# MITCHELL | WILLIAMS

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September 27, 2007

*Via Hand Delivery*

Mr. Mel Anderson
Deputy Commissioner
Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201

**Re: Intracompany Service Agreement Between Central United Life Insurance Company (NAIC # 61883) and Family Life Insurance Company (NAIC # 63053)**

Dear Mr. Anderson:

Pursuant to our meeting of August 27, 2007, enclosed you will find a resubmitted Form D regarding the Intracompany Service Agreement between Central United Life Insurance Company ("Central United") and Family Life Insurance Company ("FLIC"). The Form D was initially filed on or about July 10, 2007.

In discussions regarding the initial filing representatives of the Department requested information regarding the need for the Intercompany Service Agreement as well as the value of the agreement and the allocation of that value to the various services provided by Central United. Please accept the information below as Central United's responses to those inquiries.

The Intracompany Service Agreement was necessitated by the On December 29, 2006, acquisition of FLIC by Manhattan Life Insurance Company ("Manhattan Life"), an affiliate of Central United. To integrate Family Life into the Manhattan Group system, Central United subsequently agreed to provide administrative services to Family Life.

We estimate the value of the agreement to Central United will be $2.0 million in 2007 and $2.6 million in 2008. The estimated value of the agreement for 2007 is less than the value of the agreement for 2008 because Central United is providing serves for only a portion of calendar year 2007. The estimated costs for a full calendar year are allocated across the following areas:

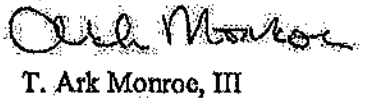
| | |
|---|---|
| Data Processing | $310,000 |
| Executive/Overhead | $265,000 |

| | |
|---|---|
| Claims Handling | $325,000 |
| Accounting | $256,000 |
| Marketing | $146,000 |
| Office Services | $90,000 |
| Actuarial/Statistics/Reinsurance | $406,000 |
| Customer Services | $182,000 |
| Records/Mail | $48,000 |
| Compliance | $40,000 |
| Policyholder Service | $532,000 |

If you have any questions, or if we can provide further information, please let me know.

Very truly yours,

MITCHELL, WILLIAMS, SELIG,
GATES & WOODYARD, P.L.L.C.

By 
T. Ark Monroe, III

TAM:seg
Enclosures

cc: Ms. Zane Chrisman (w/enclosure)
Mr. Kent Lamb (w/enclosure)
Mr. Derrick W. Smith (w/o enclosure)

# FORM D

## PRIOR NOTICE OF A TRANSACTION

Filed with the

INSURANCE DEPARTMENT OF THE STATE OF ARKANSAS

By

**CENTRAL UNITED LIFE INSURANCE COMPANY**
**NAIC No. 61883**

(hereinafter referred to as "Central United")

Date: September 18, 2007

Name, Title, Address and Telephone Number of Individuals to Whom Notices and Correspondence Concerning This Statement Should be Addressed:


John E. McGettigan
Senior Vice President & General Counsel
Central United Life Insurance Company
2727 Allen Parkway, Suite 500
Houston, TX 77019
(713) 821-6403

T. Ark Monroe, III
Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C.
425 West Capitol Avenue, Suite 1800
Little Rock, Arkansas 72201
Direct: (501) 688-8833
Facsimile: (501) 688-8807

**ITEM 1.** IDENTITY OF PARTIES TO TRANSACTION

| | | |
|---|---|---|
| **(a) Name** | Central United Life Insurance Company ("Central United") | Family Life Insurance Company ("FLIC") |
| **(b) Home office address** | 10700 Northwest Freeway<br>Houston, TX 77092 | 10700 Northwest Freeway<br>Houston, TX 77092 |
| **(c) Principal Executive Office Address** | 10700 Northwest Freeway<br>Houston, TX 77092 | 2727 Allen Parkway, Suite 500<br>Houston, TX 77019 |
| **(d) The organizational structure** | Corporation | Corporation |
| **(e) Description of the nature of the parties' business operations** | Life/Health Insurance Company | Life/Health Insurance Company |
| **(f) Relationship, to the insurer filing the notice, etc.** | Insurer | Affiliate |
| **(g) Where the transaction is with a non-affiliate, the name(s) of the affiliate(s) which will receive, in whole or in substantial part, the proceeds of the transaction.** | Not applicable. | Not applicable. |

**ITEM 2.** DESCRIPTION OF THE TRANSACTION

(a) Notice is being given pursuant to: Ark. Code Ann. § 23-63-515(a)(2)(D), which relates to management agreements, service contracts and cost sharing agreements between affiliates.

(b) The nature of the present transaction involves an Intracompany Service Agreement ("Agreement") between Central United and its affiliate, Family Life Insurance Company ("FLIC"), whereby Central United agrees to perform certain services for FLIC as to new and in force policies. By the terms of this agreement, Central United is authorized to perform administrative services on behalf of FLIC including the following: underwriting, claims, recordkeeping, accounting, financial management services, facility support and maintenance, administration of form and rate filings, execution of any reinsurance or retrocession contracts, marketing, agency development, planning, purchasing, personnel services, information systems maintenance, electronic data processing, reporting and legal services support.

(c) The effective date of the Intracompany Service Agreement is April 1, 2007.

**ITEM 3.** SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES, OR INVESTMENTS

Not applicable

**ITEM 4.** LOANS OR EXTENSIONS OF CREDIT TO A NON-AFFILIATE

Not applicable

**ITEM 5.** REINSURANCE

Not applicable.

**ITEM 6.** MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS, AND COST-SHARING ARRANGEMENTS

(a) Description of the services to be performed.

Pursuant to the Intracompany Service Agreement, FLIC authorizes Central United to perform administrative services on behalf of FLIC including the following: underwriting, claims, recordkeeping, accounting, financial management services, facility support and maintenance, administration of form and rate filings, execution of any reinsurance or retrocession contracts, marketing, agency development, planning, purchasing, personnel services, information systems maintenance, electronic data processing, reporting and legal services support. These services are included within Articles 1 through 4 of the Agreement.

(b) Description of the agreement.

In exchange for the administrative services provided by Central United, the Agreement provides that FLIC will compensate Central United for the actual cost of providing these services. Central United will bill such costs (including fees and expenses) to FLIC on a quarterly basis, and FLIC shall make payment to Central before the end of the month in which such bill is rendered.

The period during which the Agreement will be in effect begins April 1, 2007. According to Article 6 of the Agreement, the Agreement has a term of ten (10) years that is automatically renewable for successive three (3) year terms unless and until either party gives notice to the other party that it does not wish to renew the contract for an additional term, provided such notice is given prior to 180 days before the end of the contract term. The parties may terminate the Agreement by providing their mutual, written consent. In the event of Central United's insolvency, the Agreement provides that FLIC will then obtain the right to terminate the Agreement unilaterally by providing written notice of termination to Central United.

**ITEM 7.** SIGNATURE AND CERTIFICATION SIGNATURE

Pursuant to the requirements of Ark. Code Ann. § 23-63-515, Central United Life Insurance Company has caused this notice to be duly signed on its behalf in the City of Houston and State of Texas on the 26 day of September, 2007.

(SEAL) Central United Life Insurance Company.

By: _____
Daniel J. George
President

Attest: _____
Mary Lou Rainey
Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached statement dated September 26, 2007, for and on behalf of **Central United Life Insurance Company**; that he is the **President** of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

_____
Daniel J. George

# INTRACOMPANY SERVICE

# AGREEMENT

**THIS INTRACOMPANY SERVICE AGREEMENT** (the "Agreement") is made and entered into as of April 1, 2007 by and between **CENTRAL UNITED LIFE INSURANCE COMPANY** ("Central"), an Arkansas domiciled life insurance company, and **FAMILY LIFE INSURANCE COMPANY** ("FLIC"), a Texas domiciled life insurance company that is an "affiliate" of Central.

**WHEREAS**, FLIC desires Central to provide certain Administrative Services for FLIC in its insurance operations and contemplates that such arrangement will achieve certain operating economies and improve services;

**WHEREAS**, Central is experienced in providing such Administrative Services;

**WHEREAS**, FLIC and Central wish to identify the Administrative Services to be rendered to FLIC by Central and to provide a method of determining the charges to be made to FLIC; and

**WHEREAS**, Central and FLIC wish to assure that all charges for services and the use of Facilities incurred hereunder are reasonable, and to the extent practicable, reflect actual costs and are arrived at in a fair and equitable manner, and that estimated costs, whenever used, are adjusted periodically to bring them into alignment with actual costs;

**NOW, THEREFORE**, the parties hereto hereby agree as follows:

## ARTICLE 1
## PERFORMANCE OF SERVICES

1.1. Performance of Services.

1.1.1. All underwriting and claims services provided to FLIC are to be based upon written criteria, standards, and guidelines of FLIC. FLIC shall have the ultimate and final authority over decisions and policies that include but are not limited to: the acceptance, rejection or canceling of risks: and the payment or non-payment of claims.

1.1.2. Central agrees to perform the services set forth below for FLIC. The services shall be performed in such places at such times and for such periods as FLIC may from time to time reasonably request.

1.2. Performance Standards. Central covenants and agrees that when such Administrative Services are performed for or on behalf of FLIC by Central, it will utilize the best of its knowledge, skill and judgment in providing such Administrative Services to FLIC, and shall perform its obligations hereunder in accordance with applicable laws and regulations and prudent

standards of care that are reasonable and customary in the life insurance industry. Without limitation of the foregoing, Central covenants and agrees:

1.2.1. To employ and maintain in its employment a competent and experienced staff of qualified and trained personnel to perform fully and adequately its duties and responsibilities under this Agreement, and to provide adequate office supplies, materials and equipment for the use of its employees in rendering Administrative Services under this Agreement.

1.2.2. To comply with all laws applicable to the providing of Administrative Services under this Agreement, including, without limitation, unfair claims practices laws.

1.3. Communications with Policyholders. All communications with policyholders of FLIC shall be in the name of FLIC. Central agrees to establish a toll-free telephone number for responding to inquiries from FLIC policyholders which will be answered "Family Life Insurance Company." All correspondence will be on FLIC letterhead: FLIC will provide check stock for use by Central in payment of claims and refunds of premium for FLIC policyholders.

1.4. Notification. Central shall forward promptly to FLIC all notices and other written communications received by or served upon Central relating to the Administrative Services, including, without limitation: (a) all inquiries or complaints from state insurance regulators, agents, brokers, and insureds; and (b) all notices of claims, suits, and actions for which Central receives service of process.

1.5. Records.

1.5.1. Central agrees to maintain all records required by law, including records with respect to claims, applications, rating, underwriting marketing, policies, complaints, finances, and producer licensing records. All of such records shall be maintained for the term of this Agreement. All records generated by Central under this Agreement shall be and remain the property of FLIC and shall be returned to FLIC when requested by FLIC and upon termination of this Agreement. Without limiting the generality of the foregoing, Central shall maintain books and records of any communication with any regulatory authority, complaint logs, and all data used by Central in the performance of Administrative Services required under this Agreement. FLIC shall, at all times, have complete access to FLIC records maintained by Central.

1.5.2. All books, records, and files established and maintained by Central by reason of its performance under this Agreement that, absent this Agreement, would have been held by FLIC, shall be the property of FLIC, and shall be subject to examination by FLIC and persons authorized by FLIC at all times. Central must be provided with at least one business day's prior notice for any such examination that is not to occur during normal business hours. FLIC may at any time require Central to surrender possession of books, records and files, whereupon Central shall promptly deliver them to FLIC. After such delivery, Central shall have no obligation with respect to the continued maintenance of such books, records, and files. Central's sole responsibility after such delivery shall be to assist in facilitating the transfer of such books, records, and files. Central is authorized to

make all such books, records, and files of FLIC readily available to all insurance regulatory agencies for review and examination.

1.5.3. If Central's electronic system that created and maintains such records is to be replaced by a system with which the records would be incompatible, then such pre-existing records shall be converted to a format that is compatible with the new system.

1.5.4. Central shall maintain acceptable backup (hard copy or any other durable medium).

## ARTICLE 2
## ADMINISTRATIVE SERVICES AND FACILITIES

2.1. Personnel. Central shall make available to FLIC all personnel necessary or appropriate to provide the Administrative Services to FLIC covered under this Agreement.

2.2. Accounting and Financial Management Services.

2.2.1. Central shall provide accounting services as may be required, including preparation and maintenance of the financial statements and reports including without limitation, annual statements on a statutory basis and tax returns, and the preparation and processing of the related financial records and transactions of FLIC. Central is authorized to prepare and verify any other documents and reports required by applicable laws or regulations. Central is further authorized, at the request of FLIC or its attorneys, to represent FLIC as to all matters of taxation growing out of the business of FLIC, whether Federal, State, or otherwise. When requested by FLIC, Central is authorized to retain the services of independent accounting firms or independent law firms to provide accounting or tax services to FLIC.

2.2.2. FLIC shall arrange a bank account or bank accounts with banking institutions selected by FLIC. Central is authorized to deposit therein monies of FLIC or monies payable to FLIC and to draw checks, drafts, or other orders for the payment of money therefrom, signed by two signatories who will be FLIC officers, and to do all things necessary or appropriate with regard thereto. The banking institution shall be either a member of the Federal Reserve System or a Texas chartered Bank. There shall be no commingling of the funds of Central with the funds of FLIC in such accounts. A lock box will be established for receipt of all premiums payable to FLIC.

2.2.3. In addition to the financial services outlined above, Central shall provide or arrange financial management services for FLIC with respect to: (a) billing and collections systems; (b) preparation of budgets, rates, and rate increase submissions to state authorities; and (c) tax preparation services.

2.3. Facilities. Central shall furnish all office space, furniture, fixtures, and equipment, including, without limitation, data processing and communications equipment ("Facilities") necessary or appropriate to provide the Administrative Services to FLIC required to be performed by Central under this Agreement.

## ARTICLE 3
## INSURANCE PRODUCT DEVELOPMENT SERVICES

3.1. Underwriting.

3.1.1. Subject to underwriting standards established by FLIC and communicated to Central, Central will provide underwriting services for direct insurance and ceded reinsurance as may be required, including advice to management of FLIC, review of reports rendered by FLIC producers, monitoring and auditing business underwritten on behalf of FLIC, and assisting in the preparation of documents as needed with respect to direct insurance and ceded reinsurance. FLIC shall at all times have the ultimate and final authority in accepting or rejecting risks involving FLIC insurance policies, to determine to whom FLIC will cede reinsurance, and the terms of any such insurance or reinsurance. Central shall administer the preparation and submission of any reports required by any regulatory authority concerning FLIC's underwriting practices.

3.1.2. Central is authorized on behalf of FLIC to give and receive notices pursuant to the conditions of any contracts, policies, certificates or other written evidences of insurance and reinsurance and renewals thereof, and to signify by endorsements thereon the assent and sanction of FLIC to anything to which such assent and sanction is required. Central is further authorized on behalf of FLIC to ask, demand, attach, sue for recovery, and receive all premiums, debts, and sums of money that are now or hereafter shall be and become due and payable to FLIC. A lock box will be established for receipt of all premiums payable to FLIC.

3.1.3. When requested by FLIC, Central will administer form and rate filings on behalf of FLIC. Central is authorized on behalf of FLIC to pay the costs associated with the preparation and submission of such filings, to include printing, state filing fees, and the costs incurred by Central out of the funds of FLIC.

3.2. Claims.

3.2.1. Central shall provide claims services as may be required by FLIC, including case management services, and the review of claims services, if any, rendered by FLIC producers and managing general agents. FLIC shall at all times have the ultimate and final authority in determining whether to pay or reject payment on claims involving insurance policies issued by FLIC. Central is authorized on behalf of FLIC to retain the services of independent law firms in connection with the defense of claims, including declaratory judgment actions, concerning FLIC policies. Central is further authorized on behalf of FLIC to pay the charges of such firms out of the funds of FLIC.

At all times Central is providing claims processing and payment services, Central will take steps to assure the stationary will be used and telephone inquiries will be answered in the name of the FLIC, generically (for example, "claim department").

3.2.2. Central is authorized on behalf of FLIC to give and receive notices pursuant to the conditions of any contracts, policies, certificates or other written evidences of insurance and reinsurance and renewals thereof, and to signify by endorsements thereon the assent

and sanction of FLIC to anything to which such assent and sanction is required. Central is further authorized to ask, demand, attach, and receive all premiums, debts, and sums of money that are now or hereafter shall be and become due and payable to FLIC, and to receive and adjust any claim that may be made against FLIC. A lock box will be established for receipt of all premiums payable to FLIC. If there is a claim adjustment or negotiated settlement of a claim, it must be adjusted or settled by FLIC.

3.2.3. Central agrees that during the term of this Agreement it shall obtain and maintain in effect all licenses and permits required by applicable law to perform its obligations under this Agreement.

3.3. Reinsurance. Subject to the provisions of Section 3.1, Central is authorized to execute, as attorney for FLIC, reinsurance or retrocession contracts with any authorized insurance corporation or association.

## ARTICLE 4
## OTHER SERVICES

4.1. Marketing. Central is authorized to provide or arrange for FLIC marketing services with respect to: (a) preparation of literature, handbooks, and advertisements; (b) joint promotional efforts with affiliated or third parties.

4.2. Agency Development. Central shall be authorized to appoint producers and to revoke the appointment of such producers and to provide any reports required of FLIC in connection with the appointment of such producers. Central is authorized to pay any appointed producer's licensing fees out of FLIC funds.

4.3. Planning. Central shall as and when required by FLIC provide or arrange for FLIC planning services with respect to market studies and preparation of necessary applications to regulatory agencies.

4.4. Purchasing. Central shall as and when required by FLIC consult with FLIC or provide services to FLIC regarding the purchase and development of a centralized purchasing system in conjunction with Central and FLIC subsidiaries and affiliates.

4.5. Personnel Services. Central shall as and when required by FLIC consult with FLIC or provide services to FLIC regarding employee recruitment and other personnel matters.

4.6. Information Systems, EDP, and Reporting.

4.6.1. Central shall as and when required by FLIC consult with FLIC or provide services to FLIC regarding the general development of useful informational systems and reports for management or regulatory authorities.

4.6.2. Subject to the terms (including any limitations and restrictions) of any applicable software or hardware licensing agreement then in effect between Central or its affiliates and any licensor, Central shall, upon termination of this Agreement, grant to FLIC a perpetual license, without payment of any fee, in any electronic data processing software

developed by or used by Central or its affiliates in connection with the services provided to FLIC hereunder, provided that such software is not commercially available and is necessary, in FLIC's reasonable judgment, for FLIC to perform, subsequent to termination of this Agreement, the functions performed by Central hereunder.

4.7. Legal Proceedings. Central shall provide or arrange to provide to FLIC legal assistance. Central is authorized to appear before all courts, consuls and officers or tribunals to acknowledge all such documents that Central have executed by virtue of this Agreement as and for the act and deed or acts and deeds of FLIC and generally to do perform and execute all such further and other acts matters and things in the premises as may be necessary or expedient. Central is authorized to retain the services of independent law firms to represent FLIC in connection with FLIC operations and to pay the fees of such firms out of FLIC funds.

4.8. Government and Public Relations. Central shall consult with FLIC regarding: (a) communications with local, state, and federal government legislative and regulatory bodies; and (b) assistance with communicating with the media and public-at-large.

4.9. Leases. Central, with FLIC prior written approval, may execute and deliver any lease or leases, and sign any notices or writings that may be requisite for the purposes aforesaid on any of them.

4.10. Scope. All services to be provided hereunder may be performed within or without the State of Texas as reasonably required to service the insurance business of FLIC. Central is authorized to take all such actions as may be necessary to effectuate and carry out the terms and provisions of this Agreement.

## ARTICLE 5
## COMPENSATION

5.1. Basic Compensation. In consideration of the personnel and Administrative Services furnished by Central to FLIC under this Agreement, FLIC agrees to pay Central the actual cost of providing services.

5.2. Statements. On or before the thirtieth (30th) day after the end of each calendar quarter during the term of this Agreement, Central will provide FLIC a statement of fees and expenses for Administrative Services rendered by Central to FLIC during the preceding calendar quarter, which shall be paid by FLIC to Central on or before the end of the month in which such statement was rendered. The quarterly statements may include amounts estimated by Central, and such estimated amounts shall be reconciled with actual fees and expenses determined by Central on or before February 15 in each calendar year for the prior calendar year, and the estimated amounts shall be adjusted to actual costs and expenses.

5.3. Records; Audit. The books, accounts, and records of each of the parties to this Agreement shall be so maintained as to clearly and accurately disclose the nature and details of the services rendered under this Agreement, including such accounting information as is necessary to support the reasonableness of the fees and expenses paid to Central by FLIC. Expenses incurred and payment received by the parties shall be allocated in conformity with customary insurance accounting practices consistently applied. FLIC may, within sixty (60)

days of the submission of any quarterly billing statement furnished FLIC by Central, audit such statement for the purpose of determining whether amounts charged to FLIC are appropriately chargeable to FLIC. Central shall cooperate with FLIC in connection with any such audit, which shall be completed within sixty (60) days after its initiation. If such audit indicates the need for any adjustment of the amounts charged by Central to FLIC, FLIC shall propose to Central, in writing, any adjustments deemed appropriate and the reasons therefore, supported in reasonable detail, and tender to Central the amount of the quarterly statement, less any proposed adjustments. If Central agrees to the proposed adjustments, the statement for the quarter shall be adjusted accordingly. If Central disagrees with the adjustments, it shall negotiate with FLIC a fair and equitable resolution of such dispute; if such resolution cannot be reached between Central and FLIC, the dispute shall be resolved by the independent public accountants for FLIC, whose decision shall be final and binding upon the parties. Any statement (or part thereof) not disputed as to correctness by FLIC (or as to which an audit has not been completed) within the applicable sixty (60) day period provided in this Section 5.3 shall thereafter be conclusively deemed correct for all purposes.

## ARTICLE 6
## TERM AND TERMINATION

6.1. Term. This Agreement shall commence on April 1, 2007, and continue in force until the first to occur of:

6.1.1. The mutual written consent of the parties hereto, which writing shall state the effective date of termination and shall set forth in reasonable detail the procedures for transferring the Administrative Services to the FLIC or the FLIC's designee.

6.1.2. Written notice to the Central, at the option of the FLIC, upon the occurrence of any of the following events:

(1) The Central becomes subject to dissolution, liquidation, bankruptcy, or receivership, or if creditors of the Central take over its management, or if the Central otherwise enters into any arrangement with creditors, or makes an assignment for the benefit of creditors, or if any significant part of the Central's undertakings or property is impounded or confiscated by action of any Governmental Authority.

(2) March 31, 2017.

6.1.3. Renewal Term. This Agreement shall automatically renew successive terms of three (3) years each, provided that either the Central or FLIC may terminate automatic renewals by giving one hundred eighty (180) days' written notice to the other party prior to each term.

6.1.4. Following any termination of this Agreement, the Central shall cooperate fully with the FLIC in effecting the prompt transfer of the Administrative Services, turning over the authority exercised over the bank accounts and lockboxes by the Central hereunder and transfer the books and records to the FLIC or the FLIC's designee, so that

the FLIC or its designee will be able to perform the services required under this Agreement without interruption following any such termination.

6.1.5. The FLIC shall pay any out-of-pocket cost arising as a result of such termination, including, without limitation: (i) the cost of transitioning the Administrative Services to a substitute provider or the FLIC; (ii) any fees paid to any such substitute provider; and (iii) any costs incurred by the Central with respect to the Administrative Services after termination of this Agreement.

## ARTICLE 7
## INABILITY TO PERFORM SERVICES; ERRORS

7.1. Inability to Perform Services. In the event that Central shall be unable to perform the Administrative Services as required by this Agreement for any reason for a period that can reasonably be expected to exceed three (3) business days, Central shall cooperate with FLIC in obtaining an alternative means of providing such services. Central will be responsible for all costs incurred in either restoring services or obtaining an alternative source of services.

7.2. Errors. Central shall, at its own expense, correct any errors made in the providing of the Administrative Services caused by it within a reasonable time after receiving notice thereof from FLIC or otherwise.

## ARTICLE 8
## INDEMNIFICATION

8.1. Indemnification.

8.1.1. Central agrees to indemnify and hold harmless FLIC and any of its directors, officers, employees, agents or affiliates from any and all losses, costs, claims, demands, compensatory, extra contractual and/or punitive damages, fines and penalties (collectively, "FLIC Losses") arising out of or caused by: (i) fraud, theft or embezzlement by officers, employees or agents of Central during the term of this Agreement; (ii) the failure, either intentional or unintentional, of Central, or any of its directors, officers, employees or agents to perform properly the Administrative Services or take any actions required to be taken by Central under this Agreement; (iii) any other negligent act or willful misconduct committed by any officer, agent or employee of Central during the term of this Agreement; or (iv) any failure of Central to comply with applicable laws, rules and regulations during the term of this Agreement; provided, however, that if any of the actions set forth in (i) through (iv) above are taken or caused by an officer, agent or employee of FLIC who is also an officer, agent or employee of Central, then the right to indemnification provided in this Section 8.1.2 shall not apply.

8.1.2. FLIC agrees to indemnify and hold harmless Central and any of its directors, officers, employees, agents or affiliates from any and all losses, costs, claims, demands, compensatory, extra contractual and/or punitive damages, fines and penalties (collectively, "Central Losses") arising out of, or caused by: (i) fraud, theft or embezzlement by officers, employees or agents of FLIC during the term of this Agreement; (ii) any other negligent act or willful misconduct committed by any officer,

agent or employee of FLIC during the term of this Agreement; (iii) any failure by FLIC to comply with applicable laws, rules and regulations during the term of this Agreement: or (iv) the following by Central of FLIC's instructions with respect to the Administrative Services provided by Central hereunder; provided. however, that if any of the actions set forth in (i) through (iv) above are taken or caused by an officer, agent or employee of FLIC who is also an officer, agent or employee of Central, then the right to indemnification provided in this Section 8.1.2 shall not apply.

8.2. Notice of Asserted Liability. In the event that either party hereto asserts a claim for indemnification hereunder, such party seeking indemnification (the "Indemnified Parry") shall give written notice to the other party (the "Indemnifying Party") specifying the facts constituting the basis for, and the amount (if known) of the claim asserted.

8.3. Right to Contest Claims of Third Parties.

8.3.1. If an Indemnified Party asserts, or may in the future seek to assert, a claim for indemnification hereunder because of a claim or demand made, or an action, proceeding or investigation instituted, by any Person not a party to this Agreement (a "Third Parry Claimant") that may result in a Central Loss with respect to which Central may be entitled to indemnification pursuant to Section 8.1.1 hereof or a FLIC Loss with respect to which FLIC may be entitled to indemnification pursuant to Section 8.1.2 hereof (an "Asserted Liability"), the Indemnified Party shall so notify the Indemnifying Party as promptly as practicable, but in no event later than ten (10) business days after such Asserted Liability is actually known to the Indemnified Party. Failure to deliver notice with respect to an Asserted Liability in a timely manner shall not be deemed a waiver of the Indemnified Party's right to indemnification for Central Losses or FLIC Losses, as the case may be, in connection with such Asserted Liability but the amount of reimbursement to which the Indemnified Parry is entitled shall be reduced by the amount, if any, by which the Indemnified Party's loss reduction if such notice had been timely delivered.

8.3.2. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party, to investigate, contest, defend, or settle the Asserted Liability; provided that the Indemnified Party may, at its option and at its own expense, participate in the investigation, contesting, defense, or settlement of any such Asserted Liability through representatives and counsel of its own choosing. The failure of the Indemnifying Party to respond in writing to proper notice of an Asserted Liability within ten (10) days after receipt thereof shall be deemed an election not to defend the same. Unless and until the Indemnifying Party elects to defend the Asserted Liability, the Indemnified Party shall have the right, at its option and at the Indemnifying Party's expense, to do so in such manner as it deems appropriate, including, but not limited to, settling such Asserted Liability (after giving notice of the settlement to the Indemnifying Party) on such terms as the Indemnified Party deems appropriate.

8.3.3. Except as provided in the immediately preceding sentence, the Indemnified Party shall not settle or compromise any Asserted Liability for which it seeks indemnification hereunder without the prior written consent of the Indemnifying Party (which shall not be unreasonably withheld) during the ten-day period specified above.

8.3.4. The Indemnifying Party shall be entitled to participate in (but not to control) the defense of any Asserted Liability which it has elected, or is deemed to have elected, not to defend, or which it does not have the right to defend under Section 8.3.2, with its own counsel and at its own expense.

8.3.5. Except as provided in the first sentence of Section 8.3.2, the Indemnifying Party shall bear all costs of defending any Asserted Liability and shall indemnify and hold the Indemnified Party harmless against and from all costs, fees, and expenses incurred in connection with defending such Asserted Liability.

8.3.6. Central and FLIC shall make available to each other all relevant information in their possession relating to any Asserted Liability (except to the extent that such action would result in a loss of attorney-client privilege) and shall cooperate with each other in the defense thereof.

8.4. Indemnification Payments. Any payment hereunder shall be made by wire transfer of immediately available funds to such account or accounts as the Indemnified Party shall designate to the Indemnifying Party in writing.

## ARTICLE 9
## MISCELLANEOUS

9.1. Scope of Agreement. This Agreement constitutes an agreement by Central to provide certain personnel and certain Administrative Services to FLIC, and does not constitute, nor shall it be construed as, a contract or agreement granting Central the authority to manage or direct the management and policies of FLIC. The power to direct the management of the business and policies of FLIC shall, at all times, remain with the Board of Directors and, to the extent delegated by such board, by the designated officers of FLIC. Central acknowledges and agrees that any and all actions taken by Central under this Agreement shall be subject to the continuous supervision and direction of the Board of Directors of FLIC.

9.2. Services to Other Affiliates. FLIC acknowledges and agrees that, during the term of this Agreement, Central may enter into other agreements or arrangements with other affiliates of Central and FLIC, and may provide Administrative Services of the types described in this Agreement to such other affiliates of Central and FLIC; certain officers, directors and employees of Central may render services to such other affiliates of Central and FLIC pursuant to such agreements and arrangements and may serve as officers and directors of such other affiliates of Central and FLIC; and the Facilities used by Central in providing Administrative Services to FLIC under this Agreement may also be used by Central in providing administrative services to such other affiliates of Central and FLIC.

9.3. Licensing. Central hereby represents and warrants to FLIC that it has all licenses, qualifications, and other authorizations necessary to provide the Administrative Services to or on behalf of FLIC. At all times during the term of this Agreement, Central shall maintain in force and effect all licenses, qualifications, and other authorizations necessary under applicable law to provide the Administrative Services to or on behalf of FLIC. Central agrees to provide FLIC with copies of any such documents upon request.

9.4. Independent Contractor. In performing its obligations under this Agreement, Central shall be an independent contractor. Nothing contained herein, and no action taken pursuant to this Agreement, shall be construed as establishing a partnership, joint venture or other relationship between Central, on the one hand, and FLIC, on the other hand.

9.5. Confidentiality of Proprietary Information. Central acknowledges and agrees that, during the term of this Agreement, FLIC and its agents, employees and representatives may obtain or have access to certain information that may be deemed proprietary and confidential by Central. Likewise, FLIC acknowledges and agrees that, during the term of this Agreement, Central and its agents, employees and representatives may obtain or have access to certain information that may be deemed proprietary and confidential by FLIC. Each of the parties agrees that any such information designated as proprietary by any other party hereto shall be maintained by the other parties hereto on a strictly confidential basis, will be used solely for the purposes contemplated herein, and will be disclosed only to those of the parties' respective agents, employees and representatives who require such information for purposes of the performance of such party's obligations hereunder, or as may be required by applicable laws and regulations.

9.6. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect. The parties shall endeavor in good faith negotiations to replace an invalid, illegal or, unenforceable provision with a valid, legal and enforceable provision, the effect of which comes as close as possible to the substance of the invalid, illegal or unenforceable provision.

9.7. Entire Agreement. This Agreement constitutes the entire agreement and understanding and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

9.8. Assignment. This Agreement shall not be assignable or otherwise transferable by Central, on the one hand, or by FLIC on the other hand, without the prior written consent of the other, and any purported assignment or other transfer without such consent shall be void and unenforceable. Central may not subcontract for the performance of any Administrative Services that Central is to provide hereunder, except as permitted in writing by FLIC. Subject to the foregoing, this Agreement shall inure to the benefit of the legal successors and assigns of the parties hereto.

9.9. Change in Status. Central shall notify FLIC of any "change of control" filing, the adoption of any plan to liquidate, merge, or dissolve Central, or of any proceeding or lawsuit which affects Central's ability to perform this Agreement, including without limitation insolvency or rehabilitation proceedings.

9.10. Amendments and Waivers. This Agreement may not be amended, supplemented, or discharged, and none of its provisions may be modified, except expressly by an instrument in writing signed by the party to be charged. Any term or provision of this Agreement may be waived, but only in writing by the party which is entitled to the benefit of that provision. No waiver by any party of any default with respect to any provision, condition or requirement hereof shall be deemed to be a continuing waiver in the future thereof or a waiver of any other provision, condition or requirement hereof; nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

9.11. Counterparts. This Agreement may be executed in one or more counterparts, which together shall constitute one instrument. It shall not be necessary for each party to sign each counterpart so long as each party has signed at least one counterpart.

9.12. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas without regard to the provisions thereof pertaining to the principles of conflict of laws.

9.13. Non-Exclusivity. Central reserves the right to contract with third parties to provide some or all of the services that are the subject of this Agreement.

9.14. Arbitration. Any controversy or claim arising out of or related to this Agreement, or the breach thereof, shall be settled by arbitration is accordance with the commercial Arbitration rules of the American Arbitration Association and the Expedited Procedures thereof, and judgment upon the award rendered by the Arbitrator may be entered in any Court having jurisdiction thereof. Unless otherwise agreed to by the parties, the arbitration shall take place in Houston, Texas. A party to this Agreement may invoke this arbitration provision by giving written notice to the other party of its intent to arbitrate at least thirty (30) days before any arbitration proceeding may be demanded. If after said thirty (30) day period a mutually agreed solution is not achieved, then either party may demand that the dispute(s) in question be arbitrated. The arbitration will be conducted by a single arbitrator chosen by the parties in accordance with the above rules. The Arbitrator shall be an active or retired executive officer of a life insurance company. In no event shall any demand for arbitration be made after the date on which the legal or equitable claim would be barred by the applicable statute of limitations nor shall any arbitrator have the jurisdiction, power of authority to award any damages excluded under this Agreement or otherwise not available in the court with jurisdiction.

9.15. Contact Person. The contact person for FLIC is Dan George, President. The contact person for Central is David Harris, CEO.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

**CENTRAL UNITED LIFE INSURANCE COMPANY**

By: _____
David Harris, Chief Executive Officer

**FAMILY LIFE INSURANCE COMPANY**

By: _____
Daniel J. George, President