



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

615 Chestnut Street

Suite 1250

Philadelphia, Pennsylvania 19106-4476

(215) 861-8200

FOR IMMEDIATE RELEASE

August 3, 2006

UNITED STATES ATTORNEY'S OFFICE REACHES MULTI-MILLION DOLLAR SETTLEMENT WITH INSURANCE COMPANIES OVER MISLEADING BUSINESS PRACTICES IN THE SALE OF POLICIES TO MILITARY PERSONNEL

70,000 Military Personnel And An Additional 22,000 Individuals Will Benefit From Settlement

PHILADELPHIA – United States Attorney Patrick L. Meehan today announced the filing of a Complaint and a proposed Consent Order of Court for Permanent Injunction, which settles the case, with American-Amicable Life Insurance Company of Waco, Texas concerning allegations of misleading business practices in the sale of insurance to members of the United States armed forces. These filings are being coordinated with simultaneous settlements involving the United States Securities and Exchange Commission and the insurance departments of 41 states, Guam, and the District of Columbia. The settlement is the culmination of a partnership among federal and state regulatory and law enforcement agencies. The U.S. Attorney's Office investigated the case together with the SEC, the Texas Department of Insurance, the Georgia Department of Insurance, and other state regulators. This coordination resulted in a settlement from which 57,000 members of the military will share in an immediate cash payment of \$10,000,000; from which 53,000 individuals – military and non-military – will see an increased value in their American-Amicable policies upwards of \$60,000,000; and pursuant to which American-Amicable will change its future marketing conduct.

The cases arise out of American-Amicable's marketing and sale of insurance products to new recruits of the United States Armed Forces, often during their initial military training. At the time the policies were issued, thousands of policy holders were located in Texas and Georgia, while 365 individuals in Pennsylvania, New Jersey, and Delaware were effected.

The United States contends that the products were promoted during "financial education" training as if they were officially endorsed by senior military personnel, and that the products were presented as "savings plans" when in reality they were, at their core, expensive insurance policies.

"The men and women who serve in our armed forces have been victimized more than once," said Meehan, referring to the numerous government and media reports and investigations, over many years, that have uncovered a pattern of certain insurance businesses trying to deceive the members of our armed forces.

In 2002, Meehan's office reached a settlement with Academy Life Insurance Company addressing conduct similar to the conduct alleged in the complaint announced today.

"Because of that case and others, many in the industry have changed the way they market insurance products to members of the armed forces. I am hopeful that today's settlement will encourage even more change," said Meehan.

Today's settlement involves American-Amicable Life Insurance Company of Texas and its affiliates Pioneer American Insurance Company and Pioneer Security Life Insurance Company. These companies sold a product commonly called "Horizon Life," which was a 20-year term life insurance policy with an accumulation fund rider. To sell the product to members of the military – who are already eligible for generous insurance policies from the federal government – the companies trained their agents to market Horizon Life as a savings plan. They sold Horizon Life at financial planning seminars held on military installations, often targeting trainees. These agents took pains to obscure the fact that, at its core, Horizon Life is an insurance product. So successful were the companies at marketing Horizon Life that many policy holders had no idea that they purchased a product with any insurance at all.

Meehan added, "Many of the companies' customers were the most junior members of the armed forces, some just starting families. Too often, these young men and women did not understand what they were buying."

Meehan pointed out the importance of the joint work and joint settlements with state departments of insurance and the SEC. The expertise of the state insurance commissioners in insurance products was crucial in the drafting of the joint approach to settlement.

"This settlement is a tremendous success," Meehan said. "I am particularly excited by the way the Georgia and Texas departments of insurance and the federal government could work together, each drawing on its own unique expertise, to reach this result."

As part of the settlement, the companies will pay \$10,000,000 to approximately 57,000 members of the armed forces who purchased Horizon Life from January 1, 2000, through this year, whether or not they are current policy holders. The size of the cash payment to each current or former policy holder will depend on the size of his or her policy and the length of time he or she has held that policy. The settlement also makes changes to the product itself, so that a total of 53,000 current policy holders – military and non-military – will see an increase in the cash surrender value of their policies. Policy holders will see that increase if – and when – they cancel their policies prior to the end of the 20 year term. According to company statistics, the vast majority of policy holders will cancel well before that term ends. The total number of individuals who will benefit from the settlement – either in cash, in an increase in the value or their policy,

August 3, 2006
Page 3

or both – is approximately 92,000, and includes current and former policy holders, some of whom are members of the military and some of whom are not.

Also as part of the settlement, the companies will make changes in the way they market insurance products to members of the armed forces. Among other things, the companies are forbidden from selling insurance products on military installations for five years. They may not participate in financial education classes on military installations. And, they must create an in-house quality control organization along with an in-house policy holder advocate.

The U.S. Attorney's Office also noted that the Department of Defense recently promulgated revised regulations concerning the sale of insurance to members of the armed forces. Those regulations apply to the insurance industry as a whole and it is hoped that the regulations – along with this settlement – will push the industry to even greater reforms.

The case was investigated by the Defense Criminal Investigative Service and the Army Criminal Investigative Command and has been assigned to Associate United States Attorney James G. Sheehan and Assistant United States Attorney Michael S. Blume.

**UNITED STATES ATTORNEY'S OFFICE
EASTERN DISTRICT, PENNSYLVANIA
Suite 1250, 615 Chestnut Street
Philadelphia, PA 19106**

**Contact: RICH MANIERI
Media Contact
215-861-8525**

*COPIES OF NEWS MEMOS AND RELATED DOCUMENTS CAN ALSO BE FOUND AT
[HTTP://WWW.USDOJ.GOV/USAO/PAE](http://www.usdoj.gov/usao/pae)*