MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

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

FILED

2012 SEP 20 P 1:00

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

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Kelly A. Cairns
Paralegal
(360) 725-7002
KellyC@oic.wa.gov

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 **ORDER APPROVING SAGICOR LIFE INSURANCE COMPANY'S PROPOSED ACQUISITION OF PEMCO LIFE INSURANCE COMPANY**

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

Timothy J. Parker, Esq.
Carney Badley Spellman, P.S.
701 Fifth Avenue, Suite 3600
Seattle, WA 98104

William Clumpner, General Counsel
PEMCO Life Insurance Company
325 Eastlake Avenue East
Seattle, WA 98111-0778

James Golembiewski, AVP Compliance & Associate General Counsel
Sagicor Life Insurance Company
4343 N. Scottsdale Road, Suite 300
Scottsdale, AZ 85251

Kasandra Moeskau, Esq.
Sneed Vine & Perry, P.C.
900 Congress Avenue, Suite 300
Austin, TX 78701

COPY TO: Mike Kreidler, Insurance Commissioner
Mike Watson, Chief Deputy Insurance Commissioner

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

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, during prehearing conference in the acquisition matter held July 19, 2012, Sagicor Life indicated it plans to merge with PEMCO Life and wanted an adjudication of this request included in the acquisition hearing. Sagicor Life was advised at that time that this was possible if Sagicor Life could file its required Form A and other documents timely and comply with the other statutory requirements governing approval of mergers in this state. As discussed in the August 17 letter from the undersigned to Sagicor Life and detailed in Notice of Hearing and Amended Notice of Hearing herein, because no Form A and virtually no documents were filed, and the OIC has not determined the filing to be complete, the proposed merger was not considered or determined.]

With regard only to Sagicor Life's request for approval of its proposed acquisition of PEMCO Life, copies of 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 others, 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 the second quarter of 2012. Included also are 7) the OIC's April 6, 2012 letter requesting further information from the Applicant; 8) the Applicant's letter dated April 19, 2012 in response; 9) the undersigned's August 17, 2012 letter to Sagicor Life requesting further information from the Applicant; 10) Sagicor Life's

August 22, 2012 letter in response; and 9) all other supplementary materials, and all 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 were entered into evidence in this proceeding together as Hearing Ex. 1. The parties propose to consummate this acquisition by September 30, 2012 if possible.

FINDINGS OF FACTS

1. **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. Sagicor Life has obtained permission from its domicile state of Texas to move its records and principal office into the states of Arizona and Florida. [Ex. 2, February 14, 2012 No Further Action Letter from Texas regarding Sagicor Life's Notice of Intent of Eligible Insurer to Move its Books, Records, Accounts, and/or Principal Office(s) Outside the State of Texas.] 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.

2. **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.

3. **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. [Ex. 1, Form A.] Sagicor Life proposes to pay the purchase price from cash on hand. [Hearing Ex. 1, Sagicor Life's August 22, 2012 letter to the undersigned.]

4. **Result of Proposed Acquisition.** 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. [Live and Written Testimony of Bart Catmull, Chief Operating Officer and Chief Financial Officer of Sagicor Life; Live and Written Testimony of Steven Ricco, Vice President, Treasurer and Chief Financial Officer of PEMCO Life; Live and Written Testimony of Ronald J. Pastuch, OIC Holding

Company Manager.] If this acquisition is approved, as of the date the acquisition is consummated, Sagicor Life, as the surviving corporation, acknowledges and reflects its commitment to assume all liability for 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. [Testimony of Catmull; Testimony of Ricco; Testimony of Pastuch.] All rights and privileges currently held by PEMCO Life's policyholders shall remain unchanged as a result of this acquisition. [Testimony of Catmull; Testimony of Ricco; Testimony of Pastuch.]

5. 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, and in so doing filed its Form A at least 60 days prior to its proposed date of acquisition.

6. It cannot be found that after the change of control, PEMCO Life 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. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco; Live and Written Testimony of Pastuch.]

7. It cannot be found that the effect of the acquisition or merger may substantially lessen competition or tend to create a monopoly in insurance in this state. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco.]

8. It cannot be found that the financial condition of Sagicor Life is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco; Live and Written Testimony of Pastuch.]

9. It cannot be found that 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. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco; Live and Written Testimony of Pastuch.]

10. It cannot be found that 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. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco; Live and Written Testimony of Pastuch.]

11. It cannot be found that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco; Live and Written Testimony of Pastuch.]

12. On August 13, 2012, the undersigned entered her Notice of Hearing summarizing this proposed transaction and informing the parties and the public that the hearing herein would take place on September 13, 2012 at the hour of 10:00 a.m. and advising that any interested party could participate in the hearing. [Hearing Ex. 1, Notice of Hearing.] On August 16, 2012, the OIC published this Notice of Hearing on the Insurance Commissioner's website. Said Notice remained published on the OIC's

website (and on September 4, 2012 the undersigned's Amended Notice of Hearing was posted on the OIC's website, advising the parties and the public that the hearing would no longer consider Sagicor Life's application for approval of its proposed merger and the reasons therefore). The Notice of Hearing remained posted on the OIC's website until the time of the hearing. [Live and Written Testimony of Pastuch, Ex. A.] In addition, the undersigned's Notice of Hearing was published in the September 5 edition of the Washington State Register. By these means, reasonable notice was given to the public.

13. Neither the OIC, Sagicor Life, PEMCO Life nor the undersigned has received any objections to the proposed acquisition. [Live and Written Testimony of Catmull; Live and Written Testimony of Ricco; Live and Written Testimony of Pastuch.]

14. Bart F. Catmull, Chief Operating Officer and Chief Financial Officer of Sagicor Life Insurance Company, testified on behalf of the Applicant. Mr. Catmull presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.

15. Steven A. Ricco, Vice President, Treasurer and Chief Financial Officer of PEMCO Life Insurance Company, testified on behalf of PEMCO Life. Mr. Ricco presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.

16. Ronald J. Pastuch, Holding Company Manager in the Company Supervision Division of the Office of the Insurance Commissioner, testified on behalf of the OIC. Mr. Pastuch presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.

17. Based upon the above Findings of Facts, it is here found that there exists no basis for denial of the Applicant's request for approval of its proposed acquisition of control of PEMCO Life Insurance Company and that therefore it is reasonable that this proposed acquisition should be approved.

CONCLUSIONS OF LAW

1. The hearing herein was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied. Pursuant to Title 48 RCW and specifically RCW 48.31B, the Washington State Insurance Commissioner has jurisdiction over the plan of acquisition of PEMCO Life Insurance Company. Further, the undersigned has been properly delegated the authority to conduct the adjudicative proceeding in this matter, to review and consider all documents and evidence presented and to make the final determination herein without consultation with the Insurance Commissioner, any member of his staff or any other individual who has knowledge of the facts of this matter.

2. Pursuant to RCW 48.31B.015, Sagicor Life filed its Form A application requesting approval of its proposed acquisition of PEMCO Life at least sixty days before its proposed consummation of the acquisition. As contemplated therein, the OIC staff properly determined that Sagicor Life's Form A filing was complete and transferred the file to the undersigned with the request that an adjudicative proceeding be held to hear evidence and make the final decision in this matter.

3. 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.

4. Based on Finding of Fact No. 6 above, after the acquisition of PEMCO Life by Sagicor Life, PEMCO Life will be able to continue to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed.

5. Based on Finding of Fact No. 7 above, the effect of the acquisition will not substantially lessen competition or tend to create a monopoly in insurance in this state.

6. Based on Finding of Fact No. 8 above, the financial condition of Sagicor Life is not such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders.

7. Based on Finding of Fact No. 9 above, 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 not unfair or unreasonable to the policyholders of the insurer nor are they not in the public interest.

8. Based on Finding of Fact No. 10 above, the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be against the interest of policyholders of the insurer and of the public to permit the acquisition of control.

9. Based on Finding of Fact No. 11 above, the acquisition is not likely to be hazardous or prejudicial to the insurance-buying public.

10. Based on Findings of Fact Nos. 12 and 13 above, reasonable notice of this proposed acquisition was given to the public, and no reasonable objections exist.

11. The provisions of the Insurance Code of the State of Washington, Chapter 48.31B RCW, and specifically RCW 48.31B.015 governing the approval of acquisitions, have been met, and it is therefore hereby concluded that Sagicor Life's application for approval of its proposed acquisition of PEMCO Life should be approved. Should it wish to merge PEMCO Life with Sagicor Life in the future, Sagicor Life is expected to file a proper Form A Application for Approval of Merger and to comply with all

Washington statutes governing that adjudicative process.

ORDER

Based upon the above Findings of Facts and Conclusions of Law,

IT IS HEREBY ORDERED that Sagicor Life's request for approval of its proposed acquisition of PEMCO Life, under the terms of its Stock Purchase Agreement dated February 22, 2012, other documents pertinent to this transaction which were filed herein, and specific testimony presented at hearing, is approved.

IT IS FURTHER ORDERED that at the close of the adjudicative proceeding held September 13, 2012 after presentation of all evidence, the undersigned orally granted approval of this proposed merger pending receipt of the Texas document she inquired about during hearing which allows Sagicor Life to move its books, records, accounts and principal place of business from Texas to the states of Arizona and Florida. This document was received on September 14, 2012 [Ex. 2 as identified in Finding of Fact No. 1 above]. Therefore, this written Order confirms that oral Order entered by the undersigned on September 13, 2012. Approval of this proposed acquisition is therefore granted effective September 14, 2012.

ENTERED at Tumwater, Washington, this 20th day of September, 2012, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.

PATRICIA D. PETERSEN
Chief Presiding 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 Sureau, Esq., Robin Aronson, Esq., James T. Odiorne and Ronald J. Pastuch.

DATED this 20th day of September, 2012.

KELLY A. CAIRNS