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2012

INSURANCE
COMMISSIONER

THOMAS R. HARRIS
INSURANCE
COMMISSIONER

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

OPENING STATEMENT OFFERED
ON BEHALF OF SAGICOR RE:
1) ACQUISITION and
2) MERGER

I. INTRODUCTION

My name is Timothy J. Parker. I am a lawyer admitted to practice in the State of Washington. I represent the applicant, Sagicor Life Insurance Company ("SLIC").

Both SLIC and PEMCO Life Insurance Company, seek approval of the referenced acquisition. Separately, conditioned on such approval, SLIC requests approval to merge with PLIC.

OPENING STATEMENT OFFERED ON
BEHALF OF SAGICOR RE:
ACQUISITION AND MERGER 1

CARNEY
BADLEY
SPELLMAN

LAW OFFICES
A PROFESSIONAL SERVICE CORPORATION
701 Fifth Avenue, Suite 3600
Seattle, WA 98104-7010
T (206) 622-8020
F (206) 467-8215

II. EVIDENCE

The evidence in both hearings will include the Form A filed with the Washington Office of the Insurance Commissioner on March 15, 2012, together with supplemental information provided pursuant to OIC request ("Form A"), as well as testimony from representatives of PLIC, SLIC, and the Office of the Insurance Commissioner. The parties anticipate the evidence will establish the following.

The referenced Form A filed with the Office of the Insurance Commissioner, together with supplemental information provided to the Commissioner, included information required by applicable statute and regulation. Specifically, the Form A identified the parties, their circumstances and fully described the proposed transaction. The Office of Insurance Commissioner carefully reviewed the Form A and determined that it is a complete filing within the meaning of RCW 48.31B.015 and all other legal requirements. In the course of its review, the OIC posed certain questions to the parties. Specifically, the OIC addressed questions to the purchaser regarding its financial strength and management team. The OIC was satisfied from that information no basis for disapproval existed.

Thereafter, the OIC and the parties requested this public hearing. The Office of the Insurance Commissioner caused reasonable notice of the proposed acquisition and the proposed merger to be provided to the public. No objections to the transactions have been received by the Office of the Insurance Commissioner or the parties.

OPENING STATEMENT OFFERED ON
BEHALF OF SAGICOR RE:
ACQUISITION AND MERGER - 2

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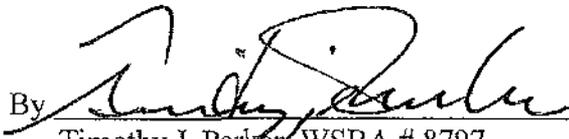
RCW 48.31B.015(4)(a) provides that the Commissioner shall approve an acquisition of this type unless, after public hearing, the Commissioner finds that one or more of the six criteria identified in RCW 48.31B.015(4)(a) exists. The evidence will establish that none of these criteria exists and that approval of the transaction is in the public interest. The same statute applies the same criteria to merger. The evidence satisfies the standard in that context as well.

III. CONCLUSION

SLIC appreciates the diligence and efficiency that the Office of the Insurance Commissioner Company Supervision Department and the Office of the Insurance Commissioner Chief Hearing Officer have given this matter. We are now prepared to offer testimony in support of the above and to answer any questions posed by the Chief Hearing Officer.

DATED this 31 day of August, 2012.

CARNEY BADLEY SPELLMAN, P.S.

By 
Timothy J. Parker, WSBA # 8797
Attorney for Sagicor Life Insurance Company

OPENING STATEMENT OFFERED ON
BEHALF OF SAGICOR RE:
ACQUISITION AND MERGER - 3

CARNEY
BADLEY
SPELLMAN

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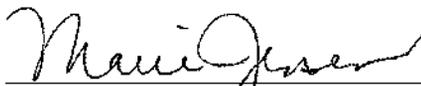
CERTIFICATE OF SERVICE

I, Marie Jensen, under oath hereby declare as follows: I am an employee at Carney Badley Spellman, P.S., over the age of 18 years, and not a party to nor interested in this action. On August 31, 2012, I caused to be delivered *via legal 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 31st day of August, 2012.


Marie Jensen, Legal Assistant

OPENING STATEMENT OFFERED ON
BEHALF OF SAGICOR RE:
ACQUISITION AND MERGER - 4

CARNEY
BADLEY
SPELLMAN

LAW OFFICES
A PROFESSIONAL SERVICE CORPORATION
701 Fifth Avenue, Suite 3600
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FILED

2012 SEP 14 15:50:01

FRANCIS J. SHERIDAN
PAUL J. SHERIDAN
Chief Financial Officer

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Merger of:

PEMCO LIFE INSURANCE
COMPANY, a Washington domestic
insurer

Into:

SAGICOR LIFE INSURANCE
COMPANY

NO. 12-0203

TESTIMONY OF BART F CATMULL
RE: ACQUISITION

Bart F. Catmull
Chief Operating Officer and Chief Financial Officer
Sagicor Life Insurance Company

September 13, 2012

TESTIMONY OF BART F.
CATMULL RE: ACQUISITION - 1

DECLARATION OF BART F. CATMULL

I, Bart F. Catmull, 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 Sagicor Life Insurance Company ("SLIC").

Answer: My name is Bart F. Catmull. I am the Chief Operating Officer and Chief Financial Officer of Sagicor Life Insurance Company.

Question 2: What is SLIC?

Answer: SLIC is a stock insurance corporation, domiciled in Texas. It was duly organized and incorporated under Texas law in 1954 and operates under Texas Certificate of Authority No. 14192. Its statutory home office is located at 900 Congress Ave., Austin, TX 78701. It provides life insurance and annuities in 44 states and the District of Columbia, including Washington and Oregon. SLIC is licensed in Washington under the Certificate of Authority No. 286, NAIC Company Code 60445. Its COA in Washington allows it to provide disability as well as life insurance; however, at the present it only provides the aforementioned life and annuity products in Washington as well as in the other states in which it is licensed. SLIC maintains two administrative locations located in Scottsdale, Arizona and Tampa, Florida and has received the appropriate approvals from the Texas Department of Insurance to maintain its books and records in those locations.

As of the end of 2011, based on an AMBest study published in the July issue of Best Review, the Company was ranked 153rd of US Life and Health Insurance Companies.

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

Answer: Yes, I hold the same positions with Sagicor USA, Inc., the parent of SLIC.

Question 4: Please provide your educational background.

Answer: I received my BA in accounting from Brigham Young University in 1992.

TESTIMONY OF BART F.
CATMULL RE: ACQUISITION -- 2

Question 5: Please provide your professional background.

Answer: Prior to joining the predecessor of Sagicor Life in 1999, I worked for seven years with PricewaterhouseCoopers. When I left them, I was a Senior Manager in their National Accounting Practices office.

Question 6: Please describe the structure of SLIC.

Answer: SLIC has 4,000,000 shares of authorized common stock, with par value of \$1.25, of which 2,000,000 shares are issued and outstanding. SLIC has no preferred stock authorized, issued or outstanding. SLIC is 100% owned by Sagicor USA, Inc. (SUSA), a holding company that has no significant assets outside of its investment in SLIC. SUSA is 100% owned by Sagicor Financial Corporation, a Barbados incorporated insurance holding company, which is publicly traded on several international exchanges. SLIC has approximately 140 employees located in primarily three locations, Scottsdale, Arizona, Tampa, Florida, and Plantation, Florida.

Question 7: Please describe SLIC's current financial position.

Answer: As of June 30, 2012, the quarterly financial statements on file with the NAIC identify SLIC's assets at \$935.5 million, liabilities at \$879.3 million, and surplus of \$56.2 million. SLIC has a financial strength rating from A.M. Best of A- and an ACL RBC of 640%.

Question 8: Does SLIC have the ability to write life business in Washington?

Answer: Yes. As indicated, SLIC is admitted in Washington. However, as of 2011, we had only 183 active life policies and 154 annuity holders in the state of Washington. With this acquisition we will gain approximately 10,000 policies and almost 7,500 policyholders. We will continue to offer life and annuity products within the state of Washington under the SLIC Certificate of Authority.

Question 9: Has SLIC complied with Washington statutory and regulatory requirements applicable to acquisition of a Washington domiciled insurer?

Answer: I believe so. I am familiar with the Sagicor's Form A Statement regarding the proposed acquisition of control of PEMCO Life Insurance Company (the "Domestic Insurer") and its attached exhibits. The Form A was filed on behalf of Sagicor with the Washington Office of the Insurance Commissioner on March 13, 2012. Amendments were subsequently filed on April 19, 2012. We

were subsequently advised by the company supervision division of the Washington OIC that the Form A was complete. The Form A was signed by me as Chief Operating Officer of Sagacor. The Form A requests the approval of the Commissioner for Sagacor to acquire control of the Domestic Insurer, PEMCO Life Insurance Company. PEMCO Life Insurance Company ("PLIC") is a subsidiary of PEMCO Mutual Insurance Company. The Applicant proposes to acquire control over PLIC by stock purchase thereby acquiring ownership and control over the Domestic Insurer. The consideration as set forth in the Stock Purchase Agreement includes \$1.7 million plus an additional sum for PLIC's capital and surplus at closing. This latter amount will be determined in accordance with a formula set forth in the Stock Purchase Agreement.

Question 10: Will the proposed acquisition be fair and equitable to the policyholders, and consistent with applicable law?

Answer: Yes. The merger is fair and equitable to the general public, to PLIC and to its policyholders. The merger will allow the policyholders to become part of a larger and better capitalized company. This will also provide more security for the public interests as well as SLIC has a direct guaranty from its ultimate parent, Sagacor Financial Corporation to maintain certain minimum capital amounts (600% ACL RBC). The merger is consistent with and meets the requirements of applicable law. As noted above, the policyholders will be joining a company

- Highly rated by AMBest
- Dedicated and focused to
 - Providing quality service
 - Providing a full-range of life and annuity products
 - Growing in the US
- Committed to meeting all of the promises made to them by PEMCO Life.
 - We have not any significant complaints or regulatory issues
 - Our capital and surplus is at 640% ACL RBC (as of June 30, 2012)
 - We have agreed to continue any discounts that they may have been receiving from PEMCO Mutual (employee, multi-policy)

Question 11: Will the proposed acquisition lessen the competition?

Answer: As neither SLIC nor PLIC commands a significant relevant market share in the State and SLIC will remain an active writer of business in the State, the acquisition will not materially change the competitive landscape.

Question 12: After the acquisition, and before any proposed merger, would PLIC still satisfy the requirements for issuance of a license to write life annuity insurance in Washington?

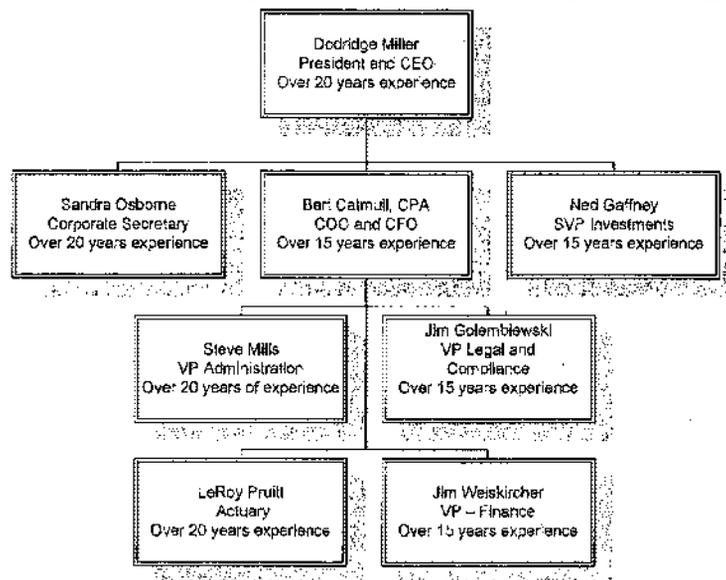
Answer: Yes it would. Nothing will compromise its finances, operations or other requirements.

Question 13: Is the financial condition of SLIC such that it might prejudice the interest of PLIC policyholders?

Answer: No. SLIC is well capitalized and will take no steps that would impair PLIC's ability to meet all of its obligations.

Question 14: What is the general experience and competence of the key members of the management of SLIC?

Answer: As noted below, our executive team has been in the industry for many years and has a proven record of being competent and working with integrity.



Question 15: SLIC has indicated it intends to seek approval to merge with PLIC if the acquisition is first approved. Would such a merger result in operational, financial or other changes that would be contrary to public interest or would effect an unfair or unreasonable change for policyholders?

Answer: No, the proposed merger would have no such effects.

Question 16: Are there any aspects of the proposed acquisition that would be hazardous or prejudicial to the insurance buying public?

Answer: None. Policyholders and the public will be well served following acquisition.

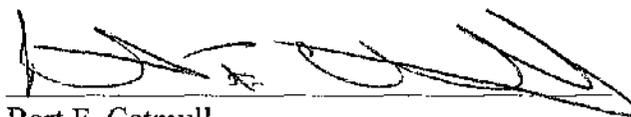
Question 17: Has SLIC or any of its affiliates or representatives received any objections from policyholders or members of the public with respect to the proposed merger?

Answer: I have inquired of my associates at SLIC and also representatives of PLIC. I am advised that no objections have been received.

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.

Signed:

31 August 2012



Bart F. Catmull

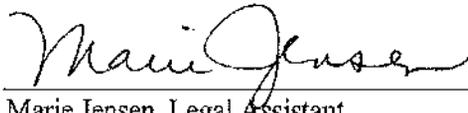
CERTIFICATE OF SERVICE

I, Marie Jensen, under oath hereby declare as follows: I am an employee at Carney Badley Spellman, P.S., over the age of 18 years, and not a party to nor interested in this action. On August 31, 2012, I caused to be delivered *via legal messenger* a copy of the foregoing document on the following parties:

<p><u>ORIGINAL TO:</u> Patricia Petersen Chief Hearing Officer Office of Insurance Commissioner 5000 Capitol Boulevard Tumwater, WA 98501</p>	<p><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</p>
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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 31st day of August, 2012.



Marie Jensen, Legal Assistant

FILED

2012 SEP 13 12:03:10

Bart F. Catmull
Chief Operating Officer

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Merger of:

PEMCO LIFE INSURANCE
COMPANY, a Washington domestic
insurer

Into:

SAGICOR LIFE INSURANCE
COMPANY

NO. 12-0203

TESTIMONY OF BART F CATMULL
RE: MERGER

Bart F. Catmull
Chief Operating Officer and Chief Financial Officer
Sagicor Life Insurance Company

September 13, 2012

TESTIMONY OF BART F.
CATMULL RE: MERGER - 1

- Providing quality service
- Providing a full-range of life and annuity products
- Growing in the US
- Committed to meeting all of the promises made to them by PEMCO Life.
 - We have not any significant complaints or regulatory issues
 - Our capital and surplus is at 640% ACL RBC (as of June 30, 2012)
 - We have agreed to continue any discounts that they may have been receiving from PEMCO Mutual (employee, multi-policy)

Question 7: Will the proposed merger lessen competition in the Washington life and annuity market?

Answer: There will be no negative effect on competition for two reasons. First, approval of the acquisition has resulted in both companies being members of a single holding company system, that is, they are owned by the same company and managed by the same team so whether they retain separate legal status or operate as a combined legal entity the effect on the market is the same. Second, as neither SLIC nor PLIC commands a significant relevant market share in the State and the merged company will remain an active writer of business in the State, the acquisition will not materially change the competitive landscape.

Question 8: Would the merged company still satisfy the requirements for issuance of a license to write life annuity insurance in Washington?

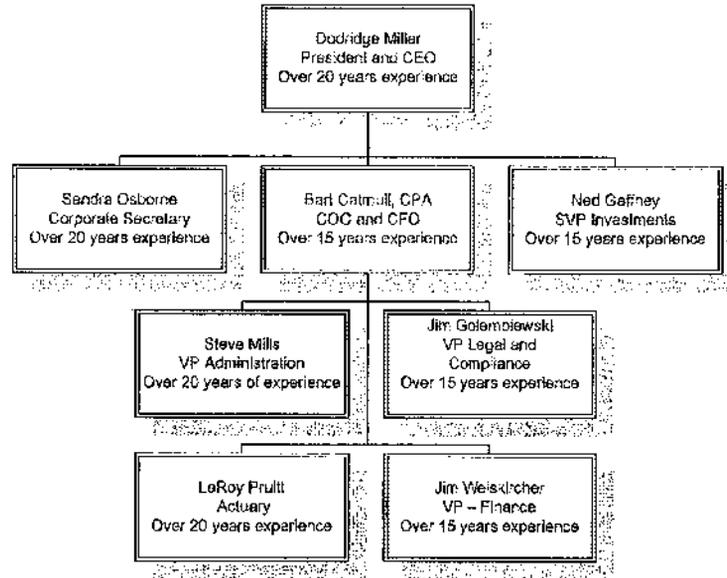
Answer: Yes it would. The merger will not compromise the surviving company's finances, operations or other legal requirements to transact insurance in the state of Washington.

Question 9: Might the financial condition of the merged entity prejudice the interests of PLIC policyholders or the public interest?

Answer: The merger will have no negative impact on the finances of SLIC, its owner or PLIC policyholder and contractual obligations. The surviving company will be well capitalized.

Question 10: What is the general experience and competence of the key members of the management of the surviving entity?

Answer: The executive team that would manage the surviving entity has been in the industry for many years and has a proven record of being competent and working with integrity.



Question 11: Are there any aspects of the proposed merger that would be hazardous or prejudicial to the insurance buying public?

Answer: None. Policyholders and the public will be well served following acquisition.

Question 12: Has SLIC or any of its affiliates or representatives received any objections from policyholders or members of the public with respect to the proposed merger?

Answer: I am aware of none. I also have inquired of my associates at SLIC and representatives of PLIC. I am advised that no objections have been received.

Question 13: To the best of your knowledge is the proposed merger fair, equitable, and consistent with Washington law?

Answer: Yes it is and I believe it will bring efficiencies to the ultimate benefit of existing policyholders, future policyholders and the insurance buying public in the state of Washington.

Question 14: Does the plan of merger address treatment of existing PLIC policyholder and other obligations?

Answer: Article VIII of the Plan of Merger expressly provides that the surviving entity shall assume all outstanding policies and annuity contracts and fulfill all of PLIC's obligations with respect to such policies and contracts. To ensure that these obligations are effectively and efficiently fulfilled the plan of merger provides for post-merger cooperation of company principles.

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.

Signed: 31 August 2012


Bart F. Catmull

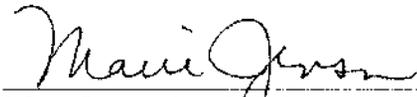
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I, Marie Jensen, under oath hereby declare as follows: I am an employee at Carney Badley Spellman, P.S., over the age of 18 years, and not a party to nor interested in this action. On August 31, 2012, I caused to be delivered *via legal messenger* a copy of the foregoing document on the following parties:

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DATED this 31st day of August, 2012.


Marie Jensen, Legal Assistant

FILED

2012 AUG 31 10 03 00

DAVID L. HARRIS
Director & Administrator
Chief Hearing Officer

OFFICE OF THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

In the Matter of the Merger of:

PEMCO LIFE INSURANCE
COMPANY, a Washington domestic
insurer

Into:

SAGICOR LIFE INSURANCE
COMPANY

NO. 12-0203

CLOSING STATEMENT OF SAGICOR
LIFE INSURANCE COMPANY RE:
ACQUISITION

In adopting Chapter 48.31B, Revised Code of Washington, the legislature established a two-step process for reviewing an acquisition of a domestic insurer. As a first step, the applicant is required to submit detailed and verified information that the Office of the Insurance Commissioner deems necessary to render it fully informed. This includes not only audited financial information but independently conducted and verified background information on the persons who will manage the company after acquisition. The Insurance Commissioner reviews this information, provided pursuant to OIC regulation in the form of a "Form A", in order to determine if any basis exists for disapproving the transaction. The

CLOSING STATEMENT OF SAGICOR
LIFE INSURANCE COMPANY RE:
ACQUISITION - 1

commissioner may and usually does request additional information, pose questions to the involved parties and otherwise take steps to confirm the completeness and reliability of the information provided by the applicants and other persons.

Insofar as the first stage of the review process is concerned, Mr. Pastuch has testified that the Applicant's Form A and the information provided in response to the OIC's subsequent inquiries is complete. Further, Mr. Pastuch's testimony, based on his personal analysis of the Form A, has identified no statutory basis for disapproval.

The second stage of the process is this hearing - conducted by the commissioner or his designee. RCW 48.31B.015(4)(a) provides that "the commissioner shall approve a[n] acquisition of control ... unless, after a public hearing thereon, he or she finds" one of the six identified bases for disapproval set forth in that statute.

The Hearing Officer is familiar with those statutory criteria having identified each of them in the Notice of Hearing and called for testimony concerning these standards. In addition, the parties have addressed them this morning in opening statement and testimony.

Insofar as the statutory criteria are concerned, all of the testimony this morning was consistent that none of the bases for disapproval is present. Mr. Ricco from PEMCO Life Insurance Company and Mr. Catmull from Sagicor Life Insurance Company demonstrated their comprehensive knowledge of the companies and the proposed acquisition. Their testimony was consistent that

- (1) after the acquisition PEMCO Life will remain able to satisfy the requirements for issuance of a license to transact insurance in Washington,

- (2) the proposed acquisition will have no negative impact on the competitive marketplace,
- (3) the financial condition of Sagicor is not such that the financial stability of PEMCO Life Insurance Company will be jeopardized or policyholder interests prejudiced,
- (4) Sagicor's plans for PEMCO Life Insurance Company are not unreasonable or unfair to policyholders and are not contrary to the public interest,
- (5) the Sagicor management team is experienced, able and without questions regarding their integrity, and finally
- (6) the acquisition will not be hazardous or prejudicial to the insurance-buying public.

On behalf of the Applicants, I respectfully request that the Hearing Officer approve the acquisition on behalf of the OIC.

DATED this 30th day of August, 2012.

CARNEY BADLEY SPELLMAN, P.S.

By 
Timothy J. Parker, WSBA # 8797
Attorney for Sagicor Life Insurance Company

CERTIFICATE OF SERVICE

I, Marie Jensen, under oath hereby declare as follows: I am an employee at Carney Badley Spellman, P.S., over the age of 18 years, and not a party to nor interested in this action. On August 31, 2012, I caused to be delivered *via legal messenger* a copy of the foregoing document on the following parties:

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DATED this 31st day of August, 2012.



Marie Jensen, Legal Assistant

competence, experience and integrity of the persons who would control the surviving entity and whether anything about the future operations of the surviving entity would be hazardous or prejudicial to policyholders or the insurance-buying public.

You have heard the testimony of Mr. Catmull addressing each of these statutory criteria. You have also heard the testimony of Mr. Ricco to the effect that PEMCO Life Insurance Company agreed to the merger with Sagicor Life Insurance Company only after it concluded that the Sagicor management team comprises persons of competence and integrity who would operate and manage the surviving entity in a manner that is beneficial to policyholders and the insurance-buying public.

The standard for approval of the merger set forth in RCW 48.31.010 is not inconsistent with the above but is stated more generally - merger shall be approved if it is found to be fair, equitable and consistent with law and that no reasonable objection exists. All of the evidence supports this conclusion.

Representatives from the commissioner's office, PEMCO Life Insurance Company and Sagicor Life Insurance Company have spent a great number of hours negotiating and reviewing the transaction that will, if approved, culminate in merger of these two companies. Sound business reasons ultimately beneficial to policyholders and the insurance buying public motivate this merger causing both companies and the commissioner's office to conclude that it is in the best interests of all concerned.

CLOSING STATEMENT OF SAGICOR
LIFE INSURANCE COMPANY RE:
MERGER - 2

On behalf of Sagicor Life Insurance Company I respectfully request that the merger be approved.

DATED this 31 day of August, 2012.

CARNEY BADLEY SPELLMAN, P.S.

By

A handwritten signature in black ink, appearing to read "Timothy J. Parker", written over a horizontal line.

Timothy J. Parker, WSBA # 8797
Attorney for Sagicor Life Insurance Company

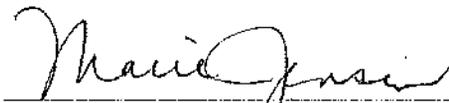
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Marie Jensen, Legal Assistant