

**REPORT OF
MARKET CONDUCT EXAMINATION
OF**

SENIOR LIFE INSURANCE COMPANY
Thomasville, Georgia

**AS OF
July 27, 2009**

COMMONWEALTH OF PENNSYLVANIA



**INSURANCE DEPARTMENT
BUREAU OF MARKET CONDUCT**

Issued: August 6, 2009

SENIOR LIFE INSURANCE COMPANY

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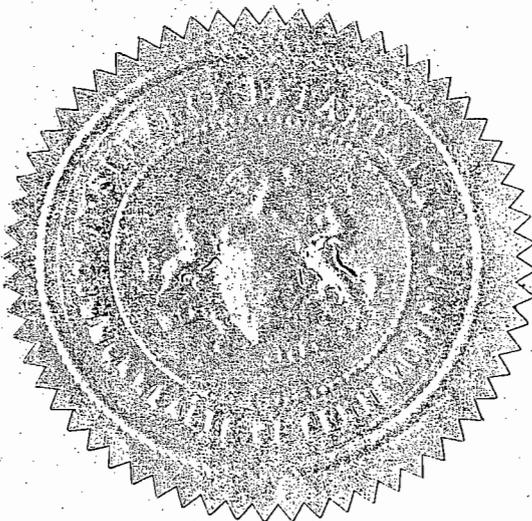
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

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





Joel S. Ario
Insurance Commissioner

Senior Life Insurance Company
Market Conduct Examination as of the
close of business on July 27, 2009

Docket No.
MC09-08-001

ORDER

A market conduct examination of Senior Life Insurance Company (referred to herein as "Respondent") was conducted in accordance with Article IX of the Insurance Department Act, 40 P.S. § 323.1, et seq., for the period January 1, 2008 through December 31, 2008. The Market Conduct Examination Report disclosed exceptions to acceptable company operations and practices. Based on the documentation and information submitted by Respondent, the Department is satisfied that Respondent has taken corrective measures pursuant to the recommendations of the Examination Report.

It is hereby ordered as follows:

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

3. Respondent shall comply with the recommendation contained in the attached Report.

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

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

BY: Insurance Department of the Commonwealth
of Pennsylvania

 (August 6, 2009)
Ronald A. Gallagher, Jr.
Deputy Insurance Commissioner

I. INTRODUCTION

The Market Conduct Examination was conducted on Senior Life Insurance Company; hereafter referred to as "Company," from May 15, 2009, through May 27, 2009. The 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 desk audit 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 following examiners participated in the Examination and in the preparation of this Report.

Daniel Stemcosky, AIE, FLMI, MCM

Market Conduct Division Chief

Gary L. Boose, MCM

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 27 Day of July, 2009



Notary Public

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
THERESA M. SENECA, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Aug. 15, 2010

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 January 1, 2008, through December 31, 2008, unless otherwise noted. The purpose of the examination was to ensure compliance with Pennsylvania insurance laws and regulations.

The target examination focused on the Company's operation in 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.

III. COMPANY HISTORY AND LICENSING

Senior Life Insurance Company (“Senior Life”) was incorporated as Provident Security Life Insurance Company (“Provident Security”) in the State of Georgia on December 22, 1970. In June 2000, Provident Security was sold and relocated to Thomasville, Georgia. Effective August 8, 2000, the Company changed its name to Senior Life Insurance Company. Senior Life is a subsidiary of Powell Insurance Group, LLLP.

Senior Life received its certificate of authority to operate in the Commonwealth of Pennsylvania on January 27, 2003. The Company is authorized to do business in 21 states and the District of Columbia and currently has two UCAA expansion applications pending.

As of the 2008 annual statement for Pennsylvania, the Company reported direct life insurance premium of \$941,858.

IV. CLAIMS

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

1. Claims Department Procedure Manual

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

The claim file review consisted of one area:

A. Life 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.

A. Life Claims

The Company was requested to provide a list of all life claims received during the experience period. The Company identified a universe of 59 life claims received. A random sample of 35 claims was 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:

9 Violations - 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 timely status letters for the 9 claims noted.

V. 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 internal control procedures to ensure compliance with requirements of Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

XII. COMPANY RESPONSE



THE FUTURE OF FINAL EXPENSE

July 31, 2009

VIA ELECTRONIC MAIL and UPS GROUND

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

RE: Examination Warrant Number 09-M24-005

Dear Mr. Stemcosky:

The Report of Examination of Senior Life Insurance Company covering the period January 1, 2008 through December 31, 2008 has been received and reviewed in detail. In accordance with Section 905 (40 P.S. §323.5) of the Insurance Department Act, this letter is the written response on behalf of Senior Life Insurance Company (the "Company").

The Company appreciates the matters raised by the Pennsylvania Insurance Department (the "Department") and the opportunity to address them. The Company takes its obligations to policyholders and claimants very seriously and believes the minimal number of violations noted is an indication that the instances were isolated cases and do not reflect a pattern or practice. The Company is currently in the process of revising its internal control procedures to reinforce the requirement of timely status letters according to Title 31, Pennsylvania Code, Chapter 146, Unfair Claims Settlement Practices.

We wish to offer our gratitude to the Department, Gary L. Boose, and you for the courtesies and professionalism shown to the Company throughout the course of this examination. We found the desk audit to be conducted very effectively and efficiently. The information that the Department provided is important and valuable information that has been and will be used by the Company to enhance its established procedures and processes.

Please contact me if you have any questions or anything further is needed.

With best regards,

Yours very truly,

A handwritten signature in black ink, appearing to read "Nicholas Murray".

Nicholas Murray, CFE
Senior Vice-President

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