

REPORT ON EXAMINATION
OF THE
AMERICAN CREDITORS LIFE
INSURANCE COMPANY
AS OF
DECEMBER 31, 2008

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

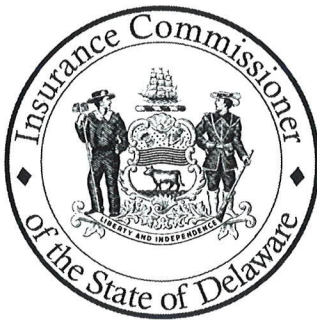
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2008 of the

AMERICAN CREDITORS LIFE INSURANCE COMPANY

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

Attest By: *Sonia C. Harris*

Date: 7 December 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 7th day of December, 2010.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
AMERICAN CREDITORS LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2008

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.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 7th day of December, 2010

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SALUTATION

May 4, 2010

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 09-037, an examination has been made of the affairs, financial condition and management of

AMERICAN CREDITORS LIFE INSURANCE COMPANY

hereinafter referred to as "Company" incorporated under the laws of the State of Delaware. The examination was conducted at the administrative office of the Company located at 575 Anton Blvd. Suite 300, Costa Mesa, California.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2005. This examination covers the three (3) year period from January 1, 2006 through December 31, 2008 and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with Joel Rosenblum, the Company's President and only employee during the course of the examination.

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Insurance Department (the Department) under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the workpapers of this examination:

- Officers, Agents' and Employees Welfare
- NAIC Ratios
- Legal Actions
- Regulatory Agency Correspondence
- All Asset and Liability Items not mentioned
- Subsequent Events

The examination was conducted under Specific Risk Analysis (SRA) guidelines. In planning and conducting the examination, consideration was given to the concepts of materiality, risk, the efficient allocation of examination resources, and examination efforts were directed accordingly.

As expanded upon under both the “HISTORY” and “INSURANCE HOLDING COMPANY SYSTEM” sections below, the Company is a closely held family business in run-off since 2002. The Company has one employee who also serves as Chairman of the Board of Directors and Company President. The Company had no remaining active business in 2008 and no identifiable control environment over remaining operations.

As approved by the Delaware Insurance Department, the Company was exempt from an outside annual CPA audit. In consideration of these matters, the examination was conducted using fully substantive examination procedures on information and work papers where available and supplied to the examiner.

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. Mr. Rosenblum, as general partner of the Partnership and as 100% owner of the Company's preferred capital stock, exercises voting control of the Company. The Company's common capital stock is owned by the Partnership, a living trust held for the benefit of Mrs. Gail Bobb and others, until the death of Mrs. Bobb. Upon the death of Mrs. Bobb, the estate (including the Company) is to be left to charity.

The Company has no specific plans to develop new business. The only active policies remaining are deferred annuities issued to the officers and directors of the Company, Mrs. Gail Bobb and Mr. Joel Rosenblum.

CAPITALIZATION

At December 31, 2008, the Company 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. The Company also had 2,100,000 authorized, issued and outstanding preferred stock shares at par value of \$0.08 per share with a preferred capital of \$168,000. The following changes occurred in the capital and surplus accounts since the prior examination.

	Common Capital Stock	Preferred Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
December 31, 2005	\$ 1,774,000	\$ 168,000	\$ 2,089,974	\$ 7,884,100	\$ 11,916,074
Operations 2006 (1)				341,003	341,003
Dividends - 2006 (2)				(8,400)	(8,400)
Dividends - 2006 (3)				(2,806)	(2,806)
Operations 2007 (1)				327,544	327,544
Dividends - 2007 (2)				(8,400)	(8,400)
Dividends - 2007 (3)				(1,615)	(1,615)
Operations 2008 (1,4)				(1,338,768)	(1,338,768)
Dividends - 2008 (2)				(8,400)	(8,400)
Dividends - 2008 (3)				(562)	(562)
December 31, 2008	<u>\$ 1,774,000</u>	<u>\$ 168,000</u>	<u>\$ 2,089,974</u>	<u>\$ 7,183,696</u>	<u>\$ 11,215,670</u>

1. Operations is defined as net income (loss), change in net unrealized capital gains or (losses), change in non-admitted assets, change in liability for reinsurance in unauthorized companies, and change in asset valuation reserve.
2. The Company issued and paid common stock dividends to the Company's only common stock shareholder, The Nelson and Gail Bobb Family Limited Partnership in 2006, 2007 and 2008. See "DIVIDENDS TO STOCKHOLDER" below for more information.
3. The Company issued and paid preferred stock dividends to the Company's only preferred stock shareholder, Joel Rosenblum in 2006, 2007 and 2008. See DIVIDENDS below for more information.
4. 2008 Operations includes the purposed adjustment for not admitting bonds and cash not confirmed. See "NOTES TO FINANCIAL STATEMENTS" – Bonds 1, Cash 2, Due from Agents 4 below.

CORPORATE RECORDS

Management was unable to provide any corporate records regarding either shareholders or directors minutes of meetings held during the examination period. See the recommendations made below under the captions "DIVIDENDS TO STOCKHOLDER" and "MANAGEMENT AND CONTROL" regarding this matter.

The Company's Articles of Incorporation and bylaws were reviewed.

DIVIDENDS TO STOCKHOLDER

The examiner was not provided Board of Directors meeting minutes during this exam period and no Board approval of dividend payments totaling \$30,183 could be noted. It was noted, however, that common stock dividends totaling \$4,983 were from the settlement of trusts that were established in the estate of Nelson Bobb and preferred stock dividends totaling \$25,200 were established in the Company's Articles of Incorporation which provide for a \$0.004 per share dividend annually.

It is recommended that the Company provide minutes of the Board of Directors for verification of the Board approving dividends.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Law of the State of Delaware as implemented by the Company's Certificate of Incorporation and bylaws; all corporate powers and its business, property and affairs are managed by or under the direction of its Board of Directors.

Shareholders

In accordance with Article II, Section 1 of the Company's bylaws, the Annual Shareholder's meeting shall be held each year on a date to be determined by resolution of the Board of Directors. The Company did not provide evidence that Annual Shareholder's meetings were held during the examination period.

It is recommended that the Company provide the Annual Shareholders' minutes for verification of the election of directors.

Board of Directors

In accordance with Article III, Section 1 of its bylaws the number of directors shall be three (3). The directors shall be elected at the Annual Meeting of Shareholders and each director shall be elected to serve until his successor shall be elected and qualified. The Company did not provide evidence that board of director meetings were held in the examination period.

It is recommended that the Company provide minutes of the Board of Directors meetings for verification of the election of officers and other board discussions.

It was noted that the Company had only two directors since 2003 whereas the bylaws required three, therefore;

It is recommended that the Company elect one additional director in order to become compliant with its bylaws.

The two members of the Board of Directors serving as of December 31, 2008, were as follows:

<u>Director's Name</u>	<u>Principal Business Affiliation</u>
Joel Melton Rosenblum, Chairman of the Board	American Creditors Life Insurance Company
Gail (NMI) Bobb	American Creditors Life Insurance Company

Committees

Article III, Section 7 of the Company's bylaws provided for the board to designate one or more committees, each committee to consist of one or more of the directors of the corporation. No evidence was provided by the Company that it had committees during the examination period.

Officers

Article IV, Section 1 of the Company's bylaws provided that the officers of the Company consist of a Chairman of the Board, a President, a Treasurer, a Secretary and one or more Vice Presidents, Assistant Treasurers, Assistant Secretaries as may be deemed proper by the Board of Directors.

As of December 31, 2008 the Company's officers and their respective titles were as follows:

<u>Officer</u>	<u>Title</u>
Joel Melton Rosenblum	Chairman of the Board, President
Gail (NMI) Bobb	Secretary, Treasury
Arthur Rosenblum	Assistant Treasury

As evidenced by its bylaws, both directors and officers of the Company are to be elected annually. As no corporate records were made available to the examination, the validity of directors and officers could not be verified.

It is recommended that the Company present written documentation that the Board of Directors and Officers were properly elected in accordance with its bylaws.

Conflict of Interest

Because the Company was such a closely held family business it did not maintain a formal written conflict of interest policy.

Fidelity Bonds

The Company did not provide fidelity bond coverage for directors, officers, and employees. The Company has a non payroll officer that lived in Texas who has been authorized to provide investment consulting which includes the authority to buy and sell securities from a

designated account. No fidelity bond coverage was provided for this officer. Per the NAIC guidelines, the Company should have minimum fidelity bond coverage of \$125,000.

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

INSURANCE HOLDING COMPANY SYSTEM

The Company is a closely held family business and is considered to be part of an Insurance Holding Company System and last filed a Holding Company Registration Statement with the State of Delaware as of December 31, 2007.

The Nelson and Gail Bobb Family Limited Partnership (Partnership) own 100% of the Company's common capital stock and 100% of the Company's preferred capital stock is held by Joel Rosenblum. Dealer Services Corporation owns 43.24% and Joel Rosenblum owns 1% of the Partnership in the form of General Partnership Units and 24.21% of the partnership in the form of Class A General Partnership Units (for a total of 25.21% of the Partnership) and various other family estate trusts own the remaining 55.76% of the Partnership (see the below chart of ownership of the Partnership). The Company did not identify Dealer Services Corporation in its 2008 Schedule Y.

It is recommended that the Company include Dealer Services Corporation in Schedule Y – Part 1 since Dealer Services owns almost 44% of The Nelson and Gail Bobb Family Limited Partnership.

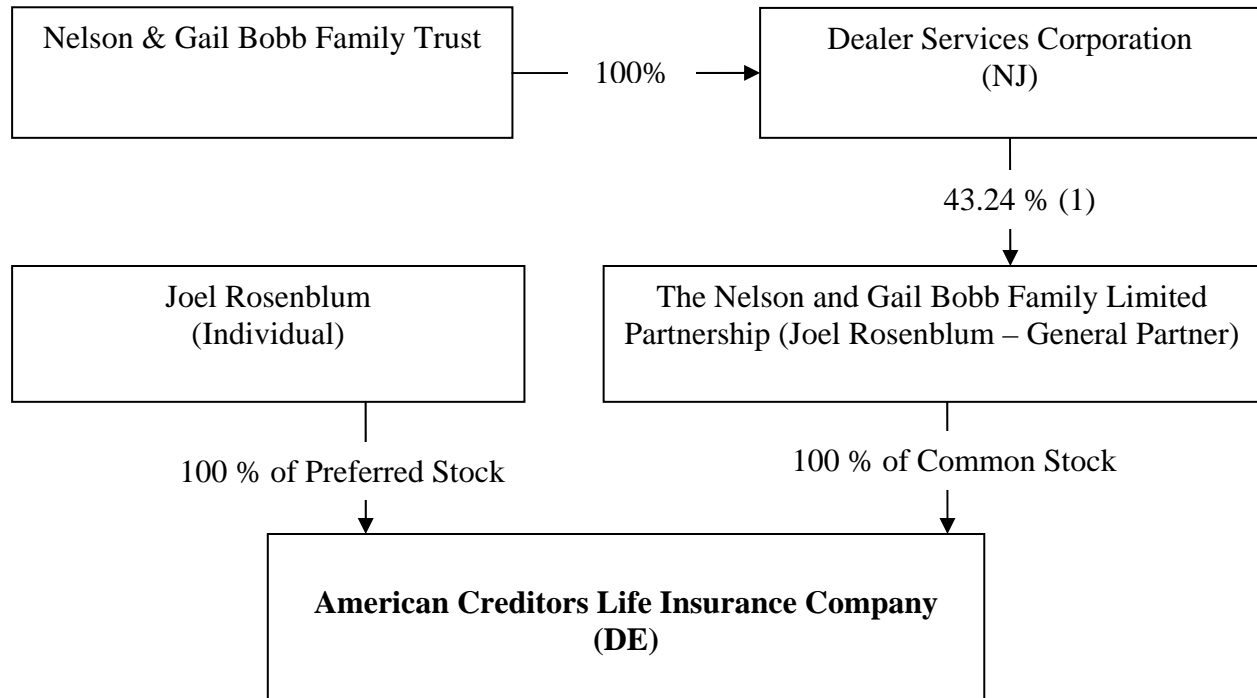
As part of the Company's restructuring as noted above in the "HISTORY" section of this report, Joel Rosenblum was required to purchase all of the issued 2,100,000 shares of the Company's preferred stock at a price of \$0.24 per share (the preferred stock had a par value \$0.08 per share) under his employment agreement as Chief Executive Officer and President of the Company. The shares were purchased with (and are collateral for) five promissory notes

issued by the Company totaling \$504,000, accruing annual interest at a rate of 4.6%. The Company has been carrying these notes as a non admitted asset since 2003. The interest on the notes is to be paid annually, with principal to be repaid in ten annual installments to begin in 2008. The Company did not provide the examiner copies of these five promissory notes and no evidence was provided that the repayments for these notes began in 2008 as required.

It is recommended that the Company provide copies of the promissory notes and provide evidence that repayment of those notes was started in 2008.

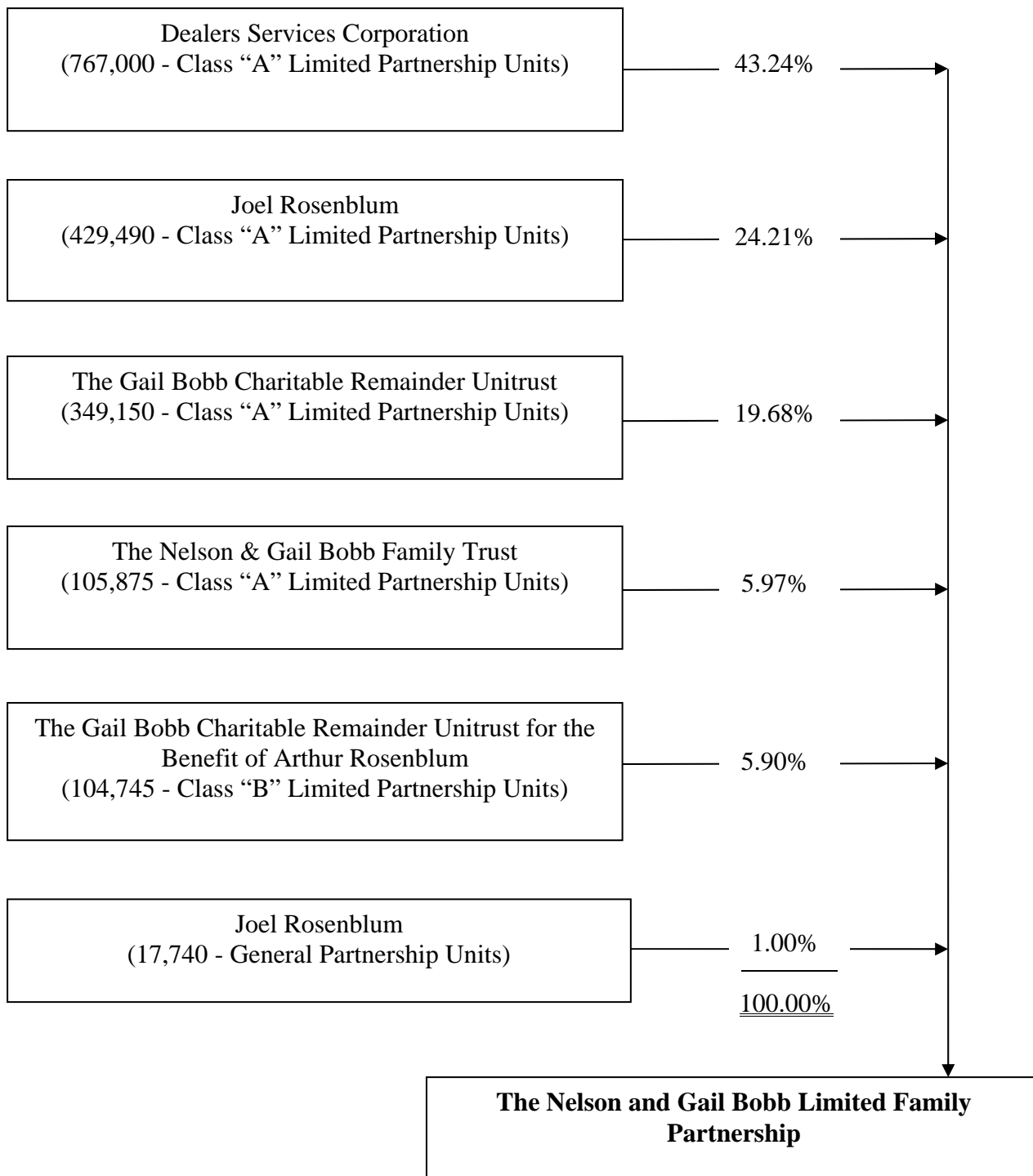
In order to prevent alienation of controls of the Company and its economic interest, voluntarily or involuntary, to someone not active in the Company's business, the holders of both common and preferred stock of the Company entered into a Shareholder Agreement. This agreement restricts the transfer, assignment, hypothecation or encumbrance of Company shares without the approval of the other shareholders and the Company.

The following organizational chart illustrates the Company and its affiliates within the current Holding Company System as of December 31, 2008:



(1) The remaining 56.76% was owned by various other family estate trusts, see below

Since the restructuring of the Company in 2003, certain changes in ownership within the Partnership have occurred as called for by the original trust documents. Even though ownership of the limited partnership units has shifted within the Partnership, it still owns 100% of the common capital stock shares of the Company. The following organizational chart illustrates the owners of The Nelson and Gail Bobb Family Limited Partnership at the time of the Company's restructuring in 2003:



These percentages are based on a total of 1,774,000 partnership units which equals common stock shares

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2008, the Company claimed to be licensed to transact business in 13 states. Excluding Delaware, no evidence was presented substantiating this claim.

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

Plan of Operation

The Company had been engaged almost exclusively in providing single premium credit life and credit disability written by automobile dealers on vehicle loans and leases. The Company marketed through independent agents. Toward the end of 2001, after two years of declining premium volume and competitive pressures, the Company decided to discontinue writing new credit insurance business. The Company has been in run-off since 2002 and had no active credit life policies in 2008.

In 1988 the Company attempted to market deferred annuity policies but was unsuccessful in creating a marketing channel and the only annuitants were employees of the Company and their family members. The Company currently has only three active annuity policies and they are written on family members that own and or control the Company.

The Company has no specific plans to develop new business.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the period from the prior examination to December 31, 2008:

<u>Year</u>	<u>Net Written Premiums</u>	<u>Net Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income (Loss)</u>
2005	\$ (16,578)	\$ 16,065,755	\$ 4,149,681	\$ 11,916,074	\$ 518,859
2006	(3,686)	16,459,615	4,213,746	12,245,869	276,636
2007	37	17,065,398	4,501,998	12,563,400	306,505
2008 (1)	0	16,331,684	5,116,014	11,215,670	(434,501)

Note 1: 2008 includes proposed examination adjustments, see Notes to Financial Statements below

As noted in the "HISTORY" section of this report, the Company went into run-off in 2002 and has not written any new business since. Net written premiums were negative due to refunds of premiums on cancelled policies. The Company reported a \$434,501 loss for 2008 primarily due to the increases in the aggregate reserves of \$594,291 required on the Company's three annuity policies. These policies contain certain guarantee provisions and the low level of short-term interest rates necessitated the 2008 increase. A \$149,525 increase in reserves was reflected in its 2007 financial statements.

ACCOUNTS AND RECORDS

As detailed in the "SCOPE OF EXAMINATION" section of this report, a proper financial reporting control environment was deemed nonexistent and a full scope substantive examination was conducted. The Company operates in a personal computer and spreadsheet environment. The Company uses "QuickBooks" software for general ledger maintenance and investment data is maintained on spreadsheets to be later posted in QuickBooks. As noted in the

“HISTORY” section of this report, the Company has been in run-off since 2002 and has had no premium, claims, or reinsurance activity in 2008. The primary accounting function performed by the Company’s only employee is investment management and reconciliation. The Company uses an outside actuary to determine reserves for the three remaining deferred annuity policies on family members. The Company uses an outside bookkeeping service to perform more complicated accounting, reconciliation and reporting services.

The Company is not required to have, and does not have, an annual audit by an outside CPA firm.

Based on the examination review of the filed Annual Statement, observations and subsequent discussions with Mr. Rosenblum, (and excluding comments and recommendations made in this report) the accounts maintained by the Company were found to basically conform to its very limited needs. However, the Company had several aged immaterial balance sheet accounts that should have been settled, resolved, charged off, or non-admitted.

It is recommended that the Company settle aged liability balances and charge off or non-admit aged asset balances.

During this examination, material delays were experienced in receiving information and records considered basic to Company operations. In other cases information needed and considered basic substantive evidence to financial balances and Company operations was not made available. See the sections “SUMMARY OF RECOMMENDATIONS” and “NOTES TO THE FINANCIAL STATEMENTS” for further comments regarding these matters.

FINANCIAL STATEMENTS

The following financial statements as determined by this examination are presented herein:

- Analysis of Assets, as of December 31, 2008
- Liabilities, Surplus and Other Funds, as of December 31, 2008
- Summary of Operations, as of December 31, 2008
- Capital and Surplus Account, as of December 31, 2008
- Schedule of Examination Adjustments

Analysis of Assets

As of December 31, 2008

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 2,342,897	\$ 0	\$ 2,342,897	1
Preferred Stocks	104,072	0	104,072	
Common Stocks	132,648	0	132,648	
Cash	<u>14,576,514</u>	<u>865,834</u>	<u>13,710,680</u>	2
Subtotals, cash and invested assets	\$ 17,156,131	\$ 865,834	\$ 16,290,297	
Investment income due and accrued	\$ 41,387		\$ 41,387	
Note receivable collateralized by				
Company Stock	504,000	\$ 504,000	0	3
Due from agents	<u>3,225</u>	<u>3,225</u>	<u>0</u>	4
Subtotal	<u>548,612</u>	<u>507,225</u>	<u>41,387</u>	
 Totals	 <u>\$ 17,704,743</u>	 <u>\$ 1,373,059</u>	 <u>\$ 16,331,684</u>	

Liabilities, Surplus and Other Funds**As of December 31, 2008**

		<u>Notes</u>
Aggregate reserve for life contracts	\$ 4,387,636	5
Aggregate reserve for accident and health contracts	23,005	5
Contract claims:		
Life	122	5
Accident and health	19,801	5
Contract liabilities not included elsewhere:		
Interest maintenance reserve	70,624	
General expenses due or accrued	8,377	
Taxes, licenses and fees due or accrued	3,173	
Current federal income taxes	66,106	
Asset valuation reserve	7,299	
Escheat funds	6,866	
Miscellaneous liabilities	43,047	
Accrued salary	405,000	6
Interest payable on officer's accrued salary	74,958	6
<i>Total Liabilities</i>	<u>\$ 5,116,014</u>	
Capital stock	\$ 1,774,000	
Preferred stock	168,000	
Gross paid in and contributed surplus	\$ 2,089,974	
Unassigned funds (surplus)	<u>7,183,696</u>	2 & 4
Surplus	<u>\$ 9,273,670</u>	
Surplus as regards policyholders	<u>\$ 11,215,670</u>	
<i>Totals</i>	<u><u>\$ 16,331,684</u></u>	

Summary of Operations
As of December 31, 2008

Notes

Premiums and annuity considerations for life and A & H	\$	0	
Net investment income earned		398,002	
Amortization of interest maintenance reserve		7,413	
Interest on note collateralized by Company stock		<u>23,360</u>	
<i>Totals income</i>	\$	<u>428,775</u>	
Death benefits	\$	(1,648)	
Disability benefits		(912)	
Increase in aggregate reserves for life and A & H		594,291	
General insurance expenses		224,142	
Insurance taxes, licenses and fees		25,375	
Interest on note collateralized by Company stock		<u>28,753</u>	
<i>Totals benefits, reserves, and expenses</i>	\$	<u>870,001</u>	
Net gain (loss) from operations before federal income taxes	\$	<u>(441,226)</u>	
Net realized capital gains (losses)	\$	<u>6,725</u>	
Net Income (Loss)	\$	<u>(434,501)</u>	

Capital and Surplus Account

Capital and surplus, December 31, 2007	\$	<u>12,563,400</u>	
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Gains and (losses) in surplus

Net income (loss)	\$	(434,501)	
Change in net unrealized capital gains or (losses) less capital gains tax of (\$ - 0-)		(51,920)	
Change in non-admitted assets		(869,059)	2 & 4
Change in asset valuations reserve		16,712	
Dividends to stockholders		<u>(8,962)</u>	
Change in surplus as regards policyholders for the year	\$	<u>(1,347,730)</u>	
Capital and surplus, December 31, 2008	\$	<u>11,215,670</u>	

SCHEDULE OF EXAMINATION ADJUSTMENTS

<u>Description</u>	<u>Per Examination</u>	<u>Per Company</u>	<u>Surplus Increase (Decrease)</u>	<u>Note</u>
Assets:				
Cash	\$ 13,710,680	\$ 14,576,514	\$ (865,834)	2
Due from agents	0	3,225	(3,225)	4
Adjusted Admitted Assets	<u>\$ 13,710,680</u>	<u>\$ 14,579,739</u>	<u>\$ (869,059)</u>	
Liabilities and Surplus:				
Unassigned funds (surplus)	\$ 7,183,696	\$ 8,052,755	\$ (869,059)	2 & 4
Adjusted Liabilities and Surplus	<u>\$ 7,183,696</u>	<u>\$ 8,052,755</u>	<u>\$ (869,059)</u>	

NOTES TO FINANCIAL STATEMENTS**Note 1 - Bonds:**
\$2,342,897

The Company's bond holdings totaled \$2.34 million and comprised approximately 14.3% of total adjusted admitted assets, at December 31, 2008. Bond composition for the year ending 2008 was comprised of the following:

U.S. Governments	\$ 1.39 million
Industrial & Miscellaneous	<u>.95 million</u>
	<u>\$ 2.34 million</u>

Of the Company's total bond holdings, \$1.91 million or 89.1% were categorized as Class 1 or 2, with respect to NAIC credit quality standards.

The Company owned at least 21 separate bonds as of December 31, 2008 which was in the custody of at least three (3) different custodians, Charles Schwab, Fidelity Investments, and

RBC Dain Rauscher. Per the Company's 2008 General Interrogatories none of these three custodians' agreements complied with *NAIC Financial Condition Examiners Handbook*. The Company did not provide the examiner with these custodial agreements to review.

It is recommended that the Company obtain a custodial agreement containing acceptable language with regards to provisions in Volumes 1, Part 1, "General", Section IV – J "Conducting Examinations – Custodial and Safekeeping Agreements", Sections 1 of the *NAIC Financial Examiner's Handbook*.

Note 2 - Cash: \$13,710,680

The above captioned amounts for Cash was \$865,834 less than what was reported by the Company for cash as of December 31, 2008. This examination adjustment was the result of the examiner not receiving direct confirmations or other supporting documents that these cash investments or accounts existed.

It was recommended that the Company maintain accurate cash account information and provide evidence that cash accounts exist.

Note 3 - Note Receivable Collateralized by Company Stock: \$ -0-

As noted in the section "INSURANCE HOLDING COMPANY SYSTEM", Joel Rosenblum was required to purchase all of the issued 2,100,000 shares of the Company's preferred stock at a premium price of \$0.24 per share. The shares were purchased with (and are collateral for) five promissory notes issued by the Company totaling \$504,000. The Company has non-admitted these notes receivables during the examination period.

Note 4 – Due From Agents: \$ -0-

The above captioned amount for Due from Agents was \$3,225 less than what was reported by the Company as of December 31, 2008. This examination adjustment was the result of the examiner not admitting this aged balance over 90 days past due.

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

<u>Note 5 - Aggregate Reserve for Life Contracts:</u>	<u>\$ (4,387,636)</u>
<u>Note 5 - Aggregate Reserve for Accident and Health:</u>	<u>\$ (23,005)</u>
<u>Note 5 - Contract Claims: Life:</u>	<u>\$ (122)</u>
<u>Note 5 - Contract Claims: Accident and Health:</u>	<u>\$ (19,801)</u>
	<u>\$ (4,430,564)</u>

The above captioned amounts for Aggregate Reserve for Life and Accident and Health Contracts and Contract Claims: for Life and Accident and Health are the same as that reported by the Company in its 2008 Annual Statement. INS Consultants, Inc., Delaware’s consulting actuarial firm, reviewed the Company’s above reported reserve amounts and has concluded that the balance sheet items covered in their actuarial examination appeared fairly stated.

<u>Note 6 - Accrued Salary:</u>	<u>\$ (405,000)</u>
<u>Note 6 - Interest Payable on Officer’s Accrued Salary:</u>	<u>\$ (74,958)</u>

As part of the Company’s restructuring noted in “HISTORY” section of this report, Joel Rosenblum became a party to an employment agreement with the Company. Under the employment agreement, the Company and Mr. Rosenblum also entered into a non-funded deferred compensation plan under which Mr. Rosenblum elected to defer \$6,750 per month in compensation (or \$81,000 per year). This \$405,000 liability noted above represents a five year cumulative amount of the deferred compensation. Interest payable on officer’s accrued salary is

interest earned on the deferred salary. This deferred compensation and accrued interest is an unsecured general liability of the Company.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

1. It was recommended that the Company make all Board of Directors and Shareholders' minutes available for examination.

The Company has not complied with this recommendation. The Company did not provide Board of Directors or Shareholder meeting minutes for this examination. A current exception is noted in the section "SUMMARY OF RECOMMENDATIONS."

2. It was recommended that the Company make the bylaws available for examination.

The Company did provide copies of bylaws for this examination.

3. It was recommended that the Company move all investments not physically held directly by the Company into a custodial account located in a bank or trust company in accordance with Part 1 Section J of the NAIC Financial Examiner's Handbook and 18 Del.C. §1328(c).

The Company did not provide evidence that its investments were held in the custody of a bank or trust company nor was a custodial or safekeeping agreement provided.

4. It was recommended that the Company obtain a custodial agreement containing acceptable language with regards to loss and indemnity in accordance with Volumes 1, Part 1, "General", Section IV – J "Conducting Examinations – Custodial and Safekeeping Agreements", Sections 1 – 3(g) of the *NAIC Financial Examiner's Handbook*.

The Company did not provide evidence that it had a custodial agreement that contained acceptable language.

5. It was recommended that the Company hereafter calculate the credit health insurance reserves in compliance with Regulation 1700 of the *Delaware Insurance Code*.

With the Company's run-off position this item has become an immaterial issue. The Contract Exam actuary did not address the issue during this examination.

SUMMARY OF RECOMMENDATIONS

1. It is recommended that the Company provide minutes of the Board of Directors for verification of the Board approving dividends. (See Dividends to Stockholder, page 6).
2. It is recommended that the Company provide the Annual Shareholders' minutes for verification of the election of directors. (See Management and Control-Stockholders, page 6).
3. It is recommended that the Company provide minutes of the Board of Directors meetings for verification of the election of officers and other board discussions. (See the Management and Control-Board of Directors, page 7).
4. It is recommended that the Company elect one additional director in order to become compliant with its bylaws. (See the Management and Control-Board of Directors, page 7).
5. It is recommended that the Company present written documentation that the Board of Directors and Officers were properly elected in accordance with its bylaws. (See Management and Control-Officers, page 8).
6. It is recommended that the Company have and provide evidence that it has adequate fidelity bond coverage for all directors, officers, and employees. (See Management and Control - Fidelity Bond, page 9).
7. It is recommended that the Company include Dealer Services Corporation in Schedule Y – Part 1 since Dealer Services owns almost 44% of The Nelson and Gail Bobb Family Limited Partnership. (See Insurance Holding Company System, page 9).
8. It is recommended that the Company provide copies of the promissory notes and provide evidence that repayment of those notes was started in 2008. (See Insurance Holding Company System, page 10).
9. It is recommended that the Company present evidence that it is licensed in the states it is authorized to write business in and that these licenses are current and up to date. (See Territory and Plan of Operations, page 13).

10. It is recommended that the Company settle aged liability balances and charge off or non-admit aged asset balances. (See Accounts and Records, page 15).
11. It is recommended that the Company obtain a custodial agreement containing acceptable language with regards to provisions in Volumes 1, Part 1, “General”, Section IV – J “Conducting Examinations – Custodial and Safekeeping Agreements”, Sections 1 of the *NAIC Financial Examiner’s Handbook*. (See Notes to Financial Statements - Bonds - Note 1, page 20).
12. It is recommended that the Company maintain accurate cash account information and provide evidence that all cash accounts exist. (See Notes to Financial Statements - Cash - Note 2, page 20).
13. It is recommended that the Company non-admit amounts due from agents over 90 days past due. (See Notes to Financial Statements - Due from Agents - Note 3, page 21).

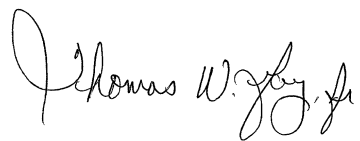
CONCLUSION

The following schedule shows the changes from the previous examination which includes the results of this examination and the financial condition of the American Creditors Life Insurance Company, as of December 31, 2008;

Description	<u>12/31/2005</u> <u>Prior Examination</u>	<u>12/31/2008</u> <u>Current Examination</u>	Increase <u>(Decrease)</u>
Assets	<u>\$ 16,065,755</u>	<u>\$ 16,331,684</u>	<u>\$ 265,929</u>
Liabilities	<u>\$ 4,149,681</u>	<u>\$ 5,116,014</u>	<u>\$ 966,333</u>
Common capital stock	\$ 1,774,000	\$ 1,774,000	\$ 0
Preferred capital stock	168,000	168,000	0
Gross paid in and contributed capital	2,089,974	2,089,974	0
Unassigned funds (surplus)	<u>7,884,100</u>	<u>7,183,696</u>	<u>(700,404)</u>
Total surplus	<u>\$ 11,916,074</u>	<u>\$ 11,215,670</u>	<u>\$ (700,404)</u>
Total liabilities and surplus	<u>\$ 16,065,755</u>	<u>\$ 16,331,684</u>	<u>\$ 265,929</u>

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc., is kindly acknowledged.

Respectfully submitted,



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Examiner-in-Charge
State of Delaware
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