

ORDER NO. R98-08

DIRECTOR'S APPROVAL OF ALHIGA'S RESPONSE TO AMERICAN STANDARD LIFE INSURANCE COMPANY INSOLVENCY

August 14, 1998

By letter dated July 28, 1998, the Alaska Life and Health Insurance Guaranty Association (ALHIGA) requested the approval of the Director of the Division of Insurance for ALHIGA to become a participating Guaranty Association in an Assumption Reinsurance Agreement arising out of the American Standard Life and Accident Insurance Company (A.SL) insolvency. In response to that request, the Director finds as follows:

BACKGROUND

1. ASL is a "member insurer" of ALHIGA as defined in AS 21.79.900(6). ASL was licensed to sell life, health and annuity insurance in the State of Alaska under Certificate of Authority #F-1094. Pursuant to AS 21.09.150(c), the Certificate was suspended by order of the Director effective December 22, 1988, because conservatorship proceedings had been commenced by the State of Oklahoma under an order dated December 6, 1988. The Director has renewed the suspension order annually through December 22, 1998.

2. By order dated February 22, 1991, the District Court of Oklahoma County, State of Oklahoma, issued an order appointing a receiver and placing ASL in a receivership. As a result of ASL's continued insolvent status, the Oklahoma court entered an order of liquidation on November 21, 1997, with a subsequent order of modification.

3. Under AS 21.79.060(d), ALHIGA is required, with the approval of the Director, to take one of the following actions if a member insurer becomes insolvent:

(a) guarantee, assume, reinsure or provide for the guarantee, assumption, or reinsurance of the covered policies of the insolvent insurer held by residents;

(b) assure payment to residents of the contractual obligations of the insolvent insurer;

(c) provide money, pledges, notes, guarantees or other means necessary to discharge the insurer's duties under this subsection; or

(d) with respect only to life and health insurance policies, provide benefit coverages required under AS 21.79.060(e).

4. An Assumption Reinsurance Agreement has been negotiated between American Standard Life and Accident Insurance Company in Rehabilitation, the national organization of Life and health Insurance Guaranty Associations (NOLHGA), certain participating state life and health insurance guaranty associations, and the American Fidelity Assurance Company, said Agreement date July 20, 1998, whereby ASL's policies will be assumed and reinsured by

American Fidelity Assurance Company.

5. ALHIGA plans to meet its statutory obligations by becoming a participating guaranty association in the aforementioned Assumption Reinsurance Agreement. By its participation, ALHIGA will be providing for the assumption and reinsurance of covered ASL policies held by Alaska residents, as allowed under AS 21.79.060(d)(1).

THE DIRECTOR HEREBY ORDERS:

ALHIGA's request to become a participating guaranty association in the aforementioned Assumption Reinsurance Agreement is approved.

This order is effective August 14, 1998.

Marianne K. Burke
Director of Insurance