

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In the Matter of)
)
Life Insurance Company of)
Alaska, a domestic life)
insurance company,)
)
Applicant.)
) R95-03

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER
APPROVING ASSUMPTION AGREEMENT

This matter comes before the division of insurance (hereinafter "division") based on a hearing held February 21, 1995 and noticed pursuant to AS 21.06.200.

I. FINDINGS OF FACT

The director makes the following findings of fact:

A. Life Insurance Company of Alaska, Inc. (hereinafter "LICA") of Anchorage, Alaska is a domestic life insurance company authorized to transact the business of insurance pursuant to the provisions of AS 21.09 and 21.69.

B. Central Security Life Insurance Company (hereinafter "Central Security") of Richardson, Texas is a foreign life insurance company admitted to transact the business of insurance in Alaska pursuant to the provisions of AS 21.09.

C. LICA and Central entered an agreement entitled "Reinsurance Agreement" and characterized as an "Assumption Reinsurance Treaty," with signatures dated December 14 and 15, 1994 (Exhibit 1). Provision (W) sets an effective date of

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

December 31, 1994. The agreement was amended by the parties through a document entitled "Amendment Number One Effective December 31, 1994 to the Reinsurance Agreement Between Central Security Life Insurance Company and Life Insurance Company of Alaska" (Exhibit 2). For the purpose of this proceeding, the original agreement and its amendment will be referred to together as the "Assumption Agreement."

D. Through the Assumption Agreement, LICA seeks to transfer to Central Security effective December 31, 1994, substantially all of its interest and obligations respecting its traditional life insurance business, credit life insurance business, credit accident & health (A & H) insurance business, and annuity business, including all premiums, reserves, claims and related assets for these lines as of the close of business December 31, 1994. (Exhibit 2, App. 2).

E. Pursuant to provisions of Alaska's insurance code, the Assumption Agreement is subject to approval by the division.

F. Notice of a hearing (H95-01) was published on January 3, 1995 for the purpose of the division considering approval of the Assumption Agreement under authority provided by AS 21.06.180 and 21.69.610.

G. A hearing was held on February 21, 1995, at the division of insurance offices in Anchorage at which the following persons participated in the capacity as indicated:

- (1) Eugene Furman -- chief financial examiner and presiding hearing officer for the division (in person)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

- (2) Barbara Karl -- division paralegal (in person)
- (3) John Moret -- division financial examiner (in person)
- (4) David Stebing -- assistant attorney general and counsel to division (in person)
- (5) Richard Block -- Counsel to LICA (in person)
- (6) John Olson -- president, LICA (telephonically)
- (7) Richard Burgin -- vice president, Central Security (telephonically)
- (8) George Wise -- consulting actuary for Central Security (telephonically)
- (9) Daniel Carpenter -- secretary / treasurer, LICA (telephonically)
- (10) Ken Snider -- representative, Alaska Life & Disability Insurance Guaranty Association (telephonically)

H. Testimony was taken at the hearing. In addition, the following exhibits, copies of which are attached to this Order, were introduced into the record by LICA:

- Exhibit 1 -- Assumption Reinsurance Agreement
- Exhibit 2 -- Amendment to Form D Filing and Amendment Number One Effective December 31, 1994 to the Reinsurance Agreement Between Central Security Life Insurance Company and Life Insurance Company of Alaska
- Exhibit 3 -- Letter dated February 15, 1995 from Richard Block to Thelma Walker

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Exhibit 4 -- Form D Filing Information From Central Security

Exhibit 5 -- 1993 Annual Statement and September 30, 1994 Quarterly Statement for Central Security

I. Evidence presented at the hearing, together with sources available to the division (attached as Exhibits 6 and 7), established the following facts:

(1) The policyholder surplus of Central Security is substantially greater than the policyholder surplus of LICA. As of September 30, 1994, LICA reported a policyholder surplus of \$1,088,284 and Central Security reported a policyholder surplus of \$5,832,858.

(2) The total admitted assets of Central Security is substantially greater than the total admitted assets of LICA. As of September 30, 1994, LICA reported \$5,17,457 in admitted assets, whereas Central Security reported admitted assets of \$97,588,433.

(3) Central Security has a larger professional staff to service the outstanding policy obligations than does LICA.

(4) Some of the policies and annuity contracts being assumed include conversion rights. Central Security has a larger choice of currently approved policy contracts to which policyholders can convert than does LICA.

(5) Central Security has a larger professional staff to administer the investment of assets than does LICA which suggests the likelihood that the returns on investment of

1
2 assets supporting the policyholder obligations with Central
3 Security will be equal to or higher than the returns that
4 will be realized if the assets remain with LICA.

5 (6) Central Security is admitted to transact the
6 business of insurance in 36 states and the District of
7 Columbia, whereas LICA is admitted in two states.

8 J. The agreement includes compensation paid by Central
9 Security to LICA for the transfer of this book of business. That
10 contractual consideration was arrived at by arms length
11 negotiations between Central Security and LICA.

12 K. LICA and Central Security have submitted a proposed
13 Certificate of Assumption (Exhibit 1, page 15) as a policy
14 amendment, and a form for notice to policyholders entitled "Life
15 Insurance Company of Alaska Assumption Objection Form" (Exhibit 1,
16 page 20) to be used in communicating with all current LICA
17 policyholders concerning this transaction.

18
19 II. CONCLUSIONS OF LAW

20 The director makes the following conclusions of law:

21 A. A hearing was held in this matter on February 21, 1995,
22 pursuant to A.S. 21.06.180 and 21.69.610. The notice requirements
23 of AS 21.06.200 were met.

24 B. LICA and Central Security have complied with relevant
25 provisions of the Alaska insurance code (AS 21).

26 C. In accordance with AS 21.69.610(b), the transaction
proposed by the Assumption Agreement is equitable to stockholders

1 of LICA, and it does not substantially reduce the protection or
2 service to LICA policyholders.
3


4
5 III. ORDER

6 The director orders as follows:

7 A. The Assumption Agreement is approved on the date this
8 order is signed, with an effective date for the Assumption
9 Agreement of December 31, 1994.

10 B. LICA shall notify all policyholders and annuitants whose
11 policies and contracts are subject to the Assumption Agreement.
12 The notification shall include the Certificate of Assumption filed
13 with the division on December 16, 1994.

14 DATED this 3rd day of March, 1995 at Anchorage,
15 Alaska.

16
17 
18 Thelma Snow Walker
19 Acting Director
20 Division of Insurance
21
22
23
24
25
26