

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone: (360) 725-7000
www.insurance.wa.gov

OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT
Fax: (360) 664-2782

7/17 10:30 AM '03

FILED
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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition of)
Control of:)
)
PEMCO LIFE INSURANCE COMPANY, a)
Washington domestic insurer)
)
by)
)
SAGICOR LIFE INSURANCE COMPANY,)
a Texas corporation.)
_____)

No. 12-0203

**AMENDED NOTICE OF HEARING
ON SAGICOR LIFE INSURANCE
COMPANY'S APPLICATION
FOR APPROVAL OF PROPOSED
ACQUISITION OF AND MERGER
WITH PEMCO LIFE INSURANCE
COMPANY**

TO: Bart Catmull, Chief Operating Officer
Sagicor Life Insurance Company
4343 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85251

James Golembiewski, AVP Compliance
& Associate General Counsel
Sagicor Life Insurance Company
4343 N. Scottsdale Road, Suite 300
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Timothy J. Parker, Esq.
Carney Badley Spellman, P.S.
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900 Congress Avenue, Suite 300
Austin, TX 78701

William Chumpner, V.P and General Counsel
PEMCO Life Insurance Company
325 Eastlake Avenue East
Seattle, WA 98111-0778

COPY TO: Mike Kreidler, Insurance Commissioner
Mike Watson, Chief Deputy Insurance Commissioner
Mailing Address: P. O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Ronald J. Pastuch, Holding Company Manager, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Robin Aronson, Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

The sole purpose of this Amended Notice of Hearing is to reflect that the adjudicative proceeding herein will not include a consideration of Sagicor Life Insurance Company's request for approval of its proposed merger with PEMCO Life Insurance Company. The proceeding will solely include consideration of Sagicor Life Insurance Company's request for approval of its proposed acquisition of PEMCO Life Insurance Company. As advised in Part V of this Notice, *[t]he Applicant is advised that in order to have its proposed merger considered on the hearing date currently scheduled, ... 2) it must comply with RCW 48.31B.015 in its entirety, separately from its compliance with this statute in its request for approval of its proposed acquisition; ... Failure to comply with RCW 48.31B.015 will result in inability to consider this proposed merger on the scheduled hearing date. The Applicant is reminded that its filing requesting approval of its proposed merger must be entirely separate from its filing in its request for acquisition.* To date, the Commissioner has not indicated that a RCW 48.31B.015 filing regarding the proposed merger in compliance with this statute is complete. Indeed, apparently the only information filed with the Commissioner are several unsigned contracts. New wording reflecting this change is underlined and previous references to the consideration of the proposed merger are crossed out. All other language in this Notice of Hearing remains unchanged.

NATURE OF PROCEEDING

On February 22, 2012, Sagicor Life Insurance Company ("Sagicor Life" or "Applicant"), a Texas domestic life insurance company, entered into a Stock Purchase Agreement with PEMCO Mutual Insurance Company, a Washington domestic property and casualty insurance company, whereby Sagicor Life agrees to acquire PEMCO Life Insurance Company ("PEMCO Life"), a Washington domestic life and disability insurance company, upon terms specified therein and conditioned upon approval of the proposed acquisition by the Washington State Insurance Commissioner ("OIC"). Accordingly, on March 13, 2012, Sagicor Life filed a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer with the OIC, requesting approval of its proposed acquisition. On April 6, the OIC advised Sagicor Life that its filing failed to include a substantial amount of information, required exhibits and attachments. On April 19, Sagicor Life provided supplemental information, exhibits and attachments, and on June 28, the OIC determined that the Form A Statement contained all of the documents and information required to be included therein, and transmitted the Form A Statement to the undersigned with the request that the undersigned conduct an adjudicative proceeding and make the final decision either approving or denying this proposed acquisition. ~~Subsequently, on July 13, Sagicor Life filed an application for approval of its proposed merger with PEMCO Life, with Sagicor Life being the surviving corporation. Pursuant to Sagicor Life's request, if during the proceeding it is possible, both 1) Sagicor Life's application for approval of its proposed acquisition and 2) Sagicor Life's application for approval of its proposed merger (should the acquisition be approved) will be considered~~

~~during the same adjudicative proceeding on September 13, 2012. However the proceeding will be strictly separated into two parts: the first part will include separate testimony, exhibits, and all other evidence and consideration strictly relative to the proposed acquisition, and the second part (if appropriate) will include separate testimony, exhibits, and all other evidence and consideration strictly relative to the proposed merger.~~

Copies of all informational filings about these companies, all Agreements, the relevant current and proposed organizational structures, and all other documents identified below can be found at http://www.insurance.wa.gov/orders/hearings_proceedings6.shtml, are included in the hearing file and are by this reference incorporated herein. If approved by the undersigned, following consideration of evidence presented during the adjudicative proceeding, the parties propose to consummate this acquisition by September 30, 2012 if possible ~~and the merger either on the same date or at some time before January 1, 2013.~~

**IDENTITIES OF SAGICOR LIFE INSURANCE COMPANY AND
PEMCO LIFE INSURANCE COMPANY;
DETAILS OF PROPOSED ACQUISITION AND MERGER; CONSIDERATION
TO BE PAID; AND RESULT OF ACQUISITION AND MERGER**

I. Identity of Sagicor Life Insurance Company and PEMCO Life Insurance Company.

Sagicor Life Insurance Company is a Texas life insurance corporation organized and licensed in Texas in 1954. However, in its Form A, 1) the Applicant fails to state whether it is also authorized to provide insurance other than life insurance; 2) the Applicant fails to provide its Texas Certificate of Authority number; and 3) although the Applicant states that it is a Texas domestic insurer, it states its official address as being in Scottsdale, Arizona and states that its actual headquarters have for thirty years been in Scottsdale, Arizona, without explanation. The ultimate controlling person of Sagicor Life is Sagicor Financial Corporation, a Barbados publicly traded insurance holding corporation, organized under the laws of Barbados, which has its primary listing on the Barbados Stock Exchange and secondary listings in Trinidad and on the London Stock Exchange. Sagicor Financial Corporation's principal place of business is in St. Michael, Barbados.

PEMCO Life Insurance Company is a Washington-domiciled stock life and disability insurance corporation which was first organized and licensed as a life and disability insurer in Washington in 1963 (Certificate of Authority No. 923). PEMCO Life is wholly owned by PEMCO Mutual Insurance Company, which is a Washington-domiciled mutual property and casualty insurance corporation. PEMCO Life's registered address and headquarters are in Seattle, Washington.

II. Proposed Acquisition and Consideration to be Paid. Sagicor Life proposes to acquire PEMCO Life by purchasing all outstanding capital stock of PEMCO Life from PEMCO Mutual Insurance Company. The capital stock consists of 12,500 shares of common stock, all issued and outstanding to PEMCO Mutual Insurance Company. There are also 100,000 shares of Class A common non-voting shares with none issued and outstanding. Should this proposed acquisition be approved, as set forth in the Stock Purchase Agreement dated February 22, 2012, Sagicor Life has agreed to pay a purchase price stated in the amount of \$1,700,000 plus an amount equal to the capital and surplus of

PEMCO Life as determined by the formula specified in the Stock Purchase Agreement found in the link above. Sagicor Life proposes to pay the purchase price in cash although in its Form A it fails to specify the source of said cash.

III. Result of Proposed Acquisition and Merger. Should this proposed acquisition be approved, the result would be that, upon closing, Sagicor Life would own all of the issued and outstanding stock of PEMCO Life, and PEMCO Mutual Insurance Company would no longer have any ownership of PEMCO Life. Thereafter, PEMCO Life would be merged into Sagicor Life, with Sagicor Life becoming the surviving corporation governed by the laws of the state of Texas. ~~The corporate identity, existence, purposes, powers, objects, franchises, rights and immunities of PEMCO Life shall be wholly merged in to Sagicor Life and the separate existence of PEMCO Life shall cease; PEMCO Life would no longer be a domestic life and disability insurer in Washington.~~ If this acquisition is approved, as of the date the acquisition is consummated, Sagicor Life, as the surviving corporation, must assume all of PEMCO Life's outstanding life, health and accident insurance policies, annuity policies, and other contracts and obligations which are in force on the effective date of the acquisition and all rights of policyholders and other contract holders must remain unchanged. Sagicor Life's assumption of all of PEMCO Life's policy and other contract rights and obligations shall be documented in live testimony from both Sagicor Life's and PEMCO Life's authorized representatives during the adjudicative proceeding, and written testimony from these individuals shall be filed as exhibits in the hearing file and shall form part of the basis of the final decisions concerning 1) approval of the proposed acquisition and 2) approval of the proposed merger.

IV. Re request for approval of proposed acquisition: documents to be filed and procedure during the adjudicative proceeding.

All documents filed with Sagicor Life's Form A, and all supplemental documents and information referenced herein, can be found at http://www.insurance.wa.gov/orders/hearings_proceedings6.shtml. These documents include, among other documents, 1) the parties' Stock Purchase Agreement dated February 22, 2012 with attached Exhibits A through E; 2) Sagicor's Form B Insurance Holding Company System Registration Statement; 3) Pre- and Post-Closing Organizational Charts of Sagicor Financial Corporation; 4) Biographical affidavits of the directors and executive officers of Sagicor Life; 5) Financial statements of Sagicor Financial Corporation for calendar years 2006 through 2011; 6) Annual statements and audited financial statements of Sagicor Life for calendar years 2006 through 2011. Included also are 7) the OIC's April 6, 2012 letter requesting further information from the Applicant; and 8) the Applicant's letter dated April 19, 2012 which provides information in response to the OIC's April 6 request for additional information. The documents specified above, and others also included in the Form A, and all other communications between the Applicant and the OIC, and between the Applicant, PEMCO Life, the OIC and the undersigned, are published at the referenced website and shall be entered as evidence in this proceeding.

In addition to compliance with the various requirements set forth in RCW 48.31B.015, pursuant to RCW 48.31B.015(4), the OIC shall approve an acquisition of a domestic insurer unless, after a public hearing thereon, it is found: 1) that after the change of control, the domestic carrier would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; 2) the effect of the acquisition or merger may substantially lessen competition or

tend to create a monopoly in insurance in this state; 3) the financial condition of an acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders; 4) the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to the policyholders of the insurer and not in the public interest; 5) the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; 6) or the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Toward this end, the parties are advised that the Washington State Insurance Commissioner or his duly authorized representative is expected to testify as to whether he has given reasonable advance notice to the public of the hearing scheduled herein and whether he or any members of his staff has received any objections or concerns relative to this proposed acquisition and provide details of these objections or concerns. The Commissioner or his duly authorized representative is also expected to testify as to the conclusions he has reached during his examination of the subject Form A and all related documents and communications insofar as they relate to the above stated issues 1) through 6). Further, a duly authorized representative of Sagicor Life is expected to testify as to the above stated issues 1) through 6) and as to whether Sagicor Life or any of its affiliates has received any objections or concerns regarding this proposed acquisition and provide details of these objections or concerns. Additionally, a duly authorized representative of PEMCO Life is expected to testify as to the above stated issues and as to whether PEMCO Life or any of its affiliates has received any objections or concerns relative to this proposed acquisition. Finally, while live testimony from the Commissioner, Sagicor Life, and PEMCO Life will be taken during the hearing as to the above identified issues, written Affidavits from the parties and the Commissioner must be filed at least ten days prior to the date of the hearing. Further, oral opening statements from Sagicor Life and PEMCO Life are expected along with written closing arguments to be filed at least ten days prior to the date of the hearing. Duly authorized representatives of Sagicor Life and PEMCO Life can include officers and/or directors of the companies or in house counsel employed by the companies; while testimony of outside counsel may be presented, it will be in addition to the testimony of those duly authorized representatives specified above.

~~V. — Re request for approval of proposed merger: documents to be filed and procedure during the adjudicative proceeding.~~

~~On July 11, 2012, the Applicant emailed certain documents which it believes constitute a request for approval of its proposed merger detailed above. However, all of these documents are incomplete and unsigned and one is duplicative but with different wording. The Applicant is advised that in order to have its proposed merger considered on the hearing date currently scheduled, 1) it must promptly submit a letter detailing its proposed merger, and how and when it will be accomplished including explanation of the undated, unsigned documents; 2) it must comply with RCW 48.31B.015 in its entirety, separately from its compliance with this statute in its request for acquisition; 3) it must submit all these documents (which can be fully executed prior to consummation of the acquisition if approval) at least ten days prior to the hearing date. Failure to comply with RCW 48.31B.015 will result in inability to consider this proposed merger on the scheduled hearing date. The Applicant is reminded that its filing requesting approval of its proposed merger must be entirely separate from its filing regarding its proposed~~

acquisition:

Pursuant to RCW 48.31B.015(4), the Washington State Insurance Commissioner shall approve a merger involving a domestic insurer unless, after a public hearing thereon, it is found: 1) that after the change of control, the domestic carrier would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; 2) the effect of the merger may substantially lessen competition or tend to create a monopoly in insurance in this state; 3) the financial condition of an acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders; 4) the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to the policyholders of the insurer and not in the public interest; 5) the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; 6) or the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Toward this end, the parties are advised that the Commissioner or his duly authorized representative is expected to testify as to whether he has given reasonable advance notice to the public of the hearing scheduled herein and whether he or any members of his staff has received any objections or concerns relative to this proposed merger and provide details of these objections or concerns. The Commissioner or his duly authorized representative is also expected to testify as to the conclusions he has reached during his examination of the subject Form A and all related documents and communications insofar as they relate to the above stated issues 1) through 6). Further, a duly authorized representative of Sagicor Life is expected to testify as to the above stated issues 1) through 6) and as to whether Sagicor Life or any of its affiliates has received any objections or concerns regarding this proposed merger and provide details of these objections or concerns. Additionally, a duly authorized representative of PEMCO Life is expected to testify as to the above stated issues and as to whether PEMCO Life or any of its affiliates has received any objections or concerns relative to this proposed merger. Finally, while live testimony from the Commissioner, Sagicor Life, and PEMCO Life will be taken during the hearing as to the above identified issues, written Affidavits from the parties and the Commissioner must be filed at least ten days prior to the date of the hearing. Further, oral opening statements from Sagicor Life and PEMCO Life are expected along with written closing arguments to be filed at least ten days prior to the date of the hearing. Duly authorized representatives of Sagicor Life and PEMCO Life can include officers and/or directors of the companies or in house counsel employed by the companies; while testimony of outside counsel may be presented, it will be in addition to the testimony of those duly authorized representatives specified above.

YOU ARE HERBY NOTIFIED that the adjudicative proceeding in this matter will be held commencing at 10:00 a.m. Pacific Standard Time on Thursday, September 13, 2012, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider, first, Sagicor Life Insurance Company's request for approval of its proposed acquisition of PEMCO Life Insurance Company as described above, and, immediately following that first proceeding if appropriate, Sagicor Life Insurance Company's proposed merger with PEMCO Life Insurance Company, which are both described above. All documents and all other information from the Applicant, Sagicor Life, all communications between the Commissioner, Sagicor Life, PEMCO Life, their affiliates, and the

undersigned, which have been filed to date are published on the Commissioner's website for the public's review at http://www.insurance.wa.gov/orders/hearings_proceedings6.shtml or by request to the undersigned to review the hearing file or any portions thereof.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31B.015, and shall have as its purpose consideration of the Applicant's request for approval of the proposed acquisition of PEMCO Life by Sagieor Life ~~and the proposed merger of PEMCO Life into Sagieor Life~~. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered by the undersigned after hearing.

YOU ARE FURTHER NOTIFIED that all interested individuals may attend the hearing in this matter without prior approval as this is a public proceeding. Further, interested parties may also listen to or otherwise participate in the hearing by telephone by dialing (877) 668-4493, followed by access code number 231 993 38. YOU ARE FURTHER NOTIFIED that all interested individuals and entities may submit comments on, or objections to, this proposed acquisition and merger to the undersigned. Said comments or objections, which will be included in the hearing record and will be considered by the undersigned prior to her making her final decision in this matter, must be submitted by 9:00 a.m. Pacific Standard Time on Tuesday, September 13, 2012, by fax, U.S. Mail, personal delivery, or email to Judge Petersen. Her fax number is (360) 664-2782; her U.S. Mail address is PO Box 40255, Olympia, WA 98504-0255; her personal delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501; and her email address is that of her Paralegal, Kelly A. Cairns, which is KellyC@oic.wa.gov. YOU ARE FURTHER NOTIFIED that, pursuant to RCW 48.31B.015(4)(b), any person whose interest is determined by the undersigned to be affected, may present evidence and argument on all issues involved, examine and cross-examine witnesses, and offer oral and written statements, and in connection therewith may conduct discovery proceedings.

The Insurance Commissioner will appear by and through Robin Aronson, Staff Attorney in his Legal Affairs Division. She can be reached at (360) 725-7181 or RobinA@oic.wa.gov. Sagieor Life Insurance Company will be represented by Timothy J. Parker, Esq. of Carney Badley Spellman, P.S., 701 Fifth Avenue, Suite 3600, Seattle, WA 98104-7010. He can be reached at (206) 622-8020 or Parker@carneylaw.com. PEMCO Life Insurance Company will be represented by William Clumpner, Vice President and General Counsel, or an alternate executive of PEMCO Life, 325 Eastlake Avenue East, Seattle, WA 98111-0778. Mr. Clumpner can be reached at (206) 628-6331 or Bill.Clumpner@pemco.com.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Insurance Commissioner or his staff or any other individual who has knowledge of the issues

herein, except as will be presented as evidence in the hearing. Her address is Office of the Insurance Commissioner, Hearings Unit, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Kelly A. Cairns, Paralegal to the undersigned, who may be reached at the telephone and fax numbers, e-mail or U.S. Mail addresses set forth above.

On July 19, 2012, the undersigned held a first prehearing conference in this matter. The parties were represented by the above stated attorneys, except that a representative of PEMCO Life was not in attendance. Also in attendance were James Golembiewski, Associate General Counsel for Sagacor Life; Kasandra Moeskau of Sneed, Vine & Perry, Sagacor Life's Texas counsel; and Ronald J. Pastuch, OIC Holding Company Manager. During said first prehearing conference, the undersigned identified the parties and statutes involved, reviewed procedure to be expected at hearing, and responded to all questions and concerns of the parties. As stated above, **should any party or any interested individual have any further questions or concerns prior to the hearing date, they are advised to telephone or e-mail Kelly A. Cairns, Paralegal to the undersigned, for assistance** or to schedule a second prehearing conference if necessary.

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch. 2.42 RCW. Following this Notice is a form you may use to advise the Chief Hearing Officer of your need for an interpreter.

ENTERED at Tumwater, Washington, this 30th day of August, 2012, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.



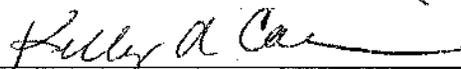
PATRICIA D. PETERSEN

Presiding Officer
Chief Hearing Officer

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Bart F. Catmull, Timothy J. Parker, Esq., James Golembiewski, Esq., Kasandra Moeskau, Esq., William Clumpner, Esq., Mike Kreidler, Michael G. Watson, Carol Surreau, Esq., Robin Aronson, Esq., James T. Odiorne and Ronald J. Pastuch.

DATED this 30th day of August, 2012.


KELLY A. CAIRNS