

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

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BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Merger of:	)	No. 12-0279
	)	
<b>PEMCO LIFE INSURANCE COMPANY, a</b>	)	<b>FINAL ORDER APPROVING</b>
<b>Washington domestic insurer</b>	)	<b>PROPOSED MERGER OF</b>
	)	<b>PEMCO LIFE INSURANCE</b>
<b>with and into</b>	)	<b>COMPANY WITH AND INTO</b>
	)	<b>SAGICOR LIFE INSURANCE</b>
<b>SAGICOR LIFE INSURANCE COMPANY,</b>	)	<b>COMPANY</b>
<b>a Texas corporation.</b>	)	
_____	)	

**TO:** Bart Catmull, Chief Operating Officer  
Sagicor Life Insurance Company  
4343 N. Scottsdale Road, Suite 300  
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& Associate General Counsel  
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**COPY TO:** Mike Kreidler, Insurance Commissioner  
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James T. Odiorne, Deputy Commissioner, Company Supervision Div.  
Ronald J. Pastuch, Holding Company Manager, Company Supervision Div.  
Carol Sureau, Deputy Commissioner, Legal Affairs Division  
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### NATURE OF PROCEEDING

On September 28, 2012, Sagicor Life Insurance Company (“Sagicor Life” or “Applicant”), a Texas domestic life insurance company, acquired one hundred percent ownership of PEMCO Life Insurance Company (“PEMCO Life”), a Washington domestic life and disability insurance company, pursuant to the Stock Purchase Agreement with PEMCO Mutual Insurance Company, a Washington domestic property and casualty insurance company, dated February 22, 2012, and as approved by the Washington State Insurance Commissioner (“OIC”) by Order entered September 20, 2012. On October 2, 2012, Sagicor Life filed a Form A Statement Regarding the Merger with a Domestic Insurer with the OIC, requesting approval of its proposed merger. On October 5, the OIC advised Sagicor Life that additional information from or action by Sagicor Life was required before the application would be deemed complete. On October 17, Sagicor Life provided supplemental information, exhibits and attachments, and on October 25, the OIC determined that the Form A Statement contained all of the documents and information required to be included therein, and transmitted the Form A Statement to the undersigned with the request that the undersigned conduct an adjudicative proceeding and make the final decision either approving or denying this proposed merger.

All documents filed with Sagicor Life’s Form A, and all supplemental documents and information referenced herein, can be found at <http://www.insurance.wa.gov/orders/judicial-hearings/hearings-cases-p-r.shtml>. These documents include, among other documents, 1) the Plan of Merger, dated September 28, 2012, as revised and signed on October 10, 2012, to add to Section 11.2 the following underlined words as required by the OIC: *Section 11.2 This Plan shall be construed and interpreted in accordance with the laws of the States of Texas and Washington.*; 2) the Stock Purchase Agreement by and between PEMCO Life and Sagicor Life dated February 22, 2012; 3) the Insurance Commissioner’s Order Approving Sagicor Life Insurance Company’s Proposed Acquisition of PEMCO Life Insurance Company filed September 20, 2012; 4) Pre- and Post-Acquisition and Merger Organizational Charts of Sagicor Financial Corporation; 5) Biographical affidavits of the directors and executive officers of Sagicor Life ; 6) Financial statements of Sagicor Financial Corporation for calendar years 2006 through 2011; 7) Annual statements and audited financial statements of Sagicor Life for calendar years 2006 through 2011; 8) the 2012 second quarter financial statements of Sagicor Life and PEMCO Life. Included also are 9) the OIC’s October 5, 2012 letter requesting further information from the Applicant; and 10) the Applicant’s letter dated October 16, 2012 which provides information in response to the OIC’s October 5 request for additional information. The documents specified above, and others also included in the Form A, and all other communications between the Applicant and the OIC, and between the Applicant, PEMCO Life, the OIC and the undersigned, are published at the referenced website and were entered into evidence in this proceeding together as Hearing Ex. 1. The parties propose to consummate this proposed merger before January 1, 2013.

### FINDINGS OF FACTS

1. **Sagicor Life Insurance Company** (“Sagicor Life” or “Applicant”) is a Texas life insurance corporation organized and licensed in Texas in 1954, and is authorized by Texas as a Texas domestic insurer to transact life, accident and health insurance business (Texas Certificate of Authority No.

14192). Sagicor Life is also licensed by the Washington Insurance Commissioner (“OIC”) as a foreign insurer to transact life and disability insurance business in Washington State (Washington Certificate of Authority No. 286). Although the state in which Sagicor Life has always been authorized as a domestic insurer has been Texas, for the past thirty years Sagicor Life has kept its books and records, and principal office, outside Texas in Scottsdale, Arizona (currently at 4343 N. Scottsdale Road, Suite 300, Scottsdale, Arizona 85251) where Sagicor Life conducts its accounting, tax, administration, human resources, compliance, legal, systems, new business, sales, underwriting, policy owner, customer service and claims operations. More recently Sagicor Life also moved its books and records, and second principal office, outside Texas to Tampa, Florida (currently at 4010 W. Boy Scout Blvd., Suite 800, Tampa, Florida 33607) where it also conducts corporate, new business, agent appointment, underwriting, investments, and accounting operations. When asked for its authority to move its books and records, and principal office, outside Texas, Sagicor Life submitted a Texas Notice of Intent of Insurer to Move its Books, Records, Accounts, and/or Principal Office(s) outside the State of Texas dated November 29, 2011, which it filed with the Texas Department of Insurance on December 1, 2011; and 2) a February 14, 2012 letter from the Texas Department of Insurance to Sagicor Life advising that the Texas DOI had reviewed its Notice of Intent and that the Texas DOI would “take no further action on the transaction at this time.”

The ultimate controlling person of Sagicor Life is Sagicor Financial Corporation, a Barbados publicly traded insurance holding corporation, organized under the laws of Barbados, which has its primary listing on the Barbados Stock Exchange and secondary listings in Trinidad and on the London Stock Exchange. Sagicor Financial Corporation’s principal place of business is in St. Michael, Barbados.

2. **PEMCO Life Insurance Company** is a Washington-domiciled stock life and disability insurance corporation which was first organized and licensed as a life and disability insurer in Washington in 1963 (Certificate of Authority No. 923). PEMCO Life’s registered address and main administrative office are in Seattle, Washington. PEMCO Life is a wholly owned subsidiary of Sagicor Life, having been acquired from PEMCO Mutual Insurance Company, a Washington-domiciled mutual property and casualty insurance corporation on or about September 28, 2012, as approved by the Insurance Commissioner by Order dated September 20, 2012.

3. **Proposed Merger and Consideration to be Paid.** On September 28, 2012, Sagicor Life acquired PEMCO Life by purchasing all outstanding capital stock of PEMCO Life from PEMCO Mutual Insurance Company for valuable consideration as described in and approved by the Order of the Insurance Commissioner entered September 20, 2012. Sagicor Life’s proposed merger with its wholly owned subsidiary PEMCO Life Insurance Company would involve no financial consideration. [Hearing Ex. 1.]

4. **Result of Proposed Merger.** Should this proposed merger be approved, the result would be that, upon closing, PEMCO Life would be merged into Sagicor Life, with Sagicor Life becoming the surviving corporation governed by the laws of the state of Texas. The corporate identity, existence, purposes, powers, objects, franchises, rights and immunities of PEMCO Life shall be wholly merged in to Sagicor Life and the separate existence of PEMCO Life shall cease; PEMCO Life would no longer be a domestic life and disability insurer in Washington. [Live and Written Testimony of Bart Catnull,

Chief Operating Officer and Chief Financial Officer of Sagicor Life and PEMCO Life; Live and Written Testimony of Ronald J. Pastuch, OIC Holding Company Manager.] If this merger is approved, as of the date the merger is effectuated, Sagicor Life, as the surviving corporation, acknowledges and states its commitment to assume all liability for all of PEMCO Life's outstanding life, health and accident insurance policies, annuity policies, and other contracts and obligations which are in force on the effective date of the merger. Further, Sagicor Life acknowledges and commits to honor all rights and privileges currently held by PEMCO Life's policyholders and states that those rights and privileges shall remain unchanged as a result of this merger. [Testimony of Catmull; Testimony of Pastuch.]

5. On October 2, 2012, Sagicor Life filed a Form A Statement Regarding the Merger with a Domestic Insurer with the OIC, requesting approval of its proposed acquisition, and in so doing filed its Form A at least 60 days prior to its proposed date of merger.

6. It cannot be found that after the merger, PEMCO Life would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed. [Live and Written Testimony of Catmull; Live and Written Testimony of Pastuch.]

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

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

9. It cannot be found that the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to the policyholders of the insurer and not in the public interest. [Live and Written Testimony of Catmull; Live and Written Testimony of Pastuch.]

10. It cannot be found that the competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control. [Live and Written Testimony of Catmull; Live and Written Testimony of Pastuch.]

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

12. On November 27, 2012, the undersigned entered her Notice of Hearing summarizing this proposed transaction and informing the parties and the public that the hearing herein would take place on December 12, 2012 at the hour of 10:00 a.m. and advising that any interested party could participate in the hearing. [Hearing Ex. 1, Notice of Hearing.] On November 29, 2012, the OIC published this Notice of Hearing on the Insurance Commissioner's website. Said Notice remained published on the OIC's website until the time of the hearing. [Live and Written Testimony of Pastuch, Ex. A.] By these

means, reasonable notice was given to the public.

13. Neither the OIC, Sagicor Life, PEMCO Life nor the undersigned has received any objections to the proposed acquisition. [Live and Written Testimony of Catmull; Live and Written Testimony of Pastuch.] However, during the hearing Daniel Hickey, a PEMCO Life policyholder (whose email address is dmhickey@hotmail.com, telephone number 206-220-6339 and cell phone 206-963-7521), called in to the hearing but did not identify himself or speak and so was not recognized. However, following the hearing Mr. Hickey discussed his concerns with Kelly Cairns, Paralegal to the undersigned. Mr. Hickey explained that when he goes on to Sagicor Life's website for policyholders, there is a notice that PEMCO Life policyholders cannot access their policy information online and refers them to customer service. When Mr. Hickey attempted to call customer service, no one answered the call, even after waiting 30 minutes. Mr. Hickey is therefore concerned that there is no avenue for PEMCO Life policyholders to ask for and receive information or assistance about their policies. The undersigned transmitted Mr. Hickey's concern to Sagicor Life and PEMCO Life. In response, Bart F. Catmull, Chief Operating Officer and Chief Financial Officer of Sagicor Life, directed Sagicor Life's Vice President of U.S. Operations to contact Mr. Hickey. This Vice President of U.S. Operations contacted Mr. Hickey, provided him with his or his staff member's direct phone number to call if he had questions or needed assistance with his policy, was advised that Mr. Hickey should not have to wait long for telephone assistance, and was also assured that Sagicor Life is working on improvements to their call center to ensure satisfactory customer service. It is understood that Sagicor Life will remedy this problem promptly and provide Mr. Hickey and all other PEMCO Life policyholders with easy access to Sagicor Life's website for policyholders and furnish them with prompt information and assistance about their policies. Because this concern has been resolved, it is here found that no reasonable objection exists. Should the concern not be entirely resolved, Mr. Hickey and all PEMCO Life policyholders should contact the OIC immediately.

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

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

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

### CONCLUSIONS OF LAW

1. The hearing herein was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied. Pursuant to Title 48 RCW and specifically RCW 48.31B, the Washington State Insurance Commissioner has jurisdiction over the

plan of merger of PEMCO Life Insurance Company and Sagicor Life Insurance Company. Further, the undersigned has been properly delegated the authority to conduct the adjudicative proceeding in this matter, to review and consider all documents and evidence presented and to make the final determination herein without consultation with the Insurance Commissioner, any member of his staff or any other individual who has knowledge of the facts of this matter.

2. Sagicor Life filed its Form A application requesting approval of its proposed merger of PEMCO Life with and into Sagicor Life at least sixty days before its proposed consummation of the merger and therefore was in compliance with RCW 48.31B.015(1), and this Form A application contained the materials and information required by RCW 48.31B.015(2). Therefore, the OIC staff properly determined that Sagicor Life's Form A filing was complete and transferred the file to the undersigned with the request that an adjudicative proceeding be held to hear evidence and make the final decision in this matter.

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

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

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

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

7. Based on Finding of Fact No. 9 above, the plans or proposals that the acquiring party has to liquidate the insurer, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are not unfair or unreasonable to the policyholders of the insurer nor are they not in the public interest.

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

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

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

11. The provisions of the Insurance Code of the State of Washington, Chapter 48.31B RCW, and specifically RCW 48.31B.015 governing the approval of acquisitions, have been met, and it is therefore hereby concluded that Sagicor Life's application for approval of its proposed merger of PEMCO Life with and into Sagicor Life should be approved.

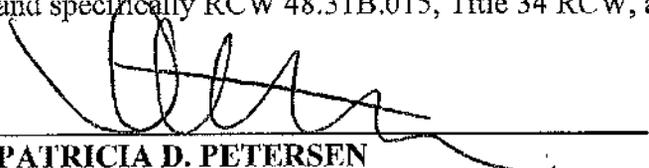
**ORDER**

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

IT IS HEREBY ORDERED that Sagicor Life's request for approval of its proposed merger of PEMCO Life with and into Sagicor Life, under the terms of the Plan of Merger, dated September 28, 2012, as revised and signed on October 10, 2012, to revise Section 11.2 thereof as detailed above, pursuant to the terms of other documents filed and referenced herein, and pursuant to the specific testimony presented by the parties and the OIC at hearing, is approved.

IT IS FURTHER ORDERED that at the close of the adjudicative proceeding held December 12, 2012 after presentation of all evidence, the undersigned orally granted approval of this proposed merger. Therefore, this written Order confirms that oral Order entered by the undersigned on December 12, 2012. Approval of this proposed merger is therefore granted effective December 12, 2012 and the parties may consummate this proposed merger at any time after December 12, 2012 at 12:00 noon PST.

ENTERED at Tumwater, Washington, this 14<sup>th</sup> day of December, 2012, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.

  
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**PATRICIA D. PETERSEN**  
Chief Presiding Officer

Declaration of Mailing

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

DATED this 14<sup>th</sup> day of December, 2012.

  
KELLY A. CAIRNS