

**STOCK PURCHASE AGREEMENT**

**BY AND BETWEEN**

**PEMCO MUTUAL INSURANCE COMPANY**

**AND**

**SAGICOR LIFE INSURANCE COMPANY**

**FEBRUARY 22, 2012**

## TABLE OF CONTENTS

|   |    |
|---|----|
| ARTICLE 1 SALE AND PURCHASE OF SHARES; EXCLUDED ASSETS .....  | 1  |
| Section 1.1 Shares .....  | 1  |
| Section 1.2 Purchase Price .....  | 1  |
| Section 1.3 Payment of the Purchase Price .....   | 1  |
| Section 1.4 Proposed Adjustment to Preliminary Capital & Surplus and Final<br>Adjustment to Preliminary Capital & Surplus ..... | 2  |
| Section 1.5 Transfer Taxes and Fees .....   | 3  |
| ARTICLE 2 CLOSING .....   | 3  |
| Section 2.1 Time and Place of Closing .....   | 3  |
| Section 2.2 Closing Obligations. ....   | 3  |
| ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER .....  | 4  |
| Section 3.1 Organization and Standing; Corporate Power; Minute Books. ....  | 4  |
| Section 3.2 Authorization .....   | 4  |
| Section 3.3 Governmental Consents and Approvals .....   | 5  |
| Section 3.4 Stock Ownership; Subsidiaries. ....   | 5  |
| Section 3.5 Actions Pending .....   | 6  |
| Section 3.6 No Conflict or Violation .....  | 6  |
| Section 3.7 Licenses and Permits .....  | 7  |
| Section 3.8 Contracts. ....   | 7  |
| Section 3.9 Compliance with Law/Regulatory Filings .....  | 9  |
| Section 3.10 Intellectual Property .....  | 9  |
| Section 3.11 Financial Statements; Liabilities .....  | 10 |
| Section 3.12 Taxes .....  | 11 |
| Section 3.13 Employee Benefit Matters. ....   | 14 |
| Section 3.14 No Brokers .....   | 15 |
| Section 3.15 Insurance Issued by the Company. ....  | 16 |
| Section 3.16 Assets. ....   | 17 |
| Section 3.17 Environmental Matters .....  | 18 |
| Section 3.18 Real Property; Leases. ....  | 18 |
| Section 3.19 Conduct of Business; Absence of Certain Changes .....  | 18 |
| Section 3.20 Insurance Coverage .....   | 18 |
| Section 3.21 Market Conduct .....   | 18 |
| Section 3.22 Producers .....  | 19 |

|  |  |           |
|--|--|-----------|
| Section 3.23   | Labor and Employment Matters .....         | 19        |
| Section 3.24   | Third Party Reinsurance .....              | 19        |
| Section 3.25   | Improper Payments .....                    | 20        |
| Section 3.26   | Security Deposits .....                    | 20        |
| Section 3.27   | Bank Accounts .....                        | 20        |
| Section 3.28   | Books and Records .....                    | 20        |
| Section 3.29   | Solvency.....                              | 20        |
| Section 3.30   | Internal Controls and Procedures.....      | 21        |
| <b>ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BUYER .....</b> |  | <b>21</b> |
| Section 4.1  | Organization and Authority of Buyer .....  | 21        |
| Section 4.2  | Consents and Approvals; No Violation ..... | 21        |
| Section 4.3  | Litigation.....                            | 22        |
| Section 4.4  | Financing.....                             | 22        |
| Section 4.5  | Investment Purpose.....                    | 22        |
| Section 4.6  | Investment Company .....                   | 22        |
| Section 4.7  | Broker's and Finder's Fees .....           | 22        |
| Section 4.8  | Due Diligence .....                        | 22        |
| <b>ARTICLE 5 COVENANTS OF THE PARTIES .....</b>                |  | <b>22</b> |
| Section 5.1  | Conduct of the Business of Seller.....     | 22        |
| Section 5.2  | Access to Information.....                 | 24        |
| Section 5.3  | Best Efforts; Notification of Changes..... | 25        |
| Section 5.4  | Consents.....                              | 25        |
| Section 5.5  | Public Announcements .....                 | 25        |
| Section 5.6  | Covenant to Satisfy.....                   | 26        |
| Section 5.7  | No Solicitation .....                      | 26        |
| Section 5.8  | COBRA.....                                 | 26        |
| Section 5.9  | Selection of Escrow Agent.....             | 26        |
| Section 5.10   | Company Name .....                         | 26        |
| <b>ARTICLE 6 CONDITIONS TO OBLIGATIONS OF SELLER .....</b>     |  | <b>26</b> |
| Section 6.1  | Conditions.....                            | 26        |
| <b>ARTICLE 7 CONDITIONS TO OBLIGATIONS OF BUYER .....</b>      |  | <b>27</b> |
| Section 7.1  | Conditions.....                            | 27        |
| <b>ARTICLE 8 OTHER AGREEMENTS .....</b>                        |  | <b>28</b> |
| Section 8.1  | Failure to Close.....                      | 28        |

|  |  |    |
|--|--|----|
| Section 8.2  | Certain Tax Matters. ....                                  | 29 |
| Section 8.3  | Employees.....   | 31 |
| Section 8.4  | Interim Financial Statements. ....                         | 31 |
| ARTICLE 9 TERMINATION, AMENDMENT AND WAIVER.....                               |  | 31 |
| Section 9.1  | Termination.....   | 31 |
| Section 9.2  | Procedure and Effect of Termination.....                   | 32 |
| Section 9.3  | Amendment, Modification and Waiver .....                   | 32 |
| ARTICLE 10 SURVIVAL OF REPRESENTATIONS AND WARRANTIES;<br>INDEMNIFICATION..... |  | 33 |
| Section 10.1   | Survival of Representations, Warranties and Covenants..... | 33 |
| Section 10.2   | Obligation to Indemnify.....                               | 33 |
| Section 10.3   | Notice of Third Party Claim .....                          | 35 |
| Section 10.4   | Opportunity to Defend. ....                                | 35 |
| Section 10.5   | Procedures for Direct Claims.....                          | 36 |
| Section 10.6   | Exclusive Remedy .....                                     | 37 |
| Section 10.7   | Interpretation of Representations and Warranties.....      | 37 |
| Section 10.8   | Third Party Beneficiaries .....                            | 37 |
| Section 10.9   | Indemnification from Escrow .....                          | 37 |
| ARTICLE 11 MISCELLANEOUS .....   |  | 37 |
| Section 11.1   | Non-Competition; Non-Solicitation. ....                    | 37 |
| Section 11.2   | Fees and Expenses .....                                    | 38 |
| Section 11.3   | Notices .....  | 38 |
| Section 11.4   | Entire Agreement.....                                      | 39 |
| Section 11.5   | Binding Effect; Assignment.....                            | 39 |
| Section 11.6   | No Third Party Beneficiaries .....                         | 39 |
| Section 11.7   | Counterparts; Facsimiles.....                              | 39 |
| Section 11.8   | Article and Section Headings.....                          | 40 |
| Section 11.9   | Governing Law .....  | 40 |
| Section 11.10  | Specific Performance.....                                  | 40 |
| Section 11.11  | Dispute Resolution.....                                    | 40 |
| Section 11.12  | Construction.....  | 40 |
| Section 11.13  | Invalid Provisions .....                                   | 41 |
| Section 11.14  | Conditions.....  | 41 |
| Section 11.15  | Amendment.....   | 41 |
| Section 11.16  | Waiver.....  | 41 |

|   |    |
|---|----|
| Section 11.17 Rules of Interpretation .....               | 41 |
| ARTICLE 12 DEFINITIONS.....                               | 42 |
| EXHIBIT A Capital & Surplus Template                      |    |
| EXHIBIT B Form of Escrow Agreement                        |    |
| EXHIBIT C Form of Trademark License Agreement             |    |
| EXHIBIT D Form of Transition Services Agreement           |    |
| EXHIBIT E Form of Records Management and Access Agreement |    |

## **STOCK PURCHASE AGREEMENT**

This **STOCK PURCHASE AGREEMENT** (this "Agreement"), dated as of February 22, 2012, is entered into by and between **PEMCO MUTUAL INSURANCE COMPANY**, a Washington mutual insurance corporation ("Seller") and **SAGICOR LIFE INSURANCE COMPANY**, a Texas insurance corporation ("Buyer"). Certain initially capitalized terms used herein are defined in Article 12.

### **RECITALS**

A. Seller owns, beneficially and of record, all of the issued and outstanding shares of the capital stock of PEMCO Life Insurance Company, a Washington insurance corporation ("Company"), and

B. Seller desires to sell, and Buyer desires to purchase, all of the issued and outstanding shares of the capital stock of Company (the "Shares") on the terms and subject to the conditions set forth in the Agreement.

### **AGREEMENT**

**NOW THEREFORE**, in consideration of the foregoing recitals and of the representations, warranties, covenants, agreements, promises and conditions contained herein, the adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

#### **ARTICLE 1**

##### **SALE AND PURCHASE OF SHARES; EXCLUDED ASSETS**

**Section 1.1 Shares.** On the terms and subject to the conditions set forth in this Agreement, at Closing, Seller agrees to sell, transfer and assign the Shares to Buyer, and Buyer agrees to purchase the Shares from Seller, free and clear of all Liens (the "Share Purchase").

**Section 1.2 Purchase Price.** The price to be paid by Buyer to Seller for the Shares (the "Purchase Price") shall be the sum of: (a) \$1,700,000 (One Million Seven Hundred Thousand Dollars); plus (b) an amount equal to the capital and surplus of the Company determined on a SAP basis referencing only the accounts listed and following the principles set forth in the template capital and surplus statement attached hereto as Exhibit A (the "Capital & Surplus Template"), as of the Closing Date.

**Section 1.3 Payment of the Purchase Price.** At Closing, Buyer shall deliver: (a) a wire transfer of immediately available funds in the amount of Two Hundred Thousand Dollars (\$200,000) (the "Escrowed Closing Payment") to the escrow account provided for in the escrow agreement in substantially the form attached as Exhibit B (the "Escrow Agreement"); (b) a wire transfer of immediately available funds in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) to the account or accounts designated by Seller, plus (c) the amount specified in Section 1.2(b) as estimated by Seller in accordance with the Capital & Surplus Template based on the most recent financial information reasonably available (the "Preliminary Capital & Surplus") to the account or accounts designated by Seller. Seller shall provide to

Buyer not less than two Business Days prior to the Closing Date a certified, unaudited statement from its Chief Financial Officer setting forth the Preliminary Capital & Surplus due at Closing detailing the amount provided for under Section 1.2(b).

**Section 1.4 Proposed Adjustment to Preliminary Capital & Surplus and Final Adjustment to Preliminary Capital & Surplus.** Not later than 12 days after the Closing Date, or the immediately following Business Day if such date is not on a Business Day, Seller shall provide to Buyer a certified, unaudited statement from its Chief Financial Officer setting forth the Purchase Price calculation, including Seller's calculation of the actual capital and surplus at Closing determined on a SAP basis in accordance with the Capital & Surplus Template ("Closing Capital & Surplus") detailing Seller's proposed adjustment to the Preliminary Capital & Surplus to account for the difference, if any, between Closing Capital & Surplus and Preliminary Capital & Surplus ("Proposed Adjustment to Preliminary Capital & Surplus"). Buyer shall have the right to review the calculation of the Proposed Adjustment to Preliminary Capital & Surplus and comment thereon for a period of 5 days after receipt thereof. Seller agrees that Buyer and its attorneys, accountants and representatives may have access to the accounting records of Seller relating to its preparation of the calculation of the Proposed Adjustment to Preliminary Capital & Surplus for the purpose of conducting their review and Seller shall provide Buyer and its attorneys, accountants and representatives with such other information as they may reasonably request to verify the amount of the Proposed Adjustment to Preliminary Capital & Surplus. Any changes in such calculation that are agreed to by Buyer and Seller within 10 days of the aforementioned delivery of such calculation by Seller shall be included in the final calculation of the Adjustment to Preliminary Capital & Surplus ("Final Adjustment to Preliminary Capital & Surplus"). In the event that Buyer and Seller are unable to agree on the manner in which any item or items should be treated in the preparation of the Final Adjustment to Preliminary Capital & Surplus within such 10-day period, separate written reports of such item or items shall be made in concise form and shall be referred to Ernst & Young (the "Third Party Accountant"). The Third Party Accountant shall determine within 14 days the manner in which such item or items shall be treated with respect to the Final Adjustment to Preliminary Capital & Surplus, as the case may be; provided, however, that the dollar amount of each item in dispute shall be determined between the range of dollar amounts proposed by Seller and Buyer, respectively. The determinations by the Third Party Accountant as to the items in dispute shall be in writing and shall be binding and conclusive on Seller and Buyer and shall be so reflected in the Final Adjustment to Preliminary Capital & Surplus. The fees, costs and expenses of retaining the Third Party Accountant shall be allocated by the Third Party Accountant between Seller and Buyer, in accordance with the Third Party Accountant's judgment as to the relative merits of Seller's and Buyer's proposals in respect of the disputed items. Such determination shall be binding and conclusive on Seller and Buyer. Following the resolution of all disputed items, Seller shall prepare the Final Adjustment to Preliminary Capital & Surplus and shall deliver copies of such calculation to Buyer. Buyer shall pay any Final Adjustment to Preliminary Capital & Surplus due to Seller by wire transfer in immediately available funds to the account or accounts designated by Seller. Seller shall pay any Final Adjustment to Preliminary Capital & Surplus due to Buyer by wire transfer in immediately available funds to the account or accounts designated by Buyer. Payment from Buyer to Seller or from Seller to Buyer, as the case may be, shall be due within 15 days of the date of delivery of the Final Adjustment to Preliminary Capital & Surplus to Buyer.

**Section 1.5 Transfer Taxes and Fees.** Each of Buyer and Seller shall pay 50% of any Taxes charged to grantors, transferors or assignors under applicable Law in connection with the transactions provided for herein, together with all other transfer, sales, recording and filing fees resulting from the transfer of the Shares to Buyer.

## **ARTICLE 2 CLOSING**

**Section 2.1 Time and Place of Closing.** The closing of the Share Purchase and the transactions provided for in this Agreement (the “Closing”) shall take place as promptly as practical but in no event later than the second Business Day after all conditions to closing have been fully performed or satisfied (or waived) by the respective parties (the “Closing Date”), or at such other time as the parties may mutually agree. The place of Closing shall be at such place as may be mutually agreed upon by the parties.

### **Section 2.2 Closing Obligations.**

(a) At Closing, Seller will deliver to Buyer:

(i) Certificates representing the Shares, duly endorsed (or accompanied by duly executed stock powers), for transfer to Buyer or its designee, free of all Liens;

(ii) The officer’s certificate described in Section 7.1(c) of this Agreement, duly executed by an authorized officer of Seller;

(iii) Resignations of all directors and officers of the Company;

(iv) Termination with respect to the Company of any tax allocation agreement disclosed at Section 3.12(o);

(v) The third-party waivers or consents listed on Schedule 3.6;

(vi) The SAP Statements for any quarterly period ending more than 45 days prior to the Closing Date;

(vii) The Ancillary Agreements to which Seller is a party; and

(viii) Such other documents or approvals as Seller deems reasonably necessary or as Buyer may reasonably request for the purposes of consummating or facilitating the consummation or performance of any of the transactions provided for herein or contemplated hereby.

(b) At Closing, Buyer will deliver to Seller:

(i) The funds specified in Sections 1.3(b) and 1.3(c);

(ii) The officer's certificate described in Section 6.1(c) of this Agreement, duly executed by an authorized officer of Buyer; and

(iii) The Ancillary Agreements to which Buyer is a party;

(iv) Such other documents as Seller may reasonably request for the purposes of facilitating the consummation or performance of any of the transactions provided for herein or contemplated hereby.

(c) At Closing, Buyer will deliver the Escrowed Closing Payment to the escrow account pursuant to the terms of the Escrow Agreement.

### **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller hereby represents and warrants to Buyer as follows:

#### **Section 3.1 Organization and Standing; Corporate Power; Minute Books.**

(a) Each of Seller, a mutual insurance corporation, and Company, a stock life insurance corporation is duly organized and is validly existing and in good standing under the laws of the state of Washington. The Company has full corporate power and authority to conduct its business as currently conducted and to own, lease and operate all its properties and assets in the manner currently operated by it. The Company is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties or assets makes such qualification or licensing necessary, except to the extent that failure to be so qualified or licensed would not, individually or in the aggregate, result in a Material Adverse Effect.

(b) The minute books of the Company have previously been made available to Buyer and accurately reflect in all material respects all formal actions taken at all meetings and all consents in lieu of meetings of the stockholders and of the boards of directors (including all committees thereof) of the Company. The stock certificate books and the stock record books of the Company that have previously been made available to Buyer constitute all of the stock ownership records of the Company. The Company is not in default under or in violation of any provision of its Articles of Incorporation or By-Laws. Seller has previously made available to Buyer true and complete copies of the Articles of Incorporation and By-Laws of the Company.

**Section 3.2 Authorization.** Seller has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. Seller and the Company each have full corporate power and authority to execute and deliver each of the Ancillary Agreements to which it is a party and to perform its obligations thereunder. The execution and delivery of this Agreement by Seller and the performance by Seller of its obligations hereunder have been duly and validly authorized and approved by all requisite corporate action of Seller and no other acts or proceedings on its part are necessary to authorize the execution, delivery and performance of this Agreement or the transactions contemplated hereby. The execution and delivery by each of Seller and the Company of the Ancillary Agreements to be executed by it and the consummation of the transactions contemplated thereby have been duly and validly

authorized and approved by all requisite corporate action of Seller or the Company, as applicable, and no other acts or proceedings on the part of Seller or the Company, as applicable, are necessary to authorize the execution, delivery and performance of the Ancillary Agreements to which Seller or the Company is a party or to consummate the transactions contemplated thereby. This Agreement constitutes a legal, valid and binding obligation of Seller, and is and will be enforceable against Seller in accordance with its terms, except (i) as enforcement may be limited by applicable bankruptcy, insolvency, rehabilitation, moratorium or similar laws affecting creditors' rights generally, including, without limitation, the effect of statutory or other laws regarding fraudulent conveyances and preferential transfers and (ii) for the limitations imposed by general principles of equity. The foregoing exceptions set forth in clauses (i) and (ii) of this Section 3.2 are hereinafter referred to as the "Enforceability Exceptions." As of the Closing Date, assuming the due authorization and execution of each of the Ancillary Agreements to which Seller or the Company is a party, each such Ancillary Agreement will constitute a legal, valid and binding obligation of Seller or the Company, as applicable, and will be enforceable against Seller or the Company, as applicable, in accordance with its terms, subject to the Enforceability Exceptions.

**Section 3.3 Governmental Consents and Approvals.** Except for the review and approval by the Washington Office of the Insurance Commissioner, no consent, approval, authorization, ruling, order of, notice to, or registration or filings with, any Governmental Entity, is required on the part of Seller or the Company in connection with (i) the execution and delivery by Seller of this Agreement, (ii) the execution and delivery by Seller or the Company of the Ancillary Agreements, or (iii) the consummation by Seller or the Company of the transactions contemplated by this Agreement or the Ancillary Agreements.

**Section 3.4 Stock Ownership; Subsidiaries.**

(a) The authorized capital stock of Company consists solely of 12,500 shares of common stock, all of which are issued and outstanding to Seller, and 100,000 shares of Class A common non-voting stock, none of which are issued or outstanding. The issued and outstanding shares of capital stock described in the preceding sentence constitute the Shares. Seller owns beneficially and of record all of the Shares, free of any Lien or Stock Restriction of any kind or character whatsoever. The Shares are not subject to any restriction with respect to their transferability other than those regulatory approvals and consents referred to in Section 3.3. All of the Shares are duly authorized, validly issued, fully paid, nonassessable and free of any preemptive rights. There is no outstanding option, warrant, right, subscription, call, convertible or exchangeable security or other agreement, instrument, commitment or right of any kind (other than this Agreement) pursuant to which Seller or the Company is obligated to issue, sell, purchase, return or redeem any shares of capital stock of, other securities of, or other ownership interests in the Company, and there are no equity securities of the Company reserved for issuance for any purpose, nor is there any agreement providing for an amendment to the Company's Articles of Incorporation so as to increase the amount of authorized capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to the Company. There are no voting trusts, proxies or other agreements or understandings with respect to the voting of the capital stock of the Company. Except as set forth in the Articles of Incorporation and By-laws of the Company, there are no

restrictions on the ability of the Company to declare and pay dividends, other than those imposed by applicable state laws and regulations.

(b) Company does not own, directly or indirectly, any Subsidiaries, and except for portfolio investments made in the ordinary course of business consistent with past practices, there are no corporations, partnerships or other entities or Persons in which the Company owns, of record or beneficially, any direct or indirect equity interest or any right (contingent or otherwise) to acquire the same.

**Section 3.5 Actions Pending.** Except as set forth in Schedule 3.5,

(a) Except as set forth on Schedule 3.5(a), there are no Actions pending against the Company or, to the Knowledge of Seller, its Assets, or, to the Knowledge of Seller, any current or former officer, Employee, or director acting in his or her respective capacity as an officer, Employee, or director of the Company;

(b) To the Knowledge of Seller, there are no Actions or series of related Actions threatened against the Company or its Assets, or, to the Knowledge of Seller, any current or former officer, Employee, or director acting in his or her respective capacity as an officer, Employee, or director of the company that could reasonably be expected to have a Material Adverse Effect on the Assets, liabilities, condition (financial or otherwise) or results of operations of the Company, and

(c) There is no injunction, order, judgment, decree, award, or regulatory restriction imposed upon the Seller or the Company or, to the Knowledge of Seller, any of the Company's Assets which (i) restricts the ability of the Company to conduct its business in the ordinary course of business consistent with past practices or (ii) has had or reasonably could be expected to have, individually or in the aggregate, a Material Adverse Effect.

**Section 3.6 No Conflict or Violation.** Except as set forth on Schedule 3.6, the execution, delivery and performance by Seller of this Agreement do not, and the execution, delivery and performance by Seller or Company of the Ancillary Agreements to which it is a party will not, and the consummation by Seller or the Company of the transactions contemplated by this Agreement and by such Ancillary Agreements in accordance with the terms and conditions hereof and thereof, will not (i) violate any provision of the Articles of Incorporation or By-Laws of Seller or the Company; (ii) result in the creation of any Lien on any of the Shares or on any of the Assets or properties of the Company; (iii) assuming that the consents and approvals referred to in Section 3.3 are duly obtained, result in the breach of the terms and conditions or cause an impairment of any Insurance License of the Company; (iv) require the consent or other action by any Person under, violate or result in the breach of any of the terms of, result in any modification of or loss of a benefit under, accelerate or permit the acceleration of the performance required by, otherwise give any other contracting party the right to terminate or cancel, or constitute (with or without notice or lapse of time, or both) a default under, any Material Contract to which the Company is a party or by or to which the Company or any of its respective Assets or properties is subject; (v) violate any order, judgment, injunction, award or decree of any Governmental Entity or arbitrator against, or binding upon, or any agreement with, or condition imposed by, any Governmental Entity or arbitrator with respect to the Seller or

Company; or (vi) assuming that the consents and approvals referred to in Section 3.3 are duly obtained, violate any Law.

**Section 3.7 Licenses and Permits.** The Company has all Permits necessary to engage in the life insurance business in each jurisdiction set forth on Schedule 3.7 (collectively, the “Insurance Licenses”). The Company has all other Permits necessary to conduct its business in the manner and in the areas in which it is conducting its business, which Permits are set forth on Schedule 3.7. Seller has delivered to Buyer true, correct and complete copies of all Insurance Licenses and all other material Permits held by the Company (and, at the Closing, Seller will deliver, as part of the books and records, the originals or certified copies of all Insurance Licenses and all other Permits held by the Company). To the Knowledge of Seller, the Company has not transacted any insurance business in any jurisdiction requiring it to have an Insurance License or other Permit therefor in which the Company did not possess such Permit. All such Insurance Licenses and other Permits set forth in Schedule 3.7 are in full force and effect without current suspension, revocation, restriction, amendment or nonrenewal, and there are no pending or, to the Knowledge of Seller, threatened suits or proceedings with respect to the suspension, revocation, restriction, amendment or nonrenewal of any Insurance License or other Permit, and, to the Knowledge of Seller, no event has occurred which (whether with notice or lapse of time or both) would result in a suspension, revocation, restriction, amendment or nonrenewal of any such Insurance License or other Permit.

**Section 3.8 Contracts.**

(a) Schedule 3.8(a) contains a true and complete list of all the following contracts currently in force or terminated but pursuant to which the Company continues to have liabilities or receive benefits, in each case excluding Insurance Contracts, to which the Company is a party or by which any Assets of the Company are bound, as such contracts may have been Amended to the date hereof (collectively, the “Material Contracts”):

(i) all contracts with any present or former officer or director of the Company (including, but not limited to, employment contracts and contracts evidencing loans or advances to any such Person or any Affiliate of such Person);

(ii) all contracts with any Person including, but not limited to, any Governmental Entity, containing any provision or covenant (A) limiting the ability of the Company to engage in any line of business, to sell any products or services, to compete with any Person in any geographical area, to do business with any Person or in any location or to employ any Person or (B) limiting the ability of any Person to compete with, or obtain or provide products or services from or to the Company in any line of business or in any geographical area;

(iii) (A) all contracts relating to the borrowing of money by the Company (other than intercompany obligations created in the ordinary course of business) or the direct or indirect guarantee by the Company of any obligation of any Person for borrowed money or other financial obligation of any Person or other liability of the Company in respect of indebtedness for borrowed money or other financial obligations of any Person, including, but not limited to, lines of credit or similar facilities and (B) any contract involving the deferred purchase price of property in excess of \$10,000;

(iv) all contracts (other than Insurance Contracts) with any person containing any provisions or covenant relating to the indemnification or holding harmless by the Company which have had or reasonably could be expected to have, individually or in the aggregate, a Material Adverse Effect;

(v) all contracts relating to the future disposition (including, but not limited to, restrictions on transfer or rights of first refusal) of any Assets of the Company other than in the ordinary course of business, or for the grant to any person of any preferential rights to purchase or use any Assets of the Company other than, in the case of each of the foregoing, any contracts for the sale of investment assets in the ordinary course of business;

(vi) any partnership, joint venture, joint marketing, strategic alliance or similar contracts;

(vii) any form of contract that the Company has entered into with a Producer, provided that all contracts entered into with Producers are materially comparable to the forms of Producer contracts set forth on Schedule 3.22;

(viii) any contract for the provision of any administrative services with respect to any Insurance Contract, including any such contracts with third party administrators or managing general agents, in each case excluding any contract that the Company has entered into with a Producer;

(ix) all outstanding powers of attorney or similar delegations of authority of the Company;

(x) all contracts relating to the acquisition by the Company of any operating business or the capital stock of any other Person entered into on or after January 1, 2006;

(xi) all contracts under which the Company has made advances or loans to any other Person other than (1) intercompany obligations created in the ordinary course of business and (2) mortgage loans generated in the ordinary course of business;

(xii) all contracts providing for severance, retention, change of control or other similar payments; and

(xiii) all other contracts (other than (i) contracts regarding the purchase or sale of investment assets entered into in the ordinary course of business, (ii) contracts otherwise required to be set forth on Schedule 3.8(a) with respect to Sections 3.8(i) through (xii) or Schedule 3.23 and (iii) other contracts which are expressly excluded under any other subsection of this Section 3.8) that involve or are reasonably likely to involve the payment pursuant to the terms of such contracts by or to the Company of \$25,000 or more within any 12 month period or \$100,000 in the aggregate during the terms of such contracts and are not terminable on 30 days or less notice without the payment of any penalty by, or any other material adverse consequence to, the Company.

(b) Each of the Material Contracts constitutes a legal, valid and binding obligation of the Company, and, to the Knowledge of Seller, of each other Person that is a party thereto. The Company is not, and to the Knowledge of Seller, no other party to such Material Contract is, in material breach or default of any such Material Contract or, with or without notice or lapse of time or both, would be, in material breach or default of any such Material Contract. None of such Material Contracts have been terminated or threatened in writing to be terminated, except for those Material Contracts that terminate in the ordinary course.

(c) True and complete copies of each of the Material Contracts, including all amendments, supplements and modifications to each Material Contract have been provided to Buyer. In the case of any Material Contract which is not written, Seller has provided to Buyer a written description of such Material Contract.

**Section 3.9 Compliance with Law/Regulatory Filings.** Except as set forth on Schedule 3.9, to the Knowledge of Seller, the Company has conducted its business in material compliance with all Law in each jurisdiction in which it has conducted its business, is in material compliance with the requirements of each applicable Governmental Entity to file reports, registrations, filings or submissions with respect to the conduct of its business in each such jurisdiction and is acting in compliance in all material respects with such reports, registrations, filings or submissions. Since January 1, 2009, neither Seller nor the Company has received any written notice of any material violation of Law with respect to the Company's business. Seller has made available for inspection by Buyer all reports, registrations, filings and submissions made by or with respect to the Company with any Governmental Entity, and reports of examinations issued by any such Governmental Entity, since December 31, 2008.

**Section 3.10 Intellectual Property.**

(a) Schedule 3.10(a) contains a list of all patents and patent applications, registered trademarks and trademarks normally used by the Company (whether federal, state, common law or otherwise), registered copyrights and software applications (other than commercially available off-the-shelf software applications which have not been modified as used in the business of the Company except as permitted by the relevant license) owned by the Company and licensed or otherwise used by or for the benefit of the Company, to the extent such licenses or use are material or necessary to carry on the business of the Company, as currently conducted, which list shall include the product names and the licensor or grantors of use.

(b) The business and operations of the Company as currently conducted do not infringe upon any Intellectual Property rights of any third party. There are no present infringement suits pending or, to the Knowledge of Seller, threatened infringements or violations by any third party with respect to any Intellectual Property that is owned by the Company.

(c) Seller and the Company are subject to internal policies and practices regarding the protection of trade secrets and other confidential information and proprietary know-how, ideas and information used or necessary for the businesses of Seller and its Affiliates (including the Company). To the Knowledge of Seller, there has been no breach of any such policies that would reasonably have a Material Adverse Effect on the Company.

(d) The Company uses commercially available computer programs and anti-virus software and, to the Knowledge of Seller, the computer programs owned by the Company are free of problems in each case that would be likely to materially and adversely disrupt its operation or the operation of other software programs or operating systems.

(e) Except as set forth on Schedule 3.10(e), the Company has been and is in material compliance with the terms of all privacy policies adopted by the Company and applicable to personal, customer and other information received, processed or maintained by the Company.

(f) The Company relies on Seller for the majority of its information technology services, including hardware (such as mainframe, servers, personal computers and peripherals, network equipment, and telecommunications equipment), software (such as operating systems, security software, productivity software, accounting, human resources and records management applications and databases, approved utilities, and mutually agreed upon Company-specific applications), hardware and software support, information security administration, telecommunications and email, consulting and project management, data back-up, retention and disaster recovery, user administration and remote access, and helpdesk services, pursuant to a cost sharing agreement. The information technology services described in this Section 3.10(f) will not be available to the Company after Closing, and the Company does not own the hardware or software it uses in the ordinary course of its business.

### **Section 3.11 Financial Statements; Liabilities.**

(a) Seller has previously made available to Buyer true, complete and correct copies of the statutory financial statements and all amendments thereto of the Company as audited by PricewaterhouseCoopers LLP and filed with the Washington Department of Insurance for the years ended December 31, 2010, 2009 and 2008 and the unaudited statutory financial statements of the Company as of and for the quarterly period ended September 30, 2011, together with all exhibits and schedules thereto (collectively, the "SAP Statements"). Except as set forth on Schedule 3.11(a), each of the SAP Statements presents, in all material respects, the statutory financial condition of the Company, at the respective dates thereof, and the statutory results of operations for the periods then ended in accordance with SAP, applied on a consistent basis by the Company throughout the periods indicated except as otherwise specifically noted therein.

(b) To the Knowledge of Seller, there are no liabilities or obligations of the Company required to be reflected as liabilities in financial statements prepared in accordance with SAP other than (i) liabilities or obligations reflected or reserved against in the September 30, 2011 balance sheet included in the September 30, 2011 SAP Statements, not heretofore discharged, or (ii) policyholder benefits payable or other liabilities arising after September 30, 2011 in the ordinary course of business consistent with past practice and in amounts consistent with past practice, none of which has had or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect. All reserve liabilities reflected in the SAP Statements (w) were determined in accordance with commonly accepted actuarial standards consistently applied except as noted therein, (x) were fairly stated in accordance with sound actuarial principles, (y) met the requirements of the insurance Laws of the state of Washington,

and, in the aggregate, each other jurisdiction in which the Company is licensed to write insurance and (z) reflected or will reflect, as applicable, the related reinsurance, coinsurance and other similar agreements of the Company.

(c) The Company has paid in full or established reserves reflected in the SAP Statements for all guaranty or other similar state governmental fund assessments required by any Governmental Entity to be paid by them prior to the date of this Agreement. As of the date of this Agreement and except as and to the extent paid prior to September 30, 2011 or reserved against in the SAP Statements, the Company has not received any guaranty fund assessments.

**Section 3.12 Taxes.** Except as provided in Schedule 3.12:

(a) (i) All Tax Returns required to be filed on or before the Closing Date by the Company have been or will be timely filed (taking into account permitted extensions) with the appropriate Governmental Entity in the manner prescribed by Law; (ii) such Tax Returns are true, correct and complete in all material respects and will be true, correct and complete in all material respects for the periods covered thereby; (iii) Seller and the Company have timely paid (or there has been paid on their behalf) all Taxes shown as due and payable on any such Tax Return or that are otherwise due and payable by the Company, in each case, in the manner prescribed by Law; (iv) no Liens (other than Permitted Liens) for Taxes on the Shares or the Company's assets exist; (v) neither Seller nor the Company has requested nor is either of them currently the beneficiary of any extension of time within which to file any Tax Return; (vi) as of the date of the SAP Statements, to the extent that any material Tax liabilities and assessments have accrued but not yet become payable, such Tax liabilities and assessments have been reflected as liabilities in accordance with SAP on the SAP Statements and adequate reserves have been established for the payment thereof; (vii) no written claim has ever been made by a Governmental Entity in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction; (viii) there is no action, suit, investigation, audit, claim, administrative or court proceeding, or assessment ("Audits") pending or, to Seller's Knowledge, proposed or threatened with respect to Taxes of the Company or Seller's Consolidated Group; (ix) all material deficiencies asserted or assessments made as a result of any examination of the Tax Returns of the Seller's Consolidated Group or the Company have been paid in full or otherwise fully resolved; (x) except as required by applicable Law, since December 31, 2009, the Company has not: (A) made or changed any election concerning any Taxes, (B) filed any amended Tax Return, (C) settled any Tax Claim or assessment, or (D) surrendered any right to claim a refund of any Taxes, in each case, to the extent such action would materially affect the Taxes or any Tax benefit of the Company following the Closing Date; (xi) Seller has delivered to Buyer all rulings and closing agreements obtained from or entered into with any Governmental Entity relating to Taxes of the Company and there are no requests for Tax ruling relating to the Company outstanding; (xii) neither the Company nor any Person on behalf of the Company: (A) has agreed to or is required to make any adjustments pursuant to Sections 481(a) or 807(f) of the Code (or any predecessor provision) or any similar provision of foreign, state or local law by reason of a change in accounting method initiated by any such person, (B) has Knowledge that any Governmental Entity has proposed in writing any such adjustment or change in accounting method, or (C) has made any written application pending with any Governmental Entity requesting permission for any change in accounting method that relates to the business or operations of the Company; (xiii) as a result of any

agreement with a Governmental Entity, Company will not be required to include any material item of income in, or exclude any material Tax credit or item of deduction from, any taxable period beginning on or after the Closing Date; (xiv) no intercompany obligation (as described in Treas. Reg. § 1.1502-13(g)) between the Company, on the one hand, and any other member of Seller's Consolidated Group (including the Company), on the other hand, will remain outstanding following the Closing and the Company has not engaged in any transaction with Seller or any of its Affiliates which could result in the recognition of income by the Company with respect to such transaction for any period ending on or after the Closing Date; (xv) no power of attorney currently in force has been granted with respect to any matter relating to the Taxes of the Company; (xvi) no indebtedness of the Company is "corporate acquisition indebtedness" within the meaning of Code Section 279(b); (xvii) no property of the Company is property that the Company is or will be required to treat as being owned by another person pursuant to the provisions of Code Section 168(f)(8) (as in effect prior to its amendment by the Tax Reform Act of 1986) or is tax-exempt use property within the meaning of Code Section 168; (xviii) The Company has not (A) filed a consent pursuant to Code Section 341(f) or (B) agreed to have Code Section 341(f)(2) apply to any disposition of a subsection (f) asset (as such term is defined in Code Section 341(f)(4)) owned by the Company and (xix) the Company has not been at any time a partner or member of any entity that is classified as a partnership for U.S. Tax purposes, a joint venture or the holder of a beneficial interest in any trust for any period for which the statute of limitations for any Tax of the Company has not expired.

(b) The Company is a member of an affiliated group of corporations filing consolidated returns of which Seller is a member, within the meaning of Section 1504(a) of the Code (the "Seller's Consolidated Group"). The Company became a member of the Seller's Consolidated Group beginning with the tax year beginning on January 1, 2011. Except with respect to any liability under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law) that directly results from the Company being a member of Seller's Consolidated Group, the Company will not have as of the Closing Date any liability for Taxes of any other Person (i) as a transferee or successor, (ii) by contract (including any Tax Sharing Agreements), (iii) by operation of Law, or (iv) otherwise.

(c) The Company has complied (and until Closing will comply) with all Laws relating to the payment and withholding of Taxes and has withheld and paid all Taxes required to have been withheld and paid by Company in connection with amounts paid or owing to any Employee, independent contractor, creditor, stockholder, foreign person, or other third party.

(d) Seller has delivered or made available to Buyer correct and complete copies of all Tax Returns filed by or relating to Company (whether filed individually or as part of the Seller's Consolidated Group) and all examination reports and other relevant written materials with respect to Audits (whether pending or concluded or, to Seller's Knowledge, proposed or threatened) related to the three taxable years ending prior to the Closing Date.

(e) The Company has not engaged in any transaction that may result in the recognition of income by the Company in any Tax period (or portion thereof) beginning after the Closing Date (including, but not limited to, transactions subject to Code Section 355).

**(f)** The Company has not executed any waiver or comparable consents regarding any statute of limitations in respect of Taxes or requested or agreed to any extension of time with respect to a Tax assessment or deficiency.

**(g)** Neither Company nor Seller with respect to the Company has participated, within the meaning of Treasury Regulation Section 1.6011-4(c), in (i) any “reportable transaction” within the meaning of Section 6011 of the Code and the Treasury Regulations thereunder (without regard to any cumulative or aggregate effect), (ii) any “confidential corporate tax shelter” within the meaning of Section 6111 of the Code and the Treasury Regulations thereunder, or (iii) any “potentially abusive tax shelter” within the meaning of Section 6112 of the Code and the Treasury Regulations thereunder.

**(h)** The Company satisfies the definition of a “life insurance company” for purposes of the Code and all reinsurance contracts entered into by the Company are insurance contracts for U.S. federal income tax purposes.

**(i)** The insurance reserves set forth in the Tax Returns filed by or including the Company have been determined in all material respects in accordance with Section 807 or 846 of the Code, as applicable.

**(j)** With respect to reinsurance contracts to which the Company is a party, no facts, circumstances or basis exists under which the IRS could make any reallocation, recharacterization or other adjustment under Section 845(a) of the Code, or make any adjustment arising from a determination that any reinsurance contract had or has a significant tax avoidance effect under Section 845(b) of the Code.

**(k)** Company does not have any existing policyholder surplus accounts as defined in Code Section 815.

**(l)** All Insurance Contracts issued, assumed, modified, exchanged or sold by the Company which are subject to Sections 101(f) or 7702 of the Code qualify (and have qualified since issuance) as “life insurance contracts” within the meaning of Sections 101(f) or 7702(a) of the Code, as applicable. No Life Insurance Contract issued, assumed, modified, exchanged or sold by the Company is a “modified endowment contract” within the meaning of Section 7702A of the Code.

**(m)** All Life Insurance Contracts marketed by the Company, their agents, or any Person from which the Company acquired such contract, as, or in connection with, plans that are intended to qualify under sections 401, 403, 408, or 457 of the Code (“Qualified Plans”) comply (and have complied since issuance) with the requirements of such sections. All Qualified Plans marketed or administered by the Company are marketed and administered in compliance with relevant provisions of the Code.

**(n)** In providing record keeping and administrative services in the ordinary course with respect to customers’ Insurance Contracts whether individual or group retirement or deferred compensation plans or arrangements, and with respect to any Life Insurance Contracts issued, assumed, modified, exchanged or sold by the Company as of the Closing Date, the Company is in compliance with the applicable administrative requirements of the Code,

including sections 72, 401(a), 401(k), 403(b), 408(k), 408(p), 457(b), 345, 647, 7702 and 7702A of the Code and the rules and regulations thereunder, and, to the extent applicable, the requirements of Parts 2, 3 and 4 of Title I of ERISA.

(o) Other than the Tax Sharing Agreement between the Company and the Seller's Consolidated Group, the Company is not a party to any Tax Sharing Agreement with any other person or entity.

### **Section 3.13 Employee Benefit Matters.**

(a) Set forth in Schedule 3.13(a) is a complete and correct list of any: retirement, pension, savings, profit-sharing, bonus, incentive compensation, deferred compensation, stock option or stock compensation, welfare benefit, severance or termination, retiree medical, dental, life or disability insurance, supplemental retirement, or other material employee benefit plans (within the meaning of Section 3(3) of ERISA), each, a "Plan," and collectively, "Plans," as to which the Company has any liability for current or former employees or directors of the Company (the "Covered Employees"). The Company has no current employees. Notwithstanding the Deductible Amount provided in Section 10.2(a), Seller is responsible for payment of all current and future liability under all Plans for all Covered Employees.

(b) With respect to all Plans set forth in Schedule 3.13(a), true and complete copies of all documents and summary plan descriptions relating to each Plan have heretofore been made available to Buyer.

(c) No liability under Subtitle C or D of Title IV of ERISA has been incurred and not satisfied, and no condition exists that presents a material risk that liability would be incurred by the Company, with respect to any ongoing, frozen, or terminated Plan currently or formerly maintained or contributed to by the Company, or any Person that would be now or at the applicable time considered a member of the Company's "controlled group" within the meaning of Section 414(b), 414(c), 414(m) or 414(o) of the Code or Section 4001(a)(14) of ERISA (an "ERISA Affiliate"), and no withdrawal liability has been incurred and not satisfied under Subtitle E of Title IV of ERISA or is anticipated that could result in a liability to the Company. No Notice of Reportable Event (within the meaning of Section 4043 of ERISA) has been filed or required to be filed for any Plan within the six years preceding the date of this Agreement. No Plan is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA. Neither Seller nor the Company are entering into the transactions contemplated by this Agreement for the principal purpose of evading liability within the meaning of Section 4069 of ERISA.

(d) No Plan of an ERISA Affiliate has an "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), and neither the Company nor any ERISA Affiliate has any outstanding funding waiver.

(e) Except as set forth on Schedule 3.13(e), the Company does not have any formal plan or express or implied commitment to employ any Covered Employees or to create

any Plan that would be maintained by them or to contribute to or participate in any Plan maintained by any ERISA Affiliate.

(f) Each Plan that is intended to be qualified under Section 401(a) or Section 401(k) of the Code has received a favorable determination letter or opinion letter, as applicable, from the Internal Revenue Service, and to the Knowledge of Seller, no event or condition has occurred that would reasonably be expected to have an adverse effect on the qualified status of any such Plan. Each Plan complies in all material respects with its terms and with the requirements prescribed by any and all Law, including but not limited to the Code and ERISA.

(g) No liability, claim, investigation, audit, action or litigation has been incurred, made, commenced or, to the Knowledge of Seller, threatened (other than routine claims for benefits) with respect to any Plan.

(h) None of Seller or the Company, any ERISA Affiliate, any of the Plans, any trust created thereunder, nor, to the Knowledge of Seller, any trustee or administrator thereof has engaged in a transaction or has taken or failed to take any action in connection with which Seller, the Company or any ERISA Affiliate could be subject to any material liability for either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975, 4976 or 4980B of the Code with respect to any Plans.

(i) Except as disclosed on Schedule 3.13(i), no Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for the Covered Employees for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by Law, (ii) death benefits under any "pension plan" or (iii) benefits the full cost of which is borne by the Employee or former employee or director of the Company (or his beneficiary).

(j) The Company (i) has not made any payments, (ii) is not obligated to make any payments, and (iii) is not a party to any agreement, contract or arrangement that under certain circumstances could obligate it to make any payments that have resulted or will result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(k) The consummation of the transactions contemplated by this Agreement will not (i) entitle any Covered Employee to severance pay, unemployment compensation, retention pay or any other payment from the Company, except as expressly provided in this Agreement, or (ii) except to the extent, if any, required by law, with respect to any Plan that is intended to be qualified under Section 401(a) or 401(k) of the Code, accelerate the time of payment or vesting, or increase the amount of compensation from the Company due to any such Covered Employee.

This Section 3.13 contains Company's exclusive representations and warranties with respect to ERISA and the Plans.

**Section 3.14 No Brokers.** Other than Philo Smith Capital Corporation, all the fees and expenses of which will be paid by Seller, no investment banker, broker, finder or other intermediary has acted directly or indirectly for Seller or the Company or their Affiliates, and the

Company has not and will not incur any obligation to pay any brokerage or finder's fee or other commission, in connection with the transactions contemplated by this Agreement.

**Section 3.15 Insurance Issued by the Company.**

(a) Since January 1, 2009, all benefits claimed by any Person under any Insurance Contract have in all material respects been paid (or provision for payment thereof has been made) in accordance with the terms of the contracts under which they arose and such payments were not materially delinquent and were paid (or will be paid) without fines or penalties, except for any such claim for benefits for which the Company reasonably believes that there is a reasonable basis to contest payment and is taking such action.

(b) Except as set forth on Schedule 3.15(b), Seller has made available to Buyer true, complete and correct copies of all underwriting manuals (including each amendment thereto) utilized by the Company with respect to the Insurance Contracts. The underwriting standards utilized and rates and rating factors and criteria applied by the Company with respect to the Insurance Contracts outstanding as of the date hereof conformed in all material respects to those contained in the Company's applicable underwriting manuals as in effect at the times such Insurance Contracts were underwritten and, with respect to any Insurance Contract reinsured in whole or in part, conform in all material respects to the standards and ratings required pursuant to the terms of the related reinsurance, coinsurance, modified coinsurance or other similar contracts.

(c) To the Knowledge of Seller: (i) each Producer, at the time such Producer solicited, negotiated, wrote, sold or produced business for the Company, to the extent required by Law as then in effect, was duly and appropriately appointed by the Company to act as a Producer for the Company and was duly and appropriately licensed as a Producer (for the type of business solicited, negotiated, written, sold or produced by such Producer), in each case, in the particular jurisdiction in which such Producer solicited, negotiated, wrote, sold or produced such business for the Company; (ii) no such Producer violated any material term or provision of any Law as then in effect applicable to any aspect (including, but not limited to, the soliciting, negotiating, marketing, sale or production) of the Company's products; and (iii) no such Producer has materially breached the terms of any agency or broker Contract with or for the benefit of the Company (excluding engaging in "twisting" activities).

(d) Except as set forth on Schedule 3.15(d), each Insurance Contract or certificate form, as well as any related application form, written advertising material (including such material placed on Company's websites) and rate or rule currently or previously marketed, filed or otherwise utilized by the Company, the use or issuance of which requires filing or approval, has been appropriately filed and, if required, approved by the applicable Governmental Entities in each jurisdiction requiring such filing or approval. To the Knowledge of Seller, all such Insurance Contracts and certificate forms, applications, written advertising materials and rates or rules are or were, as applicable, in material compliance with, and utilized in material compliance with Law and within the scope of the approvals received therefor.

(e) No provision in any in-force Insurance Contract gives the holder thereof or any other Person the right to receive dividends, distributions or other benefits based on the

revenue, earnings or profits of the Company, except for traditional participating policies and charter policies. The Company is not a party to any agreement providing for the collection of insurance premiums payable to the Company by any other Person other than agreements that allow the Producer to collect the initial premium payment in the form of a remittance made payable to the Company.

(f) As of the date hereof: (i) the financial strength or claims-paying ability of Company is rated "B+" by A.M. Best Company, Inc.; and (ii) A.M. Best Company, Inc. has not announced that it has under surveillance or review its rating of the financial strength or claims-paying ability of Company. As of the date hereof, no other nationally recognized rating agency rates the financial strength, debt obligations or claims-paying ability of the Company.

### **Section 3.16 Assets.**

(a) Except as set forth on Schedule 3.16(a), except for Assets disposed of since September 30, 2011 in the ordinary course of business or otherwise in accordance with the terms of this Agreement, the Company has good and marketable title to all Assets that are disclosed or otherwise reflected in the Company's September 30, 2011 SAP Statements and all Assets acquired by the Company thereafter, and all such Assets are owned by the Company free and clear of all Liens, other than Permitted Liens; provided, however, that some Books and Records of the Company, by their nature and storage arrangements, will remain in Seller's possession or control after Closing. The Company and Buyer shall have access to those Books and Records after Closing pursuant to the terms of the Records Management and Access Agreement.

(b) Except as set forth on Schedule 3.16(b), with respect to investment assets disclosed or otherwise reflected in the September 30, 2011 SAP Statements or acquired thereafter:

(i) to the Knowledge of Seller, all such investment assets are realizable in accordance with their terms except to the extent otherwise appropriately reflected as an impairment or an investment reserve in such SAP Statements;

(ii) to the Knowledge of Seller, there are no Payment Defaults or any other defaults with respect to which the prospect of a Payment Default is reasonably likely (as used herein, "Payment Default" shall mean a default (or an event which, with notice or lapse of time or both, would constitute a default) in the payment on any of the bonds, notes, mortgages, debentures and other evidences of indebtedness that constitute investment assets);

(iii) to the Knowledge of the Seller, there is no pending or threatened bankruptcy, reorganization, insolvency, moratorium or similar event or proceeding by an issuer, guarantor or other Person responsible for making payment with respect to any such investment asset as of the date hereof; and

(iv) Neither the Company nor any Person on its behalf, has taken, or omitted to take, any action which would cause any such investment asset to be subject to any valid offset, defense or counterclaim against the right of the Company to enforce the terms of such investment asset.

(c) Except as set forth on Schedule 3.16(c), the Seller provides Company all tangible personal property that is material to the conduct of Company's business, which property will no longer be available to Company after Closing.

**Section 3.17 Environmental Matters.** Except as set forth on Schedule 3.17: (i) the Company has operated its current and former businesses in compliance, in all material respects, with all applicable Environmental Laws and Permits required thereunder; (ii) there are no events, conditions or circumstances that would result in any action, claim or allegation by any Person against the Company under applicable Environmental Laws or related to Hazardous Substances nor has Seller or the Company received any notice that any of the Company's businesses or Assets is in material violation of any Environmental Laws or that the Company is responsible (or potentially responsible) for the investigation, cleanup, monitoring or other remediation of any Hazardous Substances on, at or under any property; (iii) the Company has not assumed or retained, contractually or by operation of law, from any Person any liability under Environmental Laws or related to Hazardous Substances; and (iv) Seller has made available to Buyer all environmental reports, assessments, audits or studies of the Company in its possession or control.

**Section 3.18 Real Property; Leases.**

(a) The Company does not own any real property.

(b) Seller leases to the Company office space at Seller's Eastlake Avenue East offices in Seattle, Washington. Effective not later than Closing, the lease agreement will be terminated. Upon termination, the Company will have no current, residual or outstanding liability with regard to such terminated lease. Except for the lease identified in this Section 3.18(b), the Company is not a party to any Lease.

**Section 3.19 Conduct of Business; Absence of Certain Changes.** Except as set forth on Schedule 3.19 or permitted or contemplated by this Agreement, since September 30, 2011, (i) the Company has conducted its business in the ordinary course consistent with past practices and the Company has not taken any action that would have constituted a violation of Section 5.1, if Section 5.1 had applied since September 30, 2011 and (ii) the Company has not experienced any event or occurrence outside the ordinary course of business which has or reasonably could be expected to have a Material Adverse Effect; provided, for purposes of clarity, that ordinary course of business events or occurrences include claims made on Insurance Contracts and changes in the value of investment assets of the Company.

**Section 3.20 Insurance Coverage.** Schedule 3.20 sets forth a true, complete and correct list of insurance policies and fidelity bonds covering the Company. All such policies and fidelity bonds are in full force and effect as of the date of this Agreement. Neither Seller nor the Company nor any of their Affiliates are in default under any such policy or bond and, to the Knowledge of Seller, no other party to such policy or bond is in default thereof. There are no claims under such insurance policies as to which the insurers have denied liability.

**Section 3.21 Market Conduct.** Except as set forth on Schedule 3.21, to the Knowledge of Seller, neither the Seller, the Company nor the Producers have engaged in any

Market Conduct Activities which would enable any third party, based on a violation of Law or otherwise, to recover material damages from the Company.

**Section 3.22 Producers.** As of the date of this Agreement the Company enjoys good relations in the aggregate, and is not involved in any material dispute, with any of its agents, general agents, brokers, reinsurance intermediaries, consultants, producers, financial institutions or other Persons which market the Company's products as of the date of this Agreement (collectively, "Producers"). Schedule 3.22 contains the standard form of contract with such Producers entered into since December 31, 2007 and compensation schedules for such Producers. Except as set forth on Schedule 3.22, there are no other compensation agreements with such Producers.

**Section 3.23 Labor and Employment Matters.**

(a) Except as set forth on Schedule 3.23(a) hereto, with respect to the employees of the Company ("Employees"), the Company is and has been in material compliance with all Law respecting employment and employment practices, terms and conditions of employment, age and sex discrimination, wages and hours, and the Company has not engaged in and is not engaged in any unfair labor practices. Except as set forth on Schedule 3.23(a) hereto, with respect to the Employees, no unfair labor practice complaints have been filed against the Company with any Governmental Entity and the Company has not received any notice or communication reflecting an intention or threat to file any such complaint. Except as set forth on Schedule 3.23(a) hereto, no Person has made any claim against the Company arising out of any statute, ordinance or regulation relating to discrimination with respect to the Employees, or employment practices with respect to the Employees.

(b) The Company has at all times properly classified its Employees as employees and as exempt or non-exempt for overtime pay, and has properly classified its independent contractors as independent contractors, as applicable, and has treated each person classified by it consistently with such status.

(c) Schedule 3.23(c) contains a complete list of each Employee and officer of the Company with the following information: employer, name, and job title.

**Section 3.24 Third Party Reinsurance.** Schedule 3.24 sets forth a true, complete and correct list of (a) all reinsurance and retrocession treaties and agreements in force as of the date of this Agreement to which Company is either a ceding or an assuming party, and (b) any such treaty or agreement that is terminated or expired but under which the Company may be either obligated to make payments or eligible to continue to receive benefits (collectively, the "Third Party Reinsurance Agreements"), copies of which have been made available to Buyer. Each Third Party Reinsurance Agreement is in full force and effect to the respective dates noted on the Schedule and is a valid and binding obligation of the Company and, to the Knowledge of Seller, each other party thereto, subject to the Enforceability Exceptions. The Company is not in default in any material respect as to any provision of any Third Party Reinsurance Agreement, and has not failed to meet in any material respect the underwriting standards required for any business reinsured thereunder, and there are no material outstanding disputes with regard to any Third Party Reinsurance Agreement. No Third Party Reinsurance Agreement contains any

provision providing that the other party thereto may terminate such treaty or agreement by reason of the transactions contemplated by this Agreement or the Ancillary Agreements.

**Section 3.25 Improper Payments.** Except as set forth on Schedule 3.25, since December 31, 2008:

(a) no funds or Assets of the Company have been used for any illegal purpose;

(b) no unrecorded fund of the Company has been established for any purpose and no unrecorded material Asset of the Company exists;

(c) no accumulation or use of the corporate funds of the Company has been made without being properly accounted for on the Books and Records of the Company;

(d) all payments by or on behalf of the Company have been duly and properly recorded and accounted for on the Books and Records of the Company;

(e) no false or artificial entry has been made on the Books and Records of the Company for any purpose or reason whatsoever;

(f) no payment has been made by or on behalf of the Company with the understanding that all or any part of such payment is to be used for a purpose other than as described in the documents supporting such payment;

(g) Company has not made, directly or indirectly, any illegal contribution to a political party or candidate, either domestic or foreign; and

(h) Company has not made any improper foreign payment as that term is defined in the Foreign Corrupt Practices Act.

**Section 3.26 Security Deposits.** Schedule 3.26 sets forth a true, complete and correct list of all securities deposited by the Company with Governmental Entities as of the date hereof.

**Section 3.27 Bank Accounts.** Schedule 3.27 sets forth a true, complete and correct list of bank accounts and investment accounts maintained by the Company, including the name of each bank or other institution, account numbers and a list of signatories to such account. The Company has not commingled any such account with Seller or any Affiliate of Seller.

**Section 3.28 Books and Records.** Except as set forth on Schedule 3.28, the Books and Records have been maintained in accordance with sound business practices.

**Section 3.29 Solvency.** Seller is not insolvent, as such term is defined in Title 11 of the United States Code, and will not be insolvent at any time during the 90 days immediately preceding the Closing Date.

### **Section 3.30 Internal Controls and Procedures.**

(a) Company maintains accurate records reflecting its assets and liabilities and Company maintains internal accounting controls that are adequate in all material respects and consistent with sound business practices. Such records are maintained to provide reasonable assurance that (i) transactions are executed with management's authorization; (ii) transactions are recorded as necessary to permit preparation and certification of its financial statements and to maintain accountability for its assets; (iii) access to its assets is permitted only in accordance with management's authorization; (iv) the reporting of its assets is compared with existing assets at regular intervals; and (v) accounts, notes and other receivables are recorded accurately, and procedures are implemented to effect the collection thereof.

(b) No director, officer or other individual has since January 1, 2007, received or been under a duty to report (including any self-reporting obligation) any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting, reserving or auditing practices, procedures, methodologies or methods of the Company or its internal accounting controls, including any complaint, allegation, assertion or claim that Company has engaged in questionable accounting, reserving or auditing practices.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller as follows:

**Section 4.1 Organization and Authority of Buyer.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and, Buyer has all requisite corporate power and corporate authority to execute and deliver this Agreement and to consummate the transactions provided for herein. The execution, delivery and performance of this Agreement and the consummation of the transactions provided for herein have been duly and validly authorized by all necessary corporate action on the part of Buyer. This Agreement represents a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding may be brought).

**Section 4.2 Consents and Approvals; No Violation.** Except as set forth in Schedule 4.2, neither the execution and delivery of this Agreement by Buyer, nor the consummation by Buyer of the transactions provided for herein, nor compliance by Buyer with any of the provisions hereof, will (a) conflict with or result in any breach of any provision of the charter or bylaws of Buyer or any of its respective Affiliates, (b) require any filing by Buyer with, or the obtaining by Buyer of any Consent of, any Governmental Entity, (c) result in a default (or give rise to any right of termination, cancellation or acceleration) under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement, lease or other instrument or obligation to which Buyer, any of its respective Affiliates or any of their respective assets may be bound, except for such defaults (or rights of termination, cancellation or

acceleration) as to which requisite waivers or consents have been obtained, or (d) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Buyer or any of its respective Affiliates, excluding from the foregoing clauses (b), (c) and (d) such requirements, defaults or violations which would not have a Material Adverse Effect on Buyer.

**Section 4.3 Litigation.** No claim, action, suit, proceeding or investigation is pending or, to the Knowledge of Buyer, threatened against Buyer or any of its respective Affiliates, by or before any Governmental Entity which, if adversely determined, would have a Material Adverse Effect on any transactions provided for herein.

**Section 4.4 Financing.** Buyer has on the date of execution of this Agreement and will have at all times through the Closing Date access to cash funds sufficient to pay the Purchase Price and consummate the transactions provided for herein.

**Section 4.5 Investment Purpose.** Buyer is acquiring the Shares for its own account, for the purpose of investment only, and not with a view to the resale or distribution of all or any part of the Shares; provided, however, that the foregoing representation shall in no way limit Buyer's right to dispose of all or any portion of the Shares in one or more transactions registered under or exempt from the registration requirements of the Securities Act of 1933, as amended, at any time and in Buyer's sole discretion.

**Section 4.6 Investment Company.** Buyer is not an investment company subject to registration and regulation under the Investment Company Act of 1940, as amended.

**Section 4.7 Broker's and Finder's Fees.** Other than Fletcher Financial, all of the fees and expenses of which will be paid by Buyer, neither Buyer nor any of its Affiliates or representatives has incurred or will incur, directly or indirectly, any liability for investment banking, brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any transaction provided for herein.

**Section 4.8 Due Diligence.** Buyer acknowledges that no due diligence materials or other information provided to Buyer in connection with its due diligence review shall be deemed to constitute express or implied representations or warranties and that, except as expressly set forth in Article 3, Buyer is not relying upon any express or implied representation or warranty in connection with its decision to enter into this Agreement, the transactions set forth herein, or any Ancillary Agreement.

## **ARTICLE 5 COVENANTS OF THE PARTIES**

**Section 5.1 Conduct of the Business of Seller.** Except as otherwise provided in or contemplated by this Agreement, the Schedules hereto or on Schedule 5.1, prior to the Closing Date, Seller shall cause the Company to (i) conduct the business of the Company in accordance with present policies (including existing underwriting standards) and in the ordinary course of business, (ii) to use commercially reasonable efforts to preserve the Company's business organizations intact, and (iii) consistent with the exercise of reasonable business judgment: (A) retain the goodwill of the Company and preserve the business relationships of Company with policyholders and others, including agents, lenders, suppliers, licensors and licensees, insurance

departments, and others having material business dealings with the Company, (B) maintain all existing business permits, licenses and authorizations, (C) perform all of its obligations under all contracts relating to or affecting its assets or its business, and (D) maintain its books and records in the usual manner consistent with past practice. From and after the date hereof until the earlier of the Closing Date or termination hereof, except as otherwise provided in or contemplated by this Agreement or the Schedules hereto, Seller shall cause the Company not to, without the prior written approval of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed:

(a) declare, pay or make, or set aside for payment or make, any dividend or other distribution (whether in cash or in kind) in respect of the capital stock of the Company or redeem, purchase or otherwise acquire any of the Company's capital stock;

(b) guaranty the obligation of any person, firm, corporation or other entity, except by the endorsement of negotiable instruments for deposit or collection in the ordinary course of business;

(c) except as set forth on Schedule 5.1(c), mortgage, pledge, lease, or subject to any lien, charge or other encumbrance any assets, properties or business of the Company (except for any mortgage, pledge, lien, charge or other encumbrance incurred, in the ordinary course of business, in the acquisition of such asset, property or business of Company) in an amount in excess of \$100,000;

(d) sell or otherwise transfer any asset, property or business or cancel any debt or claim or waive any right, other than in the ordinary course of business of such Company, with a value in excess of \$100,000;

(e) amend or cancel or agree to the amendment or cancellation of any reinsurance agreement, treaty or arrangement;

(f) permit to lapse any right with respect to any trademark, trade name, copyright or other intangible asset material to the Company;

(g) permit any material insurance policy naming it as a beneficiary or a loss payable payee to be canceled or terminated or any of the coverage thereunder to lapse unless simultaneously with such termination or cancellation replacement policies, providing substantially equivalent coverage, are in full force and effect;

(h) make any material change in any of its present tax or financial accounting methods and practices, except as required by changes in GAAP or SAP, as the case may be;

(i) amend its charter or bylaws;

(j) issue, sell or deliver any shares of the capital stock of the Company or issue or sell any securities convertible into, or exchangeable for, or options with respect to, or warrants to purchase or rights to subscribe to, any shares of the capital stock of the Company;

(k) effect any recapitalization, reclassification, stock dividend, stock split or like change in capitalization of the Company;

(l) merge the Company with or into, consolidate or otherwise combine with, or acquire all or substantially all of the assets of, any other entity;

(m) except as set forth in Schedule 5.1(m), enter into, amend or terminate any contract involving payments in excess of \$25,000 during any 12-month period (unless any such contract terminates by its terms prior to Closing); or

(n) enter into any agreement or understanding to do any of the things described in clauses (a) through (m) above.

## **Section 5.2 Access to Information.**

(a) Between the date of this Agreement and the earlier of the Closing Date or termination hereof, Seller shall cause the Company to: (i) give Buyer and its authorized representatives full access at all reasonable times, upon advance notice, to all books, records, offices and other facilities and properties of the Company; (ii) permit Buyer to make such inspections thereof as Buyer may reasonably request; and (iii) cause each of the Company's officers to furnish Buyer with such financial and operating data and other information with respect to the businesses and properties of the Company as Buyer may from time to time reasonably request; provided, however, that any such investigation shall be conducted during normal business hours and in such a manner as not to interfere unreasonably with the operation of the business of the Company. Seller also agrees that it shall cooperate and shall cause the Company and its officers and, using Seller's commercially reasonable efforts, the Company's agents and representatives, including counsel and independent public accountants (current and former) to cooperate fully with Buyer in connection with such inspection including, without limitation, making available relevant accountant work papers. As set forth herein, Seller also agrees that Buyer may also discuss the business and operations of the Company with such regulators, rating agencies, and Producers (excluding those employed by Seller) upon reasonable advance notice to Seller and the right of Seller to participate in any such discussion; provided, however, that written communications to Producers, shall be conditioned on Seller's having the opportunity to review and comment on such communications in advance of their delivery.

(b) From and after the Closing Date, Buyer shall give Seller and its authorized representatives full access to all books and records of the Company to the extent necessary for Seller to fully and adequately prepare tax returns and other financial documents and information, perform the activities contemplated in Article 1 hereof (including the activities described in Section 1.4 herein), or to respond to audits or other similar inquiries; provided, however, that any such access shall be during normal business hours and in such a manner as not to interfere unreasonably with the operation of the business of the Company or the Buyer. Buyer also agrees that it shall cooperate and shall cause the Company and its officers and, using Buyer's commercially reasonable efforts, the Company's agents and representatives, including counsel and independent public accountants (current and former) to cooperate fully with Seller in connection with such inspection including, without limitation, making available relevant accountant work papers.

(c) All information exchanged between Buyer and Seller and the Company (and any of their respective representatives), shall be subject to that certain confidentiality agreement, effective October 21, 2011, previously executed by and between Buyer and Seller or their affiliates (the “Confidentiality Agreement”).

(d) From and after Closing, Seller’s management of, and the Company’s and Buyer’s access to, certain Books and Records of the Company shall be subject to the terms of the Records Management and Access Agreement.

**Section 5.3 Best Efforts; Notification of Changes.** Subject to the terms and conditions of this Agreement, each of Seller and Buyer will use its respective commercially reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate the transactions provided for in this Agreement. From the date hereof through the Closing, each party shall give the other party prompt notice after it has obtained knowledge of: (a) any fact or circumstance which renders untrue, incorrect or misleading, any of the representations and warranties made by it in this Agreement as of the date such knowledge was obtained and (b) any failure on its part to comply with or satisfy in any material respect any covenant, condition or agreement which it is to comply with or satisfy under the Agreement or any event, condition or change affecting its ability to perform its obligations hereunder.

**Section 5.4 Consents.** Seller and Buyer shall cooperate, and use their respective commercially reasonable best efforts, to make all filings and provide all notifications (including without limitation all filings and notifications required by the Washington Office of the Insurance Commissioner and any other applicable Governmental Entity) and obtain all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Entities and other third parties necessary to consummate this Agreement and the transactions provided for herein and to carry on the business of the Company substantially in the manner as heretofore conducted. Buyer shall file a “Form A” application with the Washington Office of the Insurance Commissioner within twenty (20) days of the date of this Agreement, it being understood that Buyer’s failure to do so shall entitle Seller to terminate this Agreement pursuant to Section 9.1(d). Except as otherwise provided herein, Seller and Buyer shall pay their own expenses, including without limitation, legal and accounting fees and expenses, incident to obtaining the consents and approvals required by this Section 5.4; it being expressly understood that all such expenses incurred by or on behalf of the Company shall be paid by Seller.

**Section 5.5 Public Announcements.** Prior to the Closing Date, Seller and Buyer will consult with each other before issuing any report, statement or press releases or otherwise making any public statements with respect to this Agreement and the transactions provided for herein, and neither of them shall issue any such report, statement or press release or make any such public statement prior to such consultation and obtaining the written approval of the other party, except as in the reasonable judgment of the party may be required by Law or the rules of the New York Stock Exchange, in which case, to the extent reasonably practicable, such party shall advise and confer with the other party before issuing any such report, statement or press release.

**Section 5.6 Covenant to Satisfy.** Seller shall use its commercially reasonable best efforts to ensure that the conditions set forth in Article 7 hereof are satisfied, insofar as such matters are within the control of Seller, and Buyer shall use its commercially reasonable best efforts to ensure that the conditions set forth in Article 6 hereof are satisfied, insofar as such matters are within the control of Buyer. Seller and Buyer further covenant and agree, with respect to a threatened or pending preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order that would adversely affect the ability of the parties hereto to consummate the transactions provided for herein, to (i) within three (3) days after learning or obtaining any knowledge concerning or relating to such a threat or event, notify the other party in writing of such a threat or event, and (ii) use all commercially reasonable efforts to prevent or lift the entry, enactment or promulgation thereof, as the case may be.

**Section 5.7 No Solicitation.** Prior to the Closing or earlier termination of this Agreement, Seller will not, and will not authorize or permit any officer, director or employee of Seller or the Company, or authorize any investment banker, attorney, accountant or other representative retained by Seller, to directly or indirectly, without the written consent of Buyer, solicit any Acquisition Proposal by any Person or provide any confidential information to or participate in any discussions or negotiations with, any Person concerning an Acquisition Proposal. Seller shall promptly notify Buyer orally and in writing in the event it receives any inquiry or proposal relating to any such transaction; provided, however, that Seller shall have no such obligation to notify if such notice would violate an obligation arising under any Law or contract.

**Section 5.8 COBRA.** Seller shall remain responsible for any and all liabilities relating to or arising in connection with the requirements of 4980B of the Code and Part 6 of Subtitle B of Title I of ERISA (“COBRA Continuation Coverage”) to provide continuation of health care coverage under any Plan in respect of employees to the extent related to a qualifying event occurring on or before the Closing Date.

**Section 5.9 Selection of Escrow Agent.** The parties agree that the Escrow Agent shall be BNY Mellon or another nationally recognized financial institution acceptable to Seller.

**Section 5.10 Company Name.** Buyer’s use of the name of the Company after Closing shall be subject to terms of the Trademark Licensing Agreement.

## **ARTICLE 6 CONDITIONS TO OBLIGATIONS OF SELLER**

**Section 6.1 Conditions.** The obligations of Seller to consummate the transactions provided for in this Agreement are subject to the fulfillment, at or prior to the Closing, of each of the following conditions (any or all of which may be waived in whole or in part by Seller if permitted by applicable law):

(a) **Representations and Warranties.** The representations and warranties made by Buyer in this Agreement shall be true in all material respects (except that representations and warranties qualified by materiality shall be true and correct in all respects) when made and at and as of the Closing as though such representations and warranties were

made at and as of the Closing, except for (i) such representations and warranties which expressly relate to an earlier date, (ii) representations and warranties the inaccuracies of which (without taking into account any materiality qualifiers or Material Adverse Effect qualifiers) relate to matters that have not had and are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect and (iii) changes permitted or contemplated by the terms of this Agreement.

**(b) Performance.** Buyer shall have performed and complied, in all material respects, with all agreements, obligations, covenants and conditions required by this Agreement to be so performed or complied with by Buyer at or prior to the Closing.

**(c) Officer's Certificate.** Buyer shall have delivered to Seller a certificate, dated as of the Closing Date, executed by an authorized officer of Buyer certifying to the fulfillment of the conditions set forth in Sections 6.1(a), 6.1(b) and 6.1(f).

**(d) No Injunction.** There shall not be in effect any judgment, order, injunction or decree of any Governmental Entity enjoining consummation of the transactions provided for herein.

**(e) No Government Proceeding or Litigation.** There shall not be any suit, action, investigation, inquiry or other proceeding instituted, pending or threatened by any Governmental Entity, which seeks to enjoin or otherwise prevent consummation of the transactions provided for herein.

**(f) Governmental Approvals.** All Consents from Governmental Entities, including without limitation all insurance regulatory agencies, necessary to permit Seller to consummate the transactions provided for herein shall have been obtained and such consents shall be subject to no conditions other than conditions customarily imposed by insurance regulatory agencies in connection with similar acquisitions.

**(g) Third Party Consents.** All Consents of third parties materially necessary for the consummation of the transactions contemplated by this Agreement shall have been obtained.

**(h) Filing of 2011 Tax Return.** The Company's 2011 Tax Return (anticipated to be filed as part of the Seller's Consolidated Group) shall have been filed prior to the Closing Date.

## **ARTICLE 7 CONDITIONS TO OBLIGATIONS OF BUYER**

**Section 7.1 Conditions.** The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which may be waived in whole or in part by Buyer if permitted by applicable law):

**(a) Representations and Warranties.** The representations and warranties made by Seller in this Agreement shall be true in all material respects (except that representations and warranties qualified by materiality shall be true and correct in all respects)

when made and at and as of the Closing as though such representations and warranties were made at and as of the Closing, except for (i) such representations and warranties which expressly relate to an earlier date, (ii) representations and warranties the inaccuracies of which (without taking into account any materiality qualifiers or Material Adverse Effect qualifiers) relate to matters that have not had and are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect and (iii) changes permitted or contemplated by the terms of this Agreement. For purposes of clarity, subject to Section 5.10, Buyer shall proceed to Closing despite a failure of the conditions set forth above, but only if all such breaches of representations or warranties, in the aggregate, have not had and are not likely to have a Material Adverse Effect.

**(b) Performance.** Seller shall have performed and complied, in all material respects, with all agreements, obligations, covenants and conditions required by this Agreement to be so performed or complied with by it at or prior to the Closing.

**(c) Officer's Certificate.** Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, executed by an authorized officer of Seller certifying to the fulfillment of the conditions set forth in Sections 7.1(a), 7.1(b) and 7.1(f).

**(d) No Injunction.** There shall not be in effect any judgment, order, injunction or decree of any Governmental Entity enjoining consummation of the transactions provided for herein.

**(e) No Government Proceeding or Litigation.** There shall not be any suit, action, investigation, inquiry or other proceeding instituted, pending or threatened by any Governmental Entity which seeks to enjoin or otherwise prevent consummation of the transactions provided for herein.

**(f) Governmental Approvals.** All Consents from Governmental Entities, including without limitation all insurance regulatory agencies, necessary to permit the Buyer to consummate the transactions provided for herein shall have been obtained.

**(g) Material Adverse Effect.** Except as specifically authorized in this Agreement, there shall not have occurred since September 30, 2011 a Material Adverse Effect or any change, event or occurrence which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Without limiting the generality of the foregoing, any downgrade in rating of the Company by AMBest shall constitute a Material Adverse Effect.

## **ARTICLE 8 OTHER AGREEMENTS**

### **Section 8.1 Failure to Close.**

**(a)** Buyer expressly agrees to consummate the transactions provided for herein upon completion of all conditions to Closing (unless waived as permitted by applicable law) and shall not take any action reasonably calculated to prevent the Closing and shall not unreasonably delay any action reasonably required to be taken by it to facilitate the Closing.

(b) Seller expressly agrees to consummate the transactions provided for herein upon completion of all conditions to Closing (unless waived as permitted by applicable law) and shall not take any action reasonably calculated to prevent the Closing and shall not unreasonably delay any action reasonably required to be taken by it to facilitate the Closing.

## **Section 8.2 Certain Tax Matters.**

(a) **Responsibility for Insurance Companies Tax Returns.** Buyer is responsible for preparing and filing all Tax Returns with respect to the Company for periods that end following the Closing Date. At least fifteen (15) days prior to filing Buyer agrees to provide Seller with copies of any Tax Returns prepared by Buyer that relate to periods prior to Closing and shall prior to filing make any changes to such Tax Returns that are reasonably requested by Seller. Any refunds in respect of Tax Returns with respect to the Company filed for all periods commencing prior to and including the Closing Date shall be for the account of Seller unless any such refunds are carried as an asset by the Company on the Closing Date. Any refunds in respect of such Tax Returns filed for all periods after the Closing Date and ending thereafter shall be for the account of the Company.

(b) **Tax Liability.** Seller shall be solely liable for, shall pay and shall protect, defend, indemnify and hold harmless the Company and Buyer from and against (i) except to the extent that any Tax liabilities are reflected in the Company's most recently filed SAP Statement, all Taxes payable with respect to the Company (including without limitation those resulting from any Tax Sharing Agreement) for all periods prior to and including the Closing Date, and Taxes due by Company arising out of any transaction that is undertaken at the direction of or for the benefit of Seller, and (ii) all Taxes (including Taxes imposed on the holders of any insurance policy) incurred by Buyer, any Affiliate of Buyer, or the Company resulting from or arising out of an inaccuracy or breach by Seller of any representation or warranty in Section 3 or any covenant or agreement contained in or provided in this Agreement.

(c) **Company Taxes.** The parties agree that the Company will be required to file a full year Tax Return for the twelve month period from January 1, 2011 through December 31, 2011, and the Seller will be responsible for the payment of all Taxes due and owing for such period except as otherwise provided herein.

(d) **Participation in Tax Examinations.** Buyer and Seller shall provide to each other prompt notice of any audit or similar investigation or proceeding in which the IRS or any other Governmental Entity makes or proposes to make a Tax adjustment to any Tax period ending on or before the Closing Date. Seller shall control any such proceeding; provided that Buyer or its representative shall have the right, at its expense, to participate in any such audit or similar investigation. Seller agrees that it will not settle, compromise or agree to any Tax adjustment without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

(e) **Further Actions.** Seller shall not cause to be filed any amended Tax Return if such Tax Return results in a Tax detriment to Buyer or to the Company unless Buyer consents or Seller pays to Buyer the full amount of such expected detriment and agrees in writing to indemnify Buyer against any other detriment arising out of such amended Tax Return. Buyer

and the Company shall have the right to carry back the Tax attributes of the Company to periods ending on or before the Closing, provided Seller gives written consent or the Company as a matter of Law must first carry back such Tax attributes to pre-Closing periods before Tax attributes can be carried forward and Buyer agrees to indemnify Seller for any Tax detriment that is a direct result of such carry back.

**(f) Mutual Cooperation.** As soon as practicable, but in any event within fifteen (15) days after either party's request, the other party shall deliver such information and other data relating to the Tax Returns and Taxes of the Company as in each case shall have been reasonably requested in order to enable such party to (i) cause the completion and filing of all Tax Returns for which it has responsibility or liability under this Agreement, (ii) respond to audits or other inquiries by any taxing authorities with respect to any Tax Returns or taxable periods for which it has any responsibility or liability under this Agreement or (iii) otherwise satisfy its accounting or tax requirements.

**(g) Resolution of Disagreements.** If Seller and Buyer disagree as to the amount of Taxes for which each is liable under this Agreement, Seller and Buyer shall promptly consult each other in an effort to resolve such dispute. If any such dispute cannot be resolved within 45 days after the initial date of consultation (as evidenced by the earliest dated written notice of such dispute), Seller and Buyer shall use their reasonable best efforts to cause such dispute to be resolved by an independent third party mutually agreeable to each party.

**(h) Indemnification Adjustments.** In the event any audit or similar proceeding results in adjustments which would render any representations made by Seller in Section 3.12 of this Agreement inaccurate, and such inaccuracy is the basis for a claim of indemnification under Section 10.2 of this Agreement, any Loss claimed by Buyer as a result of such adjustment shall be offset and reduced by any Tax benefit realized by Buyer or its affiliates as a result of such adjustment. Any such Tax benefit shall be equal to the amount by which the taxable income of Company is or will be reduced in any past, present or future period during which Buyer is responsible for Taxes, as a result of the adjustment in issue, without regard to any indemnification payment that may be made for this purpose.

**(i) Tax True-up.** Within 15 days after the Seller files its consolidated federal income tax return for its 2012 taxable year, Seller shall notify Buyer of the difference between the payable or receivable for Taxes reflected in the Final Adjustment to Preliminary Capital & Surplus and the amount of such payable or receivable based on the income or loss of the Company for that portion of Seller's 2012 taxable year during which the Company was a member of the Seller's Consolidated Group, as reported on such Tax Return. If such difference, if taken into account on the Final Adjustment to Preliminary Capital & Surplus, would result in an increase in the capital and surplus of the Company, determined on a SAP basis, Buyer shall pay to Seller such increase by wire transfer in immediately available funds to the account or accounts designated by Seller within 15 days of such notification. If such adjustment results in a decrease in the capital and surplus of the Company, determined on a SAP basis, Seller shall pay to Buyer such decrease by wire transfer in immediately available funds to the account or accounts designated by Buyer within 15 days of such notification.

**Section 8.3 Employees.**

(a) On or before the Closing Date, Seller either shall cause the Company to terminate all Employees or shall transfer their employment to another of Seller's Affiliates (the "Terminated Employees"). Seller shall bear the sole cost of any severance and other payments paid or payable to the Terminated Employees as a result of their termination or transfer.

(b) Effective not later than the Closing Date, Company, with consent of the Seller as necessary, will terminate its participation and/or sponsorship of all Plans with no liability remaining to the Company or Buyer with respect to any such Plan.

**Section 8.4 Interim Financial Statements.**

(a) Seller shall prepare and file the audited 2011 statutory financial statement consistent with past practice and in accordance with this Agreement.

(b) From and after the date hereof and through the Closing Date, the Company shall furnish promptly to Buyer a copy of each annual statement or quarterly statement filed by Company with the Washington Office of the Insurance Commissioner after the date hereof, together in each case with any exhibits, schedules, amendments, supplements or notes thereto (collectively, the "Interim Statutory Statements").

(c) The Interim Statutory Statements will be prepared from the records of Company and will be filed with the Washington Office of the Insurance Commissioner on forms prescribed or permitted by such domiciliary regulator. The Interim Statutory Statements will be prepared in conformity with SAP applied on a consistent basis during the periods involved. Each of the balance sheets included in the Interim Statutory Statements will fairly present in all material respects the financial position of Company as of its date and each of the statements of operations included in the Interim Statutory Statements will fairly present in all material respects the results of operations of Company for the period therein set forth, in each case in accordance with SAP applied on a consistent basis during the periods involved.

**ARTICLE 9  
TERMINATION, AMENDMENT AND WAIVER**

**Section 9.1 Termination.** This Agreement may be terminated and the transactions provided for herein may be abandoned upon notice by the terminating party to the other party:

(a) by mutual written consent of Seller and Buyer;

(b) by either party, if any order, injunction or decree of a Governmental Entity shall be in effect at the Closing which restrains or prohibits the transactions contemplated hereby or if any suit, action, investigation, inquiry or legal or administrative proceeding shall be pending or threatened at the Closing which has been initiated by a Governmental Entity which challenges consummation of the transactions contemplated hereby;

(c) by Buyer, if (i) Seller has within the then previous ten (10) Business Days given or was required to have given Buyer any notice pursuant to Section 5.3 above and (ii) the

fact or circumstance that is the subject of the notice has had or would reasonably be expected to have a Material Adverse Effect on the Company;

(d) by Seller, if (i) Buyer fails to file a "Form A" application with the Washington Office of the Insurance Commissioner within twenty (20) days of the date of this Agreement, or (ii) (A) Buyer has within the then previous ten (10) Business Days given or was required to have given Seller any notice pursuant to Section 5.3 above and (B) the fact or circumstance that is the subject of the notice has had or would reasonably be expected to have a Material Adverse Effect on Buyer's ability to consummate the Share Purchase or other transactions provided for in this Agreement; or

(e) by either party, if the transactions contemplated by this Agreement shall not have been consummated on or prior to June 30, 2012, unless such failure of consummation shall be due to the failure of the party seeking such termination to perform or observe in all material respects the covenants and agreements hereof to be performed or observed by such party.

**Section 9.2 Procedure and Effect of Termination.** In the event of the termination and abandonment of this Agreement pursuant to Section 9.1 of this Agreement, this Agreement shall become void and have no effect, except that the provisions of this Section 9.2 and Article 11 and Section 5.2(c) of this Agreement shall survive any such termination and abandonment. Notwithstanding the preceding sentence or any other provision in this Agreement to the contrary, upon termination of this Agreement pursuant to Section 9.1 or in the event either party fails to complete the Share Purchase or the other transactions provided for in this Agreement in breach of its obligations hereunder, Seller will remain liable to Buyer for any breach by Seller in the performance of any of its covenants, agreements, duties or obligations arising under this Agreement existing at the time of such termination, and Buyer will remain liable to Seller for any breach by Buyer in the performance of any of its covenants, agreements, duties or obligations arising under this Agreement existing at the time of termination, and Seller or Buyer may seek remedies or damages against the other with respect to any such breach as are provided in this Agreement or as are otherwise available in law or equity.

**Section 9.3 Amendment, Modification and Waiver.** This Agreement may be amended, modified or supplemented at any time by written agreement of Seller and Buyer. Any failure of Seller or Buyer to comply with any term or provision of this Agreement may be waived by the other party at any time by an instrument in writing signed by or on behalf of such other party, but such waiver or failure to insist upon strict compliance with such term or provision shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply. No delay on the part of any party in exercising any right, power, remedy or privilege nor any partial exercise of same shall preclude any further exercise thereof or the exercise of any other such right, remedy, power or privilege.

**ARTICLE 10**  
**SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION**

**Section 10.1 Survival of Representations, Warranties and Covenants.**

(a) Notwithstanding any right of Buyer to investigate the affairs of the Company and notwithstanding any knowledge of facts determined or determinable by Buyer pursuant to such investigation, Buyer has the right to rely upon the representations, warranties, covenants and agreements of Seller contained in this Agreement. Notwithstanding any right of Seller to investigate the affairs of Buyer and notwithstanding any knowledge of facts determined or determinable by Seller pursuant to such investigation, Seller has the right to rely upon the representations, warranties, covenants and agreements of Buyer contained in this Agreement. Except for the representations and warranties contained in Sections 3.12 (Taxes) and 3.13 (Employee Benefit Matters), all representations and warranties made by Seller or Buyer in Articles 3 and 4 of this Agreement or in any document, certificate, Schedule or instrument delivered or executed in connection herewith shall survive the Closing for the period of eighteen (18) months after the Closing Date. The representations and warranties in Sections 3.12 (Taxes) and 3.13 (Employee Benefit Matters) shall survive the Closing until 30 days after the expiration of all relevant statutes of limitations (including all periods of extension, whether automatic or permissive). The representations and warranties contained in this Agreement shall expire on the last day of the applicable survival period set forth above and all claims for inaccuracy or breach of said representations and warranties will be deemed waived unless written notice of the inaccuracy or breach thereof shall have been given to the breaching party prior to the expiration of the applicable survival period, in which event such representation or warranty shall survive only to the extent of the claim referred to in the notice until such claim has been resolved. Notwithstanding the foregoing, no time limits shall be applicable with regard to any Action listed on Schedule 10.2.

(b) All covenants and agreements made by the parties to this Agreement which contemplate performance following the Closing Date shall survive the Closing Date. All other covenants and agreements shall not survive the Closing Date and shall terminate as of the Closing to the extent that such covenants were performed in accordance with their terms.

**Section 10.2 Obligation to Indemnify.**

(a) Subject to the expiration of the representations and warranties of the parties as provided in and the limitations set forth in this Article 10, from and after Closing, Seller agrees to indemnify, defend and hold harmless Buyer and its Affiliates (including, after the Closing, the Company), and their respective directors, officers, employees, agents, representatives, successors and assigns, without duplication (the "Buyer Indemnified Parties," and individually a "Buyer Indemnified Party"), from and against all liabilities including, without limitation, all costs, expenses, fines, orders, penalties and reasonable outside attorneys' fees and disbursements (collectively, "Buyer Losses," and individually a "Buyer Loss") incurred or suffered by any of the Buyer Indemnified Parties, by reason of or arising out of or in connection with (i) any breach or failure of any of the representations and warranties of Seller contained in this Agreement or in the certificate delivered in accordance with Section 7.1(c), (ii) any breach of any of the covenants and agreements of Seller contained in this Agreement, (iii) any former

Employee or former leased or temporary employee of Company, (iv) Plans, (v) non-compliance with privacy notice requirements of any applicable law occurring prior to the Closing Date, and (vi) any Actions set forth on Schedule 10.2; *provided, however*, that the Buyer Indemnified Parties shall be entitled to indemnification under Section 10.2(a)(i) for breach of representations and warranties made by Seller in Article 3 only when the amount of all Buyer Losses arising therefrom exceeds, in the aggregate, \$50,000 (the "Deductible Amount"), in which case the Buyer Indemnified Parties shall be entitled to indemnification for all Buyer Losses, subject to the other provisions of this Agreement, in excess of the Deductible Amount. Notwithstanding anything else contained herein to the contrary, the maximum amount for which Seller shall be liable for Buyer Losses under Section 10.2(a)(i) shall not exceed, in the aggregate, an amount equal to \$1,000,000 (the "Rep Cap") and, without limiting the foregoing, in all events the maximum amount for which Seller shall be liable for Buyer Losses shall not exceed, in the aggregate, the amount of the Purchase Price actually received by Seller (the "Absolute Cap"); *provided, however*, the Deductible Amount and the Rep Cap shall not apply to limit any Buyer Losses resulting from or arising out of the Actions listed on Schedule 10.2. For the purpose of clarity, subject to the immediately preceding sentence, nothing in this Section 10.2(a) shall be interpreted to impose liability on Seller for breaches of the representations and warranties of Seller under Article 3 in an aggregate amount greater than the Rep Cap.

(b) Subject to the expiration of the representations and warranties of the parties as provided in and the limitations set forth in this Article 10, from and after Closing, Buyer agrees to indemnify, defend and hold harmless Seller and its Affiliates and their respective directors, officers, employees, agents, representatives, successors and assigns (the "Seller Indemnified Parties," and individually a "Seller Indemnified Party; and together with, the Buyer Indemnified Parties, the "Indemnified Parties," and individually an "Indemnified Party") from and against all liabilities including, without limitation, all costs, expenses, fines, orders, penalties and reasonable outside attorneys' fees and disbursements (collectively, "Seller Losses," and together with Buyer Losses, "Losses," and individually a "Loss"), incurred or suffered by any of the Seller Indemnified Parties, by reason of or arising out of or in connection with (i) any breach or failure of any of the representations and warranties of Buyer contained in this Agreement or in the certificate delivered in accordance with Section 6.1(c), and (ii) any breach of any of the covenants and agreements of Buyer contained in this Agreement; *provided, however*, that Seller Indemnified Parties shall be entitled to indemnification under Section 10.2(b)(i) for breach of representations and warranties made by Buyer in Article 4 hereof only when the aggregate amount of all Seller Losses arising therefrom exceeds the Deductible Amount, in which case Seller Indemnified Parties shall be entitled to indemnification for all Seller Losses, in excess of the Deductible Amount. Notwithstanding anything else contained herein to the contrary, the maximum amount for which Buyer shall be liable for Seller Losses under Section 10.2(b)(i) shall not exceed, in the aggregate, an amount equal to the Rep Cap; *provided, however*, the Deductible Amount and the Rep Cap shall not apply to limit any Seller Losses resulting from a breach or inaccuracy of the representations or warranties of Buyer in Section 4.4 (Financing; Buyer's Ability to Consummate Transaction). For the purpose of clarity, subject to the immediately preceding sentence, nothing in this Section 10.2(b) shall be interpreted to impose liability on Buyer for breaches of the representations and warranties of Buyer under Article 4 in an aggregate amount greater than the Rep Cap.

(c) Required payments by any Indemnifying Party pursuant to Section 10.2(a) or 10.2(b) shall be limited to the amount of any Loss that remains after deducting therefrom (i) any insurance proceeds actually recovered by any Indemnified Party and (ii) any indemnity, contribution or other similar payment actually recovered by any Indemnified Party from any third party (including, without limitation, reinsurance recoverables), in each case with respect to such Loss. The Indemnified Party shall use commercially reasonable efforts to collect all such insurance proceeds, reinsurance recoverables and indemnity, contribution and other similar payments. In the event of recovery of any such payment after a Loss has been paid, the receiving party shall promptly reimburse the Indemnifying Party.

(d) In no event shall Seller or Buyer be liable for any punitive, special or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity, or any damages based on any type of multiple; *provided however* that the foregoing limitations shall not apply to the extent that an Indemnified Party is liable to an unaffiliated Person for such damages in connection with a Third Party Claim.

(e) All indemnification payments made under this Agreement shall be treated by the parties hereto as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

**Section 10.3 Notice of Third Party Claim.** Promptly (and in any event within 30 days) after receipt by an Indemnified Party hereunder of notice of any demand, claim or circumstances which, with or without the lapse of time, would give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation by an unaffiliated Person (a "Third Party Claim") that may result in a Loss, such Indemnified Party shall give notice thereof (the "Claims Notice") to the Indemnifying Party. The Claims Notice shall describe the Third Party Claim in reasonable detail and shall indicate the amount (estimated, if necessary) of the Loss that has been or may be suffered by such Indemnified Party and shall include a statement as to the basis for the indemnification sought and shall state all material facts related to such Third Party Claim then known by the Indemnified Party. The Indemnified Party shall furnish to the Indemnifying Party in good faith and in reasonable detail such information as the Indemnified Party may have with respect to such Third Party Claim, including copies of any summons, complaint or other pleading which may have been served on it and any written claim, demand, invoice, billing or other document evidencing or asserting the Third Party Claim. Failure to provide a Claims Notice in a timely manner shall not be deemed a waiver of the Indemnified Party's right to indemnification other than to the extent that such failure actually prejudices the defense, settlement or satisfaction of the claim by the Indemnifying Party.

**Section 10.4 Opportunity to Defend.**

(a) Upon receipt of notice from the Indemnified Party pursuant to Section 10.2, the Indemnifying Party shall have the right, but not the obligation, to assume the defense and control of such Third Party Claims at its own expense by providing notice of such intention to the Indemnified Party. In the event that the Indemnifying Party elects to assume the defense of a Third Party Claim, the Indemnified Party shall have the right, but not the obligation, to participate in the defense of such Third Party Claims at its own expense. In the event that the

Indemnifying Party elects to assume the defense of a Third Party Claim, the Indemnifying Party shall take all steps reasonably necessary in the defense or settlement of such Third Party Claim; and at all times diligently pursue the resolution of such Third Party Claim. The Indemnified Party shall, and shall cause each of its Affiliates and representatives to, cooperate with the Indemnifying Party in the defense of any Third Party Claim defended by the Indemnifying Party. The Indemnifying Party shall be deemed to not have assumed the defense of a Third Party Claim unless the Indemnifying Party shall deliver written notice of such election to the Indemnified Party within 20 Business Days after receipt by the Indemnifying Party of the Indemnified Party's Claims Notice delivered pursuant to Section 10.3.

(b) If the Indemnifying Party elects to assume the defense of a Third Party Claim, it shall be conclusively established for the purposes of this Agreement that the claims made in such Third Party Claim are within the scope of and subject to indemnification by the Indemnifying Party and the Indemnified Party shall make available to the Indemnifying Party all witnesses, pertinent records, materials and information as is reasonably required by the Indemnifying Party and shall otherwise cooperate with and assist the Indemnifying Party in defending the Third Party Claim. If the Indemnifying Party elects not to assume the defense of a Third Party Claim, the Indemnified Party shall have the right to defend such claim in such manner as it deems appropriate.

(c) With regard to any Actions on Schedule 10.2, Seller agrees that the Seller Indemnifying Party will continue defense of these matters at no cost or expense to the Buyer Indemnified Parties, that any such attorneys fees and costs and any Buyer Losses resulting from such litigation shall not be subject to the Deductible Amount or the Cap, and that no rights of the Buyer Indemnified Parties, including without limitation the right to participation in the defense at its own expense, shall be restricted.

(d) The Indemnifying Party shall be authorized to consent to the settlement of, or the entry of any judgment arising from, any Third Party Claim for which the Indemnifying Party has assumed the defense in accordance with the terms of Section 10.4(a) without the prior consent of the Indemnified Party, but only to the extent that such settlement or entry of judgment (i) provides solely for the payment of money by the Indemnifying Party, (ii) provides a complete release of the Indemnified Party from all matters that were or could have been asserted in connection with such Third Party Claim and (iii) does not involve any finding or admission of any violation of law or any violation of the rights of any Person. Except as provided in the immediately preceding sentence, any settlement or consent to entry of judgment shall require the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, conditioned or delayed.

**Section 10.5 Procedures for Direct Claims.** In the event any Indemnified Party shall have a claim for indemnity against any Indemnifying Party that does not involve a Third Party Claim (a "Direct Claim"), the Indemnified Party shall promptly deliver notice of such claim to the Indemnifying Party. Such notice referred to in the preceding sentence shall state the relevant facts and include therewith any and all relevant documents and a statement in reasonable detail as to the basis for the indemnification sought. The Indemnified Party shall furnish to the Indemnifying Party in good faith and in reasonable detail such information as the Indemnified Party may have with respect to such Direct Claim. The failure by any Indemnified Party so to

notify the Indemnifying Party in a timely manner shall not be deemed a waiver of the Indemnified Party's right to indemnification with respect to any claim made pursuant to this Section 10.5, other than to the extent that such failure actually prejudices the Indemnifying Party, it being understood that notices for claims in respect of a breach of a representation or warranty must be delivered prior to the expiration of the representation or warranty to which such claim relates as provided in this Article 10.

**Section 10.6 Exclusive Remedy.** The remedies and procedures set forth in Section 8.2, this Article X and in Section 11.11 are the sole and exclusive remedies and procedures available to the parties for any and all claims, damages or Losses under this Agreement, any certificates delivered under this Agreement at Closing or otherwise relating to the subject matter of the transactions contemplated hereby and no person will have any other entitlement, remedy or recourse, whether in contract, tort or otherwise, it being agreed that all of such other remedies, entitlements and recourse are expressly waived and released by the parties hereto to the fullest extent permitted by Law, except that the foregoing shall not preclude any party (a) from seeking specific performance against any other party with respect to the performance or non-performance by such other party of its obligations under this Agreement (including but not limited to obligations under Section 11.1) or (b) from seeking to recover any Losses based upon, arising out of or otherwise in respect of (i) claims of either party with respect to fraud or intentional misrepresentation on the part of the other party; (ii) Tax indemnity claims of Buyer or Seller under Section 8.2 of this Agreement; (iii) Transfer Taxes; or (iv) either party's liability under this Agreement for fees of the Third Party Accountant, or any mediator or arbitrator.

**Section 10.7 Interpretation of Representations and Warranties.** Notwithstanding anything in this Agreement or the Ancillary Agreements to the contrary, no representation or warranty contained herein shall affect the interpretation or limit the application of any other representation or warranty contained herein or in the Ancillary Agreements.

**Section 10.8 Third Party Beneficiaries.** All Indemnified Parties are, to the extent applicable, intended to be third party beneficiaries of this Article 10.

**Section 10.9 Indemnification from Escrow.** Without limiting any other right or remedy of Buyer under this Agreement, Buyer shall, to the extent available, first collect claims for Buyer Losses from the funds deposited with the escrow agent pursuant to the Escrow Agreement.

## **ARTICLE 11 MISCELLANEOUS**

### **Section 11.1 Non-Competition; Non-Solicitation.**

(a) Seller acknowledges and agrees that the agreement by Buyer to enter into this Agreement, and the agreement by Buyer to pay the Purchase Price for the Shares, is partly in consideration of Seller's agreement as set forth in this Section 11.1.

(b) During the Seller Restricted Period, Seller shall not:

(i) directly or indirectly own, manage, operate, provide financing to, control or participate in the ownership, management or control of, or otherwise have an interest in any other Person in the conduct of any Restricted Business;

(ii) directly or indirectly, seek to encourage, induce or attempt to induce any policyholder, certificate holder, customer, agent or vendor of Company to cease doing business with, or lessen its business with Company or otherwise interfere with or damage (or attempt to interfere with or damage) any of Company's relationships with its customers, agents and vendors.

(c) For purposes of this Section 11.1, (i) "Seller Restricted Period" shall mean the period from and after the Closing Date until the third anniversary of the Closing Date; and (ii) "Restricted Business" shall mean any type of life insurance or annuity product underwritten by Company as an insurer or reinsurer in the United States of America as of the date of this Agreement.

**Section 11.2 Fees and Expenses.** Whether or not the transactions provided for herein are consummated pursuant hereto, except as otherwise provided herein, Seller and Buyer shall pay all fees and expenses incurred by, or on behalf of, such party in connection with, or in anticipation of, this Agreement and the consummation of the transactions provided for herein.

**Section 11.3 Notices.** All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, or mailed (by an overnight delivery service or by certified or registered mail, postage prepaid, return receipt requested) or sent via telecopy to the parties:

(a) If to Seller, to:

PEMCO Mutual Insurance Company  
325 Eastlake Avenue East  
Seattle, WA 98109  
Attn: Chief Financial Officer  
Facsimile: (206) 628-5971

and an additional copy to (which shall not constitute notice):

Legal Department  
PEMCO Mutual Insurance Company  
325 Eastlake Avenue East  
Attn: General Counsel  
Facsimile: (206) 628-4575

(b) If to Buyer, to:

Sagicor Life Insurance Company  
4010 W. Boy Scout Blvd., Suite 800  
Tampa, FL 33607

Attn: Chief Operating Officer  
Facsimile: (480) 425-5150

and an additional copy to (which shall not constitute notice):

Sneed, Vine & Perry, P.C.  
900 Congress Avenue  
Suite 300  
Austin, Texas 78701  
Attention: Michael R. Perkins  
Facsimile: (512) 476-1825

or to such other person or address as any party shall specify by notice in writing to the other party. All such notices, requests, demands, waivers and communications shall be deemed to have been received: (a) on the date on which so hand-delivered, (b) on the day following mailing if sent by overnight delivery service on any day other than Friday, (c) if delivered by facsimile, when sent and confirmation of receipt is received, or (d) on the third business day following the date on which so mailed, except for a notice of change of address, which shall be effective only upon receipt thereof.

**Section 11.4 Entire Agreement.** This Agreement and the exhibits, Schedules and other documents referred to herein or delivered pursuant hereto which form a part hereof (including, without limitation, the Confidentiality Agreement referred to in Section 5.2(c) hereof) contain the entire understanding of the parties hereto with respect to their subject matter. This Agreement supersedes all prior agreements and understandings, oral and written, with respect to its subject matter.

**Section 11.5 Binding Effect; Assignment.** This Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of Seller and Buyer and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, directly or indirectly, by either Seller or Buyer without the prior written consent of the other party; provided, however, that Seller or Buyer may, without consent of the other, assign their respective rights and interests but not their obligations hereunder to an Affiliate of such party.

**Section 11.6 No Third Party Beneficiaries.** This Agreement is solely for the benefit of Seller and its respective successors and permitted assigns, with respect to the obligations of Buyer under this Agreement, and for the benefit of Buyer and its successors and permitted assigns, with respect to the obligations of Seller under this Agreement, and this Agreement shall not be deemed to confer upon or give to any other third-party any remedy, claim, liability, reimbursement, cause of action or other right (except as otherwise provided in Section 10.8).

**Section 11.7 Counterparts; Facsimiles.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which collectively shall constitute one and the same instrument. This Agreement shall be accepted, effective and binding, for all purposes, when the Parties shall have signed and transmitted to each other, by telecopier or otherwise, copies of the signature pages hereto. If any Party transmits a signature

by telecopier or otherwise, that Party shall promptly send the original signatures to the transmittee by recognized overnight commercial carrier.

**Section 11.8 Article and Section Headings.** The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

**Section 11.9 Governing Law.** This Agreement shall be governed by the laws of the State of Washington (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

**Section 11.10 Specific Performance.** The parties acknowledge and agree that any breach of the terms of this Agreement may give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly the parties agree that, in addition to any other remedies, each shall be entitled to seek enforcement of the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy.

**Section 11.11 Dispute Resolution.** Any and all disputes between the parties with respect to any claim or matter arising out of this Agreement, including but not limited to any claim arising pursuant to Section 10.2 or the Escrow Agreement ("Dispute"), shall be resolved in accordance with this Section 11.11.

The parties shall attempt amicably to resolve any Dispute. A meeting shall be promptly held between the parties, attended personally by individuals with decision-making authority regarding the Dispute, to attempt in good faith to negotiate a resolution of the Dispute.

If, within thirty (30) days after such meeting the parties have not succeeded in negotiating a resolution of the Dispute, they shall submit the matter to nonbinding mediation in Denver, Colorado before a single mediator jointly selected by the parties. If the parties cannot agree on a mediator, the mediator shall be selected by J.A.M.S. Each party shall bear its respective costs related to mediation, and the fees of the mediator shall be borne equally by Buyer (50%) and Seller (50%).

If, within thirty (30) days after mediation the parties have not succeeded in resolving the Dispute, the Dispute shall be submitted to binding arbitration proceedings pursuant to the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) in accordance with the Commercial Arbitration Rules of the American Arbitration Association and following the laws of the State of Washington. The decision of the arbitrator shall be final and binding upon the parties and judgment upon the award may be entered in any court having jurisdiction thereof in the State of Washington. The parties agree that the arbitrator shall not be authorized to award punitive damages. The arbitration shall take place in Denver, Colorado. Each party shall bear its respective costs related to arbitration, and the fees of the arbitrator shall be borne equally by Buyer (50%) and Seller (50%).

**Section 11.12 Construction.** The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation

arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

**Section 11.13 Invalid Provisions.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of the parties under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

**Section 11.14 Conditions.** To the extent that this Agreement provides that the rights of a party are conditioned upon satisfaction of conditions, such conditions will be deemed satisfied if the party responsible therefor has taken the steps necessary to act and is prepared to perform and to tender documents required to be performed or tendered by such party, it being understood that actual performance or tendering of documents shall not be required if the other party has not satisfied its obligations and is not willing or able to perform or other conditions have not been met.

**Section 11.15 Amendment.** This Agreement may be amended only by the written agreement of Seller and Buyer.

**Section 11.16 Waiver.** Seller and Buyer may (a) extend the time for the performance of any of the obligations of the other party hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

**Section 11.17 Rules of Interpretation.** The following rules of interpretation apply throughout this Agreement and any Schedules and Exhibits to this Agreement:

(a) The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual agreement; any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(b) Whenever the context requires, the singular number shall include the plural, and vice versa, and any gender shall include both genders.

(c) The words "include" and "including" and variations thereof are not terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) The headings in this Agreement are inserted for convenience only and shall not affect the interpretation of this Agreement.

(e) Except as otherwise indicated, all references in this Agreement to “Articles,” “Sections,” “Schedules,” and “Exhibits” are intended to refer to Articles or Sections of this Agreement and Schedules and Exhibits to this Agreement.

(f) If any obligation hereunder shall become due, or time period shall end, on a Saturday, Sunday or a bank or legal holiday, such obligation shall be due, or such time period shall end, on the next succeeding Business Day.

(g) Unless otherwise specified, all references to money are to currency of the United States of America.

## **ARTICLE 12 DEFINITIONS**

**“Acquisition Proposal”** means any proposal for a merger, acquisition of all of the stock or assets of, or other business combination involving the Company or the acquisition of a substantial equity interest in, or a substantial portion of the assets of, the Company, other than the Share Purchase provided for in this Agreement.

**“Actions”** means any action, suit, investigation, claim or other legal or administrative proceeding commenced by or pending before a Governmental Entity.

**“Admitted Assets”** means Admitted Assets as defined under SAP.

**“Affiliate”** means a Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Person specified. For purposes of this definition, the term “control” (including the terms “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of the power to (i) vote 50% or more of the voting securities of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

**“Agreement”** is defined in the introductory paragraph of this Agreement.

**“Ancillary Agreements”** means the Escrow Agreement in substantially the form attached as Exhibit B; a Trademark License Agreement in substantially the form attached as Exhibit C with respect to the use by Company of the PEMCO name and trademark, executed by Seller (the Trademark License Agreement ); a Transition Services Agreement in substantially the form attached as Exhibit D; and a Records Management and Access Agreement in substantially the form attached as Exhibit E.

**“Assets”** means all rights, titles, franchises and interests in and to every type of property, real, personal and mixed, and choses in action thereunto belonging to the Company, as applicable, including, but not limited to, Books and Records, investment assets, Intellectual Property, contracts, licenses, leaseholds, privileges and all other assets whatsoever, tangible or intangible, whether or not reflected in the SAP Statements.

**“Audits”** is defined in Section 3.12(a).

**“Books and Records”** means originals or copies of all or any of the Company’s books and records, documents, data and databases, administrative records, claim records, complaint logs, policy forms and files, sales records and files, records relating to regulatory matters, customer lists, policy information, correspondence with regulatory authorities, reinsurance records, underwriting records, financial, Tax and accounting records and all other records, data, databases and information (in whatever form maintained, including computer generated, recorded or stored) relating to the assets, properties, business, conduct and operations of the Company, including all Permits held by the Company and all such items relating to the Company’s legal existence, stock ownership, corporate management or other such corporate records, in each case, to the extent in the possession or under the control of Seller, the Company or any Affiliate of Seller.

**“Business Day”** means any day other than a Saturday, a Sunday or any other day on which commercial banks in the United States are required to be closed for regular banking business.

**“Buyer”** is defined in the introductory paragraph of this Agreement.

**“Buyer Indemnified Party”** or **“Buyer Indemnified Parties”** is defined in Section 10.2(a).

**“Buyer Losses”** is defined in Section 10.2(a).

**“Cap”** is defined in Section 10.2(a).

**“Claims Notice”** is defined in Section 10.3.

**“Closing”** is defined in Section 2.1.

**“Closing Agreement”** means a written and legally binding agreement with a Governmental Entity with respect to Taxes.

**“Closing Date”** is defined in Section 2.1.

**“COBRA Continuation Coverage”** is defined in Section 5.8.

**“Code”** means the Internal Revenue Code of 1986, as amended through the date hereof.

**“Company”** is defined in the Recitals.

**“Confidentiality Agreement”** is defined in Section 5.2(c).

**“Consent”** shall mean any consent, approval, authorization, clearance, exemption, waiver or similar affirmation by any Person pursuant to any applicable Law or agreement to which either of Buyer or Seller (or the Company, as applicable) is a party.

**“Covered Employees”** is defined in Section 3.13(a).

**“Deductible Amount”** is defined in Section 10.2(a).

**“Direct Claim”** is defined in Section 10.5.

**“Employees”** is defined in Section 3.23(a).

**“Environmental Law”** means any Federal, state, foreign or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, common law, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any Governmental Entity, relating to the protection, preservation or restoration of the environment (including, without limitation, air, water, vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety, or the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as amended and as now in effect.

**“Enforceability Exceptions”** is defined in Section 3.2.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

**“ERISA Affiliate”** is defined in Section 3.13(c).

**“Escrow Agreement”** is defined in Section 1.3.

**“Escrowed Closing Payment”** is defined in Section 1.3.

**“Final Adjustment to Preliminary Capital & Surplus”** is defined in Section 1.4.

**“GAAP”** means generally accepted accounting principles as used in the United States of America as in effect at the time any applicable financial statements were prepared or any act requiring the application of GAAP was performed consistently applied throughout the periods involved.

**“Governmental Entity”** means any agency, administrative division or department (or administrative subdivision), commission, regulatory authority, taxing or administrative authority, court or other judicial body, legislature, audit group or procuring office of the government of the United States or any state, city, municipality, county or town thereof, or of any foreign jurisdiction.

**“Hazardous Substance”** shall mean any substance presently listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether by type or by quantity, including any substance containing any such substance as a component.

**“IRS”** means the Internal Revenue Service of the United States.

**“Indemnified Party”** or **“Indemnified Parties”** is defined in Section 10.2(b).

**“Indemnifying Party”** means the party receiving notice from an Indemnified Party in which the Indemnified Party requests indemnification from such party to this Agreement for a Third Party Claim or Direct Claim as specified in said notice.

**“Insurance Contracts”** means any contract of insurance or reinsurance (and any certificates thereunder) and forms with respect thereto, including any Life Insurance Contract or Annuity Contract, issued, assumed or reinsured by the Company.

**“Insurance License”** is defined in Section 3.7.

**“Intellectual Property”** means all intellectual property rights including, but not limited to, patent and patent applications, inventions (whether or not patentable), designs, trademarks, copyrights, copyright registrations and applications, technology, computer programs and software applications (including source code, object code, executables and utilities, patches, fixes and upgrades and all related documentation including operator and user manuals and training manuals), mask works, trade secrets, know-how, proprietary processes and formulae, algorithms, methods, data, databases and documentation, forms, internet and intranet content, moral rights (if any), and all similar intellectual and industrial property rights of any sort throughout the world along with any tangible embodiments of the foregoing.

**“Knowledge of Seller”** means, with respect to each of the following individuals, actual knowledge and the knowledge that such individual would have after reasonable inquiry as a result of their status and duties as an officer, director or employee of Seller and/or the Company: Stan McNaughton, Steve Ricco, Denice Town, Rod Brooks, Chris Jahrman, Lisa LaBard, Patty Thomas, and Cindy Gok.

**“Law”** or **“Laws”** means any United States federal, state, local or foreign statute, law, ordinance, regulation, rule, code, order, permit, other requirement or rule of law.

**“Leases”** means all leases or subleases of space at all real property leased or subleased by the Company, all other occupancy agreements affecting such Leased Real Property, and all amendments, renewals, replacements, extensions, substitutions and modifications of any of the foregoing, together with any guarantees executed in connection with any such leases or occupancy agreements.

**“Liens”** means all mortgages, pledges, security interests, liens, charges, options, conditional sales agreements, claims, restrictions, covenants, easements, rights of way, title defects or other encumbrances or restrictions of any nature whatsoever.

**“Life Insurance Contract”** means any life insurance contract, and forms with respect thereto, issued, assumed or reinsured by the Company.

**“Loss”** or **“Losses”** is defined in Section 10.2(b).

**“Market Conduct Activities”** means the marketing, solicitation, application, underwriting, acceptance, sale, purchase, operation, retention, administration, or replacement by means of surrender, partial surrender, loans respecting, withdrawal and/or termination of any Insurance Contract, including without limitation any or all of the acts, omissions, facts, matters,

transactions, occurrences, or any oral or written statements or representations made in connection with any of the foregoing, including without limitation those relating to: (A) the vanishing premium concept; (B) race based underwriting; (C) “modal” premium claims; (D) the nature, characteristics, terms, appropriateness, suitability, descriptions and operation of any Insurance Contract; (E) whether any Insurance Contract was, would operate or could function as a pension or retirement plan, investment or savings account, tuition-funding or mortgage-protection plan or other type of investment, savings or thrift vehicle; (F) the fact that a part of the premiums paid would not be credited toward an investment or savings account or the Insurance Contract’s cash value, but would be used to offset the insurer’s commission, sales, administration or mortality expenses; (G) the use of an existing Insurance Contract’s cash value or cash-surrender value by means of a surrender, withdrawal, partial surrender or loan to purchase or maintain a policy; (H) the insurer’s dividend, interest, crediting and cost of insurance and administrative charge policies; dividend scales, illustrations of dividend values, cash values or death benefits; or any other matters relating to dividends, interest crediting rates or cost of insurance and administrative charges; (I) the failure to disclose surrender charges; (J) the providing of tax advice or (K) the providing of Medicaid eligibility advice.

“**Material Adverse Effect**” means a material and adverse effect on the business, results of operations or financial condition of the Company taken as a whole, after giving effect to the execution and delivery of this Agreement; provided, however, that the term “Material Adverse Effect” shall not include adverse effects resulting from (or, in the case of effects that have not yet occurred, reasonably likely to result from) (a) general economic or industry conditions that have a similar effect on other participants in the industry; (b) regional economic or industry conditions that have a similar effect on other businesses in such region; (c) changes in credit or equity markets; (d) changes in Laws or interpretations thereof by Government Agencies; (e) changes in SAP; (f) acts and omissions of Company or Seller taken with the consent of Buyer, including any effects of compliance with this Agreement; (g) the identity of Buyer as the acquirer of the Company, including cancellation of business commitments or reduction in customary or anticipated business commitments; or (h) any act of terrorism or war, whether or not declared, wherever occurring, and any terrorist, military, diplomatic or political action (other than an act specifically directed at Company). For purposes of Sections 9.1 and 7.1(g) any matter that would reasonably be expected to result in a loss to the Company or Buyer in the amount of \$200,000 shall constitute a Material Adverse Effect.

“**Material Contracts**” is defined in Section 3.8.

“**Permits**” means any required licenses, permits or certificates of any Governmental Entity.

“**Permitted Liens**” means (i) any statutory lien arising out of the operation of law with respect to a liability that is not delinquent, including, without limitation, any lien for Taxes not yet due, (ii) any minor imperfection of title or similar lien which individually or in the aggregate with other such liens does not materially impair the value of the property subject to such lien or the use of such property in the conduct of the business of the Company, and (iii) Liens arising or resulting from any action taken by Buyer or any of its Affiliates.

**“Person”** means an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, a government or any department or agency thereof or any other entity.

**“Plan”** or **“Plans”** is defined in Section 3.13(a).

**“Policies”** shall mean any and all insurance, annuity or investment policies, plans, or contracts; all financial products, employee benefit plans, individual retirement accounts or annuities; or any similar or related policy, plan or contract, whether individual, group or otherwise issued, sold or assumed by the Insurance Companies.

**“Preliminary Capital & Surplus”** is defined in Section 1.3.

**“Producers”** is defined in Section 3.22.

**“Proposed Adjustment of Preliminary Capital & Surplus”** is defined in Section 1.4.

**“Purchase Price”** is defined in Section 1.2.

**“Qualified Plans”** is defined in Section 3.12(m).

**“SAP”** means the accounting practices prescribed or permitted for insurance companies pursuant to the insurance regulatory requirements of the Insurance Department of the state of such company’s domicile as in effect for the accounting period in question, which practices differ from GAAP.

**“SAP Statements”** is defined in Section 3.11(a).

**“Schedule”** means any disclosure schedule to this Agreement.

**“Seller”** is defined in the introductory paragraph of this Agreement.

**“Seller Indemnified Party”** or **“Seller Indemnified Parties”** is defined in Section 10.2(b).

**“Seller’s Consolidated Group”** is defined in Section 3.12(b).

**“Share Purchase”** is defined in Section 1.1.

**“Shares”** is defined in the recitals to this Agreement.

**“Stock Restriction”** means, with respect to the capital stock or other equity securities of a Person, any option, right of first refusal or restriction of any kind, including any restriction on voting, transfer, alienation, receipt of income or exercise of any other attribute of ownership, but specifically excluding any restrictions imposed by Law.

**“Subsidiary”** means, with respect to any Person on a given date, any other Person of which a majority of the voting power or the power to otherwise direct the management or policies is held directly or indirectly by such Person.

**“Tax”** and **“Taxes”** shall mean all taxes, however denominated, including any interest, penalties or additions to tax that may become payable in respect thereof, imposed by any Governmental Entity, which taxes shall include, without limiting the generality of the foregoing, all income taxes (including, but not limited to, United States federal income taxes and state income or franchise taxes), payroll, premium, employment, and other withholding taxes, unemployment insurance, social security, sales and use taxes, excise taxes, franchise taxes, net worth taxes, gross receipts taxes, occupation taxes, real and personal property taxes, stamp taxes and transfer taxes.

**“Tax Return”** means any return, declaration, report, claim for refund, estimated payment return or information return or statement relating to Taxes, including any schedule or attachment thereto (and including any amendment thereof) and including, where permitted or required, combined, consolidated, unitary or any similar returns for any group of entities.

**“Tax Sharing Agreement”** means any written or unwritten agreement, indemnity or other arrangement for the allocation or payment of Tax liabilities or payment for Tax benefits that may exist as of the Closing Date between the Company and any Person (other than any indemnity provided pursuant to this Agreement).

**“Third Party Accountant”** is defined in Section 1.4.

**“Third Party Claim”** is defined in Section 10.3.

**“Third Party Reinsurance Agreements”** is defined in Section 3.24.

[signature page follows on next page]

**IN WITNESS WHEREOF**, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first above written.

SELLER:

PEMCO MUTUAL INSURANCE COMPANY

By: 

Name: Steve Ricco

Title: CFO

BUYER:

SAGICOR LIFE INSURANCE COMPANY

By: 

Name: Bart F. Catmull

Title: COO & CFO

**PEMCO Life Insurance Company  
Capital and Surplus Template**

**EXHIBIT A**

| Description   | Actual                | Actual (Unaudited)    | 2 days before closing<br>Preliminary | Closing                |
|---|-----------------------|-----------------------|--------------------------------------|------------------------|
|   | As of<br>Sep 30, 2011 | As of<br>Dec 30, 2011 | As of<br>xxx. xx, 2012               | As of<br>xxx. xx, 2012 |
| <i>Assets</i>   |                       |                       |                                      |                        |
| Cash and Short Term Investments                       | 1,931,667             | 2,023,642             |                                      |                        |
| Municipal and Gov't Agency Bonds                      | 534,581               | 533,734               |                                      |                        |
| Corporate Bonds                                       | 1,191,992             | 941,805               |                                      |                        |
| U.S. Government Bonds                                 | 4,104,043             | 3,739,149             |                                      |                        |
| Preferred Stocks                                      | 103,900               | 100,000               |                                      |                        |
| Contract Loans (Policy Loans)                         | 113,448               | 116,833               |                                      |                        |
| Net Deferred and Uncollected Premiums                 | 2,056,746             | 2,069,465             |                                      |                        |
| Accounts Receivable - Guaranty Funds                  | 835                   | 835                   |                                      |                        |
| Accrued Interest Receivable                           | 44,430                | 40,608                |                                      |                        |
| Reinsurance Recoverable                               | 126,667               | 324,847               |                                      |                        |
| Federal Income Tax Receivable                         | -                     | 1,333,995             |                                      |                        |
| <b>TOTAL ASSETS</b>                                   | <b>10,208,309</b>     | <b>11,224,913</b>     | <b>-</b>                             | <b>-</b>               |
| <i>Liabilities</i>                                    |                       |                       |                                      |                        |
| Claims Incurred but not Reported                      | 16,424                | 17,802                |                                      |                        |
| Aggregate Net Reserves for Life Policies              | 5,465,964             | 5,159,081             |                                      |                        |
| Disability Reserves                                   | 24,243                | 22,305                |                                      |                        |
| Death and Disability Claims Payable                   | 168,500               | 51,176                |                                      |                        |
| Excess Credits Payable                                | 13,130                | 12,869                |                                      |                        |
| Asset Valuation reserve                               | 12,151                | 5,327                 |                                      |                        |
| Advance Premiums                                      | 82,347                | 75,303                |                                      |                        |
| Accounts Payable and Accrued Expenses                 | 450,149               | 244,529               |                                      |                        |
| Postretirement Payable                                | 286,600               | -                     |                                      |                        |
| Taxes and Licenses Payable                            | 8,368                 | 9,366                 |                                      |                        |
| <b>TOTAL LIABILITIES</b>                              | <b>6,527,876</b>      | <b>5,597,758</b>      | <b>-</b>                             | <b>-</b>               |
| <i>Surplus</i>  |                       |                       |                                      |                        |
| Common Stock  | 125,000               | 125,000               |                                      |                        |
| Additional Paid in Capital                            | 4,625,000             | 4,940,540             |                                      |                        |
| Unappropriated Surplus:                               |                       |                       |                                      |                        |
| Surplus   | 1,357,818             | 1,357,818             |                                      |                        |
| Change in Deferred Taxes                              | 97,425                | ( 1,369,421 )         |                                      |                        |
| Change In AVR   | ( 2,354 )             | 4,470                 |                                      |                        |
| Non Admitted - Assets                                 | ( 101,007 )           | ( 59,891 )            |                                      |                        |
| Non Admitted - Deferred Taxes                         | ( 1,725,034 )         | ( 258,187 )           |                                      |                        |
| Change in Accounting Estimate - Reserves              | -                     | 469,536               |                                      |                        |
| Net Income / (Loss)                                   | ( 696,415 )           | 417,290               |                                      |                        |
| <b>TOTAL SURPLUS (Capital and Surplus per 1.2(b))</b> | <b>3,680,433</b>      | <b>5,627,155</b>      | <b>-</b>                             | <b>-</b>               |
| <b>TOTAL LIABILITIES &amp; SURPLUS</b>                | <b>10,208,309</b>     | <b>11,224,913</b>     | <b>-</b>                             | <b>-</b>               |
|   |                       |                       | <b>Proposed Adj:</b>                 | <u>0.00</u>            |

The parties anticipate that Seller will file the 2011 consolidated tax return for its consolidated group prior to Closing and that, immediately upon filing the return, the FIT Receivable will be satisfied. The parties agree that they will work together in good faith prior to Closing to reach a mutually satisfactory agreement with respect to the FIT Receivable which (1) allows Seller to take maximum advantage of the potential benefits available to it and (2) does not require Buyer to pay cash to Seller in the amount of an outstanding FIT Receivable.

**ESCROW AGREEMENT**

among

PEMCO MUTUAL INSURANCE COMPANY,

SAGICOR LIFE INSURANCE COMPANY, \_\_\_\_\_

and

THE BANK OF NEW YORK MELLON

Dated as of [\_\_\_\_\_] , 2012

ACCOUNT NUMBER(S): \_\_\_\_\_

SHORT TITLE OF ACCOUNT: \_\_\_\_\_

**ESCROW AGREEMENT** made this [\_\_] day of [\_\_\_\_\_] 2012 by and between THE BANK OF NEW YORK MELLON ("Escrow Agent"), PEMCO MUTUAL INSURANCE COMPANY ("Seller") and SAGICOR LIFE INSURANCE COMPANY ("Buyer," and together with Seller, the "Depositors" and individually a "Depositor").

- A. Buyer and Seller have entered into that certain Stock Purchase Agreement dated February \_\_, 2012 (the "Stock Purchase Agreement"), pursuant to which Buyer will acquire from Seller all of the issued and outstanding shares of the capital stock of PEMCO Life Insurance Company, a Washington insurance corporation (the "Acquisition").
- B. Buyer and Seller desire to establish the terms and conditions pursuant to which the Escrow Property (as defined herein) will be established, maintained and released.

Depositors and Escrow Agent hereby agree that, in consideration of the mutual promises and covenants contained herein, Escrow Agent shall hold in escrow and shall distribute Escrow Property (as defined herein) in accordance with and subject to the following Instructions and Terms and Conditions:

**I. INSTRUCTIONS:**

**1. Escrow Property**

The property and/or funds deposited or to be deposited with Escrow Agent by Depositors shall be immediately available funds in an amount equal to Two Hundred Thousand Dollars (\$200,000).

The foregoing funds, plus all interest, dividends and other distributions and payments thereon (collectively the "Distributions") received by Escrow Agent, less any property and/or funds distributed or paid in accordance with this Escrow Agreement, are collectively referred to herein as "Escrow Property."

**2. Investment of Escrow Property** Depositors are to select one of the following options:

\_\_\_\_\_ (a) Escrow Agent shall have no obligation to pay interest on or to invest or reinvest any Escrow Property deposited or received hereunder.

X\_\_\_\_\_ (b) Upon written directions from Seller the Escrow Agent shall invest or reinvest Escrow Property

without distinction between principal and income, in the following:

One or more short-term market instruments including but not limited to marketable obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, bank instruments, corporate debt securities issued by U.S. or foreign companies, commercial paper, demand instruments, adjustable rate obligations, asset-backed securities, restricted securities, fully collateralized repurchase agreements or money market funds subject to the requirements of the Investment Company Act of 1940, as amended, invested in any one or more of the aforementioned types of instruments.

Escrow Agent shall have no liability for any loss arising from or related to any such investment other than in accordance with paragraph 4 of the Terms and Conditions.

### **3. Distribution of Escrow Property**

From time to time on or before the date that is eighteen (18) months from the date hereof, Buyer may give notice (a "Notice") to Seller and Escrow Agent specifying in reasonable detail the nature and estimated aggregate dollar amount of any indemnifiable claim (a "Claim") it may have under Section 10 of the Stock Purchase Agreement. If a Notice is timely given with respect to a Claim, Escrow Agent shall make payment with respect thereto only in accordance with (i) joint written instructions of Buyer and Seller or (ii) a final decision of an arbitrator in accordance with Section 11.11 of the Stock Purchase Agreement or a final, nonappealable order of a court of competent jurisdiction. Any arbitrator decision or court order shall be accompanied by a legal opinion by counsel for the presenting party satisfactory to Escrow Agent to the effect that the decision or order is final and nonappealable. Escrow Agent shall act on such arbitrator decision or court order and legal opinion without further question.

### **4. Addresses**

Notices, instructions and other communications shall be sent to Escrow Agent, Corporate Trust Administration, 101 Barclay Street-Floor 8W, New York, New York 10286, Attn: Matthew Louis, Insurance Trust and Escrow Group, Fax Number 212-815-5877 and to Depositors as follows:

If to Seller, to:

PEMCO Mutual Insurance Company  
325 Eastlake Avenue East  
Seattle, WA 98109  
Attn: Steven A. Ricco  
Facsimile: [\_\_\_\_\_]

and an additional copy to (which shall not constitute notice):

Legal Department  
PEMCO Mutual Insurance Company  
325 Eastlake Avenue East  
Attn: General Counsel  
Facsimile: (206) 628-4575

If to Buyer, to:

Sagicor Life Insurance Company  
4010 W. Boy Scout Blvd., Suite 800  
Tampa, FL 33607  
Facsimile: (480) 425-5150

and an additional copy to (which shall not constitute notice):

Sneed, Vine & Perry, P.C.  
900 Congress Avenue  
Suite 300  
Austin, Texas 78701  
Attention: Michael R. Perkins  
Facsimile: (512) 476-1825

**5. Distribution of Escrow Property Upon Termination**

On the date that is eighteen (18) months from the date hereof, Escrow Agent shall pay and distribute the balance of the Escrow Property to Seller, unless a Claim is then pending, in which case an amount equal to the estimated aggregate dollar amount of such Claim (as shown in the Notice of such Claim) shall be retained by Escrow Agent in the Escrow Property (and the balance paid to Seller) until it receives (i) joint written instructions of Buyer and Seller or (ii) a final decision of an arbitrator in accordance with Section 11.11 of the Stock Purchase Agreement or a final, nonappealable order of a court of competent jurisdiction. Any arbitrator decision or court order shall be accompanied by a legal opinion by counsel for the presenting party satisfactory to Escrow Agent to the effect that the decision or order is final and nonappealable. Escrow Agent shall act on such arbitrator decision or court order and legal opinion without further question.

6. **Compensation**

- (a) At the time of execution of this Escrow Agreement, Depositors shall pay Escrow Agent an acceptance fee of \$ . In addition, Depositors shall pay Escrow Agent an annual fee of \$ , payable upon execution of this Agreement and thereafter on each anniversary date of this Agreement. The annual fee shall not be pro-rated for any portion of a year.
- (b) Depositors shall pay all activity charges as per Escrow Agent's fee schedule attached hereto as Exhibit A and incorporated by reference.
- (c) Depositors shall be responsible for and shall reimburse Escrow Agent upon written demand for all reasonable expenses, disbursements and advances incurred or made by Escrow Agent in connection with this Agreement.

## II. TERMS AND CONDITIONS:

1. The duties, responsibilities and obligations of Escrow Agent shall be limited to those expressly set forth herein and no duties, responsibilities or obligations shall be inferred or implied. Escrow Agent shall not be subject to, nor required to comply with, any other agreement between or among any or all of the Depositors or to which any Depositor is a party, even though reference thereto may be made herein, or to comply with any direction or instruction (other than those contained herein or delivered in accordance with this Escrow Agreement) from any Depositor or any entity acting on its behalf. Escrow Agent shall not be required to, and shall not, expend or risk any of its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.
2. This Agreement is for the exclusive benefit of the parties hereto and their respective successors and assigns, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.
3. If at any time Escrow Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects Escrow Property (including but not limited to orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of Escrow Property), Escrow Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if Escrow Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, Escrow Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.
4. (a) Escrow Agent shall not be liable for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties hereunder in the absence of gross negligence or willful misconduct on its part. In no event shall Escrow Agent be liable (i) for acting in accordance with or relying upon any instruction, notice, demand, certificate or document from any Depositor or any entity acting on behalf of any Depositor, (ii) for any consequential, punitive or special damages, (iii) for the acts or omissions of its nominees, correspondents, designees, subagents or subcustodians in the absence of gross

negligence or willful misconduct, or (iv) for an amount in excess of the value of the Escrow Property, valued as of the date of deposit.

(b) If any fees, expenses or costs incurred by, or any obligations owed to, Escrow Agent hereunder are not promptly paid when due, Escrow Agent may reimburse itself therefor from the Escrow Property and may sell, convey or otherwise dispose of any Escrow Property for such purpose.

(c) As security for the due and punctual performance of any and all of Depositors' obligations to Escrow Agent hereunder, now or hereafter arising, Depositors, individually and collectively, hereby pledge, assign and grant to Escrow Agent a continuing security interest in, and a lien on, the Escrow Property and all Distributions thereon or additions thereto (whether such additions are the result of deposits by Depositors or the investment of Escrow Property). The security interest of Escrow Agent shall at all times be valid, perfected and enforceable by Escrow Agent against Depositors and all third parties in accordance with the terms of this Escrow Agreement.

(d) Escrow Agent reasonably may consult with legal counsel at the expense of the Depositors as to any matter relating to issues specific to this Escrow Agreement, provided that any such expenses for which Escrow Agent seeks reimbursement that are in excess of \$5,000 shall be subject to the prior written approval of the Depositors; and provided further that Depositors shall not be required to reimburse Escrow Agent for legal expenses in connection with the preparation of this Escrow Agreement. Escrow Agent shall not incur any liability in acting in good faith in accordance with any advice from such counsel.

(e) Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Escrow Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility).

5. Unless otherwise specifically set forth herein, Escrow Agent shall proceed as soon as practicable to collect any checks or other collection items at any time deposited hereunder. All such collections shall be subject to Escrow Agent's usual collection practices or terms regarding items received by Escrow Agent for deposit or collection. Escrow Agent shall not be required, or have any duty, to notify anyone of any payment or maturity under the terms of any instrument deposited hereunder, nor to take any legal

action to enforce payment of any check, note or security deposited hereunder or to exercise any right or privilege which may be afforded to the holder of any such security.

6. Escrow Agent shall provide to Depositors monthly statements identifying transactions, transfers or holdings of Escrow Property and each such statement shall be deemed to be correct and final upon receipt thereof by the Depositors unless Escrow Agent is notified in writing to the contrary within thirty (30) business days of the date of such statement.
7. Escrow Agent shall not be responsible in any respect for the form, execution, validity, value or genuineness of documents or securities deposited hereunder, or for any description therein, or for the identity, authority or rights of persons executing or delivering or purporting to execute or deliver any such document, security or endorsement.
8. Notices, instructions or other communications shall be in writing and shall be given to the address set forth in the "Addresses" provision herein (or to such other address as may be substituted therefor by written notification to Escrow Agent or Depositors). Notices to Escrow Agent shall be deemed to be given when actually received by Escrow Agent's Insurance Trust and Escrow Unit of the Corporate Trust Division. Escrow Agent is authorized to comply with and rely upon any notices, instructions or other communications believed by it to have been sent or given by Depositors or by a person or persons authorized by Depositors. Whenever under the terms hereof the time for giving a notice or performing an act falls upon a Saturday, Sunday, or banking holiday, such time shall be extended to the next day on which Escrow Agent is open for business.
9. Depositors, jointly and severally, shall be liable for and shall reimburse and indemnify Escrow Agent and hold Escrow Agent harmless from and against any and all claims, losses, liabilities, costs, damages or expenses (including reasonable attorneys' fees and expenses) (collectively, "Losses") arising from or in connection with or related to this Escrow Agreement or being Escrow Agent hereunder (including but not limited to Losses incurred by Escrow Agent in connection with its successful defense, in whole or in part, of any claim of gross negligence or willful misconduct on its part), provided, however, that nothing contained herein shall require Escrow Agent to be indemnified for Losses caused by its gross negligence or willful misconduct.
10. (a) Depositors may remove Escrow Agent at any time by giving to Escrow Agent thirty (30) calendar days' prior

notice in writing signed by both Depositors. Escrow Agent may resign at any time by giving sixty (60) calendar days' prior written notice thereof.

(b) Within ten (10) calendar days after giving the foregoing notice of removal to Escrow Agent or receiving the foregoing notice of resignation from Escrow Agent, both Depositors shall jointly agree on and appoint a successor Escrow Agent. If a successor Escrow Agent has not accepted such appointment by the end of such 10-day period, Escrow Agent may, in its sole discretion, deliver the Escrow Property to either of the Depositors at the address provided herein or may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent or for other appropriate relief. The costs and expenses (including reasonable attorneys' fees and expenses) incurred by Escrow Agent in connection with such proceeding shall be paid by, and be deemed a joint and several obligation of, the Depositors.

(c) Upon receipt of the identity of the successor Escrow Agent, Escrow Agent shall either deliver the Escrow Property then held hereunder to the successor Escrow Agent, less Escrow Agent's fees, costs and expenses or other obligations owed to Escrow Agent, or hold such Escrow Property (or any portion thereof), pending distribution, until all such fees, costs and expenses or other obligations are paid.

(d) Upon delivery of the Escrow Property to successor Escrow Agent, Escrow Agent shall have no further duties, responsibilities or obligations hereunder.

11. (a) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by Escrow Agent hereunder, Escrow Agent may, in its sole discretion, refrain from taking any action other than retain possession of the Escrow Property, unless Escrow Agent receives written instructions, signed by all Depositors, which eliminates such ambiguity or uncertainty.

(b) In the event of any dispute between or conflicting claims by or among the Depositors and/or any other person or entity with respect to any Escrow Property, Escrow Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions with respect to such Escrow Property so long as such dispute or conflict shall continue, and Escrow Agent shall not be or become liable in any way to the Depositors for failure or refusal to comply with such conflicting claims, demands or instructions. Escrow Agent shall be entitled to refuse to act until, in its sole discretion, either (i) such conflicting or adverse claims or demands shall have

been determined by a final order, judgment or decree of a court of competent jurisdiction, which order, judgment or decree is not subject to appeal, or settled by agreement between the conflicting parties as evidenced in a writing satisfactory to Escrow Agent or (ii) Escrow Agent shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all Losses which it may incur by reason of so acting. Escrow Agent may, in addition, elect, in its sole discretion, to commence an interpleader action or seek other judicial relief or orders as it may deem, in its sole discretion, necessary. The costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with such proceeding shall be paid by, and shall be deemed a joint and several obligation of, the Depositors.

12. This Agreement shall be interpreted, construed, enforced and administered in accordance with the internal substantive laws (and not the choice of law rules) of the State of New York. Each of the Depositors hereby submits to the personal jurisdiction of and each agrees that all proceedings relating hereto shall be brought in courts located within the City and State of New York. Each of the Depositors hereby waives the right to trial by jury and to assert counterclaims in any such proceedings. To the extent that in any jurisdiction any Depositor may be entitled to claim, for itself or its assets, immunity from suit, execution, attachment (whether before or after judgment) or other legal process, each hereby irrevocably agrees not to claim, and hereby waives, such immunity. Each Depositor waives personal service of process and consents to service of process by certified or registered mail, return receipt requested, directed to it at the address last specified for notices hereunder, and such service shall be deemed completed ten (10) calendar days after the same is so mailed.
13. Except as otherwise permitted herein, this Escrow Agreement may be modified only by a written amendment signed by all the parties hereto, and no waiver of any provision hereof shall be effective unless expressed in a writing signed by the party to be charged.
14. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.
15. Each Depositor hereby represents and warrants (a) that this Escrow Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid

and binding obligation and (b) that the execution, delivery and performance of this Escrow Agreement by Depositor do not and will not violate any applicable law or regulation.

16. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be enforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.
17. This Agreement, together with the Stock Purchase Agreement, constitutes the entire agreement of the parties with respect to the subject matter and supersedes all prior oral or written agreements in regard thereto.
18. This Agreement shall terminate upon the distribution of all Escrow Property from the Account. The provisions of these Terms and Conditions shall survive termination of this Escrow Agreement and/or the resignation or removal of the Escrow Agent.
19. No printed or other material in any language, including prospectuses, notices, reports, and promotional material which mentions "The Bank of New York Mellon" by name or the rights, powers, or duties of the Escrow Agent under this Agreement shall be issued by any other parties hereto, or on such party's behalf, without the prior written consent of Escrow Agent.
20. The headings contained in this Agreement are for convenience of reference only and shall have no effect on the interpretation or operation hereof.
21. This Escrow Agreement may be executed by each of the parties hereto in any number of counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all such counterparts shall together constitute one and the same agreement.
22. The Escrow Agent does not have any interest in the Escrow Property deposited hereunder but is serving as escrow holder only and having only possession thereof. Depositors shall pay or reimburse the Escrow Agent upon request for any transfer taxes or other taxes relating to the Escrowed Property incurred in connection herewith and shall indemnify and hold harmless the Escrow Agent any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Escrow Account shall be subject to withholding regulations then in force with respect to United States taxes. The parties hereto will provide the Escrow Agent with appropriate W-9 forms for tax I.D., number certifications, or W-8 forms for non-

resident alien certifications. It is understood that the Escrow Agent shall be responsible for income reporting only with respect to income earned on investment of funds which are a part of the Escrow Property and is not responsible for any other reporting. This paragraph and paragraph (9) shall survive notwithstanding any termination of this Escrow Agreement or the resignation of the Escrow Agent.

23. Depositors agree to indemnify and hold harmless the Escrow Agent against any and all Losses incurred or sustained by the Escrow Agent as a result of or in connection with the Escrow Agent's reliance upon and compliance with instructions or directions given by facsimile or electronic transmission, provided, however, that such losses have not arisen from the gross negligence or willful misconduct of the Escrow Agent, it being understood that the failure of the Escrow Agent to verify or confirm that the person giving the instructions or directions, is in fact, an authorized person, does not constitute gross negligence or willful misconduct.

*[Signatures set forth on the following page]*

IN WITNESS WHEREOF, each of the parties has caused this Escrow Agreement to be executed by a duly authorized officer as of the day and year first written above.

\_\_\_\_\_  
PEMCO MUTUAL INSURANCE COMPANY      SAGICOR LIFE INSURANCE COMPANY

By: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

THE BANK OF NEW YORK MELLON, as Escrow Agent

By: \_\_\_\_\_

Name:  
Title:

Exhibit A

Fee Schedule

[Escrow Agent to provide]

## EXHIBIT C

### TRADEMARK LICENSE AGREEMENT

This Trademark License Agreement (the “**Agreement**”) is made, effective as of \_\_\_\_\_, 2012, by and between PEMCO Mutual Insurance Company, a Washington corporation (“**Licensor**”), PEMCO Life Insurance Company, a Washington corporation (“**Licensee**”) and Sagicor Life Insurance Company, a Texas corporation (“**Buyer**”).

#### RECITALS

- A. Licensor is the owner of the trademark PEMCO and the PEMCO family of trademarks, including those set forth in Appendix A.
- B. Prior to the consummation of the Transaction (defined below), Licensee is and has been a wholly owned subsidiary of Licensor.
- C. As a related company of Licensor, Licensee has been using, with the permission of Licensor, the trademarks set forth in Appendix A (the “**Trademarks**”) in connection with its life insurance business (the “**Business**”).
- D. Pursuant to a Stock Purchase Agreement, dated February 22, 2012, by and between Licensor and Buyer, Licensor has agreed to sell, and Buyer has agreed to purchase, all shares of stock of Licensee (the “**Transaction**”).
- E. Because Licensee will no longer be a related company of Licensor upon consummation of the Transaction, the permission granted by Licensor to Licensee to use the Trademarks in the Business shall terminate upon consummation of the Transaction.
- F. Licensee desires, and Licensor is willing to grant, a limited license to Licensee to use the Trademarks for a limited period of time for purposes of allowing Licensee to wind down and discontinue its use of the Trademarks after consummation of the Transaction.

NOW, THEREFORE, in consideration of the above and other valuable consideration, the parties hereto agree as follows:

**1. DEFINITIONS.** In addition to the terms in initial capital letters defined elsewhere in this Agreement, the following terms in initial capital letters have the meanings set forth below:

- 1.1 “Closing Date”** means the date the Transaction is consummated.
- 1.2 “Transition Period”** means a period extending from the Closing Date to not later than December 31, 2012, inclusive.
- 1.3 “Wind Down Period”** means a period of three (3) months beginning upon conclusion of the Transition Period.

**1.4** “**Territory**” means the states of Washington and Oregon.

**1.5** “**Services**” means, with respect to each Trademark, the services specified for such Trademark in Appendix A.

## **2. LICENSE.**

**2.1 Grant of License.** Subject to Licensee’s compliance with the terms and conditions of this Agreement, Licensor grants to Licensee a non-exclusive, personal and nontransferable license to:

2.1.1 During the Transition Period, use the Trademarks in the Territory solely in connection with the Services and to the extent consistent with the use by Licensee in the ordinary course of the Business as currently conducted on the Closing Date; and

2.1.2 During the Wind Down Period, use the Trademark in the Territory solely to identify the Trademarks as previously known name of Licensee in connection with the Services and to the extent consistent with the use by Licensee in the ordinary course of the Business. The license grant in subsection 2.1 above includes the right to use the Trademarks in Licensee's company name, but only during the Transition Period and in accordance with the terms hereof.

**2.2 Licensee Restrictions.** The Trademark shall not be used by Licensee on any other goods or services without the written consent of Licensor. Licensee shall not market, sell, distribute for sale, or promote the Services outside of the Territory or Business, unless Licensee obtains Licensor’s prior express written approval. Licensee is not granted any rights to sublicense the Trademark. Other than as specifically provided in Section 2.1, Licensee is not granted any other rights to use the Trademarks and all such rights are specifically reserved by and for the benefit of Licensor.

**2.3 Licensor Restrictions.** During the Transition Period, without Licensee’s written approval Licensor shall not use and shall not grant a license to any other person or legal entity to use the Trademarks in the Territory in connection with the Services.

**3. QUALITY OF SERVICES.** Licensee shall use the Trademark only in connection with Services that are performed with level of quality consistent with Licensee’s performance of similar services as of the Closing Date. Licensee will make no changes in the features, practices and processes of the Services with which the Trademarks are used, or any aspects thereof, that materially and adversely affect the performance or quality of such Services without Licensor’s advance written consent thereto.

**4. INSPECTION AND CONTROL.** As requested by Licensor, Licensee will permit representatives of Licensor to inspect Licensee’s performance of Services at all reasonable times and on prior written notice. The quality of Licensee’s performance of such Services will be deemed acceptable to Licensor unless specific written objection is given to Licensee within 30

days of the time of inspection. Licensee will make, within thirty (30) days after notice by Licensor, all corrections that are necessary to conform to the requirements set forth in Section 3.

## **5. USE OF TRADEMARKS.**

**5.1** If requested by Licensor, Licensee shall provide Licensor with representative samples of all literature, packages, labels, labeling, and advertising that display the Trademarks and all significant changes thereto prepared by or for Licensee and intended to be used by Licensee. When using the Trademark under this Agreement, Licensee undertakes to comply substantially with all laws pertaining to trademarks in force at any time in the Territory, including, but not limited to, compliance with marking requirements.

**5.2** The Trademark shall always be identified as registered by use of the <sup>sm</sup> common law trademark symbol, as applicable, as a subscript or superscript associated with the Trademark at least once in connection with each publication of the mark. The Trademark shall further be used only in conformance with the guidelines set forth in Appendix B.

**5.3** Licensee shall not alter the nature or design of the Trademark in any way and shall not use the Trademark in the creation of a composite mark or associate it with another mark used by Licensee, unless prior written consent is obtained from Licensor.

**6. INDEMNITY.** Licensor assumes no liability to Licensee or to third parties with respect to the Services marketed, offered, provided or sold by Licensee under the Trademarks or to the use of the Trademarks in the Territory. Licensee will indemnify, defend and hold harmless Licensor, its affiliates, and their respective officers, directors, employees, agents and representatives from and against any and all claims, actions, and proceedings, losses, liabilities, damages, amounts in settlement, costs and expenses, including without limitation reasonable attorneys' fees, incurred arising from claims of third persons involving the Services marketed, offered, provided or sold by Licensee under the Trademarks or the use of the Trademarks in the Territory in each case on or after the date hereof. For the avoidance of doubt, Licensee's indemnification of Licensor does not include any portion of a claim to the extent attributable to Licensee's use of the Trademarks prior to the date hereof.

**7. LIMITATION OF LIABILITY.** IN NO EVENT SHALL ANY PARTY HERETO BE LIABLE FOR ANY CONSEQUENTIAL, INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, DAMAGES FOR LOSS OF BUSINESS PROFITS OR BUSINESS INTERRUPTION, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

## **8. TERM AND TERMINATION.**

**8.1** This Agreement shall be effective upon the Closing Date and continue until conclusion of the Wind Down Period, unless terminated sooner as provided herein.

**8.2** Each party shall have the right to terminate this Agreement upon thirty (30) days

prior written notice if the other party is in material breach of this Agreement and the breaching party fails to remedy such breach within such notice period.

**8.3** Each party shall have the right to terminate this Agreement immediately upon written notice in the event that the other party becomes insolvent, files for any form of bankruptcy, or becomes the subject of any involuntary proceeding relating to insolvency, liquidation, receivership or composition for the benefit of creditors if such proceeding is not dismissed within 60 days of filing, makes any assignment for the benefit of creditors, has a receiver, administrative receiver or officer appointed over the whole or a substantial part of the assets, or ceases to conduct business, or an equivalent act to any of the above occurs under the laws of the jurisdiction of each party.

**8.4** If Licensee ceases providing of the Services in association with the Trademark for a period in excess of 45 days, this Agreement shall automatically terminate.

**8.5** Licensor will have the right, immediately upon written notice to Licensee, to terminate this Agreement if Licensee intentionally violates the scope of, or limitations on, its license to use the Trademarks.

**8.6** Upon expiration or any termination of this Agreement: (a) all licenses and rights granted herein will automatically terminate and revert to Licensor; (b) Licensee will cease and desist from all use of the Trademark in any way and will, as directed by Licensor, deliver to Licensor all goods, materials and papers upon which the Trademark appears, or destroy such goods, materials and papers and provide Licensor with written certification of such destruction; and (c) Licensee will at no time adopt or use, without Licensor's prior written consent, any word or mark which is likely to be similar to or confusing with the Trademark.

## **9. OWNERSHIP OF THE TRADEMARK.**

**9.1** Licensee acknowledges that Licensor is the owner of the entire right, title and interest in and to the Trademark, and Licensee will not at any time do, or cause to be done, any act or thing in any way impairing or tending to impair any part of such right, title, and interest, and will not challenge the validity of the Trademark. In connection with the use of the Trademark, Licensee shall not in any manner represent that it has any ownership in the Trademark.

**9.2** Licensee shall not attempt to register the Trademarks alone or as part of its own trademark or trade name, nor shall Licensee use or attempt to register any marks confusingly similar to the Trademarks. Licensee acknowledges that use of the Trademark shall not create in Licensee's favor any right, title, or interest in or to the Trademark, but that all uses of the Trademark by Licensee shall inure to the benefit of Licensor.

**9.3** To the best of its knowledge, Licensee has no right, title or interest in or to the Trademarks. To the extent that, now or in the future, Licensee has or may be deemed or construed to have any right, title or interest in or to any of the Trademarks, Licensee agrees to, and hereby does, assign, convey, transfer and quitclaim exclusively to Licensor any and all of

Licensee's right, title or interest in and to the Trademarks, together with the goodwill symbolized thereby.

**10. ENFORCEMENT.** Licensor agrees to enforce the Trademark against infringers at its sole option and expense. In connection therewith, Licensee, at Licensor's sole cost and expense, shall cooperate fully, to the extent reasonably requested by Licensor, to stop such infringement or act. Licensor shall retain all amounts in settlement and damages resulting from its enforcement. In the event Licensor elects not to enforce the Trademark after sixty (60) days written request from Licensee to enforce the Trademark, then Licensee may at its option and at its own expense for and on behalf of Licensee, enforce the Trademark. If Licensee enforces the Trademark, it shall retain all damages and amounts in settlement resulting from its enforcement.

**11. GENERAL.**

**11.1 Licensee Obligations.** Obligations designated under this Agreement as being those of Licensee are the joint and several obligations of Licensee and Buyer. Notwithstanding that Licensee is referred to herein as "Licensee" or a party to this Agreement, Licensee hereby agree that: (a) it has designated Buyer as the "single point of contact" to which Licensor may tender performance of its rights and obligations hereunder (e.g. inspection of Services and review of literature, packages, labels, labeling, and advertising that display the Trademarks); (b) Licensor's obligations to Licensee under this Agreement will be deemed satisfied by tendering a single performance of such obligations to Buyer (including but not limited to any obligation requiring a writing) unless otherwise specifically provided herein; and (c) Licensor will be entitled to rely upon any consent, approval, rejection or other communication made by Buyer as being valid for and binding upon Licensee unless specifically otherwise stated therein.

**11.2 Assignment.** Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned without the prior written consent of the Parties, and any attempt to make any such assignment without such consent shall be null and void; *provided, however*, that Licensor may assign any of its rights and interests under this Agreement to its affiliates or any other successor in interest. For purposes of the Agreement, an assignment includes by operation of law, change of control or otherwise.

**11.3 Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Each party hereto irrevocably consents to the exclusive jurisdiction and venue of any State or Federal court within Seattle, Washington, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Washington for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction, venue or process. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL IN ANY LEGAL PROCEEDING ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT.

**11.4 Counterparts; Facsimiles.** This Agreement may be executed in one or more

counterparts, each of which will be deemed to be an original copy of this Agreement and all of which will form a single agreement. Signatures of the parties on this Agreement may be transmitted by facsimile (or other electronic transmission including email of a PDF signature) and shall be deemed to be original signatures for all purposes.

**11.5 Compliance with Laws.** Licensee will comply with all laws, ordinances, regulations, rules, orders and other requirements (including, without limitation, requirements for licenses, permits, and approvals) of governmental authorities having jurisdiction applicable to the Business and its performance under this Agreement.

**11.6 Entire Agreement.** This Agreement constitutes the entire agreement, understanding and representations, expressed or implied, between Licensor and Licensee with respect to subject matters described herein, and supersedes all prior communications, agreements, representations, warranties, statements, negotiations, understandings and proposals, with respect to such subject matters. This Agreement shall not be amended, altered or changed except by a written agreement signed by the parties. Any rights not expressly granted in this Agreement are reserved.

**11.7 Headings.** The headings used herein are for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.

**11.8 Notices.** Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service; (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses or facsimile number and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, or person as a party may designate by notice to the other party):

(a) To Licensor:

PEMCO Mutual Insurance Company  
325 Eastlake Avenue East  
Seattle, WA 98109-5407  
Facsimile: (206) 628-4575  
Attn: General Counsel

(b) To Licensee and Buyer:

Sagicor Life Insurance Company  
4010 W. Boy Scout Blvd., Suite 800  
Tampa, FL 33607  
Facsimile: (480) 425-5150  
Attn: Chief Operating Officer

**11.9 Relationship Between the Parties.** The performance by Licensee of its duties and obligations under this Agreement shall be that of an independent contractor and nothing contained in this Agreement shall create or imply an agency relationship between Licensor and Licensee, nor shall this Agreement be deemed to constitute a joint venture or partnership between Licensor and Licensee. Each party assumes sole and full responsibility for its acts and the acts of its personnel. Neither party shall have the authority to make commitments or enter into contracts on behalf of, bind, or otherwise oblige the other party except for the limited agency expressly provided for herein.

**11.10 Registration.** In the event that this Agreement is required to be registered with any governmental authority, Licensee shall cause such registration to be made and shall bear any expense or tax payable in respect thereof.

**11.11 Severability.** If any provision of this Agreement is held to be invalid or unenforceable under applicable law, such provision will be ineffective only to the extent of such invalidity or unenforceability and the remainder of such provision, and the remaining provisions of this Agreement, will be given full force and effect.

**11.12 Survival.** The terms and conditions contained in this Agreement that by their sense and context are intended to survive the performance hereof by the parties shall so survive the completion of performance under, or cancellation or termination of, this Agreement, including without limitation, Sections 6, 7, 8.6, 9 and 11.

**11.13 Waiver.** No waiver of any breach of any provisions of this Agreement shall be effective unless made in writing and signed by each of the parties to this Agreement. Each party agrees that no failure or delay by the other party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. Waiver of any breach of any term or condition of this Agreement shall not be deemed a waiver of any prior or subsequent breach.

*[Signature Page Follows]*

IN WITNESS WHEREOF, THIS Trademark License Agreement has been executed by duly authorized representatives of the parties as of the date above first written.

**PEMCO MUTUAL INSURANCE COMPANY  
LICENSOR**

By: \_\_\_\_\_  
Name: Steven A. Ricco  
Title: Vice-President, Treasurer & Chief Financial  
Officer

**PEMCO LIFE INSURANCE COMPANY  
LICENSEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SAGICOR LIFE INSURANCE COMPANY  
BUYER**

By: \_\_\_\_\_  
Name: Bart Catmull  
Title: Chief Operating Officer

## APPENDIX A

Pursuant to Section 1 of the Agreement, Licensee may use each trademark in connection with the corresponding Services:

| <b>Trademark</b>   | <b>Services</b>   |
|--|---|
| PEMCO  | All life insurance services currently provided in the Business within the territories of Washington and Oregon. |
| PEMCO Life Insurance Company                                       | All life insurance services currently provided in the Business within the territories of Washington and Oregon. |
| <a href="http://www.pemcolifeagent.com">www.pemcolifeagent.com</a> | Domain name used in the Business  |

## **APPENDIX B**

### **GUIDELINES FOR USE OF THE TRADEMARK**

1. The Trademark is a proper adjective and should be followed by generic terms.
2. The Trademark should not be pluralized.
3. The Trademark is never a verb.
4. The Trademark should always be set off from surrounding text by using initial capital letters, all capital letters, quotation marks, italics or other different type font, or the logo form of the trademarks.

## EXHIBIT D

### TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT is made this \_\_\_ day of \_\_\_\_\_, 2012 by and between PEMCO Mutual Insurance Company, a Washington corporation (“**PMIC**”), PEMCO Life Insurance Company, a Washington Corporation (“**Company**”) and Sagicor Life Insurance Company, a Texas insurance corporation (“**Sagicor**”). The parties hereto are sometimes collectively referred to as the “**Parties**” or individually as a “**Party**.”

WHEREAS, PMIC and Sagicor are parties to that certain Stock Purchase Agreement, dated February 22, 2012 (the “**Purchase Agreement**”), pursuant to which Sagicor purchased all of the outstanding stock of the Company from PMIC;

WHEREAS, PMIC has historically provided certain administrative and information technology services to the Company; and

WHEREAS, in order to enable Company to continue to operate its business in an effective manner, PMIC has agreed to provide to Company certain administrative transitional services for the periods and on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the Parties agree:

#### 1. PURPOSE

The purpose of this Agreement is to define the Transitional Services provided by or at the direction of PMIC to Company and to establish the payment and/or reimbursement mechanisms for the costs associated with such services.

#### 2. TERM AND TERMINATION

2.1 Effective Date. This Agreement shall become effective on the closing date of the purchase and sale of the shares of Company contemplated between PMIC and Sagicor (“**Closing**”).

2.2 Transitional Services Term. The Transitional Services shall continue for a period of one (1) month from the Closing (the “**Term**”) unless terminated earlier. The Term may be extended for each of the SLAs (as defined herein) at Company’s option for up to two (2) successive one-month periods, provided that such option must be exercised at least seven (7) calendar days prior to the end of the Term.

2.3 Termination by Company. Company may terminate this Agreement with regard to any SLA upon seven (7) days prior written notice (the “**Termination Notice**”). The Termination Notice shall specify which SLA(s) are being terminated by Company. Notwithstanding any other provision in this Agreement, the termination of all SLAs hereunder shall trigger immediate termination of this Agreement.

2.4 Termination for Cause. If either Party materially defaults in the performance of any of its duties or obligations under this Agreement (except for a default in payment to PMIC), which default is not substantially cured within ten (10) days after written notice is given to the defaulting Party specifying the default, or, with respect to those defaults which cannot reasonably be cured within ten (10) days, if the Parties have failed within ten (10) days to agree in writing to a mutually acceptable resolution plan, then the Party not in default may, by giving written notice of termination to the defaulting Party, terminate this Agreement as of a date specified in the notice of termination. Termination shall not affect or negate Company's obligation to compensate PMIC for the Services provided before termination becomes effective.

2.5 Termination for Nonpayment. PMIC may, by giving written notice to Company, terminate this Agreement as of a date specified in the notice of termination if Company defaults in the payment of any amount due to PMIC and does not, within ten (10) days after being given written notice, cure such default.

2.6 Notice of Termination. Each termination requires written notice.

2.7 Effect of Termination; Survival. Upon termination or expiration of this Agreement, (i) PMIC will be under no further obligation to perform the Services and (ii) the Parties' respective rights and obligations under Sections 2.8, 4, 6, 7, 8, and 9 of this Agreement shall survive.

2.8 Rights Upon Termination. If PMIC terminates this Agreement or any SLA for Company's default, Company shall immediately pay PMIC for all such terminated Transitional Services performed and all other charges incurred through the termination date, plus (i) reasonable termination costs incurred in connection with the early termination of any other agreement relating to services or resources used by PMIC to perform the Services for which Company has expressly accepted such liability in advance, and (ii) any other reasonable, documented costs and expenses related to termination that remains after PMIC has exercised commercially reasonable efforts to mitigate such damages.

### 3. **DEFINITION OF TRANSITIONAL SERVICES**

3.1 Transitional Services. During the term of this Agreement, PMIC shall provide the transitional services (individually, a "**Transitional Service**" and collectively, the "**Transitional Services**") set forth in each of the Service Level Attachments (each, an "**SLA**") attached hereto as Annex 1. In the event of any conflict between this Agreement and an SLA, this Agreement will take precedence unless an exception for such conflict is expressly stated in the respective SLA.

3.2 Transitional Responsibility. Company acknowledges and agrees that the Transitional Services provided hereunder are short-term in nature and that PMIC is not in the business of providing such Transitional Services to unaffiliated third parties and has no long term interest in continuing this Agreement. Company shall bear sole responsibility for instituting permanent services, or obtaining replacement services upon termination or expiration of this Agreement and/or upon termination of any SLA. PMIC shall bear no liability for Company's failure to implement or obtain such services or for any difficulties in transitioning to such permanent or replacement services.

3.3 Level of Transitional Services. The Transitional Services provided under this Agreement shall be provided at levels substantially similar in scope, quality and nature to those provided by PMIC to Company prior to the date hereof.

3.4 Cooperation. Each Party shall cause its employees and agents to reasonably cooperate with the employees and agents of the other to the extent required for effective delivery of the Transitional Services. In addition, each Party shall name a point of contact who shall be responsible for the day to day implementation of this Agreement, including attempted resolution of any issues that may arise during the performance of any Party's obligations hereunder.

3.5 Third Party Services. PMIC shall be able to engage the services of independent contractors to deliver or assist PMIC in the delivery of Transitional Services contemplated under this Agreement. Except for any engagement where the independent contractor is already providing services to PMIC, Company, or Sagikor pursuant to agreed upon terms and conditions, PMIC shall not engage an independent contractor to provide services under this Agreement without Company's prior written consent. PMIC will impose on such third parties the confidentiality obligations specified in this Agreement and will monitor the performance of such third parties to ensure that the Transitional Services meet, in all material respects, the requirements of this Agreement.

3.6 Termination of Prior Agreements. Upon this Agreement taking effect, the following agreements between PMIC and Company in effect immediately prior thereto shall terminate; the Cost Sharing Agreement between PMIC and Company, effective October 10, 2006, and its attachments, all as amended.

#### **4. PAYMENTS TO PMIC**

4.1 Monthly Payment of SLA Charges. For each month during the term of this Agreement, Company shall pay to PMIC all service-related charges in accordance with each SLA to this Agreement, including any direct vendor payments incurred in connection therewith, as adjusted from time to time in accordance with this Agreement. PMIC will on a monthly basis submit to Company an itemized invoice for charges incurred in the previous calendar month. The invoices shall include any applicable taxes that PMIC is required by law to collect from Company. All uncontested amounts shall be payable net 10 days of the invoice date, by electronic funds transfer to a bank account specified by PMIC. PMIC may suspend any Transitional Service at any time that the Company's account is overdue as a result of Company's failure to pay uncontested amounts. Any amount improperly held by the other Party, whether refund, credit, late payment or error adjustment amounts not paid will accrue interest at a rate indexed to the Consumer Price Index for Seattle (CPI/W). The Parties shall exercise their best efforts to promptly resolve any settlement dispute(s).

4.2 Out-of-Pocket Expenses. Company will reimburse PMIC for all reasonable and necessary out-of-pocket expenses, including without limiting the foregoing, travel and travel-related and other major expenses approved by the Company in advance and other costs (such as pass-through charges) reasonably incurred in connection with the furnishing of the Transitional Services to Company or otherwise incurred at Company's request.

4.3 Taxes. Company shall pay, or reimburse PMIC for payment of, any taxes or amounts paid in lieu of taxes, including privilege or excise taxes however designated or levied,

based upon this Agreement, the charges of PMIC or the Transitional Services or materials provided under this Agreement. PMIC is only responsible for the payment of franchise taxes, state and local personal property taxes on its own property, employment taxes for its employees and taxes based on the net or gross income of PMIC.

4.4 Proration. All periodic charges under this Agreement are to be computed on a calendar month basis. In the event that Transition Services under a SLA are provided on less than a full month basis, the charges for such Transitional Services shall be pro-rated by dividing the fixed fee for such SLA by the number of days in the respective month, and multiplying the result by the number of days the Transitional Services were actually provided.

4.5 Credit Against Charges. With respect to any amount to be reimbursed to Company or otherwise payable to Company by PMIC pursuant to this Agreement, PMIC may, at its option, pay that amount by giving Company a credit against the charges otherwise payable to PMIC under this Agreement. In the event this Agreement or the applicable SLA is terminated while any such credit remains outstanding, PMIC shall immediately discharge to Company the amount of such credit in cash.

4.6 Records. Each of PMIC and Company shall keep such full and adequate records as are necessary to determine the charges to be assessed pursuant to this Agreement, and shall have reasonable access to such records of the other. The Parties acknowledge that PMIC is regulated by the Office of Insurance Commissioner for the State of Washington and they agree to provide access to such information and records as may be required in order to comply with any audit or request for information from or on behalf of the Office of Insurance Commissioner for the State of Washington.

4.7 Sagikor Obligations. Obligations designated under this Agreement as being those of Company are the joint and several obligations of Company and Sagikor.

## **5. COMPANY OBLIGATIONS**

Company agrees that it shall:

(a) Communicate Services priorities for Company on an ongoing basis, including providing the business objectives and requirements of Company to PMIC.

(b) Approve all required Company information technology (IT) systems changes to be made pursuant to any support provisions, and necessary to transfer Company systems and IT assets off PMIC's network and computing environment, to Company's. Company shall have full responsibility and liability for any incorrect, incomplete, or omitted requirements and specifications, and any changes or additions to approved requirements or specifications shall be at Company's expense.

(c) Cooperate with PMIC in establishing through SLAs or Work Orders mutually acceptable procedures and timing for the processing of non-scheduled, special request, or other Company-initiated services and change control activities, and modifying those SLAs or Work Orders as reasonably requested.

(d) Cooperate with PMIC generally, and in particular make available, as reasonably requested by PMIC, management decisions, contact information, approvals, and acceptances in order to facilitate efficient performance of the Transition Services.

## 6. PROPRIETARY RIGHTS

Company retains exclusive rights of ownership to all work products produced solely and exclusively for Company by PMIC under this Agreement. PMIC retains exclusive rights to ownership of all other work products produced hereunder, except to the extent that such rights are owned by third parties. “**Work product**” shall include all documents, presentation materials, files, input materials, output materials, the media upon which they are located, and all software programs or packages (together with any related documentation, source codes, object codes, upgrades, revisions, modifications, and any other related materials) which are utilized or developed in the performance of the Transitional Services contracted for under this Agreement.

## 7. CONFIDENTIALITY

### 7.1 Confidential Information.

(a) PMIC and Company agree (i) to keep and to cause their respective directors, officers, employees, agents, successors and assigns (collectively, “**Affiliates**”) to keep all Confidential Information confidential at all times and to prevent any Confidential Information from being disclosed or otherwise revealed to any other person or entity beyond those whose services are necessary in order for a Party to perform its obligations hereunder, or from otherwise falling into the public domain, (ii) upon written request from the other Party, promptly (and in any case within 5 business days) to return or destroy (at the discretion of the Party holding the Confidential Information) any Confidential Information and simultaneously to certify compliance with this provision, and (iii) not to use or permit any of its Affiliates to use the Confidential Information for any purpose other than in connection with the performance of such Party’s duties and obligations under this Agreement. “**Confidential Information**” of a Party means all information not in the public domain that belongs to or is the responsibility of that Party to hold in confidence, including, but not limited to, information about its business affairs; software, hardware, and other proprietary systems and related documentation whether owned or licensed; research and development; work products, know-how, and methodologies; and third parties with whom that Party conducts business. With regard to information not in the public domain that belongs to both parties or is the responsibility of both parties to hold in confidence (“**Joint Confidential Information**”), a Party may use or permit any of its Affiliates to use Joint Confidential Information for any purpose the Party would otherwise be allowed under law or contract, without limiting such purpose to the performance of the Party’s duties and obligations under this Agreement.

(b) Confidential Information and Joint Confidential Information shall not include (i) information previously known by a Party and not otherwise subject to an obligation of confidentiality, (ii) information which becomes generally available other than by disclosure in violation of the provisions of this Section 7, (iii) information which becomes available on a non-confidential basis to a Party from a source other than the other Party to this Agreement provided the Party in question reasonably believes that such source is not or was not bound to hold such information confidential, (iv) information acquired or developed independently by a Party without violating this Section 7 or any other confidentiality agreement with the other Party, and

(v) information that any Party hereto reasonably believes it is required to disclose by law, provided that it first notifies the other Party hereto of such requirement and allows such Party a reasonable opportunity to seek a protective order or other appropriate remedy to prevent such disclosure. Without prejudice to the rights and remedies of either Party to this Agreement, a Party disclosing any Confidential Information to the other Party in accordance with the provisions of this Agreement shall be entitled to equitable relief by way of an injunction if the other Party hereto breaches or threatens to breach any provision of this Section 7.

(c) The Parties understand and give their respective consent that under certain circumstances, their Confidential Information or Joint Confidential Information may be disclosed to another Party's related firms or contractors, but only for purposes consistent with this Agreement and under the condition that such recipients be bound in writing to keep such information confidential.

## **8. INDEMNITY**

### **8.1 Indemnification By PMIC.**

(a) PMIC shall indemnify and hold Company and its Affiliates harmless against any losses, liabilities, damages and claims (including taxes), and all related costs and expenses (including any and all reasonable attorneys fees and costs of investigation, litigation, settlement, and judgment, and interest and penalties) ("**Losses**") arising from or caused by: (1) PMIC's breach of its obligations under this Agreement or (2) the gross negligence or intentional misconduct of PMIC.

(b) If notified promptly in writing of any action brought against Company or its Affiliates based on a claim described in Section 8.1(a) above, PMIC shall defend such action at its expense and pay all costs, damages and settlements finally awarded in such action or settlement which are attributable to such claim. PMIC shall have sole control of the defense of any such action and all negotiations for its settlement or compromise, provided such settlement or compromise includes an unconditional release of Company and its Affiliates from all liability with respect to such claim in form and substance reasonably satisfactory to Company. Company shall reasonably cooperate with PMIC in the defense of such claim, and may be represented, at Company's expense, by counsel of Company's selection.

### **8.2 Indemnification by Company.**

(a) Company shall indemnify and hold PMIC and its Affiliates harmless against any Losses arising from or caused by: (1) Company's breach of its obligations under this Agreement or (2) the gross negligence or intentional misconduct of Company.

(b) If notified promptly in writing of any action brought against PMIC or its Affiliates based on a claim described in Section 8.2(a) above, Company shall defend such action at its expense and pay all costs and damages finally awarded in such action or settlement which are attributable to such claim. Company shall have sole control of the defense of any such action and all negotiations for its settlement or compromise, provided such settlement or compromise includes an unconditional release of PMIC and its Affiliates from all liability with respect to such claim in form and substance reasonably satisfactory to PMIC. PMIC shall reasonably

cooperate with Company in the defense of such claim, and may be represented, at PMIC's expense, by counsel of PMIC's selection.

8.3 Limitation. EXCEPT TO THE EXTENT SET FORTH IN SECTION 8.1 AND 8.2 AND SECTION 8.6 AND EXCEPT FOR CLAIMS ARISING FROM FRAUD, THE PARTIES SHALL NOT BE LIABLE UNDER THIS AGREEMENT, OR IN CONNECTION WITH THE PERFORMANCE OR NONPERFORMANCE OF THE SERVICES, TO ANOTHER PARTY OR ANY OF ITS AFFILIATES, WHETHER IN CONTRACT, WARRANTY, TORT, OR OTHERWISE, AND EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIMS, DEMANDS, CAUSES OF ACTION OR RECOVERIES THEREFOR. IN ADDITION, IN NO EVENT SHALL ANY PARTY BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFIT, REVENUE OR USE) ARISING OUT OF THIS AGREEMENT (EXCEPT TO THE EXTENT THAT A PARTY IS REQUIRED TO PAY SUCH DAMAGES TO A THIRD PARTY AS A RESULT OF A THIRD PARTY CLAIM) EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIMS, DEMANDS, CAUSES OF ACTION OR RECOVERIES THEREFOR. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY HERETO BE LIABLE FOR LOSSES UNDER THIS SECTION 8 THAT EXCEED THREE HUNDRED PERCENT OF THE AMOUNT ACTUALLY PAID BY COMPANY TO PMIC FOR THE SERVICES PROVIDED HEREUNDER.

8.4 Limitation Period. Each Party shall notify the other as soon as it becomes aware of any facts that may give rise to a claim. Without limiting the foregoing, neither Party may assert against the other Party any claim in connection with this Agreement unless the asserting Party has given the other Party written notice of the claim within one (1) year after the asserting Party first knew or should have known of the facts giving rise to such claim.

8.5 Subrogation. In the event that an indemnifying Party shall be obliged to indemnify an indemnified Party pursuant to this Section 8, the indemnifying Party shall, upon payment of such indemnity in full, be subrogated to all rights and remedies of the indemnified Party with respect to the claims to which such indemnification relates.

8.6 Enforcement of Agreement. Each party acknowledges and agrees that the Parties to this Agreement could be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any breach of this Agreement by the other Party may not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which a Party may be entitled, at law or in equity, each Party shall be entitled to seek enforcement of any provision of this Agreement by a decree of specific performance and to seek temporary, preliminary and permanent injunctive relief to prevent breaches or threatened breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

8.7 Exclusive Remedy. The indemnification rights of each indemnified Party pursuant to this Section 8 shall be the exclusive remedy of such indemnified Party with respect to claims arising under this Agreement; provided, however, that such indemnified Party shall retain

the right to seek injunctive or other non-monetary equitable remedies with respect to such claims as provided in Section 8.6.

## **9. GENERAL**

9.1 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned without the prior written consent of the Parties, and any attempt to make any such assignment without such consent shall be null and void. For purposes of the Agreement, an assignment includes by operation of law, change of control or otherwise.

9.2 Force Majeure. No Party shall bear any responsibility or liability for any damages arising out of any delay, inability to perform or interruption of its performance of its obligations under this Agreement due to any acts or omissions of the other Party hereto or for events beyond its reasonable control including, without limitation, acts of God, acts of governmental authorities, acts of the public enemy or due to war, riot, flood, civil commotion, insurrection, labor difficulty, severe or adverse weather conditions, lack of or shortage of electrical power, shortages in the availability of personnel due to epidemic or pandemic, malfunctions of equipment or software programs, or any other cause beyond the reasonable control of such Party.

9.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Each party hereto irrevocably consents to the exclusive jurisdiction and venue of any State or Federal court within Seattle, Washington, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by the laws of the State of Washington for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction, venue or process.

9.4 Dispute Resolution. The parties shall attempt to amicably resolve any dispute arising out of or relating to this Agreement. A meeting shall be held promptly between the parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute. If, within thirty (30) days after such meeting the parties have not succeeded in negotiating a resolution of the dispute, they shall submit the matter to non-binding mediation in Denver, Colorado before a single mediator jointly selected by the parties. If the parties cannot agree on a mediator, the mediator shall be selected by J.A.M.S. Each Party shall be responsible for its own expenses incurred in resolving any dispute. Any expenses attributable to both parties, including without limitation the costs of the mediator and other costs of the mediation, shall be shared equally. If the dispute is not resolved by mediation, either Party shall be free to pursue any and all available legal and equitable remedies in any court having jurisdiction. This Section 9.4 shall not apply to any claim where relief of an equitable nature, such as injunctive relief, may be sought through the courts (it being understood that only the equitable relief portion of a claim may be sought through the courts without having first exhausted the dispute resolution provisions of this Section 9.4). EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL IN ANY LEGAL PROCEEDING ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT.

9.5 Relationship of the Parties. The parties shall for all purposes be considered independent contractors with respect to each other, and neither shall be considered an employee, employer, agent, principal, partner or joint venturer of the other. Each Party shall have sole and exclusive control and authority over its employees and the terms and conditions of their employment, and each Party shall retain full and exclusive control over the operation of its business.

9.6 Non-solicitation. Company and Sagicor will not, without PMIC's prior written consent, for a period of three years from the date of the Agreement, directly or indirectly, (i) solicit the employment of any employee, officer or senior manager of PMIC or (ii) hire any employee, officer or senior manager employed by PMIC; provided, however, this section shall not restrict Company or Sagicor from soliciting or employing any PMIC employee, officer or senior manager (a) who responds to any general advertisement or other general recruiting method used by Company or Sagicor in the ordinary course of business, (b) who is referred by search firms or employment agencies or similar entities so long as such entities have not been instructed by Company or Sagicor to solicit from PMIC such employee/officer/senior manager, (c) who contacts Company or Sagicor on his or her own initiative without any direct solicitation by or encouragement from Company or Sagicor or (d) who has been given notice of termination by PMIC prior to commencement of employment discussions between Company or Sagicor and such specific employee/officer/senior manager.

9.7 Registration. In the event that this Agreement is required to be registered with any governmental authority, Company shall cause such registration to be made and shall bear any expense or tax payable in respect thereof.

9.8 Entire Agreement; Amendment. This Agreement constitutes the entire agreement between PMIC and Company with respect to the subject matter hereof. This Agreement shall not be amended, altered or changed except by a written agreement signed by the parties hereto.

9.9 No Waiver. No delay or omission on the part of either Party to this Agreement in requiring performance by the other Party or in exercising any right hereunder shall operate as a waiver of any provision hereof or of any right or rights hereunder; and the waiver, omission or delay in requiring performance or exercising any right hereunder on any one occasion shall not be construed as a bar to or waiver of such performance or right, or of any right or remedy under this Agreement, on any future occasion.

9.10 Notices. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier Transitional Service; (b) sent by facsimile with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses or facsimile number and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, or person as a party may designate by notice to the other party):

(a) To PMIC:

PEMCO Mutual Insurance Company  
325 Eastlake Avenue East

Seattle, WA 98109-5407  
Attn: Steve Ricco, CFO  
Fax: (206) 628-5971

With a copy to:

PEMCO Mutual Insurance Company  
325 Eastlake Avenue East  
Seattle, WA 98109-5407  
Attn: General Counsel  
Fax: (206) 628-4575

(b) To Company:

Sagicor Life Insurance Company  
4010 W. Boy Scout Blvd., Suite 800  
Tampa, FL 33607  
Facsimile: (480) 425-5150  
Attn: Chief Operating Officer

9.11 Section Headings; Definitions. Section headings are for descriptive purposes only and shall not control or alter the meaning of this Agreement. Capitalized terms used herein but not otherwise defined herein shall have the respective meanings ascribed to them in the Purchase Agreement.

9.12 Severability. If any provision of this Agreement shall for any reason be held illegal or unenforceable, such provision shall be deemed separable from the remaining provisions of this Agreement and shall in no way affect or impair the validity or enforceability of the remaining provisions of this Agreement.

9.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which will form a single agreement. Signatures of the parties on this Agreement or any document delivered pursuant to this Agreement may be transmitted by facsimile (or other electronic transmission including email of a PDF signature) shall be deemed to be original signatures for all purposes. At the request of a Party, the Parties will confirm facsimile transmitted (or other electronic transmission including email of a PDF signature) signatures by signing an original document.

*[Signature Page Follows]*

IN WITNESS WHEREOF, PMIC, Company, and Sagicor have duly executed this Transition Services Agreement as of the day and year first above written.

PEMCO MUTUAL INSURANCE COMPANY

PEMCO LIFE INSURANCE  
COMPANY

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

SAGICOR LIFE INSURANCE COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

**ANNEX 1**

**TRANSITION SERVICES AND COST ALLOCATIONS**

*To the Transition Services Agreement between  
PEMCO Mutual Insurance Company,  
PEMCO Life Insurance Company and  
Sagicor Life Insurance Company  
dated \_\_\_\_\_*

## FINANCE - Services and Pricing SLA

### **Description of Services:**

Upon Company request, PMIC will provide Company with all post-Closing accounting and treasury services necessary to maintain the statutory books and records of the Company in a consistent manner as prior to the Closing, including but not limited to the following:

- Post-Closing standard accounting activities:  
Monthly, within 10 business days after the end of each month, PMIC shall furnish the Company (by state as needed):
  - Direct (1<sup>st</sup> year and renewal)
    - Premiums
    - Commissions
    - Claims
    - Surrenders
  - Reinsurance reporting
  - Ledger in sufficient detail to properly book activity
- Post-Closing standard treasury activities:  
Account separation, transfer, or termination
  - PMIC will account for premiums collected and received on the insurance policies for the Company in a fiduciary capacity and in an account separate from PMIC's general accounts.
  - Commission Accounting and Payment. PMIC shall cause agents' commissions to be paid on a monthly basis. Any debit balances and/or commissions that have been overpaid will be recovered in accordance with the Company's guidelines or deducted from the next commission earned. PMIC shall provide tax reporting for agent commission payments and comply with all reasonable commission accounting standards, which may be amended from time to time.
  - Claims and other policy payments. PMIC shall cause payments to be made on a timely basis, in accordance with all state insurance laws and regulations.

### **Pricing:**

#### **Included in Company Operations and Administration SLA pricing**

Note: The above pricing does not include payments made directly to vendors by PMIC on Company's behalf, which will be billed back to Company at cost.

## COMPANY OPERATIONS & ADMINISTRATION - Services and Pricing SLA

### Description of Services

PMIC will provide Company with qualified, competent, licensed staff to perform all necessary life operations activities in an efficient manner consistent with Company standards and requirements. PMIC staff will be expected to handle customer contact through all queues and channels, and PMIC will ensure staff substantially complies with all applicable law, rules, and regulations.

Services to be provided by PMIC shall include, but are not limited to, the following:

#### Life Administrator Services:

- Customer service assistance as it relates to Life insurance needs
  - Process all new business to final disposition (issue, decline and withdrawal)
  - Policy administrative services
  - Process claims to final disposition
  - Prepare and manage all correspondence as it relates to life policies and claims
- Assist customers, direct insurance agents and community agents with underwriting requirements. Work with the Company's underwriter to underwrite any new business, reinstatements, and rate reconsiderations.
- Notices. PMIC will forward to the Company any receipt of notice of filed lawsuits or Department of Insurance complaints or requests naming the Company within 2 business days of receipt by PMIC.

PMIC will provide standard operational, systems transfer, and wind-down information technology (IT) services as part of the Transitional Services to Company. Services to be provided by PMIC will include: maintenance and operation of current computing and telecom environment at pre-Closing service levels as needed to support migration of operations to Company, knowledge transfer to Company staff for support of Company Genelco system, data and records research, collection, formatting, packaging and delivery, participation in testing as needed, providing consultation or technical services as needed, and oversight of PMIC activities.

Company requested IT services over and above standard services, shall be delivered by PMIC at a rate of \$100 per hour, and as described under a separate mutually agreed upon work order signed by the parties using a format reflected in Exhibit 1 attached hereto.

**Pricing:      \$20,000 per month**

Note: The above pricing does not include payments made directly to vendors by PMIC on Company's behalf, which will be billed back to Company at cost.

**Exhibit 1**

**to COMPANY OPERATIONS & ADMINISTRATION - Services and Pricing SLA**

**Work Order No. \_\_**

***to the TRANSITION SERVICES AGREEMENT***

***by and between PEMCO Mutual Insurance Company, a Washington corporation (“PMIC”),  
PEMCO Life Insurance Company, a Washington Corporation (“Company”)  
and Sagicor Life Insurance Company, a Texas insurance corporation (“Sagicor”),  
dated February XX, 2012.***

**Non-Standard IT services**

**1. Description of Services.**

PMIC will provide....

**2. Company Responsibilities.**

Company will...

**3. Time Frame.**

Services will commence on \_\_\_\_\_ and are expected to be completed by \_\_\_\_\_ or until services are terminated, whichever comes first.

**4. Price and Payment.**

PMIC services will be charged on a time and material basis at a blended rate of **\$100.00 per hour**. Actual expenses, incurred with Company’s approval, will be passed through to Company on the Company bill by PMIC.

**5. Term and Termination.**

This Work Order becomes effective when it has been signed by authorized representatives of both parties, and shall terminate upon final completion of services and payment or upon its earlier termination by either party providing notice to the other.

**PEMCO Mutual Insurance Company**  
“PMIC”

**PEMCO Life Insurance Company**  
“Company”

Approved: \_\_\_\_\_  
Steve Ricco, VP & CFO

Approved: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT E

### RECORDS MANAGEMENT AND ACCESS AGREEMENT

This RECORDS MANAGEMENT AND ACCESS AGREEMENT (“Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 2012 by and between PEMCO Mutual Insurance Company, a Washington corporation (“**PMIC**”), PEMCO Life Insurance Company, a Washington Corporation (“**Company**”) and Sagicor Life Insurance Company, a Texas insurance corporation (“**Sagicor**”). The parties hereto are sometimes collectively referred to as the “**Parties**” or individually as a “**Party**.”

PMIC and Sagicor have entered into a Stock Purchase Agreement dated February 22, 2012 (“Stock Purchase Agreement”). Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Stock Purchase Agreement.

#### 1. Term of Agreement.

This Agreement shall remain in effect until the date upon which the first of the following occurs (the “Termination Date”):

- i) the first date by which PMIC has delivered to the Company copies of all Company Policy Records;
- ii) the later of the tenth anniversary following the Closing Date or ten years after the date of termination of the last policy that is covered under the Company Policy Records; or
- iii) the effective date upon which the parties have agreed in writing to terminate the Agreement.

#### 2. Company Policy Records.

As used herein, “Company Policy Records” shall mean copies of all records of life insurance policies issued by the Company that: (a) are in-force on the Closing Date or terminated within the ten (10) years immediately preceding the Closing Date; and (b) reside on PMIC’s data storage infrastructure on the Closing Date.

#### 3. Company Policy Records Management and Access.

(a) From the Closing Date until the Termination Date, PMIC will:

(i) be responsible for all costs it incurs in performing the services identified in paragraphs (ii), (iii) and (iv) below.

(ii) keep in the same manner in which they are currently maintained (unless later converted to an updated record management system) Company Policy Records.

(iii) provide Sagicor Company Policy Records within a reasonable period, not to exceed five (5) business days for record request volumes routinely received prior to the Closing Date or fifteen (15) business days for higher record request volumes, following receipt of Sagicor's advance written request, and using the same procedures for locating and making them available that PMIC currently uses.

(iv) not delete any Company Policy Record unless PMIC has provided written notice to Sagicor at least 30 days prior to such deletion and either:

A) such Company Policy Record has already been provided to Sagicor;

B) Sagicor otherwise has direct access to such Company Policy Record other than through PMIC;

C) such deletion is required by PMIC or an entity affiliated with PMIC to comply with applicable law; or

D) Sagicor has agreed in writing to such deletion.

(b) Records of life insurance policies issued by the Company and residing on PMIC's data storage infrastructure on the Closing Date that are not Company Policy Records may be retained and disposed of by PMIC according to its retention policies, or those of its successors or assigns.

(c) If PMIC has provided Sagicor access to or a copy of a Company Policy Record which PMIC maintains, Sagicor agrees that PMIC, its affiliates, and their respective directors, officers, employees, agents, representatives, successors and assigns (collectively, "Affiliates") shall not have any liability whatsoever under this Agreement to any person or entity with respect to the accuracy of any Company Policy Record provided hereunder or the sufficiency of any such information to satisfy any audit, legal or regulatory request received by Sagicor.

#### 4. Confidentiality and Security of Information.

(a) PMIC agrees (i) to keep and to cause its Affiliates to keep all Company Policy Records and the information contained therein ("Confidential Information") confidential at all times and to prevent any Confidential Information from being disclosed or otherwise revealed to any other person or entity beyond those whose services are necessary in order for PMIC to perform its obligations hereunder, and (ii) not to use or permit any of its Affiliates to use the Confidential Information for any purpose other than in connection with the performance of PMIC's duties and obligations under this Agreement. With regard to information not in the public domain that belongs to two or more of the parties or is their responsibility to keep confidential ("**Joint Confidential Information**"), a party may use or permit any of its Affiliates to use Joint Confidential Information for any purpose the party would otherwise be allowed under law or contract.

(b) Sagicor understands and gives its consent that under certain circumstances its Confidential Information may be disclosed to PMIC's related firms or contractors, but only for purposes consistent with this Agreement and under the condition that such recipients be bound in writing to keep such information confidential and secure.

(c) PMIC agrees to exercise due care to protect and ensure the confidentiality, security and integrity of Confidential Information, by agreeing to:

- (1) not use or disclose Confidential Information other than as permitted or required by this Agreement or as required by law. If PMIC believes it is required by law or by a subpoena or court order to disclose any Confidential Information, then PMIC, prior to any disclosure and if not precluded by law enforcement, court order, or governmental agency, will promptly notify Sagicor in writing, attaching a copy of the subpoena, court order, or other demand and will make all reasonable efforts to allow Sagicor an opportunity to seek a protective order or other judicial relief;
- (2) use appropriate safeguards to prevent use or disclosure of Confidential Information other than as provided for by this Agreement;
- (3) implement administrative, physical and technical safeguards (including written policies and procedures) that reasonably and appropriately protect the confidentiality, security and integrity of Confidential Information;
- (4) mitigate, to the extent practicable, any harmful effect that is known to PMIC of a use or disclosure of Confidential Information by PMIC in violation of the requirements of this Agreement;
- (5) report promptly to Sagicor any use or disclosure of Confidential Information not provided for by this Agreement or any security incident of which PMIC becomes aware;
- (6) ensure that any agent, including a subcontractor, to whom PMIC provides Confidential Information agrees to the same restrictions and conditions that apply through this Agreement to PMIC with respect to such information, and agrees to implement reasonable and appropriate safeguards to protect it; and
- (7) make all internal policies and procedures relating to the use and disclosure of Confidential Information available to Sagicor upon the request or at the direction of Sagicor or a government agency for purposes of determining Sagicor's compliance with privacy and security laws and regulations.

IN WITNESS WHEREOF, PMIC, Company, and Sagicor have duly executed this Records Management and Access Agreement as of the day and year first above written.

PEMCO MUTUAL INSURANCE COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

PEMCO LIFE INSURANCE COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_

SAGICOR LIFE INSURANCE COMPANY

By: \_\_\_\_\_

Title: \_\_\_\_\_