

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



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OFFICE OF  
INSURANCE COMMISSIONER

HEARINGS UNIT  
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Hearings Unit, DIC  
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Chief Hearing Officer

Patricia D. Petersen  
Chief Presiding Officer  
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Kelly A. Cairns  
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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  
)  
) **NOTICE OF HEARING ON**  
) **CENTRAL UNITED LIFE**  
) **INSURANCE CO.'S**  
) **APPLICATION FOR**  
) **APPROVAL OF PROPOSED**  
) **ACQUISITION OF WESTERN**  
) **UNITED LIFE ASSURANCE**  
) **CO.**  
)  
)  
)

**TO:** Daniel George, President  
Central United Life Insurance Co.  
10777 Northwest Freeway  
Houston, TX 77092

Burnie Burner, Esq.  
Mitchell Williams  
P.O. Box 2212  
Austin, TX 78768-2212

Alex Cochran, Esq.  
Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022



**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  
Robin Aronson, Staff Attorney, Legal Affairs Division  
Office of the Insurance Commissioner  
P.O. Box 40255  
Olympia, WA 98504-0255

### **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 14, 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.

Copies of all informational filings about these companies, all Agreements, the relevant current and proposed organizational structures, and all other documents identified below can be found at <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/w-z/>, are included in the hearing file and are by this reference incorporated herein.

### **IDENTITIES OF CENTRAL UNITED LIFE INSURANCE COMPANY AND WESTERN UNITED LIFE ASSURANCE COMPANY; DETAILS OF PROPOSED ACQUISITION; CONSIDERATION TO BE PAID; AND RESULT OF ACQUISITION**

#### **I. Identity of Central United Life Insurance Company, proposed Buyer.**

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). CULIC is owned and controlled by Harris Insurance Holdings, Inc., a Texas corporation. 93.3% of Harris Insurance Holdings, Inc. is owned by David Harris, an individual Texas resident. CULIC's principal office is located in Houston, Texas.

**II. Western United Life Assurance Company, proposed Seller.**

Western United Life Assurance Company 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. The insurer changed its name to Western United Life Assurance Company ("WULA") and added disability insurance as an authorized line of insurance in 1980 (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.

**III. Proposed Acquisition and Consideration to be Paid.** CULIC 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 CULIC from WULA. The purchase price will be paid in cash with internally generated funds of the Applicant. Also at closing, Global Life Holdings, LLC will repay to WULA an existing \$8.3 million subordinated note, which will add to WULA's policyholder surplus.

**IV. Result of Proposed Acquisition.** Should this proposed acquisition be approved, the result of the acquisition would be that the Applicant would be the sole owner of WULA. Under the Applicant's ownership, WULA will be expected to continue to administer all of its outstanding life, accident and health insurance policies, annuity policies, and other contracts and obligations which are in force on the effective date of the acquisition and all rights of policyholders and other contract holders must remain unchanged. The Applicant states that its plans are to continue the operations of WULA under the administration by the Applicant. The current officers and directors of WULA will be replaced by individuals currently involved in the successful operation of the Applicant and its affiliates. The majority of the current management of WULA and its other employees will be retained. As soon as practical after the closing of the proposed transaction, the Applicant intends to contribute the stock of a sister company, Investors Consolidated Insurance Company, a New Hampshire company, to WULA, thereby increasing WULA's policyholder surplus. The Applicant states that Investors Consolidated Insurance Company and WULA may, in the future, apply for approval to merge. WULA's commitment to all of its policy and other contract rights and obligations, under the ownership of the Applicant shall be documented in live testimony from both the Applicant's and WULA's authorized representatives during the adjudicative proceeding, and written testimony from these individuals shall be filed as exhibits in the hearing file and shall form part of the basis of the undersigned's final decision concerning approval of the proposed acquisition.

**V. Re Request for Approval of Proposed Acquisition: live testimony, documents to be filed and procedure to be expected.**

All documents filed with GPM Life'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 shall be entered into evidence in this proceeding.

**Criteria for Approval of Proposed Acquisition.** In addition to compliance with the various requirements set forth in RCW 48.31B.015 and .020, 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; or 6) the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

**Live Testimony.** Toward this end, the parties are advised that the Washington State Insurance Commissioner or his duly authorized representative is expected to testify as to whether he has given reasonable advance notice to the public of the hearing scheduled herein and whether he or any members of his staff has received any objections or concerns relative to this proposed acquisition, and provide details of these objections or concerns. First, a duly authorized representative of the Applicant is expected to testify on its own behalf as to the above stated issues 1) through 6); and as to whether the Applicant or any of its affiliates has received any objections or concerns regarding this proposed acquisition and provide details of these objections or concerns. Second, a duly authorized representative of WULA is expected to testify on behalf of WULA as to the above stated issues 1) through 6); and as to whether WULA or any of its affiliates has received any objections or concerns relative to this proposed acquisition and provide details of these objections or concerns. Third, the Commissioner or his duly authorized representative is expected to testify as to the conclusions he has

reached during his examination of the subject Form A and all related documents and communications insofar as they relate to the above stated issues 1) through 6); as to whether he has any concerns whatsoever about this proposed acquisition and whether he recommends that any conditions or other restrictions should be placed upon approval of either transaction; and as to whether the Commissioner or any member of his staff has received any objections or concerns regarding this proposed acquisition and provide details of these objections or concerns; and as to what his specific recommendations are on the Applicant's request for approval of this proposed acquisition. Duly authorized representatives of the Applicant and WULA can include officers and/or directors and/or in house counsel of the companies who are specifically authorized to present testimony and respond to inquiries from parties, the undersigned and the public during the hearing on behalf of the company. While outside counsel may testify, this testimony would be in addition to the testimony contemplated above.

**Pre-filed Written Testimony.** While, as above, live testimony from the the Applicant , WULA and the Commissioner will be taken during the hearing as to the above identified issues, written testimony in the form of Declarations from duly authorized representatives of both companies and the Commissioner must be filed at least three business days prior to the date of the hearing. Further, 1) an oral opening statement from the Applicant is expected to be presented at the outset of the hearing; and 2) written closing arguments from the Applicant, WULA and the Commissioner are expected to be filed at least three business days prior to the date of the hearing.

**YOU ARE HERBY NOTIFIED that the adjudicative proceeding in this matter will be held commencing at 10:00 a.m. Pacific Standard Time on Thursday, March 21, 2013,** in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider 1) Central United Life Insurance Company's request for approval of its proposed acquisition of Western United Life Assurance Company under the terms set forth above and in the above referenced documents filed herein. As stated above, all documents and all other information filed by the Applicant relative to this request for approval, all communications between the Commissioner, the Applicant, WULA, and their affiliates, and all communications between these entities and the undersigned, are published on the Commissioner's website for the public's review at <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/w-z/> or can be viewed by submitting a request to the undersigned to review, or receive copies of, the hearing file or any portions thereof.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31B.015 and .020, and shall have as its purpose consideration of CULIC's request for approval of its proposed acquisition of WULA. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered by the undersigned after hearing.

**YOU ARE FURTHER NOTIFIED that all interested individuals may attend the hearing in this matter without prior approval as this is a public proceeding. Further, interested parties may also**

**listen to or otherwise participate in the hearing by telephone at no cost by dialing (877) 668-4493, followed by access code number 231 993 38. YOU ARE FURTHER NOTIFIED that all interested individuals and entities may submit comments on, or objections to, this proposed acquisition to the undersigned. Said comments or objections, which will be included in the hearing record and will be considered by the undersigned prior to her making her final decision in this matter, must be submitted by 9:00 a.m. Pacific Standard Time on Thursday, March 21, 2013, by fax, U.S. Mail, personal delivery, or email to Judge Petersen. Her fax number is (360) 664-2782; her U.S. Mail address is PO Box 40255, Olympia, WA 98504-0255; her personal delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501; and her email address is that of her Paralegal, Kelly A. Cairns, which is [KellyC@oic.wa.gov](mailto:KellyC@oic.wa.gov). YOU ARE FURTHER NOTIFIED that, pursuant to RCW 48.31B.015(4)(b), any person whose interest is determined by the undersigned to be affected, may present evidence and argument on all issues involved, examine and cross-examine witnesses, and offer oral and written statements, and in connection therewith may conduct discovery proceedings.**

The Insurance Commissioner will be represented by Robin Aronson, Esq., Staff Attorney in his Legal Affairs Division. She can be reached at (360) 725-7181 or [RobinA@oic.wa.gov](mailto:RobinA@oic.wa.gov). Central United Life Insurance Company will be represented by Burnie Burner, Esq. of Mitchell Williams, P.O. Box 2212, Austin, Texas 78768-2212. He can be reached at (512) 480-5100 or [bburner@mwlaw.com](mailto:bburner@mwlaw.com). Western United Life Assurance Company and its parent company, Global Life Holdings, LLC, will be represented by Alex Cochran, Esq. of Debevoise & Plimpton, LLP, 919 Third Avenue, New York, NY 10022. Mr. Cochran can be reached at (212) 909-6311.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Commissioner or his staff or any other individual who has knowledge of the issues herein, except as will be presented as evidence in the hearing. Her address is Office of the Insurance Commissioner, Hearings Unit, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Kelly A. Cairns, Paralegal to the undersigned, who may be reached at the telephone and fax numbers, e-mail or U.S. Mail addresses set forth above.

On February 20, 2013, the undersigned held a first prehearing conference in this matter. The parties were represented by the above stated attorneys. Also in attendance were Dan George, President of Central United Life Insurance Company, and Ronald J. Pastuch, OIC Holding Company Manager. During said first prehearing conference, the undersigned identified the parties and statutes involved, reviewed procedure to be expected at hearing, and responded to all questions and concerns of the parties. As stated above, **should any party or any interested individual have any further questions or concerns prior to the hearing date, or wish to request a second prehearing conference with Judge Petersen, they are advised to telephone or e-mail Kelly A. Cairns, Paralegal to the undersigned, for assistance.**

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch.

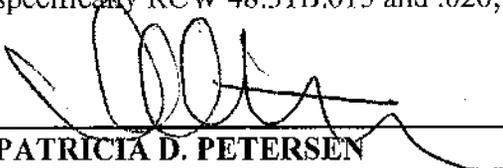
2.42 RCW. Following this Notice is a form you may use to advise the Chief Presiding Officer of your need for an interpreter.

This Notice is provided pursuant to RCW 48.04.010 and RCW 34.05.434.

Based upon the above activity,

**IT IS HEREBY ORDERED** that the adjudicative proceeding in this matter shall commence on Thursday, March 21, 2013, at 10:00 a.m., Pacific Time, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501.

**ENTERED** at Tumwater, Washington, this 11<sup>th</sup> day of March, 2013, pursuant to Title 48 RCW and specifically RCW 48.31B.015 and .020; Title 34 RCW; and regulations applicable thereto.

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

DATED this 11<sup>th</sup> day of March, 2013.

  
KELLY A. CAIRNS

**HEARINGS UNIT**  
Fax: (360) 664-2782

Patricia D. Petersen  
Chief Presiding Officer  
(360) 725-7105

Hearings Unit  
Paralegal  
(360) 725-7002  
[Hearings@oic.wa.gov](mailto:Hearings@oic.wa.gov)

To request an interpreter, complete and mail this form to:

Chief Presiding Officer  
Office of Insurance Commissioner  
P.O. Box 40255  
Olympia, WA 98504-0255

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**REQUEST FOR INTERPRETER**

I am a party or witness in Matter No. 13-0033 before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is \_\_\_\_\_ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

I am unable to readily understand or communicate the spoken English language because:

- I am deaf.
- I have an impairment of hearing.
- I have an impairment of speech.

~~[Please state below or on the reverse side any details which would assist the Commissioner or Presiding Officer in arranging for a suitable interpreter or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]~~

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

Signed: \_\_\_\_\_

Please print or type your name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_