

REPORT OF EXAMINATION
OF
THE DOCTORS LIFE INSURANCE COMPANY

AS OF
DECEMBER 31, 2008

Participating States
and Zones:

California

Filed January 11, 2010

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San Francisco, California
November 13, 2009

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

Honorable Morris Chavez
Secretary, Zone IV-Western
Superintendent of Insurance
New Mexico Insurance Division
Santa Fe, New Mexico

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman, Secretary, and Commissioner:

Pursuant to your instructions, an examination was made of

THE DOCTORS LIFE INSURANCE COMPANY

(also referred to as the Company) at its home office located at 185 Greenwood Road, Napa, California 94558.

SCOPE OF EXAMINATION

The examination was made pursuant to the National Association of Insurance Commissioners' plan of examination. The previous examination of the Company was made as of December 31, 2005. This examination covers the period from January 1, 2006 through December 31, 2008.

The present examination of the Company included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions, an evaluation of assets, and a determination of liabilities as of December 31, 2008, as deemed necessary under the circumstances.

The examination was conducted concurrently with the examination of the Company's parent, The Doctors Company, an Interinsurance Exchange. Examinations of other affiliated insurance companies were performed by the domiciliary state departments of insurance with some reliance upon procedures performed for The Doctors Company. Those companies, states, and examination dates include:

Company	State	Examination Date
Northwest Physicians Insurance Company	Oregon	December 31, 2008
OHIC Insurance Company	Ohio	December 31, 2008
Professional Underwriters Liability Insurance Company	Utah	December 31, 2007
SCPIE Indemnity Company	California	December 31, 2008
Underwriters for the Professionals Insurance Company	Colorado	December 31, 2008

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; loss experience; and sales and advertising.

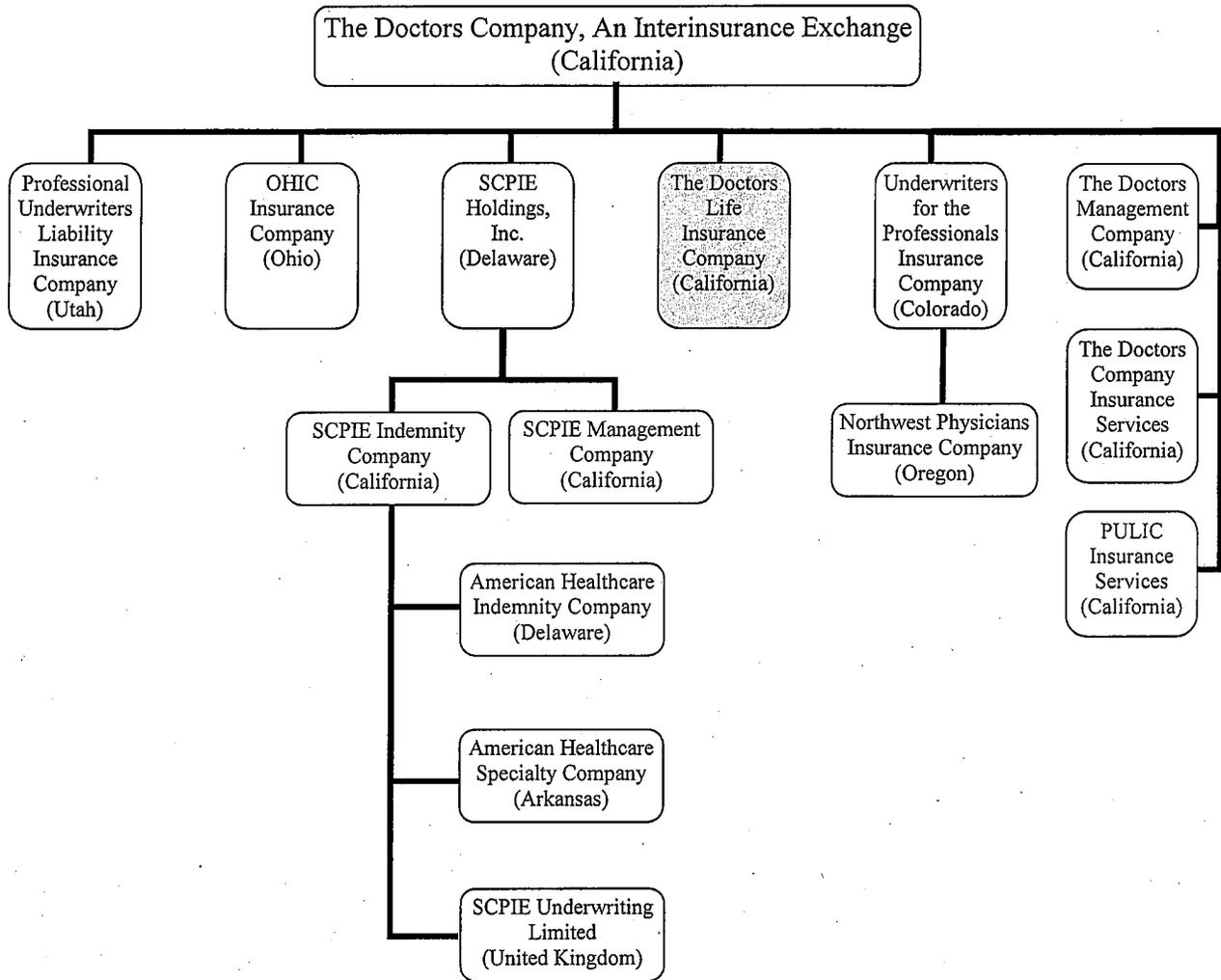
COMPANY HISTORY

The Company was organized under the laws of California in January 1980, and began writing business in November of the same year. The Company ceased writing new business in 1985 and has been in run-off since then. The Company dividends declared to its stockholder were \$1 million and \$1.5 million at December 31, 2008 and 2007, respectively. Both dividends were approved by the California Department of Insurance.

MANAGEMENT AND CONTROL

The Company is wholly-owned by The Doctors Company, an Interinsurance Exchange (Exchange), and is a member of an insurance company holding system of which the Exchange is the ultimate controlling entity. Except for its officers, the Company has no employees. The day-to-day operation of the Company is managed by The Doctors Management Company, in accordance with a management services agreement.

The following abridged organization chart depicts the Company's relationship within the holding company system (all ownership is 100%) as of December 31, 2008:



Management of the Company is vested in a board of directors that is elected annually. Members of the board and principal officers serving at December 31, 2008 were as follows:

Directors

Name and Residence

Richard E. Anderson, M.D.
Napa, California

Principal Business Affiliation

Chairman and Chief Executive Officer
The Doctors Company, an Interinsurance
Exchange

Name and Residence

Principal Business Affiliation

Robert D. Francis
Napa, California

Chief Operating Officer
The Doctors Company, an Interinsurance
Exchange

Dennis B. Lawton, PhD
Sausalito, California

Chief Governance Officer
The Doctors Company, an Interinsurance
Exchange

David G. Preimesberger, CPA
Napa, California

Treasurer and Chief Financial Officer
The Doctors Company, an Interinsurance
Exchange

Principal Officers

Name

Title

Richard E. Anderson, M.D.
Dennis Bryan Lawton, PhD
David G. Preimesberger, CPA

Chairman and Chief Executive Officer
Secretary
Treasurer and Chief Financial Officer

The Company requires annual conflict of interest statements from all directors and officers.

Intercompany Agreements

Management Agreement: The Doctors Management Company (TDMC) provides management and administrative services to the Company under the terms of the Management Agreement between the Company and TDMC. This agreement has been in force since September 16, 1996. Although TDMC provided management and administrative services to the Company in accordance with the agreement during the period of the examination, the Company paid no administrative fees for the services, which is not in accordance with the contract. The unrecognized expenses were not considered material; therefore no adjustment was made to the Company's balance sheet. It is recommended the Company comply with or amend the current management agreement.

Tax Allocation Agreement: The Company, its parent, The Doctors Company, an Interinsurance Exchange (Exchange) and its affiliates are parties to a Federal Income Tax Allocation Agreement. The Exchange files the consolidated federal tax return representing all affiliates. Allocation of tax liability is based upon separate return calculations with intercompany tax liabilities normally settled no later than 30 days after the month in which the tax payment have been made or after the filing of the consolidated return if any additional payments are due. The original tax allocation agreement was effective December 1992. It was noted in the previous Report of Examination that an amended agreement effective December 13, 2006, was submitted to the California Department of Insurance (CDI) for approval. This filing was withdrawn and replaced with an Amended and Restated Federal Income Tax Allocation Agreement on May 19, 2007, which was approved by the CDI on October 23, 2007.

TERRITORY AND PLAN OF OPERATION

The Company specialized in marketing insurance products primarily to members of the medical profession. In 1985, the Company discontinued writing new business and is presently servicing the existing needs of its policyholders.

At December 31, 2008, the Company was licensed to transact business in the states of Arizona, California, Hawaii, Montana, Nevada, Texas, and Wyoming. In 2008, the Company generated premiums of \$72,510 in California (84.7%) and \$13,054 in Nevada (15.3%). The Company's in-force policies are comprised of life policies, supplementary contracts and annuities. Presently, the Company has no plans to reactivate its marketing in the near term.

REINSURANCE

Assumed

No reinsurance was assumed during the examination period.

Ceded

The Company has reinsured 59% of its ordinary life insurance in-force. The maximum retention on any one life is \$100,000. Approximately 10% of the reinsurance is ceded on a yearly renewable term basis to Swiss Re Life & Health America, Inc. and Transamerica Life Insurance Company (both admitted in the State of California). The remaining 90% is ceded under a yearly renewable term agreement to the following reinsurance pool:

Admitted:

Revious Reinsurance US	40%
Scottish Re (United States), Inc.	20%
Hannover Life Reassurance Company	<u>15%</u>
Total – Admitted	<u>75%</u>

Non-Admitted:

Converium Ruckversicherung (Deutschland) AG	10%
Nouvelle Cie De Reassurance SA	10%
Union Italiana Di Riassicurazione	<u>5%</u>
Total – Non-Admitted	<u>25%</u>

ACCOUNTS AND RECORDS

The Company notified its audit committee that the previous Report of Examination had been received, but there was no such notification recorded in the board of directors meeting minutes nor was a notice recorded in the minutes that the report was available for review by the members of the board as required by California Insurance Code (CIC) Section 735. It is recommended that the Company comply with CIC Section 735.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2008

Summary of Operations and Capital and Surplus Account for the Year Ended
December 31, 2008

Reconciliation of Capital and Surplus from December 31, 2005 through
December 31, 2008

Statement of Financial Condition
as of December 31, 2008

<u>Assets</u>	<u>Ledger and Non Ledger Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$26,976,198	\$	\$26,976,198	
Cash and short-term investments	1,487,922		1,487,922	
Receivables for securities	1,237		1,237	
Investment income due and accrued	255,363		255,363	
Premiums and considerations:				
Uncollected premiums and agent's balances in the course of collection	(4,045)		(4,045)	
Net deferred tax asset	685,505	568,519	116,986	
Aggregate write-ins for other than invested assets	<u>6,481,437</u>	<u> </u>	<u>6,481,437</u>	
Total assets	<u>\$35,883,617</u>	<u>\$ 568,519</u>	<u>\$35,315,098</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Aggregate reserve for life contracts			\$ 7,154,130	
Liability for deposit-type contracts			1,010,118	
Contract claims: Life			25,000	
Contract liabilities not included elsewhere:				
Interest maintenance reserve			2,084,587	
General expenses due or accrued			7,500	
Taxes, licenses and fees due or accrued			3,039	
Current federal and foreign income taxes			470,108	
Dividends to stockholders declared and unpaid			1,000,000	
Asset valuation reserve			45,826	
Reinsurance in unauthorized companies			6,127	
Payable to parent, subsidiaries and affiliates			27,625	
Payable for securities			1,008,240	
Aggregate write-ins for liabilities			<u>6,481,437</u>	
Total liabilities			19,323,737	
Common capital stock		\$ 2,600,000		
Gross paid-in and contributed surplus		8,000,000		
Unassigned funds (surplus)		<u>5,391,361</u>		
Total surplus as regards policyholders			<u>15,991,361</u>	
Total liabilities, capital and surplus			<u>\$ 35,315,098</u>	

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2008

Summary of Operations

Premiums and annuity considerations for life contracts	\$ 49,038	\$
Net investment income	1,308,747	
Amortization of interest maintenance reserve	<u>93,904</u>	
 Total		 1,451,689
 Annuity benefits	 678,347	
Surrender benefits and withdrawals for life contracts	476	
Increase in aggregate reserves for life contracts	69,036	
 General insurance expenses	 14,203	
Insurance taxes, licenses and fees	39,525	
Aggregate write-ins for deductions	<u>96,885</u>	
 Total		 <u>898,472</u>
 Net gain from operations before federal income tax		 553,217
 Federal and foreign income taxes incurred		 <u>375,090</u>
 Net gain from operations after federal income taxes and before realized capital gains		 178,127
Net realized capital gain		<u>76,539</u>
 Net income		 <u>\$ 254,666</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2007		\$ 16,734,473
 Net income	 \$ 254,666	
Change in net deferred income tax	15,244	
Change in non admitted assets	(12,266)	
Change in liability for reinsurance in unauthorized companies	(841)	
Change in asset valuation reserve	85	
Dividends to stockholders	<u>(1,000,000)</u>	
 Change in surplus as regards policyholders for the year		 <u>(743,112)</u>
 Surplus as regards policyholders, December 31, 2008		 <u>\$ 15,991,361</u>

Reconciliation of Capital and Surplus
from December 31, 2005 through December 31, 2008

Surplus as regards policyholders, December 31, 2005,
per Examination \$17,313,260

	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$1,142,509	\$	
Change in net deferred income tax	43,178		
Change in non admitted assets	16,233		
Change in liability for reinsurance in unauthorized companies	1,169		
Change in asset valuation reserve		24,988	
Dividends to stockholders	<u> </u>	<u>2,500,000</u>	
 Total gains and losses	 <u>\$1,203,089</u>	 <u>\$2,524,988</u>	
 Decrease in surplus as regards policyholders			 <u>\$ (1,321,899)</u>
 Surplus as regards policyholders, December 31, 2008, per Examination			 <u>\$ 15,991,361</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Reserves for Life Contracts and Liability for Deposit-type Contracts

The aggregate reserve for life contracts and the liability for deposit-type contracts were evaluated by a Life Actuary from the California Department of Insurance. Based on the analysis performed, the Company's aggregate reserves for life contracts and liability for deposit-type contracts as of December 31, 2008, were deemed reasonable.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management and Control: Intercompany Agreements – Management Agreement – (Page 5): It is recommended the Company comply or amend the Management Agreement with The Doctors Management Company.

Accounts and Records – (Page 7): It is recommended that the Company comply with California Insurance Code Section 735.

Previous Report of Examination

Management and Control: Intercompany Agreements (Page 3): It was recommended the Company comply with or amend the Management Agreement with The Doctors Management Company. The same finding is made in this examination.

ACKNOWLEDGEMENT

The undersigned would like to thank the Company's officers and employees of The Doctors Management Company for their cooperation and assistance during the course of this examination.

Respectfully Submitted,

/s/

Wayne Leiran, CFE
Examiner-In-Charge
Contract Examiner
Department of Insurance
State of California