

EXAMINATION REPORT
OF
AMERICAN CREDITORS LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2017

Trinidad Navarro
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 of

AMERICAN CREDITORS LIFE INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Reyn Brown

Date: 18th day of June, 2019



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 19 day of June, 2019.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF
AMERICAN CREDITORS LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2017

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 19 day of June, 2019

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SALUTATION

May 17, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.017, dated August 07, 2018, an examination has been made of the affairs, financial condition and management of

American Creditors Life Insurance Company

hereinafter referred to as (the Company) or (ACLIC). ACLIC was incorporated under the laws of the State of Delaware. The Company's registered office in the State of Delaware is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2013, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2014 through December 31, 2017. Our examination was performed as a single state examination. It was performed using the risk-focus approach for financial examination of insurance companies.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook)* and generally

accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer, and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

The Company's minutes did not note approval of its investments in accordance with 18 *Del. C.* §1304. See "Corporate Records" section below for further details.

The Company did not file with the Department the amendments to their bylaws in accordance with 18 *Del. C.* § 318. See "Corporate Records" section below for further details.

The Company did not provide evidence that it is licensed in the states it lists in its Annual Statement. See “Territory and Plan of Operation” section below for further details.

COMPANY HISTORY

The Company was incorporated November 28, 1978 under the laws of the State of Delaware. Since its formation through 2002, the Company wrote single premium credit life and credit disability business written through independent agents, servicing automobile dealerships on automobile loans and leases. The Company was placed in run-off in 2002. The Company underwent a substantial ownership and capital restructure in 2003. As part of planning for management succession and estate planning, additional common and preferred stock were authorized and were issued. Mr. Nelson Bobb, the Company’s founder and owner, transferred all of his stock into a revocable Inter Vivos trust and then into The Nelson and Gail Bobb Family Limited Partnership (Partnership). Mr. Bobb designated Joel Rosenblum as general partner of the Partnership. Mr. Bobb resigned as Director and President of the Company in November, 2003, and elected Mr. Rosenblum to succeed him as President. All of the Company’s common stock is held by the Partnership. Joel Rosenblum, as general partner of the Partnership, is authorized to vote all the common stock.

Capitalization

As of December 31, 2017, the Company’s had 2,000,000 common stock shares authorized with 1,774,000 common stock shares issued and outstanding at par value of \$1.00 per share with a common capital of \$1,774,000.

Dividends

According to Company records for the years indicated, as reflected in the Board of Director (Board) meeting minutes, dividends were paid to the sole stockholder and approved by the Department as follows:

<u>Declared Date</u>	<u>Paid Date</u>	<u>Paid Amount</u>	<u>Type</u>	<u>Form</u>
December 14, 2014	December 27, 2014	\$ 4,200	Ordinary	Cash
December 14, 2014	December 31, 2014	\$ 1,502	Ordinary	Cash
December 20, 2015	December 29, 2015	\$ 2,600	Ordinary	Cash
December 15, 2017	December 27, 2017	\$ 5,040	Ordinary	Cash
December 15, 2017	Unpaid	\$ 3,096	Ordinary	N/A

The Company's Board approved and authorized the dividends during the exam period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board.

The bylaws provide that the number of directors shall be two members. Each director shall be elected for a term of one year and serve until such director's successor is elected and qualified.

Directors duly elected and serving as of December 31, 2017, are as follows:

<u>Name</u>	<u>Principle Business Affiliation</u>
Joel M. Rosenblum	Chairman, ACLIC
Thomas M. Madison	Secretary, Retired

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number

of offices may be held by the same person. The primary officers serving as of December 31, 2017, were as follows:

<u>Name</u>	<u>Title</u>
Joel M. Rosenblum	President, Treasurer
Thomas M. Madison	Secretary
Christopher H. Hause	Actuary

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination.

The recorded minutes of the Board did not adequately document its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. This is a repeat finding from the prior examination. As a result, the following recommendation is made:

It is again recommended that the Board approve the Company's investment transactions in accordance with 18 *Del. C.* § 1304.

The Company's bylaws were reviewed for any amendments. The Company did not file with the Department the amendments to the bylaws. Pursuant to 18 *Del. C.* § 318, the Department has adopted the NAIC Handbook. Changes to bylaws are considered to be an update to the license. As a result, the following recommendation is made:

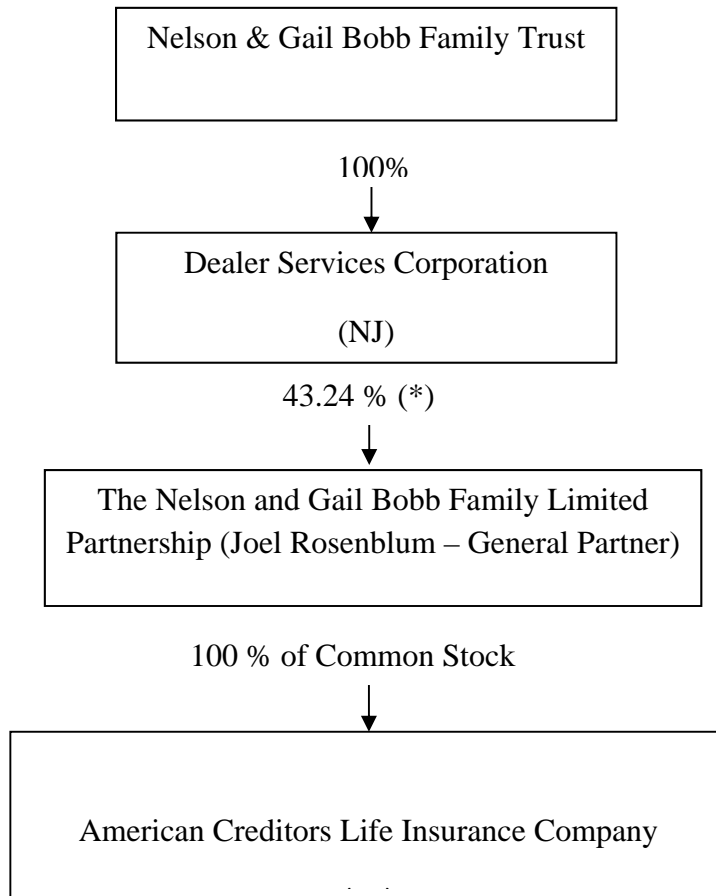
It is recommended that the Company promptly file with the Department, amendments to its bylaws.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 50, “Insurance Holding Companies” of the Delaware Insurance Code. Holding company registration statements were filed by the Company with the Department.

The Partnership owns 100% of the Company’s common capital stock. Dealer Services Corporation owns 43.24% and Joel Rosenblum owns 25.21% of the Partnership and various other family estate trusts own the remaining 33.55% of the Partnership.

The following organizational chart illustrates the Company and its affiliates within the current Holding Company System as of December 31, 2017:



* The remaining 56.76% is owned by assorted family trusts and Joel Rosenblum.

Intercompany Management and Service Agreements

There were no intercompany or service agreements noted during the period covered by this exam.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2017, the Company claimed to be licensed to transact business in four states. Excluding Delaware, no evidence was presented substantiating its claim. As a repeat finding from the prior examination, the Company was not able to provide evidence of licenses in various states. As a result, the following recommendation is made:

It is again recommended that the Company present evidence that it is licensed in the states it is authorized to write business and that these licenses are current and up to date.

Plan of Operation

By the end of 2009 all credit life and credit disability policies had expired or been cancelled. In 2015, two of the Company's three remaining policies from the prior exam were redeemed. The Company's current in-force policy comprises of one deferred annuity policy and is carried at the surrender value. The Board is exploring the sale of the Company.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2017
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2017
- Summary of Operations for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2017

**Statement of Assets
As of December 31, 2017**

	Assets	Non admitted Assets	Net Admitted Assets	Notes
Bonds	\$ 927,074		\$ 927,074	
Common stocks	746,329		746,329	
Cash	1,250,465	\$ 183,348	1,067,117	1
Short-term Investments	8,902,478		8,902,478	
Subtotals, cash and invested assets	<u>\$ 11,826,346</u>	<u>\$ 183,348</u>	<u>\$ 11,642,998</u>	
Investment income due and accrued	31,264		31,264	
Total	<u><u>\$ 11,857,610</u></u>	<u><u>\$ 183,348</u></u>	<u><u>\$ 11,674,262</u></u>	

**Statement of Liabilities, Surplus and Other Funds
As of December 31, 2017**

		Notes
Aggregate reserve for life contracts	\$ 1,035,215	2
Interest maintenance reserve	18,621	
Taxes, licenses and fees	64,000	
General expenses due and accrued	2,000	
Asset valuation reserve	237,332	
Aggregate write-ins for liabilities	1,496,065	
Total liabilities	<u>\$ 2,853,233</u>	
Common capital stock	1,774,000	
Gross paid in and contributed surplus	1,753,974	
Unassigned funds (surplus)	5,293,055	
Surplus as regards policyholders	<u>\$ 8,821,029</u>	
Totals	<u><u>\$ 11,674,262</u></u>	

**Summary of Operations
For the Year Ended December 31, 2017**

		<u>Notes</u>
Premiums and annuity considerations	\$ -	
Net investment income	70,371	
Amortizaion of interest maintenance reserve	4,343	
Aggregate write-ins for miscellaneous income	<u>0</u>	
 Totals	 <u>\$ 74,714</u>	
 Increase in aggregate reserves	 <u>\$ 83,351</u>	
Totals	<u>\$ 83,351</u>	
 General insurance expense	 212,734	
Insurance taxes, licenses and fees	74,838	
Aggregate write-ins for deductions	<u>102,766</u>	
 Totals	 <u>\$ 473,689</u>	
 Net gain from operations before dividends	 \$ (398,975)	
Dividends to policyholders	0	
Net gain from operations after dividends	(398,975)	
Federal and foreign income taxes incurred	<u>0</u>	
Net gain from operations after dividends and federal tax and before realized capital gains	\$ (398,975)	
Net realized capital gains (losses)	<u>(832)</u>	
 Net Income	 <u>\$ (399,807)</u>	

Reconciliation of Capital and Surplus
 For the Period from the Prior Examination
 As of December 31, 2013 to December 31, 2017

Year	Common Stock	Preferred stock	Paid in capital	Unassigned funds	Total Surplus
1/1/2013	1,774,000	100,800	1,955,574	6,499,968	10,330,342
2013 2		(16,800)			(16,800)
2013 2			(33,600)		(33,600)
2013 3				(8,538)	(8,538)
2013 1				(349,245)	(349,245)
2014 1				(246,151)	(246,151)
2014 2			(33,600)		(33,600)
2014 3				(5,702)	(5,702)
2014 2		(16,800)			(16,800)
2015 1				(4,597)	(4,597)
2015 3				(3,360)	(3,360)
2015 2			(33,600)		(33,600)
2015 4				106,511	106,511
2015 2		(16,800)			(16,800)
2016 1				(182,986)	(182,986)
2017 1				(320,760)	(320,760)
2017 3				(8,737)	(8,737)
2017 2		(50,400)			(50,400)
2017 2			(100,800)	-	(100,800)
Examination adjust				(183,348)	(183,348)
12/31/2017	<u>1,774,000</u>	<u>-</u>	<u>1,753,974</u>	<u>5,293,055</u>	<u>8,821,029</u>

1. – Operations is defined as; net income, change in net income, change in net unrealized capital gains or (losses), change in net unrealized foreign exchange capital gains or (losses), change in net deferred income tax, change in non-admitted assets, change in AVR, change in provision for reinsurance aggregate write-ins for gains and losses in surplus.

2. – Buyback of Preferred Stock

3. – Dividend paid.

4. – Amount written off.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

Examination procedures performed pertaining to asset confirmation, resulted in a difference in the amount of \$183,348. As such, the examination has non-admitted the stated amount below.

Analysis of Changes to surplus

Surplus at December 31, 2017 per Annual Financial Statement		\$ 9,004,377
	Increase	Decrease
Cash		\$ 183,348
Net increase (or decrease)		<u>183,348</u>
Surplus at Dec. 31, 2017, after adjustment		<u>\$ 8,821,029</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Cash	\$ 1,250,645
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The examination efforts to confirm cash in the amount of \$183,348 were unsuccessful. As such, the December 31, 2017 cash reported as \$1,250,645 was overstated in the amount of \$183,348. As stated above, the examination has non-admitted \$183,348 accordingly.

Note 2:

Aggregate Reserves for Life Contracts	\$ 1,035,215
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The examination liability for the aforementioned captioned items of \$1,035,215 is the same as reported by the Company as of December 31, 2017. The examination analysis of Aggregate Reserves for Life Contracts was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual*, Statement of Statutory Accounting Principle No. 59 (SSAP No. 59).

The Department retained the services of INS Consultants (INS), to perform actuarial services in conjunction with the financial examination of the Company as of December 31, 2017. INS concluded that the December 31, 2017 balance sheet item above is accepted as reported.

SUBSEQUENT EVENTS

There were no significant subsequent events noted subsequent to examination date.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

It is recommended that the Company comply with 18 *Del. C.* §1304 and authorize and approved all Company investments and note such approval in the Company's minutes.

The Company did not comply with recommendation.

It is recommended that the Company comply with Article III of its bylaws and add an additional director.

The Company has complied.

It is recommended that the Company have and provide evidence that it has adequate fidelity bond coverage for all directors, officers, or employees.

The is only one employee at the Company. Recommendation cleared.

It is recommended that the Company present evidence that it is licensed in the states it is authorized to write business and that these licenses are current and up to date.

The Company did not comply with recommendation.

It is recommended that the Company charge non-admit agents balances over 90 days past due.

The Company has complied.

It is recommended that that the Company move all investments not physically held by the Company into a custodial account located in a bank or trust company in accordance with Section, Sub Section F, Page 82 of the NAIC Handbook.

The Company has complied.

SUMMARY OF RECOMMENDATIONS

It is again recommended that the Company's Board approve the Company's investment transactions in accordance with 18 *Del. C.* § 1304.

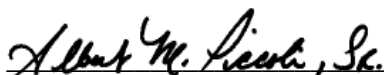
It is recommended that the Company promptly file with the Department, amendments to its bylaws.

It is again recommended that the Company present evidence that it is licensed in the states it is authorized to write business and that these licenses are current and up to date.


CONCLUSION

The assistance of the consulting actuarial firm, INS and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Albert M. Piccoli, Sr., CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CFE
Supervising Examiner
State of Delaware