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Department of Insurance  
State of Idaho

*Attorneys for the Department of Insurance*

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE  
OF THE STATE OF IDAHO**

In the Matter of:

AMERICAN LIFE & SECURITY CORP.

Idaho Certificate of Authority No. 1695  
NAIC ID No. 67253

Docket No. 18-3040-15

**ORDER SUSPENDING  
TRANSACTION OF INSURANCE  
BUSINESS IN IDAHO**

The Director of the Idaho Department of Insurance (“Director”), pursuant to Idaho Code § 41-213(1) and Department of Insurance Rule 66 located at IDAPA 18.01.66, “Director’s Authority for Companies Deemed to Be in Hazardous Financial Condition,” hereby makes the following findings of fact and conclusions of law, which form the basis for entry of this *Order Suspending Transaction of Insurance Business in Idaho* against American Life & Security Corp. (“American Life”).

## **FINDINGS**

1. American Life is a non-resident life and disability company (excluding managed care) domiciled in Arizona and issued an Idaho Certificate of Authority No. 1695 by the Director and is therefore under the jurisdiction of the Director of the Idaho Department of Insurance (“Department”) pursuant to the Idaho Insurance Code, title 41, Idaho Code.

2. The Department’s financial analyst conducted an independent review of American Life’s financial condition and has reached the following conclusions that indicate that American Life is in hazardous financial condition as defined in Idaho law and Department rule.

### **Operating Loss (50% of Surplus)**

3. Pursuant to Idaho Code § 41-313(1), in order to qualify for and maintain a certificate of authority to transact insurance in Idaho, American Life is required to maintain minimum paid-up capital stock and minimum additional surplus of \$1,000,000 each, for a total minimum policyholder surplus of \$2,000,000.

4. American Life reported in its 2014 annual statement that, as of December 31, 2014, American Life had policyholder surplus of \$2,927,996, which exceeded the minimum required policyholder surplus by \$927,996.

5. American Life also reported in its 2014 annual statement a net operating loss of \$1,580,355. Such loss was greater than 50% of American Life’s remaining policyholder surplus in excess of the minimum requirement, *i.e.*, \$463,998.

### **Net Operating Losses**

6. American Life has reported net operating losses in five of the last five years, including, specifically, a loss of \$20,497 in 2013 and a loss of \$1.58 million in 2014, as reflected in its 2014 annual statement.

### **Other Contributing Factors**

7. American Life's 2014 annual statement reflects that, excluding capital and surplus contributions, American Life's total surplus decreased by 170% in 2014.

8. American Life's affiliated investments of \$4.8 million, as reported for 2014, represented 165% of its capital and surplus.

### **CONCLUSIONS**

9. Rule 66.011 sets forth, at subsections 01 through 20, the standards that may be considered by the Director in determining whether the continued operation of any insurer transacting insurance business in Idaho may be deemed to be hazardous to its policyholders or creditors or to the general public.

10. Rule 66.011.05 provides that, in determining whether an insurer is in hazardous financial condition, the Director may consider whether "the insurer's operating loss in the last twelve (12) month period [. . .] is greater than fifty percent (50%) of the insurer's remaining surplus as regards policyholders in excess of the minimum required."

11. Based on statutory minimum surplus requirements applicable to American Life, and based on information reported in American Life's 2014 annual statement, as described above, the Director hereby concludes that American Life experienced an operating loss in the last twelve (12) month period greater than fifty percent (50%) of its remaining policyholder surplus in excess of the minimum requirement, and that American Life is in hazardous financial condition, pursuant to the standard set forth at Rule 66.011.05.

12. Rule 66.011.16 provides that, in determining whether an insurer is in hazardous financial condition, the Director may consider whether an insurer has experienced, or will experience in the foreseeable future, cash flow or liquidity problems.

13. Based on American Life's reported net operating losses, the Director hereby concludes that American Life has experienced, and will experience in the foreseeable future, cash flow or liquidity problems and is in hazardous financial condition, pursuant to Rule 66.011.16.

14. Rule 66.011.20 provides that, in determining whether an insurer is in hazardous financial condition, the Director may consider any other finding determined by the Director to be hazardous to the insurer's policyholders or creditors or to the general public.

15. The Director has determined that the findings set forth in paragraphs 7 through 9 above are potentially hazardous to American Life's policyholders and creditors, and therefore concludes that American Life is in hazardous financial condition, pursuant to Rule 66.011.20.

### **ORDER**

NOW, THEREFORE, based on the foregoing findings and conclusions that American Life is in hazardous financial condition and that its continued operation in Idaho may be hazardous to its policyholders, its creditors, and the general public, and good cause appearing therefor,

IT IS HEREBY ORDERED, pursuant to Rule 66.012.02.b, that American Life is SUSPENDED from accepting or renewing insurance business in Idaho, effective immediately, until such time as the Director finds that American Life's financial condition has sufficiently improved to justify a finding that it is no longer in hazardous financial condition.

IT IS FURTHER ORDERED that American Life immediately provide notice to every person authorized to write business in the state of Idaho for American Life to immediately cease writing any such insurance business for American Life.

DATED this 23<sup>rd</sup> day of April, 2015.

STATE OF IDAHO  
DEPARTMENT OF INSURANCE



THOMAS A. DONOVAN  
Acting Director

**NOTIFICATION OF RIGHTS**

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a

petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 27<sup>th</sup> day of April, 2015, I caused a true and correct copy of the foregoing ORDER SUSPENDING TRANSACTION OF INSURANCE BUSINESS IN IDAHO to be served upon the following by the designated means:

American Life & Security Corp.  
2900 S. 70<sup>th</sup> Street, Suite 400  
Lincoln, NE 68506-3746

- first class mail
- certified mail
- hand delivery
- via facsimile
- via email

American Life & Security Corp.  
8601 N. Scottsdale Road, Suite 300  
Paradise Valley, AZ 85253-2738

- first class mail
- certified mail
- hand delivery
- via facsimile
- via email

Arizona Department of Insurance  
Germaine Marks, Director  
2910 North 44<sup>th</sup> Street, Suite 210  
Phoenix, AZ 85018-7256

- first class mail
- certified mail
- hand delivery
- via facsimile
- via email

Idaho Life and Health Guaranty Association  
Attn: Candie Kinch  
[ckinch@idlifega.org](mailto:ckinch@idlifega.org)

- first class mail
- certified mail
- hand delivery
- via facsimile
- via email

Richard B. Burleigh  
Deputy Attorney General  
Idaho Department of Insurance  
700 W. State Street, 3<sup>rd</sup> Floor  
P.O. Box 83720  
Boise, ID 83720-0043

- first class mail
- certified mail
- hand delivery
- via facsimile
- via email

  
Pamela Murray