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OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition of)
Control of:)
)
WESTERN UNITED LIFE ASSURANCE)
COMPANY, a Washington domestic insurer,)
)
by)
)
CENTRAL UNITED LIFE INSURANCE)
COMPANY, an Arkansas life insurance)
company.)

No. 13-0033

**FINAL ORDER APPROVING
CENTRAL UNITED LIFE
INSURANCE COMPANY'S
PROPOSED ACQUISITION OF
CONTROL OF WESTERN
UNITED LIFE ASSURANCE
COMPANY**

TO: Daniel George, President
Central United Life Insurance Co.
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COPY TO: Mike Kreidler, Insurance Commissioner
Deborah McCurley, Acting Chief Deputy Insurance Commissioner
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 December 4, 2012, Central United Life Insurance Company (“CULIC” or “Applicant”), an Arkansas life insurance company, entered into a Stock Purchase Agreement with Global Life Holdings, LLC for the purchase of Western United Life Assurance Company (“WULA”), a Washington stock life insurance company, whereby CULIC agrees to acquire WULA upon terms specified therein and conditioned upon approval of the proposed acquisition by the Washington State Insurance Commissioner (“OIC”). Accordingly, on December 17, 2012 CULIC filed a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer (“Application” or “Form A Application”) with the OIC, requesting approval of its proposed acquisition. On December 28, 2012 the OIC advised CULIC that the Application was considered incomplete and required specific additional documentation and information. On January 7, 2013, CULIC provided said supplemental information and documents, on January 25, 2013 the OIC determined that the Form A Application contained all of the documents and information required to be included therein, and therefore at that time transmitted the Form A Application to the undersigned with the request that the undersigned conduct an adjudicative proceeding and make the final decision either approving or denying approval of this proposed acquisition.

All documents filed with CULIC’s Form A Application, and all supplemental documents and information referenced herein, can be found at <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/w-z/>. These documents include, among other documents, 1) the parties’ Stock Purchase Agreement dated December 4, 2012; 2) Organizational Charts of the Applicant; 3) Biographical Affidavits of the directors and executive officers of CULIC; 4) Financial statements of CULIC for calendar years 2007 through the third quarter of 2012; 6) financial statements of Harris Insurance Holdings, Inc.. Also included are 7) the OIC’s December 28, 2012 letter requesting further information from the Applicant; and 8) the Applicant’s letter dated January 7, 2013 which provides information in response to the OIC’s December 28, 2012 request for additional information. The documents specified above, and others also included in the Form A Application, and all other communications between the Applicant and the OIC, and between the Applicant, WULA, and the OIC and the undersigned, are published at this referenced website and were entered into evidence in this proceeding together as Hearing Ex. 1.

The parties propose to consummate this acquisition on or before March 31, 2013 if possible.

FINDINGS OF FACTS

1. **Central United Life Insurance Company** (the “Applicant” or “CULIC”), the proposed Buyer, is an Arkansas life insurance company organized and licensed in the state of Arkansas in 1965. It has been licensed to transact the business of life and disability insurance in the State of Washington since 1974 (Certificate of Authority No. 1022). The Applicant is owned and controlled by ~~Harris Insurance Holdings, Inc., a privately held Texas corporation, 93.3% of Harris Insurance Holdings, Inc. is owned by David Harris, an individual Texas resident.~~ By permission granted by the Arkansas Insurance Department, the Applicant’s principal office is located in Houston, Texas. [Ex. 1, Form A Statement Regarding the Acquisition of Control of a Domestic Insurer filed with the Office of the Insurance Commissioner (“OIC”) on December 17, 2012 (“Form A Application”).]

2. **Western United Life Assurance Company** (“WULA”) is a Washington-domiciled stock life insurance corporation which was first organized and licensed as a life insurer in the state of Washington in 1963 under a different name. Specifically, in 1980 the insurer changed its name to Western United Life Assurance Company and added disability insurance as an authorized line of insurance (Certificate of Authority No. 924). WULA’s principal place of business is in Spokane, Washington. WULA is owned by Global Life Holdings, LLC, a Delaware limited liability company. [Ex. 1, Form A Application.]

3. **Proposed Acquisition and Consideration to be Paid.** The Applicant proposes to acquire WULA for a total consideration of \$30,000,000. This amount was arrived at as a result of a bidding process and additional negotiations. The Applicant proposes to obtain control of WULA pursuant to a Stock Purchase Agreement entered into by the parties whereby 100% of the authorized capital stock of WULA, consisting of 5,000,000 shares of common stock (par value \$1 per share, of which 2,400,000 shares are issued and outstanding) and 15,000,000 shares of preferred stock (of which none is issued and outstanding) will be purchased by the Applicant from WULA. The purchase price will be paid in cash with internally generated funds of the Applicant and involves no loans. Also at closing, Global Life Holdings, LLC will repay to WULA an existing \$8.3 million subordinated note, which will be added to WULA’s policyholder surplus. [Ex. 1, Form A Application, Stock Purchase Agreement; Live and Written Testimony of Daniel George, President of Applicant.]

4. **Result of Proposed Acquisition.** Should this proposed acquisition be approved, the result would be that, upon closing, CULIC would own all of the issued and outstanding stock of WULA, and Global Life Holdings, LLC would no longer have any ownership of WULA. [Live and Written Testimony of George; Live and Written Testimony of Dale Whitney, President of WULA; Live and Written Testimony of Ronald J. Pastuch, OIC Holding Company Manager.] If this acquisition is approved, as of the date the acquisition is consummated, CULIC as the sole owner of WULA, acknowledges and reflects its commitment to assume all liability for all of WULA’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 acquisition. [Testimony of George; Testimony of Whitney; Testimony of Pastuch.] All rights and privileges currently held by WULA’s policyholders shall remain unchanged as a result of this acquisition. [Testimony of George; Testimony of Whitney; Testimony of Pastuch; Ex. 1, Form A Application.]

5. On December 17, 2012, the Applicant filed a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer with the OIC, requesting approval of its proposed acquisition, and in so doing filed its Form A Application at least 60 days prior to its proposed date of acquisition.

6. It cannot be found that after the change of control, WUIA 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 George; Live and Written Testimony of Whitney; Live and Written Testimony of Pastuch; Ex. 1, Form A Application.]~~

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 George; Live and Written Testimony of Whitney; Ex. 1, Form A Application.]

8. It cannot be found that the financial condition of the Applicant is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders. [Live and Written Testimony of George; Live and Written Testimony of Whitney; Live and Written Testimony of Pastuch; Ex. 1, Form A Application.]

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 George; Live and Written Testimony of Whitney; Live and Written Testimony of Pastuch; Ex. 1, Form A Application.]

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 George; Live and Written Testimony of Whitney; Live and Written Testimony of Pastuch; Ex. 1, Form A Application.]

11. It cannot be found that the acquisition is likely to be hazardous or prejudicial to the insurance-buying public. [Live and Written Testimony of George; Live and Written Testimony of Whitney; Live and Written Testimony of Pastuch; Ex. 1, Form A Application.]

12. On March 11, 2013, 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 March 21, 2013 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.] The OIC published this Notice of Hearing on the Insurance Commissioner's website the same day. 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, the Applicant, WULA nor the undersigned has received any objections to the proposed acquisition. [Live and Written Testimony of George; Live and Written Testimony of Whitney; Live and Written Testimony of Pastuch.]

14. Daniel George, President of the Applicant, Central United Life Insurance Company, testified on behalf of the Applicant. Mr. George presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.

15. Dale Whitney, President of Western United Life Assurance Company, testified on behalf of WULA. ~~Mr. Whitney presented his testimony in a clear, detailed and credible manner and exhibited no apparent biases.~~

16. 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.

17. 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 acquisition of control of Western United Life Assurance Company and that therefore it is reasonable that this proposed acquisition 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 acquisition of Western United Life Assurance 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. Pursuant to RCW 48.31B.015, the Applicant, Central United Life Insurance Company, filed its Form A application requesting approval of its proposed acquisition of WULA at least sixty days before its proposed consummation of the acquisition. As contemplated therein, the OIC staff properly determined that the Applicant'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 WULA by the Applicant, WULA 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 the Applicant 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 the Applicant's Form A Application for approval of its proposed acquisition of WULA should be approved.

ORDER

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

IT IS HEREBY ORDERED that Central United Life Insurance Company's request for approval of its proposed acquisition of Western United Life Assurance Company, under the terms of its Stock Purchase Agreement dated December 4, 2012, other documents pertinent to this transaction which were filed herein, and specific testimony presented at hearing, is approved.

IT IS FURTHER ORDERED that at the close of the adjudicative proceeding held March 21, 2013 after presentation of all evidence, the undersigned orally granted approval of this proposed acquisition effective on that date. Therefore, this written Order confirms that oral Order entered by the undersigned on March 21, 2013. Approval of this proposed acquisition is therefore granted effective March 21, 2013.

~~ENTERED at Tumwater, Washington, this 27th day of March, 2013, pursuant to Title 48 RCW and specifically RCW 48.31B.015, Title 34 RCW, and regulations applicable thereto.~~



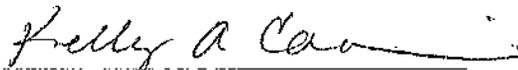
PATRICIA D. PETERSEN
Chief Presiding Officer

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

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: Daniel George, Burnie Burner, Esq., Alex Cochran, Esq., Mike Kreidler, Deborah McCurley, Carol Sureau, Esq., Robin Aronson, Esq., James T. Odiome and Ronald J. Pastuch.

DATED this 28th day of March, 2013.


KELLY A. CAIRNS