BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

IN THE MATTER OF:	)	
	)	**No.: 13-057**
SILVERSCRIPT INSURANCE COMPANY	)	

ORDER ADOPTING EXAMINATION REPORT WITH MODIFICATIONS AND DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance ("Division") has examined certain affairs of SilverScript Insurance Company ("Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31th day of December, 2010, the examiner-in-charge filed with the Division, on the 25th day of October, 2012, a verified, written report on the examination, and a copy of that report has been sent to SilverScript Insurance Company. (The Report on Examination of SilverScript Insurance Company is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the Company.

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of SilverScript Insurance Company, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 25th day of October, 2012, is hereby **ADOPTED** as filed with the following **MODIFICATIONS** and **DIRECTIVES**:

1. The Report on Examination is hereby **MODIFIED** by deleting in its entirety the second and third paragraphs in the section titled "Subsequent Events" on page fourteen (14) of the Report on Examination and replacing it with the following language:

On December 31, 2011, the Company owned a bond and two money market mutual funds with a total book adjusted carrying value of $316,068,113 held through Merrill Lynch, Pierce, Fenner & Smith, Inc. that would be non-admitted in the same manner as the same items in the December 31, 2010 examination report as discussed in the section titled ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION- Bonds and Cash and short-term investments. The impact of non-admitting the value of these securities would result in the Company's reported December 31, 2011 surplus being reduced by $316,068,113, thereby reducing the surplus reported as a positive surplus total in the Company's December 31, 2011 to a negative surplus total (deficit) of ($134, 362, 244).

An emergency rule was filed on June 29, 2012 and effective through December 26, 2012 for Tenn. Comp. R. & Regs., 0780-1-46. A second emergency rule, that replaced the first emergency rule, was filed on November 27, 2012 and effective through May 26, 2013. The emergency rules allow broker dealers to be custodians if the requirements of the emergency rule are met. Nevertheless, the agreement that the Company had with Merrill Lynch, Pierce, Fenner & Smith, Inc. did not meet the requirements of these emergency rules. On March 11, 2013, the Company moved its assets into a custodial account with Regions Bank subject to a custodial agreement that meets the requirements of the emergency rules. Notwithstanding the foregoing, the Company will not be required to restate any quarterly or annual statements filed with the Department for such period of time.

2. The Report on Examination is hereby **MODIFIED** by deleting in its entirety Recommendation Number One (1), concerning the primary location of the Company's books and records, as found on page twenty-one (21) of the Report on Examination. Subsequent to this examination, Tenn. Code Ann. § 56-2-104(a)(5)(A) was amended to remove the requirement that the location of a company's original books and records be maintained in Tennessee. As such, the Company is currently in compliance with Tenn. Code Ann. § 56-2-104(a)(5)(A).

3. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-411(b)(1) by providing free and convenient access to all books, records, securities, documents, and any and all papers relating to the property, assets, business, and affairs of the

company. The officers, directors, and agents of the company, corporation, or association, or person shall facilitate the examination and aid in the examination so far as it is in their power to do so.

4. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-411(c)(2) by making records and personnel available during the examination process to use techniques pursuant to the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook and Practices and Procedures Manual.
5. The Company is **DIRECTED** to comply with Tenn. Comp. R. & Regs., 0780-1-65-.14 by making all independent auditor workpapers available for review without delay.
6. The Company is **DIRECTED** to comply with Tenn. Code Ann. §§ 56-1-501(b) and 56-1-501(g) by preparing the Company's Annual Statement in accordance with the NAIC Accounting Practices and Procedures Manual in effect for the period covered by the report.
7. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-3-112 (2011), currently found in Tenn. Code Ann. § 56-3-903, Tenn. Code Ann. § 47-8-102, and Tenn. Comp. R. & Regs., 0780-1-46 by maintaining Company securities in a qualifying institution under a properly executed custodial agreement.

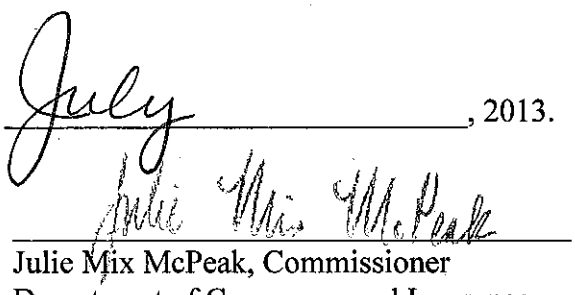
The company shall comply with the directives contained in this Order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against SilverScript Insurance Company for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting

Examination Report with Modifications and Directives merely to adopt the examination report filed by the examiner-in-charge.

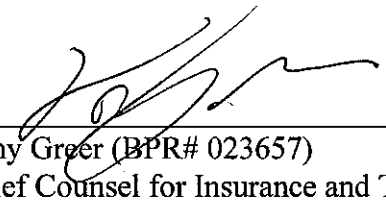
It is so **ORDERED**.

ENTERED this the 1st day of July, 2013.



Julie Mix McPeak, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Chlora Lindley-Myers, Deputy Commissioner, Department of Commerce and Insurance, and James York, Chief Examiner, Department of Commerce and Insurance, and mailed, First-Class, postage prepaid, to SilverScript Insurance Company, 445 Great Circle Road, Nashville, TN, on this the 5th day of July, 2013.

Tony Greer
Certifying Attorney