

SHENANDOAH LIFE INSURANCE COMPANY  
QUESTIONS AND ANSWERS  
Revised February 19, 2009

The following is an updated set of questions and answers regarding Shenandoah Life Insurance Company. You may wish to use the following index to help you locate particular questions of interest.

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**RECEIVERSHIP**

Question 1:           WHAT IS SHENANDOAH LIFE'S STATUS?

Answer:               By Order of the State Corporation Commission of the Commonwealth of Virginia, Alfred W. Gross, Commissioner of Insurance was appointed Deputy Receiver for Conservation and Rehabilitation of Shenandoah Life. The Receivership provides for oversight of the company for the protection of policyholders.

Question 2:           WHY WAS IT NECESSARY TO PLACE SHENANDOAH LIFE IN RECEIVERSHIP?

Answer:               While it is too early to provide a comprehensive answer, the immediate problem relates to declining values in certain of the company's investments.

Question 3: WHAT DOES RECEIVERSHIP MEAN?

Answer: Receivership is a protective measure established under Virginia insurance law whereby regulatory officials seize control of the company for the protection of its policyholders and creditors. The Insurance Commissioner, as Deputy Receiver for conservation and rehabilitation, is given the power to run the affairs of the company in an effort to resolve existing financial problems. Receivership efforts are made to conduct the Company's affairs as normally as possible and to remedy the conditions that resulted in its financial difficulties.

Question 4: ARE RECEIVERSHIP AND LIQUIDATION THE SAME THING?

Answer: No. When a company is placed in liquidation, the State Corporation Commission directs the Commissioner as Liquidator to wind-down the company's affairs and distribute its assets to its policyholders and creditors. When the decision is made to liquidate an insurer, its policies and contracts are typically canceled or transferred to other insurers and it eventually ceases doing business. Shenandoah Life is not now in liquidation.

Question 5: IS SHENANDOAH LIFE GOING TO BE PLACED IN LIQUIDATION?

Answer: Concerted efforts are being made to rehabilitate the company so that such action is not necessary. However, it is too early for the Bureau or the Deputy Receiver to provide any assurances as to eventual outcomes.

Question 6: WHAT IS BEING DONE TO REHABILITATE SHENANDOAH LIFE?

Answer: The Deputy Receiver cannot at this time disclose the details, but a number of rehabilitation measures and options are under serious consideration or are being implemented.

Question 7: HOW WILL I KNOW IF SHENANDOAH LIFE IS PLACED IN LIQUIDATION?

Answer: In the event that action is taken, notice will be provided to all known policyholders and claimants as required by law and may also be published in one or more newspapers of general circulation.

Question 8: HAS SHENANDOAH LIFE BEEN DESIGNATED AN “INSOLVENT INSURER” SO AS TO TRIGGER THE PROVISIONS OF THE VIRGINIA LIFE, ACCIDENT & SICKNESS INSURANCE GUARANTY ASSOCIATION?

Answer: No, at this time the Commission has not taken that step.

Question 9: WHEN WILL YOU KNOW MORE ABOUT THE REHABILITATION PLAN?

Answer: It is too early for us to speculate about that. We will provide more information as it becomes available.

## **GENERAL POLICYHOLDER QUESTIONS**

**Question 10: SHOULD I CONTINUE TO PAY MY PREMIUMS?**

**Answer:** While the decision is your own and you should consult your advisor, non-payment of premium may cause your policy to be canceled or reduced in value. We believe you should continue paying premiums.

**Question 11: WHAT PROTECTION DO SHENANDOAH LIFE'S INSUREDS HAVE UNDER THE LAW?**

**Answer:** Under the laws of the states in which Shenandoah Life does business, at least some of its insureds are afforded some protection by a "guaranty fund". These guaranty funds provide for payment of certain policyholder claims and other contractual obligations of the company, subject to conditions and limitations more fully set out in the statutes. [See also Question 27.]

**Question 12: IS SHENANDOAH LIFE ISSUING NEW OR RENEWAL INSURANCE POLICIES OR CONTRACTS?**

**Answer:** At this time the company is not accepting applications or premium for new insurance. However, the company may renew existing contracts and may issue additional certificates under existing group insurance policies.

**Question 13: GIVEN THE COMPANY'S CIRCUMSTANCES, WHY ARE YOU ACCEPTING RENEWAL BUSINESS?**

**Answer:** As part of our efforts to rehabilitate the company and thereby provide you the best possible protection, it is essential that we keep the company in business. This requires that we preserve the company's customers and continue to provide service to existing insureds. However, if we conclude that continuing to do so is inconsistent with the goal of protecting policyholders and insureds, we may later cease renewing business.

Question 14: HAS SHENANDOAH LIFE CANCELED ALL OF ITS POLICIES OR CONTRACTS?

Answer: No. At this time Shenandoah Life has not canceled any policies or contracts except in the ordinary course of its business.

Question 15: DOES THE COMPANY OR THE RECEIVER INTEND TO CANCEL ALL OF ITS INSURANCE POLICIES OR CONTRACTS?

Answer: No. At this time there is no plan to cancel all of the policies or contracts issued by Shenandoah Life. But the policies may be canceled according to their contractual terms and conditions.

Question 16: WILL MY POLICY OR CONTRACT EVER BE CHANGED?

Answer: It is far too early for the Receiver to suggest what, if any, changes might be made to existing policies or contracts issued by Shenandoah Life in the future.

Question 17: MAY I CANCEL MY SHENANDOAH LIFE INSURANCE AND OBTAIN REPLACEMENT INSURANCE WITH ANOTHER COMPANY?

Answer: Every insured still has the right to cancel his policy under its terms and conditions. The decision as to whether or not you should cancel and replace the Shenandoah Life coverage is your own and you may wish to consult your advisor or financial advisor. Note, however, that cancellation of your Shenandoah Life policy may not result in an immediate, or even a complete, refund of unearned premium, cash surrender value or annuity principal.

Question 18: CAN I MOVE MY SHENANDOAH LIFE POLICY OR ANNUITY TO ANOTHER COMPANY?

Answer: No exchange agreement between Shenandoah Life and any other company exists at this time. A moratorium has temporarily been imposed upon the surrender of any annuities.

Question 19: WHAT INSURANCE PRODUCTS AND INSURANCE COVERAGES ARE COVERED BY THE VIRGINIA LIFE, ACCIDENT AND SICKNESS INSURANCE GUARANTY ASSOCIATION?

Answer: The maximum amount of protection provided by the Virginia Life, Accident and Sickness Insurance Guaranty Association for each type of policy is:

Life Insurance Death Benefit: \$300,000 per insured life

Life Insurance Cash Surrender: \$100,000 per insured life

Health Insurance Claims: \$300,000 per insured life

Group Annuity Benefits: Not covered

Individual Annuity Benefits (Present Value): \$100,000 in the present value of annuity benefits, including net cash surrender and net cash withdrawal values; and \$250,000 in the present value of annuity benefits where the annuity is established and maintained as one of the following types of accounts:

- (1) Individual retirement accounts described in §408(a) of the Internal Revenue Code of 1986, 26 U.S.C. §408(a);
- (2) Eligible deferred compensation plan accounts described in § 457 of the Internal Revenue Code of 1986, 26 U.S.C. 457; and
- (3) Individual account plans described in § 3(34) of the Employee Retirement Income Security Act, 29 U.S.C. §1002, and any plan described in § 401(d) of the Internal Revenue Code of 1986, 26 U.S.C. § 401(d) to the extent that participants and beneficiaries under such plans have a right to direct the investment of assets held in individual accounts maintained on their behalf by the plans.

However, in no event shall the Association be liable to expend more than \$350,000 in the aggregate with respect to any one individual.

Question 20: CAN I CHANGE BENEFICIARIES?

Answer: Yes.

Question 21: IF MY POLICY WAS JUST ISSUED, CAN IT BE RETURNED UNDER THE “FREE LOOK” PROVISION AND MY PREMIUM RETURNED?

Answer: Yes.

Question 22: WHEN AND IF THE MORATORIUM IS LIFTED, WHAT WILL PREVENT A “RUN” AT THAT TIME?

Answer: In developing a plan to rehabilitate the company, officials will be mindful of the need to address the risk of a “run.”

## **CLAIMS**

Question 23: IS SHENANDOAH LIFE CURRENTLY PAYING ALL OF ITS CLAIMS?

Answer: No. At this time, the Deputy Receiver has imposed certain moratoriums upon policy loans (other than automatic loans), payment of cash or surrender values, surrenders, fund transfers, cash-outs, and similar payments and certain contract changes or conversions pending further orders. The moratorium may be adjusted as and when the Deputy Receiver and/or the State Corporation Commission find that the circumstances are appropriate. At this time, the Deputy Receiver will allow accident and health claims, including disability, dental and Medicare Supplement, death claims, and periodic annuity payments, and they will so continue until further notice.

Question 24: HOW LONG WILL THE MORATORIUM BE IN EFFECT?

Answer: It is impossible to accurately determine that at this time. It will be kept in effect as long as the Deputy Receiver finds it necessary for the protection of policyholders.

**Question 25:**        **HOW DO I PRESENT CLAIMS THAT I HAVE UNDER SHENANDOAH LIFE POLICIES OR CONTRACTS?**

**Answer:**            All claims should be presented by mail in the same manner as before. Shenandoah Life's address is P.O. Box 12847; Roanoke, VA 24029.

**Question 26:**        **HOW DO I PRESENT A CLAIM FOR ANNUITY SURRENDER?**

**Answer:**            Your annuity surrender should be presented in writing on the form provided by the company for that purpose and signed by the person entitled to payment. You should do so by mail. However, you should note that a moratorium has been temporarily imposed on such surrenders and no payment can therefore be made at this time.

**Question 27:**        **IS SHENANDOAH LIFE PAYING ALL OF ITS OTHER CLAIMS?**

**Answer:**            Yes, the moratorium does not affect death, accident and health claims, including disability, dental or Medicare Supplement, or periodic payments.

## **POLICYHOLDER ACCESS TO FUNDS**

**Question 28:**        **CAN I NOW WITHDRAW ALL OF THE AMOUNTS THAT I HAVE IN MY SHENANDOAH LIFE ANNUITY?**

**Answer:**            Under the terms of many of Shenandoah Life's annuities, and/or Order of the Commission, the company may defer payment of cash surrender values and annuity surrenders and benefits. At this time Shenandoah Life is deferring payment of certain cash surrender values and annuity benefits and surrenders for an undetermined period of time while rehabilitation options are fully developed and evaluated.



Question 29: WILL I CONTINUE RECEIVING PERIODIC MONTHLY PRINCIPAL PAYMENTS UNDER MY ANNUITY?

Answer: Yes. At this time such payments will continue. However changing circumstances may require that such payments be suspended in the future. Such payments made after the date of receivership will be taken into account in future distributions to the extent necessary to avoid unlawful preferences.

Question 30: WILL I CONTINUE RECEIVING SYSTEMATIC PERIODIC WITHDRAWALS AND INTEREST PAYMENTS FROM MY SHENANDOAH LIFE ANNUITY?

Answer: No, not at this time. Although these payments have previously been in place, they are considered withdrawals from your annuity. Because withdrawals from annuities are being suspended at this time, these systematic payments will not be processed until further notice.

Question 31: ARE THERE ANY EXCEPTIONS TO THE MORATORIUM? WHAT IF I HAVE A HARDSHIP?

Answer: The Deputy Receiver may permit certain payments, contract changes or conversions in narrowly defined "hardship" cases. We are developing a procedure for consideration of hardship claims. More information on this procedure will be forthcoming.

Question 32: WHILE SHENANDOAH LIFE IS IN RECEIVERSHIP WILL I CONTINUE EARNING INTEREST ON MY ANNUITIES?

Answer: Although at this time payment will not be made on annuity surrenders, interest to which the annuitant is entitled under the terms of the contract will continue to accrue in accordance with those terms except as they may be changed by order of the State Corporation Commission. You will be advised of any such changes if they are made.

Question 33: MAY I CONTINUE TO MAKE DEPOSITS INTO MY EXISTING ANNUITY?

Answer: Yes, additional deposits into existing annuities will be accepted.

Question 34: WHEN WILL YOU KNOW MORE ABOUT THE PAYMENT OF ANNUITY CASH SURRENDER VALUES?

Answer: It is too early for us to speculate about that. We will provide more information as it becomes available.

Question 35: CAN I MOVE MY SHENANDOAH LIFE POLICY OR ANNUITY TO ANOTHER COMPANY?

Answer: No exchange agreement between Shenandoah Life and any other company exists at this time. A moratorium has temporarily been imposed upon the surrender of any annuities.

Question 36: CAN I BREAK UP MY ANNUITY AMONG SEVERAL OWNERS?

Answer: No. That is not permitted under the moratorium.

Question 37: IF I HAVE SENT IN A 1035 TRANSFER OR SURRENDER REQUEST, IS MY POLICY STILL IN-FORCE AND AM I STILL ACCRUING INTEREST?

Answer: Yes, if due to the moratorium, we have declined to transfer your cash value or honor the surrender, you accrue interest on the policy. In such instances, the policy coverage will remain in force if you comply, to the extent applicable, with the policy provisions.

Question 38: WHEN YOU ARE AGE 70½, YOU HAVE TO TAKE A DISTRIBUTION OR THERE ARE TAX CONSEQUENCES. CAN I WITHDRAW AT THAT TIME?

Answer: At this time, we are not paying Required Minimum Distributions.

Question 39: CAN I ANNUITIZE MY POLICY OR CONVERT IT FROM  
A DEFERRED TO AN IMMEDIATE ANNUITY?

Answer: No.