

IN THE MATTER OF

AMERICAN-AMICABLE LIFE INSURANCE COMPANY OF TEXAS

Waco, Texas

PIONEER AMERICAN INSURANCE COMPANY

Waco, Texas

PIONEER SECURITY LIFE INSURANCE COMPANY

Waco, Texas

MULTI-STATE REGULATORY SETTLEMENT AGREEMENT

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MULTI-STATE REGULATORY SETTLEMENT AGREEMENT

This Multi-State Regulatory Settlement Agreement (the “Agreement”) is entered into as of this 8th day of June 2006 (the “Execution Date”), by and between American-Amicable Life Insurance Company of Texas, Pioneer American Insurance Company, and Pioneer Security Life Insurance Company (collectively, the “Company”), the Georgia and Texas Departments of Insurance (the "Lead Regulatory Negotiators"), the insurance regulators of the States of Florida, Virginia and North Carolina (the “Lead Regulators”), and the insurance regulators of each of the remaining states and of the District of Columbia that adopt, approve, and agree to this Agreement (the “Participating Regulators”).

I. DEFINITIONS

A. “Building Success Marketing System” is an exclusive marketing system offered by the Company and copyrighted in 1998 by the Company. The System includes both written materials and verbal sales techniques.

B. “Cash Compensation Period” means a period of twelve months from the “Effective Date”.

C. “Company” refers to the American-Amicable Life Insurance Company of Texas, and includes, unless otherwise noted, Pioneer American Insurance Company and Pioneer Security Life Insurance Company.

D. “Compensation Eligible Policyholder” means a servicemember or a spouse or a dependent of a servicemember who was: (a) issued an Eligible Policy during

the period January 1, 2000 through the Effective Date; (b) who has not previously received a full refund from the Company; and (c) who, according to a formula developed and approved by the government parties, is due compensation greater than \$5.00.

E. “Effective Date” means the date this Agreement is executed by the insurance regulators of those states which comprise 70% of Eligible Policies as set out in **Exhibit A**, or the date the Company, in its sole discretion, deems that an acceptable number of states have agreed to execute this Agreement.

F. “Eligible Policy” means a Company or affiliate product commonly known and marketed as “Horizon Life” or “Wealth Builder” upon which a death benefit has not been paid. An Eligible Policy consists of a term life contract (AA93-8757, PA93-8757, PS93-8757) with an “Annuity Accumulation Fund Rider (AAFR)” (AA8831, PA8831, PS8831). An Eligible Policy may or may not also include a “Twentieth Year Accumulation Value Additions Endorsement (Endorsement)” (AA8904, PA8904, PS8904), which guarantees a credit to the AAFR on the 20th policy anniversary (Twentieth Year Benefit) if the policy is still in force.

G. “Execution Date” means the date the Agreement is executed by the Company and the Lead Regulatory Negotiators, the Georgia and Texas Departments of Insurance.

H. “Government Parties” means the United States Department of Justice (“DOJ”), the United States Securities and Exchange Commission (“SEC”), and the Texas and Georgia Departments of Insurance, acting on their own behalf and on the behalf of the Participating Regulators.

I. “Lead Regulators” means the Florida, Virginia, North Carolina, and Illinois Departments of Insurance and their respective Commissioners of Insurance.

J. “Lead Regulatory Negotiators” means the Georgia and Texas Departments of Insurance and their respective Commissioners of Insurance.

K. “Participating Regulators” means the state insurance regulators (including the insurance regulator of the District of Columbia) that approve and execute this agreement.

L. “Servicemember” means any soldier, sailor, airman, marine, or otherwise any person serving in the United States Armed Forces.

II. BACKGROUND AND RECITALS

A. American-Amicable Life Insurance Company of Texas (hereinafter “American-Amicable”), Pioneer American Insurance Company (hereinafter “Pioneer American”) and Pioneer Security Life Insurance Company (hereinafter “Pioneer Security”) are each domiciled and chartered by the State of Texas and maintain their home offices at 425 Austin Avenue, Waco, Texas, 76701 (hereafter, collectively, the Company”). The Company is licensed to market and sell life, health and accident insurance in Texas, Georgia and numerous other states.

B. The Company offers insurance products in a number of markets. One of these products is a seven-pay, 20-year term life contract combined with an accumulation fund which it denominates “Horizon Life,” which the Company markets primarily to members of the United States Armed Forces at home and abroad.

C. The Lead Regulatory Negotiators and the Lead Regulators allege that the Company in the ordinary course of marketing and selling Horizon Life to members of the United States military violated insurance or consumer protection statutes in their respective jurisdictions.

D. The Company vigorously denies and does not admit to any wrongdoing or violation of any insurance or consumer protection law or regulation of the United States or any state, but is foregoing its right to an administrative hearing under the applicable laws and regulations of any state whose insurance regulatory official signs the Agreement and/or any applicable consent order and are entering into this Agreement in exchange for the releases granted herein.

E. The members of the National Association of Insurance Commissioners (“NAIC”), including the Participating Regulators, as the chief regulatory officials of their respective jurisdictions, have jointly agreed to designate the Texas and Georgia Departments of Insurance as the Lead Regulatory Negotiators, in consultation with other regulators, in order to negotiate this Agreement on behalf of and for the benefit of the Participating Regulators and the NAIC.

F. This Agreement was negotiated in an effort to conclude with finality all regulatory allegations involving the Horizon Life product and the marketing and sale of that product to members of the military prior to the Effective Date. By virtue of the terms and conditions set forth in this Regulatory Settlement Agreement, the Participating Regulators and the Company desire to resolve and have resolved all regulatory issues arising from or in any way relating to the subject matter herein described on the terms and conditions set forth herein.

G. Concurrently with the execution of this Agreement, the Company and the United States, acting through the DOJ, will execute a Consent Order for Permanent Injunction which will conclude with finality certain allegations asserted by the DOJ related to the Horizon Life product.

H. In addition to the execution of this Agreement, the Company will execute a Consent of Defendants to Entry of Final Judgment, which, if approved by the SEC, will be filed in United States District Court along with a Proposed Final Judgment. If approved by the District Court, the Final Judgment will be entered and will conclude with finality the allegations asserted by the SEC in its action against the Company involving sales of Horizon Life to members of the military prior to the Effective Date of this Agreement.

III. EXECUTION OF AGREEMENT

A. The Lead Regulatory Negotiators represent and warrant that they are authorized to negotiate this Agreement on behalf of the States of Georgia and Texas and on behalf of the insurance regulators of each of the other states of the United States and of the District of Columbia.

B. Shelby Land Peavy, President and Chief Executive Officer of the Company warrants that he is authorized to agree to and execute this Agreement on behalf of the Company.

C. By their signature and delivery of this Agreement, as described below, and by virtue of the execution of this Agreement by the Lead Regulatory Negotiators on behalf of and for the benefit of the Participating Regulators, each Participating Regulator acknowledges and agrees that: (1) they have read and understand the terms and

conditions of the Agreement and (2) the Lead Regulatory Negotiators have been actively involved in the evaluation and discussion of each form of relief which is included within the Agreement. By the signature and delivery of this Agreement, each Participating Regulator further acknowledges the sufficiency and fairness of this Agreement and agrees that the execution of said documents fairly, reasonably and adequately addresses the concerns of affected policyholders including past, present and future policy owners, and any holders, insureds, beneficiaries, payees and other parties in interest with respect to this Agreement.

D. Each Participating Regulator by way of signature of an authorized representative below gives its express assurance that under their applicable state laws, regulations and judicial rulings, they have the authority to enter into this Agreement. Each Participating Regulator shall execute and deliver this Agreement to either of the Lead Regulatory Negotiators within seventy-five (75) days following the receipt of this Agreement from the Lead Regulatory Negotiators. If a Participating Regulator finds that, under state law, regulation or procedure, the preparation and execution of a consent order is necessary to carry out the terms of this Agreement, such a consent order (the "Applicable Consent Order") shall be prepared by such Participating Regulator within seventy-five (75) days following the receipt of this Agreement from the Lead Regulatory Negotiators.

E. For purposes of this Agreement, an "Applicable Consent Order" shall be satisfactory to the Company if it: (1) acknowledges the authority of the Lead Regulatory Negotiators as described herein; (2) incorporates by reference and attaches via exhibit a copy of this Agreement; (3) expressly adopts and agrees to the provisions of this Agreement; and (4) includes other terms that may be required under law or regulations applicable to such consent orders generally in the state of the applicable Participating Regulator, provided the consent order does not require the Company to assume obligations beyond the scope of or in addition to those described in this Agreement. However, nothing in this Agreement shall be construed to require any state to execute and deliver an Applicable Consent Order if such State elects to sign this Agreement and not prepare a consent order.

F. If any changes in the terms of this Agreement are required by any Participating Regulator State to satisfy that state's particular statutory and/or regulatory requirements, such changes shall be incorporated into that state's State Amendment page and attached hereto and incorporated herein as to that state's requirements upon acknowledgment and agreement thereto by the Company. Those amendments shall have effect only for the amending state and shall have no effect on any other Participating Regulator State.

G. This Agreement and its attachments and/or any Applicable Consent Order constitute the entire agreement of the parties with respect to the matters referenced herein and, except for state-specific requirements as provided for in Section II.F of this Agreement, may not be amended or modified except by an amendment signed by all parties hereto; provided, however that the Company and the insurance departments of the states that are parties hereto may mutually agree to any reasonable extensions of time that might become necessary in order to carry out the provisions of this Agreement.

H. This Agreement may be signed in multiple counterparts, each of which shall constitute a duplicate original, but which taken together shall constitute but one and the same instrument.

I. This Agreement may be terminated at the sole option of the Company if within 75 days after the Execution Date (the "Opt In Period"), states which comprise 70% of Eligible Policyholders as set out in **Exhibit A**, do not become Participating Regulators. The Company may, however, at its sole discretion, waive this termination option if the Company determines that an acceptable number of states have agreed to execute this Agreement. The Company may extend the Opt In Period by an additional 60 days at its sole discretion. Should it wish to terminate the Agreement, the Company must provide written notice to the Lead Regulatory Negotiators within ten business days of the expiration of the Opt In Period.

IV. GENERAL MATTERS

A. In the event that any portion of this Regulatory Settlement Agreement is held invalid under any particular state's law as it is relevant to a Participating Regulator's state, such invalid portion shall be deemed to be severed only in that state and all

remaining provisions of this Agreement shall be given full force and effect and shall not in any way be affected thereby.

B. The Lead Regulatory Negotiators and the Company may mutually agree to any reasonable extensions of time that might become necessary to carry out the provisions of this Agreement.

C. Except for the provisions related to an order to enforce the terms of this Agreement by any of the Participating Regulators, the terms of this Agreement shall be governed by and interpreted according to the laws of the State of Texas without regard to existing principles of conflicts of laws.

D. All of the terms of the Agreement shall be binding upon, and shall inure to the benefit of, the Company, each Participating Regulator, and the successors and assigns of each of the foregoing.

E. The Company shall maintain records of any progress in completing administrative acts required by this Agreement, and shall submit reports of such progress to the Lead Regulatory Negotiators and the SEC on a monthly basis. The first such report shall be due within 60 days after the Effective Date, and a Final Report shall be due within 60 days after the expiration of the Cash Compensation Period as defined in **Section I (B)**. The Final Report, among other matters, will include: (1) the total amount of cash compensation paid; (2) the total number of individuals who received cash compensation, including a breakdown of cash compensation paid by state as determined at the date of sale; (3) the identity and total number of individuals who were not located, by state of last known address; and, (4) the unclaimed amounts, by state, eligible for escheatment.

F. If the Company defaults with respect to any material obligation under this Agreement and such default is not remedied within 30 business days following the Company's receipt of written notice specifying such default (during which period the insurance regulator of the state in which such default occurred and the Company shall make reasonable efforts to resolve any disputes involving the default), either of the Lead Regulatory Negotiators may seek judicial enforcement of this Agreement.

