Examination Warrant Number 15-01289-76759-R1

Report of Examination of

Senior American Insurance Company
Warminster, Pennsylvania

As of December 31, 2015

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Harrisburg, Pennsylvania
October 20, 2017

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 15-01289-76759-R1, dated March 6, 2015, an examination was made of

Senior American Insurance Company, NAIC Code: 76759

a Pennsylvania domiciled multi-state, property and casualty stock insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's home office, located at 165 Veterans Way Suite 300, Warminster, Pennsylvania 18974.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department ("Department") has performed an examination of the Company, which was last examined as of December 31, 2010. This examination covered the five-year period from January 1, 2011 through December 31, 2015.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department and the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook").

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year during the period under examination, the certified public accounting firm of Bee, Bergvall & Co. ("CPA") provided a modified audit opinion on the Company's year-end financial statements based on statutory accounting principles. The CPA expressed uncertainty with the Company's ability to continue as a "Going Concern." Relevant work performed by the CPA, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The following company was examined at the same time during the above examination:

AF&L Insurance Company ("AF&L") **35963**

HISTORY

The Company was incorporated on June 6, 1962, licensed by the Department as Family Security Life Insurance Company, and was licensed and commenced business on about November 15, 1962.

On February 25, 1970, the Company amended its Articles of Agreement to change its name to Quaker State Life Insurance Company. On May 4, 1976, the Company again amended its Articles to change its name to Penn Treaty Life Insurance Company.

The Company's original office was in Allentown, Pa. Its office location was changed to Warrington, Pa in 1998, upon the purchase of the Company by American Fidelity and Liberty Insurance Company (subsequently renamed AF&L Insurance Company on November 1, 2000). The Company was renamed Senior American Life Insurance Company in 1999.

In February of 2005, the Company, in conjunction with its corporate parent, AF&L Insurance Company, ceased writing new business in a mutual agreement with the Department, due to its weakened financial condition. The Company needs prior approval from the Department to resume writing new business or enter into any material contracts.

The Company submitted and received approval from the Pennsylvania Insurance Department regarding an amendment to its Articles of Agreement to change from a life insurance company to a property and casualty insurance company on May 21, 2012. At the same time, the Company's name changed from Senior American Life Insurance Company to Senior American Insurance Company.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (c)(2) accident and health.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of the examination date, December 31, 2015, the Company's total capital was $1,853, consisting of 110,636 capital shares of issued and outstanding common stock with a par value of $13.56 per share amounting to $1,500,224; $77,908,503 of paid-in and contributed surplus; and $(79,406,874) in unassigned funds (surplus).

The Company's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is $750,000 in capital and $375,000 in surplus. The Company has not met all governing requirements throughout the examination period.

It is recommended that the Company comply with 40 P.S. § 386 and increase its surplus to at least the minimum as required by statute.

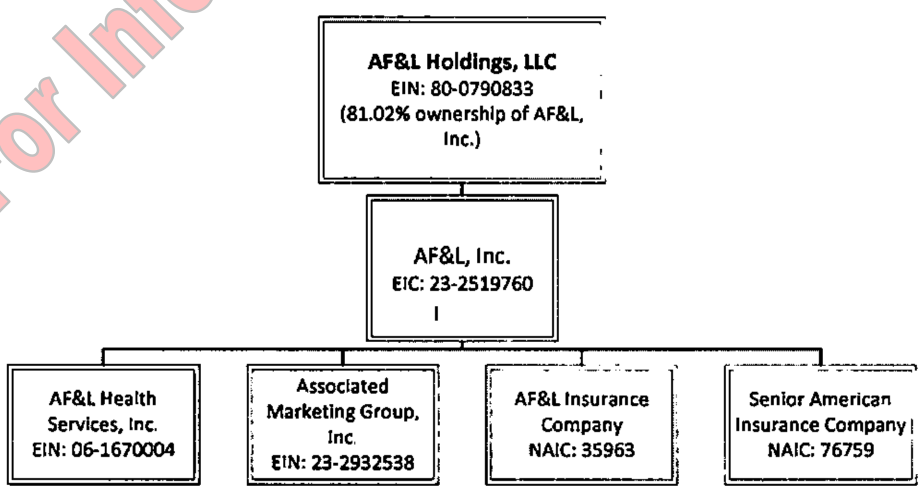
STOCKHOLDER

The Company is owned by its sole stockholder, AF&L, Inc. There have been no dividends approved or distributed during the examination period.

INSURANCE HOLDING COMPANY SYSTEM

AF&L Holdings, LLC is named as the ultimate controlling person in the holding company system. AF&L Holdings, LLC was formed on December 23, 2009, and has as its members a non-profit corporation, The Marc Foundation, an affiliate of The ARC of Montgomery, Berks and Bucks Counties ("MARC") (90% interest), and an individual, Mr. Benedict J. Iacovetti (10% interest).

The Company's organizational structure as of the examination date is shown below:



The Company meets the requirements for filing an insurance holding company system registration statement, in accordance with 40 P.S. § 991.1404. Pertinent Forms B and C were filed annually along with various amendments during the examination period.

BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors ("Board"), which was comprised of the following member as of the examination date, December 31, 2015:

Name and Address	Principal Occupation
Benedict John Iacovetti Warminster, PA	President/CEO AF&L & SAIC Insurance Company

Mr. Iacovetti is currently the sole member of the Board.

It is recommended that the Company, at a minimum, increase its number of directors to comply with the requirements of 15 Pa. C.S.A. § 3131(b) and the mandates of its own by-laws, both of which require no less than seven members.

COMMITTEES

The Company did not have any committees of the Board as of the examination date.

It is recommended that the Company establish committees in compliance with 40 P.S. § 991.1405(c)(3-4) once it increases its Board membership.

OFFICERS

As of the examination date, December 31, 2015, the following officers were appointed and serving in accordance with the Company's by-laws:

Name	Title
Benedict John Iacovetti	President
Paul John Lukacs	Treasurer
Ernest Iannucci	Vice President

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meetings of the Company's stockholder were not held in compliance with its by-laws.
- The stockholder does not elect directors at such meetings in compliance with the by-laws.
- The stockholder did not ratify the prior year's actions of the officers and directors.

- Due to the lack of Board members, quorums were not present at all directors' meetings.
- The Company's investment transactions are approved quarterly by the Board.
- All directors attend Board meetings regularly.
- The Company's Board meeting's minutes approve the reinsurance contracts.

It is recommended that the Company hold annual stockholder meetings in compliance with its by-laws and maintain documentation of these meetings.

ARTICLES OF AGREEMENT

The Company amended and restated its Articles of Agreement on May 21, 2012, as follows:

1) Surrendered life & ordinary annuity insurance authority and change from a life insurance company to a property and casualty insurance company, effective for accounting purposes April 1, 2012.
2) Name change from Senior American Life Insurance Company to Senior American Insurance Company.

BY-LAWS

There were no changes to the by-laws during the examination period.

SERVICE AND OPERATING AGREEMENTS

The Company is a party to various service and operating agreements with affiliates. The examination reviewed the following agreements and found them to be in compliance with the fair and reasonable standards of 40 P.S. § 991.1405(a)(1)(i), except as noted below.

COST ALLOCATION AGREEMENT

The Company is party to a Cost Allocation Agreement with its parent, AF&L, whereby actual expenses are allocated directly to the incurring entity, while selected agreed-upon joint expenses are allocated based upon each entity's respective percentage of total aggregate collected premiums.

TAX ALLOCATION AGREEMENT

The Company is party to a Tax Allocation Agreement with its parent, AF&L Inc. The Tax Allocation Agreement is in writing and previously approved by the Board. Based on the testing performed by the prior examination team, the Company did not appear to be operating in accordance with the terms of the Tax Allocation Agreement that was provided by the Company to the examination team. The Company has stated that these revisions still have not been made.

It is recommended, that the Company revise its Tax Allocation agreement so that it reflects the current method of allocation.

REINSURANCE

The Company has no reinsurance agreements in place as of the examination date.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the following jurisdictions: Alabama, Arizona, Colorado, Louisiana, New Mexico, Ohio, Pennsylvania and Virginia. The Company also has written premium from states in which it is no longer licensed, or as a result of policyholders relocating to that state. The Company is no longer writing new business.

The Company's primary line of business is long-term care ("LTC") insurance. It writes LTC policies including nursing home and home care products, primarily for senior citizens. Through February 2005, these products had been marketed through a network of independent agents primarily in the states of Florida, Louisiana and Mississippi. In February of 2005, the Company, in conjunction with its corporate parent, AF&L, ceased writing new business and is currently in runoff.

As of December 31, 2015, the Company's main source of direct written premium is from the following states: Mississippi (30.4%), Louisiana (29.1%), Florida (16.4%), and Arizona (15.4%).

SIGNIFICANT OPERATING RATIOS AND TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the five-year period covered by this examination.

	Amount	Percentage
Premiums earned	$ 14,732,949	100.0 %
Losses incurred	$ 23,303,798	158.2 %
Loss expenses incurred	313,502	2.1 %
Other underwriting expenses incurred	2,937,609	19.9 %
Aggregate write-ins for underwriting deductions	(1,856,401)	(12.6)%
Net income of protected cells	0	0.0 %
Net underwriting gain or (loss)	(9,965,559)	(67.6)%
Totals	$ 14,732,949	100.0 %

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2015	2014	2013	2012	2011
Admitted assets	$ 15,180,554	$ 17,240,925	$ 19,037,320	$ 20,073,348	$ 20,724,941
Liabilities	$ 15,178,702	$ 17,239,772	$ 19,036,068	$ 20,057,943	$ 21,302,137
Surplus as regards policyholders	$ 1,853	$ 1,153	$ 1,250	$ 15,406	$ (577,196)
Gross premium written	$ 2,393,678	$ 2,556,280	$ 2,947,845	$ 3,236,422	$ 3,399,938
Net premium written	$ 2,393,678	$ 2,556,280	$ 2,947,845	$ 3,236,422	$ 3,399,938
Underwriting gain/(loss)	$ (1,281,426)	$ (1,237,083)	$ (1,741,803)	$ (1,779,059)	$ (3,926,188)
Investment gain/(loss)	$ 1,281,745	$ 1,236,570	$ 1,872,514	$ 1,477,553	$ 1,385,422
Other gain/(loss)	$ 420	$ 505	$ 447	$ 650,488	$ 19,746
Net income	$ 739	$ (8)	$ 131,158	$ 348,982	$ (2,521,020)

It was noted that the Company is experiencing a decrease in both gross and net premiums, which is not unexpected due the Company's current run-off status.

PENDING LITIGATION

The Company is not involved in any material litigation.

FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2015, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
Comparative Statement of Income;
Comparative Statement of Capital and Surplus; and
Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2015	2014	2013	2012	2011
Bonds	$ 14,240.902	$ 16.765.552	$ 18,309.329	$ 18.832.823	$ 19.855.470
Cash, cash equivalents and short term investments	366,952	259,715	474.055	236,074	386,200
Other invested assets	384,881	0	0	0	0
Subtotals, cash and invested assets	14.992,735	17.025,267	18.783.384	19,068,897	20,341,670
Investment income due and accrued	183.150	213.646	252.742	231,503	235,662
Premiums and agents' balances due	3,134	212	728	1,636	1 021
Current federal and foreign income tax recoverable and interest thereon	0	0	0	145,834	145.834
Receivable from parent, subsidiaries and affiliates	0	0	0	625,028	0
Aggregate write-ins for other than invested assets	1,535	1,800	466	450	754
Total	$ 15,180,554	$ 17,240,925	$ 19,037.320	$ 20.073,348	$ 20,724,941
Losses	$ 6.758.945	$ 8.143.473	$ 9.771.356	$ 10.724.665	$ 9,904,743
Loss adjustment expenses	118,282	142.511	170.999	187,682	173.333
Commissions payable, contingent commissions and other similar charges	59,918	78,337	61.712	76,288	82,842
Other expenses	24,499	25.548	26.409	13,125	12,980
Taxes, licenses and fees	37,690	35,082	36.050	35.133	32,217
Unearned premiums	196,875	265,889	299.095	334,645	336.404
Amounts withheld or retained by company for account of others	16,234	14,799	11 640	6.039	15,096
Drafts outstanding	136,051	134,618	127.429	171.584	179.460
Payable to parent, subsidiaries and affiliates	23,999	26,962	26.139	0	26,890
Aggregate write-ins for liabilities	7,806,209	8.372,553	8,505,239	8,508,782	10,538,172
Total liabilities	15,178,702	17,239.772	19,036,068	20.057,943	21,302,137
Common capital stock	1,500,224	1,500,224	1,500,224	1,500,224	1.500,224
Gross paid in and contributed surplus	77,908,503	77,908,503	77,908,503	77,908.503	77,908.503
Unassigned funds (surplus)	(79,406,874)	(79,407,574)	(79,407,477)	(79,393,321)	(79,985,923)
Surplus as regards policyholders	1,853	1,153	1,250	15,406	(577,196)
Totals	$ 15,180,555	$ 17,240,925	$ 19,037,318	$ 20.073,349	$ 20,724,941

Comparative Statement of Income
For the Year Ended December 31,

Underwriting Income	2015	2014	2013	2012	2011
Premiums earned	$ 2,465.614	$ 2,588,970	$ 2,982,487	$ 3.238.798	$ 3,457,080
Deductions.					
Losses incurred	3,785.170	3,370,367	4 072,262	6.078.444	5.997,555
Loss expenses incurred	51,371	43.599	52,342	96.554	69,636
Other underwriting expenses incurred	476.843	544.773	603.229	630.575	682,189
Aggregate write-ins for underwriting deductions	(566,344)	(132,686)	(3.543)	(1.787.716)	633,888
Total underwriting deductions	3.747.040	3.826.053	4 724 290	5,017,857	7,383,268
Net underwriting gain or (loss)	(1,281,426)	(1.237.083)	(1,741.803)	(1.779,059)	(3,926,188)
Investment Income					
Net investment income earned	939.485	1.050.373	1,121.651	1.235,866	1.385,422
Net realized capital gains or (losses)	342,260	186.197	750.863	241,687	0
Net investment gain or (loss)	1,281.745	1.238,570	1,872,514	1,477,553	1.385,422
Other Income					
Net gain or (loss) from agents' or premium balances charged off	0	0	(3)	(157)	0
Aggregate write-ins for miscellaneous income	420	505	450	650,645	19.746
Total other income	420	505	447	650,488	19,746
Net income before dividends to policyholders and before federal and foreign income taxes	739	(8)	131,158	348,982	(2,521 020)
Net income	$ 739	$ (8)	$ 131,158	$ 348.982	$ (2,521.020)

Comparative Statement of Capital and Surplus
For the Year Ended December 31,

	2015	2014	2013	2012	2011
Surplus as regards policyholders,					
December 31, previous year	$ 1,153	$ 1,251	$ 15,406	$ (577,196)	$ 1,943,973
Net income	739	(8)	131,158	348,982	(2,521,020)
Change in nonadmitted assets	(39)	(90)	(145,313)	1,946	2,057
Cumulative effect of changes in accounting principles	0	0	0	241,674	0
Aggregate write-ins for gains and losses in surplus	0	0	0	0	(2,206)
Change in surplus as regards policyholder for the year	700	(98)	(14,155)	592,602	(2,521,169)
Surplus as regards policyholders,					
December 31, current year	$ 1,853	$ 1,153	$ 1,251	$ 15,406	$ (577,196)

Comparative Statement of Cash Flow
For the Year Ended December 31,

	2015	2014	2013	2012	2011
Cash from Operations					
Premiums collected net of reinsurance	$ 2,393,679	$ 2,556,280	$ 2,947,844	$ 3,236,426	$ 3,409,922
Net investment income	920,764	1 031 848	1 049,337	1,151,020	1,209,586
Miscellaneous income	420	505	447	650,488	410
Total income	3,314,863	3,588,633	3 997 628	5,037,934	4,619,918
Benefit and loss related payments	5,169,698	4,998,250	5,025,571	5,258,522	4,860,678
Commissions, expenses paid and aggregate write-ins for deductions	567,718	602,278	671,018	714,496	771,487
Total deductions	5,737,416	5,600,528	5,696,589	5,973,018	5,632,165
Net cash from operations	(2,422,553)	(2,011,895)	(1,698,961)	(935,084)	(1,012,247)
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	3,523,253	2,474,730	4,722,348	1,769,013	1,397,880
Total investment proceeds	3,523,253	2,474,730	4,722,348	1,769,013	1,397,880
Cost of investments acquired (long-term only):					
Bonds	993,632	687,013	3,398,004	315,507	512,045
Total investments acquired	993,632	687,013	3,398,004	315,507	512,045
Net cash from investments	2,529,621	1,787,717	1,324,344	1,453,506	885,835
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Other cash provided or (applied)	169	9,838	612,598	(668,548)	(25,702)
Net cash from financing and miscellaneous sources	169	9,838	612,598	(668,548)	(25,702)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	107,237	(214,340)	237 981	(150,126)	(152,114)
Cash and short-term investments.					
Beginning of the year	259,715	474,055	236,074	386,200	538,314
End of the year	$ 366,952	$ 259,715	$ 474,055	$ 236,074	$ 386,200

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS

ASSETS

INVESTMENTS

As of December 31, 2015, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	$ 14,240,902	95.0 %
Cash	230,900	1.5 %
Short-term investments	136,052	0.9 %
Other invested assets	384,881	2.6 %
Totals	$ 14,992,735	100.0 %

The Company's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	$ 10,420,615	72.5 %
2 - high quality	3,956,342	27.5 %
Totals	$ 14,376,957	100 0 %

Years to Maturity	Amount	Percentage
1 year or less	$ 885,515	6 2 %
2 to 5 years	838,147	5 8 %
6 to 10 years	1,578,706	11 0 %
11 to 20 years	6,858,757	47 7 %
over 20 years	4,215,832	29 3 %
Totals	$ 14,376,957	100.0 %

The Company's investments at December 31, 2015 were comprised of Bonds (95.0%), Cash (1.5%), Short-term investments (0.9%) and Other Invested Assets (2.6%). The bond portfolio is made up of 72.5% NAIC Level 1 Designations and 27.5% NAIC Level 2 Designations.

The Company has a custodial agreement with Comerica Bank that is in compliance with 31 Pa. Code § 148a.3.

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board of Directors. The Company was following its investment policy at December 31, 2015.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported reserves in the amount of $6,758,945 for losses and $118,282 for loss adjustment expenses ("LAE") on its December 31, 2015 Annual Statement. The Company also reported an Annual Statement-Miscellaneous write-in amount of $7,806,209 for A&H active life reserves.

Mr. Glenn Tobleman, FCAS, FSA, MAAA, from Lewis & Ellis, Inc., has been the Company's appointed actuary ("AA") since 2013 to provide the Statement of Actuarial Opinion ("Opinion"). For years ending 2011 and 2012, the Company's appointed actuary was Brian D. Rankin, FSA, MAAA of Lewis & Ellis, Inc. The Department received the appropriate change of actuary and no disagreements letters.

For years-ending 2015 and 2014, the AA issued an Opinion concluding that the Company's reserves "do not make a reasonable provision, in the aggregate, for all unpaid loss and loss adjustment expense obligations under the terms of its contracts and agreements" and "make a reasonable provision for the Accident and Health additional contract reserves carried as a write-in liability of the Company under the terms of its contracts and agreements". The AA's Opinion noted that the Company's carried reserves fell below a reasonable range of estimates by more than $7.356 million and $4.192 million for 2015 and 2014, respectively. The AA also stated that there are "significant risks and uncertainties that could result in material adverse deviation in the loss and loss adjustment expense reserves by amounts exceeding surplus".

In order for the Department to gain an adequate comfort level with the Company's estimates of reserves, the Department retained the actuarial services of Taylor-Walker Consulting, LLC, ("Taylor-Walker") to assist in performing a risk-focused review of the Company's reserving processes and prospective risks related to the December 31, 2015 loss, LAE and active life reserve amounts reported by the Company. The Department worked with Taylor-Walker on the actuarial scope of work to be performed. In addition, the examining actuaries assisted in the risk identification, control testing and necessary substantive testing as needed related to the key actuarial activities. Given the uncertainty of the December 31, 2015 reserves reported by the Company, the Department also requested Taylor-Walker to evaluate the Company's December 31, 2016 reserves as a subsequent event.

Reserves as of December 31, 2015

Based upon the examination procedures performed by the financial examiners and the examining actuaries, the Department concluded that the Company reported a material deficiency in its December 31, 2015 Annual Statement reserves amount by $5.105 million. This is consistent with the Opinion offered by Lewis & Ellis. It was also noted that the Company's internal model to calculate disabled life reserves was using an incorrect interest rate for claims incurred from 2013 to 2015. This adds to the uncertainty about the reasonability of the Company's carried reserve position.

Reserves as of December 31, 2016

For the December 31, 2016 Annual Statement, the Company retained a new appointed actuary, Mr. Joseph Herbers, ACAS, MAAA, of Pinnacle Actuarial Resources, Inc. Mr. Herbers extensively relied upon work performed by the Company's selected life and health actuarial firm, United Health Actuarial Services in forming his Opinion.

The Company reported reserves in the amount of $12,580,207 for losses and $220,154 for LAE on its December 31, 2016 Annual Statement. The Company also reported an Annual Statement-Miscellaneous write-in amount of $6,841,346 for A&H active life reserves. The December 31, 2016 carried reserve amounts show a reserve strengthening relative to the amounts reported by the Company as of December 31, 2015. The December 31, 2016 Annual Statement also reports negative surplus of ($7,275,781), based on the Company's reserving actions.

The Department accepts the work and conclusions of Taylor-Walker. Given the Company's 2016 reserve strengthening action and the high degree of uncertainty about the range of reasonable reserve estimates, the Department is not making a financial statement adjustment to the December 31, 2015 financials for reserve differences at this point in time. The Department, however, is closely monitoring financial results and working with Company management to resolve operational and financial challenges.

SUBSEQUENT EVENTS

The Company filed their December 31, 2016 Annual Statements with the Department on August 1, 2017, five months late.

As stated above, the Company changed its appointed actuary from Glenn Tobleman, FCAS, FSA, MAAA to Joseph Herbers, ACAS, MAAA to provide the Opinion in support of the December 31, 2016 Annual Statement.

The Company's Chief Financial Officer and Treasurer, Paul Lukacs, retired in September 2017. Mr. Lukacs was replaced by Vanessa L. Kirchner, CPA, FLMI, AIRC, on October 16, 2017.

Effective September 1, 2017, the Company relocated its main administrative office to 580 Virginia Drive, Suite 330, Fort Washington, PA 19034.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained the following recommendations:

1. It is recommended that the Company comply with 40 P.S. § 386.1 and increase its surplus to at least the minimum as required by statute.

   The Company has not complied with this recommendation.

2. It is recommended that the Company, at a minimum, increase its number of Directors to conform to the requirements of 15 Pa. C.S.A. § 3131 and the mandates of its own by-laws, both of which require no less than seven members.

   The Company has not complied with this recommendation.

3. It is recommended that the Company reorganize its Board to be compliant with 40 P.S. § 991.1405 (c)(3-4) once it increases its Board membership.

   The Company has not complied with this recommendation.

4. It is recommended that the Company have annual stockholder meetings in compliance with its by-laws.

   The Company has not complied with this recommendation.

5. It is recommended that the Company increase the limit on its fidelity bond from $500,000 to $1,000,000 in order to comply with 40 P.S. § 443.

   The Company has complied with this recommendation.

6. It is recommended, that the Company revise its Tax Allocation Agreement so that it reflects the current method of allocation.

   The Company has not complied with this recommendation.

7. It is recommended that in the Company maintain documentation that its investment policy is renewed and approved in compliance with 40 P.S. § 653b(b).

   The Company has complied with this recommendation.

8. It is recommended that the Company develop and implement a formal Other Than Temporary Impairment policy and make it part of its investment policy.

   The Company has complied with this recommendation.

9. It is recommended that the Company amend its Custodial Agreement to comply with 31 Pa. Code § 148a.3.

   The Company has complied with this recommendation.

CURRENT EXAMINATION

As a result of the current examination, the following recommendations are being made:

1. It is recommended that the Company comply with 40 P.S. § 386 and increase its surplus to at least the minimum as required by statute. (See "Management and Control – Capitalization," page 3)
2. It is recommended that the Company, at a minimum, increase its number of directors to comply with the requirements of 15 Pa. C.S.A. § 3131(b) and the mandates of its own by-laws, both of which require no less than seven members. (See "Management and Control – Board of Directors," page 4)
3. It is recommended that the Company establish committees in compliance with 40 P.S. § 991.1405(c)(3-4) once it increases its Board membership. (See "Management and Control – Committees," page 4)
4. It is recommended that the Company hold annual stockholder meetings in compliance with its by-laws and maintain documentation of these meetings. (See "Corporate Records – Minutes," page 4)
5. It is recommended that the Company revise its Tax Allocation Agreement so that it reflects the current method of allocation. (See "Service and Operating Agreements – Tax Allocation Agreement," page 5)

CONCLUSION

As a result of this examination, the financial condition of Senior American Insurance Company, as of December 31, 2015, was determined to be as follows:

	Amount	Percentage
Admitted assets	$ 15,180,554	100.0 %
Liabilities	$ 15,178,702	100.0 %
Surplus as regards policyholders	1,853	0.0 %
Total liabilities and surplus	$ 15,180,555	100.0 %

Since the previous examination, made as of December 31, 2010, the Company's assets decreased by $6,350,074, its liabilities decreased by $4,407,954, and its surplus decreased by $441,896.

This examination was conducted by David Smith and Ryan Monahan, with the latter in charge.

Respectfully,

Melissa L. Greiner
Director
Bureau of Financial Examinations

Robert Woronko, CFE
Examination Manager

-cdd

Ryan Monahan
Examiner-in-Charge

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