

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American United Life Insurance Company)
One American Square)
Indianapolis, IN 46282)

Examination of American United Life Insurance Company

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American United Life Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American United Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

3/23/2016
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0056 7687

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
American United Life Insurance Company)
One American Square)
Indianapolis, IN 46282)

Examination of American United Life Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American United Life Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 13, 2015.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on January 25, 2016 and was received by the Company on January 27, 2016.

On February 24, 2016, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

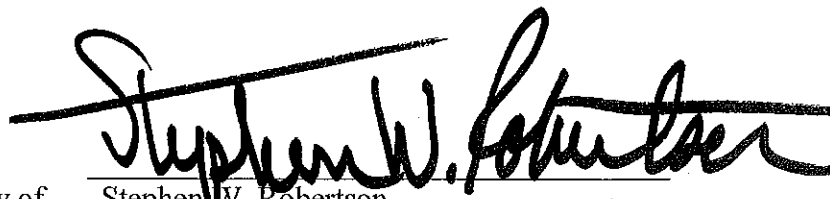
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2014.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 23rd day of March, 2016.

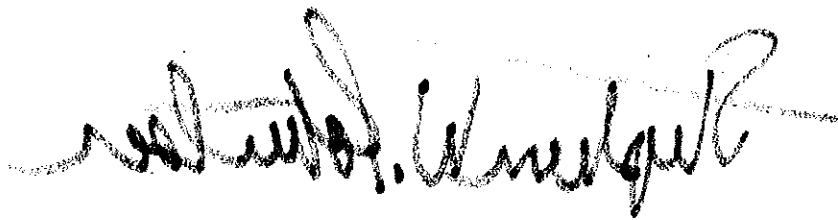

Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Robert W. [unclear]". The signature is written in a cursive style with a long horizontal line extending to the right.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

AMERICAN UNITED LIFE INSURANCE COMPANY
NAIC Co. CODE 60895
NAIC GROUP CODE 0619

As of

December 31, 2014

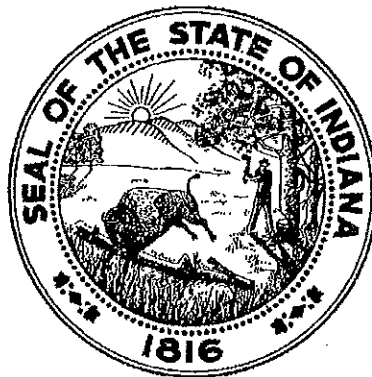


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
DIVIDENDS TO POLICYHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	5
CONFLICT OF INTEREST	6
OATH OF OFFICE.....	6
CORPORATE RECORDS.....	6
Articles of Incorporation	6
Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES.....	7
Organizational Structure	7
Affiliated Agreements.....	7
FIDELITY BOND AND OTHER INSURANCE.....	8
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	9
STATUTORY DEPOSITS	10
REINSURANCE.....	11
ACCOUNTS AND RECORDS	11
Assets	12
Liabilities, Surplus and Other Funds.....	13
Summary of Operations	15
Capital and Surplus Account Reconciliation.....	16
COMMENTS ON THE FINANCIAL STATEMENTS	17
OTHER SIGNIFICANT ISSUES	17
SUBSEQUENT EVENTS.....	17
AFFIDAVIT.....	18



STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

November 13, 2015

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3849, an examination has been made of the affairs and financial condition of:

American United Life Insurance Company
One American Square
Indianapolis, Indiana 46282

hereinafter referred to as the "Company", or "AULIC", an Indiana domestic stock, life insurance company. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413 COMPANY COMPLIANCE (317) 233-0697 CONSUMER SERVICES (317) 232-2395 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 SECURITIES/COMPANY RECORDS (317) 232-1991 STATE HEALTH INSURANCE 1-800-932-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

AULIC is an Indiana domiciled stock life insurance company founded in 1877 and is headquartered in Indianapolis, Indiana.

On December 17, 2000, AULIC reorganized and formed a mutual insurance holding company, American United Mutual Insurance Holding Company (AUMIHC), and an intermediate stock holding company, OneAmerica Financial Partners, Inc. (OneAmerica). As part of the reorganization, AULIC converted from a mutual to a stock insurance company.

Additional affiliates of the AUMIHC group include The State Life Insurance Company (SLIC) and Pioneer Mutual Life Insurance Company (PMLIC). AULIC guarantees the insurance liabilities of both SLIC and PMLIC in the event either company becomes unable to honor such liabilities.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had 50,000 shares of common stock authorized with a par value of \$100 per share. All 50,000 shares issued and outstanding are held by AUMIHC through OneAmerica. The Company has no preferred stock outstanding. The Company did not pay dividends to stockholders during the examination period.

DIVIDENDS TO POLICYHOLDERS

The Company paid the following dividends, (in 000's), to policyholders during the examination period:

<u>Year</u>	<u>Total</u>
2014	\$ 28,222
2013	31,377
2012	27,227
2011	25,687
2010	25,038
Total	<u>\$137,551</u>

TERRITORY AND PLAN OF OPERATION

AULIC is currently licensed to sell life insurance in forty-nine (49) states and the District of Columbia and is an authorized reinsurer in all states. The Company is comprised of the following three (3) product divisions: retirement services, individual life and financial services, and employee benefits.

Retirement Services Division

AULIC offers 401(k) and other corporate retirement plans, 403(b) tax deferred annuity plans, and individual retirement account rollover products to the employer-sponsored market and to retired individuals. This division accounts for 84% of AULIC's net premium income. These products are distributed through sales and service representatives located in regional offices, selling through AULIC's career agents, employee benefit plan marketing organization, independent agents and brokers, and third-party administrators.

Individual Life and Financial Services Division

AULIC offers a broad range of life and annuity products to individuals, families, small business owners, and the retirement and pre-retirement markets. This division generates approximately 12% of AULIC's net premium income. Products marketed by individual life and financial services are distributed through banks, a career agency force, independent brokers, and independent marketing organizations.

Employee Benefits Division

AULIC offers traditional and voluntary group life and disability products primarily to employer groups. This division generates approximately 4% of AULIC's net premium income. These products are distributed through agents, brokers, marketing alliances, and third-party administrators.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums</u>	<u>Net Income</u>
2014	\$23,401,516	\$22,384,506	\$1,017,009	\$3,155,187	\$ 48,151
2013	22,267,414	21,286,733	980,681	3,055,816	65,699
2012	19,367,685	18,484,046	883,639	2,763,707	58,621
2011	17,342,636	16,506,714	835,921	2,769,926	42,541
2010	16,537,474	15,725,260	812,215	2,353,948	69,385

During the examination period, most categories noted above increased consistently. The slight fluctuation in Net Income was due to differences in net gain from operations. The Company continues to grow its core products.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than six (6) and no more than eighteen (18) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board. As of December 31, 2014, the Company only had five (5) directors as a result of the retirement of one (1) of the previous directors. The parent of the Company, and its sole shareholder, OneAmerica, did elect three (3) new directors to fulfill the Bylaws requirements of the Company and ratified all acts of the Board of the Company since the retirement of the former director. These elections occurred during the examination process.

See "Other Significant Issues" section in this Report of Examination.

The following is a listing of persons serving as directors at December 31, 2014, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
James Scott Davison Zionsville, Indiana	Chairman, President, and Chief Executive Officer OneAmerica Financial Partners, Inc.
Jeffrey David Holley Zionsville, Indiana	Executive Vice President, Chief Financial Officer, and Treasurer OneAmerica Financial Partners, Inc.
Thomas Michael Zurek Carmel, Indiana	Executive Vice President, General Counsel, and Secretary OneAmerica Financial Partners, Inc.
Mark Cameron Roller Carmel, Indiana	Executive Vice President OneAmerica Financial Partners, Inc.
John Charles Mason Fishers, Indiana	Senior Vice President, and Chief Investment Officer OneAmerica Financial Partners, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman of the Board, a President, a Chief Executive Officer, one (1) or more Senior Vice Presidents, one (1) or more additional Vice Presidents, a General Counsel, a Medical Director, a Treasurer, a Secretary, a Controller, a Chief Actuary, and such other officers as the Board may elect. The Chairman of the Board, the President, and the Chief Executive Officer shall be chosen from among the directors of the corporation, and if any one of those officers ceases to be a director he or she shall cease to hold that office as soon as his or her successor is elected and qualified. More than one (1) office may be held by the same person, except the duties of the President and Secretary shall not be performed by the same person.

The following is a list of key officers and their respective titles as of December 31, 2014:

Name	Office
James Scott Davison	Chairman, President, and Chief Executive Officer
Jeffrey David Holley	Executive Vice President and Chief Financial Officer and Treasurer
Stephen James McWilliams	Actuary
Thomas Michael Zurek	Executive Vice President, General Counsel, and Secretary
Mark Cameron Roller	Executive Vice President
Gene Patrick Berry	Senior Vice President
David Allen Brentlinger	Senior Vice President
Patrick Michael Foley	Senior Vice President
John Charles Mason	Senior Vice President, and Chief Investment Officer
William Fess Yoerger	Senior Vice President
Douglas Wayne Collins	Vice President
James Charles Crampton	Vice President
Andrew John Michie	Vice President and Controller
Jay Brian Williams	Vice President
Victoria Ileen Yamasaki	Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2014.

OATH OF OFFICE

Indiana Code (IC) 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was noted that the Oaths of Office on file were not updated as of December 31, 2014. The Company subsequently updated the filed Oath of Office statements for each director whose statement was missing. See the "Other Significant Issues" section of this Report of Examination.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholder meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. For each year under review, the annual meeting of shareholders was held in accordance with the Bylaws.

The committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Executive Committee, and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2014:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
American United Mutual Insurance Holding Company		
OneAmerica Financial Partners, Inc.		
OneAmerica Asset Management, LLC		
McCready & Keene, Inc.		
OneAmerica Retirement Services, LLC		
NewOhio, LLC		
OldOhio, LLC		
Pioneer Mutual Life Insurance Company	67911	ND
The State Life Insurance Company	69116	IN
American United Life Insurance Company	60895	IN
AUL Reinsurance Management Services, LLC		
OneAmerica Securities, Inc.		

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Service and Administrative Fees Agreements

AULIC has an agreement providing Services and Administrative Fees with SLIC restated September 1, 2004, and approved by the INDOI on April 27, 2005. Under this agreement, AULIC provides various administrative services for SLIC for a fee. In 2014, the amount paid to AULIC was \$18,942,557.

AULIC has an agreement providing Services and Administrative Fees with OneAmerica Securities, Inc. (OAS), restated September 1, 2004, and approved by the INDOI on April 27, 2005. Under this agreement, AULIC provides various administrative services for OAS for a fee and OAS provides various administrative services for AULIC for a fee. In 2014, the amount paid to AULIC was \$1,785,340 and the amount paid to OAS was \$929,032.

AULIC has an agreement providing Services and Administrative Fees with OneAmerica Asset Management, LLC (OAM), dated January 1, 2013, and approved by the INDOI on January 22, 2013. Under this agreement, AULIC provides various administrative services for OAM for a fee. In 2014, the amount paid to AULIC was \$9,211,731.

AULIC has an agreement providing Services and Administrative Fees with AUL Reinsurance Management Services, LLC (RMS) restated September 1, 2004, and approved by the INDOI on April 27, 2005. Under this agreement, AULIC provides various administrative services for RMS for a fee. In 2014, the amount paid to AULIC was \$433,200.

AULIC has an agreement providing Services and Administrative Fees with PMLIC restated effective September 1, 2004, and approved by the INDOI on April 27, 2005. Under this agreement, AULIC provides various administrative services for PMLIC for a fee. In 2014, the amount paid to AULIC was \$3,660,111.

AULIC has an agreement providing Services and Administrative Fees with McCready & Keene, Inc. (McCready), effective July 1, 2012, and approved by the INDOI on October 22, 2012. In 2014, the amount transferred to AULIC by McCready under the agreement was \$1,917,171 and the amount paid to McCready by AULIC was \$0.

Investment Management Services Agreements

AULIC has an Investment Management Services Agreement with OAM dated January 1, 2013, and approved by the INDOI on January 22, 2013. Under this agreement, OAM acts as an investment manager for AULIC for a fee. AULIC shall pay to OAM an annual rate determined annually in an amount sufficient to cover OAM's expenses attributable to the work performed by OAM for the benefit of AULIC. In 2014, the fees AULIC paid to OAM for investment management services were \$9,456,178.

Investment Advisory Agreements

AULIC had an Investment Advisory Agreement with OneAmerica Funds, Inc., (Funds) dated March 8, 1990 and renewed annually. Under this agreement, AULIC provided investment advice for the five (5) portfolios which comprise Funds. Effective January 1, 2013, AULIC ceased to provide investment adviser services to Funds and OAM succeeded as the investment adviser to Funds. In 2014, the amount paid by Funds to AULIC under the agreement was \$0.

Distribution and Shareholder Services Agreement

AULIC has a Distribution and Shareholder Services Agreement with Funds, dated February 24, 2006, and amended February 29, 2008. Under this agreement, AULIC provides various administrative and support services to Funds for a fee. In 2014, the amount paid to AULIC was \$390,582.

Lease Agreement

AULIC has a Lease Agreement with OneAmerica with an effective date of March 19, 2002, and approved by the INDOI on April 25, 2002. Under this agreement, AULIC agreed to a twenty (20) year net lease on the property for use as a facility for business recovery operations, coordination of satellite mail operations, mailroom and printing and fulfillment. In 2014, the amount paid by AULIC was \$670,014.

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement with OneAmerica effective February 15, 2001, whereby the Company files a consolidated tax return with its parent and other affiliates. The method of allocation between the companies is based upon separate tax return calculations with current credit for losses and tax credits. Intercompany tax balances are settled quarterly.

Loan Agreement

Effective May 2, 2008, AULIC, SLIC, PMLIC, and OneAmerica entered into a Loan Agreement under which they make certain loans to one another, on an ongoing basis, for liquidity and general corporate purposes. No loans have been made or are outstanding pursuant to these agreements as of December 31, 2014.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employee through a fidelity bond issued by the Fidelity & Deposit Company of Maryland. The bond covers the AUMIHC group for fidelity, forgery and alteration, computer fraud, and securities fraud and has an aggregate loss liability limit of \$30,000,000 with a deductible amount of \$250,000. With regard to forgery and alteration and securities, there is a single loss limit of liability of \$15,000,000 with a \$250,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Defined Benefit Plan

Through November 30, 2014, the Company sponsored a noncontributory defined benefit pension plan that covered substantially all of its employees. Effective December 1, 2014, the Company changed the sponsorship of the defined benefit plan to OneAmerica.

Pension benefits and other benefits assumptions that make up a majority of plan assets and benefit obligations are based upon a measurement date of December 31. For measurement purposes, a 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2015, declining by 0.5% per year until reaching an ultimate trend rate of 5.0% in 2018. The amount of the accumulated benefit obligation for defined benefit pension plans was \$208,449,720 and \$0 for 2013 and 2014, respectively.

The Company has multiple non-pension postretirement benefit plans for its eligible retirees. The medical plans are contributory, with retiree contributions adjusted annually. The Company contribution for pre-65 retirees is frozen at the 2005 contribution level and post-65 retiree contributions are frozen at the 2000 contribution level. The dental and life insurance plans are noncontributory. Employees hired on or after October 1, 2004, are not eligible for retiree health benefits.

For career agents, the Company has non-pension postretirement health care benefits for its eligible agents. The medical plans are contributory with Emeritus agents' contributions normally adjusted annually. The Company's contribution for an Emeritus agent is based on the average of the preceding five (5) years of net earned commissions. The Company contribution then remains unchanged for the remainder of the Emeritus agent's participation in the health plan.

Defined Contribution Plan

The Company has a defined contribution plan that covers substantially all home office employees. The plan is a profit sharing arrangement under Section 401(k) of the Internal Revenue Code, which also includes a salary/reduction savings feature. The Company contributes a matching contribution for participants who complete one (1) full calendar year of employment. The matching contribution is 50% of participants' elective deferral on the first 6% of eligible compensation. Matching contributions are capped at 3% of eligible compensation.

The Company has a retirement profit sharing plan that covers substantially all of its career agents, except the general agents. The plan only allows for a discretionary profit sharing contribution. The Company contribution is allocated among eligible agents based upon their proportion of compensation in relation to the total compensation for eligible participants. Career agents are eligible on the first day of the plan year coinciding with or following six (6) months of service and the attainment of age 20 ½ years. Vesting is based on years of service, with full vesting after three (3) years of service.

Consolidated/Holding Company Plans

The Company sponsors a supplemental executive retirement plan, a defined contribution plan, and other postretirement benefits for active employees and retired employees. The Company allocates the cost of the plans to affiliates based on direct allocation or salary ratios. The Company's share of net periodic benefit cost for other postretirement benefit plans was \$5,398,595 and \$4,581,293 for 2013 and 2014, respectively. The Company has the legal obligation for benefits under these plans. The Company previously sponsored a qualified, noncontributory defined benefit pension plan, and the Company's share of net periodic benefit costs were \$14,107,989 and \$3,843,396 for 2013 and 2014, respectively.

Postemployment Benefits and Compensated Absences

Postemployment benefits have been expensed as incurred. Compensating absences and vacation are not accrued because of a general company operating procedure of not allowing vacation to carry over at the end of the calendar year. Additionally, sick pay is not accrued because the right to receive those benefits is contingent upon future events and continued employment.

Impact of Medicare Modernization Act on Postretirement Benefits

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law in 2003. The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to qualifying sponsors of retiree healthcare benefit plans. The Company has elected to not pursue any plan changes as a result of the Act. Therefore, the valuation of the unfunded postretirement benefit obligation and the determination of the net postretirement benefit cost included in the financial statements do not reflect the effects of the Act on the plan.

Deferred Compensation

The Company has entered into Deferred Compensation agreements with certain directors, employees, career agents, and general agents. The deferred amounts are payable according to the terms and subject to the conditions of said deferred compensation agreements. Annual costs of the agreements were approximately \$7,200,000 and \$11,116,000 for 2013 and 2014, respectively.

STATUTORY DEPOSITS

The Company reported the following statutory deposits, (in 000's), at December 31, 2014:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 1,501	\$ 1,526
All Other Special Deposits:		
Arkansas	251	263
California	3,008	3,157
Georgia	40	42
Massachusetts	500	500
New Mexico	125	125
North Carolina	401	406
Vermont	100	100
Total Deposits	<u>\$ 5,926</u>	<u>\$ 6,119</u>

REINSURANCE

Business Sold to Employers Reassurance Corporation

In August 2002, the INDOI approved the sale of substantially all of AULIC's assumed reinsurance business to Employers Reassurance Corporation (ERC), which included individual life insurance and long-term care products previously assumed. The sale included systems and personnel supporting the business being sold, and retained AULIC to manage the run-off of the business. At December 31, 2014, the block of business accounts for approximately \$241.5 million in premiums and \$1.8 billion in reserves covering life and A & H reserves.

Pursuant to the terms of this transaction, an after tax gain of approximately \$95 million was generated in 2002, and recorded as a deferred gain in surplus. The gain is being amortized into earnings at the rate that earnings on the reinsured business are expected to emerge. The Company reported \$3.4 million and \$5.2 million in deferred gain amortization in 2013, and 2014, respectively. The net deferred gain balance at December 31, 2014, was \$32.8 million.

Pursuant to the terms of the sale, two (2) Trusts were created to secure ERC's performance under the reinsurance sale, one (1) covering life business and the second covering the long-term care business. In 2009, a new single trust was established combining both of the previous trusts. At December 31, 2014, this Trust held assets valued at approximately \$1.97 billion. AULIC monitors the adequacy of the Trust funding and reviews the overall financial condition of ERC on a quarterly basis.

Reinsurance Assumed

During the examination period, no material assumed reinsurance transactions were initiated by the Company.

Reinsurance Ceded

During the examination period, the Company performed a number of amendments, novations, recaptures, rescissions, and renewals with its existing reinsurance partners but entered into no new material agreements with reinsurers.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2013 and December 31, 2014, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2014, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

AMERICAN UNITED LIFE INSURANCE COMPANY

Assets

As of December 31, 2014

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 8,209,181
Stocks:	
Preferred stocks	11,033
Common stocks	72,888
Mortgage loans on real estate:	
First liens	1,446,869
Real estate:	
Properties occupied by the company	62,595
Cash, cash equivalents and short-term investments	81,987
Contract loans	260,212
Derivatives	10,969
Other invested assets	71,492
Receivables for securities	17
Subtotals, cash and invested assets ^A	<u>10,227,242</u>
Investment income due and accrued	92,001
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	6,152
Deferred premiums and agents' balances and installments booked but deferred and not yet due	44,223
Reinsurance:	
Amounts recoverable from reinsurers	13,915
Other amounts receivable under reinsurance contracts	16,145
Net deferred tax asset	52,131
Guaranty funds receivable or on deposit	1,422
Electronic data processing equipment and software	2,333
Receivables from parent, subsidiaries and affiliates	2,710
Aggregate write-ins for other than invested assets	78,357
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>10,536,631</u>
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>12,864,885</u>
Total	<u>\$ 23,401,516</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

^A Calculated balances may not total properly due to immaterial rounding.

AMERICAN UNITED LIFE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2014
(in 000s)

	Per Examination*
Aggregate reserves for life contracts	\$7,897,841
Aggregate reserve for accident and health contracts	158,544
Liability for deposit-type contracts	1,112,753
Contract claims:	
Life	22,520
Accident and health	33,367
Policyholders' dividends and coupons due and unpaid	125
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	29,396
Dividends not yet apportioned	(323)
Premiums and annuity considerations for life and accident and health contracts received in advance less discount; including accident and health premiums	532
Contract liabilities not included elsewhere:	
Surrender values on canceled contracts	730
Other amounts payable on reinsurance including assumed and ceded	3,327
Interest maintenance reserve	23,484
Commissions to agents due or accrued-life and annuity contracts accident and health and deposit-type contract funds	5,457
Commissions and expense allowances payable on reinsurance assumed	15,427
Transfers to Separate Accounts due or accrued (net) (including accrued for expense allowances recognized in reserves, net of reinsured allowances)	(12,801)
Taxes, licenses and fees due or accrued, excluding federal income taxes	5,665
Current federal and foreign income taxes, including realized capital gains (losses)	3,971
Unearned investment income	5,801
Amounts withheld or retained by company as agent or trustee	5,163
Amounts held for agents' account, including agents' credit balances	13,860
Remittances and items not allocated	27,418
Miscellaneous liabilities:	
Asset valuation reserve	71,497
Reinsurance in unauthorized and certified companies	315
Funds held under reinsurance treaties with unauthorized and certified reinsurers	307
Payable to parent, subsidiaries and affiliates	4,129
Derivatives	4,341
Payable for securities	667
Aggregate write-ins for liabilities	86,107
Total liabilities excluding Separate Accounts business ^A	9,519,621
From Separate Accounts Statement	12,864,885
Total liabilities	22,384,506
Common capital stock	5,000
Surplus notes	75,000

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

^A Calculated balances may not total properly due to immaterial rounding.

Gross paid in and contributed surplus	550
Unassigned funds (surplus)	936,459
Surplus	1,012,009
Capital and Surplus	<u>1,017,009</u>
Totals ^A	<u>\$ 23,401,516</u>

AMERICAN UNITED LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended December 31, 2014
(in 000s)

	Per Examination*
Premiums and annuity considerations for life and accident and health contracts	\$3,155,187
Considerations for supplementary contracts with life contingencies	385
Net investment income	490,895
Amortization of Interest Maintenance Reserve	6,909
Commissions and expense allowances on reinsurance ceded	77,414
Reserve adjustments on reinsurance ceded	(352)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	75,839
Aggregate write-ins for miscellaneous income	55,208
Total ^A	3,861,486
Death benefits	108,863
Matured endowments (excluding guaranteed annual pure endowments)	414
Annuity benefits	45,664
Disability benefits and benefits under accident and health contracts	43,514
Surrender benefits and withdrawals for life contracts	2,853,614
Interest and adjustments on contract or deposit-type contract funds	24,354
Payments on supplementary contracts with life contingencies	237
Increase in aggregate reserves for life and accident and health contracts	290,677
Totals	3,367,337
Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only)	110,753
Commissions and expense allowances on reinsurance assumed	61,128
General insurance expenses	228,069
Insurance taxes, licenses and fees, excluding federal income taxes	18,489
Increase in loading on deferred and uncollected premiums	(651)
Net transfers to or (from) Separate Accounts net of reinsurance	(22,651)
Aggregate write-ins for deductions	(4,350)
Totals	3,758,126
Net gain from operations before dividends to policyholders and federal income taxes	103,360
Dividends to policyholders	28,222
Net gain from operations after dividends to policyholders and before federal income taxes	75,138
Federal and foreign income taxes incurred (excluding tax on capital gains)	21,108
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	54,030
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax (excluding taxes transferred to the IMR)	(5,879)
Net income	\$ 48,151

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

^A Calculated balances may not total properly due to immaterial rounding.

AMERICAN UNITED LIFE INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2014	2013	2012	2011	2010
Capital and surplus, December 31, prior year	\$ 980,681	\$883,639	\$835,921	\$812,215	\$758,847
Net income	48,151	65,699	58,621	42,541	69,385
Change in net unrealized capital gains (losses) less capital gains tax	4,563	2,872	(1,677)	2,848	1,425
Change in net deferred income tax	13,317	(18,051)	6,286	15,658	(1,817)
Change in nonadmitted assets	(17,863)	38,786	12,283	(7,968)	3,003
Change in liability for reinsurance in unauthorized and certified companies	45	113	(53)	(283)	(44)
Change in asset valuation reserve	(1,733)	(2,547)	653	(3,461)	(6,667)
Cumulative effect of changes in accounting principles	-	(2,251)	-	-	-
Surplus adjustment:					
Change in surplus as a result of reinsurance	(5,187)	(3,449)	(5,373)	(1,542)	(3,676)
Aggregate write-ins for gains and losses in surplus	(4,964)	15,870	(23,023)	(24,086)	(8,242)
Net change in capital and surplus for the year	36,329	97,042	47,717	23,707	53,367
Capital and surplus, December 31, current year ^A	<u>\$1,017,009</u>	<u>\$980,681</u>	<u>\$883,639</u>	<u>\$ 835,921</u>	<u>\$812,215</u>

^A Calculated balances may not total properly due to immaterial rounding.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2014, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. As directors are elected on an annual basis, new Oath of Office statements must be signed annually. During the examiners review of the Oath of Office statements, it was determined the directors had not signed a statement when elected each year. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board.

AULIC's Bylaws provide that the business affairs of the Company are to be managed by a Board consisting of no less than six (6) and no more than eighteen (18) directors. As of December 31, 2014, the Company only had five (5) directors as a result of the retirement of one (1) of the previous directors. Three (3) new directors were elected in 2015 bring the Company into compliance with its Bylaws.

SUBSEQUENT EVENTS

AULIC has an agreement providing Services and Administrative Fees with OneAmerica Retirement Services, LLC (OARS) dated January 1, 2015 and approved by the INDOI on September 19, 2014. Under this agreement, AULIC provides various administrative services for OARS for a fee. In 2014, the fees OARS paid to AULIC for administrative services were \$0.

On September 30, 2015, OneAmerica acquired Bank of Montreal's Milwaukee-based U.S. retirement services business, BMO Retirement Services. The deal added approximately \$26 billion to OneAmerica's assets under administration, bringing the total to more than \$70 billion. The business adopted the name OARS. OneAmerica will continue business operations from BMO Retirement Services' current locations, and most clients will continue to work with their current service teams. BMO Retirement Services employees covered by the agreement will become OneAmerica employees. BMO's U.S. retirement services business has more than 200 professionals with approximately 830 plans. The retirement services businesses of OneAmerica serve more than 11,000 plans and have more than \$30 billion in retirement assets under administration.

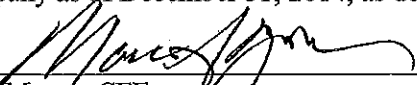
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Jeffrey A. Beckley, F.C.A.S., M.A.A.A., of Actuarial Options, LLC, hereinafter collectively referred to as the "Examiners", performed an examination of American United Life Insurance Company, as of December 31, 2014.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of American United Life Insurance Company as of December 31, 2014, as determined by the undersigned.



Marc Moyer, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 17 day of November, 2015, before me personally appeared, Marc Moyer, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires:  _____
Notary Public

[Faint handwritten text]

[Faint handwritten text]

