STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

Of

STANDARD LIFE & CASUALTY INSURANCE COMPANY

Of

Salt Lake City, Utah

As of

December 31, 2010

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December 14, 2011

Honorable Neal T. Gooch, Commissioner
Utah Insurance Department
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Salt Lake City, Utah 84114

Honorable Eleanor Kitzman, Commissioner
Secretary, Western Zone, NAIC
PO Box 14914
Austin, TX 78701

Honorable Joseph Torti, III, Superintendent
Chair, Financial Condition (E) Committee, NAIC
State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, Rhode Island 02920

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2010, has been made of the financial condition and business affairs of:

STANDARD LIFE & CASUALTY INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as the Company, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

We have performed our multi-state examination of Standard Life & Casualty Insurance Company. This examination covers the period of January 1, 2007 through December 31, 2010.

Examination Procedure Employed

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination workpapers. All material accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Status of Prior Examination Findings

The last exam was completed as of December 31, 2006. The findings from the prior examination report were reviewed by the examination team and it was determined the findings were satisfactorily addressed in a timely manner.

SUMMARY OF SIGNIFICANT FINDINGS

The actuarial review, performed by the examination, of the Company's reserving methodology identified a number of incorrect reserving factors. The Company worked with its actuary to correct the incorrect reserve factors during the examination time frame.

While the individual findings were material, the aggregate effect of the changes to surplus was deemed to be immaterial. During the course of the examination, the Company filed a second amendment to the 2010 annual statement on August 30, 2011 to reflect the adjusted reserve amounts as determined by the opining actuary. The financial information reported within this report of examination reflects the amended financials. (COMMENTS ON FINANCIAL STATEMENT)

The Company did not escheat unclaimed funds according to Utah Code Title 67, Chapter 4a Unclaimed Property Act, Section 205 Funds owing under life insurance policies. The time frame for escheating abandoned funds is three years on contracts that have terminated or matured. The Company held unclaimed funds beyond the three year requirement. The Company was able to correct this finding during the course of the examination and escheated all appropriate funds as required. (SUMMARY OF RECOMMENDATIONS)

The examination reviewed a sample of health claims and found that claims processing time frames exceeded 45 days for 2 of 22 claims tested. Texas Administrative Code Rule §21.2802(31)(A) provides for a 45-calendar-day period in which an HMO or preferred provider carrier shall make claim payment or denial, in whole or in part, after a receipt of a non-electronic clean claim pursuant to Insurance Code Chapters 843 and 1301. The Texas Insurance Department issued a Consent Order for Disciplinary Action against the Company for violations of the Texas statutory claims payment period and other reporting violations on February 10, 2011 for violations occurring in 2007 through 2010. (SUMMARY OF RECOMMENDATIONS)

SUBSEQUENT EVENTS

The Company completed the material purchase of a real estate property to be used for investment income after the examination fieldwork was completed. The purchase was initially funded by the Company's line of credit, but it is in the process of obtaining a mortgage for long term funding.

COMPANY HISTORY

General

The Company was initially incorporated as a South Carolina corporation on October 1, 1946, and it commenced business in 1948. Effective September 29, 2001, the Company re-domesticated to Utah. As of December 31, 2010, it is licensed in 15 states and has applications pending in two other states. The Company was created as a stock company with its principal line of business being life insurance. It is also licensed to write annuity and accident and health insurance policies.

Historically, its operations have been concentrated in the southeast quadrant of the country. It is expanding its sales efforts into the Midwest. The Company can be described as a small insurer that has been operating under the same management and ownership for the past 31 years. The Company is managed conservatively, both in its operations and in its investments.

Dividends and Capital Contributions

The following dividends were paid to stockholders during the years under examination:

	2007	2008	2009	2010
Dividends to stockholders	$ 422,103	$ 389,491	$ 411,280	$ 313,871

There were no extraordinary dividends paid during the time period under examination. In addition, no capital contributions occurred during the exam period.

Mergers and Acquisitions

There were no mergers or acquisitions identified during the time period under examination.

CORPORATE RECORDS

The previous examination report as of December 31, 2006, was filed as a public document on April 7, 2008. The Company distributed it to the board of directors on April 1, 2008.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

The bylaws of the Company indicated the number of directors may be not less than three and not more than ten. The following persons served as directors of the Company as of December 31, 2010:

Name and Location	Title and Principal Occupation
John Francis Piercey Salt Lake City, Utah	Chairman of the Board, Vice President Standard Life & Casualty Insurance Company
Milo Scovil Marsden, Jr. Salt Lake City, Utah	Attorney at Law, Retired
George Ray Hale Salt Lake City, Utah	Retired
John Bradley Piercey Salt Lake City, Utah	President/Chief Executive Officer Standard Life & Casualty Insurance Company
Grant Alan Mortensen Salt Lake City, Utah	Secretary/Treasurer Standard Life & Casualty Insurance Company

The Company's bylaws provide for officers to consist of the chairman of the board of directors, a president, one or more vice presidents, a secretary, a treasurer, and at the discretion of the board of directors, one or more assistant secretaries and/or treasurers. The same person shall not occupy the offices of president and secretary.

The officers of the Company as of December 31, 2010, were as follows:

Name	Title
John Bradley Piercey	President/Chief Executive Officer
John Francis Piercey	Vice President
Grant Alan Mortensen	Secretary/Treasurer

Committees and the respective committee members of the Company as of December 31, 2010 were as follows:

Executive Committee

Name	Title
John Francis Piercey	Vice President
John Bradley Piercey	President/CEO

Holding Company

The Company is wholly owned and controlled by Fidelity Ventures, Inc. John Francis Piercey is the controlling shareholder of Fidelity Ventures, Inc. and subsequently the controlling person of Standard Life & Casualty Insurance Company. An organizational chart illustrating the holding company system follows:

Fidelity Ventures, Inc.
A Utah Corporation
87-0462810

97.96%

Standard Life &
Casualty
Insurance Company
a Utah Corporation
71706--UT
57-0290111

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for the Company's size and premium volume is between $225,000 and $250,000. As of the examination date, the Company participated in fidelity bond coverage of $300,000 with a deductible of $5,000.

In addition, the Company has a workers' compensation policy for up to $500,000 per employee and each accident. The Company also has a commercial umbrella policy for $2,000,000 covering products, operations, and employer liability. It also has a property coverage and business liability policy covering liability and medical expense with an aggregate limit of $2,000,000.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provides a 401(k) plan to full-time employees. The 401(k) is managed through Nationwide and has a Company match of 3% of employee salary regardless of participation by the employee. In addition, the company offers medical coverage and long-term disability coverage to eligible employees.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact insurance business in the following 15 states:

Alabama	Nevada
Colorado	North Carolina
Florida	South Carolina
Georgia	South Dakota
Indiana	Tennessee
Kentucky	Texas
Louisiana	Utah
Mississippi	

As of December 31, 2010, the Company marketed its products under a general agency plan through approximately 3,100 appointed producers.

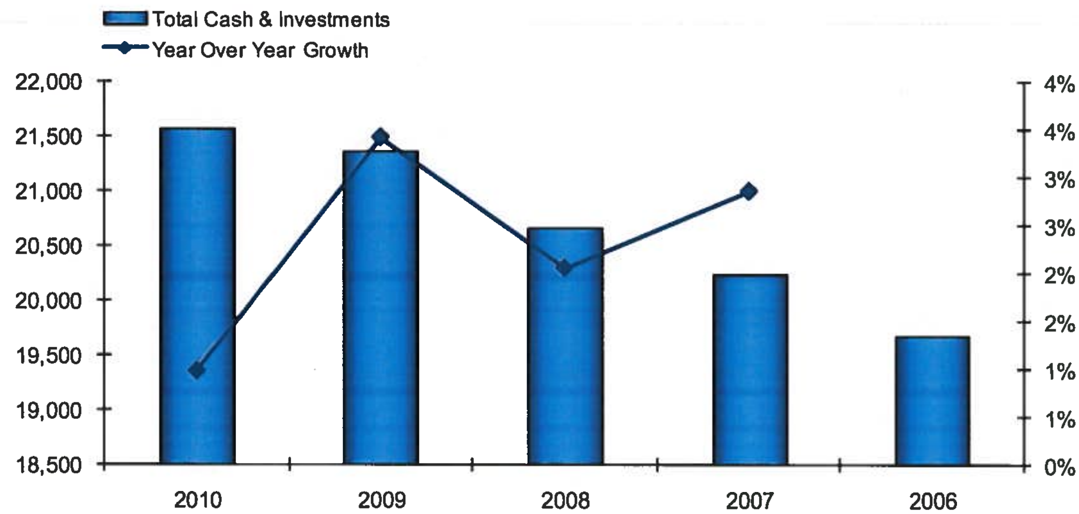
State	Direct Premiums
Texas	$ 5,319,693
North Carolina	2,682,160
South Carolina	1,213,967
Georgia	346,851
Tennessee	116,007
Subtotal	9,678,678
All Other States	193,176
Totals	$ 9,871,854

GROWTH OF COMPANY

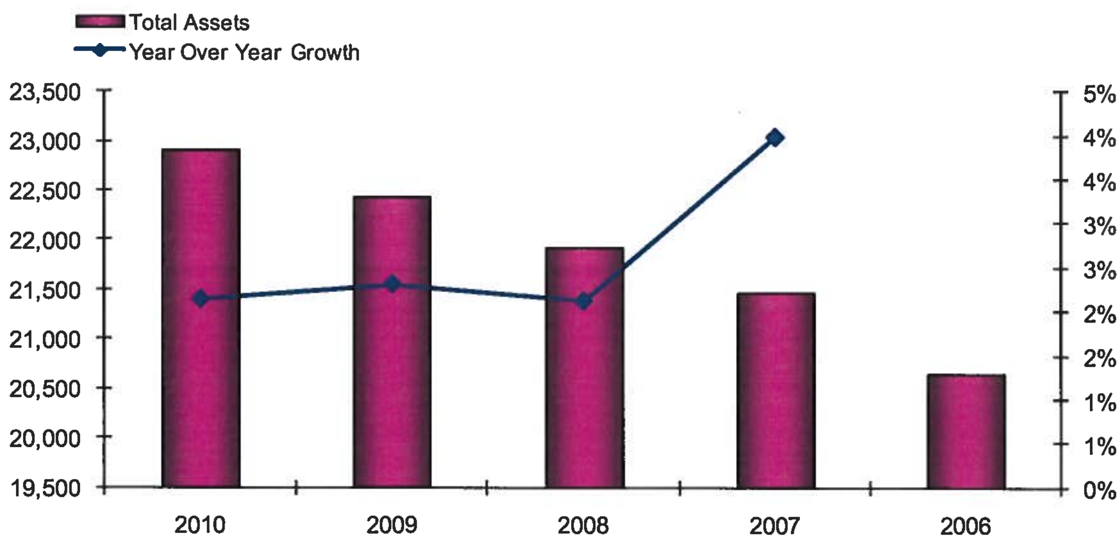
Net income decreased four of the last five years, going from $980,919 in 2006 to $532,715 in 2010. Premiums collected over the last five years have increased every year, showing a positive trend.

Net admitted assets show a positive trend, increasing every year for the last five years. Cash and investment holdings have also increased each year for the last five years. The overall trends present a positive showing by the Company.

Cash and Investments



Net Admitted Assets



MORTALITY AND LOSS EXPERIENCE

The Company has in force several blocks of business. The larger blocks of business include hospital/surgical contracts, disability income contracts, and traditional ordinary life insurance policies. The Company has smaller blocks of universal life insurance policies, deferred annuity contracts, and student accident contracts. The assets, reserves, and liabilities we reviewed during the actuarial examination are associated with these directly written and assumed policies and contracts.

Our actuarial examination indicates that the Company generally followed accurate and appropriate procedures in determining its actuarial assets, reserves, and liabilities.

REINSURANCE

Assumed

All assumed reinsurance agreements are in runoff status with no new business being written on the reinsurance agreements. A summary of all the agreements in runoff is as follows:

Effective July 1, 1970, the Company reinsured life policies for Cincinnati Life Insurance Company on an automatic coinsurance basis. Reinsurance was on an 80/20-percentage basis, with the Company assuming 20% of all risks under automatic cases.

Effective February 1, 1969, the Company provided reinsurance for Protective Life Insurance Company (Protective; formerly Conseco Variable Insurance Company) and Conseco Life Insurance Company (Conseco) on an automatic coinsurance basis. The Company coinsured 20% of the face amount of the life insurance written by Protective and Conseco. The business covered by the Company was split. Texas policies were placed with Conseco Life Insurance Company and all other policies were left in Conseco Variable Insurance Company.

Effective December 1, 1964, the Company provided reinsurance to Equitable Life and Casualty Insurance Company (Equitable) on an automatic coinsurance basis. Equitable retained $10 per $1,000 of insurance; 65% of the pro-rata gross premium; plus the commission on such pro-rata premium for its modified whole life policies insured for $10,000.

Effective June 22, 1970, the Company provided reinsurance to Symetra Life Insurance Company (Symetra; formerly Safeco Life Insurance Company), on a yearly renewable term basis. The company retained 20% of the face amount of the life insurance written by Symetra.

Ceded

All ceded life business with reinsurance agreements effective prior to 1999 are in a runoff status, with no new life business being written on those reinsurance agreements. The

Effective August 1, 2009, the Company signed a reinsurance agreement with Ace American Insurance Company (ACE), for excess liability on accident and health. According to the contract, ACE is liable for the claims incurred during the term of the contract if the policy is terminated prior to or on August 1, 2010. The Company terminated its reinsurance agreement with ACE and entered into a new medical excess reinsurance agreement with Westport Insurance Corporation.

Effective August 1, 2010, the Company entered into a new medical excess reinsurance agreement with Westport Insurance Corporation, a Swiss Re company, through Summit Re. Westport Insurance Corporation covers losses above $100,000, with the Company being responsible for covering 100% of the loss under $100,000.

ACCOUNTS AND RECORDS

The Company's accounting systems were maintained on a local area network. Subsidiary records were maintained on the same local area network and accessible by Company employees using an internally developed application.

An independent certified public accounting firm audited the Company's records during the period covered by this examination. Audit reports generated by the auditors for the years 2007 through 2010 were made available for the examiner's use. The firm provided requested workpapers prepared in connection with its audits, and the examiners placed reliance on the workpapers for examination testing when deemed applicable.

The custodial agreement signed between Standard Life & Casualty Insurance Company and Morgan Stanley Smith Barney was not in compliance with the Utah Administrative Code (U.A.C.) Rule R590-178 as of December 31, 2010. The Company subsequently corrected the agreement to bring it into compliance prior to the completion of the examination. (SUMMARY OF RECOMMENDATIONS)

STATUTORY DEPOSITS

Pursuant to U.C.A. § 31A-4-105, the Company was required to maintain a deposit in the amount equal to its minimum capital requirement. The minimum capital requirement is $400,000 as specified by Utah Code Annotated (U.C.A.) § 31A-5-211 (2) (a). Deposits maintained by or through regulatory agencies in the policyholder's behalf, as of December 31, 2010, were as follows:

State	Description	Fair Value	Carrying Value
AZ	T-Note	$ 151,008	$ 159,996
FL	Tenn. Valley Authority	264,350	233,838
GA	T-Note	29,701	31,034
MT	T-Note	80,998	80,994
NV	GNMA	412,548	397,788
NM	T-Note	108,810	119,849
NC	T-Note	549,950	580,880
SC	T-Note	149,640	153,177
TN	Federal Home Loan Bank	128,434	133,928
TX	Tenn. Valley Authority	158,610	140,303
UT	Tenn. Valley Authority	1,028,130	935,350
UT	US Treasury Bond	536,812	483,572
VA	Tenn. Valley Authority	237,915	210,454
Total		$ 3,836,906	$ 3,661,163

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination. The accompanying Comments on Financial Statements are an integral part of the financial statements.

STANDARD LIFE & CASUALTY INSURANCE COMPANY
BALANCE SHEET (ASSETS)
as of December 31, 2010

	Net Admitted Assets	Note
Bonds	$ 18,788,428	
Preferred stocks	101,574	
Common stocks	748,739	
Real estate:		
Properties occupied by the company (less $192,448 encumbrances)	154,356	
Properties held for the production of income	203,815	
Cash and short-term investments	716,871	
Contract loans	803,742	
Lien on policyholder cash values	53,116	
Investment income due and accrued	74,777	
Uncollected premiums and agents' balances	189,471	
Deferred premiums and agent's balances	1,013,535	*
Current Federal and foreign income tax recoverable	250,000	
Net deferred tax asset	46,515	
Electronic data processing equipment and software	5,438	
Total Assets	$ 23,150,377	*

*Items amended from original year end statement.

STANDARD LIFE & CASUALTY INSURANCE COMPANY
BALANCE SHEET (LIABILITIES, SURPLUS AND OTHER FUNDS)
as of December 31, 2010

		Current Year	Note
Aggregate reserve for life contracts	$	14,794,903	*
Aggregate reserve for accident and health contracts		1,044,016	
Liability for deposit-type contracts		1,262,621	
Contract Claims:			
Life		82,743	
Accident and health claims		574,338	*
Provision for policyholders' dividend and coupons payable in following calendar year - estimated amounts:			
Dividends not yet apportioned		19,391	
Amount provisionally held for deferred dividend policies not included in line above		9,794	
Premiums and annuity considerations for life and accident and health policies and contracts received		39,411	
Interest Maintenance Reserve (IMR)		85,801	
Commissions to agents due or accrued		35,634	
General expenses due or accrued		56,510	
Taxes, licenses and fees due or accrued, excluding federal income taxes		90,000	
Current federal and foreign income taxes		125,000	*
Remittances and items not allocated		68,151	
Dividends to stockholders declared and unpaid		16,731	
Asset Valuation Reserve		53,870	
Reserve for unclaimed property		39,421	
Total Liabilities	$	18,388,541	*
SURPLUS AND OTHER FUNDS			
Common capital stock	$	1,623,473	
Gross paid in and contributed surplus		299,525	
Unassigned funds (surplus)		2,829,046	*
Total Capital and Surplus	$	4,752,043	
Total of Liabilities, Surplus, and Other Funds	$	23,150,377	*

*Items amended from original year end statement.

STANDARD LIFE & CASUALTY INSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2010

		Current Year	Note
Premiums and annuity considerations for life and accident and health contracts	$	9,880,144	*
Net investment income		830,283	
Amortization of interest maintenance reserve (IMR)		13,437	
Separate accounts net gain from operations excluding unrealized gains or losses			
Commissions and expense allowances on reinsurance ceded		1,887	
Aggregate write-ins for miscellaneous income		3,410	
Total Revenues	$	10,729,162	*
Death benefits		1,055,229	
Matured Endowments		5,155	
Annuity benefits		18,870	
Disability Benefits and benefits under accident and health contracts		3,449,584	
Surrender benefits and withdrawals for life contracts		291,124	
Interest and adjustments on contract or deposit-type contract funds		28,835	
Payments on supplementary contracts with life contingencies		22,077	
Increase in aggregate reserves for life and accident and health policies and contracts		635,270	*
Total benefits and reserves	$	5,506,144	*
Commissions on premiums, annuity considerations and deposit-type contract funds		2,567,292	
Commissions and expense allowances on reinsurance assumed		1,168	
General insurance expenses		1,536,625	
Insurance taxes licenses and fees, excluding federal income taxes		350,307	
Increase in loading on deferred and uncollected premiums		79,721	
Net transfers to or (from) separate accounts net of reinsurance			
Policyholder liens		2,219	
Total expenses	$	10,043,476	

*Items amended from original year end statement.

STANDARD LIFE & CASUALTY INSURANCE COMPANY
SUMMARY OF OPERATIONS (Cont.)
for the Year Ended December 31, 2010

		Current Year	Note
Net gain from operations before dividends to policyholders and federal income taxes	$	685,686	
Dividends to policyholders		26,585	
Net gain from operations after dividends to policyholders and before federal income taxes		659,101	
Federal and foreign income taxes incurred		126,386	*
Net gain from operations after dividends and taxes and before realized capital gains (losses)		532,715	
Net realized capital gains (losses)		(56,690)	
Net Income (Loss)	$	476,025	*

*Items amended from original year end statement.

COMPANY NAME
RECONCILIATION OF CAPITAL AND SURPLUS
2007 through 2010

	2007	2008	2009	Per Exam 2010	Note
Capital and surplus prior reporting year	$ 4,304,735	$ 4,610,566	$ 4,643,922	$ 4,692,406	
Net income	708,319	188,573	508,942	476,025	
Change in net unrealized capital gains (losses)	(21,437)	161,136	(43,893)	40,216	
Change in net deferred income tax	42,176	(51,251)	(7,362)	8,575	
Change in non-admitted assets	(28,905)	68,046	2,386	2,002	
Change In asset valuation reserve	27,781	56,344	(309)	(13,185)	
Dividends to stockholders	(422,103)	(389,491)	(411,280)	(313,871)	
Aggregate write-ins for gains and losses in surplus	-	(1)	-	(140,125)	
Net change in capital and surplus	305,831	33,356	48,484	59,637	
Capital and surplus end of reporting year	$ 4,610,566	$ 4,643,922	$ 4,692,406	$ 4,752,043	(1)

COMMENT ON FINANCIAL STATEMENTS

(1) Capital and surplus $4,752,043

Capital and surplus as of December 31, 2010 was $4,752,043. No financial adjustments were determined necessary for examination purposes. U.C.A. § 31A-5-211 (2) (a) requires the Company to maintain minimum capital in the amount of $400,000. As defined by U.C.A. § 31A-17-601, the Company's reported total adjusted capital was $4,815,608, which was considered adequate to meet the authorized control level risk-based capital (RBC) requirement of $663,677.

Our actuarial examination indicates that the Company generally followed accurate and appropriate procedures in determining its actuarial assets, reserves, and liabilities. While the individual findings were material, the aggregate effect of the changes to surplus was deemed to be immaterial. The Company amended the 2010 Annual Statement to reflect the adjusted reserve amounts. (SUMMARY OF RECOMMENDATIONS)

U.A.C. Rule R590-223 requires the use of the 2001 CSO Mortality Table to determine the minimum standards for policies issued after January 1, 2009. The Company continued to issue life insurance policies that utilized the 1980 CSO Mortality Table as the basis for non-forfeiture values after January 1, 2009. Prior to the completion of the examination, the Company corrected its reserving and amended the financials to reflect the reserving changes. (SUMMARY OF RECOMMENDATIONS)

Our review found that the Actuarial Memorandum should have contained more complete descriptions of the Company's products and of the assumptions utilized to prepare the cash flow testing that complies with the requirements of U.A.C. Rule R590-162 and Actuarial Standard of Practice (ASOP) No. 7, and with ASOP No. 22. Additionally, we found that the appointed actuary's utilization of certain assumptions resulted in an overstatement of projected surplus levels for the Company's blocks of business. However, we also found that the cash flow projection was prepared in an internally consistent manner, and that the cash flow projection, as adjusted during our actuarial examination, supports the consulting actuary's conclusions concerning reserve adequacy. (SUMMARY OF RECOMMENDATIONS)

The Company indicated it did not establish an Unpaid Claims Adjustment Expense (UCAE) liability. ASOP No. 42, 'Determining Health and Disability Liabilities Other than Liabilities for Unpaid Claims' indicates "the actuary should determine a liability for claim adjustment expense associated with unpaid claims, unless such liabilities are included in the liability for unpaid claims or otherwise provided for appropriately." Typically, an UCAE liability is 2% - 5% of the claims liability. We did not adjust the Company's 2010 Annual Statement for computational adjustments since the adjustments in total for the actuarial assets and liabilities are below the examination materiality standard. (SUMMARY OF RECOMMENDATIONS)

SUMMARY OF RECOMMENDATIONS

1. The Company should calculate reserves for all traditional ordinary life insurance policies and implement procedures to assure that there are no missing reserve factors going forward. (SUMMARY OF SIGNIFICANT FINDINGS)

2. The Company should develop a procedure for escheating unclaimed funds to assure it complies with Utah Code Title 67-4a-A section 205. (SUMMARY OF SIGNIFICANT FINDINGS)

3. We recommend the Company implement procedures to insure compliance with statutory claims payment timeframes. (SUMMARY OF SIGNIFICANT FINDINGS)

4. Custodial agreements are required to comply with U.A.C. Rule R590-178. (ACCOUNTS AND RECORDS)

5. It is recommended the Company continue to follow guidance under U.A.C. Rule R590-223 for using the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Non-forfeiture Benefits. (COMMENTS ON FINANCIAL STATEMENT)

6. We recommend that the Company's appointed Actuary prepare an Actuarial Memorandum that complies with the requirements of U.A.C. Rule R590-162 and ASOP No. 7, and with ASOP No. 22, containing more complete descriptions of the Company's products, and of the assumptions utilized to prepare the cash flow testing. (COMMENTS ON FINANCIAL STATEMENT)

7. We recommend the actuary estimate and the Company establish an UCAE liability going forward on its accident and health business in accordance with Actuarial Standard of Practice ASOP No.42, Determining Health and Disability Liabilities Other than Liabilities for Unpaid Claims. (COMMENTS ON FINANCIAL STATEMENT)

ACKNOWLEDGEMENT

Thomas L. Burger, FSA, MAAA and Scott S. Garduno, FSA, MAAA of the actuarial firm of Taylor-Walker & Associates, Inc. performed the actuarial phases of the examination. Colette M. Hogan Sawyer, CFE, CPM, PIR, Assistant Chief Examiner of the Department supervised the examination. In addition, Hermoliva Abejar, AFE, and David Flores, CPA, CFE, APIR participated in the examination representing the Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully Submitted,

Aaron Phillips, CFE
Utah Insurance Department