



PEMCO
Insurance

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FILED

2012 AUG 31 PM 5:00

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Patricia D. Petersen
Chief Hearing Officer

August 30, 2012

VIA MESSENGER

The Honorable Patricia D. Petersen
Presiding Officer
Chief Hearing Officer
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, Washington 98501

Re: No. 12-0203
In the Matter of the Proposed Acquisition of Control of PEMCO Life Insurance
Company by Sagicor Life Insurance Company

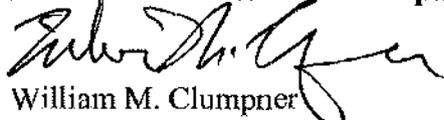
Dear Judge Petersen:

Enclosed please find the following documents (original and one copy) which are submitted on behalf of PEMCO Life Insurance Company in the matter noted above:

- Pre-filed Opening Statement of William M. Clumpner
- Declaration of Steven A. Ricco re: Acquisition
- Declaration of Steven A. Ricco re: Merger
- Pre-filed Closing Argument of William M. Clumpner

Sincerely,

PEMCO Life Insurance Company


William M. Clumpner
V.P. & General Counsel

Enclosures

cc: James T. Odiorne, OIC (w/encl.)
Ronald Pastuch, OIC (w/encl.)
Robin Aronson, OIC (w/encl.)
Timothy Parker (w/encl.)

OPENING STATEMENT

I am Bill Clumpner, General Counsel of PEMCO Life Insurance Company (PEMCO Life) and its affiliates, including PEMCO Life's parent and sole shareholder, PEMCO Mutual Insurance Company (PEMCO Mutual).

PEMCO Mutual and Sagicor Life Insurance Company (Sagicor Life) have entered into a Stock Purchase Agreement (the Agreement) whereby Sagicor Life has agreed to purchase from PEMCO Mutual all outstanding shares of PEMCO Life upon the terms of the Agreement and conditioned on approval of the transaction by the Washington Office of the Insurance Commissioner (the OIC).

Evidence in this hearing will include a Form A filing by Sagicor Life as the Applicant in this proceeding, along with additional, supplementary material submitted to the OIC. Testimony will be presented from representatives of both PEMCO Life and Sagicor Life. The evidence will establish that all requirements applicable to this proceeding have been met and specifically that the proposed acquisition of PEMCO Life by Sagicor Life should be approved.

RCW 48.31B provides that such acquisitions shall be approved by the Insurance Commissioner unless, following a public hearing, he finds one or more criteria identified in RCW 48.31B.015(4) to exist. The evidence will show that none of those criteria exists.

In a separate and subsequent part of the hearing, Sagicor Life's application for approval of its proposed merger of PEMCO Life into Sagicor Life, should the acquisition be approved, is expected to be heard. Again, the evidence is expected to establish that the proposed merger satisfies the statutory requirements and that none of the disqualifying criteria in RCW 48.31B.015(4) exists.

We look forward to presenting evidence on this matter and addressing any question posed by the Chief Hearing Officer.

September 13, 2012



William M. Clumpner
General Counsel
PEMCO Life Insurance Company

CERTIFICATE OF SERVICE

I, Catherine Hohman, hereby declare as follows: I am an employee of PEMCO Mutual Insurance Company, over the age of 18 years, and not a party to nor interested in this action. On August 30, 2012, I caused to be delivered via messenger a copy of the foregoing document on the following parties:

<u>ORIGINAL TO:</u> Patricia Petersen Chief Hearing Officer Office of Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501	<u>COPIES TO:</u> Robin E. Aronson Staff Attorney, Legal Affairs Division Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 Ronald J. Pastuch Holding Company Manager Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 James T. Odiome Deputy Commissioner Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
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I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

DATED this 30th day of August, 2012.



Catherine Hohman

FILED

2012 SEP 13 10:30 AM

12-0203
Filing Date: 09/13/2012
Chief Financial Officer

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Acquisition of Control
of:

PEMCO LIFE INSURANCE
COMPANY, a Washington domestic
insurer

By:

SAGICOR LIFE INSURANCE
COMPANY

NO. 12-0203

TESTIMONY OF STEVEN A. RICCO
RE: ACQUISITION

Steven A. Ricco
Vice President, Treasurer and Chief Financial Officer
PEMCO Life Insurance Company

September 13, 2012

DECLARATION OF STEVEN A. RICCO

I, Steven A. Ricco, under penalty of perjury under the laws of the state of Washington, declare as follows:

Question 1: Please state your name and position of employment with PEMCO Life Insurance Company (PEMCO Life).

Answer: My name is Steven A. Ricco. I am the Vice President, Treasurer and Chief Financial Officer (CFO) of PEMCO Life Insurance Company.

Question 2: What is PEMCO Life?

Answer: PEMCO Life is a stock life and disability insurance corporation, domiciled in Washington. It is a wholly-owned subsidiary of PEMCO Mutual Insurance Company (PEMCO Mutual), a mutual insurance corporation also domiciled in Washington. PEMCO Life was duly organized and incorporated under Washington law in 1963. Its statutory home office is located at 325 Eastlake Avenue East, Seattle, Washington 98109. It is licensed to transact life and disability insurance in Washington under the Certificate of Authority No. 923, NAIC Company Code 71803. It is also licensed to transact life insurance in Oregon, but currently does business only in Washington.

Question 3: Do you hold any other positions with any companies affiliated with PEMCO Life?

Answer: Yes.

Question 4: What are they?

Answer: I am the Vice President and CFO of PEMCO Mutual, PEMCO Insurance Agency, Inc., PEMCO Corporation, and PCCS, Inc. I am also the CFO of School Employees Credit Union of Washington, an unofficially allied company of PEMCO Mutual that shares some common management. I also serve as a director on the boards of the PEMCO affiliates.

Question 5: Please provide your educational background.

Answer: I received my BA degree in accounting from Central Washington University in 1986.

Question 6: Please provide your professional background.

Answer: Prior to coming to PEMCO in 1998, I worked for ten years as the finance manager for School Employees Credit Union of Washington and two years as assistant controller of Group Health Credit Union.

Question 7: Please describe the structure of PEMCO Life.

Answer: PEMCO Life has 12,500 shares of authorized voting common stock, with par value of \$10 per share, of which all 12,500 shares are owned by PEMCO Mutual. PEMCO Life has 100,000 shares of non-voting stock which is unissued. Currently, PEMCO Life has no employees; operational support is provided by PEMCO Mutual employees.

Question 8: Please describe the consideration that led to the proposed sale of PEMCO Life.

The consideration leading to this sale agreement included both an evaluation of the benefits from simplifying our corporate structure and focusing on our core strength of personal lines, property-and-casualty insurance, as well as our intention to select a purchaser with extensive life insurance experience, a focus on customer service, a commitment to community and corporate citizenship, and financial stability. Sagacor Life Insurance Company (Sagacor Life) was selected based on our confidence after conducting our own due diligence that it satisfies those criteria and will serve the interests of PEMCO Life's policyholders well.

Question 9: Please describe PEMCO Life's current financial position.

Answer: As of June 30, 2012, the quarterly financial statements on file with the Washington Office of the Insurance Commissioner identify PEMCO Life's admitted assets at \$11,808,999, liabilities at \$5,770,966, and surplus of \$6,038,033. PEMCO Life has a financial strength rating from A.M. Best of "B+."

Question 10: How would you describe the financial impact of the proposed sale on PEMCO Life's holding company system?

Answer: The financial impact of this sale on PEMCO Mutual is expected to be an addition to surplus, benefitting PEMCO Mutual's members. As reflected in the Stock Purchase Agreement, the purchaser will acquire all stock in return for \$1.7 million cash and an additional sum for PEMCO Life's capital and surplus. This latter sum will be calculated in accordance with a formula set forth in an attachment to the Stock Purchase Agreement.

Question 11: Subsequent to Sagicor Life's acquiring control of PEMCO Life, would PEMCO Life be able to satisfy the requirements for the issuance of a license to write the line of business for which it is presently licensed?

Answer: I am not aware of any facts that would result in the inability of PEMCO Life to satisfy those requirements following Sagicor Life's acquisition.

Question 12: Would the proposed sale substantially lessen competition in the Washington insurance market or tend to create a monopoly?

Answer: No. Neither PEMCO Life nor Sagicor Life has a significant share of the life insurance market in Washington. The sale will neither lessen competition in the Washington insurance market nor create a monopoly.

Question 13: To your knowledge, is the financial condition of Sagicor Life such that it might jeopardize the financial stability of PEMCO Life or prejudice the interest of its policyholders?

Answer: No. With Sagicor Life having an A.M. Best financial strength rating of "A-" (Excellent), I expect the financial condition of PEMCO Life to be well-supported and its policyholders to benefit as a result of the company becoming part of the Sagicor organization.

Question 14: Are you aware of any plans or proposals that Sagicor Life has to liquidate PEMCO Life, sell its assets, consolidate or merge it with any person, or make any other material change in its business or corporate structure or management, which would be unfair and unreasonable to policyholders of PEMCO Life or not in the public interest?

Answer: No. I am aware of Sagicor Life's request to merge with PEMCO Life if the sale is approved, but I know of no facts that would make that unfair and unreasonable to PEMCO Life's policyholders or not in the public interest. It was always agreed that if the acquisition is approved and completed all policyholder and contractual obligations of PEMCO Life will be fulfilled by Sagicor Life. The merger of the two companies will have no detrimental effect on that outcome that I can see. It appears to be a reasonable business decision intended to improve efficiencies. Consolidation of parallel companies within an insurer holding system is not uncommon and frequently provides economies of scale and other efficiencies. For example, within the PEMCO holding company system we recently completed a merger of its two property-casualty companies, for similar reasons.

Question 15: Do you have any reason to believe that the competence, experience and integrity of the persons who would control the operation of PEMCO Life, assuming the proposed acquisition is completed, is such that it would not be in the interest of PEMCO Life policyholders and of the public to permit the proposed acquisition?

Answer: No, I do not. Over the course of several months of due diligence and negotiations regarding this acquisition, we have met with members of Sagicor Life's senior management, both here in Washington and at Sagicor Life's Arizona offices. I am comfortable with the competence, experience and integrity of Sagicor Life's senior management.

Question 16: Are you aware of anything about the proposed acquisition that is likely to be hazardous or prejudicial to the insurance-buying public?

Answer: No. The proposed sale is consistent with and meets the requirements of applicable law. This is supported by the terms and conditions of the Stock Purchase Agreement that has been filed as part of the Form A and duly reviewed, authorized and approved by the board of directors of PEMCO Mutual, PEMCO Life's sole shareholder. I am confident those obligations will be fulfilled. The sale is fair and equitable to the general public, to PEMCO Life and to its policyholders.

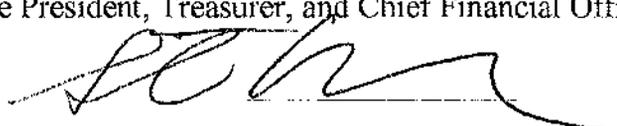
Question 17: Has PEMCO Life or any of its affiliates or representatives received any objections from policyholders or members of the public with respect to the proposed sale?

Answer: Not to my knowledge. I am not aware of PEMCO Life or any other affiliates or representatives of PEMCO Life receiving any objection from any PEMCO Life policyholders, or the general public, about the proposed sale.

I declare under penalty of perjury of the state of Washington that the forgoing answers to the foregoing questions are true and correct to the best of my knowledge and belief.

Name: Steven A. Ricco

Title: Vice President, Treasurer, and Chief Financial Officer

Signature: 

CERTIFICATE OF SERVICE

I, Catherine Hohman, hereby declare as follows: I am an employee of PEMCO Mutual Insurance Company, over the age of 18 years, and not a party to nor interested in this action. On August 30, 2012, I caused to be delivered via messenger a copy of the foregoing document on the following parties:

<u>ORIGINAL TO:</u> Patricia Petersen Chief Hearing Officer Office of Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501	<u>COPIES TO:</u> Robin E. Aronson Staff Attorney, Legal Affairs Division Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 Ronald J. Pastuch Holding Company Manager Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501 James T. Odiorne Deputy Commissioner Office of the Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501
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I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.

DATED this 30th day of August, 2012.



Catherine Hohman

FILED

2012 SEP 31 12:09 PM

W. J. ...
Portland, Oregon
Chief Executive Officer

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Acquisition of Control
of:

PEMCO LIFE INSURANCE
COMPANY, a Washington domestic
insurer

By:

SAGICOR LIFE INSURANCE
COMPANY

NO. 12-0203

TESTIMONY OF STEVEN A. RICCO
RE: MERGER

Steven A. Ricco
Vice President, Treasurer and Chief Financial Officer
PEMCO Life Insurance Company

September 13, 2012

DECLARATION OF STEVEN A. RICCO

I, Steven A. Ricco, under penalty of perjury under the laws of the state of Washington, declare as follows:

Question 1: Please state your name and position of employment with PEMCO Life Insurance Company (PEMCO Life).

Answer: My name is Steven A. Ricco. I am the Vice President, Treasurer and Chief Financial Officer (CFO) of PEMCO Life Insurance Company.

Question 2: You have previously given testimony regarding the proposed acquisition of PEMCO Life Insurance Company by Sagicor Life Insurance Company (Sagicor Life). Do you reaffirm that testimony?

Yes.

Question 3: Are you aware that, if the acquisition is approved, Sagicor Life intends to merge with PEMCO Life?

Answer: Yes, I have been made aware of that.

Question 4: You have previously testified, based on your involvement in the negotiations and discussions leading up to the execution of the Stock Purchase Agreement and your familiarity with the terms of the proposed acquisition that such acquisition would not be detrimental to the interests of PEMCO Life policyholders and other involved persons.

Answer: Yes, that is my opinion.

Question 5: Would that opinion change given that Sagicor Life and PEMCO Life will merge if the acquisition and the proposed merger are approved by the Washington State Office of the Insurance Commissioner?

Answer: No. It was always agreed that if the acquisition is approved and completed all policyholder and contractual obligations of PEMCO Life's book of business will be fulfilled by Sagicor Life. The merger of the two companies will have no detrimental effect on that that I can see. It appears to be a reasonable business decision intended to improve efficiencies. Consolidation of parallel companies within an insurer holding system is not uncommon and frequently provides economies of scale and other efficiencies. For example, the PEMCO holding company system recently completed a merger of its two property-casualty companies for such reasons.

Question 6: If the acquisition is approved and PEMCO Life Insurance Company and Sagicor Life Insurance Company merge do you see any negative consequences for PEMCO Life Insurance Company, Washington consumers, the Washington life insurance market or the public at large?

Answer: No. In negotiating the sale of PEMCO Life it was our goal to structure a deal that would not have any negative effect on PEMCO Life policyholders or other affected parties. I believe we accomplished that goal. I do not see that a merger of the two companies would have any negative effect.

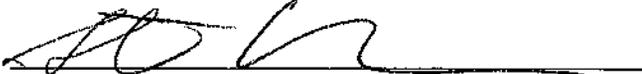
Question 7: You previously testified that none of the statutory criteria that would require disapproval of the acquisition are present. Do you believe any of those same criteria would be triggered in the event of a merger between PEMCO Life and Sagicor Life?

Answer: No, I do not. A merger would have no effect on several of the criteria. For example, whether the companies are merged after acquisition or not, the same management team will be responsible for operations. I have testified to the fitness of that team. Further, a merger should have no negative effect on finances or operations and will not impair policyholder entitlements. Neither should it have any negative effect on the insurance buying public in the state of Washington or be contrary to the public interest.

I declare under penalty of perjury of the state of Washington that the forgoing answers to the foregoing questions are true and correct to the best of my knowledge and belief.

Name: Steven A. Ricco

Title: Vice President, Treasurer, and Chief Financial Officer

Signature: 

CERTIFICATE OF SERVICE

I, Catherine Hohman, hereby declare as follows: I am an employee at PEMCO Mutual Insurance Company, over the age of 18 years, and not a party to nor interested in this action. On August 30, 2012, I caused to be delivered via messenger a copy of the foregoing document on the following parties:

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DATED this 30th day of August, 2012.



Catherine Hohman

FILED

2012 SEP 31 P 5:00

John J. ...
Executive Director
Chief Executive Officer

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

PRE-FILED CLOSING ARGUMENT

PRE-FILED CLOSING ARGUMENT OF:

William M. Clumpner
General Counsel
PEMCO Life Insurance Company

September 13, 2012

CLOSING ARGUMENT

Thank you, your honor, and thank you to the Office of the Insurance Commissioner for your time and consideration of the proposed acquisition of PEMCO Life Insurance Company by Sagacor Life Insurance Company.

The testimony reflects that the acquisition is fair and equitable to the general public, to PEMCO Life and to its policyholders, and no reasonable objection to the acquisition exists.

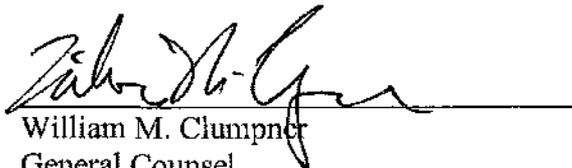
RCW 48.31B provides that such acquisitions shall be approved by the Insurance Commissioner unless, following a public hearing, he finds one or more criteria identified in RCW 48.31B.015(4) to exist. The evidence shows that none of those criteria exists and the acquisition should be approved. The testimony and documentary evidence demonstrates that

- After the change of control, PEMCO Life would 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;
- Sagacor Life's acquisition of PEMCO Life would clearly not lessen competition in insurance in Washington or tend to create a monopoly in the state;
- The financial condition of Sagacor Life will not jeopardize the financial stability of PEMCO Life, or prejudice the interest of its policyholders;
- Sagacor Life's proposed merger with PEMCO Life would not be unfair and unreasonable to PEMCO Life policyholders, nor would it be against the public interest;
- The competence, experience, and integrity of those persons who would control the operation of PEMCO Life, assuming completion of the acquisition, are such that it is in the interest of policyholders of PEMCO Life and of the public to permit the proposed acquisition; and
- The acquisition will not be hazardous or prejudicial to the insurance-buying public.

PEMCO Life has also testified on Sagacor Life's proposed merger with PEMCO Life, with Sagacor Life becoming the surviving corporation. The proposed merger, should the acquisition be approved, is subject to the same requirements under RCW 48.31B.015. As the testimony reflects, there are operating efficiencies that can be gained through a merger, and PEMCO Life sees no negative consequences, to either PEMCO Life policyholders or the insurance-buying public, as a result of Sagacor Life's proposed merger.

Again, thank you for your consideration.

September 13, 2012


William M. Clumpner
General Counsel
PEMCO Life Insurance Company

CERTIFICATE OF SERVICE

I, Catherine Hohman, hereby declare as follows: I am an employee of PEMCO Mutual Insurance Company, over the age of 18 years, and not a party to nor interested in this action. On August 30, 2012, I caused to be delivered via messenger a copy of the foregoing document on the following parties:

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DATED this 30th day of August, 2012.



Catherine Hohman