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FILED
APR 0 2005
Department of Insurance
State of Idaho

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the matter of:	
OLD STANDARD LIFE INSURANCE COMPANY	ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2003
Idaho Certificate of Authority: 1856 NAIC Company Code: 88579	Docket No. 2238

The above described Report of Examination (Report) was completed by examiners of the Idaho Department of Insurance, signed the 11th day of February, 2005 by David W. Emery, CFE, FLMI and filed effective February 11, 2005.

BACKGROUND

The Idaho Department of Insurance (Department) initiated a target examination of the Old Standard Life Insurance Company (Company or Old Standard) on October 6, 2003. The examination was to focus on the current financial condition of the Company as of September 30, 2003, with a specific review of inter-company and affiliate transactions. Subsequently, the targeted exam was converted into a full scope financial examination as of December 31, 2003. The findings of the target exam were incorporated into a full scope examination report.

Due to troubled financial conditions of the parent company, Summit Securities, Inc., and affiliate Metropolitan Mortgage & Securities Co., Inc., the Company and Department agreed, and the Director of the Idaho Department of Insurance entered a Stipulation and Order for Supervision on December 24, 2003 (effective December 22, 2003) for Old Standard.

On March 2, 2004, an Order of Rehabilitation for Old Standard was entered by the District Court of the Fourth Judicial District of the State of Idaho. This Order was intended to reduce any potential impact to Old Standard as a result of bankruptcy proceedings initiated for the aforementioned parent and affiliate.

Based upon the Waiver signed by the Special Deputy Rehabilitator, Lennard Stillman, dated April 4, 2005, this is a final Order, and the Company has also waived its rights to reconsideration and judicial review of this Order.

NOW THERFORE, after carefully reviewing the above described Report, attached hereto and incorporated herein as Exhibit A, and good cause appearing therefor, it is hereby ordered that the above described Report, which by reference and incorporation herein includes the findings and conclusions supporting this Order, is hereby ADOPTED as the final examination report and as an official record of the Department.

DATED and EFFECTIVE this 6 day of April 2005.

Gary L. Smith
GARY L. SMITH, Director
Idaho Department Of Insurance

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of April 2005, I caused to be served the foregoing Order on the following parties in the manner set forth below:

Lennard Stillman, Special Deputy Rehabilitator Old Standard Life Insurance Company in Rehabilitation 601 W. 1st Ave., 11th Floor Spokane WA 99201-3817.	✓ certified mail _____ first class mail _____ hand delivery _____ facsimile
Dale Whitney, President Old Standard Life Insurance Company in Rehabilitation 4424 N. Sullivan Road Upper Level Spokane Valley, WA 99214	✓ certified mail _____ first class mail _____ hand delivery _____ facsimile
Georgia Hill, Bureau Chief/Chief Examiner Idaho Department of Insurance 700 W. State St., 3rd Floor Boise, Idaho 83720-0043	_____ certified mail _____ first class mail ✓ hand delivery _____ facsimile

William Michels
William Michels
Insurance Financial Examiner, Sr.

DEPARTMENT OF INSURANCE

STATE OF IDAHO

REPORT OF EXAMINATION

of the

OLD STANDARD LIFE INSURANCE COMPANY

(NAIC Company Code 88579)

as of

December 31, 2003

FILED 2/11/05 ah
date initial

ADOPTED 4/6/05 ah
date initial

STATE OF IDAHO
Department of Insurance

EXHIBIT
A

TABLE OF CONTENTS

State of Idaho
DEPARTMENT OF INSURANCE

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GARY L. SMITH
Director

Post Falls, Idaho
February 11, 2005

The Honorable Gary L. Smith
Director of Insurance
Idaho Department of Insurance
700 West State Street
P. O. Box 83720
Boise, Idaho 83720-0043

Sir:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of Idaho, an examination has been made of the administrative affairs, books, records and financial condition of the

Old Standard Life Insurance Company

510 S Clearwater Loop, Suite 301
Post Falls, Idaho 83854

hereinafter referred to as the "Company," at the offices of the parent, Spokane, WA.

The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period January 1, 2001 through December 31, 2003, and included such prior transactions and any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination was conducted in accordance with Idaho Code Section 41-219(1), the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook and the NAIC Accounting Practices and Procedures Manual. Verification and valuation of assets, determination of liabilities and reserves, and an analysis and review of such other accounts and records appropriate to the examination were also performed. There was some reliance upon independent audit work papers in this examination.

On October 6, 2003, the Idaho Department of Insurance initiated a target examination of the Company. The examination was to focus on the current financial condition of the Company as of September 30, 2003, with a specific review of inter-company and affiliate transactions. Subsequently, the targeted exam was converted into a full scope financial examination as of December 31, 2003. The findings of the target exam were incorporated into this report.

A letter of representation attesting to the Company's ownership of all assets and to the non-existence of unrecorded liabilities or contingent liabilities was signed by and received from management.

PRIOR EXAMINATION

The prior examination was conducted by the State of Idaho and covered the period from January 1, 1998 through December 31, 2000.

The Comments and Recommendations contained in that Report and the Company's response to those comments and recommendations were as follows:

Conflict of Interest

It is recommended that the Company change the current Conflict of Interest form to produce a separate form for each of the individual Directors, Officer, and other key employees to sign and provide more space to adequately disclose and list any operation or activity or potential conflict.

Company Response

The Conflict of Interest form has been changed to a separate form for each Director, Officer and key employee with adequate space to disclose any potential conflict.

Minutes of Meetings

It is recommended that the Company state the actual number of shares present at the Annual Shareholder Meeting, which additionally, would reflect the respective increase in shares issued for the time period.

It is recommended that the Company reflect any proxies received for absent shareholders in the minutes.

Company Response

The number of shares as well as represented shares voted will be reflected in the Minutes of future meetings.

General Accounting

It is recommended that in the future the Idaho Department of Insurance be notified and the director give written approval before any records are transferred out of state.

Company Response

The Company will adhere to Idaho Code Section 41-2839 in any future transactions

Electronic Data Processing

It is recommended that visual tracking of access into the computer area could be enhanced with additional surveillance monitors.

Company Response

We have had no historical indications that our current procedure exposes us to any undue risk. However, we will be investigating costs associated with installing visual monitors for this area.

It is recommended that prominent notice be provided to personnel or visitors before entering the computer area where halon is utilized.

Company Response

Warning signs will be posted at all data center entrances by September 15, 2002.

It is recommended that management review RACF user profiles to ensure that vendors and present employees' access to the mainframe system remains current.

Company Response

User rights are reviewed for appropriateness each quarter via automated electronic reports. Managers must sign off and send hard copies to computer operations for archival.

It is recommended that the Company consider evaluating its current procedures to ensure all user ID's are require to change passwords to eight characters with at least one character being non-alpha on a routine basis.

It is also recommended that a tracking software be installed for audit trails in determining accountability and breaches of security.

Company Response

1. *The administrator accounts are bound by the standard user rules.*
2. *These users have been altered to now require password changes*

3. *This is necessary due to the way batch processing run in more than one operator shift. The account must remain logged in during batch processing.*
4. *We now review the user database for inactive accounts.*

It is recommended that management review the production environment procedures and install required steps that mandate the creation of service requests prior to emergency fixes.

It is also recommended that a software program be installed that tracks all online programmers activity.

Company Response

Controls are now in place to document instances when programmers are granted access to production environment. Logs are reviewed daily by programming team leaders and the appropriate service requests are generated.

Bonds

It was recommended that the Company implement NAIC safeguard procedures into all of its custodial/safekeeping agreements.

Company Response

The Company Custodial/Safekeeping Agreements contain the NAIC safeguard provisions with the exception of the Federal Home Loan Bank of Seattle. The Federal Home Loan Bank has been contacted to amend the current agreement. Compliance is anticipated prior to the end of this month.

It is recommended that the Company move the Massachusetts State Lottery Annuities to an appropriate bank located in Idaho.

Company Response

Lottery receivables meeting certain criteria are eligible for rating by the SVO and thus afforded reporting treatment on Schedule D as if they were typical securities, such as bonds or stocks. The lotteries, however, are not issued in any negotiable form, nor do they trade on any exchange. Often, it may take several months to effectuate an ownership change when a court order is necessary. In that regard, it makes their characteristics unlike bonds.

Historically, the Company's mortgage files were maintained at Spokane offices of the Metropolitan group, which is where they were all serviced. This was also the case of the lotteries. As you know, in 2001, much of the mortgage servicing was transferred to Ocwen, which is located in Florida. This necessitated the movement of mortgage files to that state. However, a limited amount of the mortgage servicing was retained in Spokane for certain loans that our servicing units were better equipped to handle. For those loans, the files are still maintained in Spokane. In that regard, none of mortgage files are physically maintained in Idaho at this time, being either in Florida or Washington.

The Company currently owns 20 lottery receivables with an admitted value of nearly $3.9 million. The files containing the legal documents are currently in Spokane, as they have been historically, *held in a secure file room. The Company believes that moving them to a location in Idaho would render it less effective in servicing and collecting these receivables. Furthermore, since these receivables are not like typical bonds, we feel that they do not lend themselves to being placed in a typical custodial account at a bank. We believe they would be no more secure and protectd at an Idaho location than they are today in Spokane.*

Consequently, we would like the Department to reconsider its recommendation that the Company move these files to an Idaho bank. Given that the Department previously allowed us to maintain our mortgage files in Spokane, and given that the lottery files are maintained in Spokane in a manner similar to the mortgages, we believe our request is reasonable, and that the Department must have some authority in this matter to grant an exception under 41-2839(2) as it has historically for our mortgage loans.

Preferred Stock

It is recommended that the company move the preferred stock to a proper custodial arrangement in the State of Idaho as required in Section 41-2839(2).

Company Response

The Company has procured a safety deposit box at US Bank, East 415 Seltire Way, Post Falls, Idaho, 83854 to house the Preferred Stock that was previously kept in the corporate vault in Spokane, Washington. The transfer of these securities to Post Falls will occur prior to the end of this month. All future Preferred Stock acquired that require physical holding of the stock certificate by the Company will be stored for safekeeping in the safe deposit box.

Common Stock

It is recommended that the Company make certain that they have all of their stock held in Idaho, either by a custodial bank or in a safety deposit box in the Company's name.

Company Response

The Company has procured a safety deposit box at US Bank, East 415 Seltire Way, Post Falls, Idaho, 83854 to house securities that were previously kept in the corporate vault in Spokane, Washington. The transfer of these securities to Post Falls will occur prior to the end of this month. All future stocks acquired that require physical holding of the stock by the Company will be stored for safekeeping in the safe deposit box.

It is recommended that the Company make certain that their stock issues carry the correct CUSIP number and market value in the annual statement.

Company Response

The particular stock in question, XO Communications, had undergone both a name and CUSIP change 15 days after it acquisition by the Company. While the name change had been reflected, the Company did fail to show proper CUSIP number on its 2000 Annual Statement, leading to an improper market violation, as well. During 2001, all common stocks owned at December 31, 2000 (other than holdings of the Federal Home Loan Bank of Seattle) including XO Communication holding, were disposed of by sale.

The Company utilizes electronic software to account for its securities holdings. This software has crosschecking features that work to prevent the entering of invalid CUSIP numbers, which are normally taken from the brokers advices received for the trade. At the time the stock in question was purchased, the CUSIP number used was the valid CUSIP number for that holding (Neslink Communications). However, when the name change became effective, the Company neglected to make the CUSIP change at the came time.

Given the safeguards built into the electronic database, and given that nearly all common stock holdings owned at year end 2000 were disposed of during 2001, the Company is confident that it is now reporting valid CUSIPs for its current portfolio. The Company's investment accounting department will continue to monitor the Company's portfolio for name and/or CUSIP changes and make appropriate changes in its electronic database to ensure proper reporting.

It is recommended that the Company change the name on Schedule D – Part 2- Section 2 to reflect the proper name of the stock of the subsidiary.

Company Response

The Company reported the proper name of its stock life subsidiary, Old West Annuity & Life Insurance Company, in Schedule D – Part 2 – Section 2, D – Part 5 and D – Part 6 – Section 1 of its 2001 Annual Statement. The Company has made the appropriate changes in its electronic database to ensure continued reporting going forward.

Mortgage Loans on Real Estate: First Liens

It is recommended that the Company maintain their individual mortgage loan files in a consistent manner that includes at least the following:

1. Maintaining evidence of insurance for each loan to safeguard the Company against loss or make notation that the insurance was not necessary because loan was on bare land.

2. Maintaining evidence of payment of property taxes for each loan to safeguard the Company from losing their first lien position

3. Maintain the files to show that all pertinent legal documents were properly recorded with the various counties to ensure the Company's first lien position.

4. Obtaining and maintaining current appraisals at the time a loan was made to ensure the proper loan to value ratio met Idaho Code Section 41-721(2).

Company Response

The Company has requested under separate cover that the Idaho Department provide it with specific results of mortgage loan sampling that failed the attributes described above to aid the Company in making an internal evaluation of any deficiencies with respect to its mortgage practices. Upon completion of its review, the Company will provide an expanded response to the recommendations enumerated above.

Investment Income Due and Accrued

It is recommended that the Company establish a policy to ensure that accrued interest is properly recorded in the annual statement.

Company Response

The Company's policy, both at year-end 2000 and currently, is to report all accrued mortgage loan interest, past due or current, at the proper annual statement line for investment income due and accrued. The fact that an amount was misreported in the 2000 annual statement was not attributable to an improper policy. Instead, the error was an oversight by Company personnel resulting in the misclassification of certain accounts in the underlying statutory-basis trial balance, which then was carried forward and improperly presented in the annual statement.

The Company has corrected this oversight and believes that investment income due and accrued has been properly recorded in its 2001 annual statement, 2002 audited financial statement and 2002 quarterly filings.

Aggregate Reserve for Life Policies and Contracts
Policy and Contract Claims: Life

The 2000 examination's actuarial recommendation was as follows:

The Company should closely monitor the future matching relationship of the assets and liabilities under it annuity contracts, and to consider these relationships in making investment decisions and in securing potential sources of borrowed funds.

Company Response

The Company and its insurance affiliates are in the process of implementing expanded ALM programs. The first phase of their development will be to provide ALM reports utilizing a gap analysis. This phase is expected to be completed by 10/31/2002. A second phase, to be implemented y October 200, will develop option-adjusted duration pricing analyses. When completed, both phases will be used in the investment decision process.

Asset Valuation Reserve

It is recommended that the Company makes an effort to assure that all gains and losses be reported in Exhibit 3 and then to the Asset Valuation Reserve or Interest Maintenance Reserve as required by the Accounting Practices and Procedures Manual.

Company Response

The Company believes it has complied with this recommendation by properly completing both Exhibits 3 and 4 of its 2001 annual statement and carefully transferring all of its realized and unrealized gains or losses to either the IMR or the AVR as required under SSAP accounting pronouncements. Procedures are in place to ensure compliance with this recommendation.

HISTORY AND DESCRIPTION

The Company was organized and incorporated on November 7, 1988 as a stock life insurance company under the name of Old Standard Life Insurance Company and received its first Certificate of Authority on August 27, 1990.

The Company was licensed and authorized to transact life insurance in eight states. Refer to the Territory and Plan of Operation section for listing of states.

The Company operated under the provisions of Title 41 of the Idaho Code, and provided coverage for only the annuity portion of the life insurance lines of business.

A Form A Statement regarding the acquisition and control of the Company by Metropolitan Mortgage & Securities Company, Inc., dated April 15, 1991, was filed with the Idaho Department.

On March 27, 1995, the Company completed a Form A filing whereby Summit Group Holding Company, Inc., purchased 100 percent of the common stock of the Company from Metropolitan Mortgage & Securities Company, Inc., via a cash sale. Both Seller and Buyer were ultimately controlled by C. Paul Sandifur, Jr. The Department approved the purchase on April 12, 1995 and control of the Company by Summit Group Holding Company, Inc., was effective May 31, 1995.

On June 1, 1995, a Stock Purchase Agreement was executed whereby the Company purchased all of the issued and outstanding shares of common stock of Arizona Life Insurance Company, (an Arizona domestic), from ILA Financial Services, Inc. The Arizona Department of Insurance order approving the acquisition was dated December 28, 1995.

On August 3, 1998, the Idaho Department of Insurance reissued Certificate of Authority No. 1698 to Old West Annuity & Life Insurance Company to reflect the name change from Arizona Life Insurance Company, effective May 1, 1998.

On December 24, 2003, the Director of the Idaho Department of Insurance filed a Stipulation and Order for Supervision (effective December 22, 2003) for Old Standard to maintain its financial integrity and independence, to assure that the Company continued to operate in accordance with the insurance laws of Idaho, and to reduce any potential impact that the troubled financial condition of Summit Securities, Inc., its upstream parent, and Metropolitan Mortgage & Securities Co., Inc., an affiliate, may have on the Company.

Subsequent to the exam date, on February 4, 2004, Summit Securities, Inc. and Metropolitan Mortgage & Securities Co., Inc. filed voluntary bankruptcy petitions under chapter 11 of the bankruptcy code in United States Bankruptcy Court for the Eastern District of the State of Washington. Then on March 2, 2004, an Order of Rehabilitation for Old Standard was filed by the Department in the District Court of the Fourth Judicial District of the State of Idaho. This Order was intended to reduce any potential impact to Old Standard as a result of the financial problems of the aforementioned parent and affiliate.

Old West Annuity & Life Insurance Company, a subsidiary of Old Standard, became the subject of an Order for Appointment of Receiver and Injunction and Consent entered by the Arizona Superior Court, Maricopa County, at the request of the Arizona Department of Insurance on March 2, 2004. This action was taken by the Arizona Department in order to protect policyholders, and the insurer, from the financial problems of Old West's upstream parent company, Summit Securities, Inc. and affiliate Metropolitan Mortgage & Securities Co., Inc. Old West had been under a voluntary supervision by Arizona since late December 2003.

CAPITAL STOCK AND PAID IN SURPLUS

The Articles of Incorporation, as amended March 28, 2001, provided for authorized capital of the Company of 1,000,000 shares of common stock of $10 par value per share.

The ownership of the issued and outstanding shares as of December 31, 2003 was as follows:

Shareholders	Shares Issued	Common Capital Stock	Gross Paid-in and Contributed Surplus
Summit Group Holding Co. (Parent)	961,994	$9,619,940	$49,780,000
Directors (6) Own (1) Share Each	6	60	0
Totals	962,000	$9,620,000	$49,780,000

Each director was a stockholder of the Company, which satisfied the requirements of Article V of the Articles of Incorporation.

The ultimate controlling person was C. Paul Sandifur, Jr., an individual. See the Management and Control section for an abridged organizational chart.

MANAGEMENT AND CONTROL

Insurance Holding Company System

The Company was a member of an insurance holding company system as defined in Idaho Code Section 41-3801. A review of the Company's Registration Statement (Form B) showed that the most recent filing made with the Idaho Department of Insurance was on April 12, 2003 (for the calendar year 2002). The business and affairs of the Company were controlled and managed by the Board of Directors during the period under examination. The ultimate controlling person was C. Paul Sandifur, Jr.

The affiliates of the holding company include the following:

- C. Paul Sandifur, Jr. (Ultimate Controlling Person)
  - National Summit Corporation
    - Millennium Financial Inc.
    - Jaguar Ventures, Inc.
    - Metropolitan Asset Funding, Inc.
    - Metropolitan Asset Funding, Inc II
    - Select Assets Funding Corp.
    - Pacific Financial, Inc.
    - Metropolitan Mortgage Funding, Inc.
    - Summit Securities, Inc.
      - Overland Holding Company
      - Summit Property Development
      - Metropolitan Investment Securities
      - Metropolitan Financial Services, Inc.
      - Summit Group Holding Co., Inc.
        - **Old Standard Life Insurance Co.**
          - **Old West Annuity & Life Co.**
  - Metropolitan Mortgage & Securities Co., Inc.
    - Metwest Mortgage Services Inc.
    - Lawai Beach Realty Co.
    - National Systems, Inc
    - Southside Corporation, Inc.
    - MMSCI, Inc.
    - Broadmoor Park Factory Outlet
    - Select Assets Corp.
    - Tall Spruce Inc.
    - Consumers Group Holding Co., Inc.
    - Western United Holding Co.
      - **Western United Life Assurance**

(Insurance Company Names have been **bolded**)

Dividends to Stockholders

During the period under examination, 2001 through 2003, there were no dividends to stockholders declared or paid.

Directors and Officers

The following persons were serving as directors and officers at December 31, 2003:

Directors:

Name	Business Address
Clayton Rudd	Boise, ID
Philip Sandifur*	Spokane, WA
Tom Turner*	Spokane, WA
Robert Potter	Spokane, WA

*On January 21, 2004, Tom Turner was terminated from his position as officer and director of the Company. On January 28, 2004, James Hawkins was re-elected as a director of the Company. On February 10, 2004, Philip Sandifur resigned his position as director of the Company. With these subsequent changes, the Company was still not in compliance with Idaho Code Section 4-2835(1).

On November 2, 2003, James Hawkins resigned as director of the Company. This caused the Company to be in violation of Idaho Code Section 41-2835(1). This Section states that "every domestic insurer shall be managed by a board of directors consisting of not less than five directors nor more than fifteen directors." At December 31, 2003, the Company had only four directors. It is recommended that the Company come into compliance with Idaho Code Section 41-2835(1).

Officers:

Dale Whitney	President
Greg Strate**	Secretary
Greg Strate**	Treasurer
William Zehner	Actuary
Scott Cordell	Senior Vice President
Greg Strate**	Vice President
Tom Turner**	Vice President

**As noted above Tom Turner was terminated from his positions with the Company on January 21, 2004. Greg Strate was terminated from his positions with the Company on March 18, 2004.

Committees

Article 3.13 of the Company's bylaws provided that the Directors may appoint standing or temporary committees, including an Executive Committee. As of December 31, 2003, the Company had one committee, which was the Investment Committee. Members of the committee were as follows:

Investment Committee

Tom Turner	Philip Sandifur
Greg Strate	Dale Whitney
Weiling Zhu	

Conflict of Interest

The Company had an established conflict of interest procedure, which requires officers, directors, committee members and other key personnel to disclose annually, on a written form, any conflicts that may affect their position. Statements completed were reviewed and indicated no conflicts.

The minutes of the Board of Directors meetings did not reflect whether the conflict of interest statements have been reviewed by the Board. It is recommended that future minutes reflect that the Board of Directors has reviewed the conflict of interest statements and note any significant conflicts.

Contracts and Agreements

The Company had the following agreements established during the examination period and currently:

Management, Acquisition and Servicing Agreement

The Company filed a Form D with the Department that reported a Management, Acquisition and Servicing Agreement, effective January 1, 2001, with Metropolitan Mortgage & Securities Company, Inc., an affiliate.

The Agreement provided that Metropolitan would render general support and financial services, receivable acquisition services and receivable collection and management services for the Company. On November 9, 2001, the Department approved the agreement.

Fees for general support services were $250,000 per month, which reflected the Company's actual cost of services provided.

Receivable collection and management service fees, in addition to applicable taxes, were billed monthly and calculated based on costs for similar services in the marketplace. The standard servicing charge for conventional residential receivables of 25 basis points was applied to the average Washington, regional or national receivable balance.

Either party may terminate this Agreement by providing written notice; in which instance, the Agreement shall terminate immediately upon receipt of notice or at such later date as provided in said notice.

The Agreement appeared fair and reasonable for the services provided and complied with Idaho Code Section 41-3807.

In 2004, this agreement was terminated between the two parties. A new service contract was written between the Company and Western United Life Assurance Company (an affiliate insurer).

Administrative Servicing Agreement

The Company filed a Form D with the Department that reported an Administrative Servicing Agreement, effective October 1, 2003, with Western United Assurance Company (WULA) and Old West Annuity and Life Company (OWAL), affiliates.

The Agreement provided that WULA would provide "Production Services" and "Support Services" that would consist of all services necessary to engage in the business of selling and servicing annuities and other insurance products. On September 8, 2003, the Department approved the agreement.

Fees for services were to be trued up to actual fees and settled at least quarterly.

Master Property Development & Management Agreement

The Company filed a Form D with the Department that reported a Management, Acquisition and Servicing Agreement, effective January 1, 2003, with Summit Property Development, an affiliate.

The Agreement provided that Summit Property Development would provide development and management services to properties defined by the Company. On June 26, 2003, the Idaho Department approved the agreement.

The Company would reimburse for all direct expenses incurred in the performance of the agreement plus a property development and management services fee. The development and management services, collectively called the property services fee was equivalent to actual payroll plus the proportionate share of other expenses provided to the Company.

<u>Tax Sharing Agreement with National Summit Corp, the ultimate Parent</u>

Effective January 1, 2001, the Company entered into a tax sharing agreement with National Summit Corporation, its ultimate parent. The Company elected to be included in the consolidated Federal return of the parent and to have its share of the tax liability computed on a separate return basis. The tax sharing agreement was approved by the Department on September 30, 2002.

<u>Business Continuity Agreement with Comdisco</u>

Effective May 28, 1999, the Company entered into a business continuity agreement through Metropolitan Mortgage, an affiliate, with Comdisco, Inc. The agreement satisfied a requirement of the parent company's disaster recovery plan. In the event of a disaster, Comdisco, Inc. will provide backup computer equipment to re-establish a computerized business environment within a minimal amount of time.

<u>Cost Sharing Agreement with Old West Annuity & Life, a Subsidiary</u>

On October 31, 2000, the Company filed a Form D with the Idaho Department of Insurance that reported a cost sharing agreement, effective January 1, 2000, with Old West Annuity & Life Insurance Company, its subsidiary. The agreement provided that certain administrative expense would be allocated on a 50/50 basis. On December 20, 2000, the Idaho Department of Insurance approved the agreement.

<u>Servicing Agreement with Metwest Mortgage Services, Inc.</u>

On October 10, 2001, the Company filed a Form D with the Idaho Department of Insurance that reported a Service Agreement, effective January 1, 2001 with Metwest Mortgage Services, Inc., an affiliate. The agreement was amended effective October 1, 2003.

Metwest agreed to provide service for certain mortgage loans, receivables and Real Estate Owned (REO) property owned by the Company. On November 9, 2001, the Idaho Department of Insurance approved the agreement.

Fees for mortgage loan, receivables, and REO property services were paid on or before the last day of the month following the month the service fee was calculated. The service fee shall be a monthly fee equal to one twelfth of 75 basis points of the Company's aggregate outstanding principal balance of mortgage loan, receivables, and REO property at the first of each month.

Either party may terminate this Agreement by mutual agreement. The agreement will continue in force for a period of one year and will be renewed automatically for additional one-year periods without action by either party. Upon termination, the Company and servicer will cooperate to ensure an orderly transfer of any information to the successor.

Agreement to Sell Servicing Rights with Ocwen Federal Bank FSB

Effective April 1, 2001, the Company entered into an agreement to sell service rights with Ocwen Federal Bank FSB (Ocwen). The Company agreed to sell servicing rights to Ocwen regarding the Assets in the Securitized and Non-Securitized Portfolios.

Advance Purchasing Agreement with Ocwen Federal Bank FSB

Effective April 1, 2001, the Company entered into an advance purchasing agreement with Ocwen. The Company agreed to sell unreimbursed advances to Ocwen regarding the Assets in the Securitized and Non-Securitized Portfolios.

Servicing Agreement with Ocwen Federal Bank FSB

Effective April 1, 2001, the Company entered into a service agreement with Ocwen. Ocwen agreed to become the custodian for custodial files relating to assets. The Company paid a one-time fee to Ocwen of $10,000 in consideration for acting as custodian. Ocwen received monthly fees for the following servicing responsibilities:

A. Funds received for the Company were deposited within one business day of receipt into a segregated collection account.
B. Determine the amount and distribution of all required escrow account funds.
C. Maintain all licenses that are material to servicing the assets.
D. Advance the property tax payments that are not timely paid.
E. Enforce the obligation to be insured against risks, hazards and liabilities.
F. Prepare Internal Revenue Service forms and other associated forms as required.
G. Maintain computer systems that would be necessary to service the assets.
H. Promptly respond to all reasonable requests from the Company.
I. Prepare and have recorded the related deed of reconveyance following a payment in full of any mortgage loan.

Servicing Rights Purchase Agreement with Ocwen Federal Bank FSB

Effective April 1, 2001, the Company entered into a service rights purchase agreement with Ocwen. Ocwen can purchase, when the Company desires to sell, the servicing rights to non-securitized and securitized assets consisting of residential, commercial and mortgage loans.

Flow Servicing Agreement with Ocwen Federal Bank FSB

Effective September 1, 2001, the Company entered into a flow service agreement with Ocwen. The Company can request that Ocwen add mortgage loans to the servicing portfolio. These loans need to be sent in electronic format and designated as an asset to be serviced. Ocwen would have the full power and authority to handle any and all responsibilities associated with servicing and the administration of the asset.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

On May 24, 2001, the Idaho Department of Insurance approved the amended Article IV of the Articles of Incorporation, which was restated as follows: "This corporation shall have authority to issue 1,000,000 shares of common stock, and each of such shares shall be of the par value of $10.00. This corporation may from time-to-time issue and dispose of any of the authorized and unissued shares of the common stock for such consideration, but not less than the par value thereof, as may be fixed from time to time by the Board of Directors, without action by the stockholders. The Board of Directors may provide for payment therefore to be received by this corporation in cash, property or services. Any and all such shares, the issuance of which has been so authorized, and for which consideration so fixed by the Board of Directors has been paid or delivered, shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon."

On November 11, 2003, the Department received notice that Jim Hawkins had resigned from the Board of Directors, resulting in a total of four directors. Therefore, the Company was not in compliance with Idaho Code Section 41-2835(1) and its Articles of Incorporation, Article V requirements of having at least five and no more than fifteen board members. As noted under Directors and Officers, it is recommended that the Company come into compliance with Idaho Code Section 41-2835(1).

The Stock Register and other corporate records were actually located in Spokane during the exam. This is in violation of Idaho Code, Section 41-2839(3). It is recommended that the Company come into compliance with Idaho Code, Section 41-2839(3).

Minutes of Meetings

The minutes of meetings of the Company's stockholders and Board of Directors were reviewed for the examination period. The review indicated that the meetings were held as required and in accordance with the Articles of Incorporation and Bylaws. The minutes reflected that a quorum was present for the stockholders' and directors' meetings.

The minutes reflected the annual elections of the Board of Directors and Officers, appointment of the Investment Committee, and the acceptance and approval of the investment transactions. The minutes of the Directors' meeting, held on September 17, 2002, acknowledged the receipt, review and acceptance of the triennial examination report as of December 31, 2000.

The Company's acquisition of additional common stock (shown at historical cost) of its subsidiary, Old West Annuity & Life Insurance Company (OWAL) through the examination period as follows:

Date	Number of Shares / Par value of $4 per share	Common Capital Stock	Gross Paid-in and Contributed Surplus	Total investment in Common Stock in OWAL[2]
[1] 1/01/01	773,000	3,092,000	12,143,074	15,235,074 [1]
3/28/01	64,000	256,000	2,944,000	18,435,074
6/22/01	120,000	480,000	5,520,000	24,435,074
12/28/01	40,000	160,000	1,840,000	26,435,074
9/17/02	40,000	160,000	1,840,000	28,435,074
9/30/02	100,000	400,000	4,600,000	33,435,074
12/31/02	0	0	5,000,000 [3]	38,435,074

[1] Balance at beginning of examination period.
[2] Total investment in Common Stock in OWAL = Column 3 + Column 4 + Prior Balance.
[3] Capital Contribution from Old Standard

The statutory basis investment in OWAL common stock, included in the 2003 Annual Statement line for common stocks (page 2), was $34,878,198. This differs from the historical cost (above) because investments in an insurance affiliate are reported on the basis of the underlying statutory equity of the respective entity (see SSAP 46).

FIDELITY BOND AND OTHER INSURANCE

Insurance coverages for the protection of the Company were maintained throughout the period under examination. The Company was a named insured on a Financial Institution Bond insuring Western United Life Assurance Company provided by the Travelers Casualty and Surety Company of America. Coverages were in effect as of September 1, 2003, and through completion of examination, unless otherwise noted:

Fidelity Bond: The bond provided for Employee Dishonesty coverage up to $2,500,000, for forgery or alteration, securities, computer systems, and trading loss with a deductible of $100,000 for a single loss limit and $2,500,000 in aggregate.

Other Coverages:

Commercial Inland Marine	Commercial Auto
Commercial General Liability	Workers Compensation and Employers Liability
Commercial Property	Directors, Officers and Private Company Liability
Commercial Catastrophe Liability	Excess Financial Products
Employees, Officers and Directors Liability	

The fidelity bond coverage met the requirements of NAIC recommendations, and the insurers providing the various coverages are licensed or authorized in the State of Idaho.

PENSION AND INSURANCE PLANS

The Company, through the corporate group, offered major medical, dental and Cafeteria Plan insurance coverage to full-time, reduced-time and part-time employees. Metropolitan Mortgage & Securities Co., Inc., an affiliate, provided a self-funded medical insurance plan through a list of authorized providers. The Physician Hospital Community Organization handled the administrative issues and claims processing for the self-funded plan.

A 401(K) Plan was offered to eligible employees who are 18 years of age and completed six months of service. The Company may make a discretionary matching contribution to eligible Participants in an amount equal to a percentage of their pre-tax contributions. The exact percentage will be determined each year. The Company may elect to make a discretionary profit sharing contribution to the Plan. The amount is based on compensation. To be eligible to receive the matching and profit sharing contributions, employees must be employed on December 31. The Company did not contribute to the Plan for the 2003 Plan Year.

The employee contributions were 100 percent vested, while discretionary matching profit sharing contributions were based on a graduated basis of 20 percent per year over 5 years. The plan was sponsored by Metropolitan Mortgage & Securities Co., Inc., an affiliate, and was adopted and approved by the Company's Board of Directors on June 1, 1995. The 401 (K) investment manager was Charles Schwab, Inc. and the record-keeper was Kibble & Prentice, Inc.

TERRITORY AND PLAN OF OPERATION

The Company was licensed and authorized to write only life business in the following eight states:

Idaho	Iowa	Montana	North Dakota
Oregon	South Dakota	Utah	Washington

The life products marketed by the Company were single premium and flexible premium deferred annuity contracts.

Effective August 3, 1998, the Company entered into a reinsurance agreement with Western United Life Assurance Company, an affiliate. The annuity consideration assumed during the period under examination was as follows:

Year	Amount
2001	$ 7,280
2002	$56,438,676
2003	$10,383,342

Effective December 28, 1998, the Company entered into a reinsurance agreement with Old West Annuity & Life Insurance Company (OWAL), its subsidiary. The agreement provided for the Company to cede, on a one-time basis, annuity considerations in the amount of $37,516,670. The agreement was approved by the Idaho Department of Insurance on December 16, 1998.

STATUTORY AND SPECIAL DEPOSITS

As of December 31, 2003, the Company had provided the following deposits in trust in order to meet the statutory requirements of Idaho Code Sections 41-316A, and 41-811:

State	Type Deposit	Par Value	Statement Value	Market Value
Idaho	US Treasury Note	$5,000,000	$4,964,537	$4,925,000
	Total	$5,000,000	$4,964,537	$4,925,000

The securities were verified by direct confirmations received from the respective depository and/or state regulatory agencies.

ANNUITY CONSIDERATION WRITTEN BY STATE

The schedule below summarized the annuity consideration written by state as reported in the Company's 2003 Annual Statement, per Schedule T:

Colorado	$ 850
Idaho	15,129,791
Illinois	7,683
Iowa	1,157,013
Montana	1,211,997
North Dakota	3,836,287
Oregon	14,209,613
Texas	6,000
Utah	13,181,389
Washington	210,317
Sub-total	$48,951,120
Reinsurance Assumed	10,383,342
Total	$59,334,462

GROWTH OF THE COMPANY

The growth of the Company for the seven-year period ending December 31, 2003, as reported in the Company's annual statements for the respective years, was shown in the following exhibit:

Year	Net Annuity Premium	Net Admitted Assets	Liabilities	Capital and Surplus	Net Income
1997[1]	37,099,214	106,344,808	95,986,276	10,358,532	405,147
1998	27,130,791	130,871,122	118,510,977	12,360,145	1,178,120
1999	29,209,454	155,125,836	137,146,911	17,978,925	2,261,484
2000[1]	60,206,177	205,003,095	181,365,294	23,637,801	4,862,683
2001	31,595,018	256,400,370	217,396,997	39,003,733	2,810,096
2002	123,490,814	395,211,817	338,144,373	57,067,444	3,106,477
2003[1]	59,334,462	394,182,143	346,336,946	47,845,197	(3,267,397)

[1] The figures recorded for the years 1997 and 2000 and 2003 were determined by examination.

REINSURANCE

Assumed

Effective August 3, 1998, the Company entered into a closed co-reinsurance agreement with Western United Life Assurance Company (WULA), an affiliate. The purpose of the agreement was to reinsure 75 percent of all closed and open block single payment annuities between the two companies, as of any given date. Closed block policies are policies written by WULA from and including July 1, 1998 up to August 3, 1998. The open block policies include policies issued on or after August 3, 1998. The agreement contained a provision to suspend and reactivate the agreement within 5 days of written notice by either party.

Effective August 20, 1998, the Company amended the co-reinsurance agreement to include closed block policies from August 3 to August 20, 1998.

On July 24, 1998, the Department of Insurance approved the Company's reinsurance agreement filed on May 21, 1998 with WULA.

Ceded

Effective December 28, 1998, the Company entered into a reinsurance agreement with Old West Annuity & Life Insurance Company (OWAL), an affiliate. The Company ceded $37,516,670 of single payment annuities to OWAL for the purpose of establishing the asset structure on the balance sheet for 1998. Since that time, no other annuities were ceded from the Company.

On December 16, 1998, the Department of Insurance approved the Company's reinsurance agreement filed on November 25, 1998 with OWAL.

INSURANCE PRODUCTS AND RELATED PRACTICES

A multi-state Target Market Conduct Examination (as of September 30, 2003) was recently completed on the Company. This examination was conducted in cooperation with the Office of Insurance Commissioner of the State of Washington and the Department of Insurance of the State of Arizona. Washington examined Western United Life Assurance Company, an affiliate; Arizona examined Old West Annuity & Life Company, a subsidiary of Old Standard, and the Idaho Department examined Old Standard. The Target Market Conduct Examination Report was adopted by Idaho on September 9, 2004.

ACCOUNTS AND RECORDS

General Accounting

The Company utilized a central mainframe computer manufactured by DEC located at the Metropolitan Mortgage & Securities Company, Inc., an affiliate, in Spokane, Washington. The Company used software owned and maintained by affiliates, Metropolitan Mortgage & Securities Company, Inc. and Western United Life Assurance Company for the following applications:

Application	Software
General ledger	Ross General Ledger System
Trial Balance converting GAAP to STAT	GoSystem
Insurance contract administration	Vantage
Investments	PAM
Mortgage loans – Repossessed Property	Sanchez
Real Estate taxes, utilities and other expenses	Comtronix
STAT and Tax reserve calculations relative to deferred annuities	Alfa
Annual Statement Preparation	AM Best

The general ledger was maintained on a GAAP basis and adjusted to STAT at the end of each reporting period. The Company's fiscal year ended on September 30. However, the Company converts to a calendar year basis for statutory reporting purposes.

The Company prepared a trial balance from its general ledger for the year ending December 31, 2003. The numbers from the general ledger's trial balance were traced to or reconciled with the annual statement.

Corporate records, including annual statement preparation, investment and accounting functions, were maintained at the Spokane, Washington corporate office. The Company's Home Office in Post Falls, Idaho had the capabilities to access the various software systems maintained at the corporate office. Premium collection and deposits, agent files, commission and various sundry reports were maintained at the Home Office. Check requests, expenses, and claims were written on the Company's Idaho bank and remitted daily.

The Company's Disaster Recovery Plan was reviewed and documented. Periodically the plan was tested and the results used to improve and refine the recovery process. The Company had an agreement with Comdisco to furnish both a location and the hardware for the Company's continuing operation and recovery of data in the case of a disaster. Data was backed up daily and stored offsite.

Independent Accountants

On January 20, 2004 the Company's independent auditors, Ernst & Young, LLP, resigned all audit engagements for 2003 and the 2001 and 2002 audit opinions were withdrawn. On February 17, 2004, the Company engaged Amper, Politziner & Mattia, certified public accountants, to perform the statutory audit for 2001, 2002, and 2003.

In accordance with the NAIC's Financial Condition Examiners Handbook, the independent CPA's work papers were relied upon in some instances. The independent CPA had not completed his report on the Company at the time this statutory examination was filed with the Department.

Actuarial Opinion

The aggregate reserve for policies and contracts and policy and contract claims were reviewed by the Company's actuary, William A. Zehner, FSA, MAAA. Mr. Zehner was Vice President and Actuary for Western United Life Assurance Company, an affiliate. The statement of opinion issued states that the reserves as shown in the Annual Statement of the Company:

(a) Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles:
(b) Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, are in accordance with all other contract provisions;
(c) Meet the requirements of the insurance laws and regulations of Idaho and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed;
(d) Are computed on a basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end; and
(e) Include provision for all actuarial reserves and related statement items that ought to be established.

The identified actuarial items in the Annual Statement are as follows:

Aggregate Reserve for Life Contracts:	$305,850,199
Liability for Deposit-type Contracts	$ 10,362,642
Policy and Contract Claims: Life	$ 5,324,456

SUBSEQUENT EVENTS

An Order of Rehabilitation was entered in the District Court of the Fourth Judicial District of the State of Idaho on March 2, 2004. A special deputy rehabilitator was designated to recover and take control of all property, assets, contracts, rights of action belonging to the Company and to conserve, hold, manage, and administer all such assets. This action was to protect policyholders, and the insurer, from the financial problems of Old Standard's upstream parent company, Summit Securities, Inc. As mentioned earlier in this report, Summit Securities and Metropolitan Mortgage & Securities Co., Inc. (an affiliate) filed voluntary bankruptcy petitions on February 4, 2004 under chapter 11 of the bankruptcy code in the United States Bankruptcy Court for the Eastern District of the State of Washington. The Company had been under an order of voluntary supervision since late December 2003.

The Arizona Department of Insurance filed an Order for Appointment of Receiver and Injunction and Consent for the Company's subsidiary, Old West Annuity & Life Insurance Company, with the Arizona Superior Court, Maricopa County, on March 2, 2004. This action was taken to protect policyholders, and the insurer, from the financial problems of Old West's upstream parent company, Summit Securities, Inc. and affiliate Metropolitan Mortgage & Securities Co., Inc. Old West had been under voluntary supervision by Arizona since late December 2003.

Western United Life Assurance Company, a Washington domiciled insurer affiliate, entered into a Management and Services agreement in 2004 with the Company.

Western United became the subject of an Order of Rehabilitation and Appointment of Receiver, entered by the Washington State, Thurston County Superior Court at the request of the Washington State Office of Insurance Commissioner on March 2, 2004. The reasons for the receivership pertained to protecting Western United from the financial problems of affiliate Summit Securities and upstream parent Metropolitan Mortgage. Western United had been under voluntary supervision by Washington since late December 2003.

FINANCIAL STATEMENTS

The financial section of this report contains the following statements and exhibits:

Assets as of December 31, 2003

Liabilities, Surplus and Other Funds as of December 31, 2003

Reconciliation of the Examination Changes to the Balance Sheet

Summary of Operations for the Year Ending December 31, 2003

Capital and Surplus Account for the Year Ending December 31, 2003

Reconciliation of Capital and Surplus, December 31, 2001, through December 31, 2003

ASSETS

As of December 31, 2003

	Ledger Assets	Assets not Admitted	Examination Adjustments	Admitted Assets
Bonds (Note 1)	$ 96,668,691	$ 0	$ (449,647)	$ 96,219,044
Stocks:				
Preferred stocks	924,750	0	0	924,750
Common stocks	36,150,798	0	0	36,150,798
Mortgage loans on real estate:				
First liens (Note 2)	177,254,104	253,670	(544,200)	176,456,234
Other than first liens	56,278	56,278	0	0
Real estate:				
Properties held for sale (Note 3)	44,491,370	625,987	(8,845,243)	35,020,140
Cash and short-term investments (Note 4)	40,524,395	0	0	40,524,395
Other invested assets	388,027	0	0	388,027
Receivable for securities	1,031,253	0	0	1,031,253
Interest income				
Interest income due and accrued	3,887,977	1,284,061	0	2,603,916
Uncollected premiums in course of Collection	13,121	13,121	0	0
Net deferred tax asset	7,216,194	5,950,550	0	1,265,644
Electronic data processing equipment	73,518	34,021	0	39,497
Furniture and equipment	5,907	5,907	0	0
Receivable from parent	1,078,445	0	0	1,078,445
Due on sale of mortgage to 3rd party	2,480,000	0	0	2,480,000
Non-competition agreement	314,496	314,496	0	0
Misc. accounts receivable	401	401	0	0
Total Assets	$412,559,725	$8,538,492	$(9,839,090)	$394,182,143

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2003

		Examination Adjustments	
Aggregate reserve for life polices and contracts (Note 5)			$305,850,199
Liability for deposit-type contracts (Note 5)			10,362,642
Contract claims: Life (Note 5)			5,324,456
Interest maintenance reserve			2,161,863
Commissions to agents due or accrued			3,492
General expenses due or accrued			227,958
Taxes, licenses and fees due or accrued			218,711
Current federal income taxes			79,786
Amounts withheld or retained by company as agent or Trustee			727,164
Amounts held for agents' account			845
Remittances and items not allocated			122,633
Liability for benefits for employees and agents			87,557
Borrowed money			10,532,226
Asset valuation reserve			5,987,371
Payable to parent, subsidiaries and affiliates			3,202,292
Aggregate write-ins for liabilities:			
Accrual of post retirement benefit			586,111
Other liabilities			128,252
Due to mortgage loan servicer			733,388
Total Liabilities			$346,336,946
Common capital stock			$ 9,620,000
Gross paid in and contributed surplus	$49,780,000		
Unassigned funds (surplus)	(1,715,713)	(9,839,090)	38,225,197
Total Capital and Surplus			$ 47,845,197
Total Liabilities, Surplus and Other Funds			$394,182,143

RECONCILIATION OF EXAMINATION CHANGES

TO THE BALANCE SHEET

Total Capital and Surplus per the Company at 12/31/2003 $57,684,287

Account	Per the Company	Per the Examination	Increase (Decrease) in Surplus	
Bonds: (Note 1)	$96,668,691	$96,219,044	$(449,647)	
Mortgage loans on real estate:				
First liens (Note 2)	177,000,434	176,456,234	(544,200)	
Real estate:				
Property held for sale (Note 3)	43,865,383	35,020,140	(8,845,243)	
Net increase (decrease) in surplus				(9,839,090)
Total Capital and Surplus per Examination at 12/31/2003				$47,845,197

SUMMARY OF OPERATIONS

For the Year Ending December 31, 2003

	Per Examination
Premiums and annuity considerations	$59,334,462
Net investment income	30,452,744
Amortization of Interest Maintenance Reserve	414,519
Total Income	$90,201,725
Annuity benefits	6,617,755
Surrender benefits and other fund withdrawals	53,156,569
Interest and adjustments on contracts or deposit-type contract funds	528,540
Increase in aggregate reserves for life policies and contracts	15,428,357
Commissions on premiums and annuity considerations	2,175,573
Commissions and expense allowances on reinsurance assumed	675,057
General insurance expenses	1,749,723
Insurance taxes, licenses and fees, excluding federal income taxes	149,325
Accrual of other employee benefits	(21,223)
Total Benefits and Expenses	$80,459,676
Net gain from operations before dividends to policyholders and federal income taxes	$ 9,742,049
Dividends to policyholders	0
Net gain from operations after dividends to policyholders and before federal income taxes	$ 9,742,049
Federal income taxes	5,442,947
Net gain from operations after dividends to policyholders and federal income taxes and before realized gains or (losses)	$ 4,299,102
Net realized capital gains or (losses)	(7,566,499)
Net income	$ (3,267,397)

CAPITAL AND SURPLUS ACCOUNT

For the Year Ending December 31, 2003

	Per Examination
Capital and surplus, December 31, previous year	$57,067,444
Net income	$ (3,267,397)
Change in net unrealized capital gains or (losses)	(1,630,514)
Change in net deferred income tax	2,593,539
Change in nonadmitted assets and related items	(722,395)
Change in asset valuation reserve	3,643,610
Capital changes:	
Paid in	0
Surplus adjustments:	
Paid in	0
Aggregate write-ins for gains and losses in surplus:	
Examination Adjustments	(9,839,090)
Prior year tax adjustment	0
Net change in capital and surplus for the year	$ (9,222,247)
Capital and surplus, December 31, current year	$47,845,197

RECONCILIATION OF CAPITAL AND SURPLUS

December 31, 2001 through December 31, 2003

	2001	2002	2003
Capital and Surplus, December 31, previous year	$ 23,637,801	$ 39,003,733	$57,067,444
Net Income	2,810,096	3,106,477	(3,267,397)
Change in net unrealized capital gains or (losses)	(662,020)	(870,266)	(1,630,514)
Change in net deferred income tax	0	(2,229,095)	(722,395)
Change in nonadmitted assets and related items	2,255,334	387,772	2,593,539
Change in reserve on account of change in valuation basis, (increase) or decrease	(1,149,556)	0	0
Change in reserve on account of change in valuation bases	(1,118,842)		
Change in asset valuation reserve	(2,564,617)	(3,331,177)	3,643,610
Cumulative effects of changes in Accounting principles	197,324	0	0
Capital changes:			
Paid in	3,680,000	1,000,000	0
Surplus adjustments:			
Paid in	14,720,000	20,000,000	0
Aggregate write-ins for gains and losses in surplus:			
Change in non-admitted mortgage accrued interest	(2,801,787)	0	0
Examination adjustments	0	0	(9,839,090)
Change in surplus for the year	15,365,932	18,063,711	(9,222,247)
Capital and Surplus, December 31, current year	$ 39,003,733	$ 57,067,444	$47,845,197

NOTES TO THE FINANCIAL STATEMENT

Note 1 Bonds $96,219,044

The examiner reviewed the listing obtained from the Company that showed the private placement bonds. During the review, the examiner determined that the Company was showing several publicly traded bonds as private placements. The total misclassification on Schedule D between publicly traded and private placement bonds was $39,863,842. Therefore, the following reclassification should be made within Schedule D – Part 1A – Section 1 of the 2003 annual statement:

Item	Balance Originally Reported	Reclassification	Balance After Reclassification
Publicly traded bonds	$ 57,844,261	$39,863,842	$ 97,708,103
Private placement bonds	74,476,340	(39,863,842)	34,612,498
Totals	$132,320,601 *	$ 0	$132,320,601*

* Total bonds in this schedule includes amounts from the 2003 annual statement for bonds of $96,668,691 and short-term investments of $35,651,910.

It is recommended that the Company review its listing of public and private placements and make certain that classifications are reported in accordance with the Annual Statement Instructions for Schedule D, Part 1A – Section 2.

The Company determined during the first quarter of 2004 that there had been a decline in the fair value of a bond, as of December 31, 2003, and that the decline was other than temporary. In accordance with SSAP 5 and SSAP 26, an impairment examination adjustment was recognized to reduce the cost basis by $449,647. According to SSAP 26, the cost basis of this bond cannot be changed for subsequent recoveries in fair market values.

Note 2 Mortgage Loans $176,456,234

New appraisals were initiated, in the last quarter of 2003, on several properties which collateralized mortgage loan receivables. The appraisal results were finalized in the first quarter of 2004. Based upon the new appraisals, as of December 31, 2003, the recorded investment in the mortgage loan receivables exceeded the fair value of the collateral less estimated costs to obtain and sell the property. Therefore, in accordance with SSAP 37, paragraph 16, an examination adjustment of $544,200 has been made to reduce the carrying value of mortgages.

Note 3 Real Estate $35,020,140

New appraisals were initiated, in the last quarter of 2003, on real property that the Company had classified as "Properties Held for Sale." The appraisal results were finalized in the first quarter of 2004. Based upon the new appraisals, as of December 31, 2003, the carrying value of six of the properties exceeded the fair value less encumbrances and estimated costs to sell the property. Therefore, in accordance with SSAP 40, paragraph 10, an examination adjustment of $8,845,243 has been made to reduce the carrying value of Properties Held for Sale.

Additionally, SSAP 40, paragraph 8, states the cost of property included in real estate investments, other than land, shall be depreciated over the estimated useful life, not to exceed fifty years. Therefore, it is recommended that the company establish a depreciation policy for its real estate other than land.

During the second quarter of 2003, the Company acquired three hotel properties. This was in violation of Idaho Code Section 41-728(1)(f) which states that a Company may acquire "real estate for the production of income . . . other than primarily for . . . motel or hotel purposes." Therefore, it is recommended that the company dispose of the three hotel properties within 5 years as required under Idaho Code Section 41-729.

Note 4 Cash	$40,524,395

The total interest received for the cash accounts was reported as miscellaneous interest instead of cash interest. Since the total amount is reported in the Exhibit of Net Investment Income, even though it was shown on the wrong annual statement line, there would be no effect on the financial statements. The amount of interest reported on the Cash/Short-term Investments line of the Net Investment Income was traced to the short-term investments. It is recommended that the Company properly report the interest for cash accounts on the proper lines in future annual statements.

The company has a few accounts for checks authorized but not yet written. These are referred to as the "Checks To Be Written (CTBW)" accounts. The Company processes requests for checks on one day and does not process the actual checks until the next day.

During the review by the examiner, it was discovered that the Company did not keep an accurate record of which check had been written out of the CTBW accounts and which had been voided. The Company was in the process of reconciling this account, but had not completed the project by the end of the field work portion of the examination. Due to immateriality, no adjustment was made to the financial statement of the Company. However, it is recommended that the Company complete the project of reconciling the Checks To Be Written accounts in order to be able to produce a listing of those checks waiting to be written that balances with the ledger accounts. Additionally, it is recommended that the Company institute the proper internal controls that will implement the monitoring, checking and approval of the on-going reconciliation process.

Note 5 Aggregate Reserve for Life Policies and Contracts	$305,850,199
Liability for Deposit-type Contracts	10,362,642
Policy and Contract Claims: Life	$ 5,324,456

Taylor-Walker & Associates, Inc., Salt Lake City, Utah, was contracted by the Idaho Department of Insurance to review the Company's aggregate reserve for life policies and contracts and life policies and contract claims as part of this examination.

The 2003 examination's actuarial recommendation was as follows:

> The Company should closely monitor those aspects of their operation, such as prevailing market interest rates, contract lapse rates, investment default rates, and the Company's reinvestment strategy, that will have the greatest impact on the future profitability of the Company.

SUMMARY, COMMENTS, AND RECOMMENDATIONS

Summary

The results of this examination disclosed that, as of December 31, 2003, the Company had net admitted assets of $394,182,143 liabilities of $346,336,946, and surplus as regards policyholders of $47,845,197.

The unassigned funds amount met the minimum requirements of Idaho Code Section 41-313.

Comments and Recommendations

Page

Directors

(11) On November 2, 2003, James Hawkins resigned as director of the Company. At December 31, 2003, the Company had only four directors. It is recommended that the Company come into compliance with Idaho Code Section 41-2835(1) which states that an insurer must have a minimum of five directors on its board.

Conflict of Interest

(11) It is recommended that future minutes reflect that the Board of Directors has reviewed the conflict of interest statements and note any significant conflicts.

Articles of Incorporation and Bylaws

(15) The Stock Register and other corporate records were actually located in Spokane during the exam. This is in violation of Idaho Code, Section 41-2839(3). It is recommended that the Company come into compliance with Idaho Code, Section 41-2839(3).

Bonds

(30) It is recommended that the Company review its listing of public and private placements and make certain that classifications are reported in accordance with the Annual Statement Instructions for Schedule D, Part 1A – Section 2.

Real Estate

(31) Since paragraph 8 of SSAP 40 states the cost of property included in real estate investments, other than land, shall be depreciated over the estimated useful life, not to exceed fifty years, it is recommended that the company establish a depreciation policy for its real estate other than land.

(31) During the second quarter of 2003, the Company acquired three hotel properties. This was in violation of Idaho Code Section 41-728(1)(f) which states that a Company may acquire "real estate for the production of income . . . other than primarily for . . . motel or hotel purposes." Therefore, it is recommended that the company dispose of the three hotel properties within 5 years as required under Idaho Code Section 41-729.

Cash

(31) It is recommended that the Company properly report the interest for cash accounts on the proper lines in future annual statements.

(31) It is recommended that the Company complete the project of reconciling the Checks To Be Written accounts in order to be able to produce a listing of those checks waiting to be written that balances with the ledger accounts. Additionally, it is recommended that the Company institute the proper internal controls that will provide for the monitoring, checking and approval for the on-going reconciliation process.

Aggregate Reserves for Life

(31) The Company should closely monitor those aspects of their operation, such as prevailing market interest rates, contract lapse rates, investment default rates, and the Company's reinvestment strategy, that will have the greatest impact on the future profitability of the Company.

CONCLUSION

The undersigned acknowledges the assistance and cooperation of the Company's officers and employees in conducting the examination.

In addition to the undersigned, Taylor-Walker & Associates, Inc., Actuarial Consultants, participated in this examination.

Respectfully submitted,

David W. Emery

David W. Emery, CFE, FLMI
Senior Insurance Examiner
Department of Insurance
State of Idaho

AFFIDAVIT OF EXAMINER

State of Idaho
County of Ada

David W. Emery, being duly sworn, deposes and says that he is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that he has made an examination of the affairs and financial condition of the Old Standard Life Insurance Company for the period from January 1, 2001 through December 31, 2003, including subsequent events, that the information contained in the report consisting of the foregoing pages is true and correct to the best of his knowledge and belief, and that any conclusions and recommendations contained in the report are based on the facts disclosed in the examination.

David W. Emery, CFE, FLMI
Senior Insurance Examiner
Department of Insurance
State of Idaho

Subscribed and sworn to before me the 11th day of February, 2005, at Boise, Idaho

Notary Public

My commission Expires: 9/12/2009

CHERYL KARNOWSKI
NOTARY
PUBLIC
STATE OF IDAHO