

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
THE REPORT OF EXAMINATION OF
AMERICAN HOME LIFE
INSURANCE COMPANY**

AID NO. 2007- 061

ADOPTION ORDER

Now on this day the matter of the Report of Examination as of December 31, 2006, of American Home Life Insurance Company ("Company"), North Little Rock, Arkansas, NAIC #83860, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas ("Commissioner"), and as presented by Associate Counsel Nina Samuel Carter and the Finance Division of the Arkansas Insurance Department ("Department"). From the facts, matters, and law before her, the Commissioner finds as follows:

FINDINGS OF FACT

1. That the Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. That the Company is an Arkansas-domiciled legal reserve insurer authorized to transact Life and Accident and Health insurance in the State of Arkansas.
3. That pursuant to Ark. Code Ann. § 23-61-201, et seq., the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records and assets of the Company as of December 31, 2006.

4. That said examination was commenced by the Department on April 16, 2007, and completed on July 20, 2007.

5. That the verified Report of Examination was filed with the Department on August 17, 2007; it was then forwarded to the Company via certified mail on August 17, 2007. The Report was received by the Company on August 21, 2007, according to the certified mail return receipt returned to the Department.

6. That the Report of Examination contains the following comments and discrepancies concerning the Company's operations:

That the Examiners found that the Company erroneously understated its Interest Maintenance Reserve (IMR) liability by approximately \$178,000. The understatement was the result of the erroneous recognition of certain realized capital gains and losses on the sale of preferred stock and bond investments in the income statement rather than accrued in the IMR (or vice versa) to be amortized over the remaining maturities of the securities in accordance with SSAP No. 7 *Asset Valuation Reserve and Interest Maintenance Reserve* and the NAIC *Quarterly and Annual Statement Instructions*. An examination adjustment was made in order to increase the IMR liability and decrease unassigned funds by \$178,000. As a result of the examination finding, the Company has implemented procedures designed to ensure realized capital gains and losses are properly evaluated and accounted for accordingly. It is recommended that the Company maintain readily available documentation

containing all necessary information to support its classification of realized gains or losses.

7. That the Company made no response or rebuttal to the Examiner's comments on the draft Report of Examination.

THEREFORE, pursuant to the provisions of Ark. Code Ann. § 23-61-205, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, is hereby adopted;

2. That the Department shall forward a copy of this Order and the adopted Examination Report to the Company, by certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Directors to use in acknowledging they have received the adopted Report of Examination and this Order;

3. That within twenty (20) days of receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its Directors, stating under oath or affirmation that each has received a copy of this Order and the adopted Examination Report, pursuant to Ark. Code Ann. § 23-61-205(b)(1), et seq. and other laws as applicable;

4. That the adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order;
and

5. That the Department, as a matter of course, reserves the right to consider administrative proceedings against American Home Life Insurance Company at a later date, although none are contemplated at this time.

IT IS SO ORDERED this 19th day of October, 2007.


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS