

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402
	:	and 1403 of the Insurance Holding
Application of Liberty Bankers Life	:	Companies Act, Article XIV of the
Insurance Company in Support of the	:	Insurance Company Law of 1921, Act
Request for Approval to Acquire Control	:	of May 17, 1921, P. L. 682, <u>as</u>
of Continental Life Insurance Company	:	<u>amended</u> , 40 P.S. §§991.1401,
and Continental Mutual Insurance	:	991.1402 and 991.1403
Company	:	
	:	Order No. ID-RC-15-06

DECISION AND ORDER

AND NOW, on this 17th day of April, 2015, Teresa D. Miller, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Continental Life Insurance Company (“CLIC”) is a stock life insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Upper Darby, Pennsylvania.
2. Continental Mutual Insurance Company (“CMIC”) is a mutual property insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Upper Darby, Pennsylvania.
3. CLIC and CMIC are collectively hereinafter referenced as the “PA Domestic Insurers”.
4. Burlen Corporation (“Burlen”) is a business corporation organized pursuant to the laws of the State of Delaware with its principal place of business in Upper Darby,

Pennsylvania. CLIC is a direct wholly-owned subsidiary of Burlen. 100% of the management contracts and surplus notes of CMIC are owned by Burlen.

5. Walter H. Lenhard, III (“Lenhard”) is an individual with his primary residence located in Villanova, Pennsylvania. Lenhard owns 100% of the issued and outstanding stock of Burlen.
6. Liberty Bankers Life Insurance Company (“Applicant”) is a stock life insurance company organized pursuant to the laws of the State of Oklahoma with its principal place of business in Dallas, Texas.
7. Heritage Guaranty Holdings, Inc. (“Heritage”) is a business corporation organized pursuant to the laws of the State of Nevada with its principal place of business in Dallas, Texas. The Applicant is a direct wholly-owned subsidiary of Heritage.
8. HGH Group, Inc. (“HGH”) is a business corporation organized pursuant to the laws of the State of Nevada with its principal place of business in Dallas, Texas. Heritage is a direct wholly-owned subsidiary of HGH.
9. Liberty Life Group Trust (“Liberty Trust”) is a trust organized pursuant to the laws of the State of Texas with its principal place of business in Dallas, Texas. HGH is a direct wholly-owned subsidiary of Liberty Trust.

Acquisition Filing

10. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401- 991.1413 (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
11. On December 12, 2014, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently, including an amended application received on February 19, 2015, is hereinafter referenced as “Application”) from Applicant for approval to acquire control of the PA Domestic Insurers.
12. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

13. On January 3, 2015, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Applicant and such notice invited interested persons to submit comments to the Department regarding the Application for 30 days following

the date of the publication (“Comment Period”).

14. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

15. As described in the Application, on December 2, 2014, Applicant and Lenhard entered into a Stock Purchase Agreement (“Agreement”).
16. As described in the Application and Agreement:
 - a) Applicant will acquire 100% of the issued and outstanding stock of Burlen from Lenhard.
 - b) CLIC will become a wholly-owned subsidiary of Applicant.
 - c) CMIC will become an affiliate of the Applicant while remaining wholly-owned by its policyholders.
17. As described in the Application and pursuant to the Agreement, Liberty Trust would become the sole ultimate controlling person of the PA Domestic Insurers.

Standards for Review

18. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
19. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

Licensing Requirements

20. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
21. Specifically, the Department reviews whether the domestic insurer would 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 after the acquisition.
22. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40

P.S. §382).

23. The minimum paid up capital stock and paid in surplus required of a stock insurance company and the minimum required surplus for a mutual insurance company for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
24. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), CLIC is required to maintain a minimum paid up capital stock of \$1,100,000 and a minimum paid in surplus of \$550,000 to write the lines of insurance for which it is presently licensed.
25. As of December 31, 2014, CLIC maintained the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.
26. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), CMIC is required to maintain a minimum surplus of \$850,000 to write the lines of insurance for which it is presently licensed.
27. As of December 31, 2014, CMIC maintained the statutory minimum surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.
28. Upon completion of the transaction, CLIC and CMIC will each have the statutory minimum capitalization and surplus to satisfy the requirements to write the lines of insurance for which each is presently licensed.

Competitive Impact

29. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of the PA Domestic Insurers would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein.
30. The acquisition of control of the PA Domestic Insurers will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of those insurance company subsidiaries of the Applicant licensed to transact the business of insurance in Pennsylvania and the market shares of the PA Domestic Insurers, as stated in its Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

31. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
32. The Department has reviewed the annual and quarterly financial statements submitted by Applicant as of December 31, 2014, and September 30, 2014, respectively.
33. The financial condition of Applicant will not pose any impediments to the change in control nor jeopardize the financial condition of the PA Domestic Insurers.

Plans for the Acquired Insurer

34. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
35. In particular, the Department reviewed the transaction as set forth in the Application to determine whether it is:
 - a) Unfair or unreasonable or fails to confer a benefit upon policyholders.
 - b) Not in the public interest.
36. As stated in the Application, Applicant has no future plans or proposals to liquidate the PA Domestic Insurers, to sell their assets, to merge or consolidate them with any person or persons, or to make any other material change in their business operations or corporate structure.
37. There is no basis in the record from which it may be concluded the proposed transaction is unfair or unreasonable or fails to confer a benefit upon policyholders or is not in the public interest.

Management

38. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
39. Biographical affidavits for all directors and executive officers of Applicant were reviewed by the Department.
40. Biographical affidavits of the intended new officers and directors of the PA Domestic Insurers were reviewed by the Department.

41. The Department is satisfied that the persons who would control the operations of the PA Domestic Insurers have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

42. When analyzing an application for acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
43. There is no indication that the projected future business of the Applicant would impose a financial burden upon policyholders.
44. Likewise, there is no indication that the transaction would result in the companies being in impaired financial condition.
45. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.
46. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

47. When analyzing an application for a an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
48. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
49. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the change in control of the PA Domestic Insurers.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a) The insurer will not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring party is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or 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 policyholders of the insurers and fail to confer a benefit on policyholders and are not in the public interest;
 - e) 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 and the general public to permit the acquisition of control;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of the PA Domestic Insurers.

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ORDER

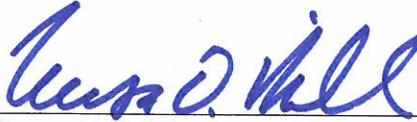
Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Liberty Bankers Life Insurance Company in support of the request for approval to acquire control of Continental Life Insurance Company (“CLIC”) and Continental Mutual Insurance Company (“CMIC”) (CLIC and CMIC collectively hereinafter referenced as the “PA Domestic Insurers”) as set forth in the application, is hereby approved, subject to this Order and the following condition:

1. Liberty Bankers Life Insurance Company shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.





Teresa D. Miller
Acting Insurance Commissioner
Commonwealth of Pennsylvania