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SECRETARY OF STATE

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

TENNESSEE INSURANCE DIVISION,	)	
Petitioner,	)	
	)	
vs.	)	**TID No.: 09-045**
	)	**APD No.: 12.04-104302J**
SHENANDOAH LIFE INSURANCE COMPANY	)	
Respondent.	)	

AGREED ORDER

The Tennessee Insurance Division ("Division"), and Shenandoah Life Insurance Company ("Respondent") hereby stipulate and agree to the entry of this Agreed Order subject to the approval of the Commissioner of the Department of Commerce and Insurance ("Commissioner") as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry of an order by the Commissioner.

2. The Commissioner has determined that the resolution set forth in this Agreed Order is fair, reasonable, and in the best public interest.

3. This Agreed Order is executed by Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

4. Respondent fully understands that this Agreed Order will in no way preclude additional proceedings by the Commissioner against Respondent for acts or omissions not specifically addressed in this Agreed Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

5. Respondent expressly waives all further procedural steps and all rights to seek judicial review of or to otherwise challenge or contest the validity of the Agreed Order, the stipulations and imposition of discipline expressly contained herein, and the consideration and entry of said Agreed Order by the Commissioner.

FINDINGS OF FACT

6. Respondent, Shenandoah Life Insurance Company, is an insurance company domiciled in the state of Virginia. Respondent's office is located at 2301 Brambleton Avenue SW, Roanoke, Virginia 24015.

7. Respondent has received a Certificate of Authority to write life, variable accident and health, and disability insurance in the state of Tennessee and is subject to regulation under the Tennessee Insurance Law (hereinafter referred to as the "Tennessee Law"), codified as Title 56 of the Tennessee Code.

8. Respondent's financial statement filed with the Division reported that as of December 31, 2008, Respondent held policyholder surplus in excess of the minimum required in the amount of Twenty Nine Million, One Hundred Seventy Thousand, One Hundred Twenty Five Dollars ($29,170,125). This represents a decrease of approximately seventy-seven percent (77%) from Respondent's policyholder surplus reported as of December 31, 2007, in the amount of One Hundred Twenty Five Million, Seven Hundred Eighty Nine Thousand, Eight Hundred Seven Dollars ($125,789,807).

9. Respondent's financial statement filed with the Division reported that as of December 31, 2008, Respondent suffered a net loss in the amount of Eighty Million, Four Hundred Seventy Eight Thousand, Eighteen Dollars (-$80,478,018). This net loss represents a decrease of approximately one thousand and fifty-six percent (1056%) from Respondent's net gain reported as of December 31, 2007, in the amount of Eight Million, Four Hundred Twenty One Thousand, Five Hundred and Fifteen Dollars ($8,421,515).

10. Respondent's net loss from operations as of December 31, 2008 represented approximately two hundred ninety-six percent (296%) of the remaining policyholders' surplus in excess of the minimum required.

11. On February 12, 2009, Respondent was placed into receivership, and the State Corporation Commission of the Commonwealth of Virginia was named as the Receiver, by an Order Appointing Receiver for Rehabilitation or Liquidation ("Receivership Order") entered by the Circuit Court of the City of Richmond, Virginia.

12. Respondent stipulates that it is currently in hazardous financial condition under the provisions of TENN. COMP. R. & REGS. 0780-1-66-.03(1)(f), as Respondent's net loss in the last twelve-month period is greater than fifty percent (50%) of the Respondent's remaining policyholders' surplus in excess of the minimum required.

13. Respondent additionally stipulates that the Circuit Court of the City of Richmond, Virginia in the Receivership Order found that for purposes of that proceeding, Shenandoah is in a hazardous financial condition such that any further transaction of its business would be hazardous to its members, insureds, policyholders, subscribers, creditors, and the public unless the relief granted within the Receivership Order was provided.

14. In order to avoid any further expenses or costs associated with litigating this matter, Respondent hereby volunteers to enter into this Agreed Order.

CONCLUSIONS OF LAW

15. TENN. CODE ANN. § 56-1-416 provides that the Commissioner shall revoke or suspend all Certificates of Authority granted to an insurance company if the Commissioner is of the opinion, upon examination or other evidence, that a foreign insurance company is in an unsound financial condition or has failed to comply with the law, and upon such a finding, no new business shall be done by the company or its agents under suspension or revocation while such default or disability continues and not until its authority to do business is restored by the Commissioner.

16. TENN. COMP. R. AND REGS. 0780-01-66-.03(1)(f) provides, in pertinent part, that the Commissioner may consider in determining whether the continued operation of an insurer transacting business in this state might be deemed hazardous, financially or otherwise, to the policyholders, creditors, or the general public, whether the insurers' operating loss in the last twelve (12) month period or any shorter period of time, including but not limited to net capital gain or loss, change in non-admitted assets, and cash dividends paid to shareholders, is greater than fifty percent (50%) of the insurer's remaining surplus as regards to policyholders in excess of the minimum required.

17. By virtue of the Respondent's failure to meet the standards set forth in TENN. COMP. R. & REGS. 0780-1-66-.03(1)(f), and given the finding of a hazardous financial condition in the Receivership Order, Respondent's financial condition is currently unsound and, thus, Respondent is in violation of TENN. CODE ANN. § 56-1-416(a)(1)(A). As such, Respondent is not

qualified to do business in this state, as defined by TENN. CODE ANN. § 56-2-103(a)(2).

ORDER

NOW THEREFORE, on the basis of the foregoing, the waiver of the Respondent of its rights to a hearing and appeal under Tennessee Insurance Law and Tennessee's Uniform Administrative Procedures Act, TENN. CODE ANN. §§ 4-5-101, *et seq.*, and the admission by Respondent of the jurisdiction of the Commissioner in the matters underlying this Agreed Order, the Commissioner finds that the Respondent has agreed to the entry of this Order, this Order is appropriate, and is in the public interest.

IT IS ORDERED, pursuant to TENN. CODE ANN. § 56-1-416 of the Tennessee Insurance Law, that:

1. Respondent's Certificate of Authority is hereby suspended for a period of two (2) years. During such period, Respondent shall continue to be licensed in Tennessee but shall cease writing any new business in the state of Tennessee, and shall issue no new insurance policies or assume any new risks located in the state of Tennessee. Should the Commissioner determine that Respondent's financial condition is sound, she may at any time remove the suspension of Respondent's Certificate of Authority. The Commissioner, in her sole discretion, may also extend the suspension period should she find such extension to be in the public interest. However, in the event Respondent's Certificate of Authority is not reinstated within two (2) years from the date of this Order, Respondent's Certificate of Authority shall automatically be revoked without further action by the Commissioner or the Division, unless the Commissioner shall have extended the suspension period.

2. Respondent shall continue to file its annual statements, and shall continue to service existing policies and adjust losses thereunder. In addition, Respondent shall pay all accrued premium taxes, including penalties and interest thereon, and all accrued annual statement late filing penalties within thirty (30) days of the entry of this Consent Order.

This Agreed Order is in the public interest and in the best interests of the parties. This Agreed Order represents a compromise and settlement of the controversies between the parties and is for settlement purposes only. By the signature affixed below, Shenandoah Life Insurance Company affirmatively states that it has freely agreed to the entry of this Agreed Order, that it has been advised that it may consult legal counsel in this matter and has had the opportunity to consult with legal counsel, that it waives its right to a hearing on the matters underlying this Agreed Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Agreed Order, affirmatively state their agreement to be bound by the terms of this Agreed Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Agreed Order, are binding upon them.

Nothing in this Agreed Order should be construed to limit the authority of the Insurance Division or the Commissioner to take further action against the Respondent should such action, in the opinion of the Insurance Division or the Commissioner, be necessary.

ENTERED this the 6th day of December, 2010.

Leslie A. Newman, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

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