EXAMINATION REPORT
of
SHENANDOAH LIFE INSURANCE COMPANY
Roanoke, Virginia
as of
December 31, 2006

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
http://www.state.va.us/scc

I, Alfred W. Gross, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Shenandoah Life Insurance Company as of December 31, 2006, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed to the original the seal of the Bureau at the City of Richmond, Virginia this 25th day of October, 2007

Alfred W. Gross
Commissioner of Insurance

(SEAL)

TABLE OF CONTENTS

July 19, 2007
Richmond, Virginia

Honorable Julie Mix McPeak
Secretary – Southeastern Zone
Kentucky Office of Insurance
Frankfort, Kentucky

Honorable Alfred W. Gross
Commissioner of Insurance and
Chair of the NAIC Financial Condition (E) Committee
Virginia Bureau of Insurance
Richmond, Virginia

Dear Commissioners:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, a National Association of Insurance Commissioners ("NAIC") Association Examination of the records and affairs of

SHENANDOAH LIFE INSURANCE COMPANY
Roanoke, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is hereby submitted for your consideration.

DESCRIPTION

The Company is a legal reserve mutual life insurance company licensed under and subject to the general insurance laws contained in Title 38.2 of the Code of Virginia. The Company was last examined as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2006, and was conducted by representatives from the Virginia State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") representing the Southeastern Zone of the NAIC. Notice was provided to all zones of the current examination.

HISTORY

The Company was chartered as a capital-stock life insurance company on December 23, 1914, and operated as such until November 29, 1955. On that date, the Company was authorized by the Commission to convert to a mutual company. Conversion from a stock company to a mutual company was effected in accordance with statutory provisions of the Code of Virginia. The Company's amended Charter provides that:

> The business of the Corporation shall be that of a mutual life insurance corporation, without capital stock, with all the rights, privileges, and powers conferred upon such corporations by the general laws of this State, and such as may from time to time be conferred by law upon such corporations. The kinds of insurance to be transacted by the corporation are the making of insurance upon the lives or health of persons and every insurance appertaining thereto; the granting, purchasing, and disposing of annuities; and the making of insurance against bodily injury or death by accident; with the right to cede or accept reinsurance of any of these risks.

Effective December 29, 2006, Old Dominion Life Insurance Company, a wholly-owned subsidiary and Virginia domiciled life insurance company, merged with and into the Company.

MANAGEMENT AND CONTROL

The bylaws of the Company provide that the business and affairs of the Company shall be managed by a board of not fewer than nine and not more than thirteen members. A majority of the directors shall constitute a quorum for the transaction of business.

Provision is made in the bylaws for an executive committee which, during the period between meetings of the board, shall have and may exercise all the authority of the board of directors except as otherwise limited by the bylaws.

The officers of the Company shall consist of a President, who shall be a member of the Board of Directors, a Treasurer, and a Secretary. The Board of Directors shall elect such Senior Vice Presidents and Vice Presidents and such other officers as the Board of Directors deem necessary. The President is the principal executive officer of the Company and shall have general supervision and control of the business and affairs of the Company.

At December 31, 2006, the Board of Directors, Officers and standing committee members of the Company were as follows:

Directors	**Principal Business Affiliation**
Gerald L. Baliles	Director Miller Center of Public Affairs Charlottesville, Virginia
Robert W. Clark	President and Chief Executive Officer Shenandoah Life Insurance Company Roanoke, Virginia
Warner N. Dalhouse	Chairman of the Board Shenandoah Life Insurance Company Roanoke, Virginia
Gordon K. Davies	Director National Collaborative on Postsecondary Education Policy Richmond, Virginia
Ralph B. Everett	President and Chief Executive Officer Joint Center for Political and Economic Studies Washington, D.C.
W. Heywood Fralin	Chairman and Chief Executive Officer Medical Facilities of America, Inc. Roanoke, Virginia
Alice W. Handy	President Investure Charlottesville, Virginia
Charles W. Steger, Jr.	President Virginia Polytechnic Institute and State University Blacksburg, Virginia

Directors	**Principal Business Affiliation**
Joseph H. Vipperman	Retired Executive Vice President – Corporate Services American Electric Power Columbus, Ohio
Karen F. Washabau	Consultant to Public and Nonprofit Organizations Flagstaff, Arizona
Henry C. Wolf	Vice Chairman and Chief Financial Officer Norfolk Southern Corporation Norfolk, Virginia

Officers	**Title**
Robert W. Clark	President and Chief Executive Officer
Gene P. Berry	Senior Vice President, Insurance Services and Chief Information Officer
Jim L. Henson	Senior Vice President and Chief Marketing Officer
Michael W. Coffman	Senior Vice President, Chief Financial Officer and Treasurer
Mary Ann H. Peltier	Senior Vice President and Chief Actuary
Robert R. Peterson, Jr.	Senior Vice President and Chief Investment Officer
Douglas P. Hayes	Vice President – Group Sales
Donald M. Kinzer	Vice President – Fixed Income Portfolio
Kathleen M. Kronau	Vice President, General Counsel and Secretary

Officers	Title
Cynthia L. Light	Vice President – Marketing and Sales
Paulus W. Moore, Jr.	Vice President – Information Systems and Services
Lee B. Mowry, III	Vice President – Marketing and Sales
Todd A. Putney	Vice President – Human Resources
Robert S. Wagstaff	Vice President and Individual Actuary

Executive Committee

Warner N. Dalhouse, Chairman
Robert W. Clark
Ralph B. Everett
Charles W. Steger, Jr.
Joseph H. Vipperman
Henry C. Wolf

Investment Committee

Henry C. Wolf, Chairman
Robert W. Clark
Ralph B. Everett
Alice W. Handy
Joseph H. Vipperman

Audit Committee

Joseph H. Vipperman, Chairman
Gerald L. Baliles
Warner N. Dalhouse
Gordon K. Davies
W. Heywood Fralin
Karen F. Washabau

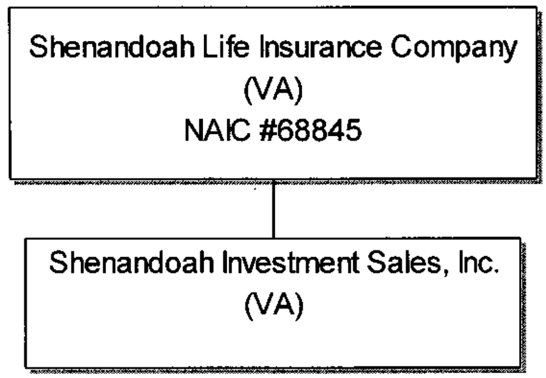
Compensation Committee

Warner N. Dalhouse, Chairman
Ralph B. Everett
Charles W. Steger, Jr.
Joseph H. Vipperman
Henry C. Wolf

Corporate Governance and Nominating Committee

Ralph B. Everett, Chairman
Gerald L. Baliles
W. Heywood Fralin
Joseph H. Vipperman

The Company is a member of an insurance holding company system as defined in Section 38.2-1322 of the Code of Virginia. The following chart summarizes the Company's relationship within the holding company system:



SURPLUS NOTES

On September 15, 2004, the Company issued and sold a surplus note in the amount of $20,000,000. The registered holder of the note is Cede and Company, as nominee of The Depository Trust Company, and the surplus note is issued pursuant to the terms of an indenture under which the trustee is Wilmington Trust Company. Interest on the subordinated note is stated at the 3-month LIBOR plus 2.95% and is adjusted quarterly. Interest is payable on March 15, June 15, September 15 and December 15. Principal is due in a single installment on September 15, 2034. Payment of principal and interest on the surplus note may be made only from available surplus and only with the approval of the Bureau. Interest in the amount of $1,618,597 was approved for payment by the Bureau and paid by the Company during 2006.

BORROWED MONEY

The Company has established a borrowing line with the Federal Home Loan Bank of Atlanta. Interest rates pursuant to the borrowed funds are either set at a fixed rate or at a floating rate utilizing the 3-month LIBOR rate plus or minus various basis points. The 3-month LIBOR rate at December 31, 2006 was 5.36%. Accrued interest on borrowed money is paid monthly on fixed rate loans and quarterly on floating rate loans. The total amount of borrowed money at December 31, 2006 is $181,558,623, which includes $1,286,623 of accrued interest. Interest paid pursuant to these borrowed funds was $9,485,289 during 2006. The Company has pledged mortgage-backed securities and Federal Home Loan Bank stock as collateral. At December 31, 2006, the Company had excess collateral of $27,029,560.

DIVIDENDS TO POLICYHOLDERS

During the period under review, the Company paid dividends to policyholders totaling $4,505,866 during 2006, $4,418,319 during 2005 and $4,575,516 during 2004.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2006, the Company maintained fidelity coverage of $1,750,000. Additionally, the Company maintained general liability, employment practices liability, directors and officer's liability, workers compensation and other coverages usual and customary to the nature of its business.

OFFICERS AND EMPLOYEES BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's highest average compensation during five consecutive years. The Company's funding policy is to contribute an amount that meets legally required funding limits with contributions that do not exceed the maximum amount that can be deducted for federal income tax purposes. The pension expense was $1,694,336 and $1,831,889 for 2006 and 2005, respectively.

In addition to pension benefits, the Company provides certain life insurance benefits ("postretirement benefits") for retired employees. These benefits are provided for former employees of the Company who reached retirement age and elected to retire prior to April 1, 1995. Life insurance benefits are generally set at a fixed amount.

The Company also has non-qualified deferred compensation plans and excess benefits arrangements for officers, agents and directors. The total deferral through December 31, 2006, was $7,824,922 with $1,429,582 charged to operations in 2006.

The Company maintains a qualified defined contribution plan covering substantially all home office employees. Participants in the plan may contribute a percentage of their pre-tax compensation to the plan up to limits defined in the plan document. The Company will contribute an amount equal to 50% of such participant's pre-tax contributions that are not in excess of 10% of participant compensation. Company contributions to the plan were $489,675 and $469,306 in 2006 and 2005 respectively.

In addition to the plans cited above, the Company makes available to its employees other traditional benefits such as health, life and disability income insurance.

Executive Employment Agreements

The Company has entered into employment agreements with its president and chief executive officer, senior vice president and chief investment officer and senior vice president and chief marketing officer. The terms of the agreements run indefinitely and provide for, among other things, one year's salary in the event of employment termination for any reason other than cause.

TERRITORY AND PLAN OF OPERATION

At December 31, 2006, the Company was licensed to transact business in the following jurisdictions:

Alabama	Illiniois	Minnesota	Oklahoma
Arizona	Indiana	Mississippi	Pennsylvania
Arkansas	Iowa	Missouri	South Carolina
Colorado	Kansas	Nebraska	Tennessee
Delaware	Kentucky	New Jersey	Texas
District of Columbia	Louisiana	New Mexico	Virginia
Florida	Maryland	North Carolina	West Virginia
Georgia	Michigan	Ohio	Wisconsin

In the Commonwealth of Virginia, the Company is authorized to write life, credit life, annuities, accident and sickness and credit accident and sickness insurance. The Company has authority to write one or more of these lines in other states.

The majority of individual business is produced through individual marketing organizations and their agents located throughout the Company's territory. Group business is generated through regional sales offices, marketing partners and brokers. Life and annuity applications taken for insurance are submitted to the home office for underwriting and issuance of policies. A third-party administrator ("TPA") is utilized to underwrite and administer Medicare Supplemental business. Most premium billings, collections and claims payments are processed and controlled at the home office or the TPA, with agents being allowed to collect initial premiums only.

Individual agents' compensation is based upon contracts providing for relatively high first-year commissions graduated according to the plan of insurance with renewal commissions generally payable for nine years. In some cases, commissions are paid to agents on an annualized basis. Level commissions are generally paid on group business.

GROWTH OF THE COMPANY

The following data represents the growth of the Company for the ten-year period ending December 31, 2006. The data is compiled from the Company's filed Annual Statements, previous examination reports, and the current examination report.

Year	Admitted Assets	Liabilities	Unassigned Surplus
1997	$727,720,845	$647,184,942	$80,535,903
1998	737,765,901	647,778,265	89,987,636
1999	766,123,019	668,337,747	97,785,272
2000	804,794,759	709,890,366	94,904,393
2001	908,710,309	806,512,337	102,197,972
2002	1,075,065,117	982,534,755	92,530,362
2003	1,248,379,477	1,153,798,393	94,581,084
2004	1,406,524,689	1,289,168,340	117,356,349
2005	1,527,683,600	1,408,507,851	119,175,749
2006	1,583,908,602	1,463,048,012	120,860,590

Insurance in Force (in thousands)

Year	Ordinary	Group	Total
1997	$4,597,786	$5,798,038	$10,395,824
1998	4,607,301	4,334,372	8,941,673
1999	4,937,442	3,610,010	8,547,452
2000	5,660,257	3,955,914	9,616,171
2001	6,138,604	3,916,199	10,054,803
2002	7,299,231	3,561,314	10,860,545
2003	8,738,833	2,862,647	11,601,480
2004	9,910,275	2,587,980	12,498,255
2005	11,196,153	2,625,728	13,821,881
2006	12,261,192	2,742,370	15,003,562

REINSURANCE

Ceded:

The Company has several reinsurance agreements in effect for reinsurance ceded at December 31, 2006. The Company reinsures mortality risks via conventional yearly renewable term (YRT) and coinsurance (CO) treaties, using either quota share or excess of specified retentions. These treaties are generally on an automatic basis with the option for facultative submission on risks that are not automatic. The majority of the policies reinsured are individual traditional life and universal life, including supplementary benefits such as disability waiver of premium and accidental death benefits. The Company does reinsure some Accident and Health business (group LTD and individual disability and Medicare supplemental insurance) and group life (disability). The Company's retention limits for life and waiver of premium policies are as follows:

Issue Age	Standard – Table D	Table E – Table H	Table I and Above
0 – 60	$300,000	$250,000	$200,000
61+	250,000	200,000	150,000

The Company's retention limit for accidental death benefits is $150,000. Additionally, the Company has excess loss coverage of $4,550,000 for losses for any one event in excess of $450,000 retained by the Company.

Outlined below are the major reinsurers to which the Company cedes business and the amount of reserve credit taken at year-end.

Company	State of Domicile	Type	Reserve Credit
Life			
American United Life Insurance Company	Indiana	CO/YRT	$1,556,686
Generali USA Life Reassurance Company	Missouri	CO/YRT	2,460,551
Canada Life Insurance Company*	Michigan	CO/YRT	2,335,900
Reinsurance Group of America, Inc.	Missouri	CO/YRT	13,856,296
Swiss Re Life & Health America, Inc.	Connecticut	CO/YRT	50,949,729

Accident and Health	State of Domicile	Type	Reserve Credit
American Underwriters' Syndicate	Maine	Group LTD	1,201,345
Hartford Life and Accident Insurance Company*	Connecticut	Group LTD	1,383,231
Union Security Insurance Company	Minnesota	Group LTD	12,890,628
United Teachers Associates	Texas	Ind. Disability	5,200,217

*New reinsurance agreements effective during exam period.

The total reserve credit taken by the Company for ceded business at December 31, 2006 is $94,235,355, or 7.36% of the total reported aggregate reserves.

Assumed:

At December 31, 2006, the Company has several indemnity reinsurance agreements in effect for reinsurance assumed. The Company assumes individual life business, including disability benefits, via YRT treaties from American United Life Insurance Company, Employers Reassurance Corporation, Lincoln National Life Insurance Company and Swiss Re Life and Health America. The total reserve associated with the Company's assumed business at December 31, 2006 is $434,344, or less than one-half of 1% of the total reported life reserves.

The Company's reinsurance agreements were reviewed and found to include insolvency provisions.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period January 1, 2004 through December 31, 2006. Assets were verified and liabilities were established at December 31, 2006. A review of income and disbursements for the period was made to the extent deemed necessary.

The items comprising the Balance Sheet for which Specific Risk Analyses (SRA) were required had medium or low risk assessments as determined from the NAIC Examiners Handbook. Analytical review procedures were applied for non-SRA items.

In addition, the following items were reviewed, several of which are discussed separately under their respective captions in the report.

History
Management and Control
Corporate Records
Fidelity Bonds and Other Insurance
Territory and Plan of Operations
Growth of the Company
Reinsurance
Accounts and Records
Financial Statements
Risk-Based Capital

FINANCIAL STATEMENTS

There follows a statement of financial condition of the Company at December 31, 2006, a summary of operations for the year ended December 31, 2006, a reconciliation of capital and surplus for the period under review, and a statement of cash flows for the year ending December 31, 2006. The financial statements are presented in accordance with Statutory Accounting Principles.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$948,542,531		$948,542,531
Stocks:			
Preferred stocks	316,176,119		316,176,119
Common stocks	16,393,577		16,393,577
Mortgage loans on real estate:			
First liens	183,185,079		183,185,079
Real Estate:			
Properties occupied by the company	4,132,996		4,132,996
Cash and short-term investments	18,385,017		18,385,017
Contract loans	28,744,228	8,964	28,735,264
Other invested assets	10,948,000		10,948,000
Subtotals, cash and invested assets	$1,526,507,547	$8,964	$1,526,498,583
Investment income due and accrued	15,904,554		15,904,554
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	(1,777,662)		(1,777,662)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	25,076,573		25,076,573
Reinsurance:			
Amounts recoverable from reinsurers	1,316,478		1,316,478
Other amounts receivable under reinsurance contracts	2,603,824		2,603,824
Net deferred tax asset	28,468,256	17,259,605	11,208,651
Guaranty funds receivable or on deposit	291,756		291,756
Electronic data processing equipment and software	2,194,569	2,093,320	101,249
Furniture and equipment	743,589	743,589	0
Other amounts receivable	6,710,013	6,471,216	238,797
Deposits and other amounts receivable	2,987,993	542,194	2,445,799
Total assets	$1,611,027,490	$27,118,888	$1,583,908,602

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	$1,184,347,476
Aggregate reserve for accident and health contracts	1,018,094
Liability for deposit-type contracts	22,031,819
Contract claims:	
Life	6,931,236
Accident and health	3,334,749
Policyholders' dividends	4,366
Dividends apportioned for payment	4,510,331
Premiums and annuity considerations for life and accident and health contracts received in advance	718,846
Interest Maintenance Reserve	5,844,971
Commissions to agents due or accrued	398,155
General expenses due or accrued	13,490,088
Taxes, licenses and fees due or accrued, excluding federal income taxes	797,951
Current federal income taxes	95,405
Unearned investment income	961,443
Amounts withheld or retained by company as agent or trustee	1,417,145
Amounts held for agents' account	6,543
Remittances and items not allocated	1,438,521
Borrowed money	181,558,623
Miscellaneous liabilities:	
Asset valuation reserve	7,131,675
Funds held under coninsurance	23,866,784
Aggregate write-ins for liabilities	3,143,791
Total liabilities	$1,463,048,012
Surplus notes	$20,000,000
Unassigned funds (surplus)	100,860,590
Total capital and surplus	$120,860,590
Total liabilities, capital and surplus	$1,583,908,602

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	$233,406,081
Considerations for supplementary contracts with life contingencies	2,216,426
Net investment income	81,490,709
Amortization of Interest Maintenance Reserve	173,308
Commissions and expense allowances on reinsurance ceded	13,864,081
Aggregate write-ins for miscellaneous income	316,709
Total	$331,467,314
Death benefits	43,982,253
Matured endowments	454,681
Annuity benefits	26,643,820
Disability benefits and benefits under accident and health contracts	39,530,730
Surrender benefits and withdrawals for life contracts	79,497,353
Group conversions	52,793
Interest and adjustments on contract or deposit-type contract funds	1,162,155
Payments on supplementary contracts with life contingencies	2,451,647
Increase in aggregate reserves for life and accident and health contracts	36,043,967
Total	$229,819,399
Commissions on premiums, annuity considerations and deposit-type contract funds	47,246,297
Commissions and expense allowances on reinsurance assumed	12,829
General insurance expenses	34,617,441
Insurance taxes, licenses and fees, excluding federal income taxes	5,658,081
Increase in loading on deferred and uncollected premiums	1,227,875
Aggregate write-ins for deductions	1,382,960
Total	$319,964,882
Net gain from operations before dividends to policyholders and federal income taxes	$11,502,432
Dividends to policyholders	4,505,866
Net gain from operations after dividends to policyholders and before federal income taxes	$6,996,566
Federal income taxes incurred	2,315,187
Net gain from operations after dividends to policyholders and federal income tax and before realized capital gains	$4,681,379
Net realized capital gains	361,068
Net income	$5,042,447

RECONCILIATION OF CAPITAL AND SURPLUS

	2004	2005	2006
Capital and surplus, December 31, prior year	$94,581,084	$117,356,349	$119,175,749
Net income	$778,836	$2,962,955	$5,042,447
Change in net unrealized capital gains (losses)	(369,906)	154,709	(255,508)
Change in net deferred income tax	2,810,831	1,928,725	356,924
Change in nonadmitted assets	(2,910,718)	(2,733,604)	(1,158,131)
Change in asset valuation reserve	2,466,222	(493,385)	(3,068,143)
Change in surplus notes	20,000,000		
Cummulative effect of changes in accounting principles			767,252
Net change in capital and surplus	$22,775,265	$1,819,400	$1,684,841
Capital and surplus, December 31, current year	$117,356,349	$119,175,749	$120,860,590

CASH FLOW

CASH FROM OPERATIONS

Premiums collected net of reinsurance	$231,721,114
Net investment income	82,445,500
Miscellaneous income	14,707,291
Total	$328,873,905
Benefit and loss related payments	189,937,802
Commissions, expenses paid and aggregate write-ins for deductions	87,526,550
Dividends paid to policyholders	4,403,841
Federal income taxes paid	2,391,500
Total	$284,259,693
Net cash from operations	$44,614,212

CASH FROM INVESTMENTS

Proceeds from investments sold, matured or repaid:	
Bonds	$145,933,883
Stocks	48,010,367
Mortgage loans	18,005,930
Miscellaneous proceeds	1,000
Total investment proceeds	$211,951,180
Costs of investments acquired (long-term only):	
Bonds	$171,675,269
Stocks	31,230,130
Mortgage loans	48,103,000
Real estate	799,472
Total investments acquired	$251,807,871
Net increase in contract loans and premium notes	$486,270
Net cash from investments	($40,342,961)

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash provided (applied):	
Borrowed funds	$10,850,000
Net deposits on deposit-type contracts and other insurance liabilities	(1,910,788)
Other cash (applied)	(102,589)
Net cash from financing and miscellaneous sources	$8,836,623

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	$13,107,874
Cash, cash equivalents and short-term investments:	
Beginning of year	5,277,143
End of year	$18,385,017

CONCLUSION

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Bryan Almond, Chris Collins, Jack Drean, CFE, David Fiden, Ern Johnson, FSA, MAAA, Kevin Knight, David Lin, Hai Nguyen and Michael Peterson participated in the work of the examination.

Respectfully submitted,

John E. Bunce, CFE
Assistant Chief Examiner
Commonwealth of Virginia
Representing the Southeastern Zone, NAIC

SHENANDOAH LIFE
INSURANCE COMPANY

ROBERT W. CLARK
President and Chief Executive Officer

Office: (540) 985-4200
Fax: (540) 857-5900

BUREAU OF INSURANCE

07 OCT 17 AM 9:45

October 16, 2007

VIA OVERNIGHT DELIVERY

Mr. David H. Smith, CFE, CPA, CPCU
Chief Examiner
Virginia Bureau of Insurance
1300 East Main Street
Richmond, Virginia 23219

Dear Mr. Smith:

Please accept this letter as acknowledgement of receipt of the draft Association Examination Report on Shenandoah Life Insurance Company covering the period from January 1, 2004 through December 31, 2006. We have reviewed this report and have no comments or corrections.

We would appreciate receiving thirty copies of the report for our present and future needs.

Thank you and your staff for conducting the examination in such a professional manner.

Sincerely,

Robert W. Clark

Robert W. Clark
President and Chief Executive Officer

c: Michael W. Coffman

P.O. BOX 12847 ♦ ROANOKE, VIRGINIA 24029 ♦ email: robert.clark@shenlife.com