

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

IN THE MATTER OF: )  
 )  
Midwestern United Life Insurance Company )  
5780 Powers Ferry Road NW )  
Atlanta, Georgia 30327 )

Examination of **Midwestern 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 **Midwestern 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 **Midwestern United Life 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.

June 19, 2012

Date



Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7196 9007 2680 0479 4627**

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5780 Powers Ferry Road NW )  
Atlanta, Georgia 30327 )

Examination of **Midwestern United Life Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Midwestern United Life Insurance Company** (hereinafter "Company") for the time period January 1, 2008 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 9, 2012.

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 May 16, 2012 and was received by the Company on May 18, 2012.

On May 22, 2012, 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, 2010.

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 19<sup>th</sup> day of June, 2012.

  
Stephen W. Robertson  
Insurance Commissioner

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

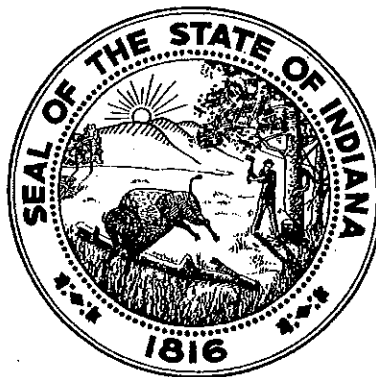
**OF**

**MIDWESTERN UNITED LIFE INSURANCE COMPANY**

NAIC Co. CODE 66109  
NAIC GROUP CODE 0229

As of

December 31, 2010



**TABLE OF CONTENTS**

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	3
DIVIDENDS TO STOCKHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	3
Directors.....	3
Officers.....	4
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE.....	8
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	8
STATUTORY DEPOSITS.....	8
REINSURANCE.....	8
ACCOUNTS AND RECORDS.....	9
FINANCIAL STATEMENTS.....	10
Assets.....	10
Liabilities, Surplus and Other Funds.....	11
Summary of Operations.....	12
Capital and Surplus Reconciliation.....	13
COMMENTS ON THE FINANCIAL STATEMENTS.....	14
SUBSEQUENT EVENTS.....	14
AFFIDAVIT.....	15



# STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

# IDOI

## INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300  
INDIANAPOLIS, INDIANA 46204-2787  
TELEPHONE: (317) 232-2385  
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

May 10, 2012

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 3674, an examination has been made of the affairs and financial condition of:

**Midwestern United Life Insurance Company**  
**5780 Powers Ferry Road, NW**  
**Atlanta, Georgia 30327-4390**

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

The Report of Examination, reflecting the status of the Company as of December 31, 2010, 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  
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EXAMINATIONS / FINANCIAL SERVICES  
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MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present risk-focused examination was conducted by Noble Consulting Services, Inc. (Noble) and covered the period from January 1, 2008, through December 31, 2010.

The examination was performed on a coordinated basis with the Connecticut Insurance Department and the Colorado Division of Insurance. The Connecticut Insurance Department conducted the examination of ING Life Insurance and Annuity Company and served as the lead state for the coordinated exam. The Company operates as a subsidiary of ING Groep, N.V. (ING), a global, publicly held financial services company based in the Netherlands. The direct parent of the Company is Security Life of Denver Insurance Company (SLD). The Company shares a common control environment with SLD. As part of the coordinated examination effort, the INDOI primarily relied upon the coordinated examination work for SLD performed by the Colorado Division of Insurance.

Noble conducted the examination pursuant to and 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.

Jeff Beckley, FSA, MAAA, of Actuarial Options, LLC, was appointed by the INDOI to conduct a review of the Company's statutory reserves as of December 31, 2010. There were no actuarial adjustments resulting from the review performed by the actuaries.

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

## HISTORY

The Company was incorporated on May 4, 1948, under the provisions of Indiana Insurance Law as a life and health insurance company. During the Company's history it has undergone mergers with two former Indiana insurers, American Travelers Life Insurance Company (1961) and Great Northern Insurance Company (1965).

The Company is 100% owned by SLD and has been since 1983. The ultimate controlling party for the Company and for SLD is ING. The Company became a member of this holding company system effective March 22, 1976. The Company has not solicited new business during the current period of examination and continues to "run-off" existing policies.

## CAPITAL AND SURPLUS

The Articles of Incorporation, as amended, provide that the authorized capital of the Company shall consist of 3,175,000 shares of common stock with a par value of \$1.00 per share. As of December 31, 2010, there were 2,500,000 shares of common stock issued and outstanding. All shares are Class A shares and all were owned by SLD as of December 31, 2010.

## DIVIDENDS TO STOCKHOLDERS

The Company did not pay dividends to stockholders during the period of examination.

## TERRITORY AND PLAN OF OPERATION

As of December 31, 2010, the Company was licensed to transact business in forty-nine (49) states, the District of Columbia, and the U.S. Virgin Islands. New York is the only state in which the Company does not hold a license.

The Company did not solicit new business during the period of examination. The Company continues to service a portfolio of traditional and interest-sensitive whole life, endowment, universal life, term insurance, and annuity business. The products are primarily serviced through the Retail Life business unit. The block of business serviced is considered to be in "run-off". Approximately 65% of the total premiums written in 2010 were from five (5) states; Indiana, Ohio, Michigan, California and Texas.

## GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums</u>	<u>Net Income</u>
2010	\$241,335,133	\$ 130,190,161	\$111,144,972	\$ 4,160,838	\$ 7,562,996
2009	243,674,116	140,808,708	102,865,408	4,215,180	7,473,066
2008	244,724,061	148,600,810	96,123,251	4,466,522	731,214

The financial statement amounts have remained fairly consistent during the period of examination. Slight decreases were experienced in assets, liabilities, and premiums due primarily to the Company's "run-off" status. Increases to capital and surplus have been driven by decreases in general expenses, reserves and income taxes.

## MANAGEMENT AND CONTROL

### Directors

The Bylaws provide that the Board of Directors (Board) shall be composed of not less than five (5) nor more than fifteen (15) directors. The shareholders, at each annual meeting, shall elect the members of the Board.



The following is a listing of persons serving as directors at December 31, 2010, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Thomas J. McInerney Weatouge, CT	Chairman and CEO ING Insurance Americas
Donald W. Britton Minneapolis, MN	CEO ING U.S. Insurance Division
Lynne R. Ford Charlotte, NC	Executive Vice President ING Financial Solutions
Noel D. Phillips Monrovia, IN	Client Relations Manager ING
Robert G. Leary Greenwich, CT	CEO ING Insurance U.S.
Michael S. Smith Phoenixville, PA	CEO ING U.S. Annuity Legacy
Catherine H. Smith Northford, CT	CEO ING U.S. Retirement Services
Ewout L. Steenbergen New York, NY	EVP and CFO ING Insurance U.S.

#### Officers

The Bylaws state that the officers of the Company shall consist of a Chairman of the Board, President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the Board deems necessary. Any two (2) or more offices may be held by the same person, unless prohibited by law. Elected officers shall hold office until a successor is elected and qualified, or until the officer dies, resigns, or is removed or suspended.

The following is a list of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Donald W. Britton	President
David S. Pendergrass	Senior Vice President & Treasurer
Joy M. Benner	Secretary
Francis de Regnaucourt	Vice President & Appointed Actuary
Boyd G. Combs	Senior Vice President, Tax
Timothy T. Matson	Senior Vice President
Prakash A. Shimpi	Senior Vice President
Steven T. Pierson	Senior Vice President & Chief Accounting Officer
Ewout L. Steenbergen	Executive Vice President & Chief Financial Officer

## **CONFLICT OF INTEREST**

Officers and directors are required to review and sign Conflict of Interest statements annually. It was determined that officers and directors listed in the management and control section of this Report of Examination have reviewed and signed their statements as of year-end 2010.

## **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. All directors have subscribed to an Oath of Office.

## **CORPORATE RECORDS**

### **Articles of Incorporation**

The Articles of Incorporation were amended twice during the examination period. The first amendment, dated August 21, 2008, changed the Company's statutory home address and the names of its directors and officers. The second amendment, dated February 20, 2009, changed the Company's statutory home address and the name of the Vice President and Appointed Actuary.

### **Bylaws**

The Bylaws were amended once during the examination period, on August 21, 2008. The amendment removed Article I – Location, and the remaining articles were subsequently renumbered.

### **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. The Company's Bylaws state that the Annual Meeting of Shareholders will be held each year, but does not specify a specific date. In 2010, the Annual Meeting of Shareholders was held within the first five (5) months after the close of the fiscal year.

## AFFILIATED COMPANIES

### Organizational Structure

The following abridged organizational chart shows the affiliated insurance companies and the Company's ultimate controlling person as of December 31, 2010:

	<u>NAIC Co.</u> <u>Code</u>	<u>Domiciliary</u> <u>State</u>
ING Groep N.V.		
- ING Verzekeringen N.V.		
- ING Insurance International B.V.		
- ING America Insurance Holdings, Inc.		DE
- ING North America Insurance Corporation		DE
- Lion Connecticut Holdings Inc.		CT
- ING Investment Management LLC		DE
- ING Life Insurance and Annuity Company	86509	CT
- ING USA Annuity and Insurance Life Company	80942	IA
- ReliaStar Life Insurance Company	67105	MN
- ReliaStar Life Insurance Company of New York	61360	NY
- Security Life of Denver Insurance Company	68713	CO
- ING America Equities, Inc.		CO
- <b>Midwestern United Life Insurance Company</b>	<b>66109</b>	<b>IN</b>
- Whisperingwind III, LLC	12984	SC
- Security Life of Denver International Limited		

### 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 Agreements*

Effective January 1, 2001, the Company entered into a service agreement with its affiliate ING North America Insurance Corporation (INGNA). Pursuant to this agreement INGNA will provide certain administrative, management, professional, advisory, consulting, and other services. This agreement was approved by INDOI on August 31, 2001. Pursuant to this agreement, the Company paid INGNA \$1,080,449 during 2010.

Effective January 1, 2001, and as amended from time to time since, the Company entered into a service agreement with its affiliated insurance companies, all of which are under the common control of ING. Pursuant to this agreement, the parties provide certain administrative, management, professional, advisory, consulting and other service to one another, as needed, in an effort to achieve operating economies and expense savings, and to utilize one another's expertise and resources. Pursuant to this agreement, the Company paid \$40,411 during 2010.

Effective January 1, 1998, and as amended January 1, 2009, the Company entered into an investment advisory agreement with its affiliate, ING Investment Management, LLC (IIM). The agreement calls for IIM to furnish investment advisory and portfolio management services. The 2009 amendment to this agreement was approved by the INDOI on September 9, 2009. Pursuant to this agreement, the Company paid IIM \$280,366 in 2010.

Effective January 1, 2000, the Company entered into an administrative services agreement with IIM. This agreement states that IIM will provide asset liability management services. This agreement was approved by INDOI on October 27, 2000. Pursuant to this agreement, the Company paid IIM \$0 during 2010.

Effective July 1, 2002, the Company entered into a services agreement with its affiliate, ING Financial Advisors, LLC (INGFA). Pursuant to this agreement INGFA provides certain administrative, management, professional, advisory, and consulting services, primarily in support of the Company's programs providing financial education, counseling, and account services to policyholders and their beneficiaries maintaining accounts with the Company. This agreement was approved by INDOI on November 8, 2002. Pursuant to this agreement, the Company paid \$3 under the agreement in 2010.

#### *Tax Sharing Agreements*

Effective January 1, 2001, the Company entered into Tax Sharing Agreements (ING federal consolidated tax return agreement and state or local income tax return agreement) with ING America Insurance Holdings, Inc. (INGAIH) and each of INGAIH's other subsidiaries. The federal consolidated tax return agreement and the state or local tax return agreements were approved by the INDOI on October 3, 2002 and February 20, 2002, respectively. The agreements provide for the manner of calculation, the amounts and timing of the payments between the parties, and other related matters in connection with the filing of consolidated tax returns. Pursuant to the federal consolidated tax return agreement, the Company paid \$4,308,147 in 2010.

#### *Reciprocal Loan Agreement*

Effective July 1, 2005, the Company entered into a reciprocal loan agreement with ING AIH. Pursuant to this agreement, which expires July 1, 2015, the Company and ING AIH agree to make short-term cash loans and borrowings to and from each other. As of year-end 2010, there was no outstanding balance due either party under the reciprocal loan agreement.

#### *Guaranty Agreement*

The Company has entered into a guaranty agreement, with its parent, whereby SLD has issued an unconditional guarantee of all obligations to the policyholders of the Company. This agreement is dated July 24, 1998. There were no payments made to the Company pursuant to this agreement during the period under examination.

#### *Reinsurance Agreements*

See the "Reinsurance" section of this report of examination for further information regarding affiliated reinsurance agreements.

## FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond, held by ING, afforded by National Union Fire Insurance Company. The bond has a single loss coverage limit of \$105,948,750, with a deductible of \$141,265. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

## PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company does not have employees and did not offer pension, stock ownership, and insurance plans during the period of examination.

## STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2010:

State	Book Value	Fair Value
For all Policyholders:		
Indiana	\$ 1,600,000	\$ 1,710,928
Subtotal	<u>\$ 1,600,000</u>	<u>\$ 1,710,928</u>
All Other Special Deposits		
Arkansas	\$ 202,000	\$ 196,352
Georgia	50,000	48,602
New Mexico	200,000	194,408
North Carolina	640,000	622,106
South Carolina	125,000	133,666
U.S. Virgin Islands	500,000	534,665
Subtotal	<u>\$ 1,717,000</u>	<u>\$ 1,729,799</u>
Total Deposits	<u>\$ 3,317,000</u>	<u>\$ 3,440,727</u>

## REINSURANCE

There were no new reinsurance agreements entered into during the period of examination.

### *Assumed*

Assumed premiums were less than \$20,000 in 2010. Premiums assumed were pursuant to two reinsurance agreements that predate the examination period. Total reserves assumed in 2010 were less than \$10,000. Reserves assumed from SLD in 2010 were \$0. Premiums assumed from SLD in 2010 were \$3,432.

### *Ceded*

Pursuant to a 1988 agreement, the Company ceded \$3.3 million of reserve credits to Symetra Life Insurance Company on an 80% co-insurance basis. Ceded reserves were primarily related to a block of flexible premium deferred annuities. The Company also ceded \$38,126 of reserves to SLD under an agreement entered into in 1984.

## 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, 2009, and 2010, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2008, through December 31, 2010, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

**MIDWESTERN UNITED LIFE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

Assets

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Bonds	\$ 214,656,401	\$ -	\$ 214,656,401	\$ 186,067,915
Stocks:				
Preferred stocks	50,382	-	50,382	50,382
Mortgage loans on real estate:				
First liens	3,702,573	-	3,702,573	4,308,457
Cash, cash equivalents and short-term investments	5,311,240	-	5,311,240	36,840,448
Contract loans	10,840,780	-	10,840,780	11,075,020
Other invested assets	1,099,627	-	1,099,627	840,062
Receivables for securities	-	-	-	117
Subtotals, cash and invested assets	<u>\$ 235,661,003</u>	<u>\$ -</u>	<u>\$ 235,661,003</u>	<u>\$ 239,182,401</u>
Investment income due and accrued	\$ 2,691,550	\$ -	\$ 2,691,550	\$ 2,373,504
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	3,765	-	3,765	9,529
Deferred premiums and agents' balances and installments booked but deferred and not yet due	229,023	-	229,023	238,169
Reinsurance:				
Other amounts receivable under reinsurance contracts	70,587	-	70,587	45,697
Current federal & foreign income tax recoverable and interest thereon	26,379	-	26,379	-
Net deferred tax asset	2,314,658	-	2,314,658	1,344,485
Guaranty funds receivable or on deposit	16,659	-	16,659	19,284
Net adjustment in assets and liabilities due to foreign exchange rates	182,305	-	182,305	186,534
Receivables from parent, subsidiaries and affiliates	139,204	-	139,204	274,513
<b>Total assets</b>	<b><u>\$ 241,335,133</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 241,335,133</u></b>	<b><u>\$ 243,674,116</u></b>

**MIDWESTERN UNITED LIFE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus and Other Funds**

	As of December 31, 2010			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Aggregate reserve for life contracts	\$ 108,147,702	\$ -	\$ 108,147,702	\$ 112,837,751
Liability for deposit-type contracts	18,027,284	-	18,027,284	17,344,548
Contract claims:			-	
Life	1,137,802	-	1,137,802	2,308,682
Provision for policyholders' dividends and coupons payable in following calendar year:			-	
Dividends apportioned for payment	595,184	-	595,184	617,269
Premiums and annuity considerations for life and accident and health contracts received in advance	10,635	-	10,635	11,294
Contract liabilities not included elsewhere:				
Other amounts payable on reinsurance	88,204	-	88,204	57,092
Interest maintenance reserve	170,006	-	170,006	777,522
Commissions to agents due or accrued	27	-	27	27
General expenses due or accrued	21,579	-	21,579	10,122
Taxes, licenses and fees due or accrued, excluding federal income taxes	213,711	-	213,711	224,953
Current federal & foreign income taxes	-	-	-	4,413,563
Unearned investment income	323,541	-	323,541	319,277
Amounts withheld or retained by company as agent or trustee	85	-	85	22,638
Remittances and items not allocated	69,092	-	69,092	295,163
Miscellaneous liabilities:				
Asset valuation reserve	901,174	-	901,174	817,886
Payable to parent, subsidiaries and affiliates	327,471	-	327,471	569,084
Payable for securities	142	-	142	-
Aggregate write-ins for liabilities	156,522	-	156,522	181,837
<b>Total liabilities</b>	<b>\$ 130,190,161</b>	<b>\$ -</b>	<b>\$ 130,190,161</b>	<b>\$ 140,808,708</b>
<b>Capital and Surplus:</b>				
Common capital stock	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000
Gross paid in and contributed surplus	9,393,754	-	9,393,754	9,393,754
Aggregate write-ins for special surplus funds	238,064	-	238,064	288,500
Unassigned funds (surplus)	99,013,154	-	99,013,154	90,683,154
Surplus	108,644,972	-	108,644,972	100,365,408
<b>Total capital and surplus</b>	<b>\$ 111,144,972</b>	<b>\$ -</b>	<b>\$ 111,144,972</b>	<b>\$ 102,865,408</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 241,335,133</b>	<b>\$ -</b>	<b>\$ 241,335,133</b>	<b>\$ 243,674,116</b>



**MIDWESTERN UNITED LIFE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Summary of Operations**

	As of December 31, 2010			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premiums and annuity considerations for life and accident and health contracts	\$ 4,160,838	\$ -	\$ 4,160,838	\$ 4,215,180
Net investment income	11,299,563	-	11,299,563	11,122,903
Amortization of interest maintenance reserve	130,756	-	130,756	67,301
Commissions & expense allowances on reinsurance ceded	786	-	786	25
Miscellaneous Income:				
Aggregate write-ins for miscellaneous income	26,522	-	26,522	15,046
Total	<u>\$ 15,618,465</u>	<u>\$ -</u>	<u>\$ 15,618,465</u>	<u>\$ 15,420,455</u>
Death benefits	\$ 6,299,995	\$ -	\$ 6,299,995	\$ 8,108,323
Matured endowments	61,447	-	61,447	97,036
Annuity benefits	903,064	-	903,064	529,382
Coupons, guaranteed annual pure endowments and similar benefits	63,416	-	63,416	65,382
Surrender benefits and withdrawals for life contracts	3,929,615	-	3,929,615	4,877,004
Interest and adjustments on contract or deposit-type contract funds	746,379	-	746,379	573,373
Payments on supplementary contracts with life contingencies	25,084	-	25,084	28,036
Increase in aggregate reserves for life and accident and health contracts	(4,690,049)	-	(4,690,049)	(11,113,452)
Totals	<u>\$ 7,338,951</u>	<u>\$ -</u>	<u>\$ 7,338,951</u>	<u>\$ 3,165,084</u>
Commissions on premiums, annuity considerations, and deposit-type contract funds	\$ 183,447	\$ -	\$ 183,447	\$ 211,105
General insurance expenses	1,744,330	-	1,744,330	1,761,336
Insurance taxes, licenses & fees, excluding federal income taxes	170,430	-	170,430	192,566
Increase in loading on deferred & uncollected premiums	328	-	328	(6,453)
Aggregate write-ins for deductions	2,667	-	2,667	11
Totals	<u>\$ 9,440,153</u>	<u>\$ -</u>	<u>\$ 9,440,153</u>	<u>\$ 5,323,649</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ 6,178,312	\$ -	\$ 6,178,312	\$ 10,096,806
Dividends to policyholders	528,598	-	528,598	556,134
Net gain from operations after dividends to policyholders & before federal income taxes	\$ 5,649,714	\$ -	\$ 5,649,714	\$ 9,540,672
Federal & foreign income taxes incurred	(2,102,962)	-	(2,102,962)	1,509,681
Net gain from operations after dividends to policyholders & federal income taxes & before realized capital gains or (losses)	\$ 7,752,676	\$ -	\$ 7,752,676	\$ 8,030,991
Net realized capital gains (losses)	(189,680)	-	(189,680)	(557,925)
<b>Net Income</b>	<u><b>\$ 7,562,996</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 7,562,996</b></u>	<u><b>\$ 7,473,066</b></u>

**MIDWESTERN UNITED LIFE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Reconciliation**

	<u>12/31/2010</u>	<u>12/31/2009</u>	<u>12/31/2008</u>
Capital and surplus, December 31, prior year	\$ 102,865,408	\$ 96,123,251	\$ 96,143,258
Net income	7,562,996	7,473,066	731,214
Change in net unrealized capital gains (losses) less capital gains tax	(64,494)	(18,811)	(254,534)
Change in net unrealized foreign exchange capital gain (loss)	(4,229)	233,601	(233,595)
Change in net deferred income tax	133,048	(1,394,648)	1,318,860
Change in nonadmitted assets	785,967	748,182	(3,068,082)
Change in asset valuation reserve	(83,288)	(587,733)	1,486,130
Aggregate write-ins for gains and losses in surplus	(50,436)	288,500	-
<b>Net change in capital and surplus</b>	<b><u>\$ 8,279,564</u></b>	<b><u>\$ 6,742,157</u></b>	<b><u>\$ (20,007)</u></b>
<b>Capital and surplus, December 31, current year</b>	<b><u>\$ 111,144,972</u></b>	<b><u>\$ 102,865,408</u></b>	<b><u>\$ 96,123,251</u></b>

## **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to the Financial Statements as of December 31, 2010, based on the results of this examination.

### **SUBSEQUENT EVENTS**

In October 2009, ING announced key components of a final Restructuring Plan (RP) as part of the process to receive European Commission (EC) approval for the state aid granted to ING by the Dutch State in November 2008 (EUR 10 billion Core Tier 1 securities) and March 2009 (Illiquid Assets Back-up Facility covering ING's Alt-A securities between ING and the Dutch State). As part of the RP, ING agreed to separate its banking and insurance businesses by the end of 2013. ING intends to achieve this separation by divestment of its insurance and investment management operations. ING has announced that it will explore all options for implementing the separation including initial public offerings, sales, or a combination thereof. The RP was approved by the EC with certain conditions, and by ING shareholders, in November 2009. In January 2010, ING lodged an appeal with the General Court of the European Union (GCEU) against specific elements of the EC's decision regarding ING's RP. In its appeal, ING contests the way the EC has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions (specifically) and the restructuring requirements (generally). In July 2011, the appeal case was heard orally by the GCEU. By judgment of March 2, 2012, the GCEU partially annulled the EC's decision of November 18, 2009, as a result of which a new decision has to be taken by the EC. Interested parties can file an appeal against the GCEU's judgment before the Court of Justice of the European Union within two months and ten days of the date of the GCEU's judgment.

ING remains committed to executing the formal separation of banking and insurance and the divestment of the latter. It is possible that the outcome of any appeal of the GCEU's judgment and/or the implementation of the RP could have a material effect upon the capital structure of the ultimate holding company. However, management does not believe that either its appeal of the EC decision on its RP or the implementation of the RP will have a material effect upon the solvency of the ultimate holding company.

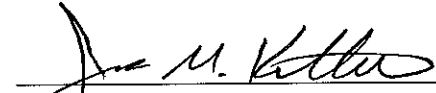
**AFFIDAVIT**

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., hereinafter collectively referred to as the "Examiners," performed an examination of **Midwestern United Life Insurance Company** as of **December 31, 2010**.

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.

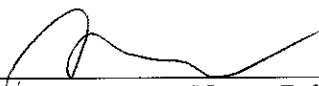
The attached report of examination is a true and complete report of condition of **Midwestern United Life Insurance Company** as of **December 31, 2010**, as determined by the undersigned.

  
\_\_\_\_\_  
James M. Kattman, CFE  
Noble Consulting Services, Inc.

State of:  
County of:

On this 16 day of May, 2012, before me personally appeared, James M. Kattman, 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: July 4, 2019   
\_\_\_\_\_  
Notary Public

