

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

PENNSYLVANIA LIFE INSURANCE COMPANY
Lemoyne, Pennsylvania

**AS OF
March 4, 2009**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
BUREAU OF MARKET CONDUCT**

Issued: March 19, 2009

PENNSYLVANIA LIFE INSURANCE COMPANY

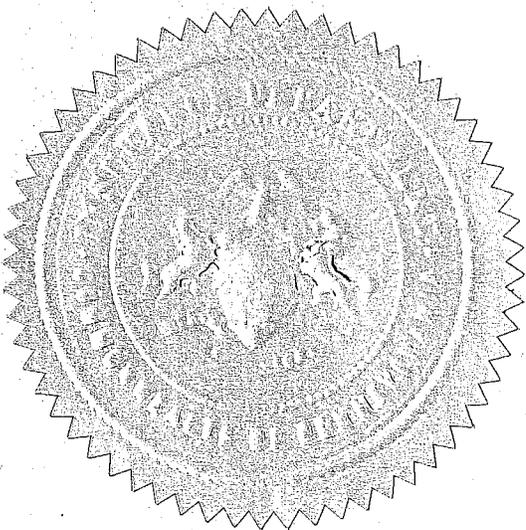
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 22ND day of July, 2008, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Ronald A. Gallagher, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





Joel S. Ario
Insurance Commissioner

Pennsylvania Life Insurance Company
Market Conduct Examination as of the
close of business on March 4, 2009

Docket No.
MC09-03-011

ORDER

A market conduct examination of Pennsylvania Life Insurance Company (referred to herein as "Respondent") was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. §323.1, et seq., for the period July 1, 2006 through June 30, 2007. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

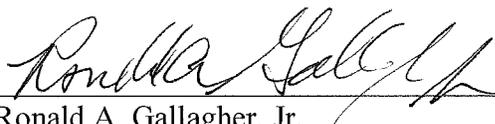
1. The attached modified Examination Report will be adopted and filed as an official record of this Department. All findings and conclusions resulting from the review of the Examination Report and related documents are contained in the attached Examination Report.
2. Respondent shall comply with Pennsylvania statutes and regulations.

3. Respondent shall comply with all recommendations contained in the attached Report.

4. Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30) days of the date of this Order.

The Department, pursuant to Section 905(e)(1) of the Insurance Department Act (40 P.S. §323.5), will continue to hold the content of the Examination Report as private and confidential information for a period of thirty (30) days from the date of this Order.

BY: The Pennsylvania Insurance Department

 (March 19, 2009)
Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

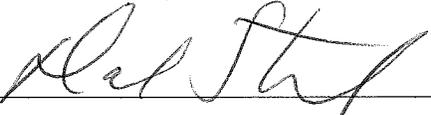
The Market Conduct Examination was conducted on Pennsylvania Life Insurance Company; hereafter referred to as "Company," at the Company's office located in Lake Mary, Florida, October 6, 2008, through October 17, 2008. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items, to which the Department, after review, takes exception. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

The undersigned participated in the Examination and in the preparation of this Report.



Daniel Stemcosky, MCM, AIE, FLMI
Market Conduct Division Chief



Frank W. Kyazze, MCM, AIE, FLMI, ALHC
Market Conduct Examiner

Verification

Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



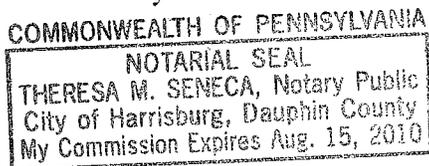
Frank W. Kyazze, MCM, AIE, ALHC, FLMI
[Examiner in Charge]

Sworn to and Subscribed Before me

This 19 Day of February, 2009



Notary Public



II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the experience period of July 1, 2006, through June 30, 2007, unless otherwise noted. The purpose of the examination was to ensure compliance primarily in the Long Term Care (LTC) and Home Health Care (HHC) market.

The examination focused on the Company's operation in areas such as: Advertising, Producer Licensing, Consumer Complaints, Forms, Underwriting Practices and Procedures, Rating and Claim Handling Practices and Procedures.

The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

During the course of the examination, for control purposes, some of the review segments identified in this Report may have been broken down into various sub-categories by line of insurance or Company administration. These specific sub-categories, if not reflected individually in the Report, would be included and grouped within the respective general categories of the Examination Report.

III. COMPANY HISTORY AND LICENSING

On January 12, 1948, Pennsylvania Life, Health and Accident Insurance Company, a limited life insurance company was incorporated in the Commonwealth of Pennsylvania. The Company merged with Pennsylvania Accident and Health Insurance Company and the surviving entity was reincorporated as Pennsylvania Life, Health and Accident Insurance Company, a stock life insurance company. In December 1954, the Company's name was changed to its current name, Pennsylvania Life Insurance Company.

After several acquisitions over the years, the Company was acquired by the present parent Company, Universal American Financial Corp. ("Universal"), in February 1999. This acquisition was done through Universal's wholly owned subsidiary, American Exchange Life Insurance Company, a Texas insurance Company, as well as, Capital Z Financial Services Fund II, LP and Capital Z Financial Services Private Fund, LP (jointly referred to as "Capital Z") to acquire all of the stock, of all classes. In March 2003, The Pyramid Life Insurance Company ("Pyramid") was acquired from Ceres Group. The Company holds all the outstanding shares of Pyramid.

The Company writes life, health and annuities and is authorized to transact business in the State of Pennsylvania. The Company did not issue long term care or home health care policies after November 1, 2003.

As of the Company's December 31, 2006, annual statement for Pennsylvania, Pennsylvania Life Insurance Company reported direct premiums for ordinary life insurance considerations in the amount of \$255,526, and direct premiums for accident and health insurance considerations in the amount of \$11,707,672.

IV. ADVERTISING

Title 31, Pennsylvania Code, Section 51.2(c) provides that “Any advertisements, whether or not actually filed or required to be filed with the Department under the provisions of this Regulation may be reviewed at any time at the discretion of the Department.” The Department, in exercising its discretionary authority for reviewing advertising, requested the Company to provide a copy of the advertising certificate of compliance as required by Title 31, Pennsylvania Code, Section 51.5. No violations were noted.

V. FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided and forms reviewed in various underwriting sections of the exam were reviewed to ensure compliance with Insurance Company Law, Section 354 and Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud notice. No violations were noted.

VI. PRODUCER LICENSING

The Company was requested to provide a list of all producers active and terminated during the experience period. Section 671-A (40 P.S. §310.71) of the Insurance Department Act prohibits producers from doing business on behalf of or as a representative of any entity without a written appointment from that entity. Section 641.1-A (40 P.S. §310.41a) of the Insurance Department Act prohibits a company from accepting insurance applications or securing any insurance business through anyone acting without a license. Section 671.1-A (40 P.S. §310.71a) of the Insurance Department Act requires the Company to report all producer terminations to the Department.

The Company provided a list of 10 active producers and 8 terminated producers. All 18 producers were requested, received and reviewed. The list was compared to departmental records of producers to verify appointments, terminations and licensing. No violations were noted.

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2003, 2004, 2005, 2006. The Company identified 8 consumer complaints received during the experience period. Of the 8 complaints identified, 4 were forwarded from the Department. All 8 complaint files were requested, received and reviewed. The Company provided complaint logs as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint log.

The complaint files and the 4 years of complaint logs were reviewed for compliance with the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171). Section 5(a)(11) of the Act requires maintenance of a complete record of all complaints received during the preceding four (4) years. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. Written complaint files involving claims were also reviewed for compliance with Title 31, Pennsylvania Code, Section 146.5(b) and 146.5(c), Unfair Claims Settlement Practices.

No violations were noted.

VIII. UNDERWRITING

The Underwriting review was sorted and conducted in two (2) general segments.

- A. Underwriting Guidelines
- B. Individual Policies Terminated

Each segment was reviewed for compliance with underwriting practices and included forms identification and producer identification. Issues relating to forms or licensing appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

A. Underwriting Guidelines

The Company was requested to provide all underwriting guidelines and manuals utilized during the experience period.

The following is a list of Underwriting Guidelines received and reviewed:

1. Underwriting Manual
 - Long Term Care
 - Home Health Care

The manuals were reviewed to ensure underwriting guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by statute or regulation. No violations were noted.

B. Individual Policies Terminated

The Company was requested to provide a list of all individual policies terminated during experience period of July 1, 2006 to June 30, 2007. The Company provided a list of 4 policies terminated. All 4 terminated files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and the proper return of any unearned premium. No violations were noted.

IX. LONG TERM CARE ANNUAL REPORTING

The Company was requested to provide copies of the latest annual long term care reports submitted to the Pennsylvania Insurance Department, including: the replacement/lapse report, the claims denial report, and the suitability report. The Company provided the replacement/lapse reports and the claims denial reports for 2006 and 2007. The Company did not provide suitability reports because the Company did not market any long term care products in the state during 2006 and 2007. The reports received were reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 89a.114 - Reporting Requirements, and Title 31, Pennsylvania Code, Section 89a.121 - Suitability. No violations were noted.

X. CLAIMS

The claims review consisted of a review of the Company's claim manuals and a review of the claim files. The Company was requested to provide copies of all procedural guidelines including all manuals, memorandums, directives and any correspondence or instructions used for processing claims during the experience period. The Company provided the following manuals:

1. Policies and Procedures – LTC Claims Department
2. Claims Guidelines
3. Claims Procedures Manual

The claim manuals and procedures were reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. No violations were noted.

The claim file review consisted of 2 areas:

- A. Long Term Care Claims Denied
- B. Long Term Care Claims Received

All claim files sampled were reviewed for compliance with requirements of the Unfair Insurance Practices Act, No. 205 (40 P.S. §1171) and Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

A. Long Term Care Claims Denied

The Company was requested to provide a list of all claims denied during the experience period of July 1, 2006 to June 30, 2007. The Company reported that no claims were denied during the experience period.

B. Long Term Care Claims Received

The Company was requested to provide a list of all claims received during the experience period of July 1, 2006 to June 30, 2007. The Company identified a universe of 15 claims received. All 15 claim files were requested, received and reviewed. The files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

1 Violation - Title 31, Pennsylvania Code, Section 146.5

Every insurer, upon receiving notification of a claim, shall within ten working days, acknowledge the receipt of such notice unless payment is made within such period of time. If an acknowledgement is made by means other than writing, an appropriate notation of such acknowledgment shall be made in the claim file of the insurer and dated.

The Company failed to acknowledge a claim within 10 working days in the file noted.

1 Violation - Title 31, Pennsylvania Code, Section 146.7

Within 15 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant shall be advised of the acceptance or denial of the claim by the insurer.

The Company failed to provide notice of acceptance or denial within 15 working days in the claim file noted.

XI. RECOMMENDATIONS

The recommendation made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other violations, noted in the Report.

- 1.. The Company must review internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

XII. COMPANY RESPONSE



PENNSYLVANIA
LIFE INSURANCE CO.

1001 Heathrow Park Lane, Suite 5001
Lake Mary, FL 32746
800 275 6667 toll-free
407 995 8007 phone
407 995 8047 fax
www.pennlife.com

March 10, 2009

Daniel A. Stemcosky, AIE, FLMI, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department
1227 Strawberry Square
Harrisburg, Pennsylvania 17120

RE: Examination Warrant Number: 07-M25-037

Dear Mr. Stemcosky:

Pennsylvania Life Insurance Company (Penn Life) acknowledges receipt of the Report of Examination enclosed with your letter dated March 4, 2009.

The Company shares the Department's belief that market conduct examinations serve a useful purpose in identifying any problem areas so that the Company may take appropriate remedial action. The insurance consumer and the industry benefit from a meaningful review of Company practices.

Pursuant to Section 905 (40 P.S. §323.5) enclosed is the Company's response to the Examination Report.

I wish to thank the market conduct examiner and you for the courtesy, cooperation and straight forward manner in working with my staff and me throughout the examination and Report writing process.

Should you have any questions, please contact me at the above address or by telephone at 800-734-2120, extension 8448

Sincerely,

A handwritten signature in cursive script that reads "Brian R. Jacobs".

Brian R. Jacobs
Assistant Vice President
Market Conduct Compliance

BRJ:jr

Enclosure

RECEIVED
INSURANCE DEPT.

MAR 12 2009

Field Investigations Div.

XII. COMPANY RESPONSE

The Company recognizes it failed to acknowledge one claim within 10 working days and to provide notice of acceptance or denial within 15 working days resulting in 2 violations. The claim was paid within 19 working days and we believe this was an isolated incident.

The Company has reviewed its internal control procedures to ensure compliance with the Requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.