

REPORT OF EXAMINATION
OF THE
INVESTORS GUARANTY LIFE
INSURANCE COMPANY
AS OF
DECEMBER 31, 2004

Participating State
and Zone:

California

Filed October 4, 2005

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Los Angeles, California
July 22, 2005

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable John Morrison
Secretary, Zone IV-Western
Commissioner of Insurance and Securities
Montana Department of Insurance
Helena, Montana

Honorable John Garamendi
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman and Commissioners:

Pursuant to your instructions, an examination was made of the

INVESTORS GUARANTY LIFE INSURANCE COMPANY

(hereinafter also referred to as the Company) at its home office located at 48 Monroe Turnpike, Trumbull, Connecticut 06611. The Company's statutory home office is located at 818 West Seventh Street, Los Angeles, California 90017.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2001. This examination covers the period from January 1, 2002 through December 31, 2004. The examination was made pursuant to the National Association of Insurance Commissioners' plan of examination. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2004, as deemed necessary under the circumstances.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in-force by states; mortality experience; accounts and records; and sales and advertising.

COMPANY HISTORY

On May 8, 1998, John Hancock Mutual Life Insurance Company (John Hancock), a Massachusetts insurer, purchased all of the issued and outstanding shares of the common stock of the Company from Great-Southern Life Insurance Company for \$5,499,303, plus the policyholders surplus of the Company as of the closing date, as set forth in the closing balance sheet, which was limited to \$9 million. The sale was approved by the California Department of Insurance (CDI) on May 5, 1998. Also in 1998, John Hancock contributed \$2 million in cash to the Company.

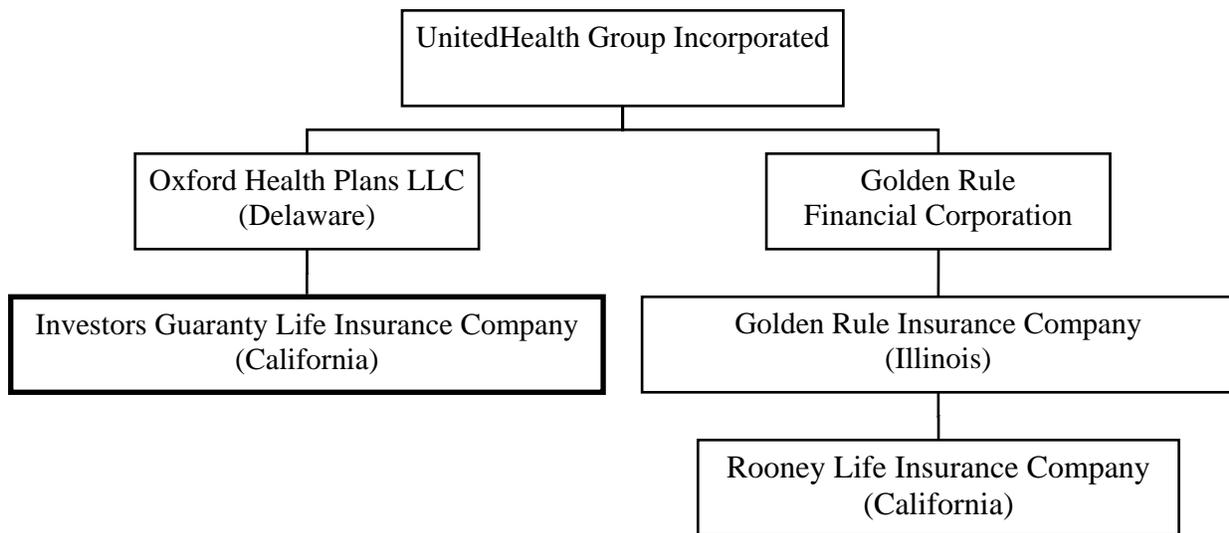
On January 19, 2001, Oxford Health Plans, Inc. (OHP) a health insurer with subsidiaries operating in Connecticut, New York and New Jersey, entered into a stock purchase agreement with John Hancock, to acquire all of the outstanding shares of common stock of the Company for \$3.76 million, plus \$8.2 million (statutory capital and surplus as of the closing date of the agreement less an extraordinary dividend of \$3 million). The sale was approved by the CDI and became final on May 22, 2001.

On October 9, 2003, the CDI approved the payment of an extraordinary dividend of \$3 million to the Company's parent, OHP.

On July 29, 2004, upon approval from the CDI, the Company became part of the UnitedHealth Group Incorporated (United) via merger of OHP into Ruby Acquisition, LLC, a Delaware limited liability company (the survivor, of which United is the sole member). The merger prompted OHP to change its name to Oxford Health Plans LLC (Oxford) and as a result Oxford became a subsidiary of United.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Oxford Health Plans LLC, a Delaware Company, and part of an insurance holding company system of which UnitedHealth Group Incorporated became the ultimate controlling parent in July, 2004. The following abridged organizational chart, which is limited to the Company’s parent, along with its subsidiary insurance companies, depicts the Company’s relationship within the holding company system: (all ownership is 100%)



Management of the Company is vested in a five-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2004 follows:

Directors

Name and Residence

Principal Business Affiliation

Charles G. Berg
Westport, Connecticut

President
Oxford Health Plans LLC

Kurt B. Thompson (*)
Easton, Connecticut

Chief Financial Officer
Oxford Health Plans LLC

Michael J. McDonnell
Hopkins, Minnesota

Secretary
Oxford Health Plans LLC

Name and Residence

Principal Business Affiliation

Robert J. Sheehy
Edina, Minnesota

Chief Executive Officer
UnitedHealth Group Incorporated

David S. Wichmann
Burnsville, Minnesota

Executive Vice President and Assistant Treasurer
Oxford Health Plans LLC

Principal Officers

<u>Name</u>	<u>Title</u>
Charles G. Berg	President
Alan M. Muney, M.D., M.H.A.	Executive Vice President and Chief Medical Officer
Kurt B. Thompson (*)	Chief Financial Officer
Michael J. McDonnell	Secretary
Carmel Colica	Assistant Secretary
Steven H. Black	Executive Vice President and Chief Information Officer
Robert W. Orender	Treasurer
George Mikan, III	Executive Vice President and Assistant Treasurer
David S. Wichmann	Executive Vice President and Assistant Treasurer

(*) resigned on March 31, 2005 and replaced by Marc M. Kole

Management Agreement

Services Agreement: On May 9, 1998, concurrent with the acquisition by John Hancock Mutual Life Insurance Company, the Company entered into a service agreement (the Agreement) with United Fidelity Life Insurance Company (UFL). As a part of the Agreement, the Company appointed UFL as its third party administrator to perform all of the administrative services necessary to process, administer and account for the insurance business undertaken by the Company under the Automatic Coinsurance Reinsurance Agreement effective April 16, 1997, between the Company and Employers Reassurance Corporation (ERC). UFL in turn, assigned this Agreement to a wholly-owned subsidiary, Americo Life, Inc. A provision exists within the Agreement that allows UFL to charge the Company a service fee of \$8.75 per policy, per quarter. The fee is adjusted 3% per year for inflation.

Intercompany Agreements

Administrative Services Agreement: On July 30, 2001 the Company and its parent, Oxford Health Plans LLC (Oxford), entered into an Administrative Services Agreement (Agreement). Under the terms of the Agreement, Oxford provides administrative personnel, general administrative services, accounting and finance services, management support, claim processing, and computer services. The Company reimburses Oxford for the actual cost of these services. The following are the amounts paid by the Company for these services during the examination period:

<u>Year</u>	<u>Amounts</u>
2004	\$11,617
2003	4,960
2002	97,677

Tax Allocation Agreement: The Company is also a party to a Federal Income Tax Agreement with Oxford. This agreement was entered into on December 1, 2002. Under the terms of this agreement, the companies file a consolidated federal income tax return. The consolidated federal income tax liability is allocated between the two companies in the ratio that each companies separate tax return liability bears to the total consolidated federal tax liability. Effective July 29, 2004, pursuant to UnitedHealth Group Incorporated (United) acquiring Oxford, the Company will now be part of a consolidated federal income tax return with United based on the same provisions stated in the original Tax Allocation Agreement.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2004, the Company was licensed to transact life and disability insurance in the District of Columbia and all of the United States except for Connecticut, New York and Vermont.

Effective in the fourth quarter of 1997, the Company stopped issuing deposit-term insurance, which was the primary product of the Company. Since the end of 1997, the Company has not written any new business, until 2002, when it started writing health business in the State of Delaware. The Company markets its health business primarily with an independent provider network that, has

contracts with physicians in the Delaware service area and area hospitals providing for inpatient and outpatient care.

REINSURANCE

Assumed

None

Ceded

On April 16, 1997, the Company entered into an Automatic Coinsurance Reinsurance Agreement (Agreement) with Employers Reassurance Corporation (ERC). The Agreement with ERC provides for 100% reinsurance of all individual and group life insurance and annuity plans and riders. Neither the Company, nor any of its related parties, possesses a controlling interest in ERC.

The total aggregate reserve credit taken by the Company as of December 31, 2004, under the terms of the Agreement was \$3.6 million. Included in the \$3.6 million reserve credit taken, are \$837 thousand in deposit type contracts. The Company continues to pursue a strategy that will permanently remove the remaining life and annuity business. After obtaining the necessary regulatory approvals and/or consent of the policy holders, the contracts are ceded to Ohio State Life Insurance Company and College Life Insurance Company of America under an Assumption Reinsurance Agreement established in 1998.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2004

Summary of Operations and Capital and Surplus Account for the Year Ended
December 31, 2004

Reconciliation of Capital and Surplus from December 31, 2001
through December 31, 2004

Statement of Financial Condition
as of December 31, 2004

<u>Assets</u>	Ledger and Nonledger <u>Assets</u>	Assets Not <u>Admitted</u>	Net Admitted <u>Assets</u>	<u>Notes</u>
Bonds	\$ 6,104,525	\$	\$ 6,104,525	
Cash and short-term investments	1,360,232		1,360,232	
Investment income due and accrued	77,528		77,528	
Uncollected premiums and agents' balances in the course of collection	1,650		1,650	
Amounts recoverable from reinsured	61,209		61,209	
Guaranty funds receivable or on deposit	59,031	59,031	0	
Receivable from parent, subsidiaries and affiliates	1,784		1,784	
Health care and other amounts receivable	292	152	140	
Other assets nonadmitted	<u>32,458</u>	<u>32,458</u>	<u>0</u>	
Total assets	<u>\$ 7,698,709</u>	<u>\$ 91,641</u>	<u>\$ 7,607,068</u>	
 <u>Liabilities, Capital and Surplus</u>				
Aggregate reserve for life contracts			\$ 0	(1)
Contract claims: Accident and health			17,756	
Premiums and annuity considerations received in advance less accident and health premiums			2,843	
Interest maintenance reserve			70,094	
General expenses due or accrued			28,445	
Taxes, licenses and fees due or accrued			49,494	
Current federal and foreign income taxes			32,037	
Amounts withheld or retained by company as agent or trustee			30,464	
Asset valuation reserve			11,551	
Payable to parent, subsidiaries and affiliates			5,346	
Aggregate write-ins for liabilities			<u>6,401</u>	
Total liabilities			254,431	
Common capital stock		\$ 2,500,002		
Gross paid-in and contributed surplus		5,158,636		
Unassigned surplus		<u>(306,001)</u>		
Capital and surplus			<u>7,352,637</u>	
Total liabilities, capital and surplus			<u>\$ 7,607,068</u>	

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2004

Statement of Income

Premiums and annuity considerations for life and accident and health contracts	\$ 135,771	
Net investment income	345,396	
Amortization of interest maintenance reserve (IMR)	23,841	
Commissions and expense allowances on reinsurance ceded	<u>105,045</u>	
Total		\$ 610,053
Disability benefits and benefits under accident and health contracts	\$ 90,842	
Commissions on premiums, annuity considerations and deposit-type contract funds	10,056	
General insurance expenses	130,782	
Insurance taxes, licenses and fees, excluding federal income taxes	<u>171,804</u>	
Total		<u>403,484</u>
Net gain from operations before dividends to policyholders and federal income taxes		206,569
Federal income taxes incurred		<u>84,000</u>
Net gain from operations after dividends to policyholders and federal income taxes		122,569
Net realized capital gains		<u>2,708</u>
Net income		<u>\$ 125,277</u>

Capital and Surplus Account

Capital and surplus, December 31, 2003		\$ 7,265,688
Net income	\$ 125,277	
Change in nonadmitted assets and related items	(41,162)	
Change in asset valuation reserve	2,852	
Aggregate write-ins for losses in surplus	<u>(18)</u>	
Net change in capital and surplus for the year		<u>86,949</u>
Capital and surplus, December 31, 2004		<u>\$ 7,352,637</u>

Reconciliation of Capital and Surplus
from December 31, 2001 through December 31, 2004

Capital and surplus, December 31, 2001, per Examination			\$ 9,373,170
	<u>Gain in</u>	<u>Loss in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$ 1,062,006	\$	
Change in nonadmitted assets and related items		91,641	
Change in asset valuation reserve	9,120		
Dividends to stockholders		3,000,000	
Aggregate write-ins for losses in surplus	<u> </u>	<u> </u>	
		18	
Total gains and losses in surplus	<u>\$ 1,071,126</u>	<u>\$ 3,091,659</u>	
Decrease in capital and surplus			<u>(2,020,533)</u>
Capital and surplus, December 31, 2004, per Examination			<u>\$ 7,352,637</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Reserve for Life Contracts

As of the examination date, the Company's aggregate reserve for life policies and contracts are 100% reinsured via Automatic Coinsurance Reinsurance Agreement with Employers Reassurance Corporation, a non-affiliated, authorized reinsurer. The Company reports no net reserve liabilities on its Annual Statement.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

There were no recommendations in the current report.

Previous Report of Examination

Corporate Records (Page 6): It was recommended that the Company implement procedures in its board meetings to ensure compliance with California Insurance Code (CIC) Sections 735, 1200 and 1201. The Company is now in compliance with CIC Sections 735, 1200 and 1201.

Bonds (Page 12): It was recommended that the Company change to an approved custodial agreement and submit such agreement for approval by the California Department of Insurance in accordance with CIC Section 1104.9(c)(d). In addition, it was recommended that the Company comply with CIC Sections 1104.1 and 1104.9(a)(1) by changing to an approved custodian that will maintain the Company assets in California. The Company is now in compliance.

Taxes, Licenses and Fees (Page 13): It was recommended that the Company report taxes, licenses and fees in its Annual Statement. The Company complied with the recommendation.

Federal and Foreign Income Taxes (Page 13): It was recommended that the Company report the balance of all federal and foreign income taxes in its Annual Statement. The Company complied with the recommendation.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and parent's employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Duane Armstong, CFE
Examiner-In-Charge
Senior Insurance Examiner (Supervisor)
Department of Insurance
State of California