



DIVISION OF INSURANCE

Frank H. Murkowski, Governor

ORDER NUMBER R 04-08

October 13, 2004

**DIRECTOR'S APPROVAL OF ALHIGA'S RESPONSE TO
LONDON PACIFIC LIFE & ANNUITY COMPANY INSOLVENCY**

By letter dated October 4, 2004, the Alaska Life and Health Insurance Guaranty Association (ALHIGA) has requested the approval of the Director of Insurance to become a Participating Guaranty Association to ensure payment of covered claims, if any, on behalf of Alaska residents arising from the insolvency of London Pacific Life & Annuity Company (London Pacific). In response to that request, the director finds as follows:

BACKGROUND

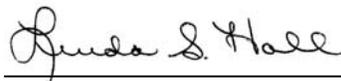
1. London Pacific is a "member insurer" of ALHIGA, as defined in AS 21.79.900(10). London Pacific was licensed to sell certain lines of insurance in the State of Alaska, including health insurance, under Certificate of Authority F-1525, dated November 30, 1983. This certificate was suspended by order of the director dated August 26, 2002.
2. On August 6, 2002, a voluntary Rehabilitation Order was entered as to London Pacific by the Superior Court of Wake County, North Carolina. By Order of Liquidation effective July 9, 2004, that court entered a liquidation order as to London Pacific. The order included a finding that London Pacific was insolvent.
3. Under AS 21.79.060(d), ALHIGA is required, with approval of the director, to take one of the following actions if a member insurer becomes insolvent:
 - (1) guarantee, assume, reinsure or provide the guarantee, assumption, or reinsurance of the covered policies of the insolvent insurer held by residents;
 - (2) assure payment to residents of the contractual obligations of the insolvent insurer;
 - (3) provide money, pledges, notes, guarantees, or other means necessary to discharge the insurer's duties under this subsection; or
 - (4) with respect only to life and health insurance policies, provide benefits and coverage as required under AS 21.79.060(e).

4. ALHIGA is a member of the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA). The NOLHGA task force dealing with the London Pacific insolvency has negotiated with the London Pacific liquidator and other parties to arrange for the payment of covered obligations of affected guaranty associations so that the payment of annuity obligations arising from London Pacific policies will not be significantly interrupted. This has been accomplished through two agreements; namely, an exchange agreement and an early access agreement, copies of which are incorporated herein by reference. The implementation of these plans has been approved by the liquidation court. By becoming a Participating Guaranty Association in these agreements, ALHIGA will be enabled to provide for the guaranty, assumption, or reinsurance of the covered policies held by Alaska residents or, alternatively, will be able to assure payment to Alaska residents of the contractual obligations of London Pacific.
5. ALHIGA plans to meet its statutory obligation under AS 21.79.060 by becoming a Participating Guaranty Association under the above-referenced agreements. ALHIGA also plans to file a timely proof of claim in the London Pacific liquidation proceeding.

THE DIRECTOR HEREBY ORDERS:

ALHIGA's request to meet its statutory obligations to Alaska residents who are London Pacific deferred annuity holders by becoming a Participating Guaranty Association in the above-referenced agreements is **approved**.

This order is effective October 13, 2004.



Linda S. Hall
Director of Insurance