

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of American Exchange Life : Companies Act, Article XIV of the
Insurance Company Requesting : Insurance Company Law of 1921, Act of
Exemption from the Requirements of 40 : May 17, 1921, P.L. 682, as amended, 40
P.S. § 991.1402 for a Change in the Direct : P.S. §§991.1401, 991.1402, and
Control of Pennsylvania Life Insurance : 991.1403
Company :
: Order No. ID-RC-09-37

DECISION AND ORDER

AND NOW, on this 28th day of October, 2009, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

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

FINDINGS OF FACT

Identity of the Parties

1. Pennsylvania Life Insurance Company (“Domestic Insurer”) is a domestic stock life insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located at Lake Mary, Florida.
2. American Exchange Life Insurance Company (“American Exchange”) is a stock life insurance company organized pursuant to the laws of the State of Texas with its principal place of business located in Lake Mary, Florida. American Exchange currently directly holds 100% of the issued and outstanding voting stock of Domestic Insurer.

3. UAC Holding, Inc. is a to be formed insurance holding company organized pursuant to the laws of the State of Delaware with its principal place of business located in Rye Brook, New York. American Exchange will directly hold 100% of the issued and outstanding capital stock of UAC Holding, Inc.
4. Universal American Corp. (“Universal American”) is a business corporation organized pursuant to the laws of the State of New York with its principal place of business located in Rye Brook, New York. Universal American is publicly traded on the New York Stock Exchange. Universal American directly holds 100% of the issued and outstanding voting stock of American Exchange.
5. Capital Z Financial Services Fund II, L.P. and Capital Z Financial Services Private Fund II, L.P. (collectively “Capital Z Funds”) are parallel equity investment funds organized under the laws of Bermuda with their principal place of business located in New York, New York. Capital Z Funds directly holds approximately 18.3% of the issued and outstanding voting stock of UAFC.
6. Welsh, Carson, Anderson & Stowe IX, L.P. (“WCAS IX”) is a business partnership organized under the laws of the state of Delaware with its principal place of business located in New York, New York.
7. Welsh, Carson, Anderson & Stowe X, L.P. (together with WCAS IX “WCAS”) is a business partnership organized under the laws of the state of Delaware with its principal place of business located in New York, New York. WCAS directly holds approximately 11.4% of Universal America.
8. Capital Z Funds and WCAS are the ultimate controlling persons of Domestic Insurer.

Filing of the Application

9. On October 21, 2009, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from American Exchange for approval to effectuate a corporate restructuring which will result in a change in the chain of control within the holding company system of Domestic Insurer, although the ultimate controlling persons will not change.
10. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Department for approval or disapproval.

11. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not have the effect of changing or influencing the control of a domestic insurer.

The Transaction

13. As described in the Request, American Exchange would contribute 100% of the issued and outstanding capital stock of Domestic Insurer to UAC Holding, Inc.
14. As described in the Request, a result of the transaction would be that American Exchange would indirectly hold 100% of the issued and outstanding voting stock of Domestic Insurer.
15. As provided in the Request, Capital Z Funds and WCAS would remain the ultimate controlling persons of Domestic Insurer.
16. The Deputy Commissioner finds that the transactions described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
17. 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 acquisition of voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The acquisition of stock proposed in the Request is not being contemplated to change or influence the ultimate control of Domestic Insurer, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination of the request for approval of the change in direct control of Pennsylvania Life Insurance Company, as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and is valid for one year from the date of signature.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation