
Treasurer:	Siva I. Pathman

CERTIFICATE OF AUTHORITY

The Company operates under a Certificate of Authority issued in accordance with R.C. 3929.01, which permits it to transact appropriate business as defined by R.C. 3929.01(A). In the course of the examination, the examiners determined that the Company operations were in compliance with its Certificate of Authority.

EXTERNAL LIFE REPLACEMENTS

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

Methodology:

- The examiners reviewed all written policies and procedures that instructed the agents on the Company’s replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing external replacement policies by policy type.
 1. The entire population of 74 term life replacement policies from the replacement register was reviewed. One policy was removed because it was not a replacement policy. Two policies were removed because they were internal rather than external replacements.
 2. A sample of 50 policies from the population of 299 universal life replacement policies from the replacement register was reviewed.
- The examiners considered any file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

Findings: External Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	63	8	90%	90%
Universal Life	299	50	44	6	90%	88%

Examiners' Recommendation: The Company needs to enforce, through auditing and training, its procedures requiring the selling agent to present the "Notice Regarding Replacement" to the applicant for signature on or before the application date.

Test 4: Did the agent submit a copy of the "Notice Regarding Replacement" to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	49	1	90%	98%

Test 5: Was the "Notice Regarding Replacement" signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	70	1	90%	99%
Universal Life	299	50	49	1	90%	98%

Test 6: Did the agent submit a completed application? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	63	8	90%	89%
Universal Life	299	50	48	2	90%	96%

Examiners' Recommendation: The Company procedures imply but do not clearly state that the policy or contract number should be included with the replacing company information. The Company should revise procedures to specifically require agents to provide policy or contract numbers along with the name of the insurer being replaced. Compliance should be confirmed through audits and training.

Findings: External Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the company requirement section of the replacement law tested.

Test 1: Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	63	8	90%	89%
Universal Life	299	50	48	2	90%	96%

Examiners' Recommendation: The Company procedures imply but do not clearly state that the policy or contract number should be included with the replacing company information. The Company should revise procedures to specifically require agents to provide policy or contract numbers along with the name of the insurer being replaced. Compliance should be confirmed through audits and training.

Test 4: Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement"? Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	49	1	90%	98%

Test 5: Did the Company maintain evidence in the file of the "Notice Regarding Replacement," the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	49	1	90%	98%

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:

Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 7: Did the Company send a written communication to the existing insurer advising of the replacement within three working days of receipt of the application? Ohio Adm.Code 3901-6-05(G)(2)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

Test 8: Did the Company include in the written communication a policy summary, contract summary, or ledger statement to each existing insurer? Ohio Adm.Code 3901-6-05(G)(2)(b)

Policy Type:	Population:	Sample:	Yes:	No:	Standard:	Findings:
Term Life	71	71	71	0	90%	100%
Universal Life	299	50	50	0	90%	100%

INTERNAL LIFE REPLACEMENTS

Standard: Company rules pertaining to agent requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the company require their agents to comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

Methodology:

- The examiners reviewed all written policies and procedures that instructed the agents on the Company’s replacement procedures and requirements.
- The Company supplied its replacement register for business replaced in Ohio.
- A file was produced for review containing internal replacement policies by policy type.
- The entire population of 40 life replacement policies was reviewed.
- The examiners considered a file to be an exception if it did not comply with the portion of the agent requirement section of the replacement law tested.

Findings: Internal Replacement Agent Requirements

Test 1: Did the agent submit a statement signed by the applicant as to whether a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(a)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Test 2: Did the agent submit a statement signed by the agent as to whether he/she knew a replacement was involved? Ohio Adm.Code 3901-6-05(E)(1)(b)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Test 3: Did the agent present to the applicant a “Notice Regarding Replacement” at the time of the application? Ohio Adm.Code 3901-6-05(E)(2)(a)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	13	4	90%	76%
Universal Life	23	19	4	90%	83%

Examiners’ Recommendation: The Company needs to enforce, through auditing and training, its procedures requiring the selling agent to present the “Notice Regarding Replacement” to the applicant for signature on or before the application date.

Test 4: Did the agent submit a copy of the “Notice Regarding Replacement” to the replacing company? Ohio Adm.Code 3901-6-05(E)(2)(d)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	16	1	90%	94%
Universal Life	23	22	1	90%	96%

Test 5: Was the “Notice Regarding Replacement” signed by both the applicant and the agent? Ohio Adm.Code 3901-6-05(E)(2)(a)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	16	1	90%	94%
Universal Life	23	22	1	90%	96%

Test 6: Did the agent submit a completed application? Ohio Adm.Code 3901-6-05(F)(2) and (G)(1)?

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Test 7: Did the agent obtain a list of all existing life insurance to be replaced and was the list properly identified by name of insurer, the insured and contract number, or alternative identification such as an application or receipt number? Ohio Adm.Code 3901-6-05(E)(2)(b)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Findings: Internal Replacement Company Requirements

Standard: Company rules pertaining to company requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company comply with the replacement requirements for life insurance according to Ohio Adm.Code 3901-6-05?

- The examiners considered a file to be an exception if it did not comply with the portion of the company requirement section of the replacement law tested.

Test 1: Did the Company require a statement signed by the applicant as to whether the proposed insurance would replace existing life insurance? Ohio Adm.Code 3901-6-05(F)(2)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Test 2: Did the Company require a statement signed by the agent as to whether the agent knew a replacement was involved or could be involved? Ohio Adm.Code 3901-6-05(G)(1)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Test 3: Did the Company require from the agent, with the application, a list of all of the applicant's existing life insurance to be replaced and was that list properly identified by the name of the insurer, insured and contract number, or alternative identification, such as an application or receipt number? Ohio Adm.Code 3901-6-05(G)(2)(a)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

Test 4: Did the Company require from the agent, with the application, a signed copy of the "Notice Regarding Replacement?" Ohio Adm.Code 3901-6-05(G)(2)(a)(ii)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	16	1	90%	94%
Universal Life	23	22	1	90%	96%

Test 5: Did the Company maintain evidence in the file of the "Notice Regarding Replacement", the policy summary, and contract summary or any ledger statement used? Ohio Adm.Code 3901-6-05(G)(3)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	16	1	90%	94%
Universal Life	23	22	1	90%	96%

Test 6: Did the Company provide notification in or with the policy about the 20-day free look period and premium refund? Ohio Adm.Code 3901-6-05(G)(4)

Policy Type:	Population:	Yes:	No:	Standard:	Findings:
Term Life	17	17	0	90%	100%
Universal Life	23	23	0	90%	100%

UNREPORTED INDIVIDUAL LIFE REPLACEMENTS

Standard: Company rules pertaining to requirements in connection with replacements are in compliance with applicable statutes and rules.

Test: Did the Company's practices of handling new business applications properly identify policies that were replacing other existing policies according to Ohio Adm.Code 3901-6-05(G)(3)?

Methodology:

- The examiners reviewed all of the Company's written policies and procedures that offered instruction on the handling of new business applications.
- The Company supplied a report of all internal and external replacement files between January 1, 2003, and December 31, 2004.
- The Company supplied its replacement register for business replaced in Ohio during the examination period.
- The list of new business policies marked as a replacement by the Company was compared to the Company's replacement register.
- A total of 22 policies were found to be marked as a "replacement" in the new business files but were not listed on the replacement register. Each of these policies was reviewed to determine if a replacement actually occurred.
- The examiners considered a file to be an exception if an existing insurance policy was replaced with an Amerus Life Insurance Company policy and was not listed on the Company's replacement register.

Findings: The review of these 22 files indicates that all files were replacement files. The Company reported that the failure to include these files on the replacement register resulted from changes in systems and inadequate training.

Examiners' Recommendation: The Company needs to establish adequate controls and training to ensure that every new business policy that replaces any individual life insurance policy is included within the Company's replacement register and processed in accordance with Ohio Adm.Code 3901-6-05(G)(3).

REPLACEMENT ACTIVITY BY AGENTS

The examiners reviewed the Company's Positions and Guidelines for Replacement of Life Insurance and Annuities. The Guidelines include Rules and Guidelines for Monitoring Replacement Business. In addition, the examiners reviewed the replacement activity by agent and by company as reported on the Company's replacement register.

Findings: The Guidelines indicate that the Company regularly monitors replacement activity and that the Company addresses situations appearing to be excessive or inappropriate. The examiners requested that the Company advise what actions, if any, were taken to address apparent excessive or inappropriate replacement activity. The Company responded with additional information on the monitoring process. The process included sending letters and

questionnaires to agents asking why certain replacement took place. The Company reported no actions taken against any agents as a result of the monitoring activity.

The Guidelines indicate that customer complaints and the total number of replacement submissions are monitored. However, there is no indication that the Company took effective action in any instance where there was a high level of replacement and complaints. For example, one agent replaced 199 policies during the examination period, with 168 of those replacements being from a single company and 22 from a second company. This agent also replaced 59 policies for those same companies in an affiliated company in the Amerus Group. Further, this agent was the subject of three complaints alleging misrepresentation and churning.

Examiners' Recommendation: The Company should not only identify inappropriate or excessive replacement activity, but it should also take effective administrative action to control those agents participating in such replacements.

ADDITIONAL EXAMINATION FINDINGS

The examiners conducted a review of the Company's complaints and complaint handling procedures. The review was conducted to identify any problem areas or negative trends in service. The company received a total of 14 complaints pertaining to individual life insurance from Ohio policyholders during the examination period.

Findings: The examiners found that in 11 of the 14 complaints, there were allegations of misrepresentation and misconduct by agents. Except for two complainants represented by attorneys, the Company's position was that the complainants had a "free look" period and that should have been sufficient to protect them from any misrepresentation. No relief or remediation was offered. A review of Department complaints in 2005 and 2006 indicates six additional complaints involving allegations of misrepresentation.

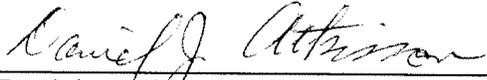
Examiners' Recommendation: The Company should implement programs designed to eliminate the apparent problem of applicants not understanding the policies being purchased. Whether or not the complaints were justified, the Company should strive to eliminate the apparent misunderstandings that generate misrepresentation complaints.

SUMMARY

The examination found the Company to be out of compliance in the following areas:

<u>Areas of Review:</u>	<u>Compliance Standard</u>	<u>Compliance Rate</u>
External Term Life Insurance – Agent Requirements List of replaced insurance	90%	89%
External Term Life Insurance - Company Requirements List of replaced insurance	90%	89%
External Universal Life Insurance – Agent Requirements “Notice Regarding Replacement” presented at time of application	90%	88%
Internal Term Life Insurance – Agent Requirements “Notice Regarding Replacement” presented at time of application	90%	76%
Internal Universal Life Insurance – Agent Requirements “Notice Regarding Replacement” presented at time of application	90%	83%
Unreported Individual Life Insurance Replacements Number of new business replacements not on replacement register		22

This concludes the report of the Market Regulation Examination of the Amerus Life Insurance Company. The Examiners, Dan Atkisson and Robert Stroup, would like to acknowledge the assistance and cooperation provided by the management and the employees of the Company.



Daniel J. Atkisson, CPCU, CIDM, CIE
Insurance Compliance Supervisor

6/28/07

Date

COMPANY RESPONSE

David Mulligan, FLMI, AIRC, AIAA, ACS, CCP, ACP
Compliance Officer

AMERUS[®]
Life

January 12, 2007

RECEIVED
JAN 17 2007
OHIO DEPT. OF INSURANCE
MARKET CONDUCT DIVISION

Dan Atkisson
Examiner in Charge
Ohio Department of Insurance
2100 Stella Court
Columbus, OH 43215-1067

RE: Special Market Conduct Examination of AmerUs Life Insurance Company
NAIC #61689

Dear Mr. Atkisson:

I will specifically address findings in your Draft Examination Report, dated December 4, 2006.
If I do not address a specific test finding, we have no comment:

Findings: External Replacement Agent Requirements

Test #3, Universal Life

The company agrees with the finding. The company will, through its new replacement monitoring process, and through agent communications re-enforce that notices must be given and signed no later than at the time of the application. The company will review its system requirements and place proper edits to ensure that this happens.

Test #7, Term Life

The company will re-enforce through agent communications that policy or contract numbers and the name of the replaced company must be listed on the replacement notice. The company will investigate creating system edits to ensure that such information is provided prior to processing new business.

Findings: External Replacement Company Requirements

Test #3, Term Life

The company will re-enforce through agent communications that policy or contract numbers and the name of the replaced company must be listed on the replacement notice. The company will investigate creating system edits to ensure that such information is provided prior to processing new business. The company will review and update its guidelines and procedures accordingly.

January 12, 2007

Findings: Internal Replacement Agent Requirements

Test #3, Term and Universal Life

The company will re-enforce through agent communications that policy or contract numbers and the name of the replaced company must be listed on the replacement notice. The company will investigate creating system edits to ensure that such information is provided prior to processing new business.

Additional Examination Findings

The company offers the following comments in response to the findings and recommendations found on page 10 of the report:

First I would like to address our compliance function surrounding replacements and complaint handling, in general, as where it was during the exam period, and steps the company has already initiated to update and improve our processes.

The Company communicates to its agents the Replacement Guidelines, and its commitment to providing replacement information to the consumer. The Replacement Guidelines discuss replacement procedures. Both the Guidelines and periodic field updates on replacements provide guidance as to what is an appropriate or inappropriate replacement.

Company agents are instructed to determine if a customer is replacing an existing policy and if so, to guide customers to look at their current policy to see if replacing the policy will be in their best interests. Company agents are not to replace a policy without explaining any surrender charge schedules for the replacing and existing policies or without informing the customer that the replacement policy will not be a paid-up policy or that additional premiums will be due, if applicable.

The Company provides agents with instructions for completing applications, as well as information about any applicable replacement notices or forms. Company agents are responsible for identifying the source of funds at the point of sale and advising the Company that the application being submitted is for a policy which will be replacing a policy issued by another insurer. The agent includes this information on the application.

The Company has established policies and procedures for tracking, identifying and addressing deviations from Company's Replacement Guidelines. The primary documents are the Replacement Log for Policy Replacements and quarterly compliance meetings and reports provided to senior management. Total volume and percentage of business by agent, relative to overall production are monitored by the Compliance Department and reported to senior management. The Compliance Department also reviews complaints to identify any questionable replacement activity. The Compliance Department conducts further investigation of any questionable activity, and if a questionable activity is identified, takes the appropriate action or makes recommendations to Senior Management.

January 12, 2007

If the Compliance Department determines that questionable activity has occurred, the agent is contacted either verbally or in a written. The Compliance Department will notify the appropriate Sales Officer of any questionable activity and action by the Compliance Department. In cases of multiple or repeat offenses, the Compliance Department will report of the violation recommendation for appropriate action to the Sales Officer. The Sales Officer reviews the situation and takes action, including possible reprimands and termination.

In mid-2006 the company recognized a need for greater, proactive compliance functionality, in particular with monitoring trends and taking action to identify trends sooner. Also, to proactively address the activities causing such trends and take appropriate action to prevent such activities from occurring. The reasons for this recognition are many, but include increased product complexity, expansion and growth of distribution, internal growth and complexity of administration due to several mergers, and increased desire to more effectively manage and ensure compliance with regulatory issues. To this end, a new compliance structure was proposed, including a senior level manager to lead the compliance department and new initiatives.

In the past where compliance generalists were used to merely oversee certain practices, a more specific functionality is being built into the department, with focus and specialty on several different compliance functions. Specifically, an area was created and processes are being implemented that will deal with agent issues, including closer, more integrated monitoring of agent business trends such as replacement activity and complaints. Also, in the past complaint handling at the company was handled by several different areas of the company, depending on the type and/or nature of the complaint. For example, customer service complaints were handled by our customer service area. Complaints about agent misrepresentation would be handled either by compliance or legal. This led to an un-even and non-uniform approach and response to complaints. To resolve this situation, the company has created and is currently implementing a new customer complaint resolution process.

With respect to action taken against individual agents found to be in violation of company procedures, or whose activity may be questionable, in accordance with the process described above, as an example, in December of 2002, and January of 2003, we sent a letter to an agent whose replacement activity and complaint activity caused concern. We requested that the agent provide information with respect to his replacement business activity. Also, in August of 2003, and again in August of 2004, we sent letters to that agent regarding his failure to deliver policies. At that time the agent provided us with an explanation that seemed appropriate and complete. No further action other than regular monitoring of the agent's business took place.

However, in 2005, after seeing a pattern of complaints surrounding his sales activities, we scheduled a "training" meeting with the agent. This took place at the home office on October 7, 2005. The agent met with our Senior Vice President of Independent Marketing, as well as with compliance personnel. During this meeting, we brought up the issues related to several complaint cases including the lack of understanding by his clients of the cost of insurance. We informed the agent that full and complete disclosure was required as to the costs associated with new policies, and including the costs of surrendering old policies. We

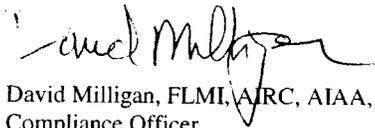
Mr. Dan Atkisson
Ohio Department of Insurance
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continued to monitor the agent's business for the rest of 2005. Seeing that we had a continuation of the pattern of complaints subsequent to our meeting, we determined that the agent had not changed his business practices, and we terminated the agent in January of 2006.

The company accepts the rest of the findings outlined in the report.

Respectfully,



David Milligan, FLMI, AIRC, AIAA, ACS, CCP, ACP
Compliance Officer
AmerUs Life Insurance Group

CONSENT ORDER PRIVILEGED MARKET CONDUCT

STATE OF OHIO
THE OHIO DEPARTMENT OF INSURANCE

IN THE MATTER OF)
AMERUS LIFE INSURANCE COMPANY) CONSENT ORDER
MARKET REGULATION DESK AUDIT)

The Superintendent of the Ohio Department of Insurance (Department) is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code, Section 3901.011. Amerus Life Insurance Company (Company) is authorized to engage in the business of insurance in the State of Ohio and as such is under the jurisdiction of the Superintendent and the Department. The Department conducted a desk audit of the Company's replacement activities for individual ordinary life insurance from the period of January 1, 2003 through December 31, 2004, "A Market Conduct Examination of Amerus Life Insurance Company, NAIC 61689 as of December 31, 2004," which is incorporated by reference herein.

SECTION I

As a result of the market conduct examination, the Superintendent alleges that the Company failed to comply with the requirements of sections 3901-6-05(E)(2)(a), 3901-6-05(E)(2)(b), and 3901-6-05(G)(2)(a) of the Ohio Admin. Code, which is an unfair and deceptive trade practice pursuant to sections 3901.19 through 3901.23 of the Revised Code.

SECTION II

It is hereby agreed by the parties that:

- (A) The Superintendent and Company enter into this Consent Order to fully and completely resolve the allegations as set forth in Section I of this Consent Order. Further, Company specifically admits to the allegations set forth in Section I.
- (B) Company has been advised that it has a right to a hearing before the Superintendent pursuant to Chapter 119 of the Revised Code on the allegations set forth in Section I; that, at hearing, Company would be entitled to appear representing itself or represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments or contentions in writing and to present evidence and examine witnesses appearing for and against it. Company hereby waives all such rights.
- (C) Company consents to the jurisdiction of the Superintendent and the Department to determine the issues set forth herein. Company expressly waives any prerequisites to jurisdiction that may exist.

CONSENT ORDER PRIVILEGED MARKET CONDUCT

(D) Company shall review and modify its internal guidelines and procedures in order to assure both its compliance and its agents' compliance with Ohio's Replacement Rule as set forth in section 3901-6-05 of the Ohio Admin. Code, as amended, for all life insurance products it markets and sells in the State of Ohio.

(E) Company shall pay an administrative fine in the amount of Five Thousand Dollars (\$5,000), by check or money order, within thirty (30) days of receipt of an invoice from the Department. Its remittance shall be made payable to: "Ohio Department of Insurance."

(F) Company waives any and all causes of action, claims, rights, whether known or unknown, which it may have against the Superintendent, the Department, and any employees, agents, consultants or officials of the Department, in their individual or official capacities, as a result of any acts of omissions on the part of such persons or firms arising out of the matter set forth in Section I of this Consent Order.

(G) Company has read and understands this Consent Order. Company fully understands that it has a right to seek counsel of its choice and to have counsel review this Consent Order.

(H) This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this Consent Order shall constitute an actionable violation in and of itself without further proof and may subject Company to any and all remedies available to the Superintendent.

(I) This Consent Order shall be entered in the Journal of the Ohio Department of Insurance. All parties understand and acknowledge that this Consent Order is a public document pursuant to section 149.43 of the Revised Code.

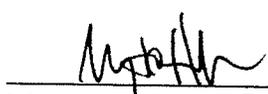
DATE 6.6.07

AMERUS LIFE INSURANCE COMPANY

By: 

Title: Senior Vice President

DATE 25 June 2007


MARY JO HUDSON
DIRECTOR, SUPERINTENDENT OF
INSURANCE
THE OHIO DEPARTMENT OF INSURANCE