OHIO DEPARTMENT OF INSURANCE

A

MARKET CONDUCT EXAMINATION

OF

Indianapolis Life Insurance Company

NAIC #64645

As Of

December 31, 2004

OHIO Department of INSURANCE

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:

Indianapolis Life Insurance Company
NAIC Company Code 64645.

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

June 28, 2007
Date

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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 Indianapolis 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 Company was formed in 1905 as a mutual life insurance company. It converted to a stock company when it was acquired by the Amerus Group in 2001.

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	
Year	Direct Written Premiums	Incurred Losses	Direct Written Premiums	Incurred Losses
2003	$12,428,673	$5,575,539	$294,980,809	$81,340,664
2004	$12,313,780	$3,646,320	$286,352,199	$104,865,489

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.
- The Company included some internal replacement policies in the population of external universal life replacements. These 38 Universal Life policies were removed from the tests for external replacements, but were included in the population for internal replacements.
- A file was produced for review containing external replacement policies by policy type.
    1. The entire population of 24 term life replacement policies from the replacement register was reviewed.
    2. A sample of 50 policies from the population of 208 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	24	24	24	0	90%	100%
Universal Life	208	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	24	24	24	0	90%	100%
Universal Life	208	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	24	24	20	4	90%	83%
Universal Life	208	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	24	24	23	1	90%	96%
Universal Life	208	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	24	24	23	1	90%	96%
Universal Life	208	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	24	24	24	0	90%	100%
Universal Life	208	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	24	24	19	5	90%	79%
Universal Life	208	50	45	5	90%	90%

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	24	24	24	0	90%	100%
Universal Life	208	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	24	24	24	0	90%	100%
Universal Life	208	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	24	24	19	5	90%	79%
Universal Life	208	50	45	5	90%	90%

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 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	24	24	23	1	90%	96%
Universal Life	208	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	24	24	23	1	90%	96%
Universal Life	208	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	24	24	24	0	90%	100%
Universal Life	208	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	24	24	7	17	90%	29%
Universal Life	208	50	43	7	90%	86%

Examiners' Recommendation: The Company's procedures do not accurately reflect the three working day requirement for notifying the existing insurer. Procedures should be revised and enforced through auditing and training.

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	24	24	12	12	90%	50%
Universal Life	208	50	43	7	90%	86%

Examiners' Recommendation: The Company should provide each existing insurer with a policy summary or illustration within three days of the receipt of the application, which should be documented in the policy files. The Company should also revise its procedures to include this requirement and to periodically audit its replacement files to ensure compliance.

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 Company included some internal replacement policies in the population of external universal life replacements. These 38 Universal Life policies were removed from the tests for external replacements and added to the 17 internal replacements already identified as internal replacements for universal life.
- The entire population of internal life replacement policies was reviewed, including two term life policies and 55 universal life policies.
- 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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	50	5	90%	91%

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	2	2	0	90%	100%
Universal Life	55	53	2	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	2	2	0	90%	100%
Universal Life	55	53	2	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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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	2	2	0	90%	100%
Universal Life	55	53	2	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	2	2	0	90%	100%
Universal Life	55	53	2	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	2	2	0	90%	100%
Universal Life	55	54	1	90%	98%

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 157 policies were found to be marked as a "replacement" in the new business files but were not listed on the replacement register. A sample of 50 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 Indianapolis Life Insurance Company policy and was not listed on the Company's replacement register.

Findings: All 50 of the sample files reviewed were replacements that should have been included on the replacement register. The Company reported that the failure to include these files on the

replacement register resulted from changes in systems, inadequate training, and the relocation of the offices from Indianapolis to Des Moines.

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 must be 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 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 that the monitoring process had not been fully implemented during the examination period. 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 59 policies during the examination period, with 50 of those replacements being from a single company and nine from a second company. This agent also replaced 199 policies for those same companies in an affiliated company in the Amerus Group. Further, this agent was the subject of three complaints in an affiliated company alleging misrepresentation and churning.

Examiners' Recommendation: The Company should not only identify inappropriate or excessive replacement activity, but it should also take effective 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 four complaints pertaining to individual life insurance from Ohio policyholders during the examination period.

Findings: The examiners found that in one instance a former agent of the Company alleged that a current agent misrepresented an existing policy. Neither the response to the Department nor the Company's complaint file addressed this issue.

A review of Department complaints in 2005 and 2006 indicates three additional complaints involving allegations of misrepresentation.

Examiners' recommendation: The Company should take more proactive steps to investigate allegations of misrepresentation and establish controls to eliminate misrepresentation in the future.

SUMMARY

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

Areas of Review:	Compliance Standard	Compliance Rate
External Term Life Insurance - Agent Requirements		
"Notice Regarding Replacement" presented at time of application	90%	83%
List of replaced policy numbers	90%	79%
External Term Life Insurance - Company Requirements		
List of replaced policy numbers	90%	79%
Letter to existing insurer within 3 days	90%	29%
Illustration to existing insurer	90%	50%
External Universal Life Insurance – Agent Requirements		
"Notice Regarding Replacement" presented at time of application	90%	88%
External Universal Life Insurance – Company Requirements		
Letter to existing insurer within 3 days	90%	86%
Illustration to existing insurer	90%	86%
Unreported Individual Life Insurance Replacements		
Number of new business replacements not on replacement register		157

This concludes the report of the Market Regulation Examination of the Indianapolis 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

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

6/28/07

Date

COMPANY RESPONSE

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

INDIANAPOLIS LIFE
an AMERUS Company

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 Indianapolis Life Insurance Company
NAIC #64645

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, Term Life and Universal Life
The company agrees with the finding. The company will, through its new replacement monitoring process (see comments at the end of this letter), 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 contract5 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.

Test #7, Term and Universal Life
The company has already implemented an automated process to ensure that letters are sent in the required time frame. The company will re-check to ensure that this automated process is indeed in place and is accurate. Further, the company will ensure that such letters are properly documented to policy files. The company would like to note that much of this occurred during a transition from an older administration system, to a newer system that allows for such automation. Also, work was being shifted from one physical location to another located out of state.

Test #8, Term and Universal Life
The company has already implemented an automated process to ensure that letters are sent in the required time frame. The company will re-check to ensure that this automated process is indeed in place and is accurate. Further, the company will ensure that such letters are properly documented to policy files. The company will also modify its current system to send the summary documents at the same time as the letter, or at the very least ensure it is sent within the 3 day required period. The company would like to note that much of this occurred during a transition from an older administration system, to a newer system that allows for such automation. Also, work was being shifted from one physical location to another located out of state.

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.

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 where 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 where 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 a n 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 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

STATE OF OHIO
THE OHIO DEPARTMENT OF INSURANCE

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

The Superintendent of the Ohio Department of Insurance (Department) is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code, Section 3901.011. Indianapolis 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 life insurance from the period of January 1, 2003 through December 31, 2004, "A Market Conduct Examination of Indianapolis Life Insurance Company, NAIC 64645 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), 3901-6-05(G)(2)(a), and 3901-6-05(G)(2)(b) 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.

(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

INDIANAPOLIS LIFE INSURANCE COMPANY

By: _____

Title: Senior Vice President

DATE 25 June 2007

_____

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