

REPORT OF  
LIMITED-SCOPE EXAMINATION  
OF  
UNIVERSAL LIFE INSURANCE COMPANY

BIRMINGHAM, ALABAMA

AS OF

SEPTEMBER 30, 2007

PARTICIPATION:

SOUTHEASTERN ZONE  
ALABAMA

## TABLE OF CONTENTS

<b>EXAMINER'S AFFIDAVIT</b> .....	i
<b>SALUATION</b> .....	1
<b>SCOPE OF THE EXAMINATION</b> .....	2
<b>FINANCIAL STATEMENTS INDEX</b> .....	3
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	7
<b>Note 1 – Mortgage loans</b> .....	7
<b>Note 2 – Real estate</b> .....	8
<b>Note 3 – Cash, cash equivalents and short-term investments</b> .....	9
<b>Note 4 – Receivable from parent, subsidiaries and affiliates</b> .....	10
<b>Note 5 – Aggregate reserves for life contracts</b> .....	11
Loss Reserves and Reserve Valuation Runs .....	11
Conversion of Policies from 2004 Master File .....	14
Review of 2006 Reserve Data .....	15
2006 Reconciliation .....	15
Review of 2006 Asset Adequacy Analysis .....	16
Embedded Accident and Health Benefits .....	17
Review of 2005 Reserve Data .....	17
Cash Surrenders and Death Claims .....	17
Review of Application Files .....	18
2007 Sample of Applications .....	18
2004 Sample of Applications .....	19
File Room .....	20
<b>Note 6 – Unassigned funds</b> .....	21
<b>COMMENTS AND RECOMMENDATIONS</b> .....	21
<b>CONCLUSION</b> .....	26
<b>APPENDIX</b> .....	27

STATE OF ALABAMA  
COUNTY OF Jefferson

Mary B. Packard, CPA, CFE, being first duly sworn, upon her oath deposes and says:

That she is an examiner appointed by the Commissioner of Insurance for the State of Alabama;

That a limited-scope examination was made of the affairs and financial condition of Universal Life Insurance Company as of September 30, 2007;

That the following 27 pages and the Appendix constitute the report thereon to the Commissioner of Insurance for the State of Alabama Department of Insurance;

And that the statements, exhibits, and data therein contained are true and correct to the best of her knowledge and belief.

Mary B. Packard  
Examiner-in-charge

Subscribed and sworn to before the undersigned authority this 20<sup>th</sup> day of December, 2007.

(Signature of Notary Public)

Mary K. Stone Notary Public  
(Print Name)

in and for the State of Alabama.

My Commission expires 7/16/08.



**BOB RILEY**  
GOVERNOR

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 Monroe Street, Suite 1700  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351

TELEPHONE: (334) 269-3550

FACSIMILE: (334) 241-4192

INTERNET: [www.aldoi.gov](http://www.aldoi.gov)

WALTER A. BELL  
COMMISSIONER  
ASSISTANT COMMISSIONER  
REN WHEELER  
DEPUTY COMMISSIONER  
D. DAVID PARSONS  
CHIEF EXAMINER  
RICHARD L. FORD  
STATE FIRE MARSHAL  
EDWARD S. PAULK  
GENERAL COUNSEL  
REYN NORMAN  
RECEIVER  
DENISE B. AZAR  
LICENSING MANAGER  
JIMMY W. GUNN

December 21, 2007

Mary Jo Hudson, Director  
Chairman, Examination Oversight Comm.  
Ohio Department of Insurance  
2100 Stella Court  
Columbus, Ohio 43215-1067

Julie Mix McPeak, Executive Director  
Secretary, Southeastern Zone  
Kentucky Office of Insurance  
Post Office Box 517  
Frankfort, Kentucky 40602-0517

Thomas R. Sullivan, Commissioner  
Secretary, Northeastern Zone  
Connecticut Department of Insurance  
Post Office Box 816  
Hartford, Connecticut 06142-0816

Morris J. Chavez, Superintendent  
Secretary, Western Zone  
NM Public Regulation Commission  
Insurance Division  
224 E. Palace Avenue  
Santa Fe, New Mexico 87501

Sean Dilweg, Commissioner  
Vice Chair, Midwestern Zone  
Office of the Commissioner of  
Insurance, State of Wisconsin  
Post Office Box 7873  
Madison, Wisconsin 53707-7873

Walter A. Bell, Commissioner  
Alabama Department of Insurance  
Post Office Box 303351  
Montgomery, Alabama 36130-3351

Dear Directors and Commissioners:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions of the National Association of Insurance Commissioners (NAIC), a limited-scope examination as of September 30, 2007 has been made of the loss reserves, short-term investments, real estate, mortgage loans and related party transactions of **Universal Life Insurance Company** at its home office located at 1728 3<sup>rd</sup> Avenue North, Birmingham, Alabama 35203. The report of examination is submitted herewith.

Where the description "Company" or "ULIC" appears herein, without qualification, it will be understood to indicate **Universal Life Insurance Company**.

## SCOPE OF THE EXAMINATION

A limited-scope examination was authorized pursuant to the instructions of the Alabama Insurance Commissioner and in accordance with the statutory requirements of the ALABAMA INSURANCE CODE and the regulations and bulletins of the State of Alabama Department of Insurance in accordance with the applicable guidelines and procedures promulgated by the NAIC and in accordance with generally accepted examination standards.

The Company was last examined for the two-year period ended December 31, 2004, by examiners from the State of Alabama, which resulted in a qualified examination report. The current limited-scope examination is as of September 30, 2007 and was conducted by examiners from Alabama representing the Southeastern Zone, NAIC. Where deemed appropriate, transactions subsequent to September 30, 2007, were reviewed.

This limited-scope examination is not intended to communicate all matters of importance for an understanding of the Company's financial condition. The examination is limited to determining if the Company is impaired or insolvent due to problems identified with the 2005 and 2006 reserve valuation runs and in-force listings. In addition, the examination was to determine the Company's compliance with the Department's laws and regulations concerning the limitations of short-term investments, the repayment of intercompany loans made in 2006 and 2007, the status of real estate and mortgage loans records as of September 30, 2007, and any other issues the Department deemed to be significant.

Attached as an addendum to this Report of Examination is the September 30, 2007 Quarterly Statement which, according to Company management, will be filed with the Alabama Department of Insurance (ALDOI). This Quarterly Statement was used as the basis for the Financial Reports contained in this report.

## FINANCIAL STATEMENTS INDEX

The Financial Statements included in this report were prepared on the basis of the Company's records and the valuations and determinations made during the course of the examination for the period ending September 30, 2007. The statements are presented in the following order:

	<u>Page</u>
Statement of Assets .....	4
Statement of Liabilities, Surplus and Other Funds .....	5
Statement of Operations.....	6
Statement of Capital and Surplus.....	6

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART THEREOF.**

**Universal Life Insurance Company**  
**Statement of Assets**  
**For the Quarter Ended September 30, 2007**

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net Admitted</u> <u>Assets</u>
Bonds	\$ 9,242,202	\$ -	\$ 9,242,202
Stocks: Preferred stocks	3,700	-	3,700
Stocks: Common stocks	2,039,706	-	2,039,706
Mortgage loans on real estate: First liens (Note 1)	1,166,192	-	1,166,192
Real estate: Properties held for sale (Note 2)	330,143	129,508	200,635
Cash, cash equivalents and short-term investments (Note 3)	6,166,986	-	6,166,986
Contract loans	642,021	118,753	523,268
Premium Tax Credit	17,092	-	17,092
Advanced to mortgagors	2,203	-	2,203
Real estate sale	101,113	-	101,113
Subtotal, cash and invested assets	\$ 19,711,358	\$ 248,261	\$ 19,463,097
Investment income due and accrued	116,555	-	116,555
Premium considerations:			
Uncollected premiums and agents' balances in the course of collection	412,713	-	412,713
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,204	-	5,204
Guaranty funds receivable or on deposit	6,890		
Electronic data processing equipment and software	169,372	169,372	-
Furniture and equipment, including health care delivery assets	5,377	5,377	-
Receivable from parent, subsidiaries and affiliates (Note 4)	25,365	-	25,365
Utility deposit	1,045	1,045	-
<b>TOTAL</b>	<u>\$ 20,453,879</u>	<u>\$ 424,055</u>	<u>\$ 20,029,824</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART THEREOF.**

**Universal Life Insurance Company**  
**Statement of Liabilities, Surplus and Other Funds**  
**For the Quarter Ended September 30, 2007**

<u>LIABILITIES</u>	<u>2007</u>
Aggregate reserve for life insurance (Note 5)	\$ 22,114,110
Aggregate reserve for accident and health contracts	7,824
Liability for deposit-type contracts	69,516
Contract claims: Life	244,200
Contract claims: Accident and health	28,314
Premium and annuity considerations for life and accident and health contracts received in advance	79,584
Interest Maintenance Reserve	155,169
General expenses due or accrued	17,680
Amounts withheld or retained by company as trustee	63,376
Amounts held for agents' account	2,322
Asset valuation reserve	407,806
Security of The South Shareholders Escrow	42,272
ULIC Shareholders Escrow	156,305
Uncashed drafts and checks	<u>31,502</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 23,419,980</b>
<b><u>CAPITAL AND SURPLUS</u></b>	
Common capital stock	\$ 1,054,144
Gross paid in and contributed surplus	2,351,434
Unassigned funds (surplus) (Note 6)	<u>(6,795,734)</u>
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ (3,390,156)</b>
<b>TOTAL LIABILITIES, CAPITAL AND SURPLUS</b>	<b>\$ <u>20,029,824</u></b>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART THEREOF.**

**Universal Life Insurance Company**  
**Statement of Income**  
**For the Quarters Ended September 30, 2007 and 2006**

	2007	2006
Premiums and annuity considerations for life and accident and health contracts	\$ 1,336,048	\$ 1,932,538
Net investment income	747,703	620,407
Miscellaneous income	6,010	4,975
Rounding	(1)	-
Totals	<u>\$ 2,089,760</u>	<u>\$ 2,557,920</u>
Death benefits	\$ 814,329	\$ 750,671
Matured endowments	15,472	3,517
Disability benefits and benefits under accident and health contracts	89,645	96,424
Surrender benefits and withdrawals for life contracts	54,426	348,003
Increase in aggregate reserves for life and accident and health contracts	6,912,822	37,153
Totals	<u>\$ 7,886,694</u>	<u>\$ 1,235,768</u>
General insurance expenses	454,661	220,378
Insurance taxes, licenses and fees, excluding federal income taxes	37,510	76,999
Increase in loading on deferred and uncollected premiums	(63,825)	389,769
Totals	<u>\$ 8,315,040</u>	<u>\$ 1,922,914</u>
Net gain from operations after dividends to policyholders and federal income taxes	\$ (6,225,280)	\$ 635,006
Net realized capital gains (losses)	(161,456)	59,069
NET INCOME	<u>\$ (6,386,736)</u>	<u>\$ 694,075</u>
 <b><u>Capital and Surplus Account</u></b>		
Surplus as regards policyholders, December 31, prior year	\$ 2,603,876	\$ 2,525,938
Net income	(6,386,736)	694,075
Change in net realized capital gains (losses)	112,972	112,701
Change in nonadmitted assets and related items	257,076	1,423
Change in asset valuation reserve	22,656	-
Net change in capital and surplus	<u>\$ (5,994,032)</u>	<u>\$ 808,199</u>
Capital and surplus as of statement date	<u>\$ (3,390,156)</u>	<u>\$ 3,334,137</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART THEREOF.**

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Mortgage loans

\$1,116,192

The above captioned amount is the same as reported by the Company in its September 30, 2007 Quarterly Statement.

The examiners were to determine if the Company's mortgage loans files were current to September 30, 2007 and if the *2006 Annual Statement* Schedule B was accurately prepared.

The examiner requested a list of the September 30, 2007 mortgage loans and compared it to Schedule B. The examiner found six loans that were on Schedule B but not the September 30, 2007 list and requested an explanation of what happened to the loans. Three of the loans were written off in 2007 and the other three were paid in 2007. The examiner requested documentation of the transactions on five of the loans. The loan which was not included in the request had a balance of \$135, and the examiner considered it immaterial. The Company provided the necessary documentation, and the examiner determined that four of the loans were properly handled. However, one loan was foreclosed on February 11, 2005 but remained on the Company's books until March 5, 2007 when it was written off. Management's explanation was that the loan "fell through the cracks" and was forgotten about until correspondence was received concerning the loan. Management then wrote the loan off the Company's books. Therefore, the Company was not in compliance with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

The examiner selected six loans, which represented 89.5% of the September 30, 2007 mortgage loans balance, and requested the files on each. The examiner recalculated the current balance for each loan and compared those balances to balances reported by the Company as of September 30, 2007. The differences between the examiner's calculations and the Company's reported balance ranged from (\$25) to \$4,656 which are all immaterial to this examination.

In addition, the examiner reviewed the six files for current payments on property insurance and on property taxes. The examiner found only one file with a copy of the current property insurance policy. Per the Company's staff, that mortgagor pays for his own insurance. The other five files had no current insurance policy on

file or documentation of payment. Management provided copies of check requests and cancelled checks for the Company's payment of property insurance for three loans. Per the Company's staff, the insurance companies are sending the current policies to the mortgagors and not the Company. The staff has requested copies of current policies from the insurance companies for the files and has requested that the insurance companies send future policies to the Company. Without the policies, the examiner could not determine when they would expire even though payments were made from March 2007 forward. The mortgagor of the fifth loan was supposed to provide the Company with either documentation that the insurance premium was paid or send the money to the Company for payment. Neither happened, and since the Company foreclosed on the property, the mortgagor has not responded to any of the Company's requests for information. The Company will be placing the property on force placed coverage.

When reviewing the files for payment of property taxes, two of the files had documentation of payment and three had documentation that the mortgagors were exempt from paying taxes as they are churches. One mortgagor pays his own taxes, and the staff has requested a copy of the property tax receipt for its files. Because the files were not complete, the Company was not in compliance with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

**Note 2 – Real estate**

**\$200,635**

The above captioned amount is \$52,668 less than the \$253,303 reported by the Company in its September 30, 2007 Quarterly Statement.

ALA. CODE § 27-41-34 (c) (1975) states, "An insurer may acquire, own, maintain, alter, furnish and improve real estate acquired in satisfaction of loans, mortgages, liens or other evidences of indebtedness previously owing to the insurer in the regular course of its business. Except as stated in subsection (e) of this section, an insurer may not carry as an admitted asset real estate acquired under this subsection following a period of 10 years from the date of acquisition." The Company acquired twelve parcels prior to September 30, 1997 (10 years), and the total book value of \$73,495 should have been non-admitted. Using the Notes to Financial Statements #5, the examiner calculated the non-admitted should be

\$129,608 which was \$52,668 greater than the \$78,840 non-admitted by the Company in the September 30, 2007 Quarterly Statement.

ALA. CODE § 27-41-34 (e) (1975) states, "Upon evidence satisfactory to him that the interest of an insurer will suffer materially if it is not permitted to carry a particular parcel of real estate as an admitted asset after expiration of the period set out in subsections (a) and (c) of this section, the commissioner may, by order in writing, grant a reasonable extension of the period as specified in said order, during which time the insurer may continue to carry such real estate as an admitted asset." The Company did not provide such written permission to the examiners.

It was noted that the Company reported real estate parcels as "Properties held for the production of income" and as "Properties held for sale" on Schedule A - Part 1 which was not how the Company reported the information on the Annual Statement Page 2. The Company reported all real estate on Line 4.2 - Properties held for sale. The Company was not in compliance with ALA. ADMIN. CODE 482-1-097-.04 (2001) which states, "When submitting required reports to the department, all insurers shall use the appropriate NAIC Annual Statement Blank which shall be prepared in accordance with the NAIC Annual Statement Instructions and follow those accounting practices and procedures prescribed by the NAIC Accounting Practices & Procedures Manual, except when in conflict with Alabama Statutes or other Alabama Insurance Department Regulations."

The Company allowed the property and casualty insurance to lapse on one of its real estate parcels listed on Schedule A - Part 1, thereby not adequately protecting the Company's interest in its property.

**Note 3 – Cash, cash equivalents and short-term investments** **\$6,166,986**

The above captioned amount is the same as reported by the Company in its September 30, 2007 Quarterly Statement.

The ALDOI Commissioner requested that the examiners determine if the Company's short-term investments were in compliance with ALA. CODE § 27-41-6(a) (1975) which states, "An insurer shall not have at any time any single investment or combination of investments in or loans upon the security of the obligations, property or securities of any one person aggregating in cost to the insurer in excess of the greater of 10 percent of such insurer's assets or the total of its capital surplus as shown in the latest annual report of the insurer filed pursuant to subsection (a) of section 27-3-26 of the Alabama insurance code, less the minimum capital and surplus

required of said insurer for authority to transact insurance by sections 27-3-7 and 27-3-8 of the Alabama Insurance Code.

The restriction of this subsection shall not apply to evidences of indebtedness issued, assumed or guaranteed by the United States of America or any department, agency or instrumentality thereof or by any state of the United States.”

The examiners reviewed the Company short-term investments as of September 30, 2007 and determined that they were in compliance.

**Note 4 – Receivable from parent, subsidiaries and affiliates** **\$25,365**

The above captioned amount is the same as reported by the Company in its September 30, 2007 Quarterly Statement.

On Schedule Y of the 2006 Annual Statement, the Company did not report on Column 11 “Any Other Material Activity Not in the Ordinary Course of the Insurer’s Business” with any affiliate. However, the Company had two outstanding Promissory Notes with New Grace Hill Cemetery, an affiliate. One for \$40,000 was dated April 29, 2005, and the other was for \$165,000 and dated November 2, 2006. The Company reported both loans on Page 3, line 21 - Receivables to parent, subsidiaries and affiliates, but non-admitted the \$165,000 loan. Subsequent to year-end, the Company signed another Promissory Note with New Grace Hill Cemetery for \$150,000 on January 16, 2007 and a Promissory Note with BTW Broadcasting Company for \$10,000 on March 22, 2007.

Per the NAIC *Annual Statement Instructions*, on Schedule Y, Column 11, the Company was to report any intercompany loans, to the extent that these loans were not repaid by year-end. The Company was not in compliance with ALA. ADMIN. CODE 482-1-097-.04 (2001) which states, “When submitting required reports to the department, all insurers shall use the appropriate NAIC Annual Statement Blank which shall be prepared in accordance with the NAIC Annual Statement Instructions and follow those accounting practices and procedures prescribed by the NAIC Accounting Practices & Procedures Manual, except when in conflict with Alabama Statutes or other Alabama Insurance Department Regulations.”

All promissory notes were repaid with interest by October 31, 2007.

**Note 5 – Aggregate reserves for life contracts**

**\$22,114,110**

The above captioned amount is \$1,562,574 more than the \$20,551,536 reported by the Company in its September 30, 2007 Quarterly Statement. This change resulted from the Company calculating reserves for some burial policies at 40% to 50% of the retail policy value while paying claims at full retail value as discussed below under “Reserves Provided by Wakely Actuarial Services, Inc.”

**Loss Reserves and Reserve Valuation Runs**

In September 2007, the Company’s management met with the Alabama Department of Insurance (ALDOI) Commissioner and Examination Division staff to discuss a finding made by the Company’s newly hired Information System (IS) specialist. One of her jobs was to map how policies were pulled from the administrative file to create the valuation run. The IS specialist discovered a step in the process where approximately 16,500 policies were being systematically omitted from the reserve valuation runs each period. It was noted that these files are on the Company’s administrative system and have been maintained by the Company’s staff. Premium payments have been posted to the policies, where applicable, customer services are available to the policyholders and claims have been paid. By omitting these policies, the Company’s reserves were understated which resulted in the Company’s September 30, 2007 Quarterly Statement reflecting an insolvency.

It was discovered that at some time in the past, one person at Protective Industrial Insurance Company (PIICO), a predecessor to the Company, instructed the data processing system department to omit certain policies from the valuation runs, resulting in the reserves for the “omitted” policies not being recorded as liabilities of PIICO. This instruction was given at some time subsequent to calendar year 2000 and may have been given prior to calendar year 2000. Thus, since at least calendar year 2000, a number of policies have been excluded from the valuation runs of PIICO. In calendar year 2000, PIICO purchased the Company. In calendar year 2004, Booker T. Washington Life Insurance Company (BTW) purchased the Company and PIICO and merged PIICO into the Company. When BTW bought PIICO and the Company, the data processing system department of BTW was instructed by some person to exclude the “omitted” policies from the valuation runs that BTW performed for the Company. Thus, for year ends 2004, 2005 and 2006, some group of “omitted” policies were not included in the valuation runs of the Company, thus perpetuating the procedure that had begun at PIICO. From the time this procedure had begun at PIICO and continued at the

Company, the reserves of both PIICO and the Company were understated and the surplus of both PIICO and the Company were overstated by some amount.

During calendar years 1995 to 2004, the valuation actuary was an officer of PIICO and held the titles of President and Valuation Actuary. When PIICO purchased the Company, the valuation actuary held those same positions at the Company. During this period of time, the valuation actuary should have been aware of the "omitted" policies not being included in the valuation runs. At some time after BTW purchased PIICO and the Company, the President and Valuation Actuary of PIICO became the valuation actuary for BTW. From the time that the former officer of PIICO and the Company became the valuation actuary of the Company, the valuation actuary should have been aware of the "omitted" policies not being included in the valuation runs of the Company.

During 2007, the Company determined that there was no reason for the "omitted" policies to be excluded from the valuation runs. The IS staff and management reviewed documentation on the system, making sure that the correct plan codes, actuarial tables, etc. were being used to calculate reserves. They then re-ran the "omitted" policies from the static file on the system in order for the policies to be processed again, correcting any inconsistencies. As a result of this process, 3,489 policies were put into their proper claim, lapsed or expired status, which left 13,102 additional policies in-force.

Management had engaged Wakely Actuarial Services, Inc. (Wakely), an actuarial firm, to assist the Company in correcting certain deficiencies in the way the Company's computer system calculated reserves. This process included the review of plan codes and the calculation of cash values and reserves. When the "omitted" policies were discovered, management and the IS staff created a new reserve valuation run as of August 31, 2007, which included the 13,102 additional policies. The Company then engaged Wakely to review the new reserve run and to assist in calculating the reserves as of August 31, 2007. Wakely determined that the reserves had been understated by approximately \$4.7 million due to the exclusion of the "omitted" policies. Therefore, during the time the valuation actuary was an officer of both PIICO and the Company and subsequently a non-officer valuation actuary of the Company, those policies were excluded from the valuation runs, resulting in a significant understatement of reserves and a significant overstatement of the surplus of both PIICO and the Company.

Wakely determined that the Company's reserves were \$20,551,536, which was a \$5,351,976 increase from the \$15,199,560 the Company reported as of December 31, 2006. The Company's management decided to use Wakely's reserve number in

the September 30, 2007 Quarterly Statement, which reported that the Company is insolvent by approximately \$1.77 million.

Reserves Provided by Wakely Actuarial Services, Inc.

The financial examiner reconciled the August 31, 2007 valuation run provided by Wakely Actuarial Services, Inc. (Wakely) to the September 30, 2007 Quarterly Statement. The amount reported in the September 2007 Quarterly Statement was \$74,195 more than the detail provided. Since the Quarterly Statement was more conservative than the detail, the examiners accepted this amount.

The financial examiner did a sample comparison between the information contained on the Company's system with the information on the Wakely reserve run as of August 31, 2007. For seventy of the 100 policies, all attributes reviewed were traced from the Wakely reserve listing to the Company's reserve listing without exception. Of the thirty remaining policies, two had different face amounts, two had a different number of units and twenty-six had a different face amount and number of units. For the two policies with only different face amounts, the face amount listed by the consulting actuary was double the face amount listed by the Company. The examination actuary reviewed these policies and determined since these are "Double Pay to 65" policies and the insured has not reached age sixty-five, the reserve would be calculated using the doubled face amount. For the two policies with a difference in the number of units, the Interim CFO, stated that this was due to Wakely converting \$100 unit values to \$1,000 unit values for use by their system. For the remaining twenty-six policies, the differences arose from older burial policies. Those burial policies contain a provision that states that the amount to be paid to the funeral home is 40% or 50% of the retail value of the policy. The retail value of the policy is the full face amount of the policy. However, the Company has been paying the retail value (full face amount) of the policy upon the death of the insured. Wakely was unaware that the Company was paying full retail value and thus assumed that either 40% or 50% of the retail value was being paid and reserved for those policies accordingly. However, if the Company is paying full retail value upon death, the policies need to be reserved at full retail value, not 40% or 50% of retail value. In addition, the actuarial examiner obtained a copy of one of the burial policies. The policy states that the reserve basis is to be the 1941 CSI Mortality Table, with interest at 3 1/2%, Illinois Standard. Wakely assumed reserves would be based upon the 1961 CSI Mortality Table, with interest at 4%. For the twenty-six policies noted above, Wakely used either 40% or 50% of the retail value of the policy.

The actuarial examiner had the financial examiner pull all of the claims paid on three plan codes, P0215, P0215A and P9272, from the death claims paid from January 1, 2005 to September 30, 2007. For Plan Code P0215, forty-nine out of sixty-eight claims paid the retail amount; for Plan Code P0215A, two out of four claims paid the retail amount; for Plan Code P9272, sixteen out of twenty-five claims paid the retail amount. Reserves should be based upon the amount actually paid as a death claim, not the 40% or 50% of retail value.

The examiners requested that Wakely recalculate the reserves based upon the actual death benefits being paid at full retail value. That recalculation resulted in an increase in the reserves for the burial policies of \$1,562,574. The examination actuary checked the sample of the reserve recalculation and did not note any errors in the recalculation, based upon the reserve determinants shown in the reserve recalculation. However, it should be noted that the financial examiners were unable to check the reserve determinants (issue age, issue date, face amount, etc.) and thus the actuarial examiner cannot certify to the accuracy or adequacy of the reserves. The actuarial examiner also noted that Wakely used the 1961 CSI Mortality Table for all burial policies that used an industrial table for valuation purposes. However, some of the policies in the sample had issue dates prior to the date the 1961 CSI Mortality Table was available.

#### Conversion of Policies from 2004 Master File

A random sample of 200 policies from the 75,614 policies listed on the 2004 PIICO Master File was selected. There were thirteen lapsed policies and six expired policies included in this sample. The Company was asked to provide documentation that these policies did not have cash value when they lapsed or expired. Once the Company started investigating these policies, they discovered that there was a problem with the conversion from the PIICO system to the Company's current computer system. Of the thirteen policies that lapsed, nine policies should be extended term (one of which expired August 12, 2007), two policies had a paid to date of 1900 and no cash value can be calculated, and two policies are plan code Q0400 which is a burial certificate with no cash value. All six expired policies were properly expired. Since the policies had not been converted properly (some of the policies were shown with the wrong paid to date and were not showing a cash value, when there was a cash value) on the Wakely valuation, those policies were not included as having a reserve. Those policies should have had a reserve recorded. The Company investigated this issue and identified approximately 5,061 policies that appeared to have not been properly converted from PIICO's system in 2004. These policies were re-entered on the Company's LSP system which allowed the system to process the policies into their

proper statuses. The following is a break-down of the current status of these policies as of December 5, 2007: sixty in-force (the Company is investigating why these did not process into their non-forfeiture option), twenty-nine death claims, twenty-nine surrenders, 1,179 expired, 3,258 extended term, 361 lapsed and 123 reduced paid-up. The Company should ensure that all lapsed policies were properly lapsed when converted and had no cash value in order to comply with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

During the course of the examination, the Company requested that Wakely calculate the reserves on the 3,441 remaining policies. Wakely calculated a reserve of \$662,660 for those policies remaining in force as of December 5, 2007. This amount was included in the September 30, 2007 Quarterly Statement. There may be some additional reserves on sixty policies that did not process into a nonforfeiture option for some unknown reason at this time. The amount of the reserves on those sixty policies is unknown at this time, and the examiners did not investigate the reason for the non-processing, but the Company has committed to resolve this issue. The examination actuary checked the sample of the reserve recalculation and did not note any errors in the recalculation, based upon the reserve determinants shown in the reserve recalculation. However, it should be noted that the financial examiners were unable to check the reserve determinants (issue age, issue date, face amount, etc.) and thus the actuarial examiner cannot certify to the accuracy or adequacy of the reserves. The examination actuary also noted that Wakely was using a valuation interest rate that is different than that stated in the policy form for certain policies in the sample. The examination actuary did not request a sample of all of the policy forms in the sample, since the reserve determinants may or may not be correct and this would be a step that would not add any assurance as to the accuracy or adequacy of the reserves. The valuation interest rate specified in the policy should be utilized in the computation of the reserves.

## **Review of 2006 Reserve Data**

### **2006 Reconciliation**

The Company was unable to reconcile the face amount and number of policies from the 2006 valuation dataset to the 2006 Annual Statement. The Company's Vice President and Controller stated that this reconciliation is performed by the

Company's valuation actuary and the Company was unable to provide any information concerning how this reconciliation was prepared. The Company was provided the valuation actuary's reconciliation; however, only the reserve amount was reconciled. The Company's inability to provide a complete reconciliation violates ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted." The examiner used the 2006 valuation file provided by the Company to reconcile the face amount to the Exhibit of Life Insurance in the 2006 Annual Statement. The face amount of the policies from the detail was approximately \$147,000 more than reported in the Exhibit of Life Insurance. The number of policies was reconciled using the information provided by the Company as well as a year-end ceded reinsurance report provided by American Capital Insurance Company. The Company's dataset contained 2,668 more policies than reported in the Exhibit of Life Insurance in the 2006 Annual Statement.

#### Review of 2006 Asset Adequacy Analysis

The examination actuary reviewed the 2006 Asset Adequacy Analysis. That analysis was based upon several specific assumptions. The mortality assumption was based upon the 1965-70 Ultimate Table. The analysis stated that the mortality table was scaled by a factor but that factor was not specified in the analysis. The analysis stated that there was no specific mortality study available for this line of business. This mortality assumption may not be sufficient for industrial business. The lapses assumed for premium paying business is 50% first year, 30% second year, 10% third year, 5% fourth year and 2% thereafter. However, the valuation actuary stated that no detailed lapse studies have been completed by the Company. The ultimate rate of 2% for premium paying business seemed to be somewhat low. The valuation actuary stated that the investment rate was based upon the Company's actual return in 2006. The normal way to compute the investment yield is  $2I/(A+B-I)$  where  $I$  is the net investment income,  $A$  is the prior year cash and invested assets plus investment income due and accrued and  $B$  is the current year cash and invested assets plus investment income due and accrued. The valuation actuary used an assumed rate of 5.2%. The formula shown above yielded an investment rate of 4.3%. Thus it appeared that the investment rate may be somewhat high.

As discussed above, the Company did not include (or omitted) approximately 16,500 in-force policies in the calculation of the tabular reserves as far back as, at

least, 2000. The exclusion of these policies caused the surplus of the Company to be overstated for each of those years. In addition, the exclusion of the "omitted" policies would also have affected the cash flow testing and asset adequacy analysis and the surplus of the Company may have been further reduced had those "omitted" policies been included in the cash flow testing and asset adequacy analysis.

### Embedded Accident and Health Benefits

There are some embedded accident and health benefits in some of the industrial life insurance policies, on which a reserve should be recorded. The reserve is probably not significant but the reserves should be recorded in the financial statements.

### Review of 2005 Reserve Data

#### Cash Surrenders and Death Claims

The Company provided all cash surrenders and death claims paid from January 1, 2006 through September 30, 2007 along with reconciliations to the financial statements. There were immaterial differences noted in the reconciliation. The Company's Interim CFO stated that the Company is aware of these differences and they are working to correct the problem. The problem resulted from the Company's general ledger and LSP systems not interfacing properly. The Company believes that the systems are now interfacing properly; however, this cannot be verified until month-end. The examiner noted that the differences were considerably smaller each month. The Company is not in compliance with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

#### *Cash Surrenders traced to 2005 Reserves*

The examiner selected a sample of 100 policies surrendered from January 1, 2006 to September 30, 2007. Of the 100 items that were selected, fifty-nine were on the 2005 reserves, sixteen were on the omitted policy listing and twenty-five were not on either listing. Of these twenty-five policies, there were eight policies that were not on the Company system as of December 31, 2005, and there were no records in the Company that would indicate that these were in-force policies until the

insureds showed up at the Company and submitted a claim or requested surrender of their policies. Of these eight policies, two were Protective Industrial policies, five were Christian Benevolent policies and one was a Company policy. The remaining seventeen policies were on the Company's system; however, the Interim CFO stated that he was unable to determine why these policies were not included on the 2005 valuation run.

#### *Death Claims traced to 2005 Reserves*

The examiner selected a sample of 100 death claims paid from January 1, 2006 to September 30, 2007. Of the 100 items that were selected, sixty-three were on the 2005 reserves, eleven were on the omitted policy listing and twenty-six were not on either listing. Of these twenty-six policies, there were six policies that were not on the Company system as of December 31, 2005, and there were no records in the Company that would indicate that these were in-force policies until the insured's beneficiary showed up at the Company and requested that the face amount of the policy be paid as a death claim. Of these six policies, three were Christian Benevolent policies, one was a North Carolina Mutual policy, one was a Lovett's policy and one was a Protective Industrial policy. The remaining twenty policies were on the Company's system; however, the Interim CFO stated that he was unable to determine why these policies were not included on the 2005 valuation run.

### **Review of Application Files**

#### 2007 Sample of Applications

The examiner selected a random sample of 100 items from the population of applications. Of the 100 items that were selected, fifteen of the policies were on the August 2007 reserve listing provided by the Company. Of the eighty-five policies that were not on the 2007 reserve listing, the Company provided print screen documentation for seventy-three of the policies. Of the seventy-three policies, thirty-eight lapsed, fourteen expired, one was cancelled, sixteen were surrendered, three were assumed by American Capital and one death claim was paid. The Company could not provide any additional documentation for the remaining twelve policies as these policies are not on the Company's computer system. The financial examiner and examination actuary discussed these twelve policies. The examination actuary stated that these policies should be considered active policies and listed on the reserves. Those policies where the insureds have

attained the ultimate age of the valuation mortality table should be escheated to the State Treasurer.

Significant errors were noted; however, the examination actuary stated that there was no need to expand the sample. The significant errors were primarily on policies that were acquired or merged from other companies and the Company was aware of these problems. Therefore, choosing a larger sample would only result in more policies for which the Company would be unable to provide additional documentation. The Company was not in compliance with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

#### 2004 Sample of Applications

In the 2004 exam, the examiners had also selected a random sample of application files. As part of the current examination, the examiners reviewed the 2004 examination papers and selected, from the sample of application files pulled by the 2004 examiners, the thirty files on which the Company's staff was unable to provide any documentation in 2004, resulting in the 2004 examiners not being able to determine the status of these policies. Four of the thirty policies were issued by Christian Benevolent; ten by Protective Industrial Insurance Company (PIICO); six by North Carolina Mutual; one by the Company; five by Afro-American Life Insurance Company; and four by Union Protective Life Insurance Company.

The 2007 examiners gave a list of the thirty policies to the Company to provide documentation. Company employees provided copies of screen-prints of fourteen policies found on the Company's system. Of the fourteen policies, the examiners traced four policies into the August 31, 2007 valuation run. The examiners concluded the ten remaining policies were properly excluded from the valuation run. For the remaining sixteen policies, the Company did not provide any documentation, and the examiners were unable to trace them to the valuation run.

For one of the fourteen lapsed policies, the screen-print information for that policy number did not match the information recorded by the 2004 examiners for that policy number. The Company's staff can pull up policy information on the system using the policy number, the insured's name or the insured's date of birth. From the application files, the 2004 examiners typed in the applicant's name, not

insured, and did not include the date of birth. The staff attempted to pull up the policy by the name on the sample, but it was not on the system. The current examiners assumed that the 2004 examiners may have mistyped the policy number when transferring the information from the physical files they had pulled to the Excel spreadsheet. However, this cannot be confirmed as the files pulled cannot be located. In addition, the examiners were able to find a file card indicating that one of the sixteen policies not provided had been surrendered in 1995, but no other information on the remaining policies was found.

The Company staff could not find any documentation on the remaining sixteen policies, so they do not know the status of them. These policies included the four issued by Christian Benevolent; three of PIICO's ten (including the policy with the different information discussed above), one of North Carolina Mutual's six policies; four of the five Afro-American policies and the four policies issued by Union Protective.

So as with the prior examination, the Company is not in compliance with ALA. CODE § 27-27-29(a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable to the kind, or kinds, of insurance transacted."

### **File Room**

The examiners were given a tour of the Company's two file rooms, one in the basement and one on the fifth floor. Per the Company's management, all files that the Company has related to Universal Life (including all mergers and blocks of business) are located in the Company's home office. There are none in offsite storage. According to the Interim CFO, the Company has had problems with the roof leaking and the filing cabinets on the fifth floor have been moved around. The Company has marked all filing cabinets for the Company with sticky notes and moved most of the files into two areas on the fifth floor.

There were filing cabinets in multiple rooms in the basement area. The filing cabinets did not appear to be in any particular order. However, the filing cabinets were labeled and the files in each cabinet appeared to be in sequential order. The examiners were unable to identify any pattern in the location of the filing cabinets. They appeared to be randomly placed without consideration of which Company, year, etc. to which they pertain.

The examiners also noted multiple rooms in the Company's basement which were full of file boxes, which management stated were individual staff members' old files and not application files or death claim files. These boxes appeared to have been tossed in the rooms without consideration. The examiners reviewed items from several of these boxes and discovered that they did contain policy-related materials such as application files and death claim information. These boxes also contained unopened mail (some of which appeared to be bank statements), tax notices, personnel files and various other information.

After reviewing the file rooms, the examiner determined that it could be quite difficult to locate information due to the haphazard storage. While the Company maintains that the haphazard storage methods do not affect the Company's business, the examiners believe that this contributes to the problem of the Company not being able to provide necessary documentation for this examination.

**Note 6 – Unassigned funds** **(\$6,795,734)**

The above captioned amount is \$1,615,242 less than the (\$5,180,492) reported in the September 30, 2007 Quarterly Statement.

The following presents a reconciliation of unassigned funds per the Company's unfiled September 30, 2007 Quarterly Statement to the Unassigned funds per the examination:

<b>Unassigned funds per the Company</b>		<b>\$ (5,180,492)</b>
<b><u>Examination increase/(decrease) to assets:</u></b>		
Real estate	\$ (52,668)	
<i>Total increase/(decrease) to assets</i>	<u>\$ (52,668)</u>	
<b><u>Examination (increase)/decrease to liabilities:</u></b>		
Aggregate reserve for life contracts	\$ (1,562,574)	
<i>Total (increase)/decrease to liabilities</i>	<u>\$ (1,562,574)</u>	
<b>Net Increase / (Decrease)</b>		<b><u>\$ (1,615,242)</u></b>
<b>Unassigned funds (surplus) per examination:</b>		<b><u>\$ (6,795,734)</u></b>

**COMMENTS AND RECOMMENDATIONS**

**Mortgage Loans – Page 7**

**It is recommended** that the Company maintain its records as required by ALA. CODE § 27-27-29 (a) (1975) which states, “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

### **Real Estate – Page 8**

**It is recommended** that the Company comply with ALA. CODE § 27-41-34 (c) (1975) when calculating the amount of real estate to non-admit in future financial statements.

**It is recommended** that the Company comply with ALA. ADMIN. CODE 482-1-097-.04 (2001) which states, “When submitting required reports to the department, all insurers shall use the appropriate NAIC Annual Statement Blank which shall be prepared in accordance with the NAIC Annual Statement Instructions and follow those accounting practices and procedures prescribed by the NAIC Accounting Practices & Procedures Manual, except when in conflict with Alabama Statutes or other Alabama Insurance Department Regulations.” when reporting its Real estate on the Annual Statement, Page 2, Line 4.

**It is recommended** that the Company maintain property and casualty insurance on all its real estate listed on Schedule A in order to adequately protect its interests.

### **Intercompany Transactions – Page 10**

**It is recommended** that the Company comply with ALA. ADMIN. CODE 482-1-097-.04 (2001) and follow the NAIC *Annual Statement Instructions* when completing Schedule Y. ALA. ADMIN. CODE 482-1-097-.04 (2001) states, “When submitting required reports to the department, all insurers shall use the appropriate NAIC Annual Statement Blank which shall be prepared in accordance with the NAIC Annual Statement Instructions and follow those accounting practices and procedures prescribed by the NAIC Accounting Practices & Procedures Manual, except when in conflict with Alabama Statutes or other Alabama Insurance Department Regulations.”

### **Loss Reserves and Reserve Valuation Runs – Page 11**

**It is recommended** that the Company evaluate all of the “omitted” policies to determine the correct valuation basis and reserve determinants and that the Company determine that there are no other “omitted” policies that should be included in the valuation runs.

### **Reserves provided by Wakely – Page 13**

**It is recommended** that the Company compute the reserves for the burial policies on the basis of the death benefit actually paid - namely, the retail value of the burial policy, since the Company is paying the retail value of the policy for most of the death claims paid.

**It is recommended** that the Company compute reserves for the burial and extended term policies on the actual valuation mortality table and valuation interest rate specified in the policy.

**It is recommended** that the Company verify the reserve determinants (issue age, issue date, face amount, etc.) for each of the in-force policies from the actual application files, since there is no assurance that the reserves are correctly recorded unless those reserve determinants are correct.

### **Conversion of Policies from 2004 Master File – Page 14**

**It is recommended** that the Company maintain complete and accurate records in accordance with ALA. CODE § 27-27-29 (a) (1975) which states, “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.” **It is also recommended** that the Company investigate all policies that were lapsed inappropriately and “reinstate” to the valuation system all policies which had cash values at the time of the inappropriate lapse.

**It is recommended** that the Company include in the valuation run all policies from Protective Industrial Insurance Company that had not been properly converted into the Company’s system in 2004. **It is also recommended** that the Company investigate the reason that some of those policies did not properly process into a nonforfeiture option and include those policies in the valuation run.

**It is recommended** that the Company compute reserves for the missing policies on the actual valuation mortality table and valuation interest rate specified in the policy.

**It is recommended** that the Company verify the reserve determinants (issue age, issue date, face amount, etc.) for each of the missing policies still in force from the actual application files, since there is no assurance that the reserves are correctly recorded unless those reserve determinants are correct.

#### **Reconciliation of 2006 Reserve to the Annual Statement – Page 15**

**It is recommended** that the Company maintain copies of the reconciliations provided by the Company's valuation actuary, which should include reserve amount, face amount and number of policies in accordance with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

#### **Asset Adequacy Reserve – Page 16**

**It is recommended** that the Company perform experience studies for mortality, persistency and investment yield to validate that the assumptions used in the Asset Adequacy Analysis approximate the actual experience of the Company for those three assumptions. All assumptions used in the Asset Adequacy Analysis should be explicitly stated in the Analysis, including any modifications to industry experience.

**It is also recommended** that all in-force policies be included in cash flow testing and asset adequacy analysis.

#### **Embedded Accident and Health Benefits – Page 17**

**It is recommended** that the valuation actuary compute the reserves on the embedded accident and health insurance benefits in the industrial life insurance policies and record those reserves in the financial statements.

#### **Cash Surrenders and Death Claims – Page 17**

**It is recommended** that the Company reconcile all cash surrenders and death claims to the financial statements in accordance with ALA. CODE § 27-27-29 (a) (1975) which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and

systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

### **Application Files – Page 18**

**It is recommended** that the Company maintain complete and accurate records in accordance with ALA. CODE § 27-27-29 (a) (1975) which states, “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

**It is recommended** that the Company comply with ALA. CODE § 27-27-29(a) (1975) by organizing its physical files and file rooms.

**It is recommended** that the Company file and remit unclaimed property in accordance with ALA. CODE § 35-12-76 (5) (1975) which requires that the Company report “In the case of property held or owing under an annuity or a life or endowment insurance policy, the policy number, the full name, Social Security number, if known, date of birth, if known, and last known address, of the annuitant or insured and of the beneficiary” and ALA. CODE § 35-12-77 (f) (1975) which require, “Remittance to the state shall occur annually on or before November 1 of each year and shall accompany the report provided for in subsection (c) of Section 35-12-76 and shall cover the same time period as the report.”

### **File Room – Page 20**

**It is recommended** that all of the boxes and files in the basement be gone through by knowledgeable personnel in order for the records to be organized properly.

## CONCLUSION

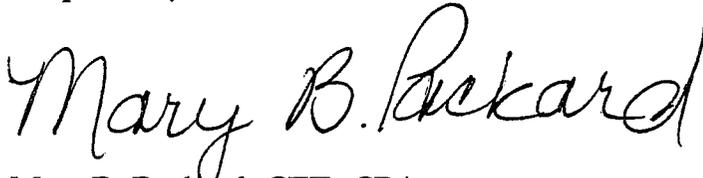
Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC have been followed to the extent appropriate in connection with the limited-scope examination procedures as set forth in this report.

**This report is qualified due to deficiencies of the Company's records. Neither the accuracy or adequacy of the reserves is certified. Details can be found throughout this limited-scope examination report.**

In addition to the undersigned, Lori Wright and Harland A. Dyer, MAAA, ASA, Consulting Actuary represented the Alabama Department of Insurance.

Respectfully submitted,



Mary B. Packard, CFE, CPA  
Examiner-in-Charge  
Department of Insurance  
State of Alabama Department of Insurance  
Southeastern Zone, NAIC

## APPENDIX

**QUARTERLY STATEMENT**

**OF THE**

**Universal Life Insurance Company**

**Of**

**Birmingham**

**in the state of AL**

**to the Insurance Department**

**of the State of**

For the Period Ended

September 30, 2007

**2007**



# QUARTERLY STATEMENT

As of September 30, 2007  
of the Condition and Affairs of the

## Universal Life Insurance Company

NAIC Group Code..... (Current Period) (Prior Period)  
 NAIC Company Code..... 70157  
 Employer's ID Number..... 62-0392810

Organized under the Laws of Alabama  
 State of Domicile or Port of Entry Alabama  
 Country of Domicile US

Incorporated/Organized..... March 16, 1923  
 Commenced Business..... September 24, 1923

Statutory Home Office 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203  
(Street and Number) (City or Town, State and Zip Code) 205.328.5454  
(Area Code) (Telephone Number)

Mail Address P.O. Box 697..... Birmingham ..... AL ..... 35201  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203  
(Street and Number) (City or Town, State and Zip Code) 205.328.5454  
(Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Harold Washington  
(Name) (Area Code) (Telephone Number) (Extension)

(E-Mail Address) (Fax Number)

Policyowner Relations Contact 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203  
(Street and Number) (City or Town, State and Zip Code) 205.328.5454  
(Area Code) (Telephone Number) (Extension)

### OFFICERS

Name	Title	Name	Title
1. Walter Nmn Howlett Jr.	President	2. Harold Layne Washington	VP/Controller
3. Harold Layne Washington	Corp Secretary	4.	

### OTHER

### DIRECTORS OR TRUSTEES

Walter Nmn Howlett Jr. Denise Azar Brian Powell

State of..... Alabama  
 County of..... Jefferson

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

(Signature)	(Signature)	(Signature)
Walter Nmn Howlett Jr.	Harold Layne Washington	Harold Layne Washington
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President	VP/Controller	Corp Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me

This 20 day of December 2007

a. Is this an original filing? Yes [X] No [ ]

b. If no: 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

## ASSETS

	Current Statement Date			
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds.....	9,242,202		9,242,202	4,815,029
2. Stocks:				
2.1 Preferred stocks.....	3,700		3,700	3,600
2.2 Common stocks.....	2,039,706		2,039,706	1,926,721
3. Mortgage loans on real estate:				
3.1 First liens.....	1,166,192		1,166,192	1,439,471
3.2 Other than first liens.....			0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....	330,143	76,840	253,303	267,799
5. Cash (\$.....1,610,722), cash equivalents (\$.....0) and short-term investments (\$.....4,556,264).....	6,166,986		6,166,986	10,222,559
6. Contract loans (including \$.....0 premium notes).....	642,021	118,753	523,268	409,578
7. Other invested assets.....			0	
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	120,408	0	120,408	40,469
10. Subtotals, cash and invested assets (Lines 1 to 9).....	19,711,358	195,593	19,515,765	19,125,227
11. Title Plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	116,555		116,555	74,155
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....	412,713		412,713	263,102
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	5,204		5,204	6,273
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
16.2 Net deferred tax asset.....			0	
17. Guaranty funds receivable or on deposit.....	6,890		6,890	6,890
18. Electronic data processing equipment and software.....	169,372	169,372	0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....	5,377	5,377	0	(0)
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	25,365		25,365	40,000
22. Health care (\$.....0) and other amounts receivable.....			0	
23. Aggregate write-ins for other than invested assets.....	1,045	1,045	0	(0)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	20,453,879	371,387	20,082,492	19,515,647
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	20,453,879	371,387	20,082,492	19,515,647

### DETAILS OF WRITE-INS

0901. Premium Tax Credits.....	17,092		17,092	17,092
0902. ADVANCED TO MORTGAGORS.....	2,203		2,203	23,377
0903. Real Estate Sale.....	101,113		101,113	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	120,408	0	120,408	40,469
2301. Utility Deposits.....	1,045	1,045	0	(0)
2302. ....			0	
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	1,045	1,045	0	(0)

# LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$.....0 less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve).....	20,551,536	15,199,560
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve).....	7,824	9,552
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve).....	69,516	70,595
4. Contract claims:		
4.1 Life.....	244,200	244,200
4.2 Accident and health.....	28,314	28,314
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid.....		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco).....		
6.2 Dividends not yet apportioned (including \$.....0 Modco).....		
6.3 Coupons and similar benefits (including \$.....0 Modco).....		
7. Amount provisionally held for deferred dividend policies not included in Line 6.....		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.....0 discount; including \$.....0 accident and health premiums.....	79,584	30,903
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts.....		
9.2 Provision for experience rating refunds, including \$.....0 accident and health experience rating refunds.....		
9.3 Other amounts payable on reinsurance, including \$.....0 assumed and \$.....0 ceded.....		
9.4 Interest Maintenance Reserve.....	155,169	155,199
10. Commissions to agents due or accrued - life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0.....		
11. Commissions and expense allowances payable on reinsurance assumed.....		
12. General expenses due or accrued.....	17,680	446,137
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances).....		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes.....		2,157
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses).....		
15.2 Net deferred tax liability.....		
16. Unearned investment income.....		
17. Amounts withheld or retained by company as agent or trustee.....	63,376	38,643
18. Amounts held for agents' account, including \$.....0 agents' credit balances.....	2,322	2,322
19. Remittances and items not allocated.....		
20. Net adjustment in assets and liabilities due to foreign exchange rates.....		
21. Liability for benefits for employees and agents if not included above.....		
22. Borrowed money \$.....0 and interest thereon \$.....0.....		
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.1 Asset valuation reserve.....	407,806	453,118
24.2 Reinsurance in unauthorized companies.....		
24.3 Funds held under reinsurance treaties with unauthorized reinsurers.....		
24.4 Payable to parent, subsidiaries and affiliates.....		
24.5 Drafts outstanding.....		
24.6 Liability for amounts held under uninsured plans.....		
24.7 Funds held under coinsurance.....		
24.8 Payable for securities.....		
24.9 Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	230,079	230,079
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25).....	21,857,406	16,911,779
27. From Separate Accounts Statement.....		
28. Total Liabilities (Line 26 and 27).....	21,857,406	16,911,779
29. Common capital stock.....	1,054,144	1,054,144
30. Preferred capital stock.....		
31. Aggregate write-ins for other than special surplus funds.....	0	0
32. Surplus notes.....		
33. Gross paid in and contributed surplus.....	2,351,434	2,351,434
34. Aggregate write-ins for special surplus funds.....	0	0
35. Unassigned funds (surplus).....	(5,180,492)	(801,702)
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 29 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 30 \$.....0).....		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement).....	(2,829,058)	1,549,732
38. Totals of Lines 29, 30 and 37.....	(1,774,914)	2,603,876
39. Totals of Lines 28 and 38.....	20,082,492	19,515,655

### DETAILS OF WRITE-INS

2501. Security of The South Shareholders Escrow.....	42,272	
2502. ULIC Shareholders Escrow.....	156,305	198,577
2503. UNCASHED DRAFTS AND CHECKS.....	31,502	31,502
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	230,079	230,079
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page.....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above).....	0	0
3401. ....		
3402. ....		
3403. ....		
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0

# SUMMARY OF OPERATIONS

(Excluding Unrealized Capital Gains and Losses)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts.....	1,336,048	1,932,538	1,825,672
2. Considerations for supplementary contracts with life contingencies.....			
3. Net investment income.....	747,703	620,407	786,948
4. Amortization of Interest Maintenance Reserve (IMR).....			18,015
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....			
6. Commissions and expense allowances on reinsurance ceded.....			
7. Reserve adjustments on reinsurance ceded.....			
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guaranteees from Separate Accounts.....			
8.2 Charges and fees for deposit-type contracts.....			
8.3 Aggregate write-ins for miscellaneous income.....	6,010	4,975	8,360
9. Totals (Lines 1 to 8.3).....	2,089,760	2,557,920	2,638,995
10. Death benefits.....	814,329	750,671	966,165
11. Matured endowments (excluding guaranteed annual pure endowments).....	15,472	3,517	3,517
12. Annuity benefits.....			
13. Disability benefits and benefits under accident and health contracts.....	89,645	96,424	139,430
14. Coupons, guaranteed annual pure endowments and similar benefits.....			
15. Surrender benefits and withdrawals for life contracts.....	54,426	348,003	395,337
16. Group conversions.....			
17. Interest and adjustments on contract or deposit-type contract funds.....			
18. Payments on supplementary contracts with life contingencies.....			
19. Increase in aggregate reserves for life and accident and health contracts.....	5,350,248	37,153	133,131
20. Totals (Lines 10 to 19).....	6,324,120	1,235,768	1,637,580
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only).....			
22. Commissions and expense allowances on reinsurance assumed.....			
23. General insurance expenses.....	454,661	220,378	586,813
24. Insurance taxes, licenses and fees, excluding federal income taxes.....	37,510	76,999	230,318
25. Increase in loading on deferred and uncollected premiums.....	(63,825)	389,769	(25,277)
26. Net transfers to or (from) Separate Accounts net of reinsurance.....			
27. Aggregate write-ins for deductions.....	0	0	0
28. Totals (Lines 20 to 27).....	6,752,466	1,922,914	2,429,434
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	(4,662,706)	635,006	209,561
30. Dividends to policyholders.....			
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	(4,662,706)	635,006	209,561
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....			
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	(4,662,706)	635,006	209,561
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 (excluding taxes of \$.....0 transferred to the IMR).....	(161,456)	59,069	83,237
35. Net income (Line 33 plus Line 34).....	(4,824,162)	694,075	292,798
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year.....	2,603,876	2,525,938	2,525,938
37. Net income (Line 35).....	(4,824,162)	694,075	292,798
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0.....	112,972	112,701	
39. Change in net unrealized foreign exchange capital gain (loss).....			
40. Change in net deferred income tax.....			
41. Change in nonadmitted assets and related items.....	309,744	1,423	(79,071)
42. Change in liability for reinsurance in unauthorized companies.....			
43. Change in reserve on account of change in valuation basis, (increase) or decrease.....			
44. Change in asset valuation reserve.....	22,656		(43,603)
45. Change in treasury stock.....			
46. Surplus (contributed to) withdrawn from Separate Accounts during period.....			
47. Other changes in surplus in Separate Accounts Statement.....			
48. Change in surplus notes.....			
49. Cumulative effect of changes in accounting principles.....			
50. Capital changes:			
50.1 Paid in.....			
50.2 Transferred from surplus (Stock Dividend).....			
50.3 Transferred to surplus.....			
51. Surplus adjustment:			
51.1 Paid in.....			
51.2 Transferred to capital (Stock Dividend).....			
51.3 Transferred from capital.....			
51.4 Change in surplus as a result of reinsurance.....			
52. Dividends to stockholders.....			
53. Aggregate write-ins for gains and losses in surplus.....	0	0	(92,185)
54. Net change in capital and surplus (Lines 37 through 53).....	(4,378,790)	808,199	77,939
55. Capital and surplus as of statement date (Lines 36 + 54).....	(1,774,914)	3,334,137	2,603,876

DETAILS OF WRITE-INS			
08.301. Miscellaneous Income.....	6,010	4,975	8,360
08.302. ....			
08.303. ....			
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	0	0	0
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	6,010	4,975	8,360
2701. ....			
2702. ....			
2703. ....			
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0	0
5301. PRIOR PERIOD EXAM ADJUSTMENT.....			
5302. MERGER.....			
5303. PRIOR PERIOD ADJUSTMENT.....			(92,185)
5398. Summary of remaining write-ins for Line 53 from overflow page.....	0	0	0
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	0	0	(92,185)

105 337

## CASH FLOW

	1 Current Year to Date	2 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	1,300,012	1,825,672
2. Net investment income.....	717,889	784,401
3. Miscellaneous income.....	6,010	5,038
4. Total (Lines 1 through 3).....	2,023,911	2,615,111
5. Benefit and loss related payments.....	973,872	1,504,449
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	513,606	376,198
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	1,487,478	1,880,647
11. Net cash from operations (Line 4 minus Line 10).....	536,433	734,464
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,236,102	836,924
12.2 Stocks.....	56,492	
12.3 Mortgage loans.....	273,279	106,663
12.4 Real estate.....	133,613	90,000
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,699,487	1,033,587
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	5,682,591	49,732
13.2 Stocks.....	32,017	
13.3 Mortgage loans.....		
13.4 Real estate.....	367,940	
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	79,939	6,181
13.7 Total investments acquired (Lines 13.1 to 13.6).....	6,162,487	55,913
14. Net increase (decrease) in contract loans and premium notes.....	113,690	(320,661)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(4,576,690)	1,298,335
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(15,315)	(133,207)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(15,315)	(133,207)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(4,055,573)	1,899,592
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	10,222,559	8,322,967
19.2 End of period (Line 18 plus Line 19.1).....	6,166,986	10,222,559
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 .....		

**EXHIBIT 1**

**DIRECT PREMIUMS AND DEPOSIT-TYPE CONTRACTS**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Industrial life.....	549,904	290,959	399,805
2. Ordinary life insurance.....	650,953	1,525,350	1,423,624
3. Ordinary individual annuities.....			
4. Credit life (group and individual).....			
5. Group life insurance.....			
6. Group annuities.....			
7. A&H - group.....			
8. A&H - credit (group and individual).....			
9. A&H - other.....	135,191	116,228	242,839
10. Aggregate of all other lines of business.....	0	0	0
11. Subtotal.....	1,336,048	1,932,537	2,066,268
12. Deposit-type contracts.....			
13. Total.....	1,336,048	1,932,537	2,066,268

**DETAILS OF WRITE-INS**

1001. ....			
1002. ....			
1003. ....			
1098. Summary of remaining write-ins for Line 10 from overflow page.....	0	0	0
1099. Total (Lines 1001 thru 1003 plus 1098) (Line 10 above).....	0	0	0

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## **NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies**

No significant change.

**Note 2 - Accounting Changes and Corrections of Errors**

No significant change.

**Note 3 - Business Combinations and Goodwill**

No significant change.

**Note 4 - Discontinued Operations**

No significant change.

**Note 5 - Investments**

No significant change.

**Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

No significant change.

**Note 7 - Investment Income**

No significant change.

**Note 8 - Derivative Instruments**

No significant change.

**Note 9 - Income Taxes**

No significant change.

**Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

No significant change.

**Note 11 - Debt**

No significant change.

**Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

No significant change.

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

No significant change.

**Note 14 - Contingencies**

No significant change.

**Note 15 - Leases**

No significant change.

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## **NOTES TO FINANCIAL STATEMENTS**

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**Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

No significant change.

**Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

C. NOTE: This disclosure is required in every filing for the Quarterly Statement.

**Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

No significant change.

**Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

No significant change.

**Note 20 - September 11 Events**

No significant change.

**Note 21 - Other Items**

No significant change.

**Note 22 - Events Subsequent**

No significant change.

**Note 23 - Reinsurance**

No significant change.

**Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

No significant change.

**Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

No significant change.

**Note 26 - Intercompany Pooling Arrangements**

No significant change.

**Note 27 - Structured Settlements**

No significant change.

**Note 28 - Health Care Receivables**

No significant change.

**Note 29 - Participating Policies**

No significant change.

**Note 30 - Premium Deficiency Reserves**

Continental Life Insurance Company

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## NOTES TO FINANCIAL STATEMENTS

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No significant change.

**Note 31 - Reserves for Life Contracts and Deposit-Type Contracts**

No significant change.

**Note 32 - Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics**

No significant change.

**Note 33 - Premiums and Annuity Considerations Deferred and Uncollected**

No significant change.

**Note 34 - Separate Accounts**

No significant change.

**Note 35 - Loss/Claim Adjustment Expenses**

No significant change.

## GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change: .....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]  
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [X] N/A [ ]  
If yes, attach an explanation.  
\_\_\_\_\_
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004.....
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004.....
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/10/2006.....
- 6.4 By what department or departments?  
\_\_\_\_\_

ALABAMA DEPARTMENT OF INSURANCE

- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]
- 7.2 If yes, give full information:  
\_\_\_\_\_
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
\_\_\_\_\_
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]
- 8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:  
\_\_\_\_\_
- 9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
\_\_\_\_\_
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).  
\_\_\_\_\_

# GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

## PART 1 - COMMON INTERROGATORIES

### FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ X ]    No [ ]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. .....

### INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [ ]    No [ X ]
- 11.2 If yes, explain:  
 \_\_\_\_\_  
 \_\_\_\_\_

- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ]    No [ X ]

- 12.2 If yes, give full and complete information relating thereto:  
 \_\_\_\_\_  
 \_\_\_\_\_

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$.....0

14. Amount of real estate and mortgages held in short-term investments: \$.....0

- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ]    No [ X ]

- 15.2 If yes, please complete the following:

	1 Prior Year-End		2 Current Quarter	
	Book/Adjusted Carrying Value	Book/Adjusted Carrying Value	Book/Adjusted Carrying Value	Book/Adjusted Carrying Value
15.21 Bonds.....	\$.....0	\$.....0	\$.....0	\$.....0
15.22 Preferred Stock.....	\$.....0	\$.....0	\$.....0	\$.....0
15.23 Common Stock.....	\$.....0	\$.....0	\$.....0	\$.....0
15.24 Short-Term Investments.....	\$.....0	\$.....0	\$.....0	\$.....0
15.25 Mortgages, Loans or Real Estate.....	\$.....0	\$.....0	\$.....0	\$.....0
15.26 All Other.....	\$.....0	\$.....0	\$.....0	\$.....0
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26).....	\$.....0	\$.....0	\$.....0	\$.....0
15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above .....	\$.....0	\$.....0	\$.....0	\$.....0

- 16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ]    No [ X ]

- 16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ]    No [ ]  
 If no, attach a description with this statement.

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ]    No [ ]

- 17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
US Bank	2204 Lakeshore Drive, suite 302

- 17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation.

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [ ]    No [ X ]

- 17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

- 17.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

- 18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [ X ]    No [ ]

- 18.2 If no, list exceptions:  
 \_\_\_\_\_  
 \_\_\_\_\_

**GENERAL INTERROGATORIES (continued)**

**PART 2 - LIFE & HEALTH**

1.	Report the statement value of mortgage loans at the end of this reporting period for the following categories:	1
1.1	Long-term mortgages in good standing	Amount
1.11	Farm mortgages.....	\$.....
1.12	Residential mortgages.....	\$.....11,033
1.13	Commercial mortgages.....	\$.....1,034,088
1.14	Total mortgages in good standing.....	\$.....1,045,121
1.2	Long-term mortgages in good standing with restructured terms	
1.21	Total mortgages in good standing with restructured terms.....	\$.....
1.3	Long-term mortgage loans upon which interest is overdue more than three months	
1.31	Farm mortgages.....	\$.....
1.32	Residential mortgages.....	\$.....2,055
1.33	Commercial mortgages.....	\$.....
1.34	Total mortgages with interest overdue more than three months.....	\$.....2,055
1.4	Long-term mortgage loans in process of foreclosure	
1.41	Farm mortgages.....	\$.....
1.42	Residential mortgages.....	\$.....6,276
1.43	Commercial mortgages.....	\$.....113,216
1.44	Total mortgages in process of foreclosure.....	\$.....119,493
1.5	Total mortgage loans (Lines 1.14 + 1.21 + 1.34 + 1.44) (Page 2, Column 3, Lines 3.1 + 3.2)	\$.....1,166,668
1.6	Long-term mortgages foreclosed, properties transferred to real estate in current quarter	
1.61	Farm mortgages.....	\$.....
1.62	Residential mortgages.....	\$.....
1.63	Commercial mortgages.....	\$.....
1.64	Total mortgages foreclosed and transferred to real estate.....	\$.....0

SCHEDULE A - VERIFICATION  
Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	431,297	462,585
2. Increase (decrease) by adjustment.....		
3. Cost of acquired.....	183,970	
4. Cost of additions to and permanent improvements.....		
5. Total profit (loss) on sales.....	(149,864)	58,712
6. Increase (decrease) by foreign exchange adjustment.....		
7. Amount received on sales.....	133,613	90,000
8. Book/adjusted carrying value at end of current period.....	331,790	431,297
9. Total valuation allowance.....	(1,647)	(1,000)
10. Subtotal (Lines 8 plus 9).....	330,143	430,297
11. Total nonadmitted amounts.....	76,840	162,494
12. Statement value, current period (Page 2, real estate lines, net admitted assets column).....	253,303	267,803

SCHEDULE B - VERIFICATION  
Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year.....	1,439,471	1,546,134
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount and mortgage interest points and commitment fees.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....	273,279	106,663
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	1,166,192	1,439,471
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	1,166,192	1,439,471
12. Total nonadmitted amounts.....		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, net admitted assets column).....	1,166,192	1,439,471

SCHEDULE BA - VERIFICATION  
Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0	
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....		
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book adjusted/carrying value of long-term invested assets at end of current period.....	0	0
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	0	0
12. Total nonadmitted amounts.....		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	0	0

SCHEDULE D - VERIFICATION  
Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	6,772,276	7,379,764
2. Cost of bonds and stocks acquired.....	5,714,608	49,732
3. Accrual of discount.....	686	1,351
4. Increase (decrease) by adjustment.....	118,367	184,011
5. Increase (decrease) by foreign exchange adjustment.....		
6. Total profit (loss) on disposal.....	(12,107)	24,525
7. Consideration for bonds and stocks disposed of.....	1,292,594	836,924
8. Amortization of premium.....	15,628	30,183
9. Book/adjusted carrying value, current period.....	11,285,608	6,772,276
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	11,285,608	6,772,276
12. Total nonadmitted amounts.....		
13. Statement value.....	11,285,608	6,772,276

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1.....	13,653,412	6,995,224	6,933,466	68,363	13,462,406	13,653,412	13,783,534	13,295,769
2. Class 2.....	14,930			1	134,219	14,930	14,931	134,206
3. Class 3.....								
4. Class 4.....								
5. Class 5.....					81,306			81,234
6. Class 6.....					50,000			50,000
7. Total Bonds.....	13,668,342	6,995,224	6,933,466	68,364	13,727,932	13,668,342	13,798,465	13,562,209
<b>PREFERRED STOCK</b>								
8. Class 1.....	3,750			(50)	3,613	3,750	3,700	3,600
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....	3,750	0	0	(50)	3,613	3,750	3,700	3,600
15. Total Bonds and Preferred Stock.....	13,672,092	6,995,224	6,933,466	68,314	13,731,544	13,672,092	13,802,165	13,565,809

## SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals.....	4,556,263	XXX	4,490,337	179,734	

## SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	8,747,006	7,499,179
2. Cost of short-term investments acquired.....	11,224,919	8,716,812
3. Increase (decrease) by adjustment.....	187,819	
4. Increase (decrease) by foreign exchange adjustment.....		
5. Total profit (loss) on disposal of short-term investments.....		
6. Consideration received on disposal of short-term investments.....	15,603,481	7,468,985
7. Book/adjusted carrying value, current period.....	4,556,264	8,747,006
8. Total valuation allowance.....		
9. Subtotal (Lines 7 plus 8).....	4,556,264	8,747,006
10. Total nonadmitted amounts.....		
11. Statement value (Lines 9 minus 10).....	4,556,264	8,747,006
12. Income collected during period.....	179,734	354,395
13. Income earned during period.....	178,136	275,867

**Sch. DB-Part F-Section 1  
NONE**

**Sch. DB-Part F-Section 2  
NONE**

**Sch. S  
NONE**

# SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Life Contracts		4 Accident and Health Insurance Premiums, Including Policy, Mem- bership and Other Fees	5 Other Considerations	6 Total Columns 2 through 5	7 Deposit-Type Contracts
		2 Life Insurance Premiums	3 Annuity Considerations				
1. Alabama.....AL	YES	1,019,559		41,058		1,060,617	
2. Alaska.....AK	NO						
3. Arizona.....AZ	NO						
4. Arkansas.....AR	YES	17,375		5,253		22,628	
5. California.....CA	YES	8,336		1,013		9,349	
6. Colorado.....CO	NO						
7. Connecticut.....CT	NO						
8. Delaware.....DE	NO						
9. District of Columbia.....DC	YES	24		258		282	
10. Florida.....FL	NO						
11. Georgia.....GA	NO						
12. Hawaii.....HI	NO						
13. Idaho.....ID	NO						
14. Illinois.....IL	NO						
15. Indiana.....IN	NO						
16. Iowa.....IA	NO						
17. Kansas.....KS	YES	541		711		1,252	
18. Kentucky.....KY	NO						
19. Louisiana.....LA	YES	53,142		11,226		64,368	
20. Maine.....ME	NO						
21. Maryland.....MD	NO						
22. Massachusetts.....MA	NO						
23. Michigan.....MI	NO						
24. Minnesota.....MN	NO						
25. Mississippi.....MS	YES	20,152		29,920		50,072	
26. Missouri.....MO	YES	2,018		1,974		3,992	
27. Montana.....MT	NO						
28. Nebraska.....NE	NO						
29. Nevada.....NV	NO						
30. New Hampshire.....NH	NO						
31. New Jersey.....NJ	NO						
32. New Mexico.....NM	NO						
33. New York.....NY	NO						
34. North Carolina.....NC	NO						
35. North Dakota.....ND	NO						
36. Ohio.....OH	NO						
37. Oklahoma.....OK	YES	1,065		1,136		2,201	
38. Oregon.....OR	NO						
39. Pennsylvania.....PA	NO						
40. Rhode Island.....RI	NO						
41. South Carolina.....SC	NO						
42. South Dakota.....SD	NO						
43. Tennessee.....TN	YES	56,074		19,606		75,681	
44. Texas.....TX	YES	45,711		33,627		79,338	
45. Utah.....UT	NO						
46. Vermont.....VT	NO						
47. Virginia.....VA	YES	11,386		15,954		27,340	
48. Washington.....WA	NO						
49. West Virginia.....WV	NO						
50. Wisconsin.....WI	NO						
51. Wyoming.....WY	NO						
52. American Samoa.....AS	NO						
53. Guam.....GU	NO						
54. Puerto Rico.....PR	NO						
55. US Virgin Islands.....VI	NO						
56. Northern Mariana Islands.....MP	NO						
57. Canada.....CN	NO						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Subtotal.....(a) 12		1,235,383	0	161,737	0	1,397,120	0
90. Reporting entity contributions for employee benefit plans.....	XXX						
91. Dividends or refunds applied to purchase paid-up additions and annuities.....	XXX						
92. Dividends or refunds applied to shorten endowment or premium paying period.....	XXX						
93. Premium or annuity considerations waived under disability or other contract provisions.....	XXX						
94. Aggregate other amounts not allocable by State.....	XXX	0	0	0	0	0	0
95. Totals (Direct Business).....	XXX	1,235,383	0	161,737	0	1,397,120	0
96. Plus Reinsurance Assumed.....	XXX						
97. Totals (All Business).....	XXX	1,235,383	0	161,737	0	1,397,120	0
98. Less Reinsurance Ceded.....	XXX						
99. Totals (All Business) less Reinsurance Ceded.....	XXX	1,235,383	0	161,737	0	1,397,120	0

### DETAILS OF WRITE-INS

5801.....	XXX					0	
5802.....	XXX					0	
5803.....	XXX					0	
5898. Summary of remaining write-ins for line 58 from overflow page.....	XXX	0	0	0	0	0	0
5899. Total (Lines 5801 thru 5803 plus 5898) (Line 58 above).....	XXX	0	0	0	0	0	0
9401.....	XXX					0	
9402.....	XXX					0	
9403.....	XXX					0	
9498. Summary of remaining write-ins for line 94 from overflow page.....	XXX	0	0	0	0	0	0
9499. Total (Lines 9401 thru 9403 plus 9498) (Line 94 above).....	XXX	0	0	0	0	0	0

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 – ORGANIZATIONAL CHART**

**ESOP**

A G GASTON CORPORATION 82.84%  
52-1994856

BOOKER T WASHINGTON INSURANCE COMPANY 99.5%  
63-0220465

GASTON CONSTRUCTION 100%  
63-0884987

GASTON-THACKER GENERAL PARTNERS 50%  
56-2038171

S & G FUNERAL DIRECTORS 100%  
63-0250251

NEW GRACE HILL CEMETERIES 100%  
63-0496142

BTW BROADCASTING SERVICE 100%  
63-0685896

S & G PUBLIC RELATIONS 100%  
63-0720097

UNIVERSAL LIFE INSURANCE CO 100%  
62-0392810

UNIVERSAL LIFE INSURANCE CO 100%  
62-0392810

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>
2. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>

**Explanations:**

**Bar Code:**



Overflow Page for Write-Ins

Additional Write-ins for Liabilities:

	1 Current Statement Date	2 December 31 Prior Year
2504. MORTGAGE ESCROW.....		
2597. Summary of remaining write-ins for Line 25.....	.0	.0

Statement as of September 30, 2007 of the **Universal Life Insurance Company**

**SCHEDULE A - PART 2**

Showing all Real Estate ACQUIRED During the Current Quarter

1 Description of Property	2 Location		3 State	4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	City	City							
Acquired by Internal Transfer									
580-584 E. Trigg	Memphis	TN		09/28/2007	Foreclosure	89,246		89,246	
0299999 Totals						89,246	0	89,246	0
9999999 Totals						89,246	0	89,246	0

**SCHEDULE A - PART 3**

Showing all Real Estate SOLD During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

1 Description of Property	2 Location		3 State	4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Book/Adjusted Carrying Value Less Encumbrances Prior Year	8 Increase (Decrease) by Adjustment	9 Increase (Decrease) by Foreign Exchange Adjustment	10 Expended for Additions, Permanent Improvements and Changes in Encumbrances	11 Book/Adjusted Carrying Value Less Encumbrances	12 Amounts Received	13 Foreign Exchange Profit (Loss) on Sale	14 Realized Profit (Loss) on Sale	15 Total Profit (Loss) on Sale	16 Gross Income Earned Less Interest Incurred on Encumbrances	17 Taxes, Repairs, and Expenses Incurred
	City	City															
Property Sold																	
580-584 E. Trigg	Memphis	TN		09/28/2007	Church of God in Christ	89,246	89,246	0	0	0	0	101,113	0	11,867	11,867	0	0
0199999 Totals						89,246	89,246	0	0	0	0	101,113	0	11,867	11,867	0	0
9999999 Totals						89,246	89,246	0	0	0	0	101,113	0	11,867	11,867	0	0

**Sch. B-Part 1  
NONE**

**Sch. B-Part 2  
NONE**

**Sch. BA-Part 1  
NONE**

**Sch. BA-Part 2  
NONE**

Statement as of September 30, 2007 of the **Universal Life Insurance Company**

**SCHEDULE D - PART 3**

Show all Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Government</b>									
912828 EJ 5	US TREASURY NOTE		09/21/2007	Deutsche Bank		500,957	500,000	9,406	1
912828 FA 3	US TREASURY NOTE		09/21/2007	Lehman Brothers		508,672	500,000	11,486	1
912828 FC 9	US TREASURY NOTE		09/21/2007	Deutsche Bank		502,031	500,000	9,737	1
912828 FE 5	US TREASURY NOTE		08/01/2007	Deutsche Bank		301,383	300,000	3,140	1
912828 FE 5	US TREASURY NOTE		08/27/2007	Deutsche Bank		202,844	200,000	3,603	1
912828 FJ 4	U.S. TREASURY NOTE		07/13/2007	Zions First National Bank		437,290	437,000	974	1
912828 FM 7	US TREASURY NOTE		08/01/2007	Deutsche Bank		500,888	500,000	136	1
912828 FS 4	US TREASURY NOTE		09/21/2007	Deutsche Bank		504,981	500,000	8,285	1
912828 FX 3	US TREASURY NOTE		09/21/2007	Credit Suisse 1st BO		503,486	500,000	6,550	1
912828 GB 0	US TREASURY NOTE		08/01/2007	Deutsche Bank		301,383	300,000	6,613	1
912828 GG 9	US TREASURY NOTE		09/27/2007	Deutsche Bank		203,297	200,000	1,136	1
912828 GK 0	US TREASURY NOTE		09/27/2007	Credit Suisse 1st BO		508,164	500,000	1,779	1
0399999	Total - Bonds - U.S. Government					5,481,861	5,437,000	63,378	XXX
6099997	Total - Bonds - Part 3					5,481,861	5,437,000	63,378	XXX
6099997	Total - Bonds					5,481,861	5,437,000	63,378	XXX
<b>Common Stocks - Industrial and Miscellaneous</b>									
62552X 10 8	COVIDIEN LTD		07/02/2007	TYCO INTL LTD	206,250	10,141	XXX		1
69143X 20 8	TYCO INTERNATIONAL LTD		07/02/2007	TYCO INTL LTD	206,250	12,490	XXX		1
69144P 10 5	TYCO ELECTRONICS LTD		07/02/2007	TYCO INTL LTD	206,250	9,386	XXX		1
6999999	Total - Common Stocks - Industrial & Miscellaneous					32,017	XXX	0	XXX
7299997	Total - Common Stocks - Part 3					32,017	XXX	0	XXX
7299999	Total - Common Stocks					32,017	XXX	0	XXX
7399999	Total - Preferred and Common Stocks					32,017	XXX	0	XXX
7499999	Total - Bonds, Preferred and Common Stocks					5,513,877	5,874,000	63,378	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues.....0.

Statement as of September 30, 2007 of the  
**Universal Life Insurance Company**

**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Filing	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Per Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B.I.A.C.V. (11+12-13)	Total Foreign Exchange Change in Value At Disposal Date	Book/Adjusted Carrying Value At Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator
31288H 18	4 FHL #01315		09/01/2007	Principal Reduction		427	427	438	437	(31)	(31)		(31)		427				0	09/01/2031	
31289R HB	8 FHLUC Gold Pool #E88326 Dtd		09/01/2007	Principal Reduction		3,434	3,434	3,544	3,519	(219)	(219)		(219)		3,434				0	09/01/2017	
31289S DX	2 FHL #E88118		09/01/2007	Principal Reduction		1,138	1,138	1,180	1,180	(143)	(143)		(143)		1,138				0	04/01/2017	
31343N BX	2 Fed Home Ln Mfg #E88118		09/01/2007	Principal Reduction		744	744	744	744	(90)	(90)		(90)		717				0	04/01/2017	
31371H HK	7 FHLUC #43-0054		09/01/2007	Principal Reduction		62	62	63	63	(3)	(3)		(3)		62				0	08/15/2016	
31371H HU	7 FHLUC #43-0054		09/01/2007	Principal Reduction		1,870	1,870	1,884	1,884	(224)	(224)		(224)		1,870				0	08/15/2016	
31371K BU	5 FNMA Conventional Loan #F252343		09/01/2007	Principal Reduction		400	400	415	415	(47)	(47)		(47)		400				0	09/01/2023	
31371K BN	0 FNMA Conventional Loan #F252343		09/01/2007	Principal Reduction		400	400	417	417	(47)	(47)		(47)		400				0	09/01/2023	
31371K NM	9 FNMA #F252345		09/01/2007	Principal Reduction		400	400	417	417	(47)	(47)		(47)		400				0	09/01/2023	
31371K VS	7 FNMA #F252345		09/01/2007	Principal Reduction		400	400	417	417	(47)	(47)		(47)		400				0	09/01/2023	
31371K GW	3 FNMA PL #25013A		09/01/2007	Principal Reduction		825	825	861	861	(73)	(73)		(73)		825				0	04/01/2022	
31371K GW	3 FNMA PL #25013A		09/01/2007	Principal Reduction		3,990	3,990	4,027	4,022	(105)	(105)		(105)		3,990				0	10/01/2022	
31374T CA	5 FNMA Conv Pool #Z32419 DTD		09/01/2007	Principal Reduction		3,325	3,325	3,356	3,352	(88)	(88)		(88)		3,325				0	11/01/2013	
31378D BB	1 FNMA #441-063		09/01/2007	Principal Reduction		742	742	743	742	(69)	(69)		(69)		722				0	11/01/2013	
31382J LH	2 FNMA #441-063		09/01/2007	Principal Reduction		448	448	447	447	(1)	(1)		(1)		448				0	09/01/2028	
31382J LH	2 FNMA #441-063		09/01/2007	Principal Reduction		357	357	365	365	(6)	(6)		(6)		357				0	08/01/2013	
31383J AH	0 FNMA #504924		09/01/2007	Principal Reduction		672	672	672	672	(11)	(11)		(11)		672				0	04/01/2014	
31383W CT	6 FNMA #58122		09/01/2007	Principal Reduction		1,627	1,627	1,667	1,657	(160)	(160)		(160)		1,627				0	04/01/2014	
31387W GT	6 FNMA Conventional Ln #586122		09/01/2007	Principal Reduction		227	227	232	231	(7)	(7)		(7)		227				0	06/01/2014	
31388L HX	1 FNMA #F07846		09/01/2007	Principal Reduction		341	341	347	347	(34)	(34)		(34)		341				0	05/01/2023	
31391M RZ	8 FNMA #571104		09/01/2007	Principal Reduction		1,500	1,500	1,551	1,551	(84)	(84)		(84)		1,500				0	11/01/2031	
31392E RH	5 Fannie Mae Aces Ser 2002-A2 C.C.		09/01/2007	Principal Reduction		5,784	5,784	6,037	6,024	(709)	(709)		(709)		5,784				0	02/01/2033	
31400H FU	2 FNMA #637879		09/01/2007	Principal Reduction		1,195	1,195	1,220	1,220	(77)	(77)		(77)		1,195				0	02/01/2033	
31405R KR	6 FNMA PL #58504A		09/01/2007	Principal Reduction		2,917	2,917	2,990	2,978	(110)	(110)		(110)		2,917				0	09/01/2018	
31405R RR	6 FNMA PL #58504A		09/01/2007	Principal Reduction		9,381	9,381	9,578	9,555	(398)	(398)		(398)		9,381				0	09/01/2018	
36208W FP	3 GNMA # 462974		09/01/2007	Principal Reduction		708	708	707	707	(32)	(32)		(32)		708				0	11/01/2019	
36208W TR	1 GNMA #464680		09/01/2007	Principal Reduction		886	886	902	901	(16)	(16)		(16)		886				0	05/15/2013	
36210Y KR	6 GNMA FHAVA POOL #506397		09/01/2007	Principal Reduction		115	115	116	116	(3)	(3)		(3)		115				0	11/15/2013	
36213U YK	0 GNMA #565114		09/01/2007	Principal Reduction		1,598	1,598	1,647	1,643	(130)	(130)		(130)		1,598				0	04/15/2023	
38373M JZ	4 GNMA Series 2003-111 Class VA		09/01/2007	Principal Reduction		2,542	2,542	2,685	2,653	(328)	(328)		(328)		2,542				0	12/15/2032	
38373M JZ	4 GNMA Series 2003-111 Class VA		09/01/2007	Principal Reduction		635	635	674	663	(82)	(82)		(82)		635				0	09/15/2013	
039599B	Total - Bonds - U.S. Government					62,710	62,710	64,330	64,128	(3,892)	(3,892)		(3,892)		62,710				0	09/15/2013	
263434 BF	5 E Dupont DTD		09/01/2007	Principal Reduction		15,000	15,000	15,227	15,227	(227)	(227)		(227)		15,000				0	09/01/2007	
31142 BR	3 Wal-Mart Stores Dtd		07/12/2007	Matured		300,000	300,000	307,768	300,912	(912)	(912)		(912)		300,000				0	13,125 07/12/2007	1FE
4595959	Total - Bonds - Industrial & Miscellaneous					315,000	315,000	324,356	316,139	(1,139)	(1,139)		(1,139)		315,000				0	14,138	XXX
6095997	Total - Bonds					377,710	377,710	396,686	390,267	(6,031)	(6,031)		(6,031)		377,710				0	17,547	XXX
6095999	Total - Bonds					377,710	377,710	396,686	390,267	(6,031)	(6,031)		(6,031)		377,710				0	17,547	XXX
900214 10	6 TYCO Intl LTD New Common		07/06/2007	TYCO INTL LTD	525,000	22,141	XXX	22,141	15,950	6,181			6,181		22,141				0	XXX	
902124 10	6 TYCO Intl LTD New Common		07/06/2007	TYCO INTL LTD	300,000	9,876	XXX	9,876	9,876	756			756		9,876				0	XXX	
G252X 20	8 COVIDEN LTD		08/09/2007	UNYSEI BROKERAGE SVCS	208,250	8,449	XXX	10,141	10,141	0			0		10,141				0	XXX	
G8143X 20	8 TYCO INTERNATIONAL LTD		08/09/2007	UNYSEI BROKERAGE SVCS	208,250	9,102	XXX	12,480	12,480	0			0		12,480				0	XXX	
G8144P 10	5 TYCO ELECTRONICS LTD		08/21/2007	UNYSEI BROKERAGE SVCS	208,250	6,888	XXX	9,386	9,386	0			0		9,386				0	XXX	

**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Per Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B.I.A.C.V. (11+12-13)	Total Foreign Exchange Change in B.I.A.C.V.	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator		
689599	Total - Common Stocks - Industrial & Miscellaneous				55,456	XXX	64,034	25,080	6,937	0	0	6,937	0	0	64,034	0	(7,577)	(7,577)	248	XXX	XXX
729597	Total - Common Stocks - Part 4				55,456	XXX	64,034	25,080	6,937	0	0	6,937	0	0	64,034	0	(7,577)	(7,577)	248	XXX	XXX
729599	Total - Common Stocks				55,456	XXX	64,034	25,080	6,937	0	0	6,937	0	0	64,034	0	(7,577)	(7,577)	248	XXX	XXX
739599	Total - Preferred and Common Stocks				55,456	XXX	64,034	25,080	6,937	0	0	6,937	0	0	64,034	0	(7,577)	(7,577)	248	XXX	XXX
749599	Total - Bonds, Preferred and Common Stocks				434,166	XXX	452,719	405,347	6,937	(5,031)	0	1,906	0	0	441,744	0	(7,577)	(7,577)	17,795	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues:.....0.

**Sch. DB-Part A-Section 1**  
**NONE**

**Sch. DB-Part B-Section 1**  
**NONE**

**Sch. DB-Part C-Section 1**  
**NONE**

**Sch. DB-Part D-Section 1**  
**NONE**

# SCHEDULE E - PART 1 - CASH

## Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
<b>Open Depositories</b>								
WACHOVIA BANK BIRMINGHAM, ALA					(10,127)	(11,384)	(4,944)	XXX
WACHOVIA BANK BIRMINGHAM, ALA					49,550	49,541	49,529	XXX
REGIONS BANK BIRMINGHAM, ALA					810,977	773,990	770,231	XXX
REGIONS BANK BIRMINGHAM, ALA					180,856	189,032	197,148	XXX
WACHOVIA BANK BIRMINGHAM, ALA					4,815	4,797	4,788	XXX
TUSKEGEE FEDERAL SAVINGS TUSKEGE					279	279	279	XXX
PRIMEVEST FINANCIAL SERVICES TUSKEGE		4.890	6,584		540,476	540,476	547,060	XXX
CERTIFICATES OF DEPOSITS					5,127	5,127	5,127	XXX
REGIONS BANK MONTGOMERY, AL					35,012	37,726	41,505	XXX
0199999. Total Open Depositories	XXX	XXX	6,584	0	1,616,964	1,589,584	1,610,722	XXX
0399999. Total Cash on Deposit	XXX	XXX	6,584	0	1,616,964	1,589,584	1,610,722	XXX
0599999. Total Cash	XXX	XXX	6,584	0	1,616,964	1,589,584	1,610,722	XXX

Statement as of September 30, 2007 of the **Universal Life Insurance Company**

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Gross Investment Income
<b>NONE</b>							

# **QUARTERLY STATEMENT**

**OF THE**

**Universal Life Insurance Company**

**Of**

**Birmingham**

**in the state of AL**

**to the Insurance Department**

**of the State of**

For the Period Ended

September 30, 2007

**2007**



# QUARTERLY STATEMENT

As of September 30, 2007  
of the Condition and Affairs of the

## Universal Life Insurance Company

NAIC Group Code..... , NAIC Company Code..... 70157 Employer's ID Number..... 62-0392810  
(Current Period) (Prior Period)

Organized under the Laws of Alabama State of Domicile or Port of Entry Alabama Country of Domicile US  
Incorporated/Organized..... March 16, 1923 Commenced Business..... September 24, 1923

Statutory Home Office 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203 205.328.5454  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address P.O. Box 697..... Birmingham ..... AL ..... 35201  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203 205.328.5454  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address N/A

Statutory Statement Contact Harold Washington  
(Name) (Area Code) (Telephone Number) (Extension)

(E-Mail Address) (Fax Number)

Policyowner Relations Contact 1728 3rd Avenue North..... Birmingham ..... AL ..... 35203 205.328.5454  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)

### OFFICERS

Name	Title	Name	Title
1. Walter Nmn Howlett Jr.	President	2. Harold Layne Washington	VP/Controller
3. Harold Layne Washington	Corp Secretary	4.	

### OTHER

### DIRECTORS OR TRUSTEES

Walter Nmn Howlett Jr. Denise Azar Brian Powell

State of..... Alabama  
County of..... Jefferson

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

<u>Walter Nmn Howlett Jr.</u> (Signature)	<u>Harold Layne Washington</u> (Signature)	<u>Harold Layne Washington</u> (Signature)
Walter Nmn Howlett Jr. 1. (Printed Name)	Harold Layne Washington 2. (Printed Name)	Harold Layne Washington 3. (Printed Name)
President (Title)	VP/Controller (Title)	Corp Secretary (Title)

Subscribed and sworn to before me

This 20 day of December 2007

Christine M. Johnson

a. Is this an original filing? Yes [X] No [ ]

b. If no: 1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	9,242,202		9,242,202	4,815,029
2. Stocks:				
2.1 Preferred stocks.....	3,700		3,700	3,600
2.2 Common stocks.....	2,039,706		2,039,706	1,926,721
3. Mortgage loans on real estate:				
3.1 First liens.....	1,166,192		1,166,192	1,439,471
3.2 Other than first liens.....			0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....	330,143	76,840	253,303	267,799
5. Cash (\$.....1,610,722), cash equivalents (\$.....0) and short-term investments (\$.....4,556,264).....	6,166,986		6,166,986	10,222,559
6. Contract loans (including \$.....0 premium notes).....	642,021	118,753	523,268	409,578
7. Other invested assets.....				
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	120,408	0	120,408	40,469
10. Subtotals, cash and invested assets (Lines 1 to 9).....	19,711,358	195,593	19,515,765	19,125,227
11. Title Plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	116,555		116,555	74,155
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....	412,713		412,713	263,102
13.2 Deferred premiums, agents' balances and instalments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	5,204		5,204	6,273
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
16.2 Net deferred tax asset.....			0	
17. Guaranty funds receivable or on deposit.....	6,890		6,890	6,890
18. Electronic data processing equipment and software.....	169,372	169,372	0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....	5,377	5,377	0	(0)
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	25,365		25,365	40,000
22. Health care (\$.....0) and other amounts receivable.....			0	
23. Aggregate write-ins for other than invested assets.....	1,045	1,045	0	(0)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	20,453,879	371,387	20,082,492	19,515,647
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	20,453,879	371,387	20,082,492	19,515,647

**DETAILS OF WRITE-INS**

0901. Premium Tax Credits.....	17,092		17,092	17,092
0902. ADVANCED TO MORTGAGORS.....	2,203		2,203	23,377
0903. Real Estate Sale.....	101,113		101,113	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	120,408	0	120,408	40,469
2301. Utility Deposits.....	1,045	1,045	0	(0)
2302.....			0	
2303.....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	1,045	1,045	0	(0)

# LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$.....0 less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve).....	20,551,536	15,199,560
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve).....	7,824	9,552
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve).....	69,516	70,595
4. Contract claims:		
4.1 Life.....	244,200	244,200
4.2 Accident and health.....	28,314	28,314
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid.....		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco).....		
6.2 Dividends not yet apportioned (including \$.....0 Modco).....		
6.3 Coupons and similar benefits (including \$.....0 Modco).....		
7. Amount provisionally held for deferred dividend policies not included in Line 6.....		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.....0 discount; including \$.....0 accident and health premiums.....	79,584	30,903
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts.....		
9.2 Provision for experience rating refunds, including \$.....0 accident and health experience rating refunds.....		
9.3 Other amounts payable on reinsurance, including \$.....0 assumed and \$.....0 ceded.....		
9.4 Interest Maintenance Reserve.....	155,169	156,199
10. Commissions to agents due or accrued - life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0.....		
11. Commissions and expense allowances payable on reinsurance assumed.....		
12. General expenses due or accrued.....	17,680	446,137
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances).....		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes.....		2,157
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses).....		
15.2 Net deferred tax liability.....		
16. Unearned investment income.....		
17. Amounts withheld or retained by company as agent or trustee.....	63,376	38,643
18. Amounts held for agents' account, including \$.....0 agents' credit balances.....	2,322	2,322
19. Remittances and items not allocated.....		
20. Net adjustment in assets and liabilities due to foreign exchange rates.....		
21. Liability for benefits for employees and agents if not included above.....		
22. Borrowed money \$.....0 and interest thereon \$.....0.....		
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.1 Asset valuation reserve.....	407,806	453,118
24.2 Reinsurance in unauthorized companies.....		
24.3 Funds held under reinsurance treaties with unauthorized reinsurers.....		
24.4 Payable to parent, subsidiaries and affiliates.....		
24.5 Drafts outstanding.....		
24.6 Liability for amounts held under uninsured plans.....		
24.7 Funds held under coinsurance.....		
24.8 Payable for securities.....		
24.9 Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	230,079	230,079
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25).....	21,857,406	16,911,779
27. From Separate Accounts Statement.....		
28. Total Liabilities (Line 26 and 27).....	21,857,406	16,911,779
29. Common capital stock.....	1,054,144	1,054,144
30. Preferred capital stock.....		
31. Aggregate write-ins for other than special surplus funds.....	0	0
32. Surplus notes.....		
33. Gross paid in and contributed surplus.....	2,351,434	2,351,434
34. Aggregate write-ins for special surplus funds.....	0	0
35. Unassigned funds (surplus).....	(5,180,492)	(801,702)
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 29 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 30 \$.....0).....		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement).....	(2,829,058)	1,549,732
38. Totals of Lines 28, 30 and 37.....	(1,774,914)	2,603,876
39. Totals of Lines 28 and 38.....	20,082,492	19,515,655

### DETAILS OF WRITE-INS

2501. Security of The South Shareholders Escrow.....	42,272	
2502. ULIC Shareholders Escrow.....	156,305	198,577
2503. UNCASHED DRAFTS AND CHECKS.....	31,502	31,502
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	230,079	230,079
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page.....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above).....	0	0
3401. ....		
3402. ....		
3403. ....		
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0

**SUMMARY OF OPERATIONS**  
(Excluding Unrealized Capital Gains and Losses)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts.....	1,336,048	1,932,538	1,825,672
2. Considerations for supplementary contracts with life contingencies.....			
3. Net investment income.....	747,703	620,407	786,948
4. Amortization of Interest Maintenance Reserve (IMR).....			18,015
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....			
6. Commissions and expense allowances on reinsurance ceded.....			
7. Reserve adjustments on reinsurance ceded.....			
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts.....			
8.2 Charges and fees for deposit-type contracts.....			
8.3 Aggregate write-ins for miscellaneous income.....	6,010	4,975	8,360
9. Totals (Lines 1 to 8.3).....	2,089,760	2,557,920	2,638,995
10. Death benefits.....	814,329	750,671	966,165
11. Matured endowments (excluding guaranteed annual pure endowments).....	15,472	3,517	3,517
12. Annuity benefits.....			
13. Disability benefits and benefits under accident and health contracts.....	89,645	96,424	139,430
14. Coupons, guaranteed annual pure endowments and similar benefits.....			
15. Surrender benefits and withdrawals for life contracts.....	54,426	348,003	395,337
16. Group conversions.....			
17. Interest and adjustments on contract or deposit-type contract funds.....			
18. Payments on supplementary contracts with life contingencies.....			
19. Increase in aggregate reserves for life and accident and health contracts.....	5,350,248	37,153	133,131
20. Totals (Lines 10 to 19).....	6,324,120	1,235,768	1,637,580
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only).....			
22. Commissions and expense allowances on reinsurance assumed.....			
23. General insurance expenses.....	454,661	220,378	586,813
24. Insurance taxes, licenses and fees, excluding federal income taxes.....	37,510	76,999	230,318
25. Increase in loading on deferred and uncollected premiums.....	(63,825)	389,769	(25,277)
26. Net transfers to or (from) Separate Accounts net of reinsurance.....			
27. Aggregate write-ins for deductions.....	0	0	0
28. Totals (Lines 20 to 27).....	6,752,466	1,922,914	2,429,434
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	(4,662,706)	635,006	209,561
30. Dividends to policyholders.....			
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	(4,662,706)	635,006	209,561
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....			
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	(4,662,706)	635,006	209,561
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 (excluding taxes of \$.....0 transferred to the IMR).....	(161,456)	59,069	83,237
35. Net income (Line 33 plus Line 34).....	(4,824,162)	694,075	292,798
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year.....	2,603,876	2,525,938	2,525,938
37. Net income (Line 35).....	(4,824,162)	694,075	292,798
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0.....	112,972	112,701	
39. Change in net unrealized foreign exchange capital gain (loss).....			
40. Change in net deferred income tax.....			
41. Change in nonadmitted assets and related items.....	309,744	1,423	(79,071)
42. Change in liability for reinsurance in unauthorized companies.....			
43. Change in reserve on account of change in valuation basis, (increase) or decrease.....			
44. Change in asset valuation reserve.....	22,656		(43,603)
45. Change in treasury stock.....			
46. Surplus (contributed to) withdrawn from Separate Accounts during period.....			
47. Other changes in surplus in Separate Accounts Statement.....			
48. Change in surplus notes.....			
49. Cumulative effect of changes in accounting principles.....			
50. Capital changes:			
50.1 Paid in.....			
50.2 Transferred from surplus (Stock Dividend).....			
50.3 Transferred to surplus.....			
51. Surplus adjustment:			
51.1 Paid in.....			
51.2 Transferred to capital (Stock Dividend).....			
51.3 Transferred from capital.....			
51.4 Change in surplus as a result of reinsurance.....			
52. Dividends to stockholders.....			
53. Aggregate write-ins for gains and losses in surplus.....	0	0	(92,185)
54. Net change in capital and surplus (Lines 37 through 53).....	(4,378,790)	808,199	77,939
55. Capital and surplus as of statement date (Lines 36 + 54).....	(1,774,914)	3,334,137	2,603,876

DETAILS OF WRITE-INS			
08.301. Miscellaneous income.....	6,010	4,975	8,360
08.302. ....			
08.303. ....			
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	0	0	0
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	6,010	4,975	8,360
2701. ....			
2702. ....			
2703. ....			
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0	0
5301. PRIOR PERIOD EXAM ADJUSTMENT.....			
5302. MERGER.....			
5303. PRIOR PERIOD ADJUSTMENT.....			(92,185)
5398. Summary of remaining write-ins for Line 53 from overflow page.....	0	0	0
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	0	0	(92,185)

105-337

## CASH FLOW

	1 Current Year to Date	2 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	1,300,012	1,825,672
2. Net investment income.....	717,889	784,401
3. Miscellaneous income.....	6,010	5,038
4. Total (Lines 1 through 3).....	2,023,911	2,615,111
5. Benefit and loss related payments.....	973,872	1,504,449
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	513,606	376,198
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	1,487,478	1,880,647
11. Net cash from operations (Line 4 minus Line 10).....	536,433	734,464
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,236,102	836,924
12.2 Stocks.....	56,492	
12.3 Mortgage loans.....	273,279	106,663
12.4 Real estate.....	133,613	90,000
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,699,487	1,033,587
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	5,682,591	49,732
13.2 Stocks.....	32,017	
13.3 Mortgage loans.....		
13.4 Real estate.....	367,940	
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	79,939	6,181
13.7 Total investments acquired (Lines 13.1 to 13.6).....	6,162,487	55,913
14. Net increase (decrease) in contract loans and premium notes.....	113,690	(320,661)
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	(4,576,690)	1,298,335
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(15,315)	(133,207)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(15,315)	(133,207)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(4,055,573)	1,899,592
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	10,222,559	8,322,967
19.2 End of period (Line 18 plus Line 19.1).....	6,166,986	10,222,559
<small>Note: Supplemental disclosures of cash flow information for non-cash transactions:</small>		
20.0001 .....		

**EXHIBIT 1**

**DIRECT PREMIUMS AND DEPOSIT-TYPE CONTRACTS**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Industrial life.....	549,904	290,959	399,805
2. Ordinary life insurance.....	650,953	1,525,350	1,423,624
3. Ordinary individual annuities.....			
4. Credit life (group and individual).....			
5. Group life insurance.....			
6. Group annuities.....			
7. A&H - group.....			
8. A&H - credit (group and individual).....			
9. A&H - other.....	135,191	116,228	242,839
10. Aggregate of all other lines of business.....	0	0	0
11. Subtotal.....	1,336,048	1,932,537	2,066,268
12. Deposit-type contracts.....			
13. Total.....	1,336,048	1,932,537	2,066,268

**DETAILS OF WRITE-INS**

1001.....			
1002.....			
1003.....			
1098. Summary of remaining write-ins for Line 10 from overflow page.....	0	0	0
1099. Total (Lines 1001 thru 1003 plus 1098) (Line 10 above).....	0	0	0

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## **NOTES TO FINANCIAL STATEMENTS**

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**Note 1 - Summary of Significant Accounting Policies**

No significant change.

**Note 2 - Accounting Changes and Corrections of Errors**

No significant change.

**Note 3 - Business Combinations and Goodwill**

No significant change.

**Note 4 - Discontinued Operations**

No significant change.

**Note 5 - Investments**

No significant change.

**Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

No significant change.

**Note 7 - Investment Income**

No significant change.

**Note 8 - Derivative Instruments**

No significant change.

**Note 9 - Income Taxes**

No significant change.

**Note 10 - Information Concerning Parent, Subsidiaries and Affiliates**

No significant change.

**Note 11 - Debt**

No significant change.

**Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

No significant change.

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

No significant change.

**Note 14 - Contingencies**

No significant change.

**Note 15 - Leases**

No significant change.

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## **NOTES TO FINANCIAL STATEMENTS**

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**Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

No significant change.

**Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

C. NOTE: This disclosure is required in every filing for the Quarterly Statement.

**Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

No significant change.

**Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

No significant change.

**Note 20 - September 11 Events**

No significant change.

**Note 21 - Other Items**

No significant change.

**Note 22 - Events Subsequent**

No significant change.

**Note 23 - Reinsurance**

No significant change.

**Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

No significant change.

**Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

No significant change.

**Note 26 - Intercompany Pooling Arrangements**

No significant change.

**Note 27 - Structured Settlements**

No significant change.

**Note 28 - Health Care Receivables**

No significant change.

**Note 29 - Participating Policies**

No significant change.

**Note 30 - Premium Deficiency Reserves**

General Insurance Company

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## NOTES TO FINANCIAL STATEMENTS

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No significant change.

**Note 31 - Reserves for Life Contracts and Deposit-Type Contracts**

No significant change.

**Note 32 - Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics**

No significant change.

**Note 33 - Premiums and Annuity Considerations Deferred and Uncollected**

No significant change.

**Note 34 - Separate Accounts**

No significant change.

**Note 35 - Loss/Claim Adjustment Expenses**

No significant change.

## GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change: .....
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]  
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [X] N/A [ ]  
If yes, attach an explanation.  
\_\_\_\_\_
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004.....
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004.....
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/10/2006.....
- 6.4 By what department or departments?  
\_\_\_\_\_

ALABAMA DEPARTMENT OF INSURANCE

- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]
- 7.2 If yes, give full information:  
\_\_\_\_\_
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
\_\_\_\_\_
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]
- 8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator[.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:  
\_\_\_\_\_
- 9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
\_\_\_\_\_
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).  
\_\_\_\_\_

# GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

## PART 1 - COMMON INTERROGATORIES

### FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ X ]    No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. .....

### INVESTMENT

11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [ ]    No [ X ]

11.2 If yes, explain:  
 \_\_\_\_\_  
 \_\_\_\_\_

12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ]    No [ X ]

12.2 If yes, give full and complete information relating thereto:  
 \_\_\_\_\_  
 \_\_\_\_\_

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$.....0

14. Amount of real estate and mortgages held in short-term investments: \$.....0

15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ]    No [ X ]

15.2 If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
15.21 Bonds.....	\$.....0	\$.....0
15.22 Preferred Stock.....	\$.....0	\$.....0
15.23 Common Stock.....	\$.....0	\$.....0
15.24 Short-Term Investments.....	\$.....0	\$.....0
15.25 Mortgages, Loans or Real Estate.....	\$.....0	\$.....0
15.26 All Other.....	\$.....0	\$.....0
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26).....	\$.....0	\$.....0
15.28 Total Investment in Parent included in Lines 15.21 to 15.26 above .....	\$.....0	\$.....0

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ]    No [ X ]

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ]    No [ ]  
 If no, attach a description with this statement.

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ]    No [ ]

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
US Bank	2204 Lakeshore Drive, suite 302

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation.

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [ ]    No [ X ]

17.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

17.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [ X ]    No [ ]

18.2 If no, list exceptions:  
 \_\_\_\_\_  
 \_\_\_\_\_

**GENERAL INTERROGATORIES (continued)**

**PART 2 - LIFE & HEALTH**

1.	Report the statement value of mortgage loans at the end of this reporting period for the following categories:	1
1.1	Long-term mortgages in good standing	Amount
1.11	Farm mortgages.....	\$.....
1.12	Residential mortgages.....	\$.....11,033
1.13	Commercial mortgages.....	\$.....1,034,088
1.14	Total mortgages in good standing.....	\$.....1,045,121
1.2	Long-term mortgages in good standing with restructured terms	
1.21	Total mortgages in good standing with restructured terms.....	\$.....
1.3	Long-term mortgage loans upon which interest is overdue more than three months	
1.31	Farm mortgages.....	\$.....
1.32	Residential mortgages.....	\$.....2,055
1.33	Commercial mortgages.....	\$.....
1.34	Total mortgages with interest overdue more than three months.....	\$.....2,055
1.4	Long-term mortgage loans in process of foreclosure	
1.41	Farm mortgages.....	\$.....
1.42	Residential mortgages.....	\$.....6,276
1.43	Commercial mortgages.....	\$.....113,216
1.44	Total mortgages in process of foreclosure.....	\$.....119,493
1.5	Total mortgage loans (Lines 1.14 + 1.21 + 1.34 + 1.44) (Page 2, Column 3, Lines 3.1 + 3.2) .....	\$.....1,166,668
1.6	Long-term mortgages foreclosed, properties transferred to real estate in current quarter	
1.61	Farm mortgages.....	\$.....
1.62	Residential mortgages.....	\$.....
1.63	Commercial mortgages.....	\$.....
1.64	Total mortgages foreclosed and transferred to real estate.....	\$.....0

### SCHEDULE A - VERIFICATION

#### Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	431,297	462,585
2. Increase (decrease) by adjustment.....		
3. Cost of acquired.....	183,970	
4. Cost of additions to and permanent improvements.....		
5. Total profit (loss) on sales.....	(149,864)	58,712
6. Increase (decrease) by foreign exchange adjustment.....		
7. Amount received on sales.....	133,613	90,000
8. Book/adjusted carrying value at end of current period.....	331,790	431,297
9. Total valuation allowance.....	(1,647)	(1,000)
10. Subtotal (Lines 8 plus 9).....	330,143	430,297
11. Total nonadmitted amounts.....	76,840	162,494
12. Statement value, current period (Page 2, real estate lines, net admitted assets column).....	253,303	267,803

### SCHEDULE B - VERIFICATION

#### Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year.....	1,439,471	1,546,134
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount and mortgage interest points and commitment fees.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....	273,279	106,663
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	1,166,192	1,439,471
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	1,166,192	1,439,471
12. Total nonadmitted amounts.....		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, net admitted assets column).....	1,166,192	1,439,471

### SCHEDULE BA - VERIFICATION

#### Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	0	
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions.....		
2.2 Additional investment made after acquisitions.....		
3. Accrual of discount.....		
4. Increase (decrease) by adjustment.....		
5. Total profit (loss) on sale.....		
6. Amounts paid on account or in full during the period.....		
7. Amortization of premium.....		
8. Increase (decrease) by foreign exchange adjustment.....		
9. Book adjusted/carrying value of long-term invested assets at end of current period.....	0	0
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	0	0
12. Total nonadmitted amounts.....		
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	0	0

NONE

### SCHEDULE D - VERIFICATION

#### Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	6,772,276	7,379,764
2. Cost of bonds and stocks acquired.....	5,714,608	49,732
3. Accrual of discount.....	686	1,351
4. Increase (decrease) by adjustment.....	118,367	184,011
5. Increase (decrease) by foreign exchange adjustment.....		
6. Total profit (loss) on disposal.....	(12,107)	24,525
7. Consideration for bonds and stocks disposed of.....	1,292,594	836,924
8. Amortization of premium.....	15,628	30,183
9. Book/adjusted carrying value, current period.....	11,285,608	6,772,276
10. Total valuation allowance.....		
11. Subtotal (Lines 9 plus 10).....	11,285,608	6,772,276
12. Total nonadmitted amounts.....		
13. Statement value.....	11,285,608	6,772,276

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1.....	13,653,412	6,995,224	6,933,466	66,363	13,462,406	13,653,412	13,763,534	13,296,769
2. Class 2.....	14,930			1	134,219	14,930	14,931	134,206
3. Class 3.....								
4. Class 4.....								
5. Class 5.....					81,306			81,234
6. Class 6.....					50,000			50,000
7. Total Bonds.....	13,668,342	6,995,224	6,933,466	66,364	13,727,932	13,668,342	13,798,465	13,562,209
<b>PREFERRED STOCK</b>								
8. Class 1.....	3,750			(50)	3,613	3,750	3,700	3,600
9. Class 2.....								
10. Class 3.....								
11. Class 4.....								
12. Class 5.....								
13. Class 6.....								
14. Total Preferred Stock.....	3,750	0	0	(50)	3,613	3,750	3,700	3,600
15. Total Bonds and Preferred Stock.....	13,672,092	6,995,224	6,933,466	66,314	13,731,544	13,672,092	13,802,165	13,565,809

## SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
8299999. Totals.....	4,556,263	XXX	4,490,337	179,734	

## SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	8,747,006	7,499,179
2. Cost of short-term investments acquired.....	11,224,919	8,716,812
3. Increase (decrease) by adjustment.....	187,819	
4. Increase (decrease) by foreign exchange adjustment.....		
5. Total profit (loss) on disposal of short-term investments.....		
6. Consideration received on disposal of short-term investments.....	15,603,481	7,468,985
7. Book/adjusted carrying value, current period.....	4,556,264	8,747,006
8. Total valuation allowance.....		
9. Subtotal (Lines 7 plus 8).....	4,556,264	8,747,006
10. Total nonadmitted amounts.....		
11. Statement value (Lines 9 minus 10).....	4,556,264	8,747,006
12. Income collected during period.....	179,734	354,395
13. Income earned during period.....	178,136	275,867

**Sch. DB-Part F-Section 1  
NONE**

**Sch. DB-Part F-Section 2  
NONE**

**Sch. S  
NONE**

# SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Life Contracts		4 Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees	5 Other Considerations	6 Total Columns 2 through 5	7 Deposit-Type Contracts
		2 Life Insurance Premiums	3 Annuity Considerations				
1. Alabama	AL	YES	1,019,559	41,058		1,060,617	
2. Alaska	AK	NO					
3. Arizona	AZ	NO					
4. Arkansas	AR	YES	17,375	5,253		22,628	
5. California	CA	YES	8,336	1,013		9,349	
6. Colorado	CO	NO					
7. Connecticut	CT	NO					
8. Delaware	DE	NO					
9. District of Columbia	DC	YES	24	258		282	
10. Florida	FL	NO					
11. Georgia	GA	NO					
12. Hawaii	HI	NO					
13. Idaho	ID	NO					
14. Illinois	IL	NO					
15. Indiana	IN	NO					
16. Iowa	IA	NO					
17. Kansas	KS	YES	541	711		1,252	
18. Kentucky	KY	NO					
19. Louisiana	LA	YES	53,142	11,226		64,368	
20. Maine	ME	NO					
21. Maryland	MD	NO					
22. Massachusetts	MA	NO					
23. Michigan	MI	NO					
24. Minnesota	MN	NO					
25. Mississippi	MS	YES	20,152	29,920		50,072	
26. Missouri	MO	YES	2,018	1,974		3,992	
27. Montana	MT	NO					
28. Nebraska	NE	NO					
29. Nevada	NV	NO					
30. New Hampshire	NH	NO					
31. New Jersey	NJ	NO					
32. New Mexico	NM	NO					
33. New York	NY	NO					
34. North Carolina	NC	NO					
35. North Dakota	ND	NO					
36. Ohio	OH	NO					
37. Oklahoma	OK	YES	1,065	1,136		2,201	
38. Oregon	OR	NO					
39. Pennsylvania	PA	NO					
40. Rhode Island	RI	NO					
41. South Carolina	SC	NO					
42. South Dakota	SD	NO					
43. Tennessee	TN	YES	56,074	19,606		75,681	
44. Texas	TX	YES	45,711	33,627		79,338	
45. Utah	UT	NO					
46. Vermont	VT	NO					
47. Virginia	VA	YES	11,386	15,954		27,340	
48. Washington	WA	NO					
49. West Virginia	WV	NO					
50. Wisconsin	WI	NO					
51. Wyoming	WY	NO					
52. American Samoa	AS	NO					
53. Guam	GU	NO					
54. Puerto Rico	PR	NO					
55. US Virgin Islands	VI	NO					
56. Northern Mariana Islands	MP	NO					
57. Canada	CN	NO					
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0
59. Subtotal	(a)	12	1,235,383	161,737	0	1,397,120	0
90. Reporting entity contributions for employee benefit plans	XXX						
91. Dividends or refunds applied to purchase paid-up additions and annuities	XXX						
92. Dividends or refunds applied to shorten endowment or premium paying period	XXX						
93. Premium or annuity considerations waived under disability or other contract provisions	XXX						
94. Aggregate other amounts not allocable by State	XXX		0	0	0	0	0
95. Totals (Direct Business)	XXX		1,235,383	161,737	0	1,397,120	0
96. Plus Reinsurance Assumed	XXX						
97. Totals (All Business)	XXX		1,235,383	161,737	0	1,397,120	0
98. Less Reinsurance Ceded	XXX						
99. Totals (All Business) less Reinsurance Ceded	XXX		1,235,383	161,737	0	1,397,120	0

### DETAILS OF WRITE-INS

5801.	XXX					0	
5802.	XXX					0	
5803.	XXX					0	
5898. Summary of remaining write-ins for line 58 from overflow page	XXX		0	0	0	0	0
5899. Total (Lines 5801 thru 5803 plus 5898) (Line 58 above)	XXX		0	0	0	0	0
9401.	XXX					0	
9402.	XXX					0	
9403.	XXX					0	
9498. Summary of remaining write-ins for line 94 from overflow page	XXX		0	0	0	0	0
9499. Total (Lines 9401 thru 9403 plus 9498) (Line 94 above)	XXX		0	0	0	0	0

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
PART 1 – ORGANIZATIONAL CHART

**ESOP**

**A.G. GASTON CORPORATION** 82.64%  
52-1994856

**BOOKER T. WASHINGTON INSURANCE COMPANY** 99.5%  
63-0220465

**GASTON CONSTRUCTION** 100%  
63-0884987

**GASTON-THACKER GENERAL PARTNERS** 50%  
58-2036171

**S & G FUNERAL DIRECTORS** 100%  
63-0250251

**NEW GRACE HILL CEMETERIES** 100%  
63-0496142

**S & G PUBLIC RELATIONS** 100%  
63-0720097

**BTW BROADCASTING SERVICE** 100%  
63-0685896

**UNIVERSAL LIFE INSURANCE CO** 100%  
62-0392810

### SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

Response

1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?

NO

2. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

NO

Explanations:

Bar Code:



\* 7 0 1 5 7 2 0 0 7 4 9 0 0 0 0 3 \*



\* 7 0 1 5 7 2 0 0 7 3 6 5 0 0 0 3 \*

~~.....~~  
**Overflow Page for Write-Ins**

**Additional Write-ins for Liabilities:**

	1 Current Statement Date	2 December 31 Prior Year
2504. MORTGAGE ESCROW.....		
2597. Summary of remaining write-ins for Line 25.....	.0	.0

Statement as of September 30, 2007 of the **Universal Life Insurance Company**

**SCHEDULE A - PART 2**

Showing all Real Estate ACQUIRED During the Current Quarter

1 Description of Property	2 Location		3 State	4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	City	City							
Acquired by Internal Transfer									
560-584 E. Tigg	Memphis	TN		09/28/2007	Foreclosure	89,246	0	89,246	0
0299999 Totals						89,246	0	89,246	0
9999999 Totals						89,246	0	89,246	0

**SCHEDULE A - PART 3**

Showing all Real Estate SOLD During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

1 Description of Property	2 Location		3 State	4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Book/Adjusted Carrying Value Less Encumbrances Prior Year	8 Increase (Decrease) by Foreign Exchange by Adjustment	9 Increase (Decrease) by Foreign Exchange Adjustment	10 Expended for Additions, Permanent Improvements and Changes in Encumbrances	11 Book/Adjusted Carrying Value Less Encumbrances	12 Amounts Received	13 Foreign Exchange Profit (Loss) on Sale	14 Realized Profit (Loss) on Sale	15 Total Profit (Loss) on Sale	16 Gross Income Earned Less Interest Incurred on Encumbrances	17 Taxes, Repairs, and Expenses Incurred	
	City	City																
Property Sold																		
560-584 E. Tigg	Memphis	TN		09/28/2007	Church of God in Christ	89,246	89,246	0	0	0	0	101,113	0	11,867	11,867	11,867	0	0
0199999 Totals						89,246	89,246	0	0	0	0	101,113	0	11,867	11,867	11,867	0	0
9999999 Totals						89,246	89,246	0	0	0	0	101,113	0	11,867	11,867	11,867	0	0

**Sch. B-Part 1  
NONE**

**Sch. B-Part 2  
NONE**

**Sch. BA-Part 1  
NONE**

**Sch. BA-Part 2  
NONE**

**SCHEDULE D - PART 3**

Show all Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Per Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Government</b>									
912828 EU 3	US TREASURY NOTE		09/21/2007	Deutsche Bank	9,406	500,957	500,000	9,406	1
912828 FA 3	US TREASURY NOTE		09/21/2007	Lehman Brothers	11,486	500,672	500,000	11,486	1
912828 FC 9	US TREASURY NOTE		09/21/2007	Deutsche Bank	9,737	502,031	500,000	9,737	1
912828 FE 5	US TREASURY NOTE		08/01/2007	Deutsche Bank	3,140	301,383	300,000	3,140	1
912828 FE 5	US TREASURY NOTE		09/27/2007	Deutsche Bank	3,603	202,844	200,000	3,603	1
912828 FJ 4	U.S. TREASURY NOTE		07/19/2007	Zions First National Bank	974	437,290	437,000	974	1
912828 FM 7	US TREASURY NOTE		08/01/2007	Deutsche Bank	136	500,898	500,000	136	1
912828 FS 4	US TREASURY NOTE		09/21/2007	Deutsche Bank	1,525	504,484	500,000	1,525	1
912828 FX 3	US TREASURY NOTE		09/21/2007	Deutsche Bank	8,295	503,496	500,000	8,295	1
912828 GB 0	US TREASURY NOTE		08/01/2007	Credit Suisse, 1st BO	5,550	301,383	300,000	5,550	1
912828 GG 9	US TREASURY NOTE		09/27/2007	Deutsche Bank	1,736	203,297	200,000	1,736	1
912828 GK 0	US TREASURY NOTE		09/27/2007	Credit Suisse, 1st BO	1,779	508,164	500,000	1,779	1
03999999	Total - Bonds - U.S. Government				63,378	5,437,000	5,437,000	63,378	XXX
60999997	Total - Bonds - Part 3				63,378	5,437,000	5,437,000	63,378	XXX
60999999	Total - Bonds				63,378	5,437,000	5,437,000	63,378	XXX
<b>Common Stocks - Industrial and Miscellaneous</b>									
G252X 10 8	COVIDIEN LTD.		07/02/2007	TYCO INTL LTD.	206,250	10,141	XXX		
G9143X 20 8	TYCO INTERNATIONAL LTD.		07/02/2007	TYCO INTL LTD.	206,250	12,490	XXX		
G8144P 10 5	TYCO ELECTRONICS LTD.		07/02/2007	TYCO INTL LTD.	206,250	9,386	XXX		
68999999	Total - Common Stocks - Industrial & Miscellaneous					32,017	XXX		
72999997	Total - Common Stocks - Part 3					32,017	XXX	0	XXX
72999999	Total - Common Stocks					32,017	XXX	0	XXX
72999999	Total - Preferred and Common Stocks					32,017	XXX	0	XXX
74999999	Total - Bonds, Preferred and Common Stocks					5,513,877	XXX	63,378	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues:.....0.

Statement as of September 30, 2007 of the  
**Universal Life Insurance Company**

**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B.A.C.V. (1+12-13)	Total Foreign Exchange Change in B.A.C.V.	Book/Adjusted Carrying Value At Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator	
31283H NB 4	FHL #601315	09/01/2007	Principal Reduction		427	427	438	437	(11)	(31)	(31)	(31)	(31)	427	0	0	0	0	30	09/01/2031	1
3128GR HB 8	FHL#MC Gold Pool #E98326 DM	09/01/2007	Principal Reduction		3,454	3,454	3,594	3,579	(15)	(219)	(219)	(219)	(219)	3,454	0	0	0	0	169	09/01/2017	1
3128GS DX 2	Fed Home Ln Mfg #E89118	09/01/2007	Principal Reduction		1,138	1,138	1,191	1,180	(11)	(143)	(143)	(143)	(143)	1,138	0	0	0	0	73	04/01/2017	1
31243N BX 7	FHL#MC #43-0054	09/15/2007	Principal Reduction		717	717	751	744	(34)	(90)	(90)	(90)	(90)	717	0	0	0	0	46	04/01/2017	1
31371H HK 7	FNMA FHAVA #252334	09/01/2007	Principal Reduction		62	62	63	63	(1)	(3)	(3)	(3)	(3)	62	0	0	0	0	7	09/15/2016	1
31371H HL 5	FNMA Conventional Loan #E25243	09/01/2007	Principal Reduction		1,778	1,778	1,870	1,864	(66)	(224)	(224)	(224)	(224)	1,778	0	0	0	0	106	02/01/2029	1
31371K BN 0	FNMA Conventional Loan Pool #E25394	09/01/2007	Principal Reduction		400	400	417	415	(17)	(47)	(47)	(47)	(47)	400	0	0	0	0	27	09/01/2021	1
31371K BN 9	FNMA #253945	09/01/2007	Principal Reduction		498	498	498	498	0	(47)	(47)	(47)	(47)	498	0	0	0	0	27	09/01/2021	1
31371K VS 7	FNMA #254525	09/01/2007	Principal Reduction		825	825	861	857	(4)	(59)	(59)	(59)	(59)	825	0	0	0	0	33	04/01/2022	1
31371L GW 3	FNMA PL 255013A	09/01/2007	Principal Reduction		3,990	3,990	4,027	4,022	(5)	(165)	(165)	(165)	(165)	3,990	0	0	0	0	44	10/01/2022	1
31371L GW 3	FNMA PL 255019A	09/01/2007	Principal Reduction		3,325	3,325	3,356	3,352	(3)	(68)	(68)	(68)	(68)	3,325	0	0	0	0	204	11/01/2023	1
31371T GA 5	FNMA Conv Pool #329419 OTD	09/01/2007	Principal Reduction		722	722	743	742	(21)	(69)	(69)	(69)	(69)	722	0	0	0	0	51	12/01/2028	1
31379D BB 4	FNMA #415963	09/01/2007	Principal Reduction		448	448	447	447	(1)	(44)	(44)	(44)	(44)	448	0	0	0	0	40	09/01/2028	1
31380J KM 4	FNMA #416000	09/01/2007	Principal Reduction		367	367	365	367	2	(6)	(6)	(6)	(6)	367	0	0	0	0	24	09/01/2014	1
31392J LH 2	FNMA #463728	09/01/2007	Principal Reduction		672	672	672	672	0	(1)	(1)	(1)	(1)	672	0	0	0	0	40	04/01/2014	1
31393J GH 0	FNMA #504924	09/01/2007	Principal Reduction		1,627	1,627	1,667	1,657	(10)	(160)	(160)	(160)	(160)	1,627	0	0	0	0	144	09/01/2014	1
31397W GT 6	FNMA #561222	09/01/2007	Principal Reduction		227	227	232	231	(5)	(47)	(47)	(47)	(47)	227	0	0	0	0	32	05/01/2029	1
31398L HX 1	FNMA #607846	09/01/2007	Principal Reduction		341	341	341	341	0	(71)	(71)	(71)	(71)	341	0	0	0	0	48	05/01/2029	1
31392E RH 5	FNMA #571104	09/25/2007	Principal Reduction		78	78	78	78	0	(5)	(5)	(5)	(5)	78	0	0	0	0	5	11/01/2031	1
31400B 5T 9	Fannie Mae Aces Sar 2002-M2 C-C	09/01/2007	Principal Reduction		1,500	1,500	1,554	1,551	(3)	(78)	(78)	(78)	(78)	1,500	0	0	0	0	82	01/01/2033	1
31400H EU 2	FNMA #683158	09/01/2007	Principal Reduction		5,784	5,784	6,037	6,024	(13)	(768)	(768)	(768)	(768)	5,784	0	0	0	0	124	04/29/2032	1
31400Y E2 8	FNMA #701353	09/01/2007	Principal Reduction		1,195	1,195	1,225	1,220	(5)	(77)	(77)	(77)	(77)	1,195	0	0	0	0	301	02/01/2033	1
31405R KR 6	FNMA PL 795904A	09/01/2007	Principal Reduction		2,917	2,917	2,990	2,978	(73)	(398)	(398)	(398)	(398)	2,917	0	0	0	0	72	09/01/2018	1
31455R FP 3	FNMA #462874	09/01/2007	Principal Reduction		3,381	3,381	3,578	3,565	(17)	(398)	(398)	(398)	(398)	3,381	0	0	0	0	123	04/01/2018	1
36208W PP 0	GNMA # 462874	09/15/2007	Principal Reduction		708	708	707	707	(1)	(332)	(332)	(332)	(332)	708	0	0	0	0	440	11/01/2019	1
36208X TR 1	GNMA #464660	09/15/2007	Principal Reduction		896	896	902	901	(6)	(15)	(15)	(15)	(15)	896	0	0	0	0	37	09/15/2013	1
36209Y RS 6	GNMA FHAVA POOL #96397	09/15/2007	Principal Reduction		1,116	1,116	1,116	1,116	0	(9)	(9)	(9)	(9)	1,116	0	0	0	0	61	11/16/2013	1
36213U YK 0	GNMA #565114	09/15/2007	Principal Reduction		1,598	1,598	1,647	1,643	(4)	(130)	(130)	(130)	(130)	1,598	0	0	0	0	87	04/15/2023	1
36373M JZ 4	GNMA Series 2003-111 Class VA	09/15/2007	Principal Reduction		2,542	2,542	2,695	2,663	(32)	(328)	(328)	(328)	(328)	2,542	0	0	0	0	116	12/15/2032	1
36373M JZ 4	GNMA Series 2003-111 Class VA	09/15/2007	Principal Reduction		635	635	674	663	(39)	(62)	(62)	(62)	(62)	635	0	0	0	0	39	09/15/2013	1
6099989	Total - Bonds - U.S. Government				62,710	62,710	64,330	64,128	(220)	(6,892)	(6,892)	(6,892)	(6,892)	62,710	0	0	0	0	3,410	09/15/2013	XXX
6099989	Total - Bonds - Industrial and Miscellaneous				15,000	15,000	15,227	15,227	0	(227)	(227)	(227)	(227)	15,000	0	0	0	0	1,013	06/01/2007	1FE
931142 BR 5	E Dupont DTD	09/01/2007	Principal Reduction		300,000	300,000	307,168	300,912	(6,148)	(912)	(912)	(912)	(912)	300,000	0	0	0	0	13,125	07/12/2007	1FE
6099997	Total - Bonds - Industrial & Miscellaneous				315,000	315,000	324,395	316,139	(8,256)	(1,139)	(1,139)	(1,139)	(1,139)	315,000	0	0	0	0	14,138	09/15/2007	XXX
6099989	Total - Bonds				377,710	377,710	389,666	380,867	(8,796)	(6,031)	(6,031)	(6,031)	(6,031)	377,710	0	0	0	0	17,547	09/15/2007	XXX
6099989	Total - Bonds				377,710	377,710	389,666	380,867	(8,796)	(6,031)	(6,031)	(6,031)	(6,031)	377,710	0	0	0	0	17,547	09/15/2007	XXX
902124 10 6	TYCO Intl LTD New Common	07/06/2007	TYCO INTL LTD	625,000	22,141	XXX	22,141	15,860	6,181	15,860	6,181	6,181	6,181	22,141	0	0	0	0	158	09/15/2007	XXX
902124 10 6	TYCO Intl LTD New Common	07/06/2007	TYCO INTL LTD	300,000	9,976	XXX	9,976	9,976	756	9,976	756	756	756	9,976	0	0	0	0	80	09/15/2007	XXX
63252X 10 6	COVIDIEN LTD New Common	08/09/2007	UNYSEI BROKERAGE SVCS	205,250	8,449	XXX	10,141	10,141	0	10,141	0	0	0	10,141	0	0	0	0	0	09/15/2007	XXX
69143X 20 8	TYCO INTERNATIONAL LTD	08/09/2007	UNYSEI BROKERAGE SVCS	205,250	9,102	XXX	12,680	12,680	0	12,680	0	0	0	12,680	0	0	0	0	0	09/15/2007	XXX
69144P 10 5	TYCO ELECTRONICS LTD	09/12/2007	UNYSEI BROKERAGE SVCS	205,250	6,886	XXX	3,368	3,368	0	3,368	0	0	0	3,368	0	0	0	0	0	09/15/2007	XXX

Statement as of September 30, 2007 of the **Universal Life Insurance Company**

**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V. (1+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value At Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
6699999	Total - Common Stocks - Industrial & Miscellaneous				56,456	.XXX	64,034	25,080	6,937	0	0	6,937	0	64,034	0	(7,577)	(7,577)	248	.XXX	.XXX	
7999997	Total - Common Stocks - Per A				56,456	.XXX	64,034	25,080	6,937	0	0	6,937	0	64,034	0	(7,577)	(7,577)	248	.XXX	.XXX	
7999998	Total - Common Stocks				56,456	.XXX	64,034	25,080	6,937	0	0	6,937	0	64,034	0	(7,577)	(7,577)	248	.XXX	.XXX	
7999999	Total - Preferred and Common Stocks				56,456	.XXX	64,034	25,080	6,937	0	0	6,937	0	64,034	0	(7,577)	(7,577)	248	.XXX	.XXX	
7499999	Total - Bonds, Preferred and Common Stocks				434,166	.XXX	452,719	405,347	6,937	(6,031)	0	1,906	0	441,744	0	(7,577)	(7,577)	17,795	.XXX	.XXX	

(a) For all common stock bearing the NAIC market indicator 'U' provide the number of such issues: 0

**Sch. DB-Part A-Section 1**  
**NONE**

**Sch. DB-Part B-Section 1**  
**NONE**

**Sch. DB-Part C-Section 1**  
**NONE**

**Sch. DB-Part D-Section 1**  
**NONE**

## SCHEDULE E - PART 1 - CASH

### Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
<b>Open Depositories</b>								
WACHOVIA BANK BIRMINGHAM, ALA .....					(10,127)	(11,384)	(4,944)	XXX
WACHOVIA BANK BIRMINGHAM, ALA .....					49,550	49,541	49,529	XXX
REGIONS BANK BIRMINGHAM, ALA .....					810,977	773,990	770,231	XXX
REGIONS BANK BIRMINGHAM, ALA .....					180,856	189,032	197,148	XXX
WACHOVIA BANK BIRMINGHAM, ALA .....					4,815	4,797	4,788	XXX
TUSKEGEE FEDERAL SAVINGS TUSKEGE .....					279	279	279	XXX
PRIMEVEST FINANCIAL SERVICES TUSK .....		4.890	6,584		540,476	540,476	547,060	XXX
CERTIFICATES OF DEPOSITS .....					5,127	5,127	5,127	XXX
REGIONS BANK MONTGOMERY, AL .....					35,012	37,726	41,505	XXX
0199999. Total Open Depositories .....	XXX	XXX	6,584	0	1,616,964	1,589,584	1,610,722	XXX
0399999. Total Cash on Deposit .....	XXX	XXX	6,584	0	1,616,964	1,589,584	1,610,722	XXX
0599999. Total Cash .....	XXX	XXX	6,584	0	1,616,964	1,589,584	1,610,722	XXX

Statement as of September 30, 2007 of the **Universal Life Insurance Company**

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
<b>NONE</b>							