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STATE OF WASHINGTON
INSURANCE COMMISSIONER
COURT HOUSE BUILDING

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Merger of:

NO. 12-0279

PEMCO LIFE INSURANCE COMPANY,
a Washington Domestic Insurance
Company,

**DECLARATION OF
RONALD J. PASTUCH**

with and into

SAGICOR LIFE INSURANCE
COMPANY, a Texas corporation

the Applicant.

Ronald J. Pastuch, under penalty of perjury under the laws of the State of Washington,
declares as follows:

1. I am the Holding Company Manager in the Company Supervision Division of
the Washington State Office of Insurance Commissioner ("OIC"). I am over the age of
eighteen years old and I am competent to testify in this matter. I make this Declaration based
upon my personal knowledge.

2. I am a graduate of Pacific Lutheran University, where I earned a Bachelor of
Arts Degree in Business Administration in 1988. I received my CPA license in 2003.

1 3. My previous state employment includes the Washington Department of
2 Veterans Affairs from 1980 to 1987 in accounting and human resource positions, and the
3 Office of the Insurance Commissioner from 1987 to 1991 as a staff accountant, from 1991 to
4 1993 as a field Insurance Examiner in the OIC Company Supervision Division, and from
5 1993 to 2006 as a Financial Analyst at various levels within the same division.

6 4. On February 16, 2006, I was appointed the Holding Company Manager in the
7 same division. As the Holding Company Manager, my primary duties consist of reviewing
8 and approving holding company transactions, which include reviewing and recommending
9 OIC staff's position on proposed requests for insurance company acquisitions and mergers,
10 including disclaimers of control.

11 5. On October 1, 2012, Sagicor Life Insurance Company ("Sagicor Life" or
12 "Applicant") filed an application for approval of the proposed merger of PEMCO Life
13 Insurance Company ("PLIC") in its Form A Statement regarding the merger of a domestic
14 insurer dated September 28, 2012. PLIC is a Washington domiciled stock insurance company
15 incorporated on May 27, 1963, and began writing business on May 1, 1968. PLIC has been
16 licensed to write life and disability coverages in Washington State since its inception. PLIC
17 was previously a wholly owned corporation of PEMCO Mutual Insurance Company until
18 September 28, 2012 when Sagicor Life acquired PLIC. Sagicor Life is now the sole
19 shareholder of PLIC.

20 6. Sagicor Life is a Texas life insurance corporation and has been licensed in
21 Washington State since September 1961. The company was originally incorporated in 1954
22 under the name American Founders Life Insurance Company, and later adopted its current
23 title during 2006 after Sagicor Financial Corporation acquired the company during 2005.
Sagicor Financial Corporation is a Barbados publicly traded insurance holding corporation
and is primarily listed on the Barbados Stock Exchange and secondly on the Trinidad and
London Stock Exchanges. According to information on its website, Sagicor Financial

1 Corporation provides financial services with operations in more than 22 countries, mainly
2 Latin America and the Caribbean.

3 6. Included within its Form A filing which supplements its original Form A
4 Statement dated March 13, 2012, Sagicor Life and PLIC entered into a Plan of Merger
5 Agreement dated September 28, 2012, where PLIC would merge with and into Sagicor Life
6 effective on or near the end of 2012 calendar year.

7 7. Sagicor Life submitted the Plan of Merger Agreement, various Exhibits in their
8 application of merger filing, including the fore mentioned Plan of Merger Agreement, Order
9 Approving Acquisition of PLIC, Articles of Merger, board of directors and stockholder
10 consents regarding the proposed merger transaction, certification of board resolutions certified
11 and signed by their corporate secretaries, and a biographical affidavit of one of its officers.
12 Sagicor Life also filed a copy of its management and service agreement between Sagicor Life
13 and PLIC dated September 28, 2012. That agreement was filed under a Form D filing for
14 prior approval on September 13, 2012, and was not disapproved by the OIC on September 25,
15 2012 contingent upon the approval of the acquisition transaction.

16 8. On October 5, 2012, the OIC sent a letter to Sagicor Life's counsel advising
17 the company's application of merger filing did not have all information within that filing,
18 requested additional information about the Plan of Merger and a question on one of its
19 officers' biographical affidavit, and revise some information provided its application of
20 merger filing.

21 9. On October 16, 2012, counsel for Sagicor Life provided the company's
22 response to the OIC's October 5, 2012, deficiency letter with a revision to its Plan of Merger
23 Agreement.

10. On October 19, 2012, the OIC received the background check report on the
subject officer's biographical affidavit. There were no discrepancies or issues noted during
our review of that report.

1 11. On October 25, 2012, OIC sent a letter to the Chief Hearing Officer regarding
2 this application for merger filing as being complete and requested a hearing to decide on such
3 matter.

4 12. I have reviewed and analyzed these submittals. My analysis was performed
5 under the criteria set forth in RCW 48.31B.015(4). From my analysis,

6 a. The domestic insurer would be able to satisfy the requirements for the
7 issuance of a license to write its current lines of business from which it is presently licensed.
8 As stated previously, PLIC is presently licensed to write life and disability coverages. PLIC's
9 minimum capital and surplus as of the date of the Declaration is \$4.8 million (\$4,800,000). As
10 of its latest financial statement as of September 30, 2012, and filed with the OIC, PLIC
11 reportedly has \$12 million in admitted assets and \$6.2 million in capital and surplus. As the
12 date of this Declaration, PLIC meets the minimum requirements to maintain its license to
13 operate in Washington. PLIC's assets and liabilities including its financial information will be
14 merged into Sagicor Life's 2012 Annual Statement as of December 31, 2012. Therefore,
15 PLIC's final financial statement filed with the OIC will be its September 30, 2012 quarterly
16 financial statement.

17 b. The effect of the proposed merger of control would not lessen competition
18 in this state or tend to create a monopoly therein. The OIC previously reviewed a market
19 analysis of the acquisition and found no competitive standard issues. Sagicor Life and PLIC
20 are now affiliates within the Sagicor holding company system and the proposed merger
21 (acquisition) is therefore exempt from OIC review according to RCW 48.31B.020(2)(b)(iv).

22 c. The financial condition of Sagicor Life appears that it would not jeopardize
23 the financial stability of the domestic insurer or prejudice the interest of its policyholders. As
of September 30, 2012, Sagicor Life's unaudited financial condition has reportedly \$957
million in assets and \$55 million in capital and surplus. Its AM Best rating is A- (Excellent)
as of September 25, 2012, and has reportedly maintained that rating since 2008. As previously

1 disclosed in its Form A filing, Sagicor Life is required to maintain a certain RBC level
2 according to an agreement with the Texas Department of Insurance. Its parent company,
3 Sagicor USA, Inc., acquires through Sagicor Life's surplus notes, and therefore provides the
4 necessary capital in order for Sagicor Life to meet its agreed-upon capital and surplus level
5 with the Texas Department of Insurance. Based on these facts, the proposed merger
6 transaction would not jeopardize the financial stability of Sagicor Life as the surviving entity
7 or prejudice the interest of PLIC's policyholders from the proposed transfer of PLIC contracts
8 through the merger transaction into Sagicor Life.

9 d. Sagicor Life is proposing to merge with PLIC and is the reason for this
10 application filing. Sagicor Life previously indicated its intent to merge PLIC in its March 13,
11 2012, Form A Statement to acquire control of PLIC. In its September 28, 2012, Form A
12 Statement, Sagicor Life filed information about the merger in its Plan of Merger agreement,
13 Articles of Merger, and description of the result of this merger. Sagicor Life would merge all
14 assets and liabilities of PLIC's business with and into Sagicor Life as a result of this merger.
15 PLIC's outstanding stock certificates will be cancelled by Sagicor Life and PLIC will cease to
16 exist after the consummation of the merger. PLIC operations were transferred to the Sagicor
17 Life's existing offices located in Scottsdale, Arizona and Tampa, Florida. PLIC reportedly has
18 no employees.

19 e. We verified the same persons who were listed in the March 13, 2012, Form
20 A filing who are currently the directors and/or officers of PLIC. There are no reported
21 changes to the listed persons' biographical affidavit. As previously mentioned, we did not
22 detect any representation that would question the integrity of the current directors and officers
23 of PLIC including the information filed with the September 28, 2012, Form A filing.

f. We are not aware that the merger (acquisition) is likely to be hazardous or
prejudicial to the insurance buying public. We expect the current directors and officers to

1 provide services that would not be hazardous or prejudicial to the existing PLIC
2 policyholders.

3 13. We also reviewed the proposed merger transaction according to the
4 requirements of RCW 48.31.010(1) which lists the required documents and conditions where
5 a domestic insurer may merge or consolidate with another insurer. Those conditions are listed
6 as follows:

7 a. The plan of merger or consolidation must be submitted to and be approved
8 by the commissioner in advance of the merger or consolidation;

9 b. The plan of merger is to be fair, equitable, and consistent with law, and that
10 no reasonable objection exists. As previously mentioned, Sagicor Life will be the surviving
11 entity and PLIC will be the merged entity. Sagicor Life will merge all assets and liabilities of
12 PLIC's business with and into Sagicor Life as a result of this proposed merger. PLIC's
13 outstanding stock certificates will be cancelled by Sagicor Life and PLIC will cease to exist
14 after the consummation of the merger;

15 c. No director, officer, or member, or subscriber of any such insurer, except as
16 is expressly provided by the plan of merger, shall receive any fee, commission, other
17 compensation, or valuable compensation whatsoever, for in any manner aiding, promoting or
18 assisting in this proposed merger according to affidavits of Sagicor Life and PLIC signed
19 September 28, 2012;

20 d. Any merger as to the incorporated domestic insurer shall in other respects
21 be governed by the general laws of this state relating to business corporations. We reviewed
22 the Washington Business Corporation Act regarding mergers pursuant to chapter 23B.11
23 RCW. We also reviewed those statutory requirements within that chapter according to the
plan of merger, merger of subsidiary, merger with foreign corporation, articles of merger, and
the effect of merger with foreign and domestic entities.

1 14. According to RCW 23B.11.040, a parent corporation owning at least ninety
2 percent of the outstanding shares of each class of a subsidiary corporation may merge the
3 subsidiary into itself without the approval of the shareholders of the parent or the subsidiary.
4 That statute also sets forth the requirements of the board of directors of the parent corporation
5 for its approval of a plan of merger. Since PLIC is a wholly-owned subsidiary of Sagicor Life,
6 neither Sagicor Life nor PLIC was required to obtain the approval of Sagicor Life's
7 shareholders or PLIC's sole shareholder, which is Sagicor Life itself.

8 15. According to RCW 23B.11.050, the articles of merger are to incorporate the
9 plan of merger, and a statement whether that the merger was duly approved by the
10 shareholders of each corporation. Sagicor Life and PLIC submitted a copy of the proposed
11 Articles of Merger. According to section 2 of those Articles, since PLIC is a wholly-owned
12 subsidiary of Sagicor Life and has met the exception for shareholder approval according to
13 RCW 23B.11.040, no vote was required by either Sagicor Life shareholders or PLIC sole
14 shareholder. Those Articles meet the statutory requirements of RCW 23B.11.040 and
15 23B.11.050.

16 16. The OIC is satisfied that the proposed Articles of Merger submitted for OIC
17 consideration meet the statutory requirements according to the above statutes. Those proposed
18 articles of merger are sufficient for approval by the Chief Hearing Officer.

19 17. Sagicor Life and PLIC have submitted all necessary documents to the OIC in
20 connection with the proposed merger. The OIC is satisfied with the necessary documents
21 meeting the statutory requirements for a merger according to RCW 48.31B.015 and
22 48.31.010. The OIC recommends the presiding officer to approve the merger of PLIC by the
23 Applicant with the following condition to the order: The OIC recommends the approval of
the proposed merger transaction contingent upon the prior approval of the Texas Department
of Insurance review of Sagicor Life's proposed merger of PLIC.

1 18. From a procedural standpoint, the OIC requires that notice of this proposed
2 merger be given to the public via the Internet (on the Insurance Commissioner's website). On
3 November 29, 2012, the OIC posted a notice on the Insurance Commissioner's website
4 concerning the proposed merger of PLIC and information about the OIC's hearing process, a
5 true and correct copy of which is attached hereto as Exhibit "A". Such notice included
6 information regarding the hearing, via the Notice of Hearing and announcement posted on the
7 website. We understand that notice will remain posted on the website from the date of this
8 Declaration to the date of the hearing.

9 19. The Notice of Hearing informs and advises all interested parties that any
10 individual or entity is permitted to submit comments on, or objections to, this proposed
11 merger. The Notice of Hearing states that any questions or concerns should be directed to
12 Kelly A. Cairns, Paralegal to the OIC Chief Presiding Officer.

13 20. As of the date of this Declaration, I personally have not received any
14 comments, questions, or objections through letter, correspondence, email, or phone, nor am I
15 aware of any comments, questions, or objections having been received by the OIC Chief
16 Presiding Officer.

17 SIGNED this 6th day of December, 2012.

18 
19 _____
20 Ronald J. Pastuch
21
22
23

EXHIBIT "A"



Public notices

November 2012

Hearing set to consider Sagicor Life and PEMCO life merger - 11/29/12

October 2012

Hearing set for Government Personnel Mutual Life's request to acquire North Coast

August 2012

Hearing set to consider Sagicor Life's request to acquire PEMCO Life - 08/16/2012

March 2012

Hearing set to consider Humana's request to acquire Arcadian Health Plan - 03/13/

December 2011

Industrial Alliance Pacific Insurance and Financial Services Inc. requests approval to move from Washington State to Texas – Hearing set for February 1, 2012. - 12/23/2011

Humana has applied to acquire Arcadian Health Plan, Inc. and its parent company, - 12/22/11

Safeco Companies seek approval to move their state of incorporation from Washington to Texas - 12/12/11

October 2011

Hearing scheduled for disclaimer of control of Commonwealth Insurance Company

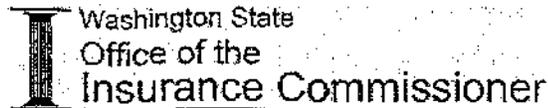
September 2011

Hearing set for disclaimer of control of Commonwealth Insurance Company of America
Notice of filing for disclaimer of control of Commonwealth Insurance Company of America

July 2011

Hearing set for merger of PEMCO Insurance Company - 7/11/2011

EXHIBIT "A"

**Notice**

Mike Kreidler
Washington Insurance Commissioner
Website: www.insurance.wa.gov

For more information, contact:
Public Affairs: 360-725-7055
Office of the Insurance Commissioner

11/29/2012

Hearing set to consider Sagicor Life and PEMCO Life merger

Olympia, Wash. – The Insurance Commissioner has scheduled a hearing for December 12, 2012, at 10:00 a.m. Pacific Time, in his Tumwater, Washington office to consider whether he should approve or deny Sagicor Life Insurance Company's request to merge with Washington-based PEMCO Life Insurance Company. Sagicor Life and PEMCO Life filed its plan of merger which outlines their proposal to merge PEMCO Life with and into Sagicor Life. Sagicor Life would be the surviving entity of the merger.

PEMCO Life Insurance Company, which has been a Washington-based insurer since 1963, provides life and disability products to approximately 15 thousand Washington individual and group policyholders, and is wholly owned by its parent company, Sagicor Life. After receiving approval from the Commissioner, Sagicor Life recently acquired PEMCO Life from PEMCO Mutual on September 28, 2012.

Sagicor Life is a Texas-based insurer licensed in Texas to offer accident, health and life insurance and has been authorized to conduct life and disability insurance in Washington since 1961. Sagicor Life operates primarily in the US and is wholly-owned by Sagicor Financial Corporation. Sagicor Financial Corp. is a Barbados corporation which operates internationally in various European and Caribbean countries, and is publicly traded on the Barbados, Trinidad and Tobago, and London Stock Exchanges. Sagicor Financial Corp. had \$142.6 million in US revenue in 2011, \$1.35

billion in total revenue (both US and international) and 632,123 individual life policies in-force overall. As of December 31, 2011, Sagacor Financial Corp.'s consolidated stockholders' equity was \$797.5 million.

The public is notified that all interested parties may submit letters of support or objections and/or may participate in the hearing by appearing in person or by telephone. To view the Notice of Hearing, which includes how to participate and other related documents, go to <http://www.insurance.wa.gov/orders/judicial-hearings/hearings-cases-p-r.shtml>.

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