

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

**UNION SECURITY LIFE INSURANCE
COMPANY**

Atlanta, Georgia

**AS OF
May 16, 2007**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
MARKET CONDUCT DIVISION**

Issued: July 16, 2007

UNION SECURITY LIFE INSURANCE COMPANY

TABLE OF CONTENTS

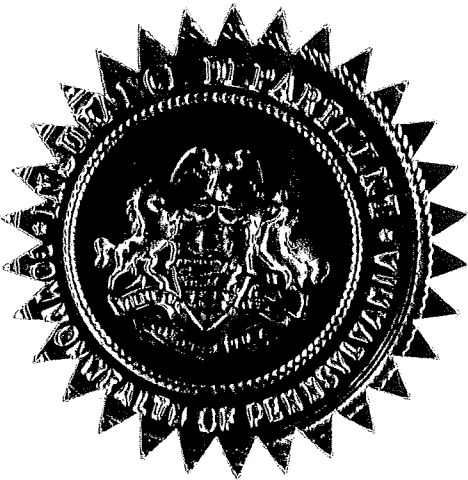
Order		
I.	Introduction	3
II.	Scope of Examination	6
III.	Company History and Licensing	7
IV.	Advertising	8
V.	Forms	9
VI.	Producer Licensing	10
VII.	Consumer Complaints	11
VIII.	Underwriting	12
	A. Underwriting Guidelines	12
	B. Group Life Closed End Monthly Outstanding Balance Certificates Issued	13
	C. Accident & Health Single Closed End Monthly Outstanding Balance Certificates Issued	14
	D. Group Credit Card Life and Accident & Health Coverage Certificates Issued	14
	E. Group Credit Card Life and Accident & Health Coverage Terminated	15
	F. Group Life Single Premium Certificates Issued	15
	G. Group Life Single Premium Certificates Cancelled	16
	H. Group Accident & Health Single Premium Certificates Issued	17
	I. Group Accident & Health Single Premium Certificates Cancelled	18
	J. Group Accidental Death & Dismemberment Certificates Issued	19
	K. Group Accidental Death & Dismemberment Certificates Cancelled	19
	L. Group Life Mortgage Single Premium Certificates Cancelled	20

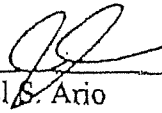
M.	Group Accident & Health Mortgage Single Premium Certificates Cancelled	20
IX.	Active Credit Group Audits	22
X.	Claims	24
	A. Life Claims	25
	B. Xycorv2 Life Accident & Health Claims	25
	C. PMS WR Life Accident & Health Claims	26
XI.	Recommendations	28
XII.	Company Response	29

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 6th day of July, 2007, 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 Randolph L. Rohrbaugh, 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

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: : VIOLATIONS:
: :
UNION SECURITY LIFE : Title 18, Pennsylvania Consolidated
INSURANCE COMPANY : Statutes, Section 4117(k)
260 Interstate North Circle, SE :
Atlanta, GA 30339-2110 : Title 31, Pennsylvania Code, Sections
: 73.127(b), 73.133(e), 73.133(h), 146.3,
: 146.5 and 146.6
: :
Respondent. : Docket No. MC07-06-022

CONSENT ORDER

AND NOW, this *16th* day of *JULY*, 2007, this Order is hereby issued by the Insurance Department of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.
2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order shall have the full force and effect of an

order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following

Findings of Fact:

- (a) Respondent is Union Security Life Insurance Company, and maintains its address at 260 Interstate North Circle, SE, Atlanta, Georgia 30339-2110.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from July 1, 2004 to June 30, 2005.
- (c) On May 16, 2007, the Insurance Department issued a Market Conduct Examination Report to Respondent.
- (d) A response to the Examination Report was provided by Respondent on June 15, 2007.
- (e) After consideration of the June 15, 2007 response, the Insurance Department has modified the Examination Report as attached.
- (f) The Examination Report notes violations of the following:

- (i) Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), which requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice: “Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties”;

- (ii) Title 31, Pennsylvania Code, Section 73.127(b), which states refunds of premiums paid by or charged to the debtor shall be remitted to the debtor or credited to the debtor’s outstanding indebtedness within 10 working days after the agent or group policyholder receives the refund from the insurer;

- (iii) Title 31, Pennsylvania Code, Section 73.133(e), which requires an insurer to be responsible for conducting a thorough examination of creditors with respect to its credit insurance business during the first policy year and at least annually thereafter, to assure compliance with this chapter and other applicable insurance laws and regulations of the Commonwealth. The examination shall verify the accuracy of premiums or other identifiable insurance charges, premium refunds, claim payments which have been reported to the insurer and any other pertinent information necessary for the

insurer to determine that debtors are being afforded proper coverage.

Examinations performed by an insurer shall be subject to review by the Department. The group policy shall contain a provision explaining that the account will be examined annually;

- (iv) Title 31, Pennsylvania Code, Section 73.133(h), which requires the insurer, or at the option of the insurer, the creditor, to establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be available to the Department upon request;
- (v) Title 31, Pennsylvania Code, Section 146.3, which requires claim files contain all notes and work papers pertaining to the claim in such detail that pertinent events and the dates of such events can be reconstructed;
- (vi) Title 31, Pennsylvania Code, Section 146.5, which requires every insurer, upon receiving notification of a claim, shall within 10 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 acknowledgement shall be made in the claim file of the insurer and dated; and

- (vii) Title 31, Pennsylvania Code, Section 146.6 states that if an investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Respondent's violations of Title 31, Pennsylvania Code, Sections 127(b), 73.133(e), and 73.133(h), subject the Respondent to an Order of the Commissioner, the violation of which would result in a penalty of up to \$250 and up to \$1000 for willful violation, as well as revocation or suspension of license in addition to any other penalty provided by law (40 P.S. §1007.12; 40 P.S. §1007.14).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) 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.
- (c) Respondent shall comply with all recommendations contained in the attached Report.
- (d) Respondent shall pay Fifteen Thousand Dollars (\$15,000.00) to the Commonwealth of Pennsylvania in settlement of all violations contained in the Report.
- (e) Payment of this matter shall be made by check payable to the Commonwealth of Pennsylvania. Payment should be directed to Sharon L. Fraser, Office Manager, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg,

Pennsylvania 17120. Payment must be made no later than thirty (30) days after
The date of this Order.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

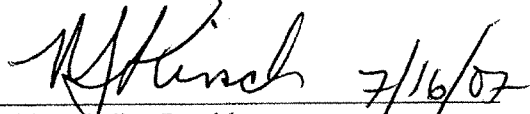
8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.


11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: UNION SECURITY LIFE INSURANCE
COMPANY, Respondent



President / Vice President Russell G. Kirsch
Senior Vice President of American Bankers
Life Assurance Company surviving entity of
merger with Union Security Life Insurance Company

Secretary / Treasurer



COMMONWEALTH OF PENNSYLVANIA

By: Randolph L. Rohrbaugh
Deputy Insurance Commissioner

I. INTRODUCTION

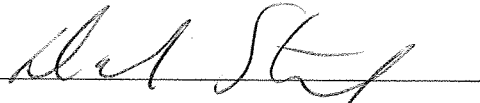
The Market Conduct Examination was conducted on Union Security Life Insurance Company; hereafter referred to as "Company," at the Company's office located in Miami, Florida, February 6, 2006, through March 31, 2006. Subsequent review and follow-up was conducted in the office of the Pennsylvania Insurance 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.

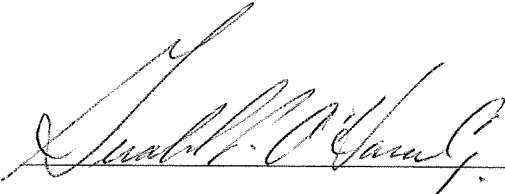
Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials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

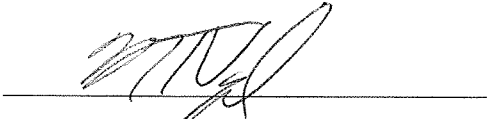
The courtesy and cooperation extended by the Officers and Employees of the Company during the course of the examination is acknowledged.

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


Daniel Stemcosky, AIE, FLMI
Market Conduct Division Chief

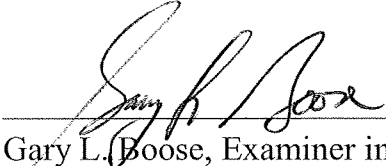

Gary L. Boose
Market Conduct Examiner


Gerald P. O'Hara, Jr.
Market Conduct Examiner


Michael T. Vogel
Market Conduct Examiner

Verification

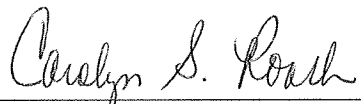
Having been duly sworn, I hereby verify that the statements made in the within document are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4903 (relating to false swearing).



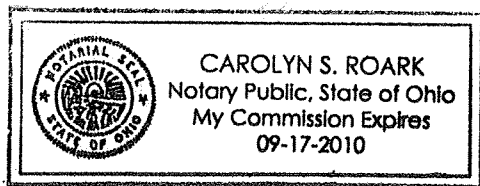
Gary L. Boose, Examiner in Charge

Sworn to and Subscribed Before me

This *16th* Day of *May*, 2007



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, 2004, through June 30, 2005, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with Pennsylvania insurance laws and regulations.

The examination focused on the Company's operation in areas such as: Advertising, Consumer Complaints, Forms, Producer Licensing, 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

Union Security Life Insurance Company, a Delaware Corporation, was incorporated on May 2, 1955, and began writing business on May 10, 1955. The Company is wholly-owned by American Security Insurance Company, Inc., a Delaware corporation.

American Security Insurance Company was previously acquired by Fortis, a large European banking and insurance group. In early 2004, Fortis spun off its US operations in an initial public offering. The US operations are now known as Assurant, Inc., whose stock is traded on the New York Stock Exchange.

Union Security Life Insurance Company is licensed as a life and health insurance company licend in all states except Maine and New York. The Company's principal product lines are credit life and disability. Union Security Life Insurance Company markets its products principally through major financial institutions.

As of their 2005 annual statement for Pennsylvania, the Company reported direct premium credit life insurance in the amount of \$12,635,450 and direct premium for accident and health insurance and credit accident and health insurance in the amount of \$4,010,037.

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 copies of all advertising materials used for solicitation and sales during the experience period.

The Company was requested to provide a list of all advertising and marketing materials used during the experience period. The Company indicated that they have no advertising and sales materials that fall under the scope of this examination period. The Company’s web site was reviewed to ascertain compliance with Act 205, Section 5 (40 P.S. §1171.5), Unfair Methods of Competition and Unfair or Deceptive Acts or Practices, Title 31, Pennsylvania Code, Chapter 51 and Title 31, Pennsylvania Code, Section 73.136. 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, Title 18, Pennsylvania Consolidated Statutes, Section 4117(k), Fraud notice, and Title 31, Pennsylvania Code, Chapter 73, Sections: 73.114 insurability requirements, 73.115 benefits exclusions, 73.116 age requirements, 73.130 election of coverage and disclosure requirements, 73.133 group examination and audits and 73.136(a) approval of forms and rates. The following violation was noted:

1 Violation - Title 18, Pennsylvania Consolidated Statutes, Section 4117(k)

All applications for insurance and all claim forms shall contain or have attached thereto the following notice:

“Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance ace, which is a crime and subjects such person to criminal and civil penalties.”

Credit life application form number UND-157 did not contain the required fraud statement.

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 136 active producers and 57 terminated producers. The entire 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 2001, 2002, 2003, and 2004. The Company identified a total of 10 consumer complaints received during the experience period. All 10 consumer complaint files were requested, received and reviewed. The Company also 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 13 general segments.

- A. Underwriting Guidelines
- B. Group Life Closed End Monthly Outstanding Balance Certificates Issued
- C. Accident & Health Single Closed End Monthly Outstanding Balance Certificates Issued
- D. Group Credit Card Life and Accident & Health Coverage Certificates Issued
- E. Group Credit Card Life and Accident & Health Coverage Terminated
- F. Group Life Single Premium Certificates Issued
- G. Group Life Single Premium Certificates Cancelled
- H. Group Accident & Health Single Premium Certificates Issued
 - I. Group Accident & Health Single Premium Certificates Cancelled
 - J. Group Accidental Death & Dismemberment Certificates Issued
 - K. Group Accidental Death & Dismemberment Certificates Cancelled
 - L. Group Life Mortgage Single Premium Certificates Cancelled
 - M. Group Accident & Health Mortgage Single Premium Certificates Cancelled

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, manuals, bulletins and declination procedures for all individual and group products solicited or sold during the experience period. The guidelines and manuals received were reviewed to ensure that underwriting guidelines were in place and being followed in a uniform and

consistent manner and that 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. Group Life Closed End Monthly Outstanding Balance Certificates
Issued**

The Company was requested to provide a list of all group certificates issued during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Joint Level	399	10
Joint Net	1,938	15
Single Debtor Level	2	2
Single Level	1,415	10
Single Net	5,188	18
Total		55

The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. No violations were noted.

**C. Group Accident & Health Single Closed End Monthly Outstanding
Balance Certificates Issued**

The Company was requested to provide a list of all group certificates issued during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Critical Period Full Term Credit 14 R	399	10
Critical Period Monthly Debtor Group 30R	1,938	15
Total		25

The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. No violations were noted.

D. Group Credit Card Life and Accident & Health Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 2 credit card life and accident & health coverage certificates issued. Both certificate files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. No violations were noted.

E. Group Credit Card Life and Accident & Health Certificates Terminated

The Company was requested to provide a list of all terminated certificates during the experience period. The Company identified a universe of 2 credit card life and accident & health terminated certificates. Both certificate files were requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations. The accounts were terminated due to bankruptcy and or conversion. No violations were noted.

F. Group Life Single Premium Certificates Issued

The Company was requested to provide a list of all group certificates issued during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Joint Regular Gross	1,745	20
Single Regular Net	610	10
Single Regular Gross	5,752	20
Joint Regular Net	99	10
Total		60

The files were reviewed to ensure compliance with contract provisions, issuance and rating laws and regulations. The following violations were noted:

6 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 6 files noted were missing pertinent information.

G. Group Life Single Premium Certificates Cancelled

The Company was requested to provide a list of all group certificates cancelled during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Joint Regular Gross	1,941	20
Joint Regular Net	1,461	25
Single Regular Gross	5,502	25
Single Regular Net	4,213	25
Total		95

The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. The following violations were noted:

2 Violations - Title 31, Pennsylvania Code, Section 73.127(b) Refunds.

(b) Refund time frame. Refunds of premiums paid by or charged to the debtor shall be remitted to the debtor or credited to the debtor's outstanding indebtedness within 10 working days after the agent or group policyholder receives the refund from the insurer. The refunds in the files noted were not provided to the debtor within 10 working days.

18 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. Of the 18 violations noted, 12 certificate files were not provided and 6 files were missing a copy of the certificate.

H. Group Accident & Health Single Premium Certificates Issued

The Company was requested to provide a list of all accident and health certificates issued during the experience period. The Company identified a universe of 5,500 regular Pre-Ex accident and health single coverage group certificates issued. A random sampling of 20 certificates was requested. Of the 20 certificate files requested, 19 files were received and reviewed. The files were reviewed to ensure compliance with contract provisions, issuance, and rating laws & regulations. The following violation was noted:

1 Violation – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor’s insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The file noted was not provided.

I. Group Accident & Health Single Premium Certificates Cancelled

The Company was requested to provide a list of all group certificates cancelled during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Single Pre-Ex Regular 14 Retro	7,652	25
Single Pre-Ex 14R Wachovia	710	20
Total		45

The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. The following violations were noted:

3 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. Two files were not provided and one file was missing pertinent information.

J. Group Accidental Death & Dismemberment Certificates Issued

The Company was requested to provide a list of all certificates issued during the experience period. The Company identified a universe of 513 certificates of accidental death and dismemberment (DMO Data) issued. A random sample of 25 certificates was requested, received and reviewed. The files were reviewed to determine compliance to issuance, replacement and underwriting statutes and regulations. No violations were noted.

K. Group Accidental Death & Dismemberment Certificates Cancelled

The Company was requested to provide a list of all cancelled certificates during the experience period. The Company identified a universe of 1,846 accidental death and dismemberment (DMO Data) cancelled certificates. A random sample of 25 files was requested, received and reviewed. The files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice. No violations were noted.

L. Group Life Mortgage Single Premium Certificates Cancelled

The Company was requested to provide a list of all group certificates cancelled during the experience period. The table below lists the group coverage sections and the universes identified by the Company. The table also reflects the random samples selected for each section reviewed.

Coverage Description	Universe	Sample
Single Net Payoff	242	20
Joint Net Payoff	40	10
Total		30

The files were reviewed to ensure compliance with contract provisions, termination laws and regulations and proper return of any unearned premium. No violations were noted.

M. Group Accident & Health Mortgage Single Premium Certificates Cancelled

The Company was requested to provide a list of all accident and health cancelled certificates during the experience period. The Company identified a universe of 411 accident and health mortgage single covers Pre-X 14 Retro – Wachovia cancelled certificates. A random sample of 20 certificate files was requested, received and reviewed. The files were reviewed to ensure compliance with contract provisions, termination laws and regulations, and proper return of any unearned premium. The following violations were noted:

2 Violations – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The 2 certificate files were missing applications.

IX. ACTIVE CREDIT GROUP AUDITS

The Company was requested to provide a list of their group policyholders active during the experience period. The Company identified a universe of 44 active groups. A random sample of 25 active groups was selected for the Company to provide copies of the group's policies and required annual examinations. Of the 25 group policies and subsequent audits requested, 3 groups were not Pennsylvania groups. The audits were requested and reviewed to ensure compliance with Title 31, Pennsylvania Code, Section 73.133. Subsections (e), (f), (g) and (h) of Section 73.133 provides for the insurers responsibility in conducting an annual examination of creditors to ensure compliance and the requirements to establish and maintain written records of its creditor examination. The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 73.133(h)

(h) Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The group policy was not provided.

2 Violations – Title 31, Pennsylvania Code, Section 73.133(e), Claims and examination procedures.

(e) Creditor examination. An insurer shall be responsible for conducting a thorough examination of creditors with respect to its credit insurance business during the first policy year and at least annually thereafter to assure compliance with this chapter and other applicable insurance laws and regulations of the Commonwealth. The

examination shall verify the accuracy of premiums or other identifiable insurance charges, premium refunds, claim payments which have been reported to the insurer and any other pertinent information necessary for the insurer to determine that debtors are being afforded proper coverage. Examinations performed by an insurer shall be subject to review by the Department. Audits were not performed for the 2 groups 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 claim manuals and procedures (guidelines) 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 3 distinct claim systems:

- A. DMOv2 Life Claims
- B. XYCorv2 Life, Accident & Health Claims
- C. PMS WR Life, Accident & Health Credit Card Claims

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. The life claims were additionally reviewed for compliance with Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b).

A. DMOv2 Life Claims

The Company was requested to provide a list of all the claims received during the experience period. The Company identified a universe of 37 DMOv2 life claims received. All 37 life claims were requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146 and Insurance Company Law, Section 411B, Payment of Interest (40 P.S. §511b). The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The denial letter was missing in the file noted.

B. XYCORv2 Life, Accident and Health Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 10, 715 XYCORv2 life, accident and health claims. A random sample of 50 claims was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

1 Violation – Title 31, Pennsylvania Code, Section 146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The file noted was missing the date stamp on the death certificate.

1 Violation - Title 31, Pennsylvania Code, Section 146.6

Every insurer shall complete investigation of a claim, within 30 days after notification of a claim; unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company failed to provide a 45 day timely status letter for the claim noted.

C. PMS WR Life, Accident & Health Credit Card Claims

The Company was requested to provide a list of claims received during the experience period. The Company identified a universe of 105 PMS WR life, accident and health credit card claims. A random sample of 15 claim files was requested, received and reviewed. The claim files were reviewed for compliance with Title 31, Pennsylvania Code, Chapter 146. The following violations were noted:

7 Violations – Title 31, Pennsylvania Code, Section 146.3

The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be

reconstructed. The following violations were noted because the beginning date of the claim was different than was previously reported to the Department and the claim start date could not be documented. The 7 files noted were missing pertinent information.

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. 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 provide acknowledgement within 10 working days for the claim file noted.

XI. RECOMMENDATIONS

The recommendations 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 and revise internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.
2. The Company must implement procedures to ensure compliance with the fraud statement notice requirements of Title 18, Pennsylvania Consolidated Statutes Section 4117(k).
3. The Company must review and revise procedures to ensure compliance with record retention requirements of Title 31, Pennsylvania Code, Section 73.133(h).
4. The Company must implement procedures to ensure compliance with annual audit and examination requirements of Title 31, Pennsylvania Code, Section 73.133(e).
5. The Company must review and revise procedures to ensure compliance with refund requirements of Title 31, Pennsylvania Code, Section 73.127.

XII. COMPANY RESPONSE

COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
MARKET CONDUCT EXAMINATION OF USLIC
FOR THE PERIOD 7/1/2004- 6/30/2005
COMPANY RESPONSE TO DRAFT REPORT

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
9	V. Forms <u>Certificates of Insurance</u>	§4117(k)	1	22	All applications for insurance and all claim forms shall contain or have attached thereto the following notice: "Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties." The review revealed that credit life application form number UND-157 did not contain the required fraud statement.	The Company disagrees with the finding(s): Our records indicate that application form UND-157 and Single Premium certificate form NAD were not issued/in use during the exam period. These forms were erroneously identified as forms in use during the exam period. Form UND-157 was obsolete.
15 & 16	VIII. Underwriting F. Group Life Single <u>Premium Certificates Issued</u>	§73.133(h)	6	9A & 11A	Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The review revealed that six files were missing pertinent information.	Noted.

COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
 MARKET CONDUCT EXAMINATION OF USLIC
 FOR THE PERIOD 7/1/2004- 6/30/2005
 COMPANY RESPONSE TO DRAFT REPORT

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
16 & 17	VIII. Underwriting cont. G. <u>Group Life Single Premium Certificates Cancelled</u>	§73.127(b)	3	12	Refund time frame. Refunds of premiums paid by or charged to the debtor shall be remitted to the debtor or credited to the debtor's outstanding indebtedness within 10 working days after the agent or group policyholder receives the refund from the insurer. The review revealed that refunds in the three files noted were not provided to the debtor within 10 working days.	The Company requests for clarification the number of violations. The report indicates 3 and Section 12 Exit Summary 3 indicates 2. Noted.

COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
MARKET CONDUCT EXAMINATION OF USLIC
FOR THE PERIOD 7/1/2004- 6/30/2005
COMPANY RESPONSE TO DRAFT REPORT

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
17	VIII. Underwriting cont. G. Group Life Single Premium Certificates Cancelled cont.	§73.133(h)	18	10B, 11B, 12	Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The review revealed that twelve certificate files were not provided and six files were missing a copy of the certificate.	Noted.
17 & 18	H Group Accident & Health Single Premium Certificates Issued	§73.133(h)	1	14A	Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The review revealed that one file was not provided.	Noted.

**COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
 MARKET CONDUCT EXAMINATION OF USLIC
 FOR THE PERIOD 7/1/2004- 6/30/2005
 COMPANY RESPONSE TO DRAFT REPORT**

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
18 & 19	<p>VIII. Underwriting cont.</p> <p><u>I. Group Accident & Health Single Premium Certificates Cancelled</u></p>	§73.133(h)	3	14B	<p>Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The review revealed that two files were not provided and one file was missing pertinent information.</p>	Noted.
20 & 21	<p><u>M. Group Accident & Health Mortgage Single Premium Certificates Cancelled</u></p>	§73.133(h)	2	19	<p>Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The review revealed that two certificate files were missing applications.</p>	Noted.

COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
MARKET CONDUCT EXAMINATION OF USLIC
FOR THE PERIOD 7/1/2004- 6/30/2005
COMPANY RESPONSE TO DRAFT REPORT

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
22	IX. Active Credit Group Audits	§73.133(h)	1	1	<p>Record of coverage. An insurer or, at the option of the insurer, the creditor shall establish and maintain adequate credit insurance records for at least 2 years after the termination of an individual debtor's insurance coverage. The records shall identify each individual debtor, the amount insured, the term of the insurance, the charge for the insurance and any refunds of unearned premiums. The records shall be made available for Department review upon request. The review revealed one group policy was not provided.</p>	Noted.

COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
 MARKET CONDUCT EXAMINATION OF USLIC
 FOR THE PERIOD 7/1/2004- 6/30/2005
 COMPANY RESPONSE TO DRAFT REPORT

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
22 & 23	IX. Active Credit Group Audits cont.	§73.133(e)	4	1	<p>Creditor examination. An insurer shall be responsible for conducting a thorough examination of creditors with respect to its credit insurance business during the first policy year and at least annually thereafter to assure compliance with this chapter and other applicable insurance laws and regulations of the Commonwealth. The examination shall verify the accuracy of premiums or other identifiable insurance charges, premium refunds, claim payments which have been reported to the insurer and any other pertinent information necessary for the insurer to determine that debtors are being afforded proper coverage. Examinations performed by and insurer shall be subject to review by the Department. The group policy shall contain a provision explaining that the account will be examined annually. The review revealed that 4 group contracts did not include the required annual audit provision.</p>	<p>The Company disagrees with the finding(s): With respect to violations 9, 10, 13, and 21, life policies L-D-C and L-V-S, and disability policy W-D-H currently contain a provision titled <i>Examination of Records</i> which addresses the requirement that the group policy contain a provision explaining that the account will be examined annually. Please refer to page 5 of form L-D-C, page 5 of form L-V-S and page 4 of form W-D-H. Please also note that the language in the <i>Examination of Records</i> provision was approved by the Department, as evidenced by the stamp of approval on page 1 of each form.</p>

COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
MARKET CONDUCT EXAMINATION OF USLIC
FOR THE PERIOD 7/1/2004- 6/30/2005
COMPANY RESPONSE TO DRAFT REPORT

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
23	IX. Active Credit Group Audits cont.	§73.133(e)	3	1	<p>Creditor examination. An insurer shall be responsible for conducting a thorough examination of creditors with respect to its credit insurance business during the first policy year and at least annually thereafter to assure compliance with this chapter and other applicable insurance laws and regulations of the Commonwealth. The examination shall verify the accuracy of premiums or other identifiable insurance charges, premium refunds, claim payments which have been reported to the insurer and any other pertinent information necessary for the insurer to determine that debtors are being afforded proper coverage. Examinations performed by and insurer shall be subject to review by the Department. The group policy shall contain a provision explaining that the account will be examined annually. The review revealed that audits were not performed for 3 groups noted.</p>	<p>Bank of America (Group 9) is a terminated client and was not active during the exam period. Audit procedures have been revised to perform audits of all clients active in the State of PA, regardless of premium volume.</p>
24 & 25	X. Claims A. <u>DMOV2 Life Claims</u>	§146.3	1	23	<p>The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The review revealed that the denial letter was missing in the file noted.</p>	Noted.

**COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
 MARKET CONDUCT EXAMINATION OF USLIC
 FOR THE PERIOD 7/1/2004- 6/30/2005
 COMPANY RESPONSE TO DRAFT REPORT**

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
25 & 26	X. Claims cont. B. XYCORv2 Life, Accident and Health Claims	§146.3	1	24	The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The review revealed that the file noted was missing the date stamp on the death certificate.	Noted.
26		§146.6	1	24	Every insurer shall complete investigation of a claim, within 30 days after notification of a claim; unless the investigation cannot reasonably be completed within the time. If the investigation cannot be completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The review revealed the Company failed to provide a 45 day timely status letter for the claim noted.	Noted.

**COMMONWEALTH OF PENNSYLVANIA INSURANCE DEPARTMENT
 MARKET CONDUCT EXAMINATION OF USLIC
 FOR THE PERIOD 7/1/2004- 6/30/2005
 COMPANY RESPONSE TO DRAFT REPORT**

REPORT PAGE	REPORT SECTIONS	STATUTE(S)	# OF INSTANCES	SUMMARY SECTION	ALLEGED FINDING	COMPANY POSITION
26 & 27	X. Claims cont. C. <u>PMS WR Life Accident & Health Credit Card Claims</u>	§146.3	7	25	The claim files of the insurer shall be subject to examination by the Commissioner or by his appointed designees. The files shall contain notes and work papers pertaining to the claim in the detail that pertinent events and the dates of the events can be reconstructed. The review revealed that the 7 files noted were missing pertinent information.	Noted.
27		§146.5	1	25	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. If and acknowledgement is made by means other than writing, an appropriate notation of such acknowledgement shall be made in the claim file of the insurer and dated. The review revealed that the Company failed to provide acknowledgement within 10 working days for the claim file noted.	Noted.

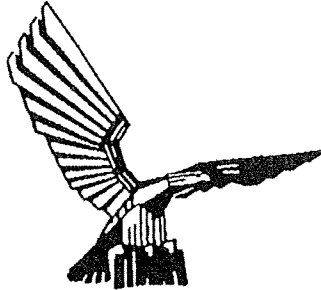
Union Security Life Insurance Company

A STOCK INSURANCE COMPANY
HEREIN CALLED "THE COMPANY."
"WE, OR US"

INCORPORATED UNDER
THE LAWS OF DELAWARE

Administrative Offices:
3290 Northside Parkway
Atlanta, Georgia 30327

Home Office:
Wilmington, Delaware



AGENCY NO. [1234]

POLICY NO. [L-V-S-1]

In consideration of the application, attached and made a part hereof, and of the payment of all premiums as they are due, we agree to insure the lives of eligible Debtors named in the application. Subject to the terms and conditions of this policy and upon written proof of death, we agree to pay to the Creditor (called you), as irrevocable first beneficiary, the amount for which the Debtor is insured (called Insured Debt) at his death. The amount paid will be applied to pay off or reduce the amount of the Debtor's indebtedness to you under his [Home Equity Line] account (called Account). If joint coverage is provided, the amount payable upon the death of one of the joint insureds will not exceed the amount that would have been provided had single life coverage been granted. If the amount of insurance exceeds the amount so paid, we will pay the excess to the second beneficiary of the insured debtor, or if one is not named, to his estate (or divided equally between the second beneficiaries or estates of both Debtors when joint coverage is provided and the Debtors die simultaneously). Our liability will end with such payment(s).

Approved, Effective 3-31-92

CREDITOR:

Pennsylvania Insurance Department

The provisions on the following pages are made a part of this policy.

Premiums are payable by you in amounts determined as hereinafter provided. Premiums shall be calculated on the amounts determined as hereinafter provided. Premiums shall be calculated on the accounts of insured Debtors on each of their respective monthly billing dates and the Creditor shall remit to us the premiums so calculated during each month on the first of each succeeding month during the continuance of this policy.

IN WITNESS WHEREOF, UNION SECURITY LIFE INSURANCE COMPANY has caused this policy to be issued at its Administrative Office in Atlanta, Georgia and effective this [first] day of [April], 19[92].

SECRETARY

PRESIDENT

Registrar

MONTHLY PREMIUM OUTSTANDING BALANCE
GROUP CREDIT LIFE NON-PARTICIPATING INSURANCE POLICY
CREDITOR-DEBTOR INSURANCE ONLY

Union Security Life Insurance Company

ELIGIBLE DEBTORS. Any Debtor is eligible for coverage if:

- (1) He/She is a natural person (not a partnership, corporation or association) of the class defined in the application for this policy;
- (2) He/She will not exceed the age [65] years at the time of his request for coverage;
- (3) He/She furnishes evidence of insurability satisfactory to us, when required (Evidence of insurability satisfactory to us means the debtor has completed an Application For Credit Life Insurance with all "no" answers.);
- (4) He/She requests the insurance and agrees to pay the required premium contribution (if any) to you; and
- (5) The debt for which he/she is applying for coverage on is equal to or less than the Maximum Amount of Insurance specified in the Individual Maximum Amount of Insurance.

If a certificate is issued in error to a Debtor who exceeds the eligibility age and he has correctly stated his age in writing, we may terminate the coverage at the end of any billing cycle and refund the full premium paid, providing no claim was incurred prior to such termination.

MAXIMUM AGE. A Debtor is not eligible for any coverage under this policy if his age exceeds [65]. If a certificate is issued in error to a debtor who exceeds the eligibility age and he has correctly stated his age in writing, we may terminate the coverage at the end of any billing cycle and refund the full premium paid, providing no claim was incurred prior to such termination. If joint coverage was provided, the coverage will terminate on the ineligible debtor, a refund will be that portion of the premium paid for the ineligible debtor, and a certificate providing single debtor coverage will be issued to the eligible debtor.

If the Debtor has misstated his age in writing and his correct age would have made him ineligible for coverage, we will terminate the coverage in accordance with the INCONTESTABILITY provision. If joint coverage is provided and either the Debtor or Co-Debtor misstates his date of birth, the coverage will terminate on the ineligible debtor and a refund will be made of the portion of the premium paid for the ineligible debtor, and a certificate will be issued to the eligible debtor.

EVIDENCE OF INSURABILITY. Evidence of insurability satisfactory to us:

- [X] (1) will be required on all Debtors;
- ____ (2) will be required on any Debtor if the desired insurance coverage exceeds \$_____. All Debtors will be eligible for up to \$_____ without satisfactory evidence of insurability; or
- ____ (3) may be required on any Debtor if the number of new Debtors insured under this policy in any twelve month period is less than seventy-five percent of the number of new Debtors becoming eligible in such period.

JOINT DEBTORS. If two eligible Debtors are jointly indebted to you (each having an unconditional obligation to pay you on one account), joint life insurance may be provided. The joint insured Debtors will be designated as Debtor and Co-Debtor, and all references to the "Debtor" will include the Debtor and Co-Debtor. Only one death benefit will be paid with respect to any one account. Payment of the insurance proceeds in the event of death of either the Debtor or the Co-Debtor will end our liability. If both Debtors die simultaneously we will equally divide any excess benefits between the second beneficiaries or estates of both debtors.

Union Security Life Insurance Company

INDIVIDUAL EFFECTIVE DATE. Provided that the appropriate premium therefor has been paid, insurance coverage hereunder with respect to an eligible debtor will become effective the latest of:

- (1) the date of issue of this policy;
- (2) the date the account is opened and the Debtor requests coverage and agrees to pay the monthly charge, if any; or
- (3) if evidence of insurability is required by us, such evidence is furnished within thirty (30) days of the date the account is opened and upon determination by us that the evidence is satisfactory, the date the account is opened.

The effective date of coverage for each part of the insurance attributable to a different advance or charge to the Debtor's account is the date on which the advance or charge is posted to the account.

TERM OF COVERAGE. The insurance begins as provided under the INDIVIDUAL EFFECTIVE DATE provision, and will continue until terminated as provided in TERMINATION OF INDIVIDUAL COVERAGE. If the account has a zero balance, no benefit is provided.

TERMINATION OF INDIVIDUAL COVERAGE. Our liability for coverage of an insured Debtor will terminate automatically on the Debtor's monthly billing date after the first to occur of any of the following events:

- (1) the insured Debtor reaches age [66]; or if joint coverage is provided, when the older of the Debtor and Co-Debtor reaches age [66] (a certificate providing single debtor coverage will be issued to the eligible debtor);
- (2) the date on which the insured Debtor has been delinquent in payment on the account for [60] days; coverage may be reinstated when the account is no longer delinquent;
- (3) thirty-one (31) days after the insured Debtor is notified that the group policy has been terminated;
- (4) after the insured Debtor notifies you of his wish to terminate coverage;
- (5) the date the Debtor's account is closed;
- (6) the date you renegotiate or approve an increase in the Debtor's credit line amount;
- (7) the debt is discharged by payment of the death proceeds.

INDIVIDUAL INSURED DEBT. The amount of Insured Debt will be calculated as follows:

- (1) The balance in the account on the date of death, subject to the Maximum Amount of Insurance, including all charges and credits made prior to death and assuming that amounts first borrowed are first repaid, less
- (2) any amounts excluded under either the Suicide or Pre-existing Exclusions.

Our liability in the event any amounts are excluded will be limited to a refund of the premium paid for such amounts. If joint coverage is provided, the refund will be that portion of the premium paid for the deceased debtor and we will issue a certificate providing single debtor coverage on the surviving debtor. The refund will equal the difference between the premium actually charged for the joint life coverage and the premium that would have been charged had single life coverage been provided.

Union Security Life Insurance Company

INDIVIDUAL MAXIMUM AMOUNT OF INSURANCE. The maximum amount for which a Debtor may be insured under this policy will be the least of the Debtor's credit line amount, the outstanding balance in the Debtor's account, or \$ [25,000]. The maximum limitations will not be used to deny or reduce liability under this policy; if a Debtor is charged for insurance in excess of the aforementioned maximums in error, we have the right during each billing cycle to adjust the Debtor's coverage, provided the Debtor is alive on the adjustment date. However, if the Debtor should die prior to any such adjustment, we will be liable for any valid claim subject to the amount of insurance purchased by the charge collected from the Debtor.

SUICIDE EXCLUSION. If death is a result of suicide and:

- (1) such death occurs within one year from the initial Individual Effective Date, all amounts owing under the account will be excluded; or
- (2) such death occurs within one year from the date of any advance made to the Debtor, the total amount of all such advances will be excluded.

PRE-EXISTING EXCLUSION. A pre-existing condition is defined as an illness, injury, or medical condition which required medical advice, diagnosis or treatment in the six months prior to the date of any advance and which resulted in the death of the Debtor not more than six months after the date of the advance. We will exclude the total amount of all advances made to the Debtor in the time-frame outlined in the definition of pre-existing condition. The pre-existing exclusion will not apply to any debt owed on the initial Individual Effective Date.

MINIMUM NUMBER OF NEW DEBTORS. If the number of new debtors becoming eligible for insurance under this Policy during any one year is less than one hundred, then no additional debtors will be insured thereafter.

PREMIUMS. The premium will be charged to the account of the Debtor on his monthly billing date.

The monthly premium charge for the insurance will be determined by applying the premium rate shown below to the least of:

- (1) the Debtor's credit line amount;
- (2) \$ [25,000]; or
- (3) to the Debtor's Month Ending, Average Daily or Daily Balance in his account depending on the Calculation Method marked below.

If Daily Balance is marked, the monthly charge will equal the sum of all daily amounts calculated during the billing period.

Calculation Method:	Single Debtor	Joint Debtor
<input checked="" type="checkbox"/> Month Ending Balance	Rate: \$ <u>[.0783]</u> /\$100	\$ <u>[.1370]</u> /\$100
<input type="checkbox"/> Average Daily Balance	\$ _____ /\$100	\$ _____ /\$100
<input type="checkbox"/> Daily Balance	\$ _____ /\$100	\$ _____ /\$100

You will remit to us the sum of all such premiums accumulated during the month on the first day of each succeeding business month during the continuance of this policy. The rates are subject to change as required by the Pennsylvania Insurance Department.

GRACE PERIOD. A grace period of thirty-one (31) days, without interest charge, will be allowed for the payment of each premium except the first during which grace period the coverage shall continue in force, unless you give us written notice to terminate this policy in advance of the termination date and in accordance with the terms of this Policy. If any premium is not paid within these days of grace, this policy will terminate at the end of the grace period, unless earlier terminated as stated below. You will be liable to us for the payment of the sum of all premiums due, including those accumulated during the grace period.

Union Security Life Insurance Company

REPORT OF NEW INSUREDS. On the first day of each month you will send to us a schedule, on a form furnished by us, of Debtors whose lives have been insured under this policy during the previous month. This schedule includes data which we require to determine the extent of our liability, the accuracy of the premium charges included and conformity of such insurance with the terms of this policy.

CLERICAL ERROR. If you fail to include the data with respect to a Debtor on the monthly schedule due to clerical error, this will not invalidate a Debtor's insurance coverage if your intent to insure him is evident and the premium is paid to us in due course.

EXAMINATION OF RECORDS. We will have the right to examine your records at any time and at least once each policy year we will audit the records.

RENEWAL AND TERMINATION PRIVILEGES. This policy will be renewed automatically from policy year to policy year, and will continue in force unless terminated:

- (1) by written notice from us to you;
- (2) by written notice from you to us; or
- (3) automatically for non-payment of premium.

After this policy is terminated, no insurance will be provided after termination with respect to debt previously or thereafter incurred.

DEBTOR'S CERTIFICATE OF INSURANCE. You will deliver to each Debtor (or joint debtors) insured under this policy on the date the account is opened or, within thirty (30) days following the Debtor's effective date, on a form furnished by us, a certificate stating that:

- (1) the Debtor is insured under the terms of this policy;
- (2) should he die, the benefits payable will be applied to pay off or reduce his indebtedness to you;
- (3) any excess benefits will be paid to the second beneficiary named by him, or if one is not named, to his estate. If a certificate is not delivered on the effective date, a notice of proposed insurance shall be given to the Debtor.

ENTIRE CONTRACT; CHANGES. This policy, along with the attached application and any application of Debtors, make up the entire contract between the parties. This policy may be changed at any time without the consent of any insured Debtor, but no change of the policy and no waiver of its provisions will be valid unless made in writing and signed by one of our officers.

INCONTESTABILITY. The policy is incontestable, except for non-payment of premium, after it has been in force for two years from date of issue. No statement made by or on behalf of any insured Debtor relating to his insurability will be used in contesting the validity of his coverage with respect to which such statement was made after his coverage has been in force prior to the contest for a period of two years during his lifetime nor unless it is contained in a written application signed by him and a copy was given to him. If joint coverage is provided and the coverage is contested with respect to one of the joint debtors, we will refund the portion of the premium applicable to the deceased debtor, and issue a certificate providing single debtor coverage on the surviving debtor.

STATEMENTS ARE REPRESENTATIONS AND NOT WARRANTIES. All statements made by you or by Debtors, in the absence of fraud, are deemed representations and not warranties; no statement made by any Debtor insured under this policy will be used in any contest unless a copy of that statement is furnished to him or his beneficiary.

NON-PARTICIPATING POLICY. This policy will not share in any of our earnings.

CONFORMITY WITH STATE STATUTES. Any provision of this policy which, on its effective date, is in conflict with the statutes of the state in which this Policy is issued is changed to conform to the minimum requirements of such state.

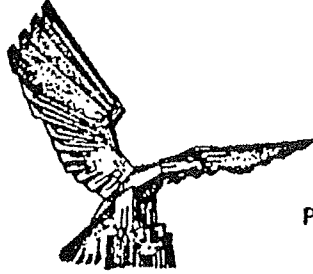
Union Security Life Insurance Company

A STOCK INSURANCE COMPANY
HEREIN CALLED "THE COMPANY,"
"WE, OR US"

Administrative Offices:
3290 Northside Parkway
Atlanta, Georgia 30327

INCORPORATED UNDER
THE LAWS OF DELAWARE

Home Office:
Wilmington, Delaware



AGENCY NO. 123-000

POLICY NO. L-D-G-1

In consideration of the application herefor, a copy of which is attached hereto and made a part hereof, and of the payment of all premiums as they are due as hereinafter provided, COMPANY HEREBY AGREES TO INSURE the lives of Debtors specified in said application, and agrees, subject to the terms and conditions of this policy, that upon receipt of due proof in writing of the death of any Insured Debtor, the Company will pay to the Creditor named below, as irrevocable first beneficiary, the amount necessary to discharge the Debtor's indebtedness to the Creditor at his death, not exceeding the amount of insurance in force. The amount so paid to the Creditor shall be applied by the Creditor toward the discharge of the Debtor's indebtedness. If the amount of insurance in force on the Debtor at death exceeds the amount of the indebtedness then due, the Company will pay or cause to be paid the amount of such excess to the second beneficiary or, if none be designated, to the estate of the Debtor. If joint coverage is provided, the amount payable upon the death of one of the joint insureds will not exceed the amount that would have been provided had single life coverage been granted. Payment or payments so made by the Company shall completely discharge the Company's liability with respect to the amount or amounts so paid. The insurance under this policy shall not be assignable.

CREDITOR:

The date of issue of this policy is the 1st day of March, 1986.

The provisions on the subsequent pages hereof are hereby made a part of this policy.

IN WITNESS WHEREOF, the Company has caused this policy to be executed at its administrative office in Atlanta, Georgia, as of the date of issue above stated.

APPROVED. EFFECTIVE March 14, 1986

PENNSYLVANIA INSURANCE DEPARTMENT

SECRETARY

BY Joan Shattuck PRESIDENT

Registrar

SINGLE PREMIUM
GROUP CREDIT LIFE INSURANCE
NET PAY-OFF
NON-PARTICIPATING
CREDITOR-DEBTOR INSURANCE ONLY

Union Security Life Insurance Company

PREMIUMS. The premium to be charged for the Insurance provided hereunder shall be determined according to the actuarial premium method calculation attached to and made a part hereof. The Debtor's charge will be the product of the premium rate applicable to the Debtor's term of coverage times the Original Amount of Insurance.

For the purpose of premium computation, periods of less than 15 days shall be excluded and periods of 15 days or more shall be considered a whole month. The Creditor will remit to the Company the sum of all such single premium charges accumulated during the month.

The first premium hereunder shall be payable on the first day of the month next succeeding the month in which this policy is issued, with respect to Debtors joining the group of insured Debtors from the date of issue of this policy to the end of the month in which it is issued; Premiums with respect to Debtors joining the group of insured Debtors in each calendar month thereafter shall be payable on the first day of the succeeding month. Unless such premiums are timely paid, the insurance upon such Debtors shall not be effective.

GRACE PERIOD. A grace period of thirty-one (31) days will be allowed for the payment of any premiums due except the first, during which grace period the death benefit coverage shall continue in force, unless the Creditor shall have given the Company written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of this policy. The Creditor shall be liable to the Company for the payment of the sum of all single premiums collected for the term the policy was in force during such agreed period.

ELIGIBILITY REQUIREMENTS. A debtor shall be eligible for insurance coverage under this policy if:

- (a) At the time of incurring the indebtedness to the Creditor, the Debtor's age does not exceed 65.
- (b) The evidence of insurability of the Debtor, if required by the Company, shall be satisfactory.
- (c) The Debtor shall not be a partnership, association or corporation.

INDIVIDUAL EFFECTIVE DATE. Provided that the premium therefor has been paid by the Debtor to the Creditor, insurance coverage hereunder with respect to any eligible Debtor shall be effective the latest of (a) the date the indebtedness is incurred, (b) if evidence of insurability is required by the Company, such evidence is furnished within thirty days of the date of the note and upon determination by the Company that the evidence is satisfactory, the date the indebtedness is incurred, or (c) if evidence of insurability is required by the Company and such evidence is furnished more than 30 days after the date of the note, the date the Company determines such evidence to be satisfactory, in which case an adjustment of the amount charge for insurance will be made.

JOINT DEBTORS. If two eligible Debtors are jointly indebted to the Creditor (each having an unconditional obligation to pay the Creditor on one evidence of indebtedness), joint life insurance may be provided. The joint insured Debtors shall be designated as Debtor #1 and Debtor #2, and all references to the "Debtor" herein shall include Debtor #1 and Debtor #2. Under no circumstances will more than one death benefit be paid hereunder with respect to any one indebtedness. Payment of the insurance proceeds in the event of death of either Debtor #1 or Debtor #2 shall fully discharge all liability of the Company hereunder. In the event that it is impossible

Union Security Life Insurance Company

to determine whether Debtor #1 or Debtor #2 died first, Debtor #1 shall be presumed to have died first and the death benefit will be paid only for Debtor #1; any excess insurance will be paid to the Second Beneficiary of Debtor #1, if living, otherwise to the estate of Debtor #1.

MAXIMUM AGE. A debtor is not eligible for coverage under this policy if he has attained the age of sixty-six years. If a debtor exceeds the eligibility age, has correctly stated his age in writing, and a certificate is issued to him in error, the Company may within 60 days from the date of the loan terminate coverage and refund the single premium paid, providing no claim was incurred prior to the date of termination. If joint coverage is provided the Company will refund the appropriate portion of the premium to the ineligible debtor and will issue a certificate providing single debtor coverage on the eligible debtor.

If a debtor has misstated his age in writing and his correct age would have made him ineligible for any coverage hereunder, the Company shall terminate coverage in accordance with the incontestability provision.

MINIMUM NUMBER OF NEW DEBTORS. If the number of new debtors becoming eligible for insurance under this Policy during any year is less than one hundred, then no additional Debtors will be insured thereafter.

EVIDENCE OF INSURABILITY. If the number of new Debtors insured under this policy in any twelve month period is less than seventy-five percent of the number of new Debtors becoming eligible in such period, the Company may require that any Debtor becoming otherwise eligible thereafter furnish evidence of insurability satisfactory to the Company as a condition to coverage hereunder.

TERM OF INDIVIDUAL COVERAGE. The term of coverage with respect to any Insured Debtor is hereby defined as the term of the note, installment contract or other written evidence of indebtedness to the Creditor; in no event shall the term of indebtedness exceed 120 months. For the purpose of determining the term of the coverage the **INDIVIDUAL EFFECTIVE DATE** of the Debtor's coverage shall be the beginning date. The maximum limitation will not be used to deny liability under this policy.

ORIGINAL AMOUNT OF INSURANCE. The initial insurable indebtedness with respect to an Insured Debtor is hereby defined as **THE LESSER OF** (a) the original principal amount of the promissory note, installment contract or other written evidence of indebtedness, or (b) \$ 30,000 less the amount of insurance in force on existing loans with the Creditor and insured by the Company, if any; in no event shall the total amount of insurance in force on the life of a debtor, under this or other policies issued by the Company to the Creditor, exceed \$ 30,000. The maximum limitation will not be used to deny or reduce liability under this policy; if a debtor is issued insurance in excess of the aforementioned maximum in error, the Company has the right within sixty (60) days from the date of the loan to reduce excess coverage and refund the excess charge paid by the debtor, provided the debtor is alive on the adjustment date. However, this will not preclude the Company from challenging a fraudulent misstatement concerning the amount of existing insurance during the two-year contestable period.

INSURANCE IN FORCE.

(1) The amount of insurance in force on the effective date (shown in the Debtor's Certificate) shall be the lesser of: (a) the Maximum Amount of the Insurance shown in the Schedule less the amount of insurance in force on existing loans with the Creditor and insured by the Company, if any; or (b) the initial principal indebtedness.

Union Security Life Insurance Company

- (2) If the initial amount of insurance is equal to the initial principal indebtedness, then the benefit we will pay in the event of death will be determined as follows:
- (a) If the outstanding indebtedness does not exceed the initial scheduled principal indebtedness, we will pay the scheduled principal balance plus earned interest for the current payment period on such balance determined by the interest rate on the effective date of insurance.
 - (b) If the outstanding indebtedness does exceed the initial scheduled principal indebtedness due to an increase in the interest rate on the indebtedness, we will pay the actual outstanding indebtedness up to a maximum amount equal to the sum of: (i) the scheduled principal balance plus earned interest for the current payment period on such balance determined by the interest rate on the effective date of insurance, and (ii) two regular monthly installments as determined by the initial loan interest rate. No benefit is payable if death occurs more than two months after the original scheduled maturity date of the indebtedness.
 - (c) If the outstanding indebtedness does exceed the original scheduled principal indebtedness for a reason other than an increase in the interest rate on the indebtedness, we will pay the scheduled principal balance plus earned interest for the current payment period on such balance determined by the interest rate on the effective date of insurance.
- (3) If the initial amount of insurance is less than the initial principal indebtedness, then the benefit we will pay in the event of death will be an amount equal to the amount determined in paragraph (2) above multiplied by the ratio of the initial amount of insurance to the initial principal indebtedness.
- (4) The amount of insurance in force on date of death will be paid to the Creditor to reduce or pay off the indebtedness of the Debtor, and payment by the Company will completely discharge the Company's liability with respect to the amount so paid. Any benefits in excess of those necessary to pay off the indebtedness completely will be paid to any beneficiary other than the Creditor, named by the Debtor in the Schedule, or, if none, to the Debtor's estate.

RENEWED OR REFINANCED INDEBTEDNESS. If any insurance hereunder with respect to any eligible debtor covers a renewal or refinancing of any insured indebtedness, the effective date of the coverage as it affects any provision of this policy shall be deemed to be the first date on which the debtor became insured, at least to the extent of the amount and term of the indebtedness outstanding at the time of renewal or refinancing.

EXCEPTION. The following cause of death of an insured Debtor is excepted from coverage hereunder and is not assumed by the Company: Suicide committed, while sane or insane within one (1) year following the individual effective date of coverage; in such event, however, the Company will refund the amount of the premium paid. If joint coverage is provided, the Company will refund the amount of premium applicable to the deceased debtor, and issue a certificate providing single debtor coverage on the surviving debtor.

INDIVIDUAL TERMINATION REASONS. Unless earlier terminated as provided in this policy or in the following sentence, the liability of the Company with respect to insurance on any insured Debtor shall terminate concurrently with the original scheduled

Union Security Life Insurance Com., any

maturity date of the indebtedness to such Debtor. The Company's liability shall also terminate if, prior to the termination of the TERM OF INDIVIDUAL COVERAGE of an insured Debtor, (a) the insured Debtor's indebtedness is discharged by prepayment, renewal or refinancing, (b) the insured Debtor's obligation to pay the indebtedness is transferred to another, (c) the evidence of indebtedness is transferred from the Creditor to another creditor, (d) any property securing the payment of the indebtedness is repossessed, or (e) a judgement is entered in any court of record with respect to the indebtedness. The date of such premature termination of liability shall be effective concurrently with the date of such discharge, transfer, repossession or judgment.

PREMIUM REFUNDS. Upon termination of coverage of an insured Debtor prior to the termination of the TERM OF INDIVIDUAL COVERAGE, as provided under INDIVIDUAL TERMINATION REASONS, the unearned portion of the premium or identifiable amount charged to the insured Debtor shall be refunded by the Company to the Creditor, to be paid to or credited to the account of the Debtor by the Creditor, without prejudice to any claim. The amount of the unearned premium to be so refunded shall be calculated according to the actuarial refund method on file with the Commissioner of Insurance. No refund shall be made if the amount thereof is less than \$1.00.

If joint life coverage is provided and the coverage is terminated with respect to one of the joint debtors as provided under the EXCEPTION, MAXIMUM AGE or INCONTESTABILITY provisions herein, the refund shall equal the difference between the premium actually charged for the joint life coverage and the premium that would have been charged if only single life coverage had been provided at the time the certificate was issued.

REPORT OF NEW INSUREDS. On the first day of each month the Creditor shall send to the Company a schedule, upon a form to be furnished by the Company, of Debtors whose lives have been insured under this policy during the previous month. Such schedule shall include such data as the Company may reasonably require to determine the extent of the liability it thus assumes, the accuracy of the premium charges shown thereon and that such insurance is in conformity with the terms of this policy.

EXAMINATION OF RECORDS. The Company shall have the right to examine the records of the Creditor at any time, and at least once each policy year will audit such records.

CLERICAL ERROR. Creditor's failure, due to clerical error, to include on said monthly schedule the data in respect to a Debtor shall not invalidate the insurance on the life of such Debtor if the intent to insure such Debtor at the time the indebtedness was created is evident and provided the premium therefor is paid to the Company in due course.

DEBTOR'S CERTIFICATE OF INSURANCE. On the date the indebtedness is incurred or within 30 days thereafter, the Creditor shall deliver to each Debtor (or pair of joint debtors) insured under this policy, on a form furnished by the Company, a certificate stating that the Debtor is insured under the terms of this policy, that the benefits payable hereunder by reason of death shall be applied by the Creditor toward the discharge of the Debtor's indebtedness to the Creditor, and that the excess benefits, if any, shall be paid to the second beneficiary designated by the Debtor, or if none be designated, to the estate of the Debtor. If the certificate is not delivered on the effective date, a notice of proposed insurance shall be given to the Debtor.

RENEWAL AND TERMINATION. This policy shall be renewed automatically from policy year to policy year, and shall continue in force unless and until terminated by the Company or the Creditor by giving written notice to the other, unless automatically terminated

Union Security Life Insurance Con., any

for non-payment of premium. From and after the effective date of termination no insurance shall be provided on the life of any Debtor with respect to indebtedness thereafter incurred, but the insurance coverage with respect to any Debtor insured prior to the effective date of termination shall be continued for the TERM OF INDIVIDUAL COVERAGE of such Debtor's coverage, unless earlier terminated as provided herein or in the paragraph entitled "INDIVIDUAL TERMINATION REASONS," or upon written request of the Debtor.

ENTIRE CONTRACT; CHANGES. This policy, together with the application of the Creditor attached hereto, constitutes the entire contract between the parties. This policy may be amended at any time, without the consent of any Debtor insured hereunder, but no amendment or alteration of the policy and no waiver of any of its provisions shall be valid unless made in writing and signed by an officer of the Company.

INCONTESTABILITY. The validity of this policy shall not be contested, except for non-payment of premiums after it has been in force for two years from date of issue. No statement made by or on behalf of any person insured hereunder relating to such person's insurability, age, or amount of existing insurance shall be used in contesting the validity of the coverage with respect to which such statement was made after such coverage has been in force prior to the contest for a period of two years during such person's lifetime nor unless it is contained in a written instrument signed by such person. If joint coverage is provided and the coverage is contested with respect to one of the joint debtors, the Company will refund the portion of the premium applicable to the deceased debtor and issue a certificate providing single debtor coverage on the surviving debtor.

STATEMENTS ARE REPRESENTATIONS AND NOT WARRANTIES. All statements made by the Creditor or by Debtors insured hereunder shall, in the absence of fraud, be deemed representations and not warranties; and no statements made by any Debtor insured hereunder shall be used in any contest unless a copy of the instrument containing the statement is furnished to such person or to such person's beneficiary.

CONFORMITY WITH STATE STATUTES. Any provision of this policy which, on its effective date, is in conflict with the statutes of the state wherein this policy is issued is hereby amended to conform to the minimum requirements of such statutes.

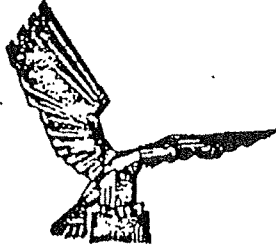
Union Security Life Insurance Company

A STOCK INSURANCE COMPANY
HEREIN CALLED "THE COMPANY"

INCORPORATED UNDER
THE LAWS OF GEORGIA

AGENCY NO. 1234

POLICY NO. W-D-H-1



ATLANTA, GEORGIA

In consideration of the application herefor, a copy of which is attached hereto and made a part hereof, and of the payment of all premiums as they are due as hereinafter provided, COMPANY HEREBY AGREES with the Creditor named below, subject to the terms and conditions of this policy, that it will, in the event that any Debtor of the Creditor becoming insured hereunder ("insured Debtor") sustains total disability during his term of coverage and such total disability continues uninterrupted for fourteen (14) or more days, the COMPANY WILL PAY to the Creditor an indemnity equal to 1/30th of the monthly benefit for each day of such continuous total disability, beginning with the first (1st) day thereof, but in no event for any day beyond the scheduled termination date of such coverage.

CREDITOR: **XYZ Bank**
Anytown, Pennsylvania

The date of issue of this policy is the 1st day of November 1975

TOTAL DISABILITY means that as a result of the Debtor's injury or sickness, the insured Debtor, during the first twelve (12) months of such disability and during the Debtor's term of coverage, is prevented completely from performing the duties of the Debtor's regular occupation (at the time of inception of such disability), and for the balance of the period of disability after the said twelve (12) months is prevented completely from performing the duties of any occupation for which the insured Debtor is reasonably fitted by education, training or experience.

INJURY means bodily injury caused by accident which causes the total disability of the insured Debtor.

SICKNESS means illness or disease which causes the total disability of the insured Debtor.

The provisions on the subsequent pages hereof are hereby made a part of this policy.

IN WITNESS WHEREOF, the Company has caused this policy to be executed at its home office in Atlanta, Georgia, as of the date of issue above stated.

SECRETARY

APPROVED EFFECTIVE Nov 18, 1975

PRESIDENT

PENNSYLVANIA INSURANCE DEPARTMENT

Mowbray Brown
Mowbray Brown
Joan Shetterly
Joan Shetterly
REGISTRAR

J. R. Ross
J. R. Ross

SINGLE PREMIUM GROUP CREDIT DISABILITY INSURANCE
NON-PARTICIPATING
CREDITOR-DEBTOR INSURANCE ONLY

Union Security Life Insurance Company

PREMIUMS. The premium rates for the insurance provided hereunder shall be:

<u>Number of Equal Monthly Installments</u>	<u>Single Premium Rate Per \$100 of Initial Insured Indebtedness</u>
6	\$1.64
12	2.13
18	2.46
24	2.71
30	2.92
36	3.11
42	3.29
48	3.45
54	3.60
60	3.74

For the purpose of premium computation, periods of less than 15 days shall be excluded and periods of 15 days or more shall be considered a whole month.

The first premium hereunder shall be payable on the first day of the month next succeeding the month in which this policy is issued, with respect to Debtors joining the group of insured Debtors from the date of issue of this policy to the end of the month in which it is issued. Premiums with respect to Debtors joining the group of insured Debtors in each calendar month thereafter shall be payable on the first day of the succeeding month. Unless such premiums are timely paid, the insurance upon such Debtors shall not be effective.

GRACE PERIOD. A grace period of thirty-one (31) days will be allowed for the payment of any premiums due except the first, during which grace period the disability benefit coverage shall continue in force, unless the Creditor shall have given the Company written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of this policy. The Creditor shall be liable to the Company for the payment of the sum of all single premiums collected for the time the policy was in force during such agreed period.

ELIGIBILITY REQUIREMENTS. A debtor shall be eligible for insurance coverage under this policy if:

- (A) At the time of incurring the indebtedness to the Creditor, the Debtor shall not have attained the age of sixty-six (66) years.
- (B) The evidence of insurability of the Debtor, if required by the Company, shall be satisfactory.
- (C) The Debtor shall not be a partnership, association or corporation.
- (D) At the time of incurring the indebtedness to the Creditor, the Debtor shall be actively employed.

MAXIMUM AGE. A debtor is not eligible for coverage under this policy if he has obtained the age of sixty-six years. If a debtor exceeds the eligibility age, has correctly stated his age in writing, and a certificate is issued to him in error, the Company may within 60 days from the date of the loan terminate coverage and refund the single premium paid, providing no claim was incurred prior to the date of termination.

INDIVIDUAL EFFECTIVE DATE. Provided that the premium therefor has been paid by the Debtor to the Creditor, insurance coverage hereunder with respect to any eligible Debtor shall be effective the latest of (a) the date the indebtedness is incurred,

Union Security Life Insurance Company

(b) if evidence of insurability is required by the Company, such evidence is furnished within thirty days of the date of the note and upon determination by the Company that the evidence is satisfactory, the date the indebtedness is incurred, or (c) if evidence of insurability is required by the Company and such evidence is furnished more than 30 days after the date of the note, the date the Company determines such evidence to be satisfactory, in which case an adjustment of the amount charged for insurance will be made.

MINIMUM NUMBER OF NEW DEBTORS. If the number of new debtors becoming eligible for insurance under this Policy during any year is less than one hundred, then no additional debtors will be insured thereafter.

EVIDENCE OF INSURABILITY. If the number of new Debtors insured under this policy in any twelve month period is less than seventy-five percent of the number of new Debtors becoming eligible in such period, the Company may require that any Debtor becoming otherwise eligible thereafter furnish evidence of insurability satisfactory to the Company as a condition to coverage hereunder.

JOINT DEBTORS. Only one person shall be insured with respect to any one indebtedness and the Debtor covered under this policy shall be the person who elects the insurance by requesting it in writing on the loan agreement.

TERM OF INDIVIDUAL COVERAGE. The term of coverage with respect to any insured Debtor is hereby defined as the term of the note, installment contract or other written evidence of indebtedness to the Creditor; in no event shall the term of indebtedness exceed sixty (60) months. For the purpose of determining the term of the indebtedness the INDIVIDUAL EFFECTIVE DATE of the Debtor's coverage shall be the beginning date.

ORIGINAL AMOUNT OF INSURANCE. The initial insurable indebtedness with respect to an insured Debtor is hereby defined as THE LESSER OF (A) the original amount of the note, installment contract or other written evidence of indebtedness, or (B) \$ 15,000.00.

MONTHLY DISABILITY BENEFIT. The Monthly Disability Benefit payable with respect to the total disability of an insured Debtor shall be the quotient produced by dividing the number of months in the Debtor's Term of Individual Coverage into the Debtor's Original Amount of Insurance.

EXCEPTIONS. The insurance provided hereunder does not cover, and no benefit shall be payable for disability to which a contributing cause, directly or indirectly, is the insured Debtor's (a) intentional self-infliction of injury whether sane or insane; (b) injury received while being engaged in any aerial flight except as a fare-paying passenger on a regularly scheduled flight of a duly licensed air line on an established air route; or (c) disease, injury or physical condition which totally disabled the Debtor at any time during the six-month period immediately preceding the Individual Effective Date; provided, however, that the Company will not apply Exception (c) to the extent of the amount and duration of any indebtedness outstanding at the time of any renewal or refinancing.

INDIVIDUAL TERMINATION REASONS. Unless earlier terminated as provided in the following sentence, the liability of the Company with respect to insurance on any insured Debtor shall terminate concurrently with the original scheduled maturity date of the indebtedness

Union Security Life Insurance Company

of such Debtor. The Company's liability shall also terminate if, prior to the termination of the TERM OF INDIVIDUAL COVERAGE of an insured Debtor, (a) the insured Debtor's indebtedness is discharged by prepayment, renewal or refinancing, (b) the insured Debtor's obligation to pay the indebtedness is transferred to another, (c) the evidence of indebtedness is transferred from the Creditor to another creditor, (d) any property securing the payment of the indebtedness is repossessed, or (e) a judgment is entered in any court of record with respect to the indebtedness. The date of such premature termination of liability shall be effective concurrently with the date of such discharge, transfer, repossession or judgment.

PREMIUM REFUNDS. Upon termination of coverage of an insured Debtor prior to the termination of the TERM OF INDIVIDUAL COVERAGE, the unearned portion of the premium or identifiable amount charged to the insured Debtor shall be refunded by the Company to the Creditor, to be paid to or credited to the account of the Debtor by the Creditor, without prejudice to any claim. If the indebtedness is discharged as the result of payment of proceeds of life insurance by the Company, the coverage shall coincidentally terminate and the unearned portion of the premium charged therefor shall be refunded as aforesaid. The amount of the unearned premium to be so refunded shall be calculated according to the Rule of 78. No refund shall be made if the amount thereof is less than \$1.00.

REPORT OF NEW INSURED. On the first day of each month Creditor shall send to the Company a schedule, upon a form to be furnished by the Company, of Debtors who have been insured under this policy during the previous month. Such schedule shall include such data as the Company may reasonably require to determine the extent of the liability it thus assumes, the accuracy of the premium charges shown thereon and that such insurance is in conformity with the terms of this policy.

CLERICAL ERROR. Creditor's failure, due to clerical error, to include on said monthly schedule the data in respect to a Debtor shall not invalidate the insurance on such Debtor if the intent to insure such Debtor at the time the indebtedness was created is evident and provided the premium therefor is paid to the Company in due course.

EXAMINATION OF RECORDS. The Company shall have the right to examine the records of the Creditor at any time, and at least once each policy year will audit such records.

DEBTOR'S CERTIFICATE OF INSURANCE. On the date the indebtedness is incurred or within 30 days thereafter, the Creditor shall deliver to each Debtor insured hereunder, on a form furnished by the Company, a certificate stating that insurance providing indemnity against loss of time for disability of the Debtor has been purchased under, and subject to the terms of this policy, that any indemnities thereunder are payable to the Creditor, and that any such payment will be applied to the discharge of any indebtedness due by the Debtor to the Creditor, and that the excess benefits, if any, shall be paid to the Debtor, if living, or to the Second Beneficiary. If the certificate is not delivered on the effective date a notice of proposed insurance shall be given to the Debtor.

RENEWAL AND TERMINATION. This policy shall be renewed automatically from policy year to policy year, and shall continue in force unless and until terminated by the Company or the Creditor by giving written notice to the other, unless automatically terminated for non-payment of premium. From and after the effective date of termination no insurance shall be provided on any Debtor with respect to indebtedness thereafter incurred, but the insurance coverage with respect to any Debtor insured prior to the effective

Union Security Life Insurance Company

date of termination shall be continued for the TERM OF INDIVIDUAL COVERAGE of such Debtor's coverage, unless earlier terminated as provided in the paragraph entitled "INDIVIDUAL TERMINATION REASONS," or upon written request of the Debtor.

ENTIRE CONTRACT; CHANGES. This policy, together with the application of the Creditor attached hereto, constitutes the entire contract between the parties. This policy may be amended at any time, without the consent of any Debtor insured hereunder, but no amendment or alteration of the policy and no waiver of any of its provisions shall be valid unless made in writing and signed by an officer of the Company.

INCONTESTABILITY. The validity of this policy shall not be contested, except for non-payment of premiums, after it has been in force for two years from date of issue. No statement made by or on behalf of any person insured hereunder relating to such person's insurability, age, or employment shall be used in contesting the validity of the coverage with respect to which such statement was made after such coverage has been in force prior to the contest for a period of two years during such person's lifetime nor unless it is contained in a written instrument signed by such person.

STATEMENTS ARE REPRESENTATIONS AND NOT WARRANTIES. All statements made by the Creditor or by Debtors insured hereunder shall, in the absence of fraud, be deemed representations and not warranties; and no statement made by any Debtor insured hereunder shall be used in any contest unless a copy of the instrument containing the statement is furnished to such person or to such person's beneficiary.

CONFORMITY WITH STATE STATUTES. Any provision of this policy which, on its effective date, is in conflict with the statutes of the state wherein this policy is issued is hereby amended to conform to the minimum requirements of such statutes.

NOTICE OF CLAIM. Written notice of claim must be given to the Company within twenty (20) days after the occurrence or commencement of any loss covered by this policy, or as soon thereafter as is reasonably possible. Subject to the qualifications set forth below, if the insured Debtor suffers loss of time on account of disability for which indemnity may be payable for at least two (2) years, the insured Debtor shall, at least once in every six months after having given notice of claim, give to the Company notice of continuance of said disability, except in the event of legal incapacity. The period of six months following any filing of proof by the insured Debtor or any payment by the Company on account of such claim or any denial of liability in whole or in part by the Company shall be excluded in applying this provision. Delay in the giving of such notice shall not impair the insured Debtor's right to any indemnity which would otherwise have accrued during the period of six months preceding the date on which such notice is actually given. Notice given by or on behalf of the insured Debtor to the Company at its principal office in Atlanta, Georgia, or to any authorized agent of the Company with information sufficient to identify the insured Debtor, shall be deemed notice to the Company.

CLAIMS FORMS. The Company, upon receipt of a notice of claim, will furnish to the insured Debtor such forms as are usually furnished by it for filing proofs of loss. If such forms are not furnished within fifteen (15) days after the giving of such notice the insured Debtor shall be deemed to have complied with the requirements of this policy as to proof of loss upon submitting, within the time fixed in the policy

Union Security Life Insurance Company

for filing proofs of loss, written proof covering the occurrence, the character and the extent of the loss for which claim is made.

PROOFS OF LOSS. Written proof of loss must be furnished to the Company at its said office in case of claim for loss for which this policy provides any periodic payment contingent upon continuing loss within ninety (90) days after the termination of the period for which the Company is liable and in case of claim for any other loss within ninety (90) days after the date of such loss. Failure to furnish such proof within the time required shall not invalidate nor reduce any claim if it was not reasonably possible to give proof within such time, provided such proof is furnished as soon as reasonably possible and in no event, except in the absence of legal capacity, later than one (1) year from the time proof is otherwise required.

TIME OF PAYMENT OF CLAIMS. Indemnities payable under this policy for any loss other than loss for which this policy provides any periodic payment will be paid immediately upon receipt of due written proof of such loss. Subject to due written proof of loss, all accrued indemnities for loss for which this policy provides periodic payment shall be paid monthly and any balance remaining unpaid upon the termination of liability will be paid immediately upon receipt of due written proof.

PHYSICAL EXAMINATIONS AND AUTOPSY. The Company at its own expense shall have the right and opportunity to examine the person of the insured Debtor when and as often as it may reasonably require during the pendency of a claim hereunder and to make an autopsy in case of death where it is not forbidden by law.

LEGAL ACTION. No action at law or in equity shall be brought to recover on this policy prior to the expiration of sixty (60) days after written proof of loss has been furnished in accordance with the requirements of this policy. No such action shall be brought after the expiration of three (3) years after the time written proof of loss is required to be furnished.