

Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking



Chester A. McPherson
Acting Commissioner

**BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA**

Re: Report on Examination – Acacia Life Insurance Company as of December 31, 2012

ORDER

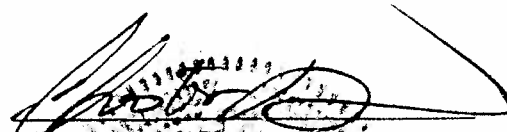
An Examination of **Acacia Life Insurance Company** as of December 31, 2012 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 20th day of June, 2014, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Association shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.


Chester A. McPherson
Acting Commissioner



GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

ACACIA LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

NAIC COMPANY CODE 60038

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Washington, District of Columbia

March 07, 2014

Honorable Chester A. McPherson
Acting Commissioner
Government of the District of Columbia
Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Commissioner:

In accordance with Section 31-1402 of the District of Columbia Insurance Code, a Risk Focused Examination (RFE) has been conducted of the financial condition and activities of

ACACIA LIFE INSURANCE COMPANY

hereinafter called the "Company" or "Acacia", at its holding company corporate offices located at 5900 "O" Street, Lincoln, Nebraska 68510. The Company's statutory home office is

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located at 4550 Montgomery Avenue, Bethesda, MD 20814. The following Report on Examination is hereby submitted.

SCOPE OF EXAMINATION

This examination, covering the period January 1, 2009 through December 31, 2012, including any material transactions and/or events noted occurring subsequent to December 31, 2012, was conducted under the RFE process outlined by the National Association of Insurance Commissioners (NAIC) by examiners representing the District of Columbia Department of Insurance, Securities and Banking (Department or DISB).

Our examination was conducted in accordance with examination policies and standards established by the Department and procedures recommended by the NAIC *Financial Condition Examiners Handbook* and, accordingly, included such tests of the accounting records and such other examination procedures, as we considered necessary under the circumstances. This examination was conducted using the Risk-Focused Surveillance examination approach. Accordingly, risk and materiality were key concepts throughout the examination. The *Handbook* requires that we plan and perform the RFE 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

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instructions, when applicable to domestic state regulations. Key activities of the Company were assessed and areas of primary risk were the focus of the examination. Our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations.

The examination was conducted as a coordinated effort with the Nebraska Department of Insurance in conjunction with the examinations of their domestic insurance companies, Ameritas Life Insurance Corp. (Ameritas) and The Union Central Life Insurance Company (UCL), with Nebraska as the lead state. Due to commonalities of systems, operations and management, we approached this examination using the combined efforts and resources of the two regulatory agencies. We relied on the work performed by the Nebraska Information Systems (IS) Specialists' work, findings and recommendations. The actuarial portion of the examination was conducted by the Nebraska actuarial examiner and reliance was placed thereon for the Acacia business. We also relied on the Nebraska examiners for certain work concerning the key activities assigned to them by the Examiner-in-Charge from the coordinating state (Nebraska). During the examination period Acacia ceased writing new business. As a result traditional key activities are no longer prospectively material to the Company, such as the activities of premium and underwriting. Accordingly the scope of this examination is influenced by this strategy.

The Company was audited annually by an independent public accounting firm. The firm expressed an unqualified opinion on the Company's financial statements prepared on a statutory basis for each year under examination. To the extent reasonable, reliance was placed on the work of the independent CPAs. Substantive examination efforts were directed

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to those areas not covered by the firm's work papers or where it was deemed additional testing was necessary.

STATUS OF PRIOR EXAMINATIONS FINDINGS

There were no Comments or Recommendations in the prior examination report as of December 31, 2008.

HISTORY

General

The Company was organized on October 26, 1866 and was chartered by the Congress of the United States of America and began service on March 3, 1869 in the name of Masonic Mutual Relief Association of the District of Columbia to provide death benefits to widows and orphans of Masons. In 1903, the charter was amended to provide legal reserves on all policies and to limit membership to Master Masons. Subsequently, all prior assessment business was placed on the legal reserve plan with this transfer being completed by December 31, 1915 and since that date no assessment certificates have been in force.

By amendment to its charter the name was revised to The Masonic Mutual Life Association of the District of Columbia on May 30, 1908; to Acacia Mutual Life Association on September 22, 1922; and to Acacia Mutual Life Insurance Company (Acacia Mutual) on

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May 14, 1932. Coincident with that date, the Company began to sell its products to other than just Masons.

During January 1997, Acacia Mutual filed an application and plan of reorganization with the Department pursuant to the Mutual Holding Company Act (MHC Act) of 1996. The filing was approved by the Department in May 1997. Pursuant to the reorganization, effective June 30, 1997, the Company formed a mutual insurance holding company named Acacia Mutual Holding Corporation (AMHC), and an intermediate stock holding company named Acacia Financial Group, Ltd. Acacia Mutual became a stock life insurance company with its current name, Acacia Life Insurance Company (Acacia or Company).

In 1999, Acacia Mutual Holding Company merged with Ameritas Mutual Insurance Holding Company to form Ameritas Acacia Mutual Holding Company (AAMHC), the first ever merger of two mutual holding companies.

Pursuant to District of Columbia Law, including Title 35, Section 609, D.C. Code Ann. (1993), and the Mutual Holding Company Act of 1996, Title 35, Sections 3721-3728, D.C. Code, the Company adopted the amended Articles of Incorporation effective December 3, 1999 and filed the amended Articles of Incorporation with the Commissioner of Insurance and Securities Regulation on July 25, 2002.

The Company merged with its subsidiary, Acacia National Life Insurance Company after the close of business on December 31, 2003. This transaction was accounted for as a statutory merger.

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Effective January 1, 2006, AAMHC and Union Central Mutual Holding Company (UCMHC) merged to form the UNIFI Mutual Holding Company (UNIFI) in a business combination accounted for as a pooling of interests. In a concurrent event, The Union Central Life Insurance Company (UCL) was converted from an Ohio mutual life insurance company to an Ohio stock life insurance company and subsequently re-domesticated to Nebraska, an indirectly wholly-owned subsidiary of the newly formed UCMHC. Also, in a concurrent event, the capital stock of Union Central was contributed to UNIFI's wholly-owned holding company, Ameritas Holding Company (AHC). At this time the Company became a wholly owned subsidiary of AHC.

On December 15, 2009 the DISB approved the Company becoming a wholly owned subsidiary of Ameritas Life Insurance Corp, a wholly owned subsidiary of AHC. On May 3, 2012 UNIFI changed its name to Ameritas Mutual Holding Company (AMHC).

Capital Stock

Pursuant to the Articles of Incorporation, the aggregate number of shares of stock the Company is authorized to issue is 2,010,000. The Company is authorized to issue 10,000 shares of no par common capital stock, and 2,000,000 shares of no par preferred capital stock. The preferred stock shall be non-voting; be subject to redemption at \$25 per share, entitle the holders to cumulative dividends; have preference over all other classes of stock as to the payment of dividends; have preference as to the assets of the Company over all other classes of stock upon the voluntary or involuntary liquidation of the Company; not be

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convertible into shares of any other class. The preferred stock issuance includes a Stock Sale/Purchase Agreement, which requires the Company to redeem \$2,500,000 of preferred stock beginning in 2005, and \$2,500,000 each year thereafter, ending in 2015.

The preferred stock balances as a result of redemptions during the examination period are as follows:

<u>Year Ended</u>	<u>Preferred Stock</u>
<u>December 31</u>	<u>Balance</u>
2004	\$25,000,000
2005	\$22,500,000
2006	\$20,000,000
2007	\$17,500,000
2008	\$15,000,000
2009	\$12,500,000
2010	\$10,000,000
2011	\$7,500,000
2012	\$5,000,000

As of December 31, 2012, the Company reported 10,000 shares of issued and outstanding common capital stock to Ameritas Holding Company, and 200,000 shares of preferred stock issued and outstanding to Ameritas Life Insurance Corp. The shares were valued at \$3,000,000 common and \$5,000,000, preferred, resulting in stated values of \$300 and \$25 per share, respectively. See NOTE 1 in the "Notes to Financial Statements" section of this Report for further comments regarding the Company's preferred stock.

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Minimum Risk Based Capital

The Company is required to maintain capital and surplus in an amount that is at least equal to the greater of the minimum risk-based capital (RBC) level adopted by the National Association of Insurance Commissioners, or the minimum statutory reserve requirement. As of December 31, 2012, the Company's minimum statutory reserve exceeded the "company action level" as determined by the RBC formulas.

Dividends to Shareholders

During each of the four years covered by this examination, the Company paid ordinary dividends to its preferred shareholder. The preferred stock pays dividends in an amount per annum equal to 6.66%. The Company paid ordinary preferred stock dividend to Ameritas , its parent company, in the amounts of \$124,875 on March 14 and June 5 of 2012, \$111,000 on September 4, 2012 and \$83,250 on December 13, 2012. In addition the Company paid a dividend of \$10,000,000 to its parent on December 17, 2012.

MANAGEMENT AND CONTROL

Board of Directors

The board of directors shall consist of not less than 5 directors, divided into three classes as nearly equal numerically as possible determined by terms expiring in successive years. Except for the first year, each director shall be elected for a three year term, which begins at the annual meeting in which such director is elected or at the time elected by the board of directors.

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The annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be on the second Tuesday of April at 2:00 pm each year at its offices in the District of Columbia or at such other place, time and date as the board of directors shall fix.

No Inside Director shall serve as a director after such Inside Director is no longer a full time employee of the Company or any of its affiliates. An Inside Director is a director who is a full time employee of the Company or any of its affiliates.

A quorum of the board of directors is a majority of the entire board of directors. A director shall be subject to removal, for cause, by a two-thirds (2/3) vote of the entire board of directors. Regular meetings of the board shall be held at least four times annually.

The following persons were serving as the Company's directors at December 31, 2012:

Name and Address	Principal Occupation
James P. Abel, Lincoln, NE	Executive - NEBCO, Inc.
JoAnn M. Martin, Lincoln, NE	Executive & Chair - Ameritas Life Insurance Corp.
Patricia A. McGuire, Hyattsville, MD	Executive - Trinity Washington University
Edward J. Quinn, Jr., Washington, DC	Executive & Chair - T.W. Perry
Robert M. Willis, Upper Marlboro, MD	Attorney - Law Offices of Robert Willis

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Officers

<u>Name</u>	<u>Title</u>
Salene Marie Hitchcock-Gear	President and Chief Executive Officer
Robert-John Hamilton Sands	Senior Vice President, General Counsel, Corporate Secretary
Robert Carl Barth	Senior Vice President, Chief Financial Officer
William Wallace Lester	Executive Vice President, Corporate Treasurer
Linda Ann Whitmire	Vice President, Financial Actuary
John Thomas Burkhard	Senior Vice President, Chief Distribution Officer, Individual
Arnold Delos Henkel	Senior Vice President, Individual Strategic Alliances
Robert Michael Jurgensmeier	Senior Vice President, Chief Actuary Individual
Lisa Ann Mullen	Senior Vice President, Individual Financial Operations
Janet Lynn Schmidt	Senior Vice President, Director of Human Resources.
Steven Joseph Valerius	President, Individual Division
Timothy Lynn Stonehocker	Executive Vice President
Susan Kay Wilkenson	Senior Vice President, Planning & Risk Management
Nancy Arline Dalessio	Senior Vice President & Chief Information Officer
Cheryl Lynn Heilman	Senior Vice President, Individual Operations
Dale Donald Johnson	Senior Vice President and Corporate Actuary
Robert Paul Kocher	Senior Vice President, Business Development
James Mikus	Senior Vice President, Chief Investment Officer

Committees

As of December 31, 2012, the Company's Board of Directors had established various committees.

Executive Committee

The Executive Committee shall consist of the Chief Executive Officer, who shall be chairman, the chairman of the board of directors, the president, and not less than three

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members of the board of directors. The members of the Committee shall be appointed annually by the Chief Executive Officer. A majority of the members shall be non-employee directors and meets as needed.

JoAnn M. Martin, Chair*

Patricia A. McGuire

Edward J. Quinn, Jr.

Robert M. Willis

**Designated by Salene Hitchcock-Gear*

Nominating Committee

The Nominating Committee consists of all non-employee directors serving on the Executive Committee and meets as needed.

Patricia A. McGuire

Edward J. Quinn, Jr.

Robert M. Willis

Investment and Finance Committee

The Investment and Finance Committee shall consist of the Chief Executive Officer, who shall be chairman, the chairman of the board of directors, and not less than three members of the board of directors. The members of the Committee shall be appointed annually by the Chief Executive Officer. A majority of the members shall be non-employee directors.

JoAnn M. Martin, Chair

Edward J. Quinn, Jr.

Robert M. Willis

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Operating Committee

Dale D. Johnson, Chair	William W. Lester
Robert C. Barth	James Mikus
Nancy A. Dalessio	Robert-John H. Sands
Salene Hitchcock-Gear	Steven J. Valerius
Timmy L. Stonehocker	James D. Schulz
Susan K. Wilkinson	

Audit Committee (holding company level):

Tonn M. Ostergard, Chair	Kim M. Robak
Patricia A. McGuire	D. Wayne Silby
Francis V. Mastrianna	Robert A. Willis

The Company's audit function is established at the parent company level. Members of the Audit Committee are shown above.

Conflicts of Interest

Directors, officers and certain other key personnel of the Company regularly respond to conflict of interest questionnaires. The disclosures are reviewed for possible unacceptable conflicts. A review of the responses to the questionnaires completed for the period under examination disclosed that there were no unacceptable conflicts of interest disclosed.

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Corporate Records

Articles of Incorporation

The Company's Articles of Incorporation, effective December 3, 1999, amend the Charter of the Corporation and change the Company's name from Acacia Mutual Life Insurance Company to Acacia Life Insurance Company. The amendment states that the commencement of the existence of the Corporation is June 30, 1997 and the Corporation shall have perpetual duration. The purpose of the Corporation is to engage in the business of a legal reserve life insurance company and to insure all risks and issue all policies, contracts and forms, both participating and non-participating, authorized by the Life Insurance Act (Title 35, chapters 3-8, D.C. Code Ann. (1993)).

The Company's Amended Articles of Incorporation provide that the holders, jointly or severally, of not less than 1/5 but less than a majority of the shares of capital stock, shall be entitled to be elected or appointed, as the case may be, directors or other persons performing the functions of directors.

Bylaws

Effective May 5, 2008, Article IV, Section 4.2 Term of the Company's bylaws were amended to reduce the number of directors from seven (7) to not less than five (5).

Effective September 30, 2006, Article IV, Section 4.1 Qualifications and General Powers was amended to provide that no person shall be nominated to serve as a director after he or

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she has attained the age of 72 and a director who attains the age of 72 shall resign or be removed no later than the next annual meeting after attaining the age of 72.

In addition, Article IV, Section 4.2 Term was also amended effective September 30, 2006 to state that no inside director shall serve as a director after such inside director is no longer a full-time employee of the Company or any of its affiliates.

Minutes of the board and committees

Minutes of the meetings of the board of directors and committees for the period under examination were reviewed. It appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

AFFILIATED COMPANIES

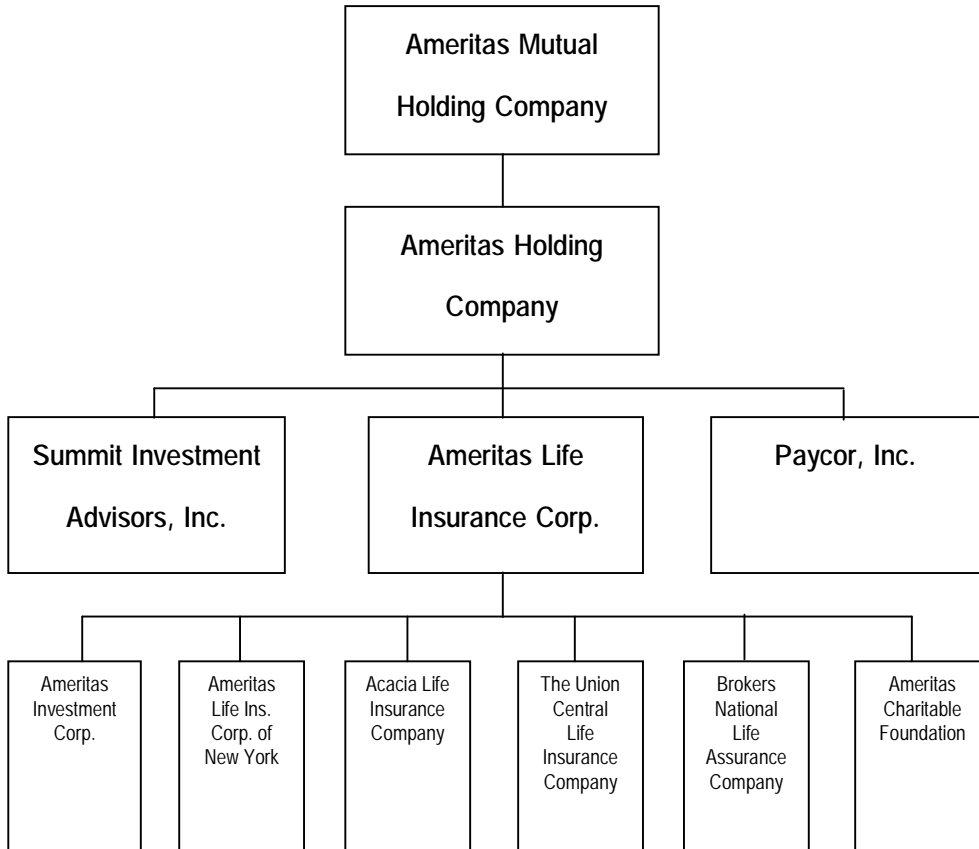
The Company is a member of the Ameritas Mutual Holding Company (AMHC) system.

ORGANIZATIONAL CHART

The holding company structure as of December 31, 2012, is depicted in the chart on the following page:

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ORGANIZATIONAL CHART



INTERCOMPANY AGREEMENTS

The Company is a party to various intercompany agreements. Listed below are the major agreements in effect at December 31, 2012.

Investment Advisory Agreement

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Effective April 1, 2009, a second Amended and Restated Investment Advisory Agreement was entered into by the Company with the following affiliated companies:

Summit Investment Advisors, Inc. (now known as Ameritas Investment Partners, Inc. (AIP)),

Ameritas Holding Company,

Ameritas Life Insurance Corp.,

Pathmark Administrators, Inc. (sold to third party as of May 29, 2009) ,

The Union Central Life Insurance Company, and

Acacia Financial Corp. (dissolved June 1, 2010)

The agreement amends, restates, and succeeds all previously existing investment advisory agreements between any of the parties to the agreement. AIP, in carrying out its obligations under the agreement to manage the investment and reinvestment of the assets of the companies, shall: perform research and evaluate pertinent economic, statistical, and financial data relevant to the investment policies of the companies, consult with the respective boards of directors, and furnish recommendations to these boards with respect to investment strategy and report results, seek out and implement specific investment opportunities consistent with the various investment strategies of the companies, and maintain all accounts, records, memoranda, etc., related to the acquisition and disposition of investments for the companies. As compensation for its advisory services, each company and the advisor shall receive fair and reasonable fees for such services, the specifics of which, including expenses, shall be from time to time agree upon and documented by the parties through their respective boards of directors. The agreement provides for calculation of fees due within 30 days of the end of each quarter and payment within ten days of the invoice date. This agreement had

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an initial term of one year and will automatically renew for successive one-year periods. The amendments to this agreement consisted of updating the compensation schedule basis points.

General Services Administrative Agreement

Effective January 1, 2011, employees of the Company and its affiliates, including UCL and Ameritas Life Insurance Corp. of New York, became employees of Ameritas making Ameritas the primary provider of all technical, financial, legal, and marketing support for all affiliates, including the Company. Ameritas provides and receives this technical, financial, legal, and marketing support to and from its affiliates under a General Administrative Services Agreement.

Effective January 1, 2011, the following companies entered into a general services administrative agreement:

Ameritas Holding Company

Acacia Life Insurance Company

Ameritas Life Insurance Corp.

The Union Central Life Insurance Company

Summit Investment Advisors, Inc. (formerly Ameritas Investment Advisors, Inc. and now known as Ameritas Investment Partners, Inc. (AIP))

Ameritas Investment Corp. (AIC)

PRB Administrators, Inc. (dissolved as of November 15, 2013)

PRBA, Inc. (dissolved as of November 1, 2013)

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Union Central Mortgage Funding, Inc. (dissolved as of January 1, 2012)

Calvert Group, LTD (now known as Calvert Investments, Inc.)

Acacia Federal Savings Bank (sold to third party as of October 31, 2013)

Under the terms of the agreement, Ameritas provides the other participating parties with administrative support services. It also arranges for other administrative support services to be provided by and among the various parties as necessary and appropriate from time to time. These services include: policy administration, claims administration, information management support and the development and maintenance of software, management, administrative, legal, accounting, information technology, and keeping of books and records showing financial condition. The agreement provides for payment on a monthly basis based on fair and reasonable charges or fees for services as agreed and appropriately documented by the parties. This agreement had an initial term of one year and will automatically renew for successive one-year periods.

Tax Sharing Agreement

The Company joins in a consolidated federal income tax return filed by Ameritas Mutual Holding Company . Affiliates participating in this tax sharing agreement included Ameritas Holding Company, Ameritas Investment Partners, Inc., Ameritas , UCL, Ameritas Life Insurance Corp. of New York as well as several other affiliates.

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The Company's income tax allocation is based on this agreement which specifies separate return calculation with credit for net operating losses, net capital losses and/or credits which are used to reduce the portion of the consolidated income tax liability.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a fidelity bond issued to its parent, Ameritas Holding Company. The fidelity bond protects against loss from any fraudulent or dishonest acts by any employees. The bond has blanket coverage of \$20,000,000 aggregate and \$10,000,000 single limit with a single loss deductible of \$500,000. The fidelity bond adequately meets the minimum coverage recommended by the National Association of Insurance Commissioners on a consolidated basis.

In addition, the Company has other coverage in-force at December 31, 2012, including automobiles, property and liability, workers' compensation, umbrella liability, general liability, and directors and officers liability. Based upon our review, the Company's insurance coverage for these risks appears adequate.

EMPLOYEE PENSION PLANS

The Company sponsors several non-qualified unfunded defined benefit pension plans where the Company makes payments under certain voluntary arrangements for payment of retirement benefits, which are not provided for under the defined benefit pension plan.

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Because these non-qualified defined benefit pension plans are unfunded, there are no plan assets supporting the plans.

The Company also participates in a Defined Contribution Plan (Employees), which is a defined contribution plan sponsored by AHC that covers substantially all employees. Certain employees participate in an unfunded, non-qualified defined contribution plan sponsored by AHC. In addition the Company participates in a noncontributory defined benefit pension plan and postretirement benefit plan also sponsored by AHC that cover substantially all full-time employees and agents.

Effective September 30, 2009, the postretirement benefit plan of the Company was merged with the Ameritas and UCL's postretirement benefit plans into a single plan sponsored by AHC. Although said benefit plans were merged, the separate benefit formulas of the pre-merger plans still exist with the plans. The expense for the postretirement benefit plans was paid entirely by AHC.

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STATUTORY DEPOSITS

The Company has funds on deposit for the benefit of all policyholders with various jurisdictions as of December 31, 2012.

<u>Jurisdiction</u>	<u>Par Value</u>	<u>Market Value</u>
Arkansas	\$ 136,331	\$ 153,458
District of Columbia	5,453,251	6,138,300
Florida	1,330,593	1,497,745
Georgia	163,598	184,149
Massachusetts	533,073	648,362
Nevada	218,130	245,532
New Mexico	136,332	153,458
North Carolina	1,226,981	1,381,118
South Carolina	163,598	184,149
Virginia	654,390	736,596
Total	<u>\$ 10,016,277</u>	<u>\$ 11,322,867</u>

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in 47 states and the District of Columbia. The Company offers individual traditional life insurance, term life, bank owned life, universal life, and immediate and deferred annuities. In 2010 the Company's holding Company, AHC, began a process that adopted a "two paper" policy for the organization. This policy meant the Company would cease to write virtually any new business and all life and

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annuity products would be written on Ameritas' paper and in New York through Ameritas Life Insurance Corp. of New York.

Discontinued Operations

During the examination period there were no discontinued operations other than those involving the "two paper" strategy described above, effectively placing the Company in run-off.

The Company has a definitive agreement to sell its wholly owned subsidiary Acacia Federal Savings Bank and the transaction was closed in the fourth quarter of 2013. The Company has notified the DISB it intends to merge the Company into its parent Ameritas on July 1, 2014.

New Products

In accordance with the "two paper" strategy discussed above the Company did not make material changes to its product offerings during the examination period.

As reported in the 2012 Annual Statement, life insurance business written directly by the Company during 2012 represented approximately 98% or \$53,441,977 of total premiums \$54,802,130. Individual annuities represented approximately 2% of total direct business.

REINSURANCE

Assumed Reinsurance

The Company continues to assume reinsurance from Union Central Life on a co-insurance basis representing a material amount in both reserves and premium. The Company also assumes an immaterial amount of YRT from its parent, Ameritas. As in the prior examination the Company also assumes immaterial balances from three non-affiliates, the largest of which is Companion Life.

Ceded Reinsurance

The Company cedes life insurance products primarily on a YRT basis to various non-affiliated companies. The cessions whose reserve credits exceed tolerable error include RGA Reinsurance Company and Security Life of Denver.

The Company cedes business to various reinsurers under a number of automatic and facultative treaties. At December 31, 2012, the largest reinsurer was RGA Reinsurance Company, which assumed \$19,335,197 in premium, reserve credits of 23,489,480 and an in-force amount of \$2,384,684,162, representing 60.2% of the Companies reinsurance premium ceded.

Our review of the Company's reinsurance contracts disclosed no significant deficiencies or unusual provisions, and properly included the required insolvency clause.

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ACCOUNTS AND RECORDS

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). The Company's trial balances were provided for each year under examination and agreed to the annual statement for each year. The Company is audited annually by an independent certified public accountant. No exceptions were noted.

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FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of December 31, 2012, as determined by this examination:

Assets

Liabilities, Surplus and Other Funds

Summary of Operations

Capital and Surplus Account

Analysis of Examination Changes to Surplus

Comparative Financial Position of the Company

The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

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Assets

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>	<u>Examination Adjustments Increase (Decrease)</u>	<u>Net Admitted Assets Per Examination</u>
Bonds	\$ 940,662,670	\$ -	\$ 940,662,670	\$ -	\$ 940,662,670
Preferred stocks	1,208,377	-	1,208,377	-	1,208,377
Common stocks	151,627,921	-	151,627,921	-	151,627,921
Mortgage loans on real estate: First liens	218,637,647	-	218,637,647	-	218,637,647
Mortgage loans on real estate: Other than First liens	11,389,617	-	11,389,617	-	11,389,617
Real Estate: Properties held for production of income	522,767	-	522,767	-	522,767
Real Estate: Properties held for sale	415,737	-	415,737	-	415,737
Cash (\$55,253), cash equivalents (-0-) short-term investments (\$14,408,868)	14,353,616	-	14,353,616	-	14,353,616
Contract loans	47,939,134	23,483	47,915,651	-	47,915,651
Other invested assets	66,141,273	-	66,141,273	-	66,141,273
Receivable for securities	722,406	-	722,406	-	722,406
Subtotal, cash and invested assets	\$ 1,453,621,165	\$ 23,483	\$ 1,453,597,682	\$ -	\$ 1,453,597,682
Investment income due and accrued	13,818,795	8,361	13,810,434	-	13,810,434
Premiums and considerations:					
Uncollected premiums and agents' balances in the course of collection	1,752,952	394,099	1,358,853	-	1,358,853
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,172,966	-	2,172,966	-	2,172,966
Reinsurance:					
Amounts recoverable from reinsurers	2,436,110	-	2,436,110	-	2,436,110
Other amounts receivable under reinsurance contracts	1,332	-	1,332	-	1,332
Current federal and foreign income tax recoverable and interest thereon	0	-	0	-	0
Net deferred tax asset	50,418,724	40,989,946	9,428,778	-	9,428,778
Guaranty funds receivable or on deposit	306,006	-	306,006	-	306,006
Electronic data processing equipment and software	0	-	0	-	0
Furniture and equipment	75,437	75,437	0	-	0
Receivable from parent, subsidiaries and affiliates	22,420,921	20,466,681	1,954,240	-	1,954,240
Health care and other amounts receivable	214,806	180,955	33,851	-	33,851
Aggregate write-ins for other than invested assets	341,141	28,302	312,839	-	312,839
Totals	\$ 1,547,580,355	\$ 62,167,264	\$ 1,485,413,091	\$ -	\$ 1,485,413,091

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Liabilities, Surplus and Other Funds

Aggregate reserve for life contracts	\$	953,374,799
Aggregate reserve for accident and health contracts		189,515
Liability for deposit-type contracts		123,452,530
Contract claims: Life		5,076,634
Policyholder dividends and coupons due and unpaid		6,235
Dividends apportioned for payment		6,130,550
Premiums and annuity considerations for life and accident and health contracts received in advance less discount		122,984
Other amounts payable on reinsurance		3,296,908
Interest Maintenance Reserve		5,590,092
Commissions to agents due or accrued		2,079
Commission and expense allowances payable on reinsurance assumed		94,249
General expenses due or accrued		8,297,900
Taxes, licenses and fees due or accrued, excluding federal income taxes		838,016
Current federal and foreign income taxes		8,772,145
Unearned investment income		5,692
Amounts withheld or retained by company as agent or trustee		467,331
Remittances and items not allocated		1,847,847
Liability for benefits for employees and agents if not included above		3,435,817
Borrowed money and interest thereon		28,000,000
Asset valuation reserve		9,526,551
Reinsurance in unauthorized and certified companies		2,201
Payable to parent, subsidiaries and affiliates		8,963,322
Payable for securities		2,673,781
Aggregate write-ins for liabilities		1,683,905
Total Liabilities	\$	<u>1,171,851,081</u>
Common capital stock	\$	3,000,000
Preferred capital stock		5,000,000
Gross paid in and contributed surplus		95,485,393
Unassigned funds		210,076,617
Total Capital and Surplus	\$	<u>313,562,010</u>
Total Liabilities, Capital and Surplus	\$	<u><u>1,485,413,091</u></u>

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Summary of Operations

Premiums and annuity considerations	\$ 13,078,474
Considerations for supplementary contracts with life contingencies	63,650
Net investment income	76,250,935
Amortization of Interest Maintenance Reserve	873,192
Commissions and expense allowances on reinsurance ceded	3,659,997
Charges and fees for deposit-type contracts	11,514
Aggregate write-ins for miscellaneous income	438,637
	\$ 94,376,399
Death benefits	31,656,146
Matured endowments	1,251,690
Annuity benefits	3,102,542
Disability benefits and benefits under accident and health contracts	638,105
Surrender benefits and withdrawals for life contracts	45,655,955
Interest and adjustments on contract or deposit-type contract funds	4,137,392
Payments on supplementary contracts with life contingencies	1,524,313
Increase in aggregate reserves for life and accident and health contracts	(54,965,426)
	\$ 33,000,717
Commissions on premiums, annuity considerations, and deposit-type contract funds	2,372,626
Commissions and expense allowances on reinsurance assumed	(26,375,513)
General insurance expenses	18,716,462
Insurance taxes, licenses and fees, excluding federal income taxes	1,517,581
Increase in loading on deferred and uncollected premiums	(87,140)
Aggregate write-ins for deductions	161,723
	\$ 29,306,456
Net gain from operations before dividends to policyholders and federal income taxes	65,069,943
Dividends to policyholders	6,015,876
	\$ 59,054,067
Federal income taxes incurred	15,243,999
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	\$ 43,810,068
Net realized capital gains	(500,405)
	\$ 43,309,663
Net income	

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Capital and Surplus Account

Surplus as regards stockholder, December 31, 2011	\$ 322,004,527
Net income, 2012	43,309,663
Change in net unrealized capital gains or (losses)	(50,834,521)
Change in net deferred income tax	19,761,108
Change in non-admitted assets and related items	(17,116,770)
Change for liability for reinsurance in unauthorized and certified companies	849
Change in asset valuation reserve	8,491,570
Capital changes: preferred stock redemption	(2,500,000)
Dividends to stockholder	(10,444,000)
Aggregate write-ins for gains and losses in surplus	889,584
Rounding	-
Change in surplus as regards policyholders, 2012	<u>(8,442,517)</u>
Capital and surplus, December 31, 2012	<u><u>\$ 313,562,010</u></u>

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Analysis of Examination Changes to Surplus

Total Capital and Surplus per Annual Statement, December 31, 2012	\$ 313,562,010
Total increase (decrease) in Surplus per Examination	<u>\$ 0</u>
Total Capital and Surplus per Examination, December 31, 2012	<u><u>\$ 313,562,010</u></u>

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Comparative Financial Position of the Company

The comparative financial position of the Company for the four-year period ended December 31, 2012 was as follows:

	2012	2011	2010	2009
Assets	\$1,485,413,091	\$1,518,023,280	\$1,534,906,376	\$1,517,203,095
Liabilities	\$1,171,851,081	\$1,196,018,753	\$1,201,935,588	\$1,195,649,946
Capital and surplus	\$313,562,010	\$322,004,527	\$322,970,787	\$321,553,149
Premiums and annuity considerations	\$13,078,474	\$56,306,889	\$56,797,146	\$65,149,350
Net investment income	\$76,250,935	\$75,946,471	\$80,335,008	\$110,724,775
Net income (loss)	\$43,309,663	\$13,645,937	\$20,866,856	\$33,819,104

NOTE: Amounts presented above for year 2012 are per examination. Amounts for years 2011, 2010, 2009 are per the Company's Annual Statements as filed with the DISB and presented here for comparative purposes only.

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Notes to Financial Statement

Note 1: Preferred Stock

In December 1999, the Company issued 1,000,000 shares of no-par preferred stock, both with a stated value and a liquidation value of \$25 per share to Ameritas, the Company's parent, for an initial value of \$25,000,000. The stock was redeemable, beginning in 2005. After redemptions, the balance of preferred stock at December 31, 2012 was \$5,000,000. See "Capital Stock" section in the body of this report for additional information.

COMMENTS AND RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Discontinued Operations / Mergers & Acquisitions

The sale of Acacia Federal Savings Bank (AFSB) to Stifel Bank & Trust was finalized on October 31, 2013. The Company, Ameritas, and UCL purchased residential mortgage loans and real estate (the Retained Portfolio (RP)) in the amount of \$292.3 million from AFSB effective December 31, 2012. The RP was primarily comprised of first and second lien mortgages secured by single family residential collateral in the Washington, DC metropolitan statistical area. The net book value of the RP at December 31, 2012 of \$292.3 million has decreased approximately \$35.7 million as of December 31, 2013 to \$256.6 million. This decrease is primarily the result of normal loan payoff and minimally by short sales and transfers. The decline in net book value of the RP does not appear to be the result of significant impairments and/or write-offs.

On December 5th, 2013, the Board of Directors of the Ameritas approved two resolutions executing an Agreement and Plan of Merger to merge both UCL, and Acacia into Ameritas. Ameritas is currently the parent and sole shareholder of both UCL, and Acacia. This merger is part of a broader business plan to fulfill certain business objectives, including but not limited to, achieving operating efficiencies, promoting simplification, eliminating unnecessary

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expenses, and avoiding duplicative regulatory filings, returns and audits. The Company has notified the DISB it intends to merge the Company with the effective date of these mergers July 1, 2014.

CONCLUSION

Based upon our examination, the accompanying statements of assets, liabilities, and capital and surplus properly presents the statutory financial position of the Company at December 31, 2012 and the accompanying summary of operations properly presents the statutory results of operations for the period then ended. Section 31-4408 of the Insurance Code of the District of Columbia specifies the minimum level of capital and surplus required for the Company, which is \$1,500,000. We conclude that the Company is in compliance with the minimum capital and surplus requirements as of December 31, 2012.

SIGNATURES

In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Cara F. Bostick

David B. Habony, CPA, CFE

Examiners from the Insurance Department of the State of Nebraska, as lead state, conducted certain portions of the examinations that were mutually in common to the companies in the group. The actuarial portion of this examination was performed by Rhonda Ahrens, FSA, MAAA of the Nebraska Department of Insurance. Information systems were tested by examiners from Noble Consulting under the direction of the Nebraska Department of Insurance.

Respectfully submitted,

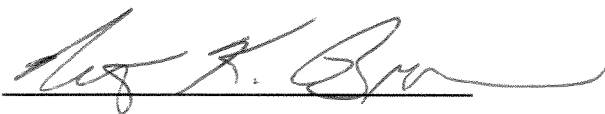


Billy J. Bostick, CFE

Examiner-In-Charge

On behalf of the District of Columbia Department of Insurance, Securities and Banking

Under the Supervision of:



N. Kevin Brown, CFE, CPA

Chief Examiner

District of Columbia Department of Insurance, Securities and Banking