

**FILED**

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Hearings Unit, DIC  
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Chief of Administration

BEFORE THE STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition  
and Control of:

WESTERN UNITED LIFE ASSURANCE  
COMPANY, a Washington domestic  
insurer,

by

CENTRAL UNITED LIFE  
INSURANCE COMPANY, an Arkansas  
life insurance company,

the Applicant.

**NO. 13-0033**

**DECLARATION OF  
RONALD J. PASTUCH**

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 the 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.

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

3           3.       My previous state employment includes the Washington Department of  
4 Veterans Affairs from 1980 to 1987 in accounting and human resource positions, and the  
5 Office of the Insurance Commissioner from 1987 to 1991 as a staff accountant, from 1991 to  
6 1993 as a field Insurance Examiner in the OIC Company Supervision Division, and from  
7 1993 to 2006 as a Financial Analyst at various levels within the same division.

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

13           5.       On December 14, 2012, Central United Life Insurance Company ("the  
14 Applicant" or "CULIC") filed an application for approval of the proposed acquisition of  
15 control of Western United Life Assurance Company ("WULA"). WULA is a Washington  
16 domiciled stock insurance company incorporated on June 3, 1963, and began writing business  
17 on June 11, 1963. WULA has been licensed to write life and disability coverages in  
18 Washington State since its inception. WULA is a wholly owned corporation of Global Life  
19 Holdings, LLC, which is wholly owned through beneficial ownership of its common interests  
20 by Richard and Ysbell Kearns, together through Global Financial Structures, LLC, and Joseph  
21 McLean through MFM Capital LLC, each own 50 percent of common interests throughout  
22 the holding company system.

23           6.       The Applicant is an Arkansas life insurance corporation and has been licensed  
in Washington State since December 1974. The Applicant was originally incorporated in  
1962 and adopted its current title in 1971. The Applicant is a wholly owned subsidiary of  
Harris Insurance Holdings, Inc. ("Holdings Inc"), which is privately held by Mr. David

1 Harris, majority owner, and three other individuals, each have minority ownership of  
2 Holdings Inc. The Applicant is licensed to write life and disability coverages in Washington.

3 7. The Applicant and WULA entered into a Stock Purchase Agreement dated  
4 December 4, 2012, where the Applicant would acquire the remaining unissued capital stock of  
5 WULA, subject to the approval of regulatory authorities. That agreement was filed with the  
6 application for acquisition filing as Exhibit A of that filing. The agreed price would be the  
7 sale of 2,400,000 shares of common stock at the price of \$12.50 per share for a total price of  
8 \$30,000,000 on the closing date. Global Life Holdings, LLC will repay \$8.3 million for an  
9 existing subordinated note owed to WULA upon closing.

10 8. The Applicant submitted various Exhibits in their application of acquisition  
11 filing, including but not limited to, the fore mentioned Stock Purchase Agreement, its  
12 corporate organization chart, its financial statements of the Applicant, and biographical  
13 affidavits of its directors and executive officers. The Applicant filed subsequent materials to  
14 support information about its directors and executive officers.

15 9. On December 28, 2012, the OIC sent a letter to the Applicant's counsel  
16 advising the Applicant's application of acquisition filing did not have all information within  
17 that filing, requested additional information about the Applicant and its affiliates, and revise  
18 some information provided its application of acquisition filing.

19 10. On January 9, 2013, the OIC received the Applicant's response to the OIC's  
20 December 28, 2012, deficiency letter.

21 11. On January 25, 2013, the OIC sent a letter to the Chief Hearing Officer  
22 regarding this application for acquisition filing as being complete and requested a hearing to  
23 decide on such matter.

24 12. On March 4, 2013 and March 13, 2013, WULA and the Applicant,  
25 respectively, submitted their 2012 Annual Statements reporting their balance sheet, summary  
26 of operations and cash flows as of December 31, 2012.

1           13.     On March 15, 2013, the OIC received a copy of a letter from the Arkansas  
2 Department of Insurance addressed to the Applicant's counsel regarding the proposed  
3 acquisition and the department's approval for the Applicant to hold all of the stock of WULA  
4 according to section 23-63-817 and 23-63-818 of the Arkansas Code of 1987.

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

7           a.     The domestic insurer would be able to satisfy the requirements for the  
8 issuance of a license to write its current lines of business from which it is presently licensed.  
9 As stated previously, WULA is presently licensed to write life and disability coverages.  
10 WULA's minimum capital and surplus as of the date of the Declaration is \$4.8 million  
11 (\$4,800,000). As of its latest financial statement as of December 31, 2012, WULA reportedly  
12 has \$32.9 million in capital and surplus. Also, WULA's latest risk-based capital exceeded its  
13 company action level as defined under RCW 48.05.430 and RCW 48.05.440. Since WULA's  
14 current financial condition exceeds the minimum capital and surplus with the current  
15 authorized lines of business as prescribed by RCW 48.05.340(3), WULA would continue to  
16 maintain its license for life and disability coverages in Washington State.

17           b.     The effect of the proposed acquisition of control would not lessen  
18 competition in this state or tend to create a monopoly therein. We performed a market  
19 analysis on the Applicant and WULA's direct writings in the Washington life, annuity, and  
20 accident and health markets. The Applicant and three other life insurers within its holding  
21 company system are licensed and are actively writing business in Washington. WULA is  
22 licensed in 16 states with a majority of writings in Idaho, Montana, North Dakota, Oregon,  
23 and Washington, and Washington has the most writings among all states. The combined  
writings of the Applicant and WULA would be 0.05% of the life market, 1.3% of the annuity  
market, 0.01% of the accident and health market, and 0.4% of the deposit-type funds in

1 Washington. Our conclusion is there is no evidence indicating a violation of the competitive  
2 standards or situations meeting the criteria set forth in RCW 48.31B.020(4) exists.

3 c. The financial condition of the Applicant appears that it would not  
4 jeopardize the financial stability of the domestic insurer or prejudice the interest of its  
5 policyholders. As of December 31, 2012, the Applicant's unaudited financial condition had  
6 reportedly \$302 million in assets and \$57 million in policyholders' surplus. Also, the  
7 Applicant's latest risk-based capital exceeded its company action level as defined under RCW  
8 48.05.430 and RCW 48.05.440. The Applicant's AM Best rating is B+ (Good) and has  
9 reportedly maintained that rating since 2008. Holdings Inc's financial condition appears to be  
10 solvent with the majority of its assets held through its investments in subsidiaries, which  
11 includes the Applicant, and its capital and surplus at approximately \$46 million at September  
12 30, 2012. Based on these facts, the financial condition of the Applicant would not jeopardize  
13 the financial stability of WULA or the interest of WULA's policyholders.

14 d. We are not aware of any plans or proposals by the Applicant to  
15 liquidate the domestic insurer, sell its assets, or make any other material changes other than  
16 what the Applicant has stated in its application of acquisition filing.

17 e. We verified the competence, experience, and integrity of those persons  
18 who would control the operation of the domestic insurer with the federal, state, and local  
19 officials through a third party verification firm. That firm provides background checks on  
20 information provided in each person's biographical affidavit. We also had the criminal  
21 background verified of those individuals who would directly control the operations of WULA.  
22 As to these background checks, we did not detect any representation that would question the  
23 integrity of those individuals listed in the acquisition filing.

f. We are not aware that the acquisition is likely to be hazardous or  
prejudicial to the insurance buying public. We expect that quality service continue to be  
provided to WULA's policyholders after the acquisition is approved. The Applicant has a

1 history of reinsuring blocks of business including a portion of WULA's business through an  
2 assumption transaction by one of its insurer subsidiaries. All other operations are performed  
3 by the Applicant. We expect the new owners and leadership to provide services that would  
4 not be hazardous to prejudicial to WULA or the insurance buying public.

5 15. According to this analysis and review of the subject acquisition filing and its  
6 attachments, we recommend to the presiding officer to approve the acquisition of WULA by  
7 the Applicant.

8 16. From a procedural standpoint, the OIC requires that notice of this proposed  
9 acquisition be given to the public via the Internet (on the Insurance Commissioner's website).  
10 On March 7, 2013, the OIC posted a notice on the Insurance Commissioner's website  
11 concerning the proposed acquisition of WULA and information about the OIC's hearing  
12 process, a true and correct copy of which is attached hereto as Exhibit "A". Such notice  
13 included information regarding the hearing, via the Notice of Hearing and the announcement  
14 posted on the website, a true and correct copy of which is attached hereto as Exhibit "B". The  
15 Notice of Hearing, which was later filed on March 11, 2013, was available to the public on  
16 the same day, which described the nature of the proceeding as to the hearing itself. The notice  
17 was also published in the Insurance Commissioner's blog on March 13, 2013, a true and  
18 correct copy of which is attached hereto as Exhibit "C", and subsequently reported by AM  
19 Best through its news service. We understand that the public notice will remain posted on the  
20 website from the date of this Declaration to the date of the hearing.

21 17. The Notice of Hearing informs and advises all interested parties that any  
22 individual or entity is permitted to submit comments on, or objections to, this proposed  
23 acquisition. The Notice of Hearing states that any questions or concerns should be directed to  
Ms. Kelly Cairns, Paralegal to the OIC Chief Hearing Officer.

18 18. As of the date of this Declaration, I personally have not received any  
19 correspondence, email, or phone regarding the proposed acquisition from the general public.

1 I am not aware of any other correspondence, email, or phone, nor am I aware of any  
2 comments, questions, or objections having been received by the OIC Chief Hearing Officer.

3 SIGNED this 18th day of March, 2013.

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5 Ronald J. Pastuch  
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## "EXHIBIT A"

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### Public notices

#### March 2013

\* Hearing set to decide CUL's request to buy Western United Life - 3/06/13

#### February 2013

Hearing set to decide Catholic Health Initiative's request to buy Soundpath Health, Inc. - 2/20/13

#### December 2012

Hearing set to decide Wellpoint's request to buy Amerigroup WA, Inc. as part of \$4.7 billion purchase of Amerigroup Corp.- 12/7/12

#### October 2012

Hearing set for Government Personnel Mutual Life's request to acquire North Coast Life - 10/8/12

#### August 2012

Hearing set to consider Sagacor Life's request to acquire PEMCO Life - 8/16/12

#### March 2012

Hearing set to consider Humana's request to acquire Arcadian Health Plan - 3/13/12

#### December 2011

Industrial Alliance Pacific Insurance and Financial Services Inc. requests approval to change their port of entry from Washington State to Texas – Hearing set for February 1, 2012. - 12/23/11

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

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

#### October 2011

Hearing scheduled for disclaimer of control of Commonwealth Insurance Company of America - 10/14/11

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## "EXHIBIT A"

### Notice

Mike Kreidler  
Washington state Insurance Commissioner

Contact Public Affairs: 360-725-7055

03/07/2013

## Hearing set to consider Central United Life's request to buy Western United Life

OLYMPIA, Wash. – The Insurance Commissioner has scheduled a hearing on March 21, 2013, at 10:00 a.m. Pacific Standard Time in his Olympia, Washington office to consider whether he should approve or deny the request to acquire Washington-based Western United Life Assurance Company.

Central United Life Insurance Company (CUL) is proposing to acquire common shares of Western United Life Assurance Company (WULA) from WULA's current owners, Global Life Holdings Inc. The acquisition would allow CUL to own acquire all common shares of WULA and become the controlling entity of WULA.

CUL is an Arkansas stock life insurer with its headquarters in Houston, TX. CUL is also licensed in Washington since 1974. CUL writes mainly life and accident and health policies in Washington. WULA is a Washington stock life insurer with its headquarters in Spokane, WA and was established in 1963. WULA writes mainly annuity considerations in sixteen states.

If approved, CUL would be the sole owner of WULA.

The public is notified that all interested parties may submit letters of support or concerns or objections and/or may participate in the hearing by appearing in person or by telephone at no charge.

To view the Notice of Hearing, which includes advice on how to participate in the hearing process, and to view all documents filed in this matter including the Purchase Agreement between the parties, and all other documents such as organizational charts and finances, current and past states' regulatory actions and other litigation filed in this proceeding, go to [Western United Life #13-0033](#).

###

## "EXHIBIT B"

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## Hearings cases with documents: W - Z

Name/docket no.	Type of action	Status	Documents are in PDF format
Wallace, Lyle Glen D10-0076	Appeal OIC's Order Revoking License	Final Order set aside Order Revoking License	<a href="#">Order Confirming Revocation</a> <a href="#">Amended Final Order</a> <a href="#">Order on Reconsideration</a> <a href="#">Motion for Reconsideration</a> <a href="#">Final Order</a> <a href="#">Receipt of Demand</a> <a href="#">Demand for Hearing</a> <a href="#">Order Revoking License</a>
Walls Insurance and Securities School  M. Scott Reilly  12-0035	Proposed Consent Order for alleged WAC violations	Final Order Imposing Fine	<a href="#">Findings of Fact, Conclusions of Law and Final Order (194KB)</a>  <a href="#">Notice of Hearing (156KB)</a>  <a href="#">OIC Hearing Memorandum (5.8MB)</a>  <a href="#">Receipt of Demand</a>  <a href="#">Demand for Hearing</a>
Walter W. Wolf and Edmund C. Scarborough  13-0084	OIC Request for hearing for imposition of fines	Pending	<a href="#">OIC Notice of request for hearing for imposition of fines (93KB)</a>
Washington Casualty Company by Medical Professional Mutual Insurance Company  09-0095	Acquisition of Control	Final Order Approving Acquisition	<a href="#">Amendment No. 1</a> <a href="#">Form A Statement</a> <a href="#">Correspondences</a> <a href="#">Exhibit 1 &amp; 2</a>

## "EXHIBIT B"

	Insurance Agent's License		
Western General Insurance Co. D06-150 OAH: 2006-INS-0010	Appeal OIC's Proposed Order/Fine	Proceedings Terminated	Final Decision Initial Order Notice of Hearing Demand for Hearing Notice of Intent
* Western United Life Assurance Company  Proposed acquisition by Central United Life Insurance Company  13-0033	Form A application for proposed acquisition	Pending  Hearing scheduled for March 21, 2013 at 10 am	Notice of Hearing (267KB)  Notice of Receipt of Form A Application (73KB) OIC Transmittal of Application (115KB) Supplemental information (133KB) Form A Application w/out exhibits (204KB)  Form A supporting documents for application and supplemental information
Williams, Carlton M.  D10-0013	Appeal OIC's Revocation of Insurance Agent's License	Order Revoking License Upheld	Order on Reconsideration Request for Reconsideration Final Order Order of Continuance OIC Hearing Memo Notice of Hearing Demand for Hearing Order Revoking License
Wyche, Gary A. D06-158 & D06-247 2006-INS-0004	Appeal OIC's Order Revoking License	Relinquishment of License	Final Decision Notice of Hearing OAH Transfer Receipt Demand for Hearing Order Revoking License
Xelan Insurance Company, et al.; Doctors Benefit Insurance Company, Ltd.; Doctor's Insurance Services, Inc., Unauthorized Entities and Lewis Donald Guess; Nigel J. Bailey; Richard Robert Bright; Kim Martin Atwater, John R. Patton, Esq; Boyce H. Goff, Sr. and	Appeal OIC's Order to Cease & Desist	Proceeding Terminated	Final Decision Withdrawal Demand for Hearing Cease & Desist

## "EXHIBIT C"

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#### Health care reform

How changes will affect you in 2014



#### Health insurance surplus

Why we're asking the Legislature to let us consider this money



#### Climate change

What we're doing to make sure insurers are prepared

### Updates from the office

| Why do I have to do the insurance company's work to get my claim paid?

\* | Hearing: Proposed acquisition of Western United Life Assurance

| See all updates

**Mike Kreidler**  
Insurance Commissioner

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# "EXHIBIT C"

## Washington State Office of the INSURANCE COMMISSIONER UPDATES

Mike Kreidler  
Insurance Commissi

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Tuesday, March 12, 2013

### Hearing: Proposed acquisition of Western United Life Assurance

Commissioner Kreidler has scheduled a 10 a.m. hearing on March 21 to consider a request to acquire Washington-based Western United Life Assurance Company.

Central United Life Insurance Company is proposing to acquire common shares of Western United Life Assurance Company from Western United's current owners, Global Life Holdings Inc. The acquisition would allow Central United to acquire all common shares of Western United and become its controlling entity.

Central United Life Insurance is an Arkansas stock life insurer with its headquarters in Houston, TX. It has been licensed in Washington since 1974. It writes mainly life and accident and health policies in Washington. Western United Life Assurance is a Washington stock life insurer with its headquarters in Spokane, WA and was established in 1963. Western United writes mainly annuity considerations in 16 states.

Any interested parties may submit letters of support or concerns or objections and/or may participate in the hearing by appearing in person or by telephone at no charge.

For more on this hearing, please go to our hearings archive and look for Western United Life #13-0033. There you'll find details on how to participate in the hearing and view all documents filed in this matter.

Posted by Rich R. at OIC at 3:43 PM

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If you have an insura or question -- and liv Washington state -- at 1-800-562-6900.

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